



ING Bank Hipoteczny S.A.

## ING Bank Hipoteczny Spółka Akcyjna

(incorporated as a joint-stock company under the laws of the Republic of Poland)

EUR 5,000,000,000

### Programme for the issuance of the Covered Bonds (*hipoteczne listy zastawne*)

Under this EUR 5,000,000,000 Programme (the **Programme**), ING Bank Hipoteczny Spółka Akcyjna, with its registered offices at ul. Chorzowska 50, 40-101 Katowice, Poland (the **Bank**) may from time to time issue mortgage covered bonds (*hipoteczne listy zastawne*) denominated in any currency agreed between the Bank and the relevant Dealer (as defined below) (the **Covered Bonds**). The Covered Bonds will be issued in bearer form.

The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed EUR 5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement), subject to increase as described herein.

The Covered Bonds may be issued on a continuing basis to one or more of the Dealers specified under "*General Description of the Programme*" and to any additional Dealer appointed under the Programme from time to time by the Bank (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Covered Bonds.

**An investment in the Covered Bonds involves certain risks. For a discussion of these risks, see "Risk Factors".**

This Base Prospectus has been approved as a base prospectus by the *Commission de Surveillance du Secteur Financier* (the **CSSF**) as competent authority (the **Competent Authority**) under the Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The Competent Authority has only approved this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Bank. The Competent Authority's approval should not be considered as an endorsement of the quality of the Covered Bonds and investors in the Covered Bonds should make their own assessment as to the suitability of investing in the Covered Bonds.

By approving the Base Prospectus, the CSSF gives no undertaking as to economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Bank in line with the provisions of Article 6(4) of the Luxembourg Law on Prospectuses for securities. Application has been made to the Luxembourg Stock Exchange for Covered Bonds issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. Application will be made to list the Covered Bonds on Warsaw Stock Exchange and to trade the Covered Bonds on the regulated market of the Warsaw Stock Exchange. The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Bank and the relevant Dealer. The Bank may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any market.

References in this Base Prospectus to Covered Bonds being **listed** (and all related references) shall mean that such Covered Bonds have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange or that such Covered Bonds have been admitted to trading on the Warsaw Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market and the Warsaw Stock Exchange's regulated market are regulated markets for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU).

In order to be able to conduct a listing in relation to certain issuances of Covered Bonds and/or to list certain Covered Bonds on the regulated market of the Warsaw Stock Exchange, the Bank applied for a notification of this Base Prospectus pursuant to Article 25 of the Prospectus Regulation into the Republic of Poland (**Poland**). The Bank may request the CSSF to provide competent authorities in additional host Member States within the European Economic Area with a notification.

**This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date and will expire on 2 December 2022 in relation to Covered Bonds which are to be admitted to trading on a regulated market in the European Economic Area (the EEA) and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4) of the Prospectus Regulation. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.**

Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and certain other information which is applicable to each Tranche (as defined under "Terms and Conditions of the Covered Bonds") of Covered Bonds will be set out in a final terms document (the **Final Terms**) which will be filed with the CSSF. Copies of Final Terms in relation to Covered Bonds to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or any state securities laws, and are subject to U.S. tax law requirements. The Covered Bonds issued under the Programme will be offered and sold outside the United States to, or for the account or benefit of, non-U.S. persons in reliance on Regulation S under the Securities Act (**Regulation S**) in compliance with applicable securities laws.

Moody's Investors Service Cyprus Ltd (**Moody's**) is established in the EEA and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority (ESMA) on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Moody's is not established in the United Kingdom but rating(s) issued by Moody's will be endorsed by Moody's Investors Service Ltd in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (the **UK CRA Regulation**). As such, ratings may be used for regulatory purposes in the United Kingdom in accordance with the UK CRA Regulation.

The Covered Bonds issued under the Programme are expected to be assigned a rating by Moody's. However, the Bank may also issue Covered Bonds which are unrated or rated by another rating agency. Where a Tranche of Covered Bonds is rated, such rating will be disclosed in the applicable Final

Terms and will not necessarily be the same as the ratings assigned to other Tranches of Covered Bonds. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

*Arrangers and Dealers*

**ING**

**ING Bank Śląski**

This Base Prospectus and any supplement thereto will be published in electronic form on the website of the Luxembourg Stock Exchange under [www.bourse.lu](http://www.bourse.lu), will be available free of charge at the specified offices of the Bank and will be published in electronic form on the website of the Bank under [www.inghipoteczny.pl](http://www.inghipoteