

## Selected financial data

	[in PLN thousand]		[in EUR thousand]*	
	period from 01.01.2023 to 31.12.2023	period from 01.01.2022 to 31.12.2022	period from 01.01.2023 to 31.12.2023	period from 01.01.2022 to 31.12.2022
Net interest income	77,527.3	-27,062.1	17,062.6	-5,773.1
<b>Net income on basic activities</b>	<b>76,274.7</b>	<b>-28,560.6</b>	<b>16,786.9</b>	<b>-6,092.8</b>
General and administrative expenses, including:	-25,810.0	-25,626.4	-5,680.4	-5,466.9
<i>operating expenses</i>	-23,122.5	-22,307.1	-5,088.9	-4,758.7
<i>regulatory costs</i>	-2,687.5	-3,319.3	-591.5	-708.1
Gross profit (loss)	51,558.1	-56,127.8	11,347.2	-11,973.7
<b>Net profit (loss)</b>	<b>41,306.5</b>	<b>-46,004.8</b>	<b>9,090.9</b>	<b>-9,814.1</b>
Profit/loss per ordinary share (PLN)	108.70	-121.07	23.92	-25.83

\* Figures expressed in EUR have been calculated using the weighted average NBP exchange rate of 2023 for the reporting period and the weighted average NBP exchange rate of 2022 for the comparative figures.

	[in PLN thousand]		[in EUR thousand]*	
	as at 31.12.2023	as at 31.12.2022	as at 31.12.2023	as at 31.12.2022
Amounts due from banks	26,143.2	13,348.0	6,012.7	2,846.1
Debt securities	86,293.0	84,623.0	19,846.6	18,043.7
Loans to customers	3,660,051.8	2,901,111.1	841,778.2	618,587.0
<b>Total assets</b>	<b>3,777,242.4</b>	<b>3,020,271.5</b>	<b>868,731.0</b>	<b>643,994.9</b>
Liabilities to other banks	2,920,927.6	2,043,049.2	671,786.5	435,627.5
Liabilities under issue of bonds	0.0	135,927.4	0.0	28,983.0
Liabilities under issue of covered bonds	405,303.0	406,711.6	93,216.0	86,720.7
<b>Total liabilities</b>	<b>3,336,620.0</b>	<b>2,595,259.1</b>	<b>767,391.9</b>	<b>553,371.9</b>
Share capital	380,000.0	380,000.0	87,396.5	81,025.2
<b>Total equity</b>	<b>440,622.4</b>	<b>425,012.4</b>	<b>101,339.1</b>	<b>90,622.9</b>

\*) Figures expressed in EUR have been calculated using the average NBP exchange rate of 31 December 2023 for the reporting date and of 31 December 2022 for the comparative figures.

## The basic ratios

	as at 31.12.2023	as at 31.12.2022
<b>ROA</b> - return on assets (%)	1.20%	-1.32%
<b>ROE</b> - return on equity (%)	9.62%	-10.06%
<b>DR</b> - total debt ratio (%)	88.33%	85.93%
<b>TCR</b> - total capital ratio (%)*	23.31%	35.53%
<b>LR</b> - leverage ratio (%)*	10.57%	14.13%
<b>LCR</b> - liquidity coverage ratio (%)	1348.48%	142%

ROA - return on assets ratio (%) - calculated as the ratio of net profit from 4 consecutive quarters to average assets from 5 consecutive quarters

ROE - return on equity ratio (%) - calculated as the ratio of net profit from 4 consecutive quarters to average shareholders' equity from 5 consecutive quarters

DR - debt ratio (%) - calculated as the ratio of total debt to total assets

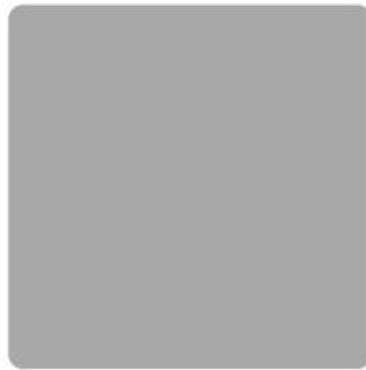
TCR - total capital ratio (%) - calculated as required by the provisions of the CRR (for details go to section Risk and Capital Management)

LR - leverage ratio (%) - calculated as required by the provisions of the CRR (for details go to section Risk and Capital Management)



LCR - liquidity coverage ratio (%) - calculated as required by the provisions of the CRR (for details go to section Risk and Capital Management)

\*) In accordance with supervisory recommendations, the ratios as at 31 December 2022 are recalculated after the profit distribution is approved by the General Meeting of ING Bank Hipoteczny S.A., and then they are reported to the Supervisor. The above presented ratios as at 31 December 2022 take into account the recalculation. Prior to the approval of the 2022 profit distribution, the ratios in question published in the financial statements for the period from 1 January 2022 to 31 December 2022 stood at: TCR 36.06%; LR 14.13%



# ING Bank Hipoteczny S.A.

## Financial Statements

for the period

from 1 January 2023

to 31 December 2023

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## Income statement

	Note	period from 01.01.2023 to 31.12.2023	period from 01.01.2022 to 31.12.2022
Interest income, including:	6.1.	285,109.6	121,385.9
<i>calculated using the effective interest method</i>	6.1.	285,109.6	121,385.9
Interest costs	6.1.	-207,582.3	-148,448.0
<b>Net interest income</b>	<b>6.1.</b>	<b>77,527.3</b>	<b>-27,062.1</b>
Fee and commission income	6.2.	1.9	184.9
Commission expenses	6.2.	-719.9	-687.0
<b>Net commission income</b>	<b>6.2.</b>	<b>-718.0</b>	<b>-502.1</b>
FX result		-2.3	-51.7
Net income on other basic activities		-532.3	-944.7
<b>Net income on basic activities</b>		<b>76,274.7</b>	<b>-28,560.6</b>
General and administrative expenses, including:	6.4.	-25,810.0	-25,626.5
<i>operating expenses</i>	6.4.	-23,122.5	-22,307.1
<i>regulatory costs</i>	6.4.	-2,687.5	-3,319.3
Expected credit loss provision	6.5.	1,093.4	-1,940.7
<b>Gross profit (loss)</b>		<b>51,558.1</b>	<b>-56,127.8</b>
Income tax	6.6.	-10,251.6	10,123.0
<b>Net profit (loss)</b>		<b>41,306.5</b>	<b>-46,004.8</b>
Number of shares		380,000	380,000
Profit(+)/loss(-) per ordinary share - basic (in PLN)	6.7.	108.70	-121.07
Profit(+)/loss(-) per ordinary share - diluted (in PLN)	6.7.	108.70	-121.07

In 2023, as in 2022, there were no discontinued operations at ING Bank Hipoteczny S.A.

The Income Statement should be read in conjunction with the notes to the financial statements being the integral part thereof.

## Statement of comprehensive income

	period from 01.01.2023 to 31.12.2023	period from 01.01.2022 to 31.12.2022
<b>Profit (loss) after tax for the period</b>	<b>41,306.5</b>	<b>-46,004.8</b>
<b>Other net comprehensive income, of which:</b>	<b>1,241.7</b>	<b>-614.0</b>
Items which can be reclassified to income statement, of which:	1,237.4	-830.3
Unrealised result on securities at fair value through other comprehensive income	1,237.4	-830.3
<i>including deferred tax</i>	-290.2	194.8
Items which will not be reclassified to income statement, of which:	4.3	216.2
Actuarial gains/losses	4.3	216.2
<i>including deferred tax</i>	-1.0	-50.7
<b>Net comprehensive income for the period</b>	<b>42,548.2</b>	<b>-46,618.8</b>

The statement of comprehensive income should be read in conjunction with the notes to the financial statements being the integral part thereof.

## Statement of financial position

	Note	as at 31.12.2023	as at 31.12.2022
Amounts due from banks	6.8	26,143.2	13,348.0
Debt securities measured at fair value through other comprehensive income	6.9	86,293.0	84,623.0
Loans to customers	6.10	3,660,051.8	2,901,111.1
Property, plant and equipment	6.11	1,413.5	1,306.0
Current income tax assets		416.8	6,112.7
Deferred tax assets	6.6	839.7	11,382.6
Other assets	6.13	2,084.4	2,388.1
<b>Total assets</b>		<b>3,777,242.4</b>	<b>3,020,271.5</b>
Liabilities to banks	6.14	2,920,927.6	2,043,049.2
Liabilities under issue of bonds	6.15	0.0	135,927.4
Liabilities under issue of covered bonds	6.16	405,303.0	406,711.6
Provisions	6.17	641.0	561.7
Other liabilities	6.18	9,748.4	9,009.2
<b>Total liabilities</b>		<b>3,336,620.0</b>	<b>2,595,259.1</b>
Share capital	6.20	380,000.0	380,000.0
Supplementary capital - share premium		15,997.4	62,002.2
Accumulated other income	6.21	73.5	-1,168.2
Retained earnings	6.22	44,551.5	-15,821.6
<b>Total equity</b>		<b>440,622.4</b>	<b>425,012.4</b>
<b>Total equity and liabilities</b>		<b>3,777,242.4</b>	<b>3,020,271.5</b>
Carrying amount		440,622.4	425,012.4
Number of shares		380,000	380,000
Carrying amount per share (in PLN)		1,159.53	1,118.45

The Statement of Financial Position should be read in conjunction with the notes to the financial statements being the integral part thereof.

## Statement of changes in equity

period from 01.01.2023 to 31.12.2023

	Share capital	Supplementary capital - share premium	Accumulated other comprehensive income	Retained earnings	Total equity
<b>Opening balance of equity</b>	<b>380,000.0</b>	<b>62,002.2</b>	<b>-1,168.2</b>	<b>-15,821.6</b>	<b>425,012.4</b>
Coverage of losses from previous years	0.0	-46,004.8	0.0	46,004.8	0.0
Net result for the current period	0.0	0.0	0.0	41,306.5	41,306.5
Dividend payout	0.0	0.0	0.0	-26,938.2	-26,938.2
Other net comprehensive income	0.0	0.0	1,241.7	0.0	1,241.7
Unrealised result on measurement of securities measured at fair value through other comprehensive income	0.0	0.0	1,237.4	0.0	1,237.4
Actuarial gains/losses	0.0	0.0	4.3	0.0	4.3
<b>Closing balance of equity</b>	<b>380,000.0</b>	<b>15,997.4</b>	<b>73.5</b>	<b>44,551.5</b>	<b>440,622.4</b>

period from 01.01.2022 to 31.12.2022

	Share capital	Supplementary capital - share premium	Accumulated other comprehensive income	Retained earnings	Total equity
<b>Opening balance of equity</b>	<b>380,000.0</b>	<b>62,002.2</b>	<b>-554.1</b>	<b>40,538.8</b>	<b>481,986.9</b>
Net result for the current period	0.0	0.0	0.0	-46,004.8	-46,004.8
Dividend payout	0.0	0.0	0.0	-10,355.6	-10,355.6
Other net comprehensive income, of which:	0.0	0.0	-614.0	0.0	-614.0
Unrealised result on measurement of securities measured at fair value through other comprehensive income	0.0	0.0	-830.3	0.0	-830.3
Actuarial gains/losses	0.0	0.0	216.2	0.0	216.2
<b>Closing balance of equity</b>	<b>380,000.0</b>	<b>62,002.2</b>	<b>-1,168.2</b>	<b>-15,821.6</b>	<b>425,012.4</b>

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements being the integral part thereof.



## Cash flow statement

	Note	period from 01.01.2023 to 31.12.2023	period from 01.01.2022 to 31.12.2022
<b>Profit after tax</b>		<b>41,306.5</b>	<b>-46,004.8</b>
<b>Adjustments</b>		<b>-540,332.7</b>	<b>1,211,276.8</b>
Depreciation and amortisation	6.4, 6.11, 6.12	400.7	347.1
Interest accrued (from the income statement)	6.1	-77,527.3	27,062.1
Interest paid		-381.6	-362.0
Interest received		278,035.9	117,267.3
Income tax (from the income statement)	6.6	-10,251.6	10,123.0
Income tax paid		26,490.4	-26,947.4
Change in provisions	6.23	83.6	-45.6
Change in loans and other receivables from banks	6.23	0.0	4.0
Change in debt securities measured at fair value through other comprehensive income	6.23	-6,739.3	-35,906.9
Change in loans to customers	6.23	-751,672.1	984,199.9
Change in fixed assets due to recognition of lease		-183.6	56.6
Change in other assets	6.23	-20.7	-477.1
Change in liabilities to other banks	6.23	-2.4	0.8
Change in liabilities under issue of bonds	6.23	0.0	134,000.0
Change in liabilities under issue of covered bonds	6.23	328.7	321.6
Change in other liabilities	6.23	1,106.6	1,633.4
<b>Net cash flow from operating activities</b>		<b>-499,026.2</b>	<b>1,165,272.0</b>
Purchase of securities measured at amortized cost	6.9	0.0	14,995.6
Interest received on debt securities		6,111.8	1,897.6
<b>Net cash flow from investing activities</b>		<b>6,111.8</b>	<b>16,893.1</b>
Dividend payout		-26,938.2	-10,355.6
Long-term loans received		3,304,525.4	2,361,000.0
Long-term loans repaid		-2,429,000.0	-2,778,000.0
Interest on long-term loans repaid		-168,889.2	-115,663.8
Proceeds from the issue of bonds		376,000.0	79,000.0
Redemption of bonds		-510,000.0	-733,000.0
Payment of interest on issued bonds		-8,618.0	-5,132.3
Payment of interest on issued covered bonds		-31,002.9	-13,143.9
Lease liabilities repaid		-367.5	-349.8
<b>Net cash flow from financing activities</b>		<b>505,709.6</b>	<b>-1,215,645.5</b>
Net increase/decrease in cash and cash equivalents		12,795.2	-33,480.4
Opening balance of cash and cash equivalents		13,348.0	46,828.4
Closing balance of cash and cash equivalents	6.8, 6.23	26,143.2	13,348.0

The Cash Flow Statement should be read in conjunction with the notes to the financial statements being the integral part thereof.

## Accounting policy and additional notes

### 1. Bank details

#### 1.1. Key Bank data

ING Bank Hipoteczny Spółka Akcyjna ("Bank", "Company") with its registered office in Poland, in Katowice, ul. Chorzowska 50, postal code 40-101, entered to the Register of Entrepreneurs of the National Court Register maintained by the District Court Katowice – Wschód in Katowice, 8th Commercial Division of the National Court Register under the number KRS 0000723965 on 20 March 2018. The Bank statistical number is REGON 369582281, and the tax identification number is NIP 205-000-51-99.

#### 1.2. Scope of operations and duration

ING Bank Hipoteczny S.A. is a specialised bank conducting its business on the basis of the Act of 29 August 1997 on covered bonds and mortgage banks, the Banking Law Act of 29 August 1997, the Commercial Companies Code and other generally applicable laws, the good banking practice principles and the Bank Charter.

ING Bank Hipoteczny S.A.'s strategic objective is to acquire and subsequently increase the share of long-term funding in the Bank's balance sheet through the issuance of long-term mortgage-backed covered bonds purchased from ING Bank Śląski S.A. or other banks and to become one of the major issuers of these debt instruments in the Polish market. The duration of the Bank is indefinite. The Bank pursues business exclusively within the territory of the Republic of Poland.

#### 1.3. Share capital

The share capital of ING Bank Hipoteczny S.A. amounts to PLN 380,000,000 and is divided into 380,000 ordinary registered shares of nominal value of PLN 1,000.00 each.

#### Structure of the share capital

Series	Type of share	Number of shares	Nominal value of one share (PLN)	Series nominal value (PLN)	Date on which a resolution was passed by the General Meeting	Issue date	Date of registration in the National Court Register (KRS)
A	ordinary	120,000	1,000.00	120,000,000	not applicable*	26.02.2018	20.03.2018
B	ordinary	90,000	1,000.00	90,000,000	03.01.2019	03.01.2019	06.02.2019
C	ordinary	170,000	1,000.00	170,000,000	11.12.2019	11.12.2019	09.01.2020

\* Issue of shares of series A stems from the Deed of Incorporation of 26 February 2018.

The share capital has been fully covered with pecuniary contributions. Each ordinary share entitles its holder to dividend and one vote during the General Meeting of ING Bank Hipoteczny S.A.

#### **1.4. Shareholders of ING Bank Hipoteczny S.A.**

ING Bank Hipoteczny S.A. is a subsidiary of ING Bank Śląski S.A., which, as at 31 December 2023, held 100% of the share capital of ING Bank Hipoteczny S.A. and 100% of the total number of votes at the General Meeting of ING Bank Hipoteczny S.A. The Bank is part of a Group that, for the purposes of these financial statements, is referred to as the ING Bank Śląski S.A. Group.

#### **Ordinary General Meeting of ING Bank Hipoteczny S.A.**

On 27 April 2023, the General Meeting of the Bank took place. The resolutions that were passed there concerned:

- consideration and approval of the financial statements of ING Bank Hipoteczny S.A. for 2022,
- consideration and approval of the Management Board Report on Operations of ING Bank Hipoteczny S.A. for 2022 inclusive of Statements of the Management Board on observance of corporate governance principles,
- acceptance of the report of the Supervisory Board of ING Bank Hipoteczny S.A. for 2022 and assessment of the functioning of the Remuneration Policy of ING Bank Hipoteczny S.A. in 2022,
- assessment of the adequacy of the internal regulations concerning the functioning of the Supervisory Board of ING Bank Hipoteczny S.A. and its effectiveness,
- acknowledgement of the fulfilment of duties by the members of the Supervisory Board of ING Bank Hipoteczny S.A. in 2022,
- acknowledgement of the fulfilment of duties by the members of the Management Board of ING Bank Hipoteczny S.A. in 2022,
- the method of covering the loss for 2022,
- the method of distribution of retained earnings for 2020 and 2021, subject to the approval of the Polish Financial Supervision Authority,
- the payment of dividend from retained earnings for 2020 and 2021 subject to the approval of the Polish Financial Supervision Authority,
- amendment to the Charter of ING Bank Hipoteczny S.A., including a reduction of the term of office of the Management Board and the Supervisory Board starting from the new term of office of these bodies and specifying the rules for the exercise of the term of office,
- amendment to the Charter of ING Bank Hipoteczny S.A., including the adaptation of its provisions to the amended Commercial Companies and Partnerships Code and the Act on Covered Bonds and Mortgage Banks,
- acceptance of the information regarding the adopted amendment to the Bylaw of the Supervisory Board of ING Bank Hipoteczny S.A.

#### **1.5. ING Bank Hipoteczny S.A. Management Board and Supervisory Board composition**

##### **Management Board**

The following changes in the composition of the Management Board of ING Bank Hipoteczny S.A. took place in 2023:

- On 8 February 2023, for personal reasons, Mr Paweł Serocki resigned from being a member of the Management Board of ING Bank Hipoteczny S.A. and from his function effective as of 9 February 2023.
- On 9 February 2023, the Supervisory Board of ING Bank Hipoteczny S.A. appointed Mr Roman Telepko as Vice President of the Management Board of ING Bank Hipoteczny S.A.
- On 31 August 2023, Mr Roman Telepko resigned from being a Member of the Management Board of ING Bank Hipoteczny S.A. and from his function effective as of 31 August 2023.
- On 31 August 2023, the Supervisory Board of ING Bank Hipoteczny S.A. appointed Ms Katarzyna Majchrzak to the position of Vice-President of the Management Board of ING Bank Hipoteczny S.A. effective as of 1 September 2023 after prior approval of the Polish of the Polish Financial Supervision Authority.

As at 31 December 2023, the composition of the Management Board of ING Bank Hipoteczny S.A. was as follows:



- Mr Jacek Frejlich, President of the Management Board,
- Mr Marek Byczek, Vice-President of the Bank Management Board,
- Ms Katarzyna Majchrzak, Vice-President of the Bank Management Board.

### **Supervisory Board**

As at the end of 2023, similarly as at the end of 2022, the Supervisory Board of ING Bank Hipoteczny S.A. worked in the following composition:

- Ms Bożena Graczyk, Chairwoman,
- Mr Marcin Giżycki, Deputy Chairman,
- Mr Jacek Michalski, Member (independent member),
- Mr Brunon Bartkiewicz, Member,
- Ms Joanna Erdman, Member,
- Mr Krzysztof Gmur, Member (independent member).

### **1.6. Auditing firm authorised to audit the financial statements**

The auditing firm authorised to conduct the audit is Mazars Audit Sp. z o. o. with its registered office in Warsaw.

Detailed information regarding the termination of the agreement with the auditing firm BDO Spółka z ograniczoną odpowiedzialnością sp. k. and the selection and signing of the agreement with the auditing firm Mazars Audit Spółka z ograniczoną odpowiedzialnością based in Warsaw (including the process of selecting the auditing firm to audit the Bank's financial statements) can be found in the Management Board Report on Operations of the Bank.

### **1.7. Approval of financial statements**

These annual financial statements of ING Bank Hipoteczny S.A. for the period from 1 January 2023 to 31 December 2023 were accepted for publication by the Bank Management Board on 18 April 2024.

The annual financial statements of ING Bank Hipoteczny S.A. for the period from 1 January 2022 to 31 December 2022 were approved by the General Meeting of ING Bank Hipoteczny S.A. on 27 April 2023.

### **1.8. Information on the impact of the economic situation on the operations of ING Bank Hipoteczny S.A.**

The Bank continuously monitors the development of events related to the ongoing armed conflict in Ukraine and analyses its impact both on the macroeconomic environment and on the Bank itself. The direct impact of the above may translate into credit, market, liquidity and operational risks in the future. Poland and the global economy have partly adjusted to the situation, but continue to be heavily influenced by it (high price of food, raw materials and energy). Throughout 2023, the Bank monitored the number and volume of loans where borrowers requested a suspension of instalment payments (so-called 'credit holiday'), as well as monitored on a permanent basis the credit situation of customers due to high interest rates, the rising cost of living, and the impact of these factors on securing the issue of covered bonds. The Bank also analyses the market situation regarding covered bonds and changes in the regulatory and economic environment on an ongoing basis. Moreover, it is monitored all the time whether the suppliers are able to provide services.

The Bank's standing is good in terms of its liquidity and capital position. In fact, it significantly exceeds the required regulatory levels. The Bank's LCR ratio as at 31 December 2023 was 1,348.5%. The Bank's Common Equity Tier 1 ratio was 23.31% as at 31 December 2023. The level of this ratio is currently almost 2 times higher than required by law.

## 2. Significant events after the end of the reporting period

### **Signing of a contract with auditing firm**

On 15 January 2024, the Bank entered into an audit services agreement, including the audit of the statutory financial statements of ING Bank Hipoteczny S.A. for 2023, with Mazars Audyt Spółka z ograniczoną odpowiedzialnością based in Warsaw. Detailed information on the process of selecting the auditing firm to audit the Bank's financial statements can be found in the Management Board Report on Operations of the Bank.

### **Signing of the Final Loan Agreement with ING Bank Śląski S.A.**

On 12 February 2024, the Bank signed a Final Loan Agreement with ING Bank Śląski allowing for a commitment of up to PLN 1.0 billion under an unconditional credit line. The availability date of the line is until 14 December 2026 and the maximum utilisation period is 2 years.

On 3 April 2024, the Bank got PFSA's approval to include undrawn funds under the loan agreement as liquidity inflows in the LCR measurement.

### **Individual recommendation of the Polish Financial Supervision Authority on meeting the criteria for dividend payout from net profit for 2023**

On 22 February 2024, the Bank received a letter from the Polish Financial Supervision Authority (PFSA), in which the PFSA indicated that the Bank meets the requirements to pay dividends at a level of up to 75% of the net profit for 2023, with the maximum payment amount not exceeding the amount of the annual profit less the profit earned in 2023 already included into own funds. The Bank did not include profits during 2023 to own funds, and thus the maximum dividend amount paid from 2023 profit for the Bank is 75%. At the same time, the PFSA recommended mitigating the inherent risk of the Bank by not taking, without prior consultation with the supervisory authority, other actions, in particular those outside the scope of current business and operational activities, which could lead to lowering the Bank's own funds, including possible dividend payout from undivided profit from previous years and repurchase or buy-back of own shares.

It is the intention of the Bank Management Board to recommend to the General Meeting to adopt a resolution on allocating approximately 75% of the Bank's separate profit for 2023 to dividend payout

### **Purchase of mortgage debt claims portfolio**

Under the Debt Transfer Agreement to Issue Covered Bonds No. 15 that was signed with ING Bank Śląski S.A. on 11 April 2024, ING Bank Hipoteczny S.A. acquired another mortgage-backed housing loans debt claims portfolio for the total amount of PLN 365.2 million.

### **Likely extension of credit moratoria to 2024**

On 12 March 2024, the Government Bill amending the Act on support for borrowers who have taken out a housing loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance to borrowers was submitted to the Sejm. The legislative proposal provides for the possibility of suspending 4 loan instalments in 2024 and would cover borrowers for whom the instalment-to-income ratio exceeds 30%.

The Sejm passed a resolution to this effect on 12 April 2024. The bill will be debated by the Senate on 18 or 19 April 2024, i.e. after the date of signing and before the publication date of this report. The Bank plans to make a disclosure of the impact of the law on the Bank's results in the form of a current report when the law is signed by the President.

### 3. Statement of compliance with International Financial Reporting Standards

These annual financial statements of ING Bank Hipoteczny S.A. for the period from 1 January 2023 to 31 December 2023 were prepared in compliance with the International Financial Reporting Standards ("IFRS") approved by the European Union. The financial statements incorporate the requirements of the standards and interpretations endorsed by the European Union.

Income statement, Statement of comprehensive income, Statement of changes in equity and Cash flow statement for the period from 1 January 2023 to 31 December 2023 and Statements of financial position as at 31 December 2023 together with comparable data have been prepared using the same accounting principles for each of the periods.

#### 3.1. Changes to accounting standards

In these annual financial statements the following binding standards and new interpretations approved by the European Union for annual periods starting on or after 1 January 2023 were taken into account by the Bank:

Change	Influence on the Bank's statements
<b>IFRS 17</b> <i>Insurance contracts, taking into account the extension of the temporary exemption from the application of IFRS 9.</i>	The implementation of the amendments to the standard has no material impact on the Bank's financial statements.
<b>IAS 1 and practical stand to IFRS</b> <i>Accounting Policy disclosures</i>	Amendment regarding the scope of disclosure of significant accounting principles in the financial statements. In accordance with the implemented amendments, the disclosures will apply only to these accounting policies that have a material effect on the information in the financial statements. The practical position attached to the amendment provides a detailed illustrative example. The implementation of the amendment has not had a significant impact on the scope of disclosure of significant accounting principles in the Bank's financial statements.
<b>IAS 8:</b> <i>definition of accounting estimates</i>	The amendment clarifies the definition of accounting estimates, i.e.: monetary amounts in the financial statements that are subject to measurement uncertainty. The implementation of the amendment has not had a significant impact on the Bank's financial statements.
<b>IAS 12</b> <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	The amendment clarifies the rules for recognizing income tax and the applicable exemption from deferred tax recognition. The amendment specifies that this exemption does not apply to leases and decommissioning obligations, i.e. transactions for which an asset and a liability are recognised at the same time. Application of the amendment has not affected the financial statements of the Bank.
<b>IFRS 17</b> <i>Insurance contracts: First-time adoption of IFRS 17 and IFRS 9 - comparative information.</i>	Implementation of the changes has not affected the financial statements of the Bank.
<b>IAS 12</b> <i>Income taxes: International tax reform - model provisions for pillar two</i>	The amendment introduces the possibility of applying a temporary exemption from the general rules for the recognition of deferred tax arising from the implementation of international tax rules in specific jurisdictions. The Bank's analyses show that the implementation of these changes may affect the scope of disclosures, but nevertheless will not have a material impact on the Bank's financial statements.

The published standards and interpretations which were issued by 31 December 2023 and approved by the European Union but were not previously applied by the Bank:

Change (EU effective date is given in the parentheses)	Influence on the Bank's statements
<p><b>IAS 1</b> Presentation of financial statements: • classification of financial liabilities as short-term or long-term • deferral of the date of application and • long-term liabilities with covenants (financial year beginning on 1 January 2024)</p>	<p>Classification of financial liabilities as long-term will depend on the existence of rights to prolong the liability for a period longer than 12 months and on meeting the conditions (covenants) for such prolongation as at the balance sheet date. Disclosure of these covenants in the notes to the financial statements will also be required. In the Bank's opinion, the implementation of the amendment will have no impact on the Bank's financial statements.</p>
<p><b>IFRS 16</b> Leases: lease liability in sale and leaseback transactions. (financial year beginning on 1 January 2024)</p>	<p>The Bank's analyses indicate that the implementation of the changes will not affect the Bank's financial statements.</p>

The published standards and interpretations which were issued by 31 December 2023, but were not approved by the European Union as at 31 December 2023 and were not previously applied by the Bank:

Change (expected IASB implementation date is provided for in the parentheses)	Influence on the Bank's statements
<p><b>IAS 7</b> Statement of Cash Flows and IFRS 7 Financial Instruments: disclosures - supplier financing arrangements (financial year beginning on 1 January 2024)</p>	<p>The Bank's analyses show that the implementation of these changes will affect the scope of disclosures, but nevertheless will not have a material impact on the Bank's financial statements.</p>
<p><b>IAS 21</b> The Effects of Changes in Foreign Exchange Rates: lack of exchangeability (financial year beginning on 1 January 2025)</p>	<p>The Bank's analyses show that the implementation of these changes will have no significant impact on the financial statements of the Bank.</p>

As at the date of approving these statements for publication, given the ongoing process of implementing the IFRS standards in the European Union as well as the Bank's operations, with regard to the accounting principles applied by the Bank – there is no difference between the IFRS standards which came into force and the IFRS standards approved by the European Union.

### 3.2. Going concern

The financial statements of ING Bank Hipoteczny S.A. for the period from 1 January 2023 to 31 December 2023 have been prepared on the assumption that the Bank will continue as a going concern in the foreseeable future, i.e. for a period of at least 12 months from the date of publication, i.e. from 19 April 2024. As at the date of signing the financial statements, the Bank Management Board, identify no facts or circumstances that could pose a threat to the Bank's operation as a going concern for 12 months from the publication date due to intended or forced discontinuation or significant limitation by the Bank of its current operations.

### 3.3. Financial statements scope and currency

The Bank is neither the parent entity nor the major investor for associates, jointly controlled entities or subsidiaries. Thus, ING Bank Hipoteczny S.A. does not prepare consolidated financial statements of the Group covering the financial data of such entities.

The parent entity of ING Bank Hipoteczny S.A. is ING Bank Śląski S.A. The latter prepares consolidated financial statements of the ING Bank Śląski S.A. Group. ING Bank Śląski S.A. is a subsidiary of ING Bank N.V. being a part of the capital group that is called herein as the ING Group. ING Groep N.V. with its registered office in the Netherlands is the ultimate parent of the Group.

These annual financial statements of the Bank have been developed in Polish Zloty ("PLN"). Unless otherwise specified, all values are given after rounding to the nearest thousand PLN with one decimal place. Therefore, some totals and individual notes can be inconsistent in mathematical terms.

### **3.4. Reporting period and comparable data**

The annual financial statements of the Bank cover the period from 1 January 2023 to 31 December 2023 and include comparative data:

- for items from the statement of financial position as at 31 December 2022,
- for the items in the income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity for the period from 1 January 2022 to 31 December 2022,



## 4. Significant accounting principles and key estimates

The presented herein below accounting policy of the Bank follows the requirements of IFRS. In 2023, no material changes were made to the accounting principles applied by the Bank.

### Basis for preparing the financial statements

The financial statements are presented in Polish zloty, rounded to the nearest thousand, with one decimal place (unless stated otherwise).

In the statements, the concept of fair value of financial assets and financial liabilities measured at fair value and financial assets classified as measured at fair value through other comprehensive income is applied. Other items of financial assets are presented at amortized cost less impairment or at cost less impairment.

Property, plant and equipment and intangible assets are recognised at cost less cumulative amortisation and impairment.

### 4.1. Professional judgement

In the process of applying the accounting principles to the issues indicated below, the professional judgement of the management was of utmost importance, apart from accounting estimates.

#### 4.1.1. Deferred tax asset

The Bank recognises deferred tax assets assuming that it will probably have sufficient taxable income to fully realise the deferred tax asset.

#### 4.1.2. Classification of financial assets

The Bank classifies financial assets based on assessment of a business model under which assets are held and based on assessment whether the contractual terms and conditions entail only payments of principal and interests thereon. Detailed information about the assumptions made in this respect are presented under [4.4.2. Classification of financial assets](#).

### 4.2. Accounting estimates

The development of financial statements in accordance with IFRS requires from the Bank the use of estimates and assumptions that affect the amounts reported in the financial statements and notes thereto.

Estimates and assumptions applied to the presentation of amounts of assets and liabilities, as well as revenues and costs are made on the basis of available historical data and other factors considered to be relevant in given circumstances. The assumptions made about the future and the available data sources form the basis for making accounting estimates about the carrying amounts of assets and liabilities that cannot be clearly determined on the basis of other sources. The estimates reflect the reasons for/ sources of uncertainties as at the balance sheet date. The actual results may differ from estimates.

Estimates and assumptions are subject to ongoing review. Adjustments to estimates are recognized in the period when the estimation was changed provided that the adjustment applies to this period alone, or in the period in which the change is made and future periods if the change affects both current and future periods.

Below, there are the most significant accounting estimates made by the Bank.

#### 4.2.1. Estimation of expected credit losses on financial assets and impairment of non-current assets

The Bank assesses whether there is objective evidence of impairment of financial assets (individual items or groups) and non-current assets as at balance sheet date.

##### 4.2.1.1. Estimation of expected credit losses on financial assets

The Bank applies the requirements of IFRS 9 as regards impairment in order to recognise and measure loss allowance for expected credit losses attributable to debt financial assets that are measured:

- at amortised cost or
- at fair value through other comprehensive income.

Expected loss in the portfolio of individually non-significant exposures is calculated collectively as a probability weighted average based on three macroeconomic scenarios of various probability of occurrence. The final level of provisions results from the sum of expected losses calculated each year into the future up to the maturity date for Stages 2 and 3 and over a 12-month horizon for Stage 1, taking into account discounting.

Due to the specifics of its operations, the Bank distinguishes only collective provisions.

In compliance with IFRS 9, a collective provision is made for individually not significant financial assets (provisions for the portfolio at Stage 3 subject to collective evaluation) if there is evidence of impairment for a single financial assets item or for a group of financial assets as a result of a single event or multiple events of default. Provisions for the portfolio at Stage 3 subject to collective evaluation are made for financial assets falling into the risk rating 20, 21, 22 (detailed mapping of risk classes is presented hereinbelow). If after the assessment we find that for a given financial assets item there is no evidence of impairment, the item is included in the group of financial assets with similar credit risk characteristics, which indicate that the debtor is capable to repay the entire debt under to the contractual terms and conditions. For such groups, collective provisions are calculated and, in accordance with IFRS 9, they are defined as provisions for non-impaired assets. Provisions for non-impaired assets are made for financial assets falling into the risk rating 1-19.

Collective provisions are calculated with the collective provisioning method that uses, adjusted to the requirements of IFRS 9, models of risk parameters assessment (PD, LGD, EAD).

Some examples of impairment evidence and triggers for financial assets, methodology of impairment computation and the recording rules applied thereto were described later herein.

#### **Customer exposure by risk class**

The Bank divides the risk classes into four basic groups. The different risk class ranges correspond to Moody's short-term ratings, as indicated in the table below.

No.	a group of risk classes	risk classes	Moody's ST rating
1.	a group of classes corresponding to investment grade	1-10	from Aaa to Baa3
2.	a group of classes corresponding to speculative ratings	11-17	from Ba1 to Caa3
3.	a group of classes of potentially non-performing exposures	18-19	from Ca to C
4.	a group of classes of non-regular exposures	20-22	-

For ratings 20-22, the probability of default is 100%.

#### **Expected credit loss provisioning**

The increases in interest rates and inflation observed in previous periods, and the fact that the PD models for the mortgage portfolio do not include these components, resulted in the need for the Bank to carry out additional

analyses of the potential underestimation of write-downs on this account. Strong increases in interest rates and expenses are reflected in significant increases in customers' financial and living expenses and, as a consequence thereof, some customers may no longer be able to service their loans on a regular basis. The analyses carried out showed the need for an additional adjustment of allowances, the so-called Post Model Adjustment ("PMA"), reflecting the impact of interest rate increases and inflation on the risk level of the Bank's lending portfolio, referred to as the "DSTI adjustment". The DSTI adjustment was implemented starting from the end of the second quarter of 2022 and is still maintained (+PLN 753,690 at the end of 2023). In addition, the implementation of the government programme allowing customers to suspend paying instalments between 2022 and 2023 caused difficulties in correct assessment of customers' credit risk. Due to the widespread and discretionary use of this instrument, it is not considered as a forbearance, however, due to the specifics of the IFRS PD models, the risk parameters may be underestimated in relation to the customer's actual situation. Therefore, starting from the end of 4Q2022, the Bank introduced an additional PMA adjustment, which was also applied throughout 2023 (+PLN 783,050 at the end of 2023). The cumulative effect of the adjustments indicated herein above resulted in an increase in write-downs as at 31 December 2023 of approximately PLN 1.5 million. On the other hand, an update to the expected loss model was implemented in November 2023. It consisted of recalibrating the parameters of the IFRS PD and IFRS LGD models. This implementation translated into a decrease in the level of write-downs by approximately PLN 1.36 million. In other respects, the Bank continues with the methodology for calculating expected losses.

### **Estimation of expected losses given the current macroeconomic environment**

Credit risk models for IFRS 9 were built based on historical relationships between changes in economic parameters (i.e. GDP, unemployment rate, house price index or interest rates) and their subsequent effect on the realisation of changes in credit risk level (PD/LGD). Every quarter the Bank verifies forecasts of macroeconomic factors used in IFRS models adjusting them to the current situation. In 2023, the Bank has continued this approach, including probability-weighted macroeconomic scenarios, supplemented by management adjustments where, in the opinion of the management, recent economic events have not been fully captured. In previous economic cycles, changes to macroeconomic forecasts have been relatively slow to materialise, moving smoothly from one phase of the cycle to another, without drastic or shock events changing the macroeconomic situation. The current economic situation triggered by, among other things, the war in Ukraine has very different characteristics - sudden changes in interest rates, inflation, disruption of supply chains.

### **Sensitivity analysis of expected losses to the level of the adopted PD threshold**

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

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

These estimates show as at 31 December 2023, respectively, hypothetical lower expected losses for assets in Stages 1 and 2 by approximately PLN 0.38 million (under the first assumption) or higher by approximately PLN 4.37 million (under the second assumption).

For comparison, estimates made as at 31 December 2022 showed, respectively, hypothetical lower expected losses for assets in Stages 1 and 2 by approximately PLN 0.65 million (under the first assumption) or higher by approximately PLN 6.40 million (under the second assumption).

In 2023, the Bank introduced one change in the classification of mortgages to Stage 2 (so-called SICR - significant increase in credit risk) by adding a threefold increase in the PD parameter since the exposure was granted as one of the criteria for classification into this stage.

A detailed description of the significant increase in credit risk is presented in section 4.4.9 *Expected credit losses*

**Macroeconomic factor projections and weights assigned to each macroeconomic scenario**

The macroeconomic assumptions used to determine expected credit losses were based on forecasts prepared by the Macroeconomic Research Bureau of ING Bank Śląski S.A., with forward curves adopted for interest rates as at the end of 2023. The following tables present the macroeconomic projections of the main indicators adopted as at 31 December 2023 and 31 December 2022 and the deviation of expected losses in the positive, baseline and negative scenarios from the reported expected losses, weighted by the scenario probability (assuming that the time horizon of the expected loss calculation remains unchanged at 12 months or over the lifetime of the exposures, respectively, broken down by stage according to IFRS 9 methodology).

The selective application of the negative scenario with a weighting of 100% results in an increase in the level of write-downs in all Stages (1/2/3). The average increase in write-downs over the entire portfolio, is approximately 6% compared to the averaged scenario used in the calculation of write-downs for 2023. The increase in write-downs in this scenario is mainly driven by lower GDP values, decreasing house prices and moderately higher unemployment rate (compared to the baseline scenario).

Similarly, the selective application of the positive scenario with a weighting of 100% results in a decrease in the level of write-downs in all Stages (1/2/3). The average decrease in write-downs across the portfolio, is approximately -6% (compared to the averaged scenario used in the calculation of write-downs for 2023). The decrease in write-downs in this scenario is mainly driven by higher GDP values and increased real property prices (compared to the baseline scenario).

If a 100% weighting is applied to the baseline scenario, the value of the write-downs remains virtually unchanged.

		2023			Expected losses unweighted by probability - deviation from reported losses in %		Scenario weight	Reported expected losses (collective assessment in Stages 1, 2 and 3)		
		2024	2025	2026	Total	by Stages		Total	by Stages	
<b>Positive scenario</b>	GDP	5.4%	4.6%	4.6%	<b>-6%</b>	Stage 1 -10%	20%			
	Unemployment according to LFS	2.2%	2.2%	2.0%		Stage 2 -11%				
	Property price index	5.6%	5.4%	7.8%		Stage 3 -4%				
	3M interest rate	7.0%	7.9%	8.1%						
<b>Baseline scenario</b>	GDP	2.5%	3.5%	3.0%	<b>0%</b>	Stage 1 0%	60%	Stage 1	311.2	
	Unemployment according to LFS	3.0%	3.0%	3.0%		Stage 2 -1%		<b>2,905.6</b>	Stage 2	516.2
	Property price index	3.7%	4.1%	6.0%		Stage 3 +1%			Stage 3	1,485.4
	3M interest rate	4.4%	4.4%	4.6%						
<b>Negative scenario</b>	GDP	-0.2%	1.5%	0.0%	<b>+6%</b>	Stage 1 +9%	20%			
	Unemployment according to LFS	4.2%	6.0%	7.1%		Stage 2 +15%				
	Property price index	-0.2%	2.2%	3.9%		Stage 3 +2%				
	3M interest rate	2.8%	2.3%	2.2%						

		2022			Expected losses unweighted by probability - deviation from reported losses in %		Scenario weight	Reported expected losses (collective assessment in Stages 1, 2 and 3, without adjustments)	
		2023	2024	2025	Total	by Stages		Total	by Stages
<b>Positive scenario</b>	GDP	4.2%	4.3%	5.2%	<b>-12%</b>	Stage 1	-18%	20%	
	Unemployment according to LFS	2.1%	2.2%	1.8%		Stage 2	-15%		
	Property price index	2.1%	3.9%	5.0%		Stage 3	-9%		
	3M interest rate	10.2%	10.2%	9.9%					
<b>Baseline scenario</b>	GDP	1.5%	3.3%	3.5%	<b>+1%</b>	Stage 1	+2%	<b>3,333.8</b>	Stage 1 571.2 Stage 2 917.1 Stage 3 1,865.6
	Unemployment according to LFS	3.1%	2.9%	2.8%		Stage 2	+1%		
	Property price index	0.3%	2.5%	3.2%		Stage 3	+1%		
	3M interest rate	8.0%	7.3%	7.1%					
<b>Negative scenario</b>	GDP	-2.8%	1.1%	1.5%	<b>+9%</b>	Stage 1	+11%	20%	
	Unemployment according to LFS	4.6%	5.9%	6.9%		Stage 2	+13%		
	Property price index	-5.1%	0.6%	1.2%		Stage 3	+6%		
	3M interest rate	6.7%	5.4%	4.6%					

#### 4.2.1.2. Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Bank assesses property, plant and equipment and intangible assets for indications of impairment. If such evidence exists, the Bank performs an estimation of the recoverable value. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount.

The accounting policies in this respect are indicated in Chapter 4. *Significant accounting policies and key estimates*, under section 4.5.4 *Impairment losses on non-financial assets*.

#### 4.2.1.3 Deferred tax asset for unused tax loss

The Bank recognises a deferred tax asset for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be generated to offset the deductible temporary differences and settle the tax losses. Based on the Bank's projected tax results for the period 2024-2026, it has been estimated that the Bank will generate sufficient taxable income to reduce the tax base by the full amount of the tax loss.

Accordingly, the Bank recognised the full amount of the tax loss in the deferred tax asset. At the end of 2023, the deferred tax asset relating to unused tax losses amounted to PLN 3,043,500 (PLN 458,400 at the end of 2022).

#### 4.2.2. Provisions for retirement and pension benefits

The Bank establishes the provisions for retirement and pension benefit in accordance with IAS 19. The provision for retirement and pension benefit pay awarded as part of the benefits under the Labour Code regulations is calculated using the actuarial method by an independent actuary as the present value of the future long-term Bank's obligations towards their employees considering the headcount and payroll status as at the update date.

The provisions are calculated based on a range of assumptions, relating to both discount rates and projected salary raises as well as to staff rotation, death risk and others. The assumptions are verified at the end of the financial year.

The tables below show model sensitivity to the values adopted for individual assumptions as at 31 December 2023 and 31 December 2022. The value of pension provisions recognised in the Bank's books as at 31 December 2023 and 31 December 2022, respectively, is presented as the base case.

Assumptions made for the needs of valuation:

- discount rate - 7.00%,
- long-term wage growth rate - 5.40%.

## 2023

	Provisions for retirement and pension benefits (in PLN thousand)		
	Lower bracket	Base variant	Upper bracket
Discount Rate (- 1% / baseline variant / + 1%)	574.6	620.9	674.3
Deviation from assumed wage growth (-0.25% / baseline / +0.25%)	607.2	620.9	635.1

## 2022

	Provisions for retirement and pension benefits (in PLN thousand)		
	Lower bracket	Base variant	Upper bracket
Discount Rate (-1% / baseline variant / + 1%)	493.3	541.7	598.6
Deviation from assumed wage growth (-0.25% / baseline / +0.25%)	527.5	541.7	556.5

### 4.2.3. Valuation of variable remuneration programme benefits

As at the balance sheet date, the Bank presents in the books the estimated value of benefits to be rendered under the variable remuneration programme. Benefits will be granted to employees covered with the programme, based on their performance appraisal for a given year. The programme was launched in 2018.

Value of benefits granted in a form of financial instruments entitling to receive cash is estimated based on book value of net assets of ING Bank Hipoteczny S.A. per share adjusted with factors affecting the said assets, other than the financial result.

The value of the deferred benefit element is adjusted with the reduction factor which accounts for probability of occurrence of an event requiring adjustment of the value of the granted benefit which the employee is not fully eligible to as at the balance sheet date. The catalogue of events has been defined in the programme assumptions.

### 4.2.4. Amortisation period and method for intangible assets

The amortisation period and method for intangible assets are verified at the end of each financial year. Changes to the useful life or expected pattern of consumption of the future economic benefits embodied in the intangible asset are recognised by changing the amortisation period or method, accordingly, and are deemed to be changes in the estimates. The Bank applies the capitalisation limit established by the ING Bank Śląski S.A. Group for purchase (PLN 440,000) or in-house production (PLN 10 million) of computer software. Expenditure for acquisition of items of intangible assets below the capitalisation limit are recognised by the Bank directly in expenses when incurred.

#### **4.2.5. Lease term for open-ended contracts**

Lease period was determined taking into account contractual options to prolong or shorten lease period if it is probable that such an option would be used. In case of contracts concluded for an indefinite period with an option to terminate them by any of the parties thereto, the Bank assessed whether there would be any significant costs of contract termination. Contracts signed for an indefinite period by the Bank are mostly real estate lease contracts. If there are no significant costs, the lease period was determined as a notice period to which both parties to the contract are entitled. If the costs of contract termination are significant, the Bank assumed a 4-year period as the lease period. The assumed period results from the strategy of physical presence in a given location that ensures flexibility and business efficacy.

The estimates adopted do not have a material impact on the value of the right-of-use assets.

#### **4.3. Foreign currency**

##### **4.3.1. Functional currency and presentation currency**

The items given in the financial statement of the Bank are priced in the currency of the basic economic environment in which the Bank operates ("functional currency").

These financial statements are presented in Polish Zloty, which is the functional currency and the presentation currency of the Bank.

##### **4.3.2. Transactions in foreign currency**

Transactions expressed in foreign currencies are translated at FX rate prevailing at the transaction date. The financial assets and liabilities, being result of the said transactions and denominated in foreign currencies are translated at the FX rate prevailing on a given day. The foreign exchange differences resulting from the settlements of the said transactions and the balance sheet valuation of the financial assets and liabilities denominated in foreign currency are recognized in the income statement under the *FX result*.

#### **4.4. Financial assets and liabilities**

##### **4.4.1. Initial recognition**

The Bank recognises financial assets or liabilities item in the statement of financial position when it becomes bound with the stipulations of the instrument-related contract.

Purchases and sales of financial assets are recognised on the settlement date - the date on which the asset is delivered to or by the entity. When a financial asset or financial liability is recognized initially, it is measured at its fair value plus, in the case of a financial asset or financial liability not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The purchased mortgage loans related debt claims are recognised as at the transaction date <sup>1</sup>based on the Debt Transfer Agreement in order to issue covered bonds (hereinafter referred to as: "transfer agreements").

##### **4.4.2. Classification of financial assets**

Financial assets are classified by the Bank to one of the following categories:

- measured at amortised cost,
- measured at fair value through other comprehensive income.

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<sup>1</sup>Transaction Date is a date falling on or after the conclusion of a given Transfer Contract being the date, referring to the Portfolio transferred thereunder, at which the first application for entering of ING Bank Hipoteczny S.A. as a mortgage creditor in the Land and Mortgage Register maintained for the real property encumbered with the Mortgage securing the Debt from that Portfolio is submitted, or the next consecutive date.

### **Financial assets measured at amortised cost**

A financial asset is measured at amortised cost if both of the following conditions are met and it is not designated to measurement at fair value through profit or loss:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### **Debt financial assets measured at fair value through other comprehensive income**

A debt financial assets item is measured at fair value through other comprehensive income if both of the following conditions are met and it is not designated to measurement at fair value through profit or loss:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows or to sell the financial assets item,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### **4.4.3. Business Model Assessment**

The Bank assesses goals of the business model per organisational unit of the Bank that manages a given portfolio of financial assets and is its owner.

Business models of holding financial assets are designed for various reasons, namely:

- to receive contractual cash flows,
- to receive contractual cash flows or to sell,
- for other reasons (including, but not limited to, in order to maximise profit on sales).

Business models are set at the level that reflects best the Bank's approach to management of financial assets items in order to achieve business goals and to generate cash flows.

Portfolios are classified into business models based on the objectives of the business models at the portfolio level. Classification shall be based on all relevant and objective evidence that is available as at the date of the assessment to determine the business model of a specific financial asset, including in particular:

- organisational structure of the unit,
- assumptions concerning assessment of the yield from the portfolio of assets (for instance, approach to planning, management information assumptions, or key ratios of assessment),
- approach to remuneration for the key management in relation to the portfolio results and cash flows,
- risk of the assets portfolio and management approach to that risk,
- analysis of transactions of sale from the assets portfolio (frequency, volume and reasons for the decisions taken),
- analysis of projected future sales.

As a general rule, the execution of sales of financial assets from the model held to receive contractual cash flows is inconsistent with the objectives of the model. However, certain sales may be consistent with these objectives. Such cases include sales that are driven by the following considerations:

- increase in credit risk,
- closeness to maturity date,
- occasional sale,
- sale of insignificant value,

The Bank assumes that:

- any sale close to the maturity date is the sale of financial assets:



- if the initial maturity date is longer than 1 year - less than 6 months before the maturity date,
- if the initial maturity date is shorter than 1 year - less than 3 months before the maturity date.
- occasional sale means the sale at the level below 10% of the sales transactions in relation to the average number of items within a given business model,
- sale of insignificant value means sale at the level lower than a ratio determined based on the quotient of 10% rate and the average maturity term of the portfolio in relation to:
  - quotient of the carrying amount of the sold position in relation to the carrying amount of the whole portfolio under a given business model, or
  - quotient of the realised result in relation to net interest margin of the whole portfolio held under a given business model.

#### **4.4.4. Cash flows assessment**

For the needs of cash flows assessment, the Bank assumes the following definitions:

- principal – is defined as fair value of the financial assets item at initial recognition in the Bank's books,
- interest – is defined as payment that includes:
  - fee for the change in time value of money,
  - fee for the credit risk of the principal amount due and payable throughout a stipulated period of time,
  - fee for other basic credit-related risks and costs (for instance, liquidity risk and overheads) and
  - profit margin.

Assessment is to find out whether cash flows are effected solely to repay principal and interest due and payable thereon. The Bank verifies the contractual clauses affecting both the time of cash flows and their amount resulting from specific financial assets.

Most notably, the following terms and conditions are verified:

- contingencies affecting the amount or timelines of cash flows,
- leverages,
- terms and conditions of early payment or prolongation of financing,
- terms and conditions limiting the right to sue attributable to the cash flows realised,
- terms and conditions modifying the fee for the change in time value of money.

The terms and conditions modifying the change in time value of money are assessed using qualitative or quantitative analysis.

Should the qualitative appraisal not be enough to confirm the conclusion concerning characteristics of the realised cash flows, the Bank carries out the quantitative one. Quantitative appraisal is carried out by comparing:

- undiscounted cash flows resulting from the analysed contract with
- undiscounted cash flows from the reference asset that does not have any terms and conditions modifying the fee for the change in time value of money.

If the analysed cash flows differ significantly from each other, the assessed asset has to be classified for measurement at fair value through the income statement, because cash flows are not effected solely to repay principal and interest due and payable thereon.

#### **4.4.5. Classification of financial liabilities**

The Bank classifies its financial liabilities into categories measured at amortised cost.

Financial liabilities measured at amortized cost are financial liabilities that are contractual obligations to deliver cash or other financial asset to another entity not carried at fair value through profit or loss.

#### **4.4.6. Derecognition**

The Bank derecognizes a financial asset from the Bank's statement of financial position when, and only when the contractual rights to the cash flows from the financial asset expire or the Bank transfers the financial asset and the transfer meets the conditions for derecognition.

The Bank transfers the financial asset if and only if:

- it transfers contractual rights to receive cash flows, or
- it retains the contractual rights to receive cash flows but assumes a contractual obligation to transfer the cash flows to another entity.

When the Bank retains contractual rights to cash flows, but assumes a contractual obligation to transfer those cash flows to third parties, the Bank treats such a transaction as a transfer of a financial asset only if all three of the following conditions are met:

- the Bank is not obliged to pay the amount to eventual recipients until it has received the corresponding amounts that result from the original asset,
- under the transfer contract, the Bank may not sell or pledge the original asset, other than as security for the obligation to transfer cash flows established in favour of eventual recipients,
- the Bank is obliged to transfer all cash flows received from the original asset without material delay.

On transferring the financial asset, the Bank evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. Accordingly, where the Bank:

- transfers substantially all the risks and rewards of ownership of the financial asset, it derecognises the financial asset from the statement of financial position,
- retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognise the financial asset in the statement of financial position,
- neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, then the Bank determines whether it has retained control of the financial asset. If control is retained, the financial asset continues to be recognised in the Bank's balance sheet; accordingly, if control is not retained, the financial asset is derecognised from the statement of financial position up to the amount resulting from continuing involvement.

The Bank derecognizes a financial liability (or a part thereof) from its statements of financial position when, and only when the obligation specified in the contract is satisfied, cancelled or expires.

The Bank derecognizes a financial asset or a part thereof from the statement of financial position if the rights resulting from that asset expire, the Bank waives those rights, sells the receivables, is redeemed or as a result of a material modification of the terms and conditions of the credit agreement.

The Bank writes down all (or part) of the gross carrying amount of a financial asset if there is no reasonable prospect of recovering the financial asset in whole or in part. Enforcement costs of debt claims which the Bank may recover from the customer or increased interest costs are written off in full due to the low probability of recovering these amounts from the customer. The amounts of receivables written down as loss and recovered thereafter reduce the value of impairment loss in the income statement

#### **4.4.7. Modification of contractual cash flows**

If, after renegotiation of the terms and conditions, cash flows from a given financial assets item are subject to modification, the Bank assesses whether the modification is major and whether it leads to expiry of that financial assets item from the Bank's statements of financial position and the recognition of a new financial asset. A financial asset expires if any of the qualitative or quantitative criteria are met.

##### **Qualitative criteria**

The Bank assumes that modification of the terms and conditions of an agreement is major in case of:

- a change in debtor with the consent of the Bank, or

- a change in legal form/type of financial instrument, or
- a modification of the financial asset which does not meet the definition of a basic credit agreement, i.e.: the cash flows from the financial assets item on the specified dates do not solely represent repayment of principal and interest on the principal outstanding, or
- a change in the borrowing rate from fixed to variable or vice versa for financial assets for which no impairment loss has been identified, or
- an extension of the term of the loan by 50% if the present value of the contractual cash flows as a result of the modification of the terms of the contract discounted at the original effective interest rate is at least 10% different from the present value of the contractual cash flows before the modification discounted at the original effective interest rate.

**Quantitative criterion**

A financial asset is deemed to be expired if the present value of the contractual cash flows as a result of the modification of the terms of the contract discounted at the original effective interest rate is at least 10% different from the present value of the contractual cash flows before the modification discounted at the original effective interest rate.

For modifications that do not result in the derecognition of a financial assets item, the difference between the present value of the future cash flows (determined using the original effective interest rate) of the asset before and after the modification is recognised in the income statement. The net modification gains/losses are presented in note 6.10. *Loans and other receivables to customers.*

**4.4.8. Measurement**

After initial recognition, the Bank measures financial assets, at fair value, except for financial assets measured at amortised cost using the effective interest rate.

After initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

**4.4.9. Expected credit losses**

Assessment of impairment allowances (provisions) is based on measurement of expected credit losses. This approach applies to debt financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income.

At each reporting date, the Bank will assess loss allowance for expected credit losses of the financial asset in the amount equal to the lifetime expected credit losses if the credit risk on a given financial instrument has increased significantly since initial recognition. If as at the reporting date the credit risk on a given financial instrument has not increased significantly since initial recognition, the Bank assesses loss allowance for expected credit losses of that asset in the amount equal to 12-month expected credit losses.

For accounting and regulatory purposes, the Bank assumes that the past due positions include major financial assets for which there was a delay in repayment of principal or interest. The days past due are calculated starting from the date on which the past due credit obligation is deemed material. The Bank defines the materiality of a credit obligation as exceeding two materiality thresholds jointly: PLN 400 and 1% of the balance sheet exposure amount.

The Bank measures expected credit losses taking into account:

- unencumbered and probability weighted amount that is determined by assessing numerous possible results;
- time value of money; and
- reasonable and supportable information that is available without undue cost or effort as at the reporting date, referring to past events, current conditions and projections concerning future business conditions.

The Bank classifies balance sheet credit exposures as impaired, and impairment loss was incurred when the following two conditions are met:

- there is evidence of impairment resulting from one event or more events occurring after initial recognition of the balance sheet credit exposure in the accounting books,

- the event (or events) causing loss impacts (or impact) the expected future cash flows resulting from the balance sheet credit exposure or a group of the balance sheet credit exposures that can be reliably assessed.

Any delay in performance of any major credit obligations of the client towards the Bank, parent entity in excess of 90 days is a default on the client's part.

The Bank applies the definition of default, impaired and non-performing exposures in accordance with regulatory requirements. A debtor or an exposure that is assessed as defaulted is simultaneously considered as impaired and non-performing.

The Bank applies the definition of default at the credit exposure level and additionally applies the principles of contagion: intra-segment - if default is recognised on any customer's exposure in the MTG segment (comprising the Bank's and ING Bank Śląski's portfolios), all other credit exposures of that customer in that segment get a default status (they become "infected").

### Approach based on 3 stages

In the expected credit losses process, the change in the quality of a credit exposure since its initial recognition is described in the Bank in three stages with different measurement of expected credit losses:

- **Stage 1** – covers exposures working without any recognised significant increase in the credit risk since the date on which they were granted. The expected credit loss is calculated based on a 12-month expected loss (or to the remaining maturity if less than 12 months).
- **Stage 2** – covers exposures working with recognised significant increase in the credit risk since the date on which they were granted. The provision expected credit loss is calculated based on lifetime expected credit loss of the exposure, namely from the reporting date to the remaining maturity.
- **Stage 3** are exposures with identified impairment, i.e. in default. The expected credit loss is calculated based on the asset lifetime expected credit loss for probability of default (PD) = 100%.

The Bank classifies the exposures to Stage 1, 2 or 3 using a cascade approach in the following order:

1. Identification of the impaired exposures and classifying them to Stage 3.
2. Allocation of exposures to Stage 2 based on the criteria of a significant increase in credit risk.
3. Allocation of the remaining exposures to Stage 1.

### Definition of a significant increase in credit risk

A significant increase in credit risk, resulting in the classification to Stage 2, is evidenced by the occurrence of at least one of the following prerequisites, the leading one being the first:

- a major increase in the PD over the exposure lifetime determined for the reporting date in relation to the PD 'lifetime' as of the date the exposure was granted in the perspective of the period remaining from the reporting date to the maturity date.

The thresholds for the increase in the PD parameter over the life of the exposure relative to the PD at the date of initial recognition, representing a significant increase in credit risk, are determined in accordance with the adopted methodology. At the end of 2023, their values were as follows:

	Mortgage Portfolio (MTG model)
Relative threshold	0.5
Absolute threshold	75 p.b.

Absolute threshold - indicates the maximum difference between the cumulative PD over the period between the initial recognition date and the maturity date measured at the reporting date and the cumulative PD between the

reporting date and the maturity date, relative to the number of years between the reporting date and the maturity date, beyond which the asset is classified into Stage 2.

Relative threshold - indicates the maximum measure of the relationship between the PD at the reporting date and the PD at initial recognition of the exposure, taking into account a scaling factor determined at the individual exposure level, based on the PD at initial recognition, beyond which the asset is classified into Stage 2.

- a threefold increase in the PD parameter since exposure was granted,
- granting of forbearance to the client,
- the asset is rated 18 or 19,
- delay in debt repayment in excess of 30 days,
- a deterioration in the risk profile of the portfolio of a given exposure.

In the process of impairment identification, the Bank first assesses whether there is objective evidence or indications of impairment for financial assets.

The entire lending portfolio of retail clients is tested for exposure impairment. The assessment of credit exposure for impairment is performed for the obligor automatically on a daily basis for retail customers. The occurrence of objective evidence of impairment requires the customer to be reclassified to the non-performing portfolio.

### ***Rationale for classifying an asset measured at amortised cost to Stage 3***

At each balance sheet date, the Bank assesses whether a financial asset or a group of financial assets is impaired. A financial asset item or a group of financial assets is impaired, if, and only if, there is evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset item (a 'loss event') and that loss event (or events) has (have) an impact on the expected future cash flows of the financial asset item or a group of financial assets that can be reliably estimated. The Bank recognises expected credit losses based on reasonable and supportable information that is available without undue cost or effort as at the reporting date, referring to past events, current conditions and projections concerning future business conditions.

In the process of impairment identification, the Bank first assesses whether there is objective evidence or indications of impairment for financial assets.

The entire lending portfolio of retail clients is tested for exposure impairment. The assessment of credit exposure for impairment is performed for the obligor automatically on a daily basis for retail customers. The occurrence of objective evidence of impairment requires the customer to be reclassified to the non-performing portfolio.

Impairment triggers require an individual expert assessment of the debtor's situation and a decision whether classification of default as an impaired exposure is justified.

Impairment triggers applied to retail credit exposures include the occurrence of one or more of the following situations:

- there have been a minimum of three failed debt repayment arrangements in row under the current Debt Episode,
- an individual who has given a surety in the ING Bank Śląski S.A. Group for material liabilities of his company is in default or an individual is a debtor of the Bank and his company is in default,
- if an individual client is in default, it is a default premise for his company, if the company is in default, it is a default premise for the individual,
- not willing or not able to repay - the Bank is of the opinion that the debtor is not willing or not able to repay. Liability cannot be repaid when the debtor's sources of income are insufficient to pay the instalments due,

Examples when retail clients may not be able to repay their debt:

- loss of job,
- discontinuation of social benefits payments,
- divorce,
- serious illness,

- debtor' death,
- learning by the Bank about the untimely service of debt of significant value in another bank (pastdue debt over 90 DPD) or about initiation of enforcement/collection actions by another bank.
- o granting a forbearance to a client who is unable to meet his financial obligations under a loan agreement concluded with the Bank due to existing or expected financial difficulties,
- o credit fraud - credit fraud made by the debtor and targeted at the Bank.

In the case of retail credit exposures, a justified suspicion of credit fraud, i.e. a commitment whose credit documentation or established facts indicate that it was granted as a result of a deliberate misrepresentation of the Bank by presenting documents, certificates or statements inconsistent with the facts. In particular, the following events occur:

- the account has been registered by the Bank as a suspected credit fraud,
- after an analysis, a suspected crime has been reported,
- termination of the credit facility and establishing 100% reserve for the debt are recommended,
- the Bank decided to terminate the credit facility and establish 100% reserve for the debt.
- o the occurrence of at least 2 forbearances within 5 years of the application of the first forbearance,
- o the identification of cases of suspected criminal conduct involving a credit exposure.

### **Objective evidence of impairment**

The Bank defined objective evidence of impairment the occurrence of which has a direct impact on valuation of future financial cash flows related to the credit receivables. Objective evidence of impairment does not require expert assessment - the identification of the occurrence of the evidence results in the recognition of the credit exposure as being in default and at the same time an impaired exposure without any further analysis.

Objective evidence of impairment may be:

- o **a state** - i.e., it works as long as the condition that applies to it exists; or
- o **an event** - it occurs at a specific moment.

Objective impairment evidence of retail credit exposure covers the occurrence of at least one of the following situations:

- o the client has discontinued to repay the principal, pay interest or commissions, with the delay of more than 90 days, provided that the amount of the arrears is higher than both materiality thresholds indicated in item 4.4.9. *Expected credit losses*
- o the exposure has been recognised as impaired under IFRS 9 (due to the unification of the definition, the default is equivalent to impaired exposure),
- o restructuring of non-performing (event),
- o filing a bankruptcy petition by the client (state),
- o the credit exposure becomes due and payable as a consequence of the Bank's having terminated the loan agreement.
  - termination: the Bank demands early repayment of the loan in full by the debtor, which results in termination of the relationship with the Bank (event),
- o amortization or write-off of retail credit exposures by the Bank:
  - amortization of the balance of the principal or/and interest in the total amount exceeding PLN 200, however the debt together with the amortized amount exceed the materiality threshold,
  - written-off, and the balance amount increased by the written-off amount plus interest exceed the materiality threshold (event),
- o The Bank sold credit liabilities (or some of them) at a loss > 5% of its balance sheet exposure, and a decision to sell was taken due to the deteriorating quality of the exposure (event),

- the occurrence of overdue amount for more than 30 days on a credit exposure initially classified as forbearance non-performing, but subsequently remedied and of the forbearance performing status in the trial period (event),
- the granting of a further forbearance on a credit exposure initially classified as forbearance non-performing, but subsequently remedied and of the forbearance performing status in the trial period (event),
- interest-free status (no interest accrue) for the credit exposure (status).

Should an objective evidence of impairment be identified on the exposure of a given client, it is assumed that impairment is also recognised on other exposures of that client.

Identification of the objective evidence of impairment requires downgrading the client to the worst risk rating. For the credit portfolio of the Bank current monitoring of the timely repayment of the amounts due to the Bank is carried out based on available tools and reports, which makes it possible to identify any threat of future indications or objective evidence of impairment before they crystallize.

The entire lending portfolio of retail clients is tested for exposure impairment.

If after the assessment we find that for a given financial assets item there are no reasons for impairment, the item is included in the group of financial assets with similar credit risk characteristics, which indicate that the debtor is capable to repay the entire debt under to the contractual terms and conditions. Impairment loss for such groups is subject to collective assessment based on measurement of expected credit losses. If there is any evidence of impairment of assets item measured at amortised cost, then the amount of the impairment is the difference between the carrying amount of an asset and the present value of estimated future cash flows, discounted with the initial effective interest rate of a given financial instrument item.

In practice, this means that for Stage 3 portfolio (financial assets that individually are insignificant) - the loss is determined with the collective impairment calculation method using the lifetime expected credit loss of the asset. When estimating future cash flows, available information on the debtor is taken into account, in particular the possibility of repayment of the exposure is assessed, and for backed credit exposures, the expected future cash flows on collateral execution are also used in the estimation, considering the time, costs and impediments of payment recovery under collateral sale, among other factors.

If the existing evidence of impairment of an assets item or financial assets group measured at the amortised cost indicate that there will be no expected future cash flows from the abovementioned financial assets, the impairment loss of assets equals their carrying amount.

### **Measurement of the expected credit losses**

To measure expected credit loss in a collective approach, the Bank uses regulatory models of estimating risk parameters (PD, LGD and EAD) adjusted to the requirements of IFRS 9, built for the needs of the Advanced Internal Ratings Based Approach (hereinafter: AIRB method, the Bank is now obtaining the PFSA's approval to use this method). The risk parameter models for the purposes of IFRS 9 maintain the same structure as the regulatory models, while the method of estimating specific parameter values (PD, LGD, EAD) is adapted to the requirements of IFRS 9, and in particular includes reasonable and supportable information that is available without undue cost or effort as at the reporting date, referring to past events, current conditions and projections concerning future business conditions. Parameters of these models were calibrated in line with the PIT (point-in-time) approach and forecasted for 30 years. Parameter EAD takes account of schedules of repayments in accordance with the credit agreements.

The impairment loss calculated collectively is based on historical loss experience for assets portfolios with similar credit risk characteristics.

The Bank measures the Lifetime Expected Loss (LEL) on an exposure with no recognised impairment (Stage 2) as the discounted sum of the fractional lifetime losses relating to default events in each 12-month time window remaining until the maturity date of the exposure, taking into account scenario weights.

For Stage 1 exposures, a 12-month expected loss is applied.

For exposures with recognised impairment from Stage 3 (exposures in default), for which a collective provision is calculated, the Bank measures the remaining lifetime expected credit losses.

The time value of money is reflected in the expected loss by two discounting factors:

- Discounting between the point in time when the debt claim defaults and the point in time when it is recovered. It is included in the regulatory parameters of the LGD models.
- Discounting between the reporting date and the point in time at which the exposure defaults, which is additionally taken into account in the calculation of lifetime expected loss (LEL). It is assumed that for each annual time interval, a default event occurs on average in the middle of the 0-12 month period.

The Bank calculates the expected credit loss as a probability weighted average based on a few macroeconomic scenarios of various probability of occurrence. The expected loss is calculated for each scenario separately and the probability weighted average results from the weights (probabilities) assigned to each scenario (sum of weights = 100%). Such an approach meets the requirement of the standard that the loss allowance for expected credit losses should be unencumbered and probability-weighted by the amount determined based on a range of possible outcomes.

The weights of the scenarios are a direct result of the macroeconomic assumptions made. The Bank decided to use the 90th percentile of the distribution of macroeconomic variables as the worst case scenario, in line with the assumptions of other risk appetite calculations in the Bank that use a 90% confidence interval (e.g. RWA at risk) and the 10th percentile for the positive scenario as a symmetric approach. The 90th and 10th percentile directly affect the probability of realisation of these scenarios - both have a statistical probability of 20% each. Ultimately, the baseline scenario probability is complemented by the stress scenarios probabilities and is 60%.

The projection (valuation) of the expected loss is made at each point in time in the future, depending on the economic conditions expected at a given point. Based on historical data, the Bank has defined the relations between the observed parameters of expected loss (PD, LGD) and macroeconomic factors as functions based on which - with the given projections of macroeconomic factors - the expected values of the parameters of expected loss in a given year in the future are calculated according to the forward looking PIT approach.

For the needs of estimating the expected loss, the Bank determines the level of EAD exposure only for irrevocable credit obligations by applying CCF conversion factors (percentage of the use of the free part of the credit limit in the period from the reporting date to the occurrence of a default) from regulatory EAD models (estimated according to the TTC approach - 'through the cycle'). EAD decreases over time in line with the repayment schedule of a given exposure.

For exposures with a specified final repayment date the time to maturity is limited to 30 years. Where a material portion of the portfolio has a duration in excess of 30 years, the length of the period to maturity shall correspond to the expected duration of such exposures.

The LGD parameter, which is a function of the applied credit risk mitigation techniques and which is expressed as a percentage of EAD, is estimated at the product and exposure level based on parameters from regulatory LGD models calibrated for the needs of IFRS 9 (estimated according to the TTC approach - 'through the cycle'). Collateral recoveries are an integral part of the construction of the LGD models and, in principle, the collateral recognition criteria are in line with CRR requirements. The most important collateral recognised by the Bank includes residential mortgage collateral.

The level of the LGD parameter used to calculate the amount of impairment loss using the collective approach for impaired exposures (PD = 100%) depends additionally on how long the credit exposure defaults.

### ***Recognition of an allowance for expected credit losses relating to assets measured at amortised cost***

The impairment is presented as a decrease in the carrying amount of the assets item and the amount of the loss is recognised in the income statement for the period.

If in a consecutive period, the amount of loss due to the impairment decreases as a result of an event that took place after the impairment (e.g. improved credit capacity assessment of the debtor), the previous impairment loss is



reversed through the income statement. The Bank has identified events that result in the possibility of reversing the impairment of a credit exposure - the cumulative fulfilment of all of the following conditions is required.

The Bank applies the same criteria to the customer's exit from the default and reversal of an impairment loss. The trial period and then the recovery process, i.e. transition from the non-performing portfolio to the performing one is carried out at the level of the whole portfolio, unless it concerns a situation recognised at debtor level (e.g. bankructcy).

If a debtor is in the impaired portfolio and has no exposure with forbearance granted, he is deemed recovered and qualified to the performing portfolio if all the conditions are met in the following order:

- no evidence of impairment or impairment trigger which is a source of default or which indicates a high probability of default is active,
- at least 3 months have elapsed since the end date of the evidence of impairment/impairment trigger (trial period) and during that period the client's conduct (intention to repay) and his situation (ability to repay) has been positively assessed,
- the client made regular repayments, i.e. no amounts past due >30 days during the trial period,
- after the end of the trial period, the client was deemed to be able to repay the credit obligations in full without making use of the collateral,
- there are no overdue amounts exceeding the absolute limit; should there be overdue amounts exceeding the absolute limit, the trial period shall be extended until the amount of the arrears falls below the limit.

A client classified to an impaired portfolio who holds exposure with forbearance granted is deemed to be recovered and classified to the performing portfolio if all the following conditions are met:

- no evidence of impairment or impairment trigger which is a source of default or which indicates a high probability of default is active,
- at least 12 months (trial period) have elapsed since the last of the following events:
  - granting of the last means under restructuring, namely forbearance,
  - the exposure was given a default status,
  - end of the grace period specified in the restructuring agreement,
- during the trial period, the client made substantial/regular repayments:
  - having made regular payments in accordance with the agreed restructuring terms and conditions, the client has repaid a substantial amount being earlier overdue payments (if there were any overdue amounts) or amortisation (if there were no overdue amounts),
  - the client made regular repayments, in accordance with the new schedule taking into account the terms and conditions of restructuring, i.e. no amounts past due > 30 days during the trial period.
- at the end of the trial period, the client has no overdue amounts and there are no concerns about the full repayment of the exposure under the terms and conditions of the restructuring agreement.

The Bank established the following additional terms and conditions for impairment reversal / exit from the default status applicable to all clients:

- if during the trial period evidence or indication of impairment is identified as being the source of default / indicating a high probability of non-payment, the end date of the trial period shall be re-established and the trial period shall start again from the expiry of the evidence / indication of impairment,
- if during the trial period and after the grace period, a DPD event > 30 has occurred, the end date of the trial period will be reset and the trial period will start again from the date when the DPD has fallen below 31 days,
- all terms and conditions for impairment reversal / exit from default should also be met with regard to new exposures of the client, especially if that client's previous credit exposures that were under restructuring have been disposed of or permanently written off,

An exception to the principle of no active evidence / indication of impairment being the source of the default is the evidence 'classification to Stage 3/ provision' - its existence does not withhold the start of the trial period (because it

is an effect and not a cause of default) - classification to Stage 3 and the provision are also upheld during the trial period.

#### **4.4.10. Gains and losses resulting from subsequent measurement**

A gain or loss arising from a change in the fair value of a financial asset or financial liability is recognized, as follows:

- a gain or loss on a financial assets item carried at fair value through other comprehensive income is recognized directly in equity through the statement of changes in equity.

#### **Settlement of interest using the effective interest method**

Interest income is calculated using the effective interest method. The value is calculated by applying the effective interest rate to the gross carrying amount of the financial assets item, except of:

- purchased or originated credit-impaired financial assets. For these financial assets items, the Bank applies credit-adjusted effective interest rate to amortised cost of the financial assets item since initial recognition and,
- financial assets items other than purchased or originated credit-impaired financial assets, which then became credit-impaired financial assets (Stage 3).

In case of such financial assets items, the Bank applies credit-adjusted effective interest rate to (net) amortised cost of the financial assets item in later reporting periods.

#### **Non-interest elements**

FX gains and losses arising from a change in financial assets item measured at fair value through other comprehensive income denominated in foreign currency are recognized directly in equity only in case of non-monetary assets, whereas FX differences generated by monetary assets (for instance, debt securities) are recognised in the income statement.

When a debt financial asset is removed from the statement of financial position, the cumulative gain or loss previously recognised in equity in respect of the debt financial asset is recognised in the income statement.

Fair value of financial assets and liabilities quoted on an active market (including securities) is determined using a bid price for a long position and an offer price for a short position. If there is no alternative market for a given instrument, or in case of securities that are not quoted on an active market, the Bank determines the fair value using valuation techniques, including but not limited to, using recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The fair value of financial assets and liabilities is determined with the use of the prudent valuation approach. This approach aims at determining the fair value with a high, 90%, confidence level, considering uncertain market pricing and closing cost. Market activity is assessed on the basis of frequency and volume of effected transactions as well as access to information about quoted prices which by and large should be delivered on a continuous basis.

The main market and the most beneficial one at the same time is the market the Bank can access and on which in normal conditions it would enter into sale/purchase transactions for the item of assets or transfer of a liability.

Based on the employed fair value methods, financial assets/liabilities are classified as:

- Level I: financial assets/liabilities measured directly on the basis of prices quoted in the active market,
- Level II: financial assets/liabilities measured using the measurement techniques based on assumptions using data from an active market or market observations,
- Level III: financial assets/liabilities measured using the measurement techniques commonly used by the market players, the assumptions of which are not based on data from an active market.

The Bank verifies on a monthly basis whether any changes occurred to the quality of the input data used in individual measurement techniques and determines the reasons and their impact on the fair value calculation for the financial

assets/liabilities item. Each identified case is reviewed individually. Following detailed analyses, the Bank takes a decision whether its identification entails any changes to the approach for fair value measurement or not.

In justified circumstances, the Bank decides to modify the fair value methodologies and their effective date construed as the circumstances change date. Then, they assess the impact of changes on the classification to the individual categories of the fair value measurement hierarchy. Any amendments to the measurement methodology and its rationale are subject to detailed disclosures in a separate note to the financial statements.

#### **4.4.11. Cost basis method for debt securities**

For the purposes of estimating the fair value and the result realised on the sale of securities, it is necessary to apply a specific cost basis method. The application of the cost basis method in this respect is based on an interpretation resulting in an analogous application of the guidelines indicated in IAS 2 *Inventories*, but to the extent possible given the specifics of this type of financial instrument.

The Bank uses the "first in, first out" method (FIFO) as the applicable cost basis method for debt securities.

### **4.5. Non-financial assets**

#### **4.5.1. Property, plant and equipment**

##### **4.5.1.1. Own property, plant and equipment**

Property, plant and equipment consist of controlled non-current assets and costs to construct such assets. Non-current assets include property, plant and equipment with an expected period of use above one year, maintained to be used to serve the Bank's needs or to be transferred to other entities, based on the lease contract or for administrative purposes.

Property, plant and equipment are recognised using the model based on the purchase price or manufacturing cost, namely, after initial recognition they are recognized at historical cost less depreciation/amortization and impairment.

The historical cost is made up of the purchase price/ manufacturing cost and the costs directly related to the purchase of assets.

Each component part of the property, plant and equipment item whose purchasing price or manufacturing cost is material in comparison with the purchase price or manufacturing cost of the entire item, is depreciated separately. The Bank allocates the initial value of the property, plant and equipment to its significant parts.

##### **4.5.1.2. Non-current assets leased**

The Bank is a party to lease contracts, under which it receives the right to control the use of an identified assets item in a given period for a fee. The Bank applies the stipulations of IFRS 16 to all lease contracts, except for intangible assets lease contracts and with exceptions provided for in the standard and described herein below.

Lease and non-lease components are identified in contracts by the Bank. Non-lease contract charges are recognised as expenses under the relevant IFRS. Lease payments are recognised in accordance with the principles described herein below.

As at the beginning of lease, the Bank recognises right-of-use assets. Initially, lease liabilities are measured by the Bank at present value of future lease payments. Since, under the Polish tax system, the invoice is the basis for the payment of value added tax, the value added tax is an expense at the time of receipt of the invoice from the lessor and is not included in the measurement of the lease liability. The identification of future lease payments requires the determination of the lease term. Doing it, the Bank takes into account an irrevocable lease period together with the periods for which the lease may be extended and the periods in which the lease may be terminated. At the

commencement of the lease contract, the Bank assesses whether it can be reasonably assumed that it will exercise an option to extend the lease, or it will not exercise an option to terminate the lease. To carry out the assessment, the Bank takes into account all major facts and circumstances that give economic incentive to exercise or not to exercise the said options. The Bank reviews the lease term in order to re-assess major events or circumstances that may affect the estimated lease term. Lease is no longer enforceable when both the lessee and the lessor have the right to terminate the lease without a prior permit of the other party, which would result in minor penalty at most. For lease contracts concluded for an indefinite period, in case of which both parties may exercise the option to terminate and in case of which there are potentially high costs of contract termination, the Bank assesses the lease term.

To determine the discounted value of lease payments, the Bank applies lease interest rate, and if such a rate is hardly available, the Bank applies the marginal interest rate. The Bank determines the interest rate for lease as the sum of the interest rate for swaps and internal transfer price, taking into account currencies of the lease contracts and maturity dates of the contracts. After the initial lease date, the carrying amount of the liability:

- is increased by accrued lease interest that is recognised in the income statement as interest expenses,
- is decreased by effected lease payments,
- is revised as a result of re-assessment, change in lease or change in generally fixed lease payments.

As at the initial lease date, the Bank recognises right-of-use assets at cost, the basis of which is the amount of the initial measurement of lease liability. The cost of the right-of-use assets item includes also:

- payments made at or prior to commencement of lease, less the received lease incentives,
- initial direct costs incurred by the lessee,
- costs to be incurred by the lessee in order to return the assets item to its initial condition.

The right-of-use is depreciated throughout the lease period and is impaired. During the term of lease, the right-of-use value is reset as a result of a modification of the lease agreement.

The Bank avails itself of exemption for:

- short-term leases - a contract may be classified as a short-term one if the contract term is no longer than 12 months, and there is no option to buy the object of the lease contract,
- leases of low-value objects of lease - assets may be classified as low-value assets if the gross price of acquisition of a new assets item is not higher than EUR 5,000, and the object of lease contract neither is nor will be sub-leased.

Lease payments under the abovementioned contracts are recognised by the Bank in the income statement as expenses throughout the lease term on a systematic basis.

#### **4.5.1.3. Subsequent costs**

Under the property, plant and equipment item of the balance sheet the Bank recognizes the costs of replacement of certain elements thereof at the time they are incurred if it is probable that the Bank is likely to earn any asset-related prospective economic benefits and the purchase price or the manufacturing cost may be measured reliably. Other costs are recognised in the income statement at the time they are incurred.

#### **4.5.2. Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are deemed to include assets which fulfil the following requirements:

- they can be separated from an economic entity and sold, transferred, licensed or granted for use for a fee to third parties, both separately, and together with their accompanying contracts, assets or liabilities, and
- they arise from contractual titles or other legal titles, irrespective of whether those are transferable or separable from the business entity or from other rights and obligations.

#### **4.5.2.1. Computer software**

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software.

Costs of computer software development or maintenance are recognized when incurred.

#### **4.5.2.2. Subsequent costs**

Expenditure incurred after initial recognition of an acquired intangible asset is capitalised only if the following conditions are met:

- it is likely that the expenditure (including the new software version) will result in a significant increase in functionality over the original performance standard assessed, and
- the expenditure can be reliably measured and attributed to the existing software used internally.

In other cases, costs are recognised in the income statement as costs when incurred.

#### **4.5.3. Depreciation and amortization charges**

The depreciation/amortization charge of property, plant and equipment and intangible assets is applied using the straight line method, using defined depreciation/amortization rates throughout the period of their useful lives. The depreciable/amortizable amount is the purchase price or production cost of an asset, less its residual value. The useful life, amortization/depreciation rates and residual values of property, plant and equipment and intangible assets are reviewed annually. Conclusions of the review may lead to a change of depreciation/amortization periods recognized prospectively from the date of application (the effect of this change is in accordance with IAS 8 carried through profit or loss).

Depreciation and amortization charges of property, plant and equipment are recognized in the income statement. The depreciation/amortization periods are as follows:

- devices: 3 - 7 years
- equipment: 5 years
- costs of software development: 3 years
- software licenses: 3 years

#### **4.5.4. Impairment of other non- financial assets**

For each balance sheet date, the Bank assesses the existence of objective evidence indicating impairment of property, plant and equipment items.

If such evidence exists, the Bank performs an estimation of the recoverable value.

If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount.

#### **4.5.5. Recognition of impairment loss**

An impairment loss is recognised in the income statement under *General and administrative expenses* if the book value of an asset exceeds its recoverable amount.

#### **4.5.6. Reversing impairment loss**

An impairment loss of other assets is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount.

An impairment loss can be reversed only up to the amount, at which the book value of impaired asset does not exceed its book value, which decreased by depreciation/amortization charge, would be established, if no impairment loss had been recognized.

## **4.6. Other items of the statement of financial position**

### **4.6.1. Trade debtors and other receivables**

The Bank applied a simplified approach to the assessment of a loss allowance for expected credit losses and recognises the allowance in the amount equal to the receivables lifetime expected credit losses.

Trade receivables are covered by impairment loss when they are past due 60 days. In justified cases, and in particular in the case of receivables due for shortages and damages, claims contested by debtors and other receivables for which the risk of non-recovery is assessed by the Bank as high, impairment losses are made earlier – before the end of the 60-day overdue threshold.

If the effect of the time value of money is material, the value of receivable is determined by discounting the projected future cash flows to present value, using a discount rate reflecting the current time value of money. If the discounting method has been applied, the increase in receivables due to time lapse is recognized as financial income.

Budgetary receivables are recognized as part of other financial assets, except for corporate income tax receivables, which are a separate item on the statements of financial position.

### **4.6.2. Cash and cash equivalents**

From the point of view of the cash flow statement, the cash balance consists of cash in the Bank and cash equivalents, whereby ING Bank Hipoteczny S.A. does not keep cash in hand, only balances on current accounts and short-term deposit accounts with other banks (with a maturity of up to 3 months).

## **4.7. Equity**

Equity comprises of: share capital, supplementary capital from the sale of shares above their nominal value, retained earnings and cumulated other comprehensive income. The equity is established by the Bank in accordance with the applicable law and the Charter. All balances of capital are recognized at nominal value.

### **4.7.1. Share capital**

Share capital is presented at nominal value, in accordance with the charter and entry to the Register of Entrepreneurs.

### **4.7.2. Supplementary capital - share premium**

This capital is formed from the share premium less any direct costs incurred in connection with that issue, and the capital is to be used to cover balance sheet losses that may arise in connection with the Bank's operations.

### **4.7.3. Retained earnings**

Retained earnings are created from profit write-offs and is allocated for purposes specified in the Articles of Association (the Company's Charter) or other legal regulations. The retained earnings include the net financial result. The financial result after tax represents the result before tax from the income statement for the current year adjusted with the amount owed under the corporate income tax.

### **4.7.4. Accumulated other net comprehensive income**

Accumulated other comprehensive income occurs as a result of:

- measurement of financial instruments classified to be measured through other comprehensive income,
- actuarial gains / losses.

Changes in the deferred tax assets and liabilities resulting from recognition of the said measurements are carried through accumulated other comprehensive income. The accumulated other comprehensive income is not distributable.

#### **4.8. Prepayments and deferred income**

##### **4.8.1. Prepayments**

Prepayments comprise particular expenses which will be carried through the income statement as being accrued over the future reporting periods. Prepayments include primarily provisions for material costs due to services provided for the Bank by counterparties, as well as subscription, insurance and IT services costs paid in advance to be settled in the future periods. Prepayments are presented in the statement of financial position in the *Other assets* item.

#### **4.9. Employee benefits**

##### **4.9.1. Benefits under the Act on employee pension programmes**

Expenses incurred due to a programme of certain contributions are recognised as costs in the income statement.

##### **4.9.2. Short-term employee benefits**

Short-term employee benefits of the Bank (other than termination benefits) comprise of remuneration, bonuses, paid annual leave and social security contributions.

The Bank recognizes the anticipated, undiscounted value of short-term employee benefits as an expense of an accounting period when an employee has rendered service (regardless of payment date) in correspondence with other liabilities from the statements of financial position.

The amount of short-term employee benefits on the unused holidays to which Bank employees are entitled is calculated as the sum of unused holidays to which particular Bank employees are entitled.

##### **4.9.3. Long-term employee benefits**

###### **4.9.3.1. Benefits under the Labour Code regulations**

Provisions for retirement severance pay granted under benefits due to regulations of the Labour Code are estimated on the basis of the actuarial valuation. The provisions being the result of an actuarial valuation are recognised and adjusted on an annual basis.

Provisions for long-term employee benefits are recognised in the *Provisions* item of the statements of financial position in correspondence with costs of labour in the income statement.

The assumptions of the method used to compute and present actuarial gains and losses are given in the item concerning estimates on pension and disability provisions.

###### **4.9.3.2. Variable remuneration programme benefits**

Variable remuneration programme benefits are granted in two parts:

- at least 50% in instruments entitling to receive cash, the amount of which depends on the book value of the net assets of ING Bank Hipoteczny S.A., adjusted for factors affecting those assets other than the financial result,
- the remainder in cash to the employee's bank account designated for the purpose of remuneration payment, no later than 31 March of the following year in the case of Management Board Members, the cash shall be paid no later than 30 April of the following calendar year.

The portion of the plan payable in cash is recognised in accordance with the projected unit method and is settled over time in the employee performance appraisal period (i.e.: during 12 months of employees' work for which they receive the benefit). The value of non-deferred benefit is recognised as liability towards employees in correspondence with the income statement. As regards the benefits granted in the form of instruments a one-year retention period applies. In 2023, the Bank applied the principle of deferral of variable remuneration, subject to the amount of variable remuneration that was not subject to deferral, i.e. is neither higher than PLN 40,000 nor 10% of the annual total remuneration of an employee who is an Identified Staff (i.e. persons employed by the Bank, identified as having a material impact on the risk profile of ING Bank Hipoteczny S.A., to whom the variable remuneration policy is applied to its full extent). The deferral period is five years from the variable remuneration determination by the Management Board or Supervisory Board. The vesting of the deferred variable remuneration takes place annually over a period of five years, in five equal parts, unless there are grounds for reduction or non-payment. The fair value of the non-deferred benefit during the assessment period is recognised as a liability to employees in correspondence with the income statement, while the fair value of the deferred benefit is recognised as an accrued expense in correspondence with the income statement.

The variable remuneration policy for Identified Staff applies in full to the Management Board Members and the Chief Accountant. For the other Identified Staff, the variable remuneration policy is applied to a limited extent, i.e. variable remuneration is paid in full in cash and the deferral principle does not apply to variable remuneration.

#### **Information on the value of net assets on which the value of variable components of remuneration depends:**

	period as at 31.12.2023	period as at 31.12.2022
<b>Net assets (carrying amount)</b>	<b>440,622.4</b>	<b>425,012.4</b>
Number of shares	380,000.0	380,000.0
<b>Carrying amount per share</b>	<b>1,159.53</b>	<b>1,118.45</b>

#### **4.10. Provisions**

Provisions, are recognised in the statement of financial position when the Bank has a legal or constructive obligation that arises from past events and it is probable that an outflow of resources will be required to settle the obligation.

If the effect is material, the amount of the provision is determined using discounted expected cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where applicable, the risks associated with the liability.

#### **4.11. Income statement**

##### **4.11.1. Net interest income**

Interest income and expense for all financial instruments are recognised in the income statement using the effective interest method. Fees and commissions that are directly related to the generation of financial assets or financial liabilities are part of the effective interest rate of the assets or liabilities and are therefore presented in net interest income.

The main items of the Bank's statement of financial position in case of which the effective interest rate method is applied are loans and other amounts due to clients, as well as liabilities due to the issue of covered bonds. The main



transaction costs related to loans to customers are the costs of purchasing receivables attributable to mortgage loans (costs of court entries related to the transfer of a mortgage and costs of extended inspections included), whereas with regard to liabilities arising from the issue of covered bonds, the costs of court entries related to the mention of the loan being entered in the cover register (=register of collaterals of covered bonds) may be listed among the examples of transaction costs settled with the effective interest rate method.

For financial assets or a group of similar financial assets classified as Stage 3, interest income is calculated on the present value of the receivable (that is, the value less any impairment loss) using the interest rate used to discount future cash flows for the purpose of impairment loss estimation.

#### **4.11.2. Commission income and costs**

Commission income arises from providing financial services by the Bank and comprises, among others, fees for certificates about credit liabilities owed/repaid, commission for early repayment of mortgage loans, fees for commissioned real estate inspection in connection with a change in collateral by the client.

Fees and commissions (both income and expenses) directly related to the origination of financial assets or financial liabilities with specific repayment schedules are recognised as part of the gross carrying amount. As a result, these fees and commissions are part of the effective interest rate and are recognised in the income statement as interest income or expense. The Bank includes, for example, commission for amending the credit agreement as to the amount or schedule of loan repayments as commissions adjusting the effective interest rate;

Other commissions that are interwoven with occurrence of assets without defined schedules are cleared on a straight line basis throughout the contract.

The following commissions are settled by the Bank on a straight line basis:

- commissions for issuing, confirming or prolonging the time and increasing the amount of the guarantee or letter of credit,

If the terms of the credit exposure are immaterially modified during the life of the contract, the entire outstanding portion of the commission is recognised in the income statement on the update date as a modification gain or loss.

Charges arising from overdue loans are written off because there is no reasonable expectation of collection.

Other fees and commissions relating to the financial services offered by the Bank are recognised in the income statement taking into account the five steps principle:

1. identification of an agreement signed with a customer,
2. identification of specific obligations in the agreement,
3. setting of the transaction price,
4. price allocation to specific contractual obligations, and
5. recognition of income when specific obligations are met.

The Bank recognises fee and commission income:

- on a one-off basis, when the service was provided (also for advance payments), that is when the control over goods or services is transferred;
- over time, if the services are provided over certain period of time;
- at a specific point-in-time when the Bank performs key activities;
- when, from the customer's point of view, there is an actual benefit.

After an obligation to provide service is met (or in the period when it is being met), the Bank recognises as income the transaction price assigned thereto.

Commission income that was accrued and is due but was not paid on time is derecognised from the Bank's financial result upon the lapse of 90 days.

#### **4.11.3. FX result**

Transactions expressed in foreign currencies are translated at FX rate prevailing at the transaction date. The financial assets and liabilities, being result of the said transactions and denominated in foreign currencies are translated at the FX rate prevailing on a given day. The foreign exchange differences resulting from the settlements of the said transactions and the balance sheet valuation of the financial assets and liabilities denominated in foreign currency are recognized in the income statement under the *FX result*.

#### **4.11.4. Net income on other basic activities**

Net income on other basic activities comprises expenses and income not attributed directly to banking activity. These include, in particular: refunds of commissions on prepaid loans, the result from the disposal of non-current assets, damages, penalties and fines received and paid.

### **4.12. Taxes**

#### **4.12.1. Income tax**

Income tax is recognized as current and deferred tax. Current income tax is recognized in the income statement. Deferred income tax, depending on the source of the temporary differences, is recognised in the income statement or in other comprehensive income.

Current tax is a liability calculated based on taxable income at the binding tax rate at the balance sheet date including adjustments of prior year tax liability.

#### **4.12.2. Deferred income tax**

The Bank creates a provision for deferred tax in respect of a temporary difference caused by different moment of recognising income as generated and costs as incurred in accordance with the accounting regulations and corporate income tax provisions. The positive net difference is shown as *Deferred tax provisions*. The net negative difference is reported as *Deferred tax assets*.

The deferred tax liability is created by using the balance-sheet method for all positive temporary differences occurring as at the balance-sheet date between the tax value of assets and liabilities and their carrying amount disclosed in the financial statements.

Deferred tax assets are recognized for all negative temporary differences as at the balance sheet date between the tax value of assets and liabilities and their carrying amount disclosed in the financial statements and unused tax losses.

Deferred tax assets are recognized in such amount in which taxable income is likely to be earned allowing to set off negative temporary differences, except for the situations when the component of deferred tax assets arises from the initial recognition of an asset or liability.

The carrying amount of a deferred tax asset shall be verified for each balance sheet date and reduced if it is no longer likely to achieve taxable income sufficient for a partial or full realization of the deferred tax component.

Deferred tax assets and deferred tax liability are estimated with the use of the tax rates which are expected to be in force when the asset is realized or provision released, assuming the tax rates (and tax provisions) legally or factually in force as of the balance sheet date.

#### **4.12.3. Other taxes**

Income, costs and assets are recognised less the value added tax, tax on civil law acts, and other sales taxes, except where the sales tax, paid upon purchase of goods and services, is not recoverable from the tax authorities; in that case, the value-added tax is recognized accordingly as a part of the cost of acquisition of an asset, or as part of a cost

item. The net amount of sales tax recoverable from or payable to the tax authorities is recognized in the statement of financial position as an item of receivables or liabilities.

## 5. Comparability of financial data

In these annual financial statements for the period from 1 January 2023 to 31 December 2023, the Bank has resigned from the presentation in the income statement of the item *impact of adjustment of gross carrying amount of loans due to credit moratoria*, which is a refinement of the presentation of interest income. This item was added in the annual financial statements of the Bank for the period from 1 January 2022 to 31 December 2022. As the effect of loan moratoria was fully recognised in 2022, the presentation of a separate line in the income statement in the financial statements for the period from 1 January 2023 to 31 December 2023, is no longer relevant.

## 6. Notes to the financial statements

### NOTES TO INCOME STATEMENT

#### 6.1. Net interest income

	period from 01.01.2023 to 31.12.2023	period from 01.01.2022 to 31.12.2022
<b>Interest income</b>	<b>285,109.6</b>	<b>121,385.9</b>
<b>Interest income calculated using the effective interest method</b>	<b>285,109.6</b>	<b>121,385.9</b>
Interest on loans and other receivables from customers measured at amortised cost	275,117.2	148,880.3
Interest on receivables from banks measured at amortised cost	905.1	2,146.1
Interest on securities measured at amortized cost	2,836.5	1,355.8
Purchase of securities measured at fair value through other comprehensive income	6,250.8	3,941.0
<b>Interest expenses</b>	<b>-207,582.3</b>	<b>-148,448.0</b>
Interest on liabilities to other banks	-171,247.6	-122,032.2
Interest on liabilities under issue of bonds	-6,690.5	-6,399.7
Interest on liabilities under issue of covered bonds	-29,594.4	-19,978.5
Interest on lease liabilities	-49.8	-37.6
<b>Net interest income</b>	<b>77,527.3</b>	<b>-27,062.1</b>

The interest expense presented in the table relates to financial liabilities measured at amortised cost.

For Stage 3 assets, interest income is calculated on the basis of net exposure amounts, i.e. amounts including the loss allowance for expected credit losses.

For 2023, interest income on financial assets in Stage 3 amounted to PLN 391,100 compared to PLN 194,000 for 2022.

#### **Impact of adjustment to gross carrying amount of loans due to credit moratoria**

In 2022, due to the entry into force of the Act on crowdfunding for business ventures and assistance to borrowers, the Bank recognised an adjustment to the gross carrying amount of mortgage loans in PLN in interest income (as a reduction of interest income on loans and other amounts due to customers). The amount of the adjustment was PLN 96,094,900 as at 31 December 2022.

In 2023, an average of 65.5% of the PLN mortgage portfolio was subject to credit holidays (in terms of value to the total portfolio meeting the eligibility criteria to benefit from credit holidays). The indicator was defined as the average customer interest in the credit holidays based on the four quarters of 2023 during which customers could avail themselves of credit holidays.

**6.2. Net commission income**

	period from 01.01.2023 to 31.12.2023	period from 01.01.2022 to 31.12.2022
<b>Commission income</b>	<b>1.9</b>	<b>184.9</b>
Commission for early repayment of mortgage loans	0.0	174.0
Other commission income	1.9	10.9
<b>Commission expenses</b>	<b>-719.9</b>	<b>-687.0</b>
Fees and commissions to the National Depository for Securities (KDPW), issue registration included	-23.4	-16.3
Fees and commissions to other financial entities, inclusive of fees and commissions for disclosure of credit information	-118.0	-108.9
Fees and commissions to banks for issued guarantees	0.0	0.0
Fees and commissions to banks attributable to acquired debt claims	-285.3	-309.0
Fees and commissions for maintaining a custody account by ING Bank Śląski S.A.	-223.8	-205.1
Other commission expenses	-69.4	-47.7
<b>Net commission income</b>	<b>-718.0</b>	<b>-502.1</b>

**6.3. Net income on other basic activities**

	period from 01.01.2023 to 31.12.2023	period from 01.01.2022 to 31.12.2022
Commission refunds for early repayment of mortgages	-542.9	-946.9
Other income and expenses from other basic activities	10.6	2.2
<b>Net income on other basic activities</b>	<b>-532.3</b>	<b>-944.7</b>

**6.4. General and administrative expenses, including:**

	period from 01.01.2023 to 31.12.2023	period from 01.01.2022 to 31.12.2022
<b>Personnel expenses</b>	<b>-12,514.9</b>	<b>-12,484.2</b>
Wages and salaries	-10,486.8	-10,474.4
<i>of which variable remuneration programme</i>	<i>-1,403.9</i>	<i>-1,381.0</i>
Employee benefits	-2,028.1	-2,009.8
<b>Regulatory costs</b>	<b>-2,687.5</b>	<b>-3,319.3</b>
Bank Guarantee Fund charges*	-2,138.2	-2,812.6
Other regulatory costs	-549.3	-506.7
<b>Other general and administrative expenses</b>	<b>-10,607.6</b>	<b>-9,823.0</b>
Depreciation and amortisation	-400.7	-347.1
Costs of auxiliary activities provided under the Cooperation Agreement**	-6,069.8	-5,459.5
IT costs	-1,135.0	-971.0
Costs of news service platforms	-353.5	-313.4
Costs of rental of buildings	-214.1	-196.7
Legal services	-480.6	-330.0
Communications costs	-215.3	-163.2
Other advisory and consulting costs	-240.7	-17.4
Consumption of materials and assets other than non-current assets	-213.2	-282.0
Taxes and charges	-11.5	-11.2
Representation costs	-0.1	-2.7
CRA fees	-508.4	-694.0
Other third-party services	-285.0	-550.8
Other costs***	-479.7	-484.0
<b>General and administrative expenses</b>	<b>-25,810.0</b>	<b>-25,626.5</b>

\*) On 24 April 2023, the Management Board of ING Bank Hipoteczny S.A. got information from the Bank Guarantee Fund on the amount of the annual contribution to the banks' compulsory resolution fund for 2023. The total cost to the Bank is PLN 2,138,200. The amount of the contribution was charged to the costs of the first quarter of 2023 and paid in July 2023.

\*\*) A scope of services provided by ING Bank Śląski S.A. for ING Bank Hipoteczny S.A. resulting from the Cooperation agreement is described in Note 6.26 *Related party transactions*.

\*\*\*) In the data for 2022, the amount presented under "Other" includes PLN 29,900 for the contribution to the Borrower Financial Assistance Fund (BFAF) attributable to the Bank. In July 2022, the Act on crowdfunding for business ventures and assistance to borrowers came into force, which introduced, among other things, an obligation for the banking sector to make an additional contribution to the Borrower Financial Assistance Fund of PLN 1.4 billion by the end of 2022. In 2023, there was no payment to the BFAF.

**6.5. Expected credit loss provision**

	period from 01.01.2023 to 31.12.2023	period from 01.01.2022 to 31.12.2022
<b>Establishment of expected credit loss provisions</b>	<b>-1,261.7</b>	<b>-2,773.3</b>
Loans and other receivables to clients	-1,255.8	-2,752.0
Debt securities at fair value through other comprehensive income	-5.9	-21.3
<b>Release of expected credit loss provisions</b>	<b>2,355.1</b>	<b>832.6</b>
Loans and other receivables to clients	2,345.8	818.5
Debt securities measured at amortized cost	0.1	0.0
Debt securities at fair value through other comprehensive income	9.2	14.1
<b>Expected credit loss provision</b>	<b>1,093.4</b>	<b>-1,940.7</b>

**6.6. Income tax*****Income tax recognized in the income statement***

	period from 01.01.2023 to 31.12.2023	period from 01.01.2022 to 31.12.2022
<b>Current tax</b>	<b>0.0</b>	<b>0.0</b>
<b>Deferred tax</b>	<b>-10,251.6</b>	<b>10,123.0</b>
Recognized and reversed temporary differences	-10,251.6	10,123.0
Recognized and reversed negative temporary differences due to:	-8,744.9	11,001.5
Tax loss	2,585.1	458.4
Costs of provision for personnel, tangible and others expenses	136.3	147.5
Expenses attributable to accrued but not paid interest	-248.8	2,887.1
Loan loss provisioning	-201.5	366.6
Income settled at the effective interest rate	0.7	488.1
Adjustment of gross carrying amount of loans due to credit moratoria	-11,039.5	6,638.1
Other	22.8	15.7
Recognized and reversed positive temporary differences due to:	-1,506.7	-878.5
Income on accrued but not paid interest	-1,344.4	-781.3
Difference between tax and balance sheet depreciation/amortization	-0.3	1.4
Measurement of securities	-162.0	-98.6
<b>Total tax recognized in the income statement</b>	<b>-10,251.6</b>	<b>10,123.0</b>

\*The 'Tax loss' item presents the tax loss incurred by the Bank in the amount of PLN 13,605.7 million recognised in full in deferred tax, i.e. in the amount of PLN 2,585.1 million. The tax loss incurred in 2022-2023 will be settled in 2024-2025. In the Bank's opinion, there is no risk of impairment of deferred tax assets as at 31 December 2023.



**Effective tax rate calculation**

	period from 01.01.2023 to 31.12.2023	period from 01.01.2022 to 31.12.2022
<b>A. Profit before tax</b>	<b>51,558.1</b>	<b>-56,127.8</b>
<b>B. (-) 19% of profit before tax</b>	<b>-9,796.0</b>	<b>10,664.3</b>
<b>C. Increases - 19% of costs other than tax deductible cost, including:</b>	<b>-426.1</b>	<b>-556.1</b>
Bank Guarantee Fund contribution to the banks' compulsory resolution fund	-406.3	-534.4
Other	-19.8	-21.7
<b>D. Decreases - 19% of tax exempt income</b>	<b>29.5</b>	<b>-14.8</b>
Other	29.5	-14.8
<b>E. Income tax from income statement [B+C-D]</b>	<b>-10,251.6</b>	<b>10,123.0</b>
<b>Effective tax rate (-E : A)*</b>	<b>19.88%</b>	<b>18.04%</b>

\*In 2023, the difference in the effective tax rate from 19% was mainly affected by the Bank Guarantee Fund contribution to the compulsory resolution fund in the amount of PLN 2.1 million.

**Income tax recognized in other comprehensive income**

	period from 01.01.2023 to 31.12.2023	Period from 01.01.2022 to 31.12.2022
<b>Deferred tax, including:</b>	<b>-291.2</b>	<b>144.1</b>
Recognized and reversed temporary differences	-291.2	1
Recognized and reversed temporary differences related to unrealised result from valuation of securities measured at fair value through other comprehensive income	-290.2	194.8
Recognized and reversed temporary differences attributable to actuarial gains and losses	-1.0	-50.7
<b>Total income tax recognized in other comprehensive income</b>	<b>-291.2</b>	<b>144.1</b>

**Income tax recognised in the statement of financial position**  
period from 01.01.2023 to 31.12.2023

	31.12.2023	Income statement	31.12.2022
Interest accrued on loans to customers, accrued interest and securities discount	-3,236.7	-1,344.3	-1,892.4
The difference between the carrying amount and tax value of tangible and intangible assets	-25.5	-0.3	-25.2
Measurement of securities	-368.8	-162.1	-206.7
Adjustment of gross carrying amount of loans for credit moratoria	-4,401.4	-4,401.4	0.0
<b>Gross deferred tax provision recognised in profit or loss</b>	<b>-8,032.4</b>	<b>-5,908.1</b>	<b>-2,124.3</b>
Tax losses	3,043.5	2,585.1	458.4
Payable expenses	1,440.4	136.4	1,304.0
Interest accrued on liabilities to other banks, accrued interest and discount on liabilities attributable to the issue of covered bonds	2,969.9	-248.8	3,218.7
Expected credit loss provisions	701.9	-201.5	903.4
Adjustment of gross carrying amount of loans due to credit moratoria	0.0	-6,638.1	6,638.1
Expenses settled at the effective interest rate	558.2	0.7	557.5
Difference between the depreciation of a right-of-use asset and the cost of financing the lease (IFRS 16)	5.7	4.4	1.3
Adjustment of interest on bonds acquired	119.2	0.0	119.2
Other	50.5	18.3	32.2
<b>Gross deferred tax assets recognised in profit or loss</b>	<b>8,889.3</b>	<b>-4,343.5</b>	<b>13,232.8</b>
<b>Total</b>	<b>856.9</b>	<b>-10,251.6</b>	<b>11,108.5</b>

	31.12.2023	Other comprehensive income	31.12.2022
Unrealised result on measurement of securities measured at fair value through other comprehensive income	-100.3	-290.2	189.9
<b>Gross deferred tax provision recognised in other comprehensive income</b>	<b>-100.3</b>	<b>-290.2</b>	<b>189.9</b>
Actuarial losses	83.1	-1.0	84.1
<b>Gross deferred tax assets recognised in other comprehensive income</b>	<b>83.1</b>	<b>-1.0</b>	<b>84.1</b>
<b>Total</b>	<b>-17.2</b>	<b>-291.2</b>	<b>274.0</b>

<b>Deferred tax assets/(provision) (presented in the statement of financial position)</b>	<b>839.7</b>	<b>11,382.6</b>
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## 6.7. Earnings and book value per share

### Basic earnings per share

The calculation of the Bank's basic earnings per share for 2023 was based on a net profit of PLN 41,306,500 (2022 net loss: PLN -46,004,800) and the number of ordinary shares outstanding as at 31 December 2023 and 31 December 2022 amounting to 380,000.

	2023	2022
Profit after tax	41,306.5	-46,004.8
Number of ordinary shares	380,000	380,000
<b>Earnings per ordinary share (in PLN)</b>	<b>108.70</b>	<b>-121.07</b>

### Diluted earnings per share

Neither in 2023 nor in 2022 there were factors that would dilute the profit per one share. In the described period, ING Bank Hipoteczny S.A. issued neither bonds convertible to shares nor stock options. The share capital comprises ordinary shares only (no preference shares). Therefore, the diluted earnings per share are the same as the underlying profit per share.

**Carrying amount per share**

The calculation of the book value per share of the Bank for 2023 was based on the equity amount of PLN 440,622,400 (2022: PLN 425,012,400) and the number of shares outstanding at the end of 2023 and 2022 of 380,000.

	2023	2022
Carrying amount	440,622.4	425,012.4
Number of shares	380,000	380,000
Carrying amount per share (in PLN)	1,159.53	1,118.45

## NOTES TO STATEMENT OF FINANCIAL POSITION

## 6.8. Amounts due from banks

	as at 31.12.2023	as at 31.12.2022
Current accounts	2,924.4	3,341.5
Term deposits in banks	23,218.8	10,006.5
<b>Total (net)</b>	<b>26,143.2</b>	<b>13,348.0</b>

Amounts due from banks as at 31 December 2023 include short-term 3-month deposits in PLN at ING Bank Śląski S.A. The Bank has no impaired amounts due from banks. As the Bank concludes interbank transactions with ING Bank Śląski S.A. exclusively, it is estimated that the credit risk resulting therefrom is significantly limited and thus the Bank does not establish any provisions for expected credit losses (gross value equals net value).

ING Bank Hipoteczny S.A. does not identify any FX risk or interest rate risk for the said amounts due.

## 6.9. Debt securities

	as at 31.12.2023	as at 31.12.2022
Debt securities at fair value through other comprehensive income	86,293.0	84,623.0
T-bonds	86,293.0	84,623.0
<b>Total</b>	<b>86,293.0</b>	<b>84,623.0</b>

## 6.10. Loans and other receivables to customers

	as at 31.12.2023			as at 31.12.2022		
	gross	expected loss provision	net	gross	expected loss provision	net
<b>Retail Banking (individuals)</b>	<b>3,663,910.0</b>	<b>-3,858.2</b>	<b>3,660,051.8</b>	<b>2,906,030.5</b>	<b>-4,919.4</b>	<b>2,901,111.1</b>
Measured at amortised cost	3,663,910.0	-3,858.2	3,660,051.8	2,906,030.5	-4,919.4	2,901,111.1
<b>Total</b>	<b>3,663,910.0</b>	<b>-3,858.2</b>	<b>3,660,051.8</b>	<b>2,906,030.5</b>	<b>-4,919.4</b>	<b>2,901,111.1</b>

• **Loans and other receivables to customers by maturity**

	2023-12-31	2022-12-31
measured at amortised cost		
without a specified period	42,572.1	-23,081.9
up to 1 month	10,310.2	4,180.1
over 1 month and up to 3 months	22,244.3	15,262.3
over 3 months to 1 year	99,158.1	57,824.0
over 1 year up to 5 years	588,090.8	416,560.6
over 5 years	2,901,525.9	2,435,260.7
overdue	8.6	26.4
<b>Total</b>	<b>3,663,910.0</b>	<b>2,906,032.2</b>

• **Lending portfolio quality**

The loan portfolio comprises loans receivables from customers.

The carrying amount and level of allowance for expected credit losses by Stage are presented below.

**Loan portfolio measured at amortised cost**

	as at 31.12.2023			as at 31.12.2022		
	gross	expected loss provision	net	gross	expected loss provision	net
Assets in Stage 1	3,339,795.9	-517.6	<b>3,339,278.3</b>	2,655,283.2	-966.2	<b>2,654,317.0</b>
Assets in Stage 2	317,951.7	-1,846.6	<b>316,105.1</b>	244,731.0	-2,414.8	<b>242,316.2</b>
Assets in Stage 3	6,162.4	-1,494.0	<b>4,668.3</b>	6,016.3	-1,538.4	<b>4,477.9</b>
<b>Total</b>	<b>3,663,910.0</b>	<b>-3,858.2</b>	<b>3,660,051.8</b>	<b>2,906,030.5</b>	<b>-4,919.4</b>	<b>2,901,111.1</b>

- **Loan portfolio measured at amortised cost - reconciliation of gross carrying amount (GCA) and change in allowance for expected credit losses (allowance)**

**2023**for the year ending 31  
December

	expected loss provision		expected loss provision		expected loss provision		expected loss provision	
	GCA		GCA		GCA		GCA	
	Stage 1		Stage 2		Stage 3		Total	
<b>Opening balance after accounting changes</b>	<b>2,655,283.2</b>	<b>966.2</b>	<b>244,731.0</b>	<b>2,414.8</b>	<b>6,016.3</b>	<b>1,538.4</b>	<b>2,906,030.5</b>	<b>4,919.4</b>
<b>Changes in the period, including:</b>	<b>684,512.7</b>	<b>-448.6</b>	<b>73,220.7</b>	<b>-568.2</b>	<b>146.1</b>	<b>-44.4</b>	<b>757,879.5</b>	<b>-1,061.2</b>
loans acquired in the period	1,176,898.6	242.4	0.0	0.0	0.0	0.0	1,176,898.6	242.4
Transfer to stage 1	27,780.4	8.2	-27,780.4	-245.5	0.0	0.0	0.0	-237.3
Transfer to stage 2	-124,022.7	-78.2	124,459.0	732.0	-436.3	-102.2	0.0	551.6
Transfer to stage 3	-849.0	-9.1	-838.0	-182.9	1,695.6	365.0	8.6	173.0
total repayments	-170,039.4	-43.2	-11,592.2	-250.8	-1,053.7	-290.4	-182,685.3	-584.4
change in estimate of allowance for expected losses	0.0,	-360.3	,0.0	-452.2	0.0,	-16.8	0.0	-829.3
management adjustments	0.0	-208.4	0.0	-168.8	0.0	0.0	0.0	-377.2
Other	-225,255.2	0.0,	-11,027.7	0.0,	-59.5	0.0,	-236,342.4	0.0
<b>Total allowance for expected credit losses in the income statement</b>	<b>684,512.7</b>	<b>-448.6</b>	<b>73,220.7</b>	<b>-568.2</b>	<b>146.1</b>	<b>-44.4</b>	<b>757,879.5</b>	<b>-1,061.2</b>
accrual of penalty interest (for arrears)	0.0	0.0	0.0	0.0	0.0	5.2	0.0	5.2
write-down of penalty interest (for delay)	0.0	0.0	0.0	0.0	0.0	-5.2	0.0	-5.2
<b>Closing balance</b>	<b>3,339,795.9</b>	<b>517.6</b>	<b>317,951.7</b>	<b>1,846.6</b>	<b>6,162.4</b>	<b>1,494.0</b>	<b>3,663,910.0</b>	<b>3,858.2</b>

## 2022

for the year ending 31  
December

	expected loss provision		expected loss provision		expected loss provision		expected loss provision	
	GCA		GCA		GCA		GCA	
	Stage 1		Stage 2		Stage 3		Total	
<b>Opening balance after accounting changes</b>	<b>3,867,084.0</b>	<b>615.0</b>	<b>11,985.4</b>	<b>462.5</b>	<b>6,849.5</b>	<b>1,841.9</b>	<b>3,885,918.9</b>	<b>2,919.4</b>
<b>Changes in the period, including:</b>	<b>-1,211,800.8</b>	<b>351.2</b>	<b>232,745.6</b>	<b>1,952.3</b>	<b>-833.2</b>	<b>-303.5</b>	<b>-979,888.4</b>	<b>2,000.0</b>
loans acquired in the period	0.0	40.1	0.0	0.0	0.0	0.0	0.0	40.1
Transfer to stage 1	2,440.4	1.6	-2,216.2	-60.1	-224.2	-45.5	0.0	-104.0
Transfer to stage 2	-232,942.1	-66.0	237,198.2	1,840.4	-4,256.1	-1,273.9	0.0	500.5
Transfer to stage 3	-4,255.2	-6.0	0.0	0.0	4,255.2	1,028.0	0.0	1,022.0
total repayments	-555,160.1	-71.5	-1,425.6	-47.9	-298.4	-112.5	-556,884.1	-231.9
change in estimate of allowance for expected losses	0.0	38.2	0.0	-1,279.2	0.0	100.4	0.0	-1,140.6
management adjustments	0.0	414.8	0.0	1,499.1	0.0	0.0	0.0	1,913.9
Other	-421,883.8	0.0	-810.8	0.0	-309.7	0.0	-423,004.3	0.0
<b>Total allowance for expected credit losses in the income statement</b>	<b>-1,211,800.8</b>	<b>351.2</b>	<b>232,745.6</b>	<b>1,952.3</b>	<b>-833.2</b>	<b>-303.5</b>	<b>-979,888.4</b>	<b>2,000.0</b>
accrual of penalty interest (for arrears)	0.0	0.0	0.0	0.0	0.0	4.8	0.0	4.8
write-down of penalty interest (for delay)	0.0	0.0	0.0	0.0	0.0	-4.8	0.0	-4.8
<b>Closing balance</b>	<b>2,655,283.2</b>	<b>966.2</b>	<b>244,731.0</b>	<b>2,414.8</b>	<b>6,016.3</b>	<b>1,538.4</b>	<b>2,906,030.5</b>	<b>4,919.4</b>

- **Modification of contractual cash flows**

In 2023, certain credit exposures were subject to contractual cash flow modifications that did not result in their removal and re-recognition of the financial asset.

In addition, credit holiday exposures were not excluded and re-recognised as a financial asset.

Modifications to contractual cash flows that do not result in their removal and re-recognition of the financial asset, i.e. lead to the recognition of gains or losses from the modification, arise from business reasons or credit risk events in the form of forbearance granted to customers. In the event of a business rationale, the method of determining the allowance for expected credit losses does not change. The granting of forbearance to customers indicates a significant increase in credit risk, resulting in a classification into Stage 2, in the event of the granting of a further forbearance a classification into Stage 3 takes place according to the principles for estimating impairment allowances described in Chapter III. Material Principles of Accounting, in section 4.4.9. *Expected credit losses*

For financial assets for which the contractual cash flows were modified during the reporting period, while the corresponding loss allowance for expected credit losses was measured at an amount equal to the lifetime expected credit losses (i.e. financial assets in Stages 2 and 3), the net loss on modification was PLN 52,600 (in 2022: PLN - 233,600 respectively).

- **Purchase of mortgage debt claims portfolio**

Under the Debt Transfer Agreement to Issue Covered Bonds No. 13 that was signed with ING Bank Śląski S.A. on 3 March 2023, ING Bank Hipoteczny S.A. acquired a mortgage-backed housing loans debt claims portfolio for the total amount of PLN 637,276,200.

Under the Debt Transfer Agreement to issue Covered Bonds No. 14 that was signed with ING Bank Śląski S.A. on 23 November 2023, ING Bank Hipoteczny S.A. acquired another mortgage-backed housing loans debt claims portfolio for the total amount of PLN 617,977,500.

On the other hand, in 2022, due to the uncertainty of the market environment caused by the ongoing COVID-19 pandemic, the outbreak of war in Ukraine and the dynamic increase in interest rates and inflation, the Bank did not transfer mortgage-backed debt claims.

The basis for the purchase of debt portfolios by ING Bank Hipoteczny S.A. from ING Bank Śląski S.A. is the Debt Transfer Framework Agreement concerning transfer of debt in order to issue covered bonds, signed in 2019, on the terms and conditions specified in particular in the Act on Covered Bonds and Mortgage Banks. On 23 November 2023, the parties signed an annex to the said Agreement, by which the total nominal value of the receivables that the Transferor (ING Bank Śląski) undertakes to transfer to the Purchaser (ING Bank Hipoteczny) was increased to PLN 12,000,000,000. Prior to the conclusion of the annex, the subject matter of the agreement was the purchase of debt claims of a nominal value of PLN 6,000,000,000.

**period from 01.01.2023 to 31.12.2023**

	Change in allowance		difference	Explanation
	in statement of financial position	in income statement		
Change in allowance	1,061.2	1,093.4	-32.2	The difference relating to the change in the allowance for expected credit losses in 2023 is due in particular to the inclusion in the income statement of the adjustment bringing interest income to a level derived from the net value of the exposure.

\*) The difference in 2022 was PLN -59,300 and was due to similar reasons.

**6.11. Property, plant and equipment**

	as at 31.12.2023	as at 31.12.2022
<b>Gross value</b>	<b>3,121.8</b>	<b>2,698.1</b>
Right-of-use assets	2,845.5	2,382.0
Computer hardware	259.4	299.2
Other property, plant and equipment	16.9	16.9
<b>Accumulated depreciation/amortisation</b>	<b>-1,708.3</b>	<b>-1,392.1</b>
Right-of-use assets	-1,556.6	-1,276.7
Computer hardware	-135.0	-101.0
Other property, plant and equipment	-16.7	-14.4
<b>Total (net)</b>	<b>1,413.5</b>	<b>1,306.0</b>
Right-of-use assets	1,288.9	1,105.3
Computer hardware	124.4	198.2
Other property, plant and equipment	0.2	2.5



The tables below show the changes in gross value and accumulated depreciation for each group of property, plant and equipment that occurred in 2023 and 2022.

**Movements in property, plant and equipment, exclusive of right-of-use**

period from 01.01.2023 to 31.12.2023

	Computer hardware	Other property, plant and equipment non-current assets	TOTAL
<b>Opening gross value</b>	<b>299.2</b>	<b>16.9</b>	<b>316.1</b>
Additions	0.0	0.0	0.0
Disposals	39.8	0.0	39.8
Sales	27.9	0.0	27.9
Liquidation	11.9	0.0	11.9
<b>Closing gross value</b>	<b>259.4</b>	<b>16.9</b>	<b>276.3</b>
<b>Opening accumulated depreciation (amortisation)</b>	<b>-101.0</b>	<b>-14.4</b>	<b>-115.4</b>
Additions	-65.2	-2.3	-67.5
Depreciation and amortization charges	-65.2	-2.3	-67.5
Disposals	-31.2	0.0	-31.2
Sales	-21.4	0.0	-21.4
Liquidation	-9.8	0.0	-9.8
<b>Closing accumulated depreciation (amortisation)</b>	<b>-135.0</b>	<b>-16.7</b>	<b>-151.7</b>
<b>Closing net value</b>	<b>124.4</b>	<b>0.2</b>	<b>124.6</b>

period from 01.01.2022 to 31.12.2022

	Computer hardware	Other property, plant and equipment non-current assets	TOTAL
<b>Opening gross value</b>	<b>210.3</b>	<b>16.9</b>	<b>227.2</b>
Additions	196.2	0.0	196.2
Purchases	196.2	0.0	196.2
Disposals	107.3	0.0	107.3
Sales	107.3	0.0	107.3
<b>Closing gross value</b>	<b>299.2</b>	<b>16.9</b>	<b>316.1</b>
<b>Opening accumulated depreciation (amortisation)</b>	<b>-171.0</b>	<b>-11.0</b>	<b>-182.0</b>
Additions	-19.6	-3.4	-23.0
Depreciation and amortization charges	-19.6	-3.4	-23.0
Disposals	-89.6	0.0	-89.6
Sales	-89.6	0.0	-89.6
<b>Closing accumulated depreciation (amortisation)</b>	<b>-101.0</b>	<b>-14.4</b>	<b>-115.4</b>
<b>Closing net value</b>	<b>198.2</b>	<b>2.5</b>	<b>200.7</b>

**Movements in right-of-use assets**

period from 01.01.2023 to 31.12.2023

	Real Estate	Means of transport	TOTAL
<b>Opening gross value</b>	<b>2,137.0</b>	<b>245.0</b>	<b>2,382.0</b>
Additions	693.3	111.8	805.1
New contracts	57.8	101.8	159.6
Other	635.5	10.0	645.5
Disposals	328.4	13.2	341.6
Other	236.3	0.0	236.3
Liquidation	92.1	13.2	105.3
<b>Closing gross value</b>	<b>2,501.9</b>	<b>343.6</b>	<b>2,845.5</b>
<b>Opening accumulated depreciation (amortisation)</b>	<b>-1,073.7</b>	<b>-203.0</b>	<b>-1,276.7</b>
Additions	-282.9	-50.4	-333.3
Depreciation and amortization charges	-282.9	-50.4	-333.3
Disposals	-53.4	0.0	-53.4
Liquidation	-53.4	0.0	-53.4
<b>Closing accumulated depreciation (amortisation)</b>	<b>-1,303.2</b>	<b>-253.4</b>	<b>-1,556.6</b>
<b>Closing net value</b>	<b>1,198.7</b>	<b>90.2</b>	<b>1,288.9</b>

period from 01.01.2022 to 31.12.2022

	Real Estate	Means of transport	TOTAL
<b>Opening gross value</b>	<b>1,886.2</b>	<b>228.4</b>	<b>2,114.6</b>
Additions	250.8	37.6	288.4
Other	250.8	37.6	288.4
Disposals	0.0	21.0	21.0
Other	0.0	21.0	21.0
<b>Closing gross value</b>	<b>2,137.0</b>	<b>245.0</b>	<b>2,382.0</b>
<b>Opening accumulated depreciation (amortisation)</b>	<b>-804.2</b>	<b>-148.5</b>	<b>-952.7</b>
Additions	-269.5	-54.5	-324.0
Depreciation and amortization charges	-269.5	-54.5	-324.0
<b>Closing accumulated depreciation (amortisation)</b>	<b>-1,073.7</b>	<b>-203.0</b>	<b>-1,276.7</b>
<b>Closing net value</b>	<b>1,063.3</b>	<b>42.0</b>	<b>1,105.3</b>

There are no legal constraints on property, plant and equipment as at the end of 2023 and 2022.

**6.12. Intangible assets**

	as at 31.12.2023	as at 31.12.2022
<b>Gross value</b>	<b>2,975.8</b>	<b>2,975.8</b>
Software	2,975.8	2,975.8
<b>Accumulated depreciation/amortisation</b>	<b>-2,975.8</b>	<b>-2,975.8</b>
Software	-2,975.8	-2,975.8
<b>Total (net)</b>	<b>0.0</b>	<b>0.0</b>

\*) From the Bank's point of view, in the reporting period, significant intangible assets were: the Cover Register software that was rendered for use in 2018 and the SAS (CSS) software license.

### 6.13. Other assets

	as at 31.12.2023	as at 31.12.2022
<b>Prepayments and deferred income</b>	<b>1,934.7</b>	<b>2,270.7</b>
Prepaid general and administrative expenses	1,934.7	2,270.7
<b>Other assets, including:</b>	<b>149.7</b>	<b>117.4</b>
Public and legal settlements	104.9	102.5
Settlements with suppliers	0.0	5.3
Settlements of Social Security contributions	42.7	2.8
Other	2.1	6.8
<b>Total</b>	<b>2,084.4</b>	<b>2,388.1</b>

### 6.14. Liabilities to banks

	as at 31.12.2023	as at 31.12.2022
Loans received	2,795,044.7	2,043,045.4
Liabilities due to refinancing*	125,881.4	0.0
Other	1.5	3.8
<b>Total</b>	<b>2,920,927.6</b>	<b>2,043,049.2</b>

\*) ING Bank Hipoteczny S.A. provides for ING Bank Śląski S.A. the services of refinancing of the mortgage debts portfolios by way of payment of the Refinancing Amount determined in accordance with the stipulations of Debt Transfer Framework Agreement to Issue Covered Bonds and Transfer Agreements, in return for transfer of the said portfolios on ING Bank Hipoteczny S.A.

### 6.15. Liabilities under issue of bonds

	as at 31.12.2023	as at 31.12.2022
Liabilities arising from the issue of bonds with a repayment period	0.0	135,927.4
From 1 week to 1 month	0.0	135,927.4
From 1 month to 3 months	0.0	0.0
From 6 months to 9 months	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>135,927.4</b>

### Issued bonds

As at 31 December 2023, the Bank had no liabilities attributable to bond issues.

In 2023, as part of the Bond Issue Programme, ING Bank Hipoteczny S.A. issued bonds of the total nominal value of PLN 376 million (i.e. 752 bonds of a nominal value of PLN 500,000 each). The bonds were issued in three series:

- Series 10 of the nominal value of PLN 127 million and a redemption period set at 3 months - unsecured own bonds issued on 26 January 2023. The issue was not subject to the issuer's application for admission to listing on a regulated market. The price was set based on a fixed interest rate (i.e. 248 bonds of a nominal

value of PLN 500,000 each). The entire issue was redeemed together with interest on this series in the amount of PLN 2,100 on 26 April 2023.

- Series 11 of the nominal value of PLN 127 million and a redemption period set at 3 months - unsecured own bonds issued on 9 May 2023. The price was set based on a fixed interest rate (i.e. 254 bonds of a nominal value of PLN 500,000 each). The entire issue was redeemed together with interest on this series in the amount of PLN 2,100 on 9 August 2023.
- Series 12 of the nominal value of PLN 125 million and a redemption period set at 3 months - unsecured own bonds issued on 14 August 2023. The issue was not subject to the issuer's application for admission to listing on a regulated market. The price was set based on a fixed interest rate (i.e. 250 bonds of a nominal value of PLN 500,000 each). The entire issue was redeemed together with interest on this series in the amount of PLN 2,000 on 14 November 2023.

The bonds were registered with the Central Securities Depository of Poland in Warsaw. The bonds were fully purchased by an entity in the ING Bank Śląski S.A. Group.

In 2022, as part of the Bond Programme, ING Bank Hipoteczny S.A. issued bonds of the total nominal value of PLN 361 million (i.e. 722 bonds of a nominal value of PLN 500,000 each). The bonds were issued in three series:

- Series 7 of the nominal value of PLN 79 million and a redemption period set at 3 months,
- Series 8 of the nominal value of PLN 148 million and a redemption period set at 3 months,
- Series 9 of the nominal value of PLN 134,000,000 and a redemption period set at 3 months - the redemption of the series INGBH009 own bonds together with interest on this series in the amount of PLN 2,364,300 took place on 18 January 2023.

The bonds were registered with the Central Securities Depository of Poland in Warsaw.

In 2023, ING Bank Hipoteczny S.A. redeemed series 9 bonds issued under the Bond Issue Programme in 2022 and series 10, 11 and 12 bonds issued under the Bond Issue Programme in 2023 of the total value of 510,000,000.

In 2022, ING Bank Hipoteczny S.A. redeemed all bonds issued under the Bond Issue Programme in 2021 and Series 7 and 8 bonds issued in 2022 of the total value of PLN 881,000,000.

Bond issues are governed by the Bond Programme Agreement concluded with ING Bank Śląski S. A. Under the agreement, the maximum nominal value of the issued and unredeemed bonds is PLN 4,000,000,000.

The funds raised from the issue of own bonds carried out in 2023 were used to repay the financing obtained from ING Bank Śląski S.A.

#### 6.16. Liabilities under issue of covered bonds

	as at 31.12.2023	as at 31.12.2022
Liabilities on account of issuing covered bonds with a repayment period	405,303.0	406,711.6
Within one year	405,303.0	0.0
Between one and two years	0.0	406,711.6
<b>Total</b>	<b>405,303.0</b>	<b>406,711.6</b>

As at 31 December 2023, the Bank had commitments in respect of covered bonds issued under the ING Bank Hipoteczny S.A. Covered Bonds Programme established in 2019 (the Covered Bonds Programme). The purpose of establishing the Covered Bonds Programme was to create a legal infrastructure within which the Bank can issue

covered bonds both locally and internationally. The funds raised from the inaugural 5-year "green" issue, carried out under the Programme, were used to refinance PLN mortgages of individuals secured on properties meeting the criteria defined in the 2019 Green Covered Bond Framework.

The issue will be redeemed in October 2024.

### Issued covered bonds as at 31.12.2023

ISIN	Currency	Nominal value	Interest as at 31.12.2023	Interest rate + bank margin / fixed rate	Issue date	Redemption date	Rating	Quotation market
XS2063297423	PLN	400,000.0	0.0611	0.53% + WIBOR6M	2019-10-10	2024-10-10	Aa1	LuxSE, parallel market of WSE

In 2023, the Bank did not issue covered bonds.

As at 31 December 2023, the nominal value of the covered bonds in trading that were issued by the Bank did not change from 31 December 2022 and totalled PLN 400,000,000.

On 11 April 2023, the seventh payment of the interest coupon on the covered bonds issued by the Bank in October 2019 took place. The amount of interest paid was PLN 16,083,900.

On 10 October 2023, the eighth payment of the interest coupon on the covered bonds issued by the Bank in October 2019 took place. The amount of interest paid was PLN 14,919,000.

Any future issuance of covered bonds will depend directly on market conditions and the liquidity situation of the ING Bank Śląski S.A. Group and the aforementioned liquidity situation of the banking sector including the ING Bank Śląski S.A. Group. The regulator is also currently working on the introduction of a long-term funding ratio in the banking sector, consisting in part of covered bonds.

### Cover Register

Covered bonds are secured with the Bank's receivables on account of mortgage loans with the highest priority established for the Bank. The basis for the issue of covered bonds is also a part of the Bank's funds invested in T-bonds referred to in note 6.24. *Fair value.*

As at 31 December 2023, the value of the unmatured principal of mortgage loans entered in the cover register and constituting collateral for the issue of covered bonds amounted to PLN 2,391,702,400 (compared with PLN 2,379,434,200 as at 31 December 2022), while the nominal value of additional collateral in the form of securities issued by the State Treasury amounted to PLN 30,000,000 (the same as at 31 December 2022).

As at 31 December 2023, the number of debt claims entered in the cover register was 14,935 including 102 repaid (compared with 14,688, including 90 repaid as at 31 December 2022).

**6.17. Provisions**

	as at 31.12.2023	as at 31.12.2022
Provisions for retirement and pension benefits	621.0	541.7
Short-term	2.5	2.3
Long-term	618.5	539.4
Other	20.0	20.0
Long-term	20.0	20.0
<b>Total</b>	<b>641.0</b>	<b>561.7</b>

Provisions for retirement severance pay are estimated on the basis of actuarial valuation with discount rate, which at the end of 2023 stood at 5.40% (7.00% at the 2022 yearend). The actuarial valuation-based provision is recognised and reviewed per annum.

The table below shows the change in the liability recognised in the balance sheet.

**period from 01.01.2023 to 31.12.2023**

	Provision for retirement benefits	Provision for pension benefits	Other provisions	TOTAL
<b>Opening balance</b>	<b>522.3</b>	<b>19.4</b>	<b>20.0</b>	<b>561.7</b>
Regular employment costs	43.7	2.9	0.0	46.6
Interest expenses	36.6	1.4	0.0	38.0
Actuarial gains/losses	1.2	-6.5	0.0	-5.3
Attributable to changes in actuarial assumptions ex post	11.1	-4.1	0.0	7.0
Attributable to changes in financial assumptions	45.7	1.0	0.0	46.7
Attributable to changes in demographic assumptions	-55.6	-3.4	0.0	-59.0
<b>Closing balance</b>	<b>603.8</b>	<b>17.2</b>	<b>20.0</b>	<b>641.0</b>

**period from 01.01.2022 to 31.12.2022**

	Provision for retirement benefits	Provision for pension benefits	Other provisions	TOTAL
<b>Opening balance</b>	<b>777.8</b>	<b>25.8</b>	<b>20.0</b>	<b>823.6</b>
Regular employment costs	50	2.8	0	52.8
Interest expenses	20.6	0.7	0	21.3
Paid benefits	-69	0	0	-69
Actuarial gains/losses	-257	-9.9	0	-266.9
Attributable to changes in actuarial assumptions ex post	-144.6	-7.2	0	-151.8
Attributable to changes in financial assumptions	-107	-2.6	0	-109.7
Attributable to changes in demographic assumptions	-5.4	-0.1	0	-5.5
<b>Closing balance</b>	<b>522.3</b>	<b>19.4</b>	<b>20.0</b>	<b>561.7</b>

**6.18. Other liabilities**

	as at 31.12.2023	as at 31.12.2022
<b>Prepayments and deferred income</b>	<b>7,279.2</b>	<b>6,694.9</b>
Due to employee benefits	5,674.7	5,183.7
<i>of which variable remuneration programme</i>	4,146.6	3,781.4
Due to Cooperation Agreement*	563.8	515.0
Due to IT costs	182.8	113.8
Due to legal services	69.9	17.7
Due to communication costs	32.7	11.1
Other	755.3	853.6
<b>Other liabilities</b>	<b>2,469.2</b>	<b>2,314.3</b>
Lease liabilities	1,312.4	1,135.9
Settlements with employees	544.3	495.6
Public and legal settlements	598.5	652.2
Settlements with suppliers	0.0	11.2
Other	14.0	19.4
<b>Total</b>	<b>9,748.4</b>	<b>9,009.2</b>

\*) A scope of services provided by ING Bank Śląski S.A. for ING Bank Hipoteczny S.A. resulting from the Cooperation agreement is described in Note 6.26 Transactions with related companies.

**6.19. Lease liabilities**

period from 01.01.2023 to 31.12.2023

Maturity of lease liabilities	Lease of office space	Lease of cars	TOTAL
Up to 1 month	27.5	2.9	30.4
Over 1 month and up to 3 months	54.6	5.5	60.1
Over 3 months to 1 year	241.3	20.4	261.7
Over 1 year and up to 5 years	896.4	63.8	960.2
<b>Total</b>	<b>1,219.8</b>	<b>92.6</b>	<b>1,312.4</b>

period from 01.01.2022 to 31.12.2022

Maturity of lease liabilities	Lease of office space	Lease of cars	TOTAL
Up to 1 month	24.8	5.8	30.6
Over 1 month and up to 3 months	49.3	11.4	60.7
Over 3 months to 1 year	217.2	28.2	245.4
Over 1 year and up to 5 years	799.2	0.0	799.2
<b>Total</b>	<b>1,090.5</b>	<b>45.4</b>	<b>1,135.9</b>

**6.20. Share capital**

The detailed structure of share capital as at 31 December 2023 is presented in section 1.3. Share capital.

**6.21. Accumulated other comprehensive income**

The following table presents the balance sheet totals of accumulated other comprehensive income as at 31 December 2023 and 31 December 2022, respectively.

	as at 31.12.2023	as at 31.12.2022
<b>Actuarial gains / losses</b>	-354.3	-358.5
<i>including deferred tax</i>	83.1	84.1
<b>Securities measured at fair value through other comprehensive income</b>	427.8	-809.7
<i>including deferred tax</i>	-100.3	189.9
<b>Total</b>	<b>73.5</b>	<b>-1,168.2</b>

**6.22. Retained earnings**

	as at 31.12.2023	as at 31.12.2022
Result for the current year	41,306.5	-46,004.8
Retained profit/loss - unappropriated part	0.0	26,940.1
Retained profit/loss - part allocated to supplementary capital	3,245.0	3,243.1
<b>Total</b>	<b>44,551.5</b>	<b>-15,821.6</b>

On 27 April 2023, the Annual General Meeting of the Bank adopted a resolution on the distribution of undistributed net profits of ING Bank Hipoteczny S.A. for the years 2020 and 2021, following approval by the Polish Financial Supervision Authority. Based on this resolution, the Bank allocated:

- net profit for 2020 previously undistributed in the amount of PLN 18,241,387.56 for:
  - dividend payout of PLN 18,240,000.00,
  - supplementary capital in the amount of PLN 1,387.56,
- net profit for 2021 previously undistributed in the amount of PLN 8,698,711.48 for:
  - dividend payout of PLN 8,698,200.00,
  - supplementary capital in the amount of PLN 511.48.

At the same time, the Annual General Meeting passed a resolution to cover the net loss incurred by ING Bank Hipoteczny S.A. in the period from 1 January 2022 to 31 December 2022 in the amount of PLN -46,004,780.29 in full from supplementary capital (share premium).



## OTHER NOTES

### 6.23. Additional information to the cash flow statement

#### Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include balances of current accounts and short-term deposits (made over a period up to 3 months) with other banks.

	as at 31.12.2023	as at 31.12.2022
Current accounts	2,924.4	3,341.5
Term deposits in banks	23,218.8	10,006.5
<b>Total cash and cash equivalents</b>	<b>26,143.2</b>	<b>13,348.0</b>

#### Explanation of the classification of the Bank's activities into operating, investment and financial activities in the cash flow statement

Operating activity includes the core activities of the Bank, not classified as investment or financial activities.

Investment activity covers purchase and sale of securities and related interest income, as well as the sale of property, plant and equipment.

Financial activity pertains to long-term financial transactions (over one year) with financial entities. The inflows from financial activity indicate sources of financing of the Bank, including long-term loans and cash loans from other banks or issue of debt securities (covered bonds and bonds). Outflows from financial activity are mainly due to repayment of long-term liabilities by the Bank (e.g. repayment of received loans including interest, redemption of debt securities issued, interest payments on debt securities issued and repayment of lease liabilities and payment of dividends to the owner).

#### Reasons for differences between changes in certain items recognised in statement of financial position and in cash flow statement

The reasons for differences between changes recognised in statement of financial position and in cash flow statement have been explained in the table herein below.

Moreover, changes in the individual assets and liabilities were adjusted with interest disclosed in the position *Interest received/ paid*.

	Changes		difference	Explanation
	in statement of financial position	in cash flow statement		
Change in loans and other receivables from banks	12,795.1	0.0	<b>12,795.1</b>	The difference concerning the change in receivables from banks results in particular from the decrease of this item in <i>net cash flows from operating activities</i> by the change in current accounts and short-term deposits with a maturity of less than 3 months, which are presented under <i>increase/decrease in net cash and cash equivalents</i> .
Change in loans to customers	758,940.7	-751,672.1	<b>1,510,612.8</b>	The difference concerning the change in loans to customers is due in particular to the reduction of this item in <i>net cash flow from operating activities</i> by accrued interest on loans to customers, which is presented under <i>Interest received</i>
Change in other assets	-303.7	-20.7	<b>-283.0</b>	The difference concerning the change in other assets results in particular from including in <i>net cash flow from operating activities</i> not only the change in other assets but also, among others, other changes in property, plant and equipment
Change in liabilities to other banks	877,878.4	-2.4	<b>877,880.8</b>	The difference concerning the change in other liabilities to other banks results in particular from the decrease of this item in <i>net cash flows from operating activities</i> by the change in liabilities due to long-term financing, which were shown in <i>net cash flows from financing activities</i> .
Change in bonds liabilities	-135,927.4	0.0	<b>-135,927.4</b>	The difference concerning the change in bonds payable is due in particular to the increase in this item in <i>net cash flow from operating activities</i> by accrued interest on bonds payable, which is presented under <i>Interest paid</i>
Change in covered bonds liabilities	-1,408.6	328.7	<b>-1,737.3</b>	The difference concerning the change in covered bonds payable is due in particular to the increase in this item in <i>net cash flow from operating activities</i> by accrued interest on bonds payable, which is presented under <i>Interest paid</i>
Change in provisions	79.3	83.6	<b>-4.3</b>	The difference concerning the change in provisions results from including in <i>net cash flow from operating activities</i> not only the change in provisions but also, inter alia, the change in deferred corporate income tax recognised in <i>Accumulated other comprehensive income</i>
Change in other liabilities	739.2	1,106.6	<b>-367.4</b>	The difference concerning the change in other liabilities in <i>net cash flow from operating activities</i> results in particular from derecognising from this item of the cash flow statement, lease related cash flows that are shown in <i>net cash flows from financing activities</i>
Change in debt securities measured at fair value through other comprehensive income	1,670.0	-6,739.3	<b>8,409.3</b>	The difference concerning the change in debt securities measured at fair value through other comprehensive income results in particular from derecognising from this item of the cash flow statement, deferred corporate tax related cash flows that are shown under <i>Change in provisions</i>

## 6.24. Fair value

- **Financial assets carried at fair value in statement of financial position**

Based on the methods used to determine fair value, the Bank classifies individual financial assets/liabilities into one of three categories, the so-called level in the fair value measurement hierarchy. A description of the different

measurement hierarchy levels is included in chapter 4. Significant accounting policies and key estimates, in section 4.4.10 *Gains and losses resulting from subsequent measurement - Non-interest elements*.

In 2023, as in 2022, there were no movements between the measurement hierarchy.

The table below presents the balance-sheet figures for financial assets measured at fair value per measurement hierarchy levels.

**as at 31.12.2023**

	Level 1	Level 2	Level 3	TOTAL
<b>Financial assets</b>	86,293.0	0.0	0.0	<b>86,293.0</b>
Debt securities measured at fair value through other comprehensive income	86,293.0	0.0	0.0	<b>86,293.0</b>
<i>of which T-bonds</i>	<i>86,293.0</i>	<i>0.0</i>	<i>0.0</i>	<i>86,293.0</i>

**as at 31.12.2022**

	Level 1	Level 2	Level 3	TOTAL
<b>Financial assets</b>	84,623.0	0.0	0.0	<b>84,623.0</b>
Debt securities measured at fair value through other comprehensive income	84,623.0	0.0	0.0	<b>84,623.0</b>
<i>of which T-bonds</i>	<i>84,623.0</i>	<i>0.0</i>	<i>0.0</i>	<i>84,623.0</i>

- **Financial assets and liabilities not carried at fair value in statement of financial position**

The tables show a comparison of the carrying amount with the fair value of the loan portfolio, of liabilities attributable to bonds and covered bonds issue. For other financial assets and liabilities not measured at fair value in the statement of financial position, the fair value is similar to the carrying amount. In 2023, the measurement techniques for Levels 2 and 3 of the measurement hierarchy did not change.

**as at 31.12.2023**

	Carrying amount	Method of measurement	Fair value			TOTAL
			Level 1	Level 2	Level 3	
<b>Assets</b>						
Amounts due from banks	26,143.2	required payment	0.0	26,143.2	0.0	26,143.2
Loans and receivables to customers	3,660,051.8	discounted cash flows	0.0	0.0	3,625,358.3	<b>3,625,358.3</b>
<b>Liabilities</b>						
Liabilities to other banks	2,920,927.6	required payment	0.0	2,920,927.6	0.0	2,920,927.6
Liabilities under issue of covered bonds	405,303.0	discounted cash flows	0.0	406,558.0	0.0	<b>406,558.0</b>
Lease liabilities	1,312.4	required payment	0.0	0.0	1,312.4	1,312.4

as at 31.12.2022

	Carrying amount	Method of measurement	Fair value			TOTAL
			Level 1	Level 2	Level 3	
<b>Assets</b>						
Amounts due from banks	13,348.0	required payment	0.0	13,348.0	0.0	13,348.0
Loans and receivables to customers	2,901,111.1	discounted cash flows	0.0	0.0	2,894,462.0	2,894,462.0
<b>Liabilities</b>						
Liabilities to other banks	2,043,049.2	required payment	0.0	2,043,049.2	0.0	2,043,049.2
Liabilities under issue of bonds	135,927.4	discounted cash flows	0.0	135,927.4	0.0	135,927.4
Liabilities under issue of covered bonds	406,711.6	discounted cash flows	0.0	-412,245.4	0.0	-412,245.4
Lease liabilities	1,135.9	required payment	0.0	0.0	1,135.9	1,135.9

The Bank discloses data on the fair value of loans included in the group of financial assets measured at amortised cost and financial liabilities measured at amortised cost including the effective interest rate. The fair value calculation methods adopted as at 31 December 2023 for disclosure purposes have not changed from those used as at the end of 2022.

For the mortgage portfolio, the income approach is used to measure at fair value.

Key assumptions:

- for the purposes of measurement, the original principal and interest repayment schedules are adjusted by taking into account prepayments, credit risk and the adoption of a forward interest rate structure,
- credit risk parameters, i.e. PD lifetime and LGD in discounted terms for measurement purposes are included in the expected cash flows,
- prepayments estimated on the basis of an analysis of historical data based on the used prepayment model are included for the purposes of estimating cash flows,
- the calculation of the discount rate used to estimate cash flows takes into account all risks and costs, excluding prepayment risk and credit risk costs reflected in the flows,
- prepayment risk and credit risk costs are reflected in cash flows.

The fair value of a loan is calculated as the sum of the discounted cash flows of principal repayments and interest payments, taking into account prepaid principal and the cost of credit risk.

For non-scheduled loans and impaired loans, it is assumed that their fair value equals their book value.

In the measurement as at 31 December 2022, the flows reflect estimates of borrowers' use of credit moratoria in 2023. As at 31 December 2023, due to the ongoing legislative process regarding the amendment of the Law on crowdfunding for business ventures and assistance to borrowers, the Bank included in the measurement of PLN mortgage loans, the potential impact of the extension of credit moratoria to 2024. As at 31 December 2023, given the status of the legislative process, the Bank's calculation relied on the expert assumption that market participants assumed a 75% probability of the law coming into force as published in the bill.

The fair value of liabilities due to the issue of covered bonds and due to the issue of bonds is calculated by applying a discounting factor to each cash flow. In this case, the discounting factor is the sum of:

- the market rate based on the yield curve at the balance sheet date and

- an estimate of the current margin that would be offered if a commitment were made.

This value is based on an indicative quote (e.g., for covered bond issues - a euro market quote) and the cost of hedging the currency mismatch risk.

## 6.25. Off-balance sheet items

	as at <b>31.12.2023</b>	as at <b>31.12.2022</b>
Off-balance sheet liabilities received	1,889,093.5	2,864,196.4
Unused revolving credit facility received from ING Bank Śląski S.A.	1,689,000.0	2,864,000.0
Unused limit which can be used as a guarantee in excess of the limit of the revolving credit facility)*	200,000.0	0.0
Unused revolving credit facility for credit cards to the current account maintained for the Bank in ING Bank Śląski S.A.	93.5	196.4
<b>Total</b>	<b>1,889,093.5</b>	<b>2,864,196.4</b>

\*) Starting from 31.12.2023 this item is shown in a table, previously the information was only presented in the note text below.

The table above shows guarantees issued by ING Bank Śląski S.A. in relation to the issue of bonds of ING Bank Hipoteczny S.A. The limit on the maximum amount covered by the guarantees was set at PLN 900,000, such that:

a) PLN 700,000 represents the limit that can be used as a guarantee or revolving credit facility No. 3; as a result thereof the elements of this amount are presented as follows:

1. the utilized part relating to the revolving credit facility - under the balance sheet item "Liabilities to banks",
2. the portion allocated for bond guarantees - in the off-balance sheet item "Guarantees",
3. the unused part up to the limit of PLN 700,000 - in the off-balance sheet item "Unused revolving credit facility"

(b) PLN 200,000 represents the limit that can be used as guarantees. As at 31 December 2023, the Bank did not make use of the possibility of being covered by guarantees issued by ING Bank Śląski S.A. in relation to the bond issue, while as at 31 December 2022, the first threshold of the limit usable in the form of a guarantee or revolving credit facility No. 3 of PLN 700,000 (a) was not exceeded.

## 6.26. Related party transactions

ING Bank Hipoteczny S.A. is a subsidiary of ING Bank Śląski S.A., which as at 31 December 2023 held 100% share in share capital of ING Bank Hipoteczny S.A. and 100% shares in the total number of votes at the General Meeting of ING Bank Hipoteczny S.A.

Starting from 2019, ING Bank Hipoteczny S.A. provides for ING Bank Śląski S.A. the services of refinancing of the mortgage debts portfolios by way of payment of the Refinancing Amount determined in accordance with the stipulations of Debt Transfer Framework Agreement to Issue Covered Bonds and Transfer Agreements, in return for transfer of the said portfolios on ING Bank Hipoteczny S.A.

ING Bank Śląski S.A. maintains current accounts, short-term deposit accounts and securities accounts for ING Bank Hipoteczny S.A. Moreover, ING Bank Hipoteczny S.A. avails itself of the revolving credit facility from ING Bank Śląski S.A. used for financing of its operations as well as the credit line rendered available to the employees of the company in connection with using bank cards of ING Bank Śląski S.A.

Since January 2019 ING Bank Śląski S.A. has performed for ING Bank Hipoteczny S.A. activities of basic importance under Cooperation Agreement signed by and between the two banks. The services are provided in the following areas: Accounting and Taxes, Controlling, IT, IT Security, Credit Risk and Models Validation, Market Risk, Liquidity Risk, Operating Risk, Information (Technology) Risk, Procurement Services, HR Services, Business and Operations, Treasury,

Legal Services, Data Management, Compliance Risk and Audit. Some of the activities are performed as part of outsourcing, in accordance with the provisions of the Banking Law Act, while all decision-making processes related to the conducted activity are performed by ING Bank Hipoteczny S.A.

ING Bank Hipoteczny S.A. and ING Bank Śląski S.A. make also transactions resulting from agreements for sub-lease of premises used for the registered office of the Bank, the office in Warsaw and a backup centre, support agreements concerning IT and personnel and payroll services.

In addition, ING Bank Hipoteczny S.A. uses services from other related parties, i.e. SWIFT operational services provided by ING Belgium N.V., financial and accounting services provided by ING Usługi dla Biznesu S.A., Global Directory Services provided by ING Hubs B.V. Sp. z o.o. Branch in Poland, Robotic Process Automation software services provided by SAIO S.A.

All transactions made with related parties arose from day-to-day operations and were concluded at arm's length.

During the reporting period, no other new significant agreements were concluded, while existing agreements were updated (including the annual update of the Cooperation Agreement with ING Bank Śląski S.A.). The Bank did not enter into relationships with other new significant customers or suppliers.

### **Income and expenses**

The tables present numerical information on income and expenses as well as receivables and payables that arise from transactions between the Bank and the parent company and other related parties.

The cost was presented after deduction by the sales structure factor (VAT)

#### **period from 01.01.2023 to 31.12.2023**

	parent entity	other related entities
<b>Income</b>	<b>905.1</b>	<b>0.0</b>
Interest income	905.1	0.0
<b>Expenses</b>	<b>-178,269.1</b>	<b>-712.7</b>
Interest costs	-171,395.1	0.0
Commission expenses	-520.6	0.0
General and administrative expenses	-6,353.4	-712.7

#### **period from 01.01.2022 to 31.12.2022**

	parent entity	other related entities
<b>Income</b>	<b>2,146.1</b>	<b>0.0</b>
Interest income	2,146.1	0.0
<b>Expenses</b>	<b>-128,407.3</b>	<b>-761.3</b>
Interest costs	-122,167.0	0.0
Commission expenses	-526.0	0.0
General and administrative expenses	-5,714.3	-761.3

**Receivables and liabilities**

as at 31.12.2023

	parent entity	other related entities
<b>Receivables</b>	<b>27,341.9</b>	<b>0.0</b>
Amounts due from banks	26,143.2	0.0
Property, plant and equipment	1,198.7	0.0
<b>Liabilities</b>	<b>2,922,713.9</b>	<b>135.9</b>
Liabilities to other banks	2,920,927.6	0.0
Other liabilities	1,786.3	135.9
<i>including: accruals</i>	<i>566.5</i>	<i>135.9</i>
<b>Off-balance-sheet operations</b>	<b>1,889,093.5</b>	<b>0.0</b>
Off-balance sheet liabilities received	1,889,093.5	0.0

as at 31.12.2022

	parent entity	other related entities
<b>Receivables</b>	<b>14,411.3</b>	<b>0.0</b>
Amounts due from banks	13,348.0	0.0
Property, plant and equipment	1,063.3	0.0
<b>Liabilities</b>	<b>2,044,657.1</b>	<b>429.0</b>
Liabilities to other banks	2,043,049.2	0.0
Other liabilities	1,607.9	429.0
<i>including: accruals</i>	<i>517.4</i>	<i>418.6</i>
<b>Off-balance-sheet operations</b>	<b>2,864,196.2</b>	<b>0.0</b>
Off-balance sheet liabilities received	2,864,196.2	0.0

**6.27. Transactions with the management staff and employees****In-House Social Benefits Fund**

The employees may use various forms of social assistance within the framework of the In-House Social Benefits Funds. The balance of the In-house Social Benefits Fund as at 31 December 2023 was PLN 211,700 (compared with PLN 168,700 as at 31 December 2022).

**Remuneration of Management Board Members of ING Bank Hipoteczny S.A.**

The composition of the Management Board of ING Bank Hipoteczny S.A. at the end of 2023 is presented in Chapter 1. Information about the Bank, in section 1.5. *Composition of the Bank Management Board and Supervisory Board*

	period from 01.01.2023 to 31.12.2023	period from 01.01.2022 to 31.12.2022
<b>Short term employee benefits*</b>	<b>2,148.9</b>	<b>2,032.5</b>
Remuneration*	1,649.5	1,571.4
Benefits	499.4	461.1
<b>Total</b>	<b>2,148.9</b>	<b>2,032.5</b>

\* exclusive of the variable remuneration programme

Short-term employee benefits comprise: base remuneration, medical care and other benefits awarded by the Supervisory Board.

Benefits for members of the Management Board of ING Bank Hipoteczny S.A. under the Variable Remuneration Programme for the same financial year as the reporting year are granted after a positive recommendation of the Supervisory Board for approval of the financial statements for the aforementioned year and are taken into account in subsequent reporting periods.

Under the remuneration system in place at the Bank, the Bank Management Board Members may be entitled to the 2023 bonus; some part of it will be paid out in 2024, and some part will be deferred for the upcoming years (2025-2030). The Bank Supervisory Board will take the final decision on the bonus amount.

### **Benefits for Members of Management Board of ING Bank Hipoteczny S.A. stemming from the Variable Remuneration Programme**

	2023		2022	
	ST benefits	LT benefits	ST benefits	LT benefits
cash payments	295,834.46	197,222.97	277,957.80	177,042.28
phantom shares	299,138.83	197,909.34	283,638.67	177,411.06
<b>Total</b>	<b>594,973.29</b>	<b>395,132.31</b>	<b>561,596.47</b>	<b>354,453.34</b>

In the year ended 31 December 2023, post-employment benefits were also paid to the Management Board Members.

The Members of the Management Board have signed non-competition agreements after they stop holding their function on the Bank's Management Board. In the event that a Management Board Member is not reappointed for another term of office or is recalled from his/ her function, he or she is entitled to severance pay. Information on severance pay for the Management Board Members is contained in their employment contracts and shall be paid only in case of termination of the employment contract by the Bank due to other reasons than those giving rise to termination without notice.

### **Remuneration of ING Bank Hipoteczny S.A. Supervisory Board Members**

The composition of the Supervisory Board of ING Bank Hipoteczny S.A. as at the end of 2023 is presented in Chapter 1. Information about the Bank, in section [1.5. Composition of the Bank Management Board and Supervisory Board](#)

	period from 01.01.2023 to 31.12.2023	period from 01.01.2022 to 31.12.2022
<b>Short-term employee benefits</b>	<b>132.0</b>	<b>128.8</b>
Wages and salaries	132.0	128.8
<b>Total</b>	<b>132.0</b>	<b>128.8</b>

Members of the Supervisory Board of ING Bank Hipoteczny S.A. who are at the same time employees of other entities within the ING Bank Śląski S.A. Group do not receive remuneration or rewards for their functions in the Supervisory Board of ING Bank Hipoteczny S.A.



**Volume of ING Bank Hipoteczny S.A. shares held by Bank Management Board and Supervisory Board Members**

As at 31 December 2023 and as at 31 December 2022, respectively, neither Management Board nor Supervisory Board Members held shares of ING Bank Hipoteczny S.A.

**6.28. Headcount**

The Bank's headcount at the end of 2023 and 2022 was as follows:

	as at 31.12.2023	as at 31.12.2022
per employees	36	36
per jobs	36	36

**6.29. Segment reporting**

Due to the specifics of business activity, the Bank did not separate segments and therefore did not analyse its results of operations by segment in 2023 and in 2022.

The Bank pursues business exclusively within the territory of the Republic of Poland.

## RISK AND EQUITY MANAGEMENT

Taking into account the scale and specifics of the Bank's operations, the Bank discloses selected information concerning capital adequacy and risk management in its financial statements and in the Management Board Report on Operations of the Bank. The information refers in particular to:

- risk management goals and strategy,
- own funds for the needs of capital adequacy,
- capital requirements,
- capital buffers,
- financial leverage,
- exposure to credit risk and risk of dilution,
- applied credit risk mitigation techniques,
- operational risk, in accordance with the requirements provided for in Recommendation M,
- liquidity risk management system and liquidity position, in accordance with Recommendation P,
- requirements referred to in Article 111a of the Banking Law and in Recommendation H,
- remuneration policy concerning persons whose professional activities are considered to have a material impact on the risk profile of the Bank (risk takers).

Each time, the Bank assesses adequacy of the disclosed information in terms of providing the market participants with complex information about the risk profile of the Bank.

The Bank, being a part of the ING Bank Śląski S.A. Group, provides the information also to the parent company in order to include it in the consolidated data.

Specific information about the scope of disclosed information, method of its verification and publication is presented in the document called: "Policy of Disclosure of Qualitative and Quantitative Information About Capital Adequacy and Other Information to be Disclosed at ING Bank Hipoteczny S.A." available on the Bank's website.

### **Risk management goals and rules**

Risk management at ING Bank Hipoteczny S.A. serves to ensure effective risk control and limitation within the risk appetite accepted by the Bank in volatile legal and macroeconomic conditions and considering the pre-set business targets. The assumed risk level is an important factor of the planning process.

The Bank monitors execution of the strategy, the risk management strategy included, whereas strategic goals are allocated to specific organisational units or persons. The tasks execution is supervised by the Management Board.

The aim of:

- the **credit risk management system** is to support effective accomplishment of business goals through proactive risk management and organic growth-oriented activities, while at the same time keeping solvency and liquidity at a safe level and keeping allowances/provisions at an appropriate level,
- the **operational risk management system** is to mitigate exposure of the Bank to the non-financial risk and to minimize consequences of operational risk crystallisation,
- the **funding and liquidity risk management system** is to keep adequate liquidity to ensure safe and sound Bank's operations under normal and stress market conditions,
- the **interest rate risk management system** is to keep variability of the financial result and revaluated balance sheet value of equity incident to changes in the interest rates, within the limits that do not pose any risk for the Bank and are acceptable for the Supervisory Board,
- the **compliance risk management system** is to identify the threats to the operation of the organisation attributable to non-compliance with legal and internal regulations, most notably, as regards bank products and services, to monitor the incidents that occurred, and also to take auxiliary and remedy actions.

All goals of the complex risk management system are presented in detail in the risk management strategy prepared

by the Management Board and approved by the Supervisory Board.

### **Risk management rules**

Risk management at ING Bank Hipoteczny S.A. is based in particular on the following rules:

- risk management process is defined and governed by strategies, policies and procedures adopted by the Management Board and Supervisory Board of ING Bank Hipoteczny S.A.,
- the Bank manages all identified types of the bank risk and carries out the ICAAP process (Internal Capital Adequacy Assessment Process), where:
  - risk management matches the scale of business and the materiality, scale and complexity of a given risk and where it is tailored to new risk factors and drivers on an ongoing basis,
  - risk management methods, risk measurement models and systems and their assumptions match the scale and complexity of risk and are periodically verified and validated,
- the organisational structure of risk management guarantees independence of the risk area, including independence of real estate appraisal and credit decisions taken from business activity,
- risk management process is integrated with the planning and controlling processes and supports execution of the Bank strategy, while complying with risk management strategy, most notably as regards risk appetite,
- the risk management process is consistent with the risk management principles of the ING Bank Śląski S.A. Group, also in respect of use of group risk models, tailored to the specific operations of ING Bank Hipoteczny S.A. and approved by the competent authorities of ING Bank Hipoteczny S.A.
- stress tests are performed in the Bank based on previously approved scenarios. Stress-tests results are discussed at the meetings of competent committees (described herein below) and at the meetings of the Bank Management Board. Reporting of risk sources and factors as well as reporting of risk level measurement and its costs make it possible to take appropriate preventive and remedy measures.

### **ESG risks**

Being part of the ING Bank Śląski S.A. Group, ING Bank Hipoteczny S.A. aligns its activities with the Group's ESG business strategy in the part of our business focus. In 1Q2023, the Bank Supervisory Board approved the Risk Management Strategy for ING Bank Hipoteczny S.A., which includes among the key objectives of the current strategy the development of a climate and ESG risk management approach. ESG risks are not treated as a separate risk category, but as an intensifier of existing traditional risk categories - credit, market, liquidity, funding and operational risks. ESG issues are an important, lasting and inherent element for the entire organisation.

According to the Risk Management Strategy for the years 2023-2025 at ING Bank Hipoteczny S.A. climate risk should be considered in 2 aspects:

- Physical risk - the aftermath of violent weather events (e.g. flooding) and consequences of climate warming,
- Transformation risk - resulting from, among other things, changes in legislation, technology, customer preferences, transformation of the economy.

The objectives set out in the Risk Management Strategy at ING Bank Hipoteczny include:

- 1) An assessment of the Bank's lending portfolio:
  - aiming at the implementation of the quantitative ESG risk measures into risk appetite,
  - an assessment of the physical risk exposure for the collateral property,
  - development of the reporting of ESG risk exposures.
- 2) ESG stress testing

- development of stress testing methodologies for environmental/climate risks
- 3) ING employee engagement:
  - staff participation in training on ESG risks, possible methodologies to measure and manage them and evolving legal regulations.

In 3Q2023, the Bank Management Board approved environmental/climate risk maps for the mortgage portfolio, which allow for the assessment of the impact of individual transformation and physical risk factors on the Bank's loan portfolio.

In 4Q2023, the Bank Management Board approved the Policy of ESG Risk Management at ING Bank Hipoteczny S.A. The Policy describes comprehensively the ESG risk definitions, ESG risk drivers and transmission channels, ESG risk management structure, ESG risk management approach and ESG risk monitoring and reporting. Stress tests were also conducted in the area of credit risk, ESG risk included. The results of the tests showed that the Bank is highly resilient to climate risk.

A study of the coverage of the loan portfolio with energy performance certificates was also carried out in 2023 and the energy efficiency of the loan portfolio was assessed on the basis of an internal methodology. In order to monitor risk, a methodology was developed to assess climate risk for the mortgage portfolio, taking into account physical and transformation risk. A risk materiality assessment workshop was also conducted, where the impact of ESG risks on the different categories of traditional risk groups was discussed and described.

ING Bank Hipoteczny S.A. undertakes a number of activities related directly or indirectly to ESG issues. In 2023, the Bank's employees continued their commitment to volunteering, delivering workshops for children aged 5-6 on the topic of saving, as part of the Kindergarten of Tomorrow programme. There were also meetings with Lucjan the Lion for children aged 3-4.

**As part of the annual review of the Strategy, it was updated on 13 March 2024, including the development of the 2024-2026 Risk Management Strategy.**

### **Organisation of risk management**

The risk management process is supervised by the **Bank Supervisory Board** which regularly receive information about the risk profile at ING Bank Hipoteczny S.A. and key actions taken to manage risk.

The **Bank Management Board** are responsible for risk management, including but not limited to, overseeing and monitoring of actions undertaken by the Bank in this respect. The Bank Management Board take the most important decisions affecting risk level of the Bank and resolve on internal regulations concerning risk management.

The aim of the **internal control system** is to provide support to decision-taking processes to contribute to ensuring effectiveness and efficiency of the operation of the Bank, reliability of the financial statements, compliance with the Bank's risk management principles and compliance with legal and internal regulations.

Risk is managed through three independent lines of defence<sup>2</sup>:

<sup>2</sup>The three lines of defence referred to in Recommendation H of the Polish Financial Supervision Authority are the same as those referred to in the "Regulation of the Minister of Finance, Funds and Regional Policy on the risk management system and internal control system and remuneration policy in banks" as the three levels of the risk management system and internal control system.

## **1) The first line of defence**

The main task of the first line of defence is to design, implement and execute mitigating controls and monitor their effectiveness.

1LoD responsibilities include:

- analysing, controlling and managing the risks in its area of responsibility,
- ensuring that risks and controls are identified for products and processes in accordance with the Bank's policies,
- conducting risk assessments and taking mitigating actions to maintain a level of risk in line with the designated risk appetite,
- business continuity.

The first line of defence is responsible for the implementation and execution of controls stemming from policies and other regulations, also for outsourced activities and designed to ensure the achievement of the general and specific objectives of the internal control system. This LoD also performs independent monitoring of compliance with controls by ongoing verification and/or horizontal testing.

The first line of defence is responsible for acting in compliance with the principles resulting from the approved policies, regulations, manuals and procedures.

The tasks of the first line of defence are carried out by organisational units not designated in the second and third lines of defence.

## **2) The second line of defence**

The main task of the second line of defence is to support, instruct, advise, challenge and supervise the first line of defence in risk management.

The second line of defence is responsible for:

- issuing regulations and providing risk management methods and tools, including, but not limited to, defining and maintaining the risk management process and supporting the first line of defence in carrying out this process,
- verifying the application of risk regulation by the first line of defence,
- providing opinions on business proposals that may affect the bank's risk profile,
- preparing management information on risk, taking into account risks affecting the implementation of the Bank's strategy and key risks,
- monitoring of risk mitigation actions and changes in the risk profile,
- ensuring that qualified staff is employed in the risk management area,
- providing independent analysis and expertise to support management,
- analysing and monitoring the threats and trends in the matters affecting the risk profile.
- raising risk awareness, influencing by stimulating a risk culture and providing training,
- ensuring the quality of risk management data.

In order to ensure effective risk management at the Bank, the first line of defence is required to communicate all relevant risk information to the second line of defence units.

Under control activities, the units from the second line of defence perform their own independent assessment of the effectiveness of operations of the first line of defence; they do it using tests, reviews and other forms of control. Thus, they shall have access to all indispensable data, information and source documents, including those containing confidential information, on the need-to-know basis.

Problems identified at the second line of defence level can be escalated to a higher level of management - to the President/Vice President overseeing the respective second line of defence unit, including the Bank Management Board and Supervisory Board, with the 2LoD opinion on business decisions bearing unacceptable risks.

### **3) The third line of defence**

The Internal Audit forms the third line of defence and provides the management with an independent and unbiased assurance as to the adequacy and effectiveness of the risk management system and internal control system within the first and second lines of defence.

The Policy – Audit Charter of ING Bank Hipoteczny S.A. – regulates the roles, powers, scope and nature of work, including the responsibilities of the Internal Audit and the principles of cooperation of the organisational units of the Bank therewith.

Internal audit is aimed at adding value and improving operational activities of the Bank, and also providing support to achieve targets of the Bank by ensuring effectiveness of processes operating within the Bank and by providing advisory services.

#### **Defence lines for a model**

Not always the defence lines for a model correspond to the lines of defence described above and defined in the individual financial and non-financial risk areas. In the areas of these risks, it may happen that the second or third line of defence entities are model owners. In such a case, in terms of the defence lines for a model, they act as the first line of defence of the model (e.g. internal audit, which operates under the third line of defence described above, may own the model and would then, in terms of the defence lines for a model, act as the first line of defence for the model).

#### **Organisational units responsible for risk management**

The following organisational units of ING Bank Hipoteczny S.A. are responsible for risk management:

- **Credit Risk Position** – responsible in particular for measurement, reporting, management of credit risk models,
- **Market Risk Position** – responsible in particular for market and liquidity risk management,
- **Operational Risk Position** – responsible in particular for the management of non-financial risk management,
- **Assessment and Credit Decisions Team** – responsible in particular for the process of determining the mortgage lending value of the real estate independently from the sales function,
- **Models Validation Position** – responsible in particular for the model risk management and validation of risk models and assessment.
- **Compliance function** – responsible in particular for the management of compliance risk within non-financial risk.

The risk management process is supported by:

#### **Audit and Risk Committee of the Supervisory Board**

The Committee supports the Supervisory Board especially by:

- monitoring of the financial reporting process,
- monitoring of the effectiveness of the internal control, internal audit and risk management systems, inclusive of their effectiveness as regards financial reporting and estimating the correct level of allowance for expected credit losses,
- monitoring of financial audit activities, especially an audit carried out by the auditing firm, taking into account all the conclusions and findings of the Polish Audit Oversight Agency resulting from the audit carried out by the auditing firm,
- controlling and monitoring of the certified auditor's and auditing firm's independence, most notably when the auditing firm provides other services than an audit.

Furthermore, as regards risk, support is provided by way of:

- issuing opinion about the overall, current and future readiness of the Bank to take the risk,
- issuing opinion about the risk management strategy developed by the Management Board as regards the risk inherent in the Bank's operations, and about the Management Board's information concerning execution of that strategy,
- supervising of the implementation of the risk management strategy in the operations of the Bank by the higher-rank executive staff,
- verifying whether the prices of liabilities and assets offered to the customers reflect fully the Bank's business model and its risk strategy.

### **Assets and Liabilities Committee**

The activities of the ALCO Committee include:

- market and liquidity risk management at ING Bank Hipoteczny S.A.,
- management of the Bank's balance sheet (assets and liabilities),
- capital and capital adequacy management,
- valuation of financial instruments and calculation of valuation adjustments, considering the factors not accounted for in the valuation in the Bank's systems.
- submitting the market risk and liquidity risk policy and valuations of financial instruments to the Management Board for their final approval,
- reviewing the internal legal acts on a current basis (once a year at the minimum) and adjusting them to the risk profile of the Bank and/or to the changes in macroeconomic and legal environment.

### **Credit Policy Committee**

The activities of the Committee include:

- determining the credit risk appetite, in terms of the specific risk appetite limits and concentration limits within which CPC:
  - defines limit types,
  - sets and changes limit levels.
- taking decisions on the regulations concerning the implementation of the ING Bank Hipoteczny S.A. Credit Risk Management Policy,
- specifying and modifying the principles of risk identification, assessment and control, including:
  - credit risk assessment principles,
  - credit analysis standards,
  - credit competence,
  - rating process flow,
  - principles of client and credit exposure monitoring,
  - principles for restructuring and recovery,
  - collateral establishment and monitoring principles,
  - impairment and provisioning principles,
  - environmental and social risk assessment principles,
  - counterparty risk assessment principles.
- approving regulations on building, maintaining and using of the risk models, inclusive of:
  - principles of the credit risk models management,
  - methodology of building and monitoring of the models,
  - definitions of the credit risk models,
  - the scope of use of the credit risk models,

- instructions and procedures describing the process of validating credit risk models.
- monitoring the risk level of the above models. Accepting validation reports and monitoring results of credit risk models,
- monitoring the level of credit risk, ensuring compliance with the law, supervisory regulations and ING Bank Śląski S.A. Group standards, and discussing and approving any other issues related to credit and settlement risk.

### **Non-financial Risk Committee**

The activities of the Committee include:

- initiating and recommending the changes and new solutions for the non-financial risk area,
- performing the tasks resulting from the use of outsourcing as described in the ING Bank Hipoteczny S.A. Outsourcing Policy and the ING Bank Hipoteczny S.A. Outsourcing Manual,
- approving, advising on and recommending plans, projects and programmes as well as control standards for non-financial risk management,
- approval of, inter alia:
  - operational risk management goals for the calendar year concerned,
  - waivers and deviations for the non-financial risks area,
  - annual key control testing plans and results,
  - annual Risk Identification and Assessment Plan and the results of this process when unacceptable risks are identified, crisis management plan as well as the outcome of the Business Environment Assessment,
  - action plans and report on the second line of defence monitoring as part of key control testing (IT area included), and results of independent tests,
  - non-financial risk reports (Non-Financial Risk Dashboard included) and recommendation to the Bank Management Board of decisions for material non-financial risk issues (including the unacceptable risks attributable to product-related changes),
  - new Critical and High Risk recommendations identified by the first and second line of defence and changes in dates in case of implementation of recommendations or acceptance of high risk,
  - a list of obligatory training courses in non-financial risk,
  - periodical results of Bank's organisational framework reviews for compliance with the operational risk management rules,
  - methodology for operational risk capital estimation,
  - results of measurement of economic and regulatory capitals for operational risk, including quarterly monitoring of the capital required for operational risk and capital change drivers,
  - mitigating actions.
- monitoring of:
  - the processes of NFR identification, assessment, monitoring and mitigation, including in the areas of outsourcing and fraud,
  - the quality assurance process for the non-financial risk management processes,
  - the status of mitigation and enhancement activities related to programmes and projects in the Bank (non-financial risk projects included),
    - the status of implementation of control standards,
    - risk factors arising from the Business Environment Assessment,
    - reports related to reputational risk, customer complaints and issues relating to conduct risk and compliance risk, reports/documents on non-financial risk events, including lessons learned,
    - non-financial risks, with regard to significant changes in the Bank's management structure and significant elements of outsourcing processes.



### **Impact of benchmark reform**

The benchmark reform (i.e.: WIBOR) is underway. As at 31 December 2023 the Bank has exposures that can be impacted by that. WIBOR is expected to be no longer published and to be replaced by WIRON after 31 December 2027. This change in the benchmark affects the Bank, its customers and the financial sector as a whole and exposes the Bank to risks. Among these risks are legal, operational and financial risks. Legal risk refers to all required changes in documentation for new as well as existing transactions. Operational risk refers to the required changes to IT systems, reporting infrastructure and operational processes for new benchmark rates. Financial risk (predominantly limited to interest rate risk), as a consequence of changes in the valuation of financial instruments referencing these benchmark rates and decreasing market liquidity may have a direct impact on transactions or may affect the ability to hedge the risk arising from these transactions. Changes in valuation, interest calculation methodology or documentation may also result in customer complaints and litigation.

In order to mitigate these risks, the Bank's representatives participate in the meetings of the highly structured implementation project set up by ING Bank Śląski S.A. Group. The progress of the project work is monitored by a steering committee. The project analyses and coordinates any and all indispensable actions to implement the required changes to internal processes and systems, taking into account pricing, risk management, legal documentation and the impact on customers. The bank continues to monitor market studies and the results of the analysis of several remaining uncertainties, such as the availability of rates in the term structure and regulatory standards for transformation, in order to assess the impact on the project, customers and related risks.

### **6.30. Qualitative information**

#### **Capital management**

The process of capital management is carried out in the Bank based on the implemented Capital Management Policy at ING Bank Hipoteczny S.A. that was developed on the basis of applicable regulations.

Capital management at ING Bank Hipoteczny S.A. is to make possible and facilitate development of the Bank in accordance with the accepted strategy and business model, while keeping, on an ongoing basis, its own funds on the level adequate to the scale and profile of risk inherent in the Bank's operations, taking into account supervisory requirements. Furthermore, it makes it possible to manage the capital actively, keeping in mind volume and dynamics of current and future changes.

The main objective of this process is to have sufficient and effective capitalisation of the Bank to effect its business strategy and development plans specified in the financial plans, while meeting at the same time all internal and external capital requirements. It stands for financial flexibility in the present and future landscape in order to adjust to the changing market and regulatory conditions. To this end, the capital management activities apply any available capital instruments and transactions both in the baseline scenario as well as in the adverse scenario.

External regulations govern keeping a proper level of capital adequacy. The main capital constraints result from internal resistance to risk that is assessed, among others, in stress tests, in Supervisory Review and Evaluation Process (SREP), regulatory minimum levels of capital and leverage ratios and internal risk appetite.

This management includes:

- **Pillar 1:** minimum capital requirements provided for in the regulations,
- **Pillar 2:** internal capital, determined with the Bank's own models, for the risks deemed to be material and permanently material,
- **Pillar 3:** disclosures on risk profile and capitalisation level in the financial statements.

Under capital management, the Bank:

- plans internal capital and capital requirement as well as own funds;
- sets internal limits in order to curtail the generated capital requirements and internal capital;
- monitors potential threats to capital adequacy;

- identifies and assesses materiality of the risk types inherent to its operations;
- takes actions in order to assess and monitor internal capital, capital requirement and own funds;
- allocates internal capital;
- effects dividend policy resulting from a long-term capital objective and preferred capital structure,
- develops contingency capital plans which define the procedure for the risk of capital adequacy deterioration below the “inadmissible” levels,
- analyses the impact of the macroeconomic factors on capital adequacy in line with the “Stress Testing Policy at ING Bank Hipoteczny S.A.”

In 2023, the Bank continued its efforts to implement its capital management strategy.

As at 31 December 2023, the Bank was subject to the following minimum levels of capital ratios including the combined buffer requirement:

- CET1  $\geq$  7.0%,
- T1  $\geq$  8.5%,
- TCR  $\geq$  10.5%

On 14 December 2023, the Bank received a letter from the Polish Financial Supervision Authority (“PFSA”) on the recommendation to mitigate the risks inherent in the Bank’s activities by maintaining its own funds allocated for covering the additional capital charge (“P2G”) at 1.98 p.p. in order to absorb potential losses resulting from stress events. According to the recommendation, the Bank should maintain own funds in excess of each of the own funds requirement referred to in Article 92(1)(c) of Regulation No 575/2013, plus the additional own funds requirement (“P2R” referred to in Article 138(2)(2) of the Banking Law Act) and the combined buffer requirement (referred to in Article 55(4) of the Act on macroprudential supervision). The additional capital charge should consist entirely of Common Equity Tier 1 capital. According to PFSA’s methodology for determining the capital charge recommended under Pillar II (P2G), the maximum level of the P2G capital charge may amount to 4.5 p.p. The P2G recommendation is binding for the Bank from the moment of receiving the OPFSA information.

The above means an increase in the aforementioned ratios respectively by the level of the capital charge indicated by the PFSA.

The Bank is not required to maintain the requirements under Article 138(2)(2) of the Banking Law Act (P2R).

The Bank has a high and safe capital adequacy ratio of 23.31% as at 31 December 2023 (to compare the ratio was 35.53% as at 31 December 2022), well above the regulatory requirements including also the P2G capital charge.

In accordance with supervisory recommendations, the ratios as at 31 December 2022 are recalculated after the profit distribution is approved by the General Meeting, and then they are reported to the Supervisor. The above presented ratios as at 31 December 2022 take into account the recalculation. Prior to the approval of the profit distribution for 2020 and 2021, the TCR and LR published in the financial statements for the period from 1 January 2022 to 31 December 2022 were 36.06% and 14.13%, respectively.

### **Dividend policy**

The Bank’s dividend policy provides:

- stable realisation of dividend payouts in a foreseeable future of up to 100% of the Bank’s annual net profit, in compliance with the prudent management principle and all regulatory requirements applicable to the Bank,

- a proposal to pay a dividend in an amount higher than the ratio indicated above is possible if justified by the Bank's financial situation (e.g. from retained earnings from previous years) and provided that all other requirements stipulated by law and the dividend policy are met,
- the ability to make dividend payments from excess capital above minimum capital adequacy ratios and above minimum capital ratio levels set by the Polish Financial Supervision Authority ("PFSA") for the purpose of dividend payments.

When deciding on the proposed dividend payment amount, the Bank Management Board takes into account the supervisory requirements communicated within the framework of the PFSA's official communication on banks' dividend policy, as well as the following criteria:

- the Bank's current financial standing, including constraints in the event of financial loss generation or low profitability (low return on assets / capital),
- assumptions of the Bank's management strategy and risk management strategy,
- individual recommendations from the supervisor directly for the bank,
- restrictions under Article 56 of the Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial system,
- the need to reduce current period profits or unapproved annual profits included in own funds by foreseeable dividends, in accordance with Article 26 of EU Regulation No 575/2013,
- the macroeconomic environment.

### *PFSA guidelines on dividends for 2023*

On 14 December 2023, the Polish Financial Supervision Authority published its position on the dividend policy in 2024. An amount of up to 50% of 2023 profits can only be paid out by banks that meet the following criteria at the same time:

- do not implement a recovery programme,
- are positively assessed as part of the Supervisory Review and Evaluation process (final SREP score no worse than 2.5),
- show a leverage ratio (LR) of more than 5%,
- have a Common Equity Tier 1 (CET1) capital ratio of no less than the required minimum:  $4.5\% + 56.25\% * P2R$  requirement + combined buffer requirement + P2G,
- have a Tier 1 capital ratio (T1) no lower than the required minimum:  $6\% + 75\% * P2R$  requirement + combined buffer requirement + P2G,
- have a total capital ratio (TCR) no lower than the required minimum:  $8\% + P2R$  requirement + combined buffer requirement + P2G.

An amount of up to 75% of the 2023 profit can only be paid out by banks that meet the criteria for the 50% payout and at the same time whose portfolio of receivables from the non-financial sector is characterised by good credit quality (share of NPLs, including debt instruments, at a level not exceeding 5%).

The mentioned above criteria should be met by the Bank on a separate level as at the end of 2023 and on the date the General Meeting decides to pay dividends.

The maximum dividend payable is capped at 75% in view of the expected strengthening of the capital base to absorb any potential materialised risks accumulated in the Polish banking sector environment.

The Polish Financial Supervision Authority also referred to the need to consult on possible actions that could result in a reduction of own funds, including the payment of dividends from retained earnings and own share buyback.

### *Dividends declared and paid*

On 16 March 2023, the Bank received a letter from the Polish Financial Supervision Authority (PFSA), in which the PFSA indicated that the Bank meets the requirements to pay dividend of up to 100% of the net profit for 2022. At the same

time, the PFSA recommended mitigating the inherent risk of the Bank by not taking, without prior consultation with the supervisory authority, other actions, in particular those outside the scope of current business and operational activities, which could lead to lowering the Bank's own funds, including possible dividend payout from undivided profit from previous years and repurchase or buy-back of own shares.

On 19 April 2023, the Bank received a letter from the Polish Financial Supervision Authority (PFSA), in which the PFSA gave its consent for the Bank to allocate a portion of its undistributed profits for the years 2020 and 2021 in the total amount of PLN 26,938,200.00 for distribution to shareholders in the form of dividends.

On the basis of the PFSA's decision to approve the allocation by ING Bank Hipoteczny S.A. for distribution to shareholders, in the form of dividends, of a part of undistributed profits for 2020 and 2021, on 27 April 2023 the Bank's Ordinary General Meeting adopted a resolution on the method of distribution of undistributed profits for 2020 and 2021. On the basis of this resolution, the Bank paid a total dividend of PLN 26,938,200.00. The record date (i.e. the date on which the owner of the shares acquires the right to the dividend) was set at 27 April 2023 and the dividend payout date was set at 5 May 2023. The dividend covered all shares issued by the Bank, i.e. 380,000 shares.

In 2024, it is the intention of the Management Board of ING Bank Hipoteczny S.A. to recommend to the General Meeting of the Bank to adopt a resolution on allocation of approximately 75% of the Bank's separate profit for 2023, i.e. PLN 30,981,400, to dividend payout. The proposed total dividend per share is PLN 81.53 gross. The proposed record date falls on 22 May 2024 and the proposed dividend payout date is 24 May 2024. As at the date of these financial statements, the Bank meets the criteria and requirements of the PFSC allowing the payment of dividends from the 2023 profit, as confirmed by the PFSC in its individual dividend recommendation received on 22 February 2024. The amount of the proposed dividend takes into account both the Bank's current financial and capital position and its development plans.

### **Credit risk**

ING Bank Hipoteczny S.A. manages credit risk as required by the Polish law, regulations of the Polish Financial Supervision Authority and other competent bodies, and also in compliance with the ING Group standards as far as admissible under the aforementioned regulations and best practice documents.

Credit risk of the credit exposures portfolio is managed by:

- determining the credit risk management strategy,
- determining the risk appetite,
- determining the credit policy,
- building and developing the tools to support risk measurement and assessment,
- reporting and analysing the quality of the credit portfolio and value and quality of collaterals,
- specifying the concentration limits and credit risk limits for selected sub-portfolios,
- calculating the adequate level of provisions and capital requirements,
- performing and analysing the stress tests,
- training of staff members participating in the credit process,
- creating of and maintaining an incentive system addressed to the employees and aimed at compliance with internal credit standards,
- determining, in consultation with business units, the features and parameters of the debt claims purchased by the Bank.

Management of the credit risk of individual credit exposures, most notably, includes:

- assessing of the client and transaction risk,

- monitoring of a client and a credit transaction,
- determining the mortgage lending value of the real estate and monitoring of the value of collaterals.

To mitigate the credit risk, the Bank uses mortgage collaterals with the obtained mortgage entry in order to classify the exposure to the real estate mortgage backed exposure classes and to apply the preferential risk weight.

Under the risk management system, the Bank:

- applies formal risk tolerance determination rules and risk management rules,
- applies formal procedures intended to identify, measure or estimate and monitor risk, also accounting for projected future risk,
- applies formal risk limits and rules of conduct in the event of limit overrun,
- applies the approved management reporting system that allows risk level monitoring,
- has the organisational framework matching the size and profile of risk borne by the Bank,
- has adequately defined credit risk assessment and measurement process, independent from the business functions, which encompasses:
  - efficient process of acquiring adequate information, including forecasts, used to value expected credit losses,
  - assessment policy which ensures that expected credit losses are valued collectively,
  - efficient process of model validation which ensures that models return accurate, consistent and objective forecasts and estimates on an ongoing basis,
  - plain formal communication and coordination of the activities of all employees involved in the risk assessment process and valuation of expected credit losses.

Credit risk management objectives are achieved by way of:

- supporting of business initiatives through implementation of credit risk controls,
- keeping credit losses at the assumed level,
- verifying and assessing the adequacy and developing the applied procedures, models and other elements of the risk management system on an ongoing basis,
- adapting business to the changing environment,
- keeping adequate capital requirements for credit risk and allowances (provisions),
- ensuring regulatory compliance.

The Bank manages the credit risk in an integrated way, based on strategic planning, coherent system of policies, procedures and tools used for risk management, inclusive of the ones used for risk identification, measurement and control.

Organisational structure of the Bank ensures at the Management Board level that the credit risk control function is separated from the commercial function that generates the credit risk. The credit risk management is effected in the Bank under the three lines of defence that are independent in organizational and functional terms.

All organizational units and persons performing tasks within the credit process cooperate closely with one other in order to improve effectiveness of the risk management and maintain the risk at the level consistent with the strategy, risk appetite and financial plans of the Bank.

The **reporting system** that comprises numerous reports, allows effective identification of risk sources and factors, measurement of the risk level, measurement of the risk costs; it supports business initiatives and allows for effective credit risk management while maintaining the accepted risk appetite.

The goal of the credit risk reporting is:

- to present indispensable information allowing for assessment of the credit exposure in order to ensure that portfolio development is in line with the risk management strategy and policy of the Bank,
- to measure and assess the risk level in relation to the assumed risk appetite,
- to identify the impaired exposures, or exposures at risk of impairment, in order to set loss provisions,
- to assess adequacy of provisioning,
- to identify weaknesses of the risk management process in order to start recovery actions.

The scope of reporting includes but is not limited to:

- quality of the credit exposures (for instance, DPDs and migration among specific DPD classes, etc.),
- write-offs (provisions) and risk parameters (PD/LGD/EAD),
- use and observance of the adopted limits,
- effectiveness of the process of monitoring of exposures and suing for debt claims,
- non-recovered amounts (credit losses),
- coverage of exposure with mortgage collaterals,
- monitoring of key performance indicators on the NPE portfolio,
- monitoring the levels of LtV (at the time of acquisition and throughout the repayment period), DStI and the evolution of a set of credit standards indicators (DTI, LTI, LSTI), the allowable loan size in relation to the ability to repay the debt on time (creditworthiness) - in accordance with regulatory requirements,
- concentration analyses in different sections.

Reports are prepared on a weekly, monthly, quarterly and annual basis.

**Limits for credit risk appetite** (RAS) are determined on the annual basis in the form of:

- strategic (high-level) risk limits – approved by the Management Board and/or by the Supervisory Board of the Bank,
- specific limits for credit risk – approved by the Credit Policy Committee (inclusive of concentration limits).

Utilisation of credit risk limits is checked at least once a month and information on the limit utilisation is presented at a meeting of the Bank Management Board and Supervisory Board.

Keeping in mind a highly dispersed portfolio of the Bank in terms of exposures of single clients, the Bank identifies and assesses the concentration risk analysing the structure of portfolio taking into account the risk factors (features of the exposure) significant from the point of view of the credit risk and based thereon groups of exposures were ring-fenced as regards exposures whose excessive concentration is not desirable as in stress conditions it may generate losses higher than the credit risk appetite of the Bank.

Concentration risk is measured and controlled by determining the level of exposure generating the concentration risk and by referring that amount to the determined limits resulting from legal regulations and internal limits. In accordance with statutory recommendations and PFSA's regulations and recommendations, the Bank determines and controls internal limits taking into account concentration risk towards:

- specific clients and related clients groups,
- clients from the same geographic region,
- customers with fixed/periodic fixed rate exposures.

In 2023, all RAS limits were at acceptable level - none of the high-level or specific credit risk limits was overrun.

**Securities acquired**

Credit risk of Treasury bonds and NBP money bills held in the portfolio is assessed by the Bank as low. This is mainly due to the investment rating given to Poland by major rating agencies and a relatively small volume of these instruments, which affects their high liquidity. No impairment was identified for the assets in question (stage 1).

**Loans and other amounts due to clients**

The Bank applies impairment losses in accordance with CRR and secondary legislation thereto. The credit portfolio is of very good quality. As at 31 December 2023, 31 impaired exposures were recognised for the approximate amount of PLN 6,162,400, i.e. 0.17% of the housing loan portfolio (in comparison, as at 31 December 2022, 30 impaired exposures were recognised for an amount of approximately PLN 6,016,300, i.e. 0.21% of the housing loan portfolio). The value of collaterals (according to the mortgage lending value) for the said cases was PLN 10,552,500 (compared to PLN 10,697,200 as at 31 December 2022).

	as at 31.12.2023
<b>Gross carrying amount</b>	
Stage 1	3,339,795.9
Stage 2	317,951.7
Stage 3	6,162.4
<b>Total</b>	<b>3,663,910.0</b>
<b>Expected loss provision</b>	
Stage 1	517.7
Stage 2	1,846.6
Stage 3	1,494.0
<b>Total</b>	<b>3,858.2</b>

**Loans and other amounts due to clients without identified impairment (Stage 1 and 2) - by days past due**

	as at 31.12.2023
<b>Gross carrying amount, by days past due</b>	
up to 30 days	3,655,505.7
from 31 to 60 days	1,422.1
from 61 to 90 days	684.5
above 90 days	135.2
<b>Total</b>	<b>3,657,747.6</b>
up to 30 days	99.939%
from 31 to 60 days	0.038%
from 61 to 90 days	0.018%
above 90 days	0.004%
<b>Total</b>	<b>100%</b>

**Disclosures required by Recommendation R**

PD scale		Gross initial balance sheet exposures	Off-balance sheet exposures	EAD after credit risk mitigation and application of credit conversion factor	Average PD expressed in % - acceptable range (from 0% to 100%)	Number of exposure	Average LGD in %	Average maturity	Expected credit losses (ECL)	
		a	b	c	d	e	f	g	h	
Phase 1	Strategic clients	0.00 to <0.15%	86,309.1	0.0	86,289.7	0.1	3.0	0.3	2.4	0.0
		0.15% to <0.25%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		0.25% to <0.50%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		0.50% to <0.75%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		0.75% to <2.50%	26,143.3	0.0	26,143.2	0.0	0.0	37.5	1.1	16.2
		2.50% to <10.00%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		10.00% to <45.00%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		45.00% to <100.00%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Sub-total</b>		<b>112,452.4</b>	<b>0.0</b>	<b>112,432.9</b>	<b>0.1</b>	<b>3.0</b>	<b>8.9</b>	<b>2.1</b>	<b>16.2</b>
	Retail - mortgage loans	0.00 to <0.15%	2,558,106.1	0.0	2,555,757.7	0.0	14,526.0	23.7	18.8	377.8
		0.15% to <0.25%	437,258.7	0.0	436,857.5	0.0	2,475.0	25.0	19.5	74.6
		0.25% to <0.50%	223,234.3	0.0	223,003.2	0.0	1,141.0	25.5	20.3	42.1
		0.50% to <0.75%	120,825.7	0.0	120,706.7	0.0	620.0	27.3	20.4	23.0
		0.75% to <2.50%	371.1	0.0	370.8	0.1	2.0	30.1	13.6	0.1
		2.50% to <10.00%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10.00% to <45.00%		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
45.00% to <100.00%		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Sub-total</b>		<b>3,339,795.9</b>	<b>0.0</b>	<b>3,336,695.9</b>	<b>0.0</b>	<b>18,764.0</b>	<b>24.1</b>	<b>19.1</b>	<b>517.6</b>	
<b>Total Phase 1</b>		<b>3,452,248.3</b>	<b>0.0</b>	<b>3,449,128.8</b>	<b>0.0</b>	<b>18,767.0</b>	<b>23.6</b>	<b>18.5</b>	<b>533.8</b>	



Phase 2	Retail - mortgage loans	0.00 to <0.15%	218,062.5	0.0	217,872.7	0.1	0.0	26.5	20.6	1,152.9
		0.15% to <0.25%	56,571.9	0.0	56,522.1	0.2	0.0	27.8	21.0	419.2
		0.25% to <0.50%	27,772.3	0.0	27,745.4	0.1	0.0	27.0	22.1	165.2
		0.50% to <0.75%	15,278.2	0.0	15,264.0	0.1	0.0	29.6	22.8	108.2
		0.75% to <2.50%	266.8	0.0	266.6	0.1	0.0	24.2	23.8	1.1
		2.50% to <10.00%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		10.00% to <45.00%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		45.00% to <100.00%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		<b>Sub-total</b>	<b>317,951.7</b>	<b>0.0</b>	<b>317,670.8</b>	<b>0.1</b>	<b>0.0</b>	<b>26.9</b>	<b>20.9</b>	<b>1,846.6</b>
<b>Total Phase 2</b>	<b>317,951.7</b>	<b>0.0</b>	<b>317,670.8</b>	<b>0.1</b>	<b>0.0</b>	<b>26.9</b>	<b>20.9</b>	<b>1,846.6</b>		

		Time in default	EAD after credit risk mitigation and application of credit conversion factor	Number of exposure	Average LGD in %	Expected credit losses (ECL)
			a	b	c	d
Phase 3	Retail - mortgage loans	up to 12 months	1,273.9	7.0	21.8	365.1
		between 13 and 24 months	2,416.5	18.0	22.9	734.9
		between 25 and 36 months	933.6	5.0	31.8	394.0
		between 37 and 48 months	0.0	1.0	0.0	0.0
		between 49 and 60 months	0.0	0.0	0.0	0.0
		between 61 and 84 months	0.0	0.0	0.0	0.0
		above 84 months	0.0	0.0	0.0	0.0
		<b>Sub-total</b>	<b>4,624.0</b>	<b>31.0</b>	<b>24.4</b>	<b>1,494.0</b>
<b>Total Phase 3</b>	<b>4,624.0</b>	<b>31.0</b>	<b>24.4</b>	<b>1,494.0</b>		

**EU CRB Table: Additional disclosures on credit quality of assets**

a)	The scope and definitions of 'past due' and 'impaired' exposures used for accounting purposes and the possible differences between the definitions of 'past due' and 'defaulted' exposures for accounting and regulatory purposes, as set out in the EBA Guidelines on the application of the definition of default under Article 178 of the CRR	Disclosure in paragraph 4.4.9 of this report
b)	The extent to which past due exposures (more than 90 days) are not considered impaired and the reason for this	Disclosure in paragraph 4.4.9 of this report
c)	Description of the methods used for determining the adjustments for general and specific credit risk	Disclosure in paragraph 4.4.9 of this report
d)	An institution's own definition of a restructured exposure used in the implementation of Article 178(3)(d) of the CRR in accordance with the EBA guidelines on the application of the definition of default set out in Article 178 of the CRR where that definition differs from the definition of a restructured exposure as defined in Annex V to Commission Implementing Regulation (EU) No 680/2014	A change in the terms of a credit facility agreement resulting from the debtor's existing or expected financial problems, in order to adjust the terms and conditions of debt repayment to the customer's financial capacity (based on cooperation with the customer), whereby without a change in the repayment schedule the customer would not be able to make payments on time.

**EU CRC Table - Qualitative disclosure requirements for credit risk mitigation techniques**

a)	A description of the most important features of on-balance sheet and off-balance sheet netting policies and processes and an indication of the extent to which institutions apply on-balance sheet netting;	The Bank does not apply netting, except for the netting of deferred tax assets with deferred tax liability, where it has legal title to do so.
b)	Key features of policies and processes for eligible collateral valuation and management.	Described in the following section of this paragraph ("Application of credit risk mitigation techniques").
c)	A description of the main types of collateral taken by the institution to mitigate credit risk.	Described in the following section of this paragraph ("Application of credit risk mitigation techniques").
d)	For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness, used for the purpose of reducing capital requirements, excluding those used as part of synthetic securitisation structures.	Not applicable
e)	Information on market or credit risk concentrations as part of measures taken to mitigate credit risk.	Described in this item (inter alia, the section "Limits for Credit Risk Appetite").

**Collaterals**

To mitigate the credit risk, the Bank uses mortgage collaterals with the obtained mortgage entry in order to classify the exposure to the real estate mortgage backed exposure classes and to apply the preferential risk weight.

Established collaterals play the following role:

- financial:

- they are intended to mitigate the losses on credit exposure in case of credit risk materialisation, that is, when the debtor fails to repay the debt as scheduled in the contract,
- may be taken into account in the process of estimating capital requirements for the credit risk and in the process of estimating collective provisions for the lending portfolio in relation to impairment of assets if they fulfil the terms and conditions provided for in bank regulations on provisioning. Recovery rates assigned to specific categories of collaterals were determined based on relevant LGD model,
- non-financial:
  - they improve controlling rights of the Bank as a creditor by limiting the possible use by the security provider of the assets encumbered in favour of the Bank,
  - they strengthen the negotiation position of the Bank as regards the debtor (client), other creditors of the debtor and security provider.

The Bank uses the technique of credit risk mitigation in a form of funded credit protection related to tangible collaterals that make it possible to recover debt claims by the Bank should the client default.

Regulations of the Bank concerning collaterals, include:

- indication of the criteria for recognition of collaterals in the process of calculation of the capital requirement for credit risk,
- specification of general rules to be followed by the Bank when selecting collaterals, taking into account the level of acceptable credit risk,
- specification of specific rules for individual types of tangible collaterals used for estimation of recovered amounts (including, but not limited to, as regards determining the value of collaterals, requirements concerning insurance of the object of tangible collateral).

Furthermore, regulations of the Bank on collaterals take into account especially these aspects of the Regulation of the European Parliament and of the Council (EU) No. 575/2013 of 26 June 2013 that refer to the application of LGD approach, legal certainty of collaterals and their monitoring.

Prior to acceptance of exposure for each real estate securing any credit exposure, the mortgage lending value of the real estate must be determined.

Acceptable forms of valuation of collaterals:

- Value of the real estate securing the Bank's debt claims is determined in a form of an expert opinion specifying the mortgage lending value of that real estate,
- Expert opinions about the mortgage lending value of the real estate must be prepared in accordance with the rules provided for in the Act on Mortgage Banks and Covered Bonds, Recommendation F of the Polish Financial Supervision Authority (PFSA) and General Terms and Conditions of Determination of the Mortgage Lending Value of Real Estate approved by the PFSA.

Expert opinions of the mortgage lending value of the real estate prepared by an authorised employee of the Bank are accepted.

Specific rules of determining the mortgage lending value of the real estate are presented in the General Terms and Conditions of Determination of the Mortgage Lending Value of Real Estate and in the Manual of Determination of the Mortgage Lending Value of Real Estate.

Residential real estates securing the loans are subject to the process of monitoring and update of their value. In accordance with Article 208 of the Regulation of the European Parliament and of the Council No. 575/2013 of

26 June 2013, residential real estate may qualify as eligible collateral on the condition that the value of the property is monitored on a regular basis, every three years at the minimum.

On 30 January 2023, the mode and principles of the periodic monitoring of mortgage lending value of the real estate were aligned with existing market practice and the requirements of Article 129 of Regulation 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR).

With regard to the rules and procedure for the monitoring of mortgage lending value of the real estate, the aforementioned provision introduced the need to comply with the annual cycle of monitoring of the mortgage lending value of the real estates pledged as collateral for covered bonds.

The above change affected the possibility of preferential treatment of covered bonds issued by the Bank (pursuant to Article 129 of the CRR).

- Maximum recognisable amount of collateral or guarantee

The Bank establishes collateral only on real estate.

The value of collateral for Stage 3 credit exposures in an amount not exceeding the balances of the individual loans was PLN 6,001,200 at 31 December 2023, compared with PLN 5,988,700 at the end of 2022.

The tables below show the value of collateral not exceeding the carrying value of the underlying credit exposures.

The presented collateral values stem from the Bank's assumptions for determining the nominal value of collateral.

#### Maximum recognisable amount of collateral or guarantee - loans secured on real estate

	as at 31.12.2023	as at 31.12.2022
<b>Loans and advances, including:</b>	3,663,910.0	2,906,030.5
households	3,663,910.0	2,906,030.5
of which: loans for the purchase of residential real properties	3,663,910.0	2,906,030.5

- Credit risk management framework

In 2023 there were no changes in the organisational structure of the Risk Management Area.

- The main modifications of the Bank's lending policy

- Implementation of changes to the creditworthiness assessment rules resulting from supervisory guidance, including a sector letter from the PFSA on creditworthiness, was completed, including: adjusting the creditworthiness assessment parameters to the current market situation and the PFSA's position, by updating the interest rate buffer and maintenance costs, strengthening the verification of the stability of customers' income and implementing new rules for including depreciation in the calculation of income from operations.
- The last restrictions introduced in connection with the COVID-19 pandemic in the area of mortgages were withdrawn.
- The provisions concerning the annexes to the agreements were clarified in connection with the automation of the process and the transfer of the handling of annexes relating to the shortening of the loan period after overpayment and the change of the instalment repayment date to MING (My ING).
- Buffer provisions were updated in relation to the provisions of the revised Recommendation S of the PFSA.

- A gap analysis was carried out and measures were implemented to adapt to the revised Recommendation J of the PFSC.
- The frequency of periodic monitoring of the mortgage lending value of the real estate has been changed, from a 36-month cycle to a 12-month cycle.

- Conversion of loans to fixed rates

In keeping with the amended Recommendation S, on 30 June 2021 the Bank made it possible for its customers to convert the interest rate formula from a variable interest rate to a periodically fixed interest rate (5-year). As at 31 December 2023, loans worth PLN 57,304,000 were subject to periodically fixed interest rates. They represented 1.6% of the Bank's debt claims. In addition, in accordance with the Supervisor's expectations, interest rate conversion is possible regardless of the outcome of the customer creditworthiness examination. Intensified monitoring was introduced for loans with negative creditworthiness test results. As at 31 December 2023, there were 87 cases with a balance of around PLN 17,239,000. In 2023, customers were noticeably less interested in changing the interest rate formula than a year earlier.

- Key modelling actions

- The total early repayment rate (ESR) in the IFRS 9 model used in the process of estimation of the expected credit loss has been updated,
- Recalibration of the IFRS 9 model - an updated IFRS 9 model was implemented at the Bank at the end of November 2023. The implementation resulted in a decrease in the level of impairment losses.

- Stress testing

In accordance with the "Stress Testing Policy", the Bank conducted internal stress tests to assess the impact of potential events or changes in macroeconomic conditions on its capital requirement, economic capital, risk profile and financial result. The report on the stress-tests results was approved by the Bank's Management Board and presented to the Supervisory Board. The stress-tests results are taken into account in the development of strategic plans, including capital and funding plans, in taking recovery actions or actions to reduce the Bank's risk exposure, in adjusting the Bank's risk profile to the accepted risk tolerance, in shaping contingency plans to deal with stress events, in day-to-day risk management practice, in determining risk appetite and internal limits, and in adjusting and improving internal regulations.

The stress tests were conducted in 2023 on data as at 31 December 2022.

They included:

- scenario testing:
  - The baseline scenario has been updated with macroeconomic variables as approved by the Bank Management Board.
  - Global recession scenario - the scenario assumes a strong global shock. The escalation of the war in Ukraine causes a strong increase in global risk aversion and disruption in international currency and financial markets. Poland experiences a deep recession, which dampens inflationary pressure. In the medium term, the NBP reduces interest rates. However, they remain high in the short term.
  - War Recession Scenario - the scenario assumes that the intensification of armed conflicts causes not only a strong increase in risk aversion and perturbations in financial markets, but also severe disruptions in the functioning of global supply chains. The energy crisis leads to a strong increase in the price of finished goods. The deep recession is followed by high inflation. This situation is forcing major central banks to raise interest rates further.

- sensitivity tests (interest rate increases of 800 bps, 400 bps and 200 bps, a fall in house prices by 30%, a decrease in GDP growth to -8%, a rise in unemployment to 20%, a fall in wages by 10%, a fall in domestic demand by 13%), depreciation of the Zloty against the Euro by 30% and 50%),
- reverse stress tests,
- concentration tests,
- stress tests for risk-weighted assets calculated using the AIRB methodology,
- ESG tests.

The test results showed very good resilience of the Bank to adverse macroeconomic conditions. The capital adequacy ratio was maintained at a safe level in the tested scenarios.

### **Market risk**

Market risk is understood at the Bank broadly and it includes sensitivity of the position of the Bank to the changes in market parameters and customer behaviour. Sensitivity includes changes in economic results and financial results presented in relevant reporting, as well as changes in the coverage of regulatory requirements and of the economic capital. Market rates include interest rates, FX rates and prices of securities. Customer behaviour refers to possible early repayment, repayments past due or no repayments of mortgage loans in the Bank's portfolio.

Market risk limits are accepted by the Bank Management Board and are in compliance with the general risk appetite level accepted by the Bank Supervisory Board. Assets and Liabilities Committee realises the market risk management strategy and oversees and monitors the market risk level at the Bank.

Interest rate risk is transferred to Treasury where it is managed within the approved limits. Foreign exchange risk arises entirely from the Bank's internal administration and its level is immaterial. In 2023, there were no regulatory limit breaches and only one breach of the EUR internal foreign exchange position limit.

Daily, weekly, monthly and quarterly market risk reports are being developed in the Bank. The weekly, monthly and quarterly reports are presented at the meetings of the Bank Management Board. The Assets and Liabilities Committee get relevant information on a monthly basis, whereas the Supervisory Board receive it on a quarterly basis.

### **Liquidity and funding risks**

Funding and liquidity risk is understood by the Bank as the risk of inability to meet, at a reasonable price, cash liabilities under balance sheet and off-balance sheet items. The Bank maintains liquidity so that its cash liabilities could be paid at all times from the available funds and inflows from maturing transactions, available funding sources at market prices or from sale of marketable assets. Liquidity risk is material for the Bank. The level of liquidity risk at the Bank is limited, due to the absence of products generating non-contractual liquidity outflows. The Bank is exposed to and monitors the risk of a reduction in liquidity inflows from mortgage loans due to the materialisation of credit risk or regulatory restrictions and the risk of a reduction in the market value of the liquidity buffer. Furthermore, in terms of funding risk, the Bank is exposed to the risk of an increase in the cost of funding in the form of covered bond issues. The Bank monitors the covered bonds issue prices and makes decisions thereon keeping in mind the market situation.

Bank Supervisory Board oversees the liquidity risk management by accepting the general risk appetite level and by analysing Bank liquidity risk reports on a quarterly basis.

The Bank Management Board is responsible for:

- formulating the strategy for funding and liquidity risk, a target liquidity position, its funding methods and the liquidity risk profile,
- establishing the acceptable level of risk (risk appetite), liquidity risk tolerance and submitting it for the

Supervisory Board approval,

- approving the liquidity and funding risk management policy and significant amendments thereto; in particular, the limits tailored to the overall acceptable level of risk approved by the Supervisory Board,
- ensuring allocation of relevant human and IT resources in order to realise the liquidity risk management process.

Assets and Liabilities Committee (ALCO) oversees and monitors the liquidity risk level, the funding structure of the Bank and the liquidity buffer level. The Bank maintains an adequate liquidity buffer in the form of own bonds and NBP money bills. The adequacy of the buffer is confirmed by the liquidity reporting and stress test results.

Structural liquidity risk is transferred to and managed by the Treasury Position. The Treasury Position is responsible for the operational management of short-term liquidity and for obtaining funding on the market. The Bank obtains funding through the issue of covered bonds and the issue of own bonds. The remaining assets are financed with capital and a loan from the parent entity.

Daily, weekly, monthly and quarterly liquidity risk reports are being developed in the Bank. The weekly, monthly and quarterly reports are presented at the meetings of the Bank Management Board. The Assets and Liabilities Committee get relevant information on a monthly basis, whereas the Supervisory Board receive it on a quarterly basis. In addition, the Bank prepares, on an annual basis, a report on the ILAAP review. The report presents, in a comprehensive and consistent manner, key indicators and figures on the Bank's liquidity risk profile. It takes into account the Bank's strategy, funding plan and risk tolerance. The report is accepted by the Management Board and information about the outcome of the assessment is provided to the Supervisory Board. The Market Risk Position is responsible for monitoring and reporting liquidity and funding risk, overseeing the transfer of liquidity risk and providing substantive support to the Accounting and Tax Team, which is responsible for regulatory reporting of supervisory liquidity norms.

- Stress testing

Liquidity stress tests present the impact of a stress event on the Bank's liquidity level. The Bank conducts liquidity tests to identify sources of potentially constrained liquidity and to determine how such situations can be prevented to keep the current exposures within set limits. Liquidity testing scenarios are constructed and tested in three variants in terms of their nature: internal, systemic and mixed. The following internal and systemic factors are taken into account in constructing the test scenarios:

- inability to obtain additional funding from the parent entity, except for unutilised funds from committed credit lines,
- deterioration of the parent entity's situation,
- an increased cost of covered bonds issue,
- no new transactions on the interbank market,
- a decrease of the market value of liquid assets,
- a reduction in mortgage flows due to a deterioration of the quality of the loan portfolio or due to regulatory changes.

The Bank uses the results of the liquidity stress tests:

- to monitor the Bank's exposure to liquidity risk in stress situations,
- to set limits on liquidity and funding risk,
- to review internal regulations in the area of liquidity and funding risks, including in particular to review the funding contingency plan,
- to assess the adequacy of the level of liquid assets and surplus liquidity,
- as a basis for taking recovery actions when test results are viewed as negative,

- to adjust the liquidity profile to the accepted risk appetite, including in particular the survival period accepted by the Supervisory Board.

The stress tests carried out at the 2023 yearend did not reveal any risk to the Bank's liquidity as a result of stress events. The test results show a stable liquidity position of the Bank. The cumulative liquidity gap that takes into account the bank's ability to balance liquidity shows positive values up to nine months in all scenarios. The LCR measure shows values well above supervisory limits and operational limits in all scenarios. The tests showed an adequate level of surplus liquidity.

### **Model risk**

Model risk management is carried out in accordance with the Model Risk Management Policy at ING Bank Hipoteczny S.A. This policy specifies, among others:

- model life cycle responsibilities,
- responsibilities for assessing the materiality and risk of models,
- modus operandi of the model register,
- principles for carrying out monitoring and model validation processes,

The Model Validation Position ensures that the model register is in place, which is a repository of information on risk and valuation models in place at the Bank and which is updated by the participants of the model risk management process. The model register and the model logs contain information on, inter alia, the materiality of models, the results of the model monitoring and validation processes and their risk levels.

The Bank assesses on a regular basis the risks of individual models, estimates capital for individual risks (credit, market) and, if required, allocates capital charges to models in accordance with the principles adopted in the internal regulations.

The quality of the models' performance is verified as part of the model monitoring and validation processes, during which an assessment of their exposure to model risk sources is performed too. Model validation is performed in accordance with the ING Bank Hipoteczny S.A. Model Validation Policy and detailed validation standards and instructions.

Management reporting on model risk management to the dedicated Committees, the Management Board and the Supervisory Board takes into account, inter alia, the results of the monitoring and validation processes as well as the risk assessment of individual models, the assessment of the aggregate level of model risk in the context of the accepted tolerance level for this risk.

### **Operational risk**

ING Bank Hipoteczny S.A. manages its operational risk applying the requirements of legal regulations, recommendations and resolutions of the Polish Financial Supervision Authority and other regulators.

The operational risk management system was developed applying the proportionality principle, that is, taking into account the nature, scale and complexity of operations, as well as materiality of processes and operational risk profile of the Bank. It refers to all areas of the Bank's operations and is a consistent, fixed practice comprising the following elements:

- risk identification and assessment,
- risk mitigation,
- performing controls,
- quality assurance and monitoring.



Operational risk management is supervised at the Bank by the Bank Supervisory Board who use interim management information to assess effectiveness of operations in this field.

After the Bank Management Board get a consent of the Supervisory Board, they specify the operational risk management strategy by implementing a coherent set of internal prescriptive documents governing the scope, principles and duties of the Bank employees in the field of operational risk management.

Measurement of operational risk at ING Bank Hipoteczny S.A. is to specify the scale and profile of the threats related to operational risk using for that the determined risk measures.

As ING Bank Hipoteczny S.A. joined the action of ING Bank Śląski S.A. Group to periodically reduce the level of electricity and heat consumption, at the beginning of 2023, in winter, the Bank employees worked from home. This mode of work ended on 26 February 2023.

As part of the improvement of the internal control system, the Bank ensured that the data contained in the Control Function Matrix for processes was updated on an ongoing basis (the Control Function Matrix for 13 of the Bank's 15 significant processes/subprocesses). In 2023, a double review of the list of material processes was also carried out, as well as verification and detailed planning for the required testing of the key controls included in the Control Functions Matrix for 2023.

The testing of key controls for 2023 was completed and the evaluation process for the effectiveness of the Bank's key controls, as contained in the Control Function Matrices for material processes, was completed by their Owners in December 2023. In February 2024, the Bank Management Board approved for presentation to the Bank Supervisory Board the report on the evaluation of the effectiveness and adequacy of the internal control system (ICS) for the assessment of the ICS for ING Bank Hipoteczny S.A. for 2023, concluding that the internal control system at ING Bank Hipoteczny S.A. was effective and adequate for the business model and the scale of the Bank's operations. There were no losses from internal operational risk events at the Bank in 2023.

- Business continuity

Ensuring business continuity is a priority for the Bank. In the Bank, this objective is implemented in two stages. First, the Bank maintains and improves the business continuity management system. Second, the Operational Recovery Strategy was implemented to ensure monitoring and control of the quality of activities performed by the Bank's main provider, namely ING Bank Śląski S.A., and to ensure adequate response to any disruptions on the part of the provider.

The business continuity management system identifies processes that are of the utmost importance for the Bank. Business Continuity Plans (BCPs) are created for these processes, which allow the Bank to operate in the event of failure or other threats. In addition to Business Continuity Plans, the Bank also maintains and tests Disaster Recovery Plans (IT area), which allow the availability of key applications to be restored within the required time.

The bank always tries to prevent any disturbance. In case of events that have a material impact on the Bank's operations, a crisis management team is established to coordinate the activities of all the units involved.

In 2023, BCP tests were carried out for the Bank processes that required such testing, as well as a test of the Crisis Management Plan, and a test of the Disaster Recovery Plan (DRP for both Computer Centres).

### **Compliance risk**

Compliance risk at ING Bank Hipoteczny S.A. is understood as the risk of consequences of non-compliance with legal regulations, internal regulations and market standards in the processes that are in place in the Bank; it includes, but is not limited to, especially:

- non-compliance resulting from non-implementation of the requirements of external regulations on financial institutions in the Bank's internal regulations; this regards universally applicable laws, recommendations of the regulators, court orders and decisions binding for the Bank under law, accepted codes of conduct,
- non-compliance resulting from ineffective controls defined in bank policies and procedures in high-level compliance risk areas, including within the operations of the Compliance Area,

- other identified non-compliance concerning universally applicable laws on financial institutions.

The result of compliance risks materialising can be:

- Financial implications including:
  - fines imposed by regulators,
  - indemnity costs as well as court costs associated with customer claims,
  - decreased income resulting from the fact that some customers resigned from the Bank's services,
  - employee compensation costs, as well as the costs of additional recruitment carried out after some bank employees rendered their resignation,
- Non-financial consequences of compliance risk, which may include: negative reactions on the part of regulators, damage to the Bank's reputation as a result of negative media coverage, negative reactions from customers, employees and negative impact on the operation of processes, models and systems within the Bank.

Compliance risk management is arranged in such a way to ensure management of that risk on three independent levels (lines of defence).

The first line of defence units are responsible for ensuring compliance of the performed tasks with legal regulations, internal regulations and market standards, including, but not limited to, identification and assessment - with the support of organisational units of the second line of defence - of the compliance risk for its processes, and also for management of that risk, inclusive of design, implementation and performance of controls.

The role of the Compliance Area, being the leading unit of the second line of defence in the compliance risk area is, most notably, providing support for the first line of defence in the process of identification and assessment of the compliance risk and approval of the results of the identification performed at 1 LoD. The Compliance Area is responsible for the organisation and functioning of the compliance risk management process, understood as the process of identifying, assessing, controlling and monitoring of the risk of the compliance of the bank's activities with laws, internal regulations and market standards, and presenting reports in these areas, based on the results of the implementation of its own activities and the information received from other units of the first and second line of defence.

In 2023, the Bank continued activities related to ensuring the Bank's compliance with regulatory requirements, including the monitoring, analysis and implementation of regulatory changes, improvement of controls in the key processes of the Bank, the Know Your Customer area included. No recommendations with a high or critical risk level were issued in the Compliance area. There are also no recommendations issued at ING Bank Śląski S.A whose impact on ING Bank Hipoteczny's risks would be assessed as high or critical. Compliance risk remains stable at a low level. Actions to make and reinforce awareness of Bank employees of the key compliance areas are taken on a regular basis. In February 2023, the Bank's Supervisory Board took note of the Compliance Annual Report for 2022 and approved the Compliance Annual Action Plan for 2023.

### **Business risk**

Macroeconomic risk is distinguished by the Bank as significant business risk.

- Macroeconomic risk

Macroeconomic risk is the risk resulting from changes in macroeconomic factors and their impact on minimum capital requirements. The Bank manages this risk through regular internal stress testing, which allows for on-going monitoring of the sensitivity of the minimum capital requirements to macroeconomic factors. In 2023, the Bank conducted full capital tests as at the end of 2022.

In line with the applied approach, the Bank estimates the additional capital requirement based on internal stress test results for the mild recession scenario. Stress-test results showed that should the mild recession risk materialise it would not affect a decline in the capital adequacy below the required level.

## 6.31. Quantitative information

### Credit risk

For data on the quality of the credit portfolio, see notes no. 6.10 *Loans and other amounts due to clients* and 6.32 *Capital adequacy disclosures* herein.

### Market risk

- Interest rate risk

Interest rate risk in the banking book is deemed to be a major risk. The Bank uses the following measures of interest rate risk:

- sensitivity measure (BPV),
- net interest income at risk (NIIaR),
- economic value of the equity at risk (EVEaR),
- securities portfolio sensitivity measures.

In 2023, the Bank identified no exceeded interest rate risk limits. As at 31 December 2023 and 31 December 2022, the core measures were at the following levels:

Risk measure	as at 31.12.2023	as at 31.12.2022
BPV (PLN thousand)	3.0	-15.6
NIIaR (PLN thousand)	2,118.7	1,358.5
EVEaR to own funds	1.86%	2.0%

- Currency risk

The Bank does not hold significant positions in foreign currencies. As at 31 December 2023, the FX risk is deemed non-material. The Bank uses the following measures of the FX risk:

- a measure of the position in particular currencies,
- value at FX risk (VaR).

As at 31 December 2023, the Bank held a foreign currency position in EUR of EUR 93,000 (short position) - (compared with EUR 74,000 (short position) as at 31 December 2022). This position resulted from internal administration and generated a VaR of PLN 4,500 (compared with PLN 6,100 as at 31 December 2022).

### Liquidity and funding risks

- Liquidity risk measurement

The Bank uses the following liquidity risk measures:

- liquidity coverage ratio (LCR),
- net stable funding ratio (NSFR),
- structural liquidity gap,
- survival period in stress situation,
- stress testing.

In 2023, the Bank identified no exceeded liquidity risk limits. As at 31 December 2023 and 31 December 2022, the regulatory liquidity measures were at the following levels:

Liquidity metrics	as at 31.12.2023	Supervisory limit	as at 31.12.2022	Supervisory limit
LCR Liquidity coverage ratio	1348%	>100%	142%	>100%
NSFR Net stable funding ratio	137%	>100%*	138%	>100%*

\*) in accordance with Regulation (EU) No 2019/876 of the European Parliament and of the Council, the minimum level of the NSFR is applicable from 28 June 2021.

As at 31 December 2022 and 31 December 2023 the components of the LCR measure were as follows:

Item	as at 31.12.2023	as at 31.12.2022
Liquidity buffer (PLN thousand)	54,703.5	53,425.0
Liquidity outflows (PLN thousand)	16,226.7	150,028.9
Liquidity inflows (PLN thousand)	43,687.1	400,033.9
Net liquidity outflows (PLN thousand)	4,056.7	37,507.2

On 14 December 2023, the final loan agreement with ING Bank Śląski for general liquidity risk management purposes expired. The undrawn funds under the agreement were included in liquidity inflows when measuring the LCR in accordance with the PFSA's administrative decision of April 2021.

On 12 February 2024, the Bank signed a new agreement with its parent entity and submitted a relevant application to the PFSA.

On 3 April 2024, the Bank got PFSA's approval to include undrawn funds under the loan agreement as liquidity inflows in the LCR measurement.

### EU LIQB template for qualitative information on the net outflows coverage ratio

a)	Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	As at 31 December 2023, the Bank's liquid assets consisted exclusively of T-bonds in the amount of PLN 55,464,300, while as at 31 December 2022, the Bank's liquid assets consisted of T-bonds in the amount of PLN 54,311,100, (debt securities are described in note 6.9). At 31 December 2023, the projected net liquidity outflows are at a similar level to the net outflows at 31 December 2022.
b)	Explanations on the changes in the LCR over time	As at 31 December 2023, the Bank's LCR was 1,348.48% compared to 1,552.52% as at 31 December 2022. This was due to the reasons detailed in a) above.
c)	Explanations on the actual concentration of funding sources	As at the end of 2023, there were no major changes in the actual concentration of financing sources compared to the end of 2022.
d)	High-level description of the composition of the institution's liquidity buffer	The changes in the liquidity buffer at 31 December 2023 compared to 31 December 2022 were due in particular to the change in the valuation of T-bonds.
e)	Derivative exposures and potential collateral calls	Not applicable
f)	Currency mismatch in the LCR	Not applicable
g)	Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	Not applicable

As at 31 December 2023 and 31 December 2022 the components of the NSFR measure were as follows:

Item	as at 31.12.2023	as at 31.12.2022
Available stable funding (ASF) (PLN thousand)	3,475,424	2,819,214
Required stable funding (RSF) (PLN thousand)	2,544,932	2,038,940

The following tables show the liquidity gap realigned as at 31 December 2023 and 31 December 2022:

Liquidity gap As at 31.12.2023	1 day	1 day – 1 month	1-3 months	3-6 months	6-12 months	12-24 months	24-60 months	above 60 months
Periodical gap realigned	47,490	103,373	156,262	224,158	-73,517	-2,167,179	1,238,899	470,514
Cumulated periodical gap realigned	47,490	150,863	307,125	531,283	457,766	-1,709,413	-470,514	

Liquidity gap As at 31.12.2022	1 day	1 day – 1 month	1-3 months	3-6 months	6-12 months	12-24 months	24-60 months	above 60 months
Periodical gap realigned	425,676	69,908	114,923	167,388	208,811	-1,826,184	871,659	-32,182
Cumulated periodical gap realigned	425,676	495,584	610,507	777,895	986,706	-839,477	32,182	-

The gap shows positive values in the period up to one year and negative values up to two years. This is due to the fact that a significant part of the Bank's assets are long-term mortgages, which are financed by liabilities with a primary term of two years.

- **Financing structure**

The Bank monitors its financing structure. The business model involves raising funds through the issue of covered bonds, the issue of own bonds and a loan from the parent entity. The table below shows the financing structure as at 31 December 2023 and 31 December 2022:

Financing structure	as at 31.12.2023	as at 31.12.2022
Funds from parent entity	77.32%	67.64%
Issues of own bonds	0.00%	4.50%
Issues of covered bonds	10.73%	13.47%
Equity	11.67%	14.07%
Other	0.28%	0.32%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

As at 31 December 2023, the Bank had PLN 400,000,000 of financing in the form of covered bonds. The remaining part of the mortgage portfolio is financed with equity and a loan from the parent entity.

- **Analysis of the maturity of financial assets and liabilities by contractual due dates**

The tables below show financial assets and liabilities by remaining contractual maturity from the reporting date. The values presented take into account future interest payment amounts.

## 2023

	no stated maturity	up to 1 month	1 month - 12 months	1 year - 5 years	above 5 years
<b>Financial assets</b>	<b>2,924.4</b>	<b>59,436.5</b>	<b>380,819.0</b>	<b>1,688,253.3</b>	<b>5,071,614.7</b>
Loans and other receivables to other banks	2,924.4	23,218.8	0.0	0.0	0.0
Investment securities	0.0	1,688.8	3,702.5	94,091.8	0.0
Loans and other receivables to customers	0.0	34,528.9	377,116.5	1,594,161.5	5,071,614.7
<b>Financial liabilities</b>	<b>1,312.4</b>	<b>16,124.9</b>	<b>677,282.2</b>	<b>2,924,032.8</b>	<b>0.0</b>
Liabilities to other banks	0.0	16,124.9	252,775.2	2,924,032.8	0.0
Liabilities under issue of securities	0.0	0.0	424,507.0	0.0	0.0
Other financial liabilities	1,312.4	0.0	0.0	0.0	0.0

## 2022

	no stated maturity	up to 1 month	1 month - 12 months	1 year - 5 years	above 5 years
<b>Financial assets</b>	<b>3,341.4</b>	<b>28,201.0</b>	<b>281,378.1</b>	<b>1,489,892.5</b>	<b>4,700,988.1</b>
Loans and other receivables to other banks	3,341.4	10,006.5	0.0	0.0	0.0
Investment securities	0.0	1,840.0	4,456.0	102,095.2	0.0
Loans and other receivables to customers	0.0	16,354.5	276,922.1	1,387,797.3	4,700,988.1
<b>Financial liabilities</b>	<b>1,135.9</b>	<b>150,025.1</b>	<b>269,441.4</b>	<b>2,445,795.8</b>	<b>0.0</b>
Liabilities to other banks	0.0	13,660.8	237,361.4	2,013,627.9	0.0
Liabilities under issue of securities	0.0	136,364.3	32,080.0	432,167.9	0.0
Other financial liabilities	1,135.9	0.0	0.0	0.0	0.0

### 6.32. Capital adequacy disclosures

Taking into account the scale and specifics of the Bank's operations, the Bank discloses selected information on capital adequacy in the financial statements. The information refers in particular to:

- own funds for the needs of capital adequacy,
- capital requirements,
- credit risk related adjustments,
- applied credit risk mitigation techniques.

Each time, the Bank assesses adequacy of the disclosed information in terms of providing the market participants with complex information about the risk profile of the Bank.

#### Own funds and capital requirements

For the needs of capital adequacy, own funds of the Bank consist exclusively of Common Equity Tier 1 (CET 1) capital and they were set in accordance with the Banking Law Act, CRR and related regulations.

At the same time, in line with CRR, the Bank calculates requirements for its own funds for the following risk types:

- for credit risk – using the standardised approach,
- for the CVA risk – using the standardised approach,
- for delivery and settlement risk – using the standardised approach,
- for operational risk – using the basic indicator approach (BIA),
- for market risk (FX risk) using the standardised approach.

As at 31 December 2023, the Bank reports zero values for the own funds requirements for the CVA risk, delivery and settlement risk, and market risk. Having regard to the above, as at the date of this report, the total requirement for own funds consisted of the credit risk and operational risk requirements.

### Total capital ratio

	as at 31.12.2023	as at 31.12.2022
<b>Own funds</b>		
<b>A. Equity capitals from the statement of financial position, including:</b>	<b>440,622.4</b>	<b>379,007.7</b>
A.I. Equity capitals recognised under own funds, including:	399,315.9	425,012.5
Share capital	380,000.0	380,000.0
Supplementary capital – share premium	15,997.4	62,002.2
Retained earnings from previous years	0.0	-19,064.7
Loss for the current period	0.0	0.0
Accumulated other income	73.5	-1,168.2
Reserve capital	3,245.0	3,243.1
A.II. Equity capitals not recognised under own funds, including:	41,306.5	-46,004.8
Profit for the current period	41,306.5	-46,004.8
<b>B. Other components (decreases and increases) of own funds, including:</b>	<b>-3,129.8</b>	<b>-84.6</b>
Deferred tax assets based on future profitability and not arising from temporary differences net of related income tax liabilities	-3,043.5	0.0
Value adjustment due to the requirements for prudent valuation	-86.3	-84.6
<b>Own funds taken into account in total capital ratio calculation (A.I. + B), including:</b>	<b>396,186.1</b>	<b>424,927.8</b>
Tier 1 capital	396,186.1	424,927.8
<b>Risk weighted assets, including:</b>	<b>1,699,996.6</b>	<b>1,195,879.8</b>
credit risk weighted assets	1,600,624.6	1,096,507.8
operational risk weighted assets	99,372.0	99,372.0
<b>Total capital requirements</b>	<b>135,999.7</b>	<b>95,670.4</b>
<b>Total capital ratio (TCR)</b>	<b>23.31%</b>	<b>35.53%</b>
minimum required level	10.50%	10.50%
excess TCR	217,686.5	299,360.4
<b>Tier 1 ratio (T1)</b>	<b>23.31%</b>	<b>35.53%</b>
minimum required level	8.50%	8.50%
excess T1	251,686.4	323,278.0
<b>Common Equity Tier 1 ratio (CET1)</b>	<b>23.31%</b>	<b>35.53%</b>
minimum required level	7.00%	7.00%
excess T1	277,186.3	341,216.2

\* In accordance with supervisory recommendations, the ratios as at 31 December 2022 are recalculated after the profit distribution is approved by the General Meeting, and then they are reported to the Supervisor. The above presented ratios as at 31 December 2022 take into account the recalculation. Prior to the approval of the 2022 profit distribution, the TCR and LR published in the financial statements for the period from 1 January 2022 to 31 December 2022 stood at 36.06% and 14.13%, respectively.

**Risk weighted assets and capital requirements**

Below, the Bank presents the risk-weighted assets values (RWA) together with the requirements for own funds and division into specific classes of exposures:

	Gross value of exposures	Net exposure**	Risk weighted assets (RWA)	Requirement for own funds
Exposures to central governments and central banks	86,726.0	86,706.5	0.0	0.0
Exposures to institutions	26,143.3	26,143.3	0.0	0.0
Retail exposures*	776,485.3	775,249.9	581,437.4	46,515.0
Exposures secured by mortgages on immovable properties	2,881,262.4	2,879,116.8	1,011,065.4	80,885.2
Exposures in default	6,162.4	4,624.0	4,624.0	369.9
Other exposures	3,497.8	3,497.8	3,497.8	279.8
<b>Total</b>	<b>3,780,277.1</b>	<b>3,775,338.2</b>	<b>1,600,624.6</b>	<b>128,050.0</b>

\*) They arise from a part of exposures relating to purchased mortgage loan related debt claims that is not fully and completely secured, namely, which is in the transitional period, that is, until the collateral is established, or it exceeds 80% of mortgage lending value of the real estate.

\*\*) Value of balance sheet exposures and equivalent of the balance sheet liabilities and contingent transactions, taking into account specific credit risk adjustments and credit conversion factor (CCF).

**Selected quantitative information about capital adequacy**

The following tables present detailed quantitative information on capital adequacy, as required by Commission Implementing Regulation 2021/637:

- Template EU OV1 – Overview of total risk exposure amounts
- Template EU CC1 – Composition of regulatory own funds
- Template EU CC2 – reconciliation of regulatory own funds to balance sheet in the audited financial statements
- Template EU LIQ1 – Quantitative information of LCR
- Template EU LIQ2 – Net Stable Funding Ratio
- Template EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer
- Template EU CCyB2 – Amount of institution-specific countercyclical capital buffer
- Template EU LR1–LRSum – Summary reconciliation of accounting assets and leverage ratio exposures
- Template EU LR2–LRCom – Leverage ratio common disclosure
- Template EU LR3–LRSpl – Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
- IFRS 9/Article 468-FL – Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR
- Template EU CR1 – Performing and non-performing exposures and related provisions
- Template EU CQ3: Credit quality of performing and non-performing exposures by past due days.
- Template EU CR1-A – Maturity of exposures
- Template EU CR2 – Changes in the stock of non-performing loans and advances
- Template EU CQ1: Credit quality of forborne exposures
- Template EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques
- Template EU CR4 – standardised approach – Credit risk exposure and CRM effects
- Template EU CR5 – Standardised approach



## Template EU OV1 - Overview of total risk exposure amounts

		a	b	c
		Total risk exposure amounts (TREA)		Total own funds requirements
		as at 31.12.2023	as at 30.09.2023	as at 31.12.2023
<b>1</b>	<b>Credit risk (excluding CCR)</b>	<b>1,600,624.6</b>	<b>1,217,893.1</b>	<b>128,050.0</b>
2	Of which the standardised approach	1,600,624.6	1,217,893.1	128,050.0
<b>23</b>	<b>Operational risk</b>	<b>99,372.0</b>	<b>99,372.0</b>	<b>7,949.8</b>
EU-23a	Of which basic indicator approach	99,372.0	99,372.0	7,949.8
<b>24</b>	<b>Amount below the thresholds for deduction (subject to a 250% risk weight)</b>	<b>0.0</b>	<b>3,521.5</b>	<b>0.0</b>
<b>29</b>	<b>Total</b>	<b>1,699,996.6</b>	<b>1,317,265.1</b>	<b>135,999.8</b>

## Template EU CC1 - Composition of regulatory own funds

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
1	Capital instruments and the related share premium accounts	395,997.4	(a)
	of which: ordinary share	380,000	
	of which: share premium	15,997.4	
3	Accumulated other comprehensive income (and other reserves)	3,318.5	(b)
<b>6</b>	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>399,315.9</b>	
<b>Common Equity Tier 1 capital: regulatory adjustments</b>			
7	Additional value adjustments (negative amount)	-86.3	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-3,043.6	(c)
27a	Other regulatory adjustments	0.1	
<b>28</b>	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-3,129.8</b>	
<b>29</b>	<b>Common Equity Tier 1 (CET1) capital</b>	<b>396,186.1</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>			
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>396,186.1</b>	
<b>Tier 2 (T2) capital: instruments</b>			
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>396,186.1</b>	
<b>60</b>	<b>Total risk exposure amount</b>	<b>1,699,996.6</b>	
<b>Capital ratios and buffers</b>			
61	Tier 1 capital	23.31%	
62	Tier 1 capital	23.31%	
63	Total capital	23.31%	
64	Institution CET1 overall capital requirement	7.00%	
65	of which: capital conservation buffer requirement	2.50%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	15.31%	

## Template EU CC2 – reconciliation of regulatory own funds to balance sheet in the audited financial statements

	a	c
	Balance sheet as in published financial statements	Reference
	<b>31.12.2023</b>	
<b>Assets – Breakdown by asset classes according to the balance sheet in the published financial statements</b>		
2	Loans and other receivables to other banks	26,143.2
5	Investment securities	86,293.0
6	Loans and other receivables to customers measured at amortised cost	3,660,051.8
8	Investments in associates accounted for using the equity method	0.0
9	Property, plant and equipment	1,413.5
11	Current income tax assets	416.8
12	Deferred tax assets	839.7 (c)
13	Other assets	2,084.4
14	<b>Total assets</b>	<b>3,777,242.4</b>
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements</b>		
1	Liabilities to other banks	2,920,927.6
5	Liabilities under issue of securities	405,303.0
7	Provisions	641.0
8	Current income tax liabilities	0.0
9	Other liabilities	9,748.4
10	<b>Total liabilities</b>	<b>3,336,620.0</b>
<b>Shareholders' Equity</b>		
1	Share capital	380,000.0 (a)
2	Supplementary capital – issuance of shares over nominal value	15,997.4 (a)
3	Accumulated other income	73.5 (b)
4	Retained earnings	44,551.5
5	<b>Total shareholders' equity</b>	<b>440,622.4</b>

Template EU LIQ1 – Quantitative information of LCR									
		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
		as at 31.12.2023	as at 30.09.2023	as at 30.06.2023	as at 31.03.2023	as at 31.12.2023	as at 30.09.2023	as at 30.06.2023	as at 31.03.2023
EU 1a									
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA)					93,550.9	82,216.0	83,697.9	95,741.0
<b>CASH - OUTFLOWS</b>									
5	Unsecured wholesale funding	31,854.5	32,634.8	34,400.9	41,058.1	31,854.5	32,634.8	34,400.9	41,058.1
8	Unsecured debt	31,854.5	32,634.8	34,400.9	41,058.1	31,854.5	32,634.8	34,400.9	41,058.1
9	Secured wholesale funding								
10	Additional requirements	2,583.6	2,583.6	2,291.1	2,291.1	2,583.6	2,583.6	2,291.1	2,291.1
12	Outflows related to loss of funding on debt products	2,583.6	2,583.6	2,291.1	2,291.1	2,583.6	2,583.6	2,291.1	2,291.1
14	Other contractual funding obligations	111,937.2	65,427.6	64,773.8	60,830.8	110,867.1	64,398.4	63,944.2	60,344.2
<b>16</b>	<b>TOTAL CASH OUTFLOWS</b>					<b>145,305.2</b>	<b>99,616.8</b>	<b>100,636.2</b>	<b>103,693.4</b>
<b>CASH - INFLOWS</b>									
18	Inflows from fully performing exposures	28,136.7	24,666.6	23,105.9	23,660.4	14,967.0	13,200.3	12,555.6	12,844.5
19	Other cash inflows	354,546.2	385,543.2	386,759.7	395,336.1	354,546.2	385,543.2	386,759.7	395,336.1
<b>20</b>	<b>TOTAL CASH INFLOWS</b>	<b>382,682.9</b>	<b>410,209.8</b>	<b>409,865.6</b>	<b>418,996.5</b>	<b>369,513.2</b>	<b>398,743.5</b>	<b>399,315.3</b>	<b>408,180.6</b>
EU-20c	Inflows subject to 75% cap	382,682.9	410,209.8	409,865.6	418,996.5	369,513.2	398,743.5	399,315.3	408,180.6
<b>TOTAL ADJUSTED VALUE</b>									
EU-21	LIQUIDITY BUFFER					93,550.9	82,216.0	83,697.9	95,741.0
22	TOTAL NET CASH OUTFLOWS					49,719.2	36,895.2	37,150.1	37,914.4
<b>23</b>	<b>LIQUIDITY COVERAGE RATIO</b>					<b>9.21</b>	<b>10.47</b>	<b>11.84</b>	<b>13.61</b>

Template EU LIQ2: Net Stable Funding Ratio

	a	b	c	d	e
	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	≥ 1 yr	
<b>Available stable funding (ASF) Items</b>					
1 <b>Capital items and instruments</b>	<b>396,186.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>396,186.1</b>
2 <i>Own funds</i>	396,186.1	0.0	0.0	0.0	396,186.1
7 <b>Wholesale funding:</b>		<b>13,611.6</b>	<b>477,727.6</b>	<b>2,833,797.8</b>	<b>3,072,661.6</b>
9 <i>Other wholesale funding</i>		13,611.6	477,727.6	2,833,797.8	3,072,661.6
11 <b>Other liabilities:</b>	<b>0.0</b>	<b>4,818.8</b>	<b>2,942.9</b>	<b>5,105.3</b>	<b>6,576.7</b>
13 <i>All other liabilities and capital instruments not included in the above categories</i>		4,818.8	2,942.9	5,105.3	6,576.7
14 <b>Total available stable funding (ASF)</b>					<b>3,475,424.4</b>
<b>Required stable funding (RSF) Items</b>					
15 <b>Total high-quality liquid assets (HQLA)</b>					<b>30,000.0</b>
EU-15a <b>Assets encumbered for a residual maturity of one year or more in a cover pool</b>		<b>10,388.5</b>	<b>8,776.6</b>	<b>420,834.9</b>	<b>374,000.0</b>
17 <b>Performing loans and securities:</b>		<b>118,969.5</b>	<b>57,969.2</b>	<b>3,064,625.4</b>	<b>2,219,864.9</b>
19 <i>Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions</i>		26,143.2	0.0	0.0	2,614.3
22 <i>Performing residential mortgages, of which:</i>		92,826.3	57,969.2	3,064,625.4	2,217,250.6
23 <i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		77,584.6	46,838.8	2,315,393.6	1,567,217.6
26 <b>Other assets:</b>		<b>968.2</b>	<b>1,577.1</b>	<b>10,564.6</b>	<b>11,942.1</b>
31 <i>All other assets not included in the above categories</i>		968.2	1,577.1	10,564.6	11,942.1
33 <b>Total RSF</b>					<b>2,635,807.0</b>
34 <b>Net Stable Funding Ratio (%)</b>					<b>1.32</b>

**Template EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer**

	a	f	g	j	k	l
	General credit exposures		Own fund requirements		Risk-weighted exposure amounts	Own funds requirements: weights (%)
	Exposure value under the standardised approach	Total exposure value	Relevant credit exposures - credit risk	Total		
<b>Breakdown by country:</b>						
<b>010</b>						
Poland	3,662,488.5	3,662,488.5	128,050.1	128,050.1	1,600,624.7	1.00
<b>020 Total</b>	<b>3,662,488.5</b>	<b>3,662,488.5</b>	<b>128,050.1</b>	<b>128,050.1</b>	<b>1,600,624.7</b>	<b>1.00</b>

**Template EU CCyB2 - Amount of institution-specific countercyclical capital buffer**

	a
1 Total risk exposure amount	1,699,996.6
2 Institution specific countercyclical capital buffer rate	0.0
3 Institution specific countercyclical capital buffer requirement	0.0

**Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures**

	a
	Applicable amount
1 Total assets as per published financial statements	3,777,242.4
11 (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-3,129.8
EU-11a (Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-26,143.3
12 Other adjustments	1,225.7
13 <b>Total exposure measure</b>	<b>3,749,195.0</b>

		a		b	
		CRR leverage ratio exposures		CRR leverage ratio exposures	
		as at	as at	as at	as at
		31.12.2023	30.06.2023	31.12.2023	30.06.2023
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>					
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	3,778,468.0	3,381,495.6		
6	(Asset amounts deducted in determining Tier 1 capital)	-3,129.7	-1,550.9		
7	<b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>3,775,338.3</b>	<b>3,379,944.7</b>		
<b>Excluded exposures</b>					
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-26,143.3	-2,959.1		
EU-22k	<b>(Total exempted exposures)</b>	<b>-26,143.3</b>	<b>-2,959.1</b>		
<b>Capital and total exposure measure</b>					
23	Tier 1 capital	396,186.1	397,389.2		
24	<b>Total exposure measure</b>	<b>3,749,195.0</b>	<b>3,376,985.6</b>		
<b>Leverage ratio</b>					
25	<b>Leverage ratio (%)</b>	<b>10.57%</b>	<b>11.77%</b>		
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	10.57%	11.77%		
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	10.57%	11.77%		
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%		
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%		
<b>Choice on transitional arrangements and relevant exposures</b>					
EU-27b	Choice on transitional arrangements for the definition of the capital measure	transitional	transitional		
<b>Disclosure of mean values</b>					
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3,749,195.0	3,376,985.6		
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3,749,195.0	3,376,985.6		
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10.57%	11.77%		
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10.57%	11.77%		

## Template EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		a
		CRR leverage ratio exposures
<b>EU-1</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:</b>	<b>3,752,324.8</b>
EU-3	Banking book exposures, of which:	3,752,324.8
EU-5	Exposures treated as sovereigns	86,706.5
EU-8	Exposures secured by mortgages on immovable properties	2,879,116.8
EU-9	Retail exposures	775,249.9
EU-11	Exposures in default	4,624.0
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	6,627.6

## IFRS 9/Article 468-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR

		as at 31.12.2023	as at 30.09.2023	as at 30.06.2023	as at 31.03.2023
<b>Capital available (amounts)</b>					
1	CET1 capital	396,186.1	397,608.8	397,389.2	425,864.5
2	CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	396,186.1	397,608.8	397,389.2	425,864.5
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied *	396,186.1	397,608.8	397,389.2	425,864.5
3	Tier 1 capital	396,186.1	397,608.8	397,389.2	425,864.5
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	396,186.1	397,608.8	397,389.2	425,864.5
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied *	396,186.1	397,608.8	397,389.2	425,864.5
5	Total capital	396,186.1	397,608.8	397,389.2	425,864.5
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	396,186.1	397,608.8	397,389.2	425,864.5
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied *	396,186.1	397,608.8	397,389.2	425,864.5
<b>Risk weighted assets (amounts)</b>					
7	Total risk-weighted assets	1,699,996.6	1,317,265.1	1,414,003.0	1,628,800.1
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,699,996.6	1,317,265.1	1,414,003.0	1,628,800.1
<b>Capital ratios</b>					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	23.31%	30.18%	28.10%	26.15%
10	CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23.31%	30.18%	28.10%	26.15%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied *	23.31%	30.18%	28.10%	26.15%

**ING Bank Hipoteczny S.A.**

Financial statements for the period from 01 January 2023 to 31 December 2023 (in PLN thousand)

11	Tier 1 (as a percentage of risk exposure amount)	23.31%	30.18%	28.10%	26.15%
12	Tier 1 (as a percentage of the risk exposure amount) as if FRS 9 or analogous ECLs transitional arrangements had not been applied	23.31%	30.18%	28.10%	26.15%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied *	23.31%	30.18%	28.10%	26.15%
13	Total capital (as a percentage of risk exposure amount)	23.31%	30.18%	28.10%	26.15%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23.31%	30.18%	28.10%	26.15%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied *	23.31%	30.18%	28.10%	26.15%
<b>Leverage Ratio</b>					
15	Leverage ratio total exposure measure	3,749,195.0	3,265,186.7	3,376,985.6	3,807,909.2
16	Leverage ratio	10.57%	12.18%	11.77%	11.18%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10.57%	12.18%	11.77%	11.18%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied *	10.57%	12.18%	11.77%	11.18%

\*\* In the comparable periods, the Bank did not apply the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income under Article 468 of CRR. The reported capital ratios, including the leverage ratio and Tier 1 capital already fully reflect the impact of unrealised gains and losses measured at fair value through other comprehensive income.



Template EU CR1: Performing and non-performing exposures and related provisions

	a	b	c	d	f	g	h	i	j	l	n	o
	Gross carrying amount/nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures	Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 3		
005 Cash balances at central banks and other demand deposits	26,143.2	26,143.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>010 Loans and advances</b>	<b>3,680,966.4</b>	<b>3,363,014.7</b>	<b>317,951.7</b>	<b>6,162.4</b>	<b>6,162.4</b>	<b>-2,364.3</b>	<b>-517.6</b>	<b>-1,846.6</b>	<b>-1,494.0</b>	<b>-1,494.0</b>	<b>3,655,374.7</b>	<b>4,668.5</b>
040 Credit institutions	23,218.8	23,218.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
080 Households	3,657,747.6	3,339,795.9	317,951.7	6,162.4	6,162.4	-2,364.3	-517.6	-1,846.6	-1,494.0	-1,494.0	3,655,374.7	4,668.5
<b>090 Debt securities</b>	<b>86,309.1</b>	<b>86,309.1</b>	0.0	0.0	0.0	<b>-16.2</b>	<b>-16.2</b>	0.0	0.0	0.0	0.0	0.0
110 Government and self-government institutions' sector	86,309.1	86,309.1	0.0	0.0	0.0	-16.2	-16.2	0.0	0.0	0.0	0.0	0.0
<b>220 Total</b>	<b>3,793,418.7</b>	<b>3,475,467.0</b>	<b>317,951.7</b>	<b>6,162.4</b>	<b>6,162.4</b>	<b>-2,380.5</b>	<b>-533.8</b>	<b>-1,846.6</b>	<b>-1,494.0</b>	<b>-1,494.0</b>	<b>3,655,374.7</b>	<b>4,668.5</b>

**Template EU CQ3: Credit quality of performing and non-performing exposures by past due**

	a	b	c	d	e	f	l
Gross carrying amount/nominal amount							
	Performing exposures			Non-performing exposures			
	not past due or past due ≤ 30 days	past due > 30 days ≤ 90 days		unlikely to pay that are not past due or are past due ≤ 90 days	past due > 90 days ≤ 180 days	of which defaulted	
<b>005 Cash balances at central banks and other demand deposits</b>	<b>26,143.2</b>	<b>26,143.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>010 Loans and advances</b>	<b>3,680,966.4</b>	<b>3,678,724.6</b>	<b>2,241.9</b>	<b>6,162.4</b>	<b>5,213.2</b>	<b>949.2</b>	<b>6,162.4</b>
040 Credit institutions	23,218.8	23,218.8	0.0	0.0	0.0	0.0	0.0
080 Households	3,657,747.6	3,655,505.7	2,241.9	6,162.4	5,213.2	949.2	6,162.4
<b>090 Debt securities</b>	<b>86,309.1</b>	<b>86,309.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
110 General governments	86,309.1	86,309.1	0.0	0.0	0.0	0.0	0.0
<b>220 Total</b>	<b>3,793,418.7</b>	<b>3,791,176.9</b>	<b>2,250.5</b>	<b>6,162.4</b>	<b>5,213.2</b>	<b>949.2</b>	<b>6,162.4</b>

**Template EU CR1-A: Maturity of exposures**

	b	c	d	f
Net exposure value				
	≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total
1 Loans and advances	24,556.1	68,854.4	3,589,860.1	<b>3,683,270.6</b>
2 Debt securities	0.0	86,292.9	0.0	<b>86,292.9</b>
<b>3 Total</b>	<b>24,556.1</b>	<b>155,147.3</b>	<b>3,589,860.1</b>	<b>3,769,563.5</b>

**Template EU CR2: Changes in the stock of non-performing loans and advances**

		a
		Gross carrying amount
<b>010</b>	<b>Initial stock of non-performing loans and advances</b>	<b>6,016.3</b>
020	Inflows to non-performing portfolios	146.1
<b>060</b>	<b>Final stock of non-performing loans and advances</b>	<b>6,162.4</b>

Template EU CQ1: Credit quality of forborne exposures									
		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Collateral received and financial guarantees received on forborne exposures		
		Non-performing forborne						of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
		performing forborne	of which defaulted	of which impaired	on performing exposures	on non-performing exposures			
<b>010</b>	<b>Loans and advances</b>	<b>29,773.7</b>	<b>4,266.8</b>	<b>4,266.8</b>	<b>4,266.8</b>	<b>134.1</b>	<b>1,055.9</b>	<b>32,850.5</b>	<b>3,210.9</b>
070	Households	29,773.7	4,266.8	4,266.8	4,266.8	134.1	1,055.9	32,850.5	3,210.9
<b>100</b>	<b>Total</b>	<b>29,773.7</b>	<b>4,266.8</b>	<b>4,266.8</b>	<b>4,266.8</b>	<b>134.1</b>	<b>1,055.9</b>	<b>32,850.5</b>	<b>3,210.9</b>

Template EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques						
		a		b		c
		Unsecured carrying amount		Secured carrying amount		Of which secured by collateral
1	Loans and advances	23,218.8		3,660,051.8		3,660,051.8
2	Debt securities	86,293.0		0.0		0.0
<b>3</b>	<b>Total</b>	<b>109,511.8</b>		<b>3,660,051.8</b>		<b>3,660,051.8</b>
4	Of which non-performing exposures	0.0		4,668.5		4,668.5
EU-5	Of which defaulted	0.0		4,668.5		

Template EU CR4 – standardised approach – Credit risk exposure and CRM effects						
		a	c	e		f
		Exposures before CCF and before CRM	Exposures post CCF and post CRM	RWAs and RWAs density		
		On-balance-sheet exposures	On-balance-sheet exposures	RWAs	RWAs density (%)	
1	Exposures to central governments and central banks	86,706.5	86,706.5	0.0	0.00	
6	Exposures to institutions	26,143.3	26,143.3	0.0	0.00	
8	Retail exposures	775,250.0	775,249.9	581,437.4	0.75	
9	Exposures secured by mortgages on immovable properties	2,879,116.7	2,879,116.7	1,011,065.4	0.35	
10	Exposures in default	4,624.0	4,624.0	4,624.0	1.00	
16	Other items	3,497.7	3,497.8	3,497.8	1.00	
<b>17</b>	<b>Total</b>	<b>3,775,338.2</b>	<b>3,775,338.2</b>	<b>1,600,624.6</b>	<b>0.42</b>	

Template EU CR5 – standardised approach								
Exposure classes	Risk weight					Total	Of which unrated	
	a	f	i	j	k			
	0%	35%	75%	100%	150%			
1	Exposures to central governments and central banks	86,706.5	0.0	0.0	0.0	0.0	<b>86,706.5</b>	86,706.5
6	Exposures to institutions	26,143.3	0.0	0.0	0.0	0.0	<b>26,143.3</b>	26,143.3
8	Retail exposures	0.0	0.0	775,250.0	0.0	0.0	<b>775,250.0</b>	775,250.0
9	Exposures secured by mortgages on immovable property	0.0	2,876,182.4	0.0	0.0	2,934.3	<b>2,879,116.7</b>	2,879,116.7
10	Exposures in default	0.0	0.0	0.0	4,623.9	0.1	<b>4,624.0</b>	4,624.0
16	Other items	0.0	0.0	0.0	3,497.8	0.0	<b>3,497.8</b>	3,497.8
<b>17</b>	<b>Total</b>	<b>112,849.8</b>	<b>2,876,182.4</b>	<b>775,250.0</b>	<b>8,121.7</b>	<b>2,934.4</b>	<b>3,775,338.3</b>	<b>3,775,338.3</b>

### Capital buffers

In pursuance of the Macroprudential Supervision Act that transposes the regulations of CRD and in pursuance of the Regulation of the Minister for Economic Development and Finance of 1 September 2017 concerning system risk buffer (Journal of Laws of 2017, item 1776) the Bank is obliged to keep the capital ratios that take into account capital buffers at the following levels:

- total capital ratio (TCR) = 8% + combined buffer requirement,
- Tier 1 ratio (T1) = 6% + combined buffer requirement,
- Common Equity Tier 1 (CET1) = 4.5% + combined buffer requirement,

where the combined buffer requirement is the total of the applicable buffers, namely:

- capital conservation buffer of 2.5%,
- countercyclical capital buffer of 0% for credit exposures within the territory of the Republic of Poland,
- systemic risk buffer of 0%,
- buffer of other systemically-important institution specified in individual decision of the Polish Financial Supervision Authority. PFSA did not consider ING Bank Hipoteczny S.A. to be the other systemically-important institution and thus there is no obligation to maintain any capital add-on for that,

At the same time, in line with the regulations resulting from Article 138.2.2 of the Banking Law Act, the Polish Financial Supervision Authority, performing its supervisory function, may impose on the Bank a requirement to keep additional own funds (P2R), especially in cases listed in the above mentioned regulations.

### Leverage

The process of excessive financial leverage risk management is carried out in the Bank based on the Excessive Financial Leverage Risk Management Policy in ING Bank Hipoteczny S.A. that implements especially the requirements resulting from the Regulation of the European Parliament and of the Council (CRR). The Policy governs excessive financial leverage risk (Leverage Ratio - LR) at ING Bank Hipoteczny S.A. specifying, inter alia, the liability of the participants in the process:

The Accounting and Taxation Team is responsible for:

- the methodology for calculating the leverage ratio and for the ongoing calculation of that ratio;
- carrying out obligatory reporting to entities external to the Bank, including the NBP and the PFSA.

The Financial Analysis and Management Reporting Position is responsible for:

- preparing a plan of balance sheet and off-balance sheet items for planning the components of the leverage ratio;
- planning, reporting and monitoring the leverage ratio and providing information thereon to the Bank's management;

- initiating actions to maintain indicators at the desired level;
- carrying out stress tests covering the risk of excessive leverage;
- where that risk is considered material, developing a methodology for estimating economic capital against the risk of excessive leverage.

The excessive financial leverage risk is understood as the risk resulting from an institution's vulnerability to the threats attributable to leverage, which may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustment of its remaining assets. For the purposes of the ICAAP process, the risk of excessive financial leverage has been identified by the Bank and considered to be negligible.

Leverage Ratio (LR) means a relative size of the Bank's assets, off-balance sheet obligations and contingent obligations to pay or to deliver or to provide collateral, including obligations from received funding, made commitments, but excluding obligations which can only be enforced during the liquidation of the Bank, compared to the Bank's own funds.

The Bank calculates the leverage in accordance with CRR.

The Bank assumes that the ratio higher than 5,5% is safe and does not require taking any additional actions. In order to mitigate the risk that the ratio will drop below the required level, the Financial Analysis and Management Reporting function monitors the ratio level against the limit. If the current or planned ratio goes below the desired level, an employee holding the Financial Analysis and Management Reporting Position informs the Assets and Liabilities Committee (ALCO) and the Bank Management Board thereon. Based on the provided information, the ALCO may decide to recommend the Bank Management Board to take one of the following actions:

- not to pay out dividend or to reduce the amount of dividend paid;
- to issue capital that can be included in the Tier 1 capital;
- to securitise or sell certain credit portfolios not securing the covered bonds;
- to take other actions improving the ratio.

Keeping in mind the ALCO's recommendation, the Management Board decide on the next steps and appoints a unit responsible for carrying out these tasks. In 2023, the leverage ratio remained above the internal minimum and regulatory requirements. The ratio was affected most by:

- gradual amortisation of the mortgage-backed credit debt claims portfolio,
- including the impact of the so-called "credit holidays" in the Bank's own funds.

### Leverage

	as at <b>31.12.2023</b>	as at <b>31.12.2022</b>
Leverage ratio (LR)	10.57%	14.13%

\*) In accordance with supervisory recommendations, the ratios as at 31 December 2022 are recalculated after the profit distribution is approved by the General Meeting, and then they are reported to the Supervisor. The value of the ratio as at 31 December 2022, taking into account the recalculation, is presented above. Prior to the approval of the 2022 profit distribution, the LR ratio published in the financial statements for the period from 1 January 2022 to 31 December 2022 stood at: 14.13%.

**Table EU LRA: Qualitative disclosure on leverage ratio**



a)	Description of procedures applied to manage the risk of excessive leverage	Described above in this item of the report.
b)	Description of factors that affected the leverage ratio during the period which the disclosed leverage ratio refers to.	Described above in this item of the report.

#### EU OVC Table - ICAAP Information

a)	Method used to assess the adequacy of internal capital	Described in the Management Board Report on Operations of ING Bank Hipoteczny S.A.
b)	At a request of the relevant competent authority - the results of internal capital adequacy assessment process applied by the institution.	Not applicable

#### SIGNATURES OF MANAGEMENT BOARD MEMBERS OF ING BANK HIPOTECZNY S.A.

2024-04-18	<b>Jacek Frejlich</b> <i>President of the Management Board</i>	<i>signed with electronic qualified signature</i>
2024-04-18	<b>Marek Byczek</b> <i>Vice-President of the Management Board</i>	<i>signed with qualified electronic signature</i>
2024-04-18	<b>Katarzyna Majchrzak</b> <i>Vice-President of the Management Board</i>	<i>signed with qualified electronic signature</i>

#### SIGNATURE OF A PERSON ENTRUSTED WITH KEEPING THE ACCOUNTS

2024-04-18	<b>Agnieszka Kukuczka</b> <i>Chief Accountant</i>	<i>signed with qualified electronic signature</i>
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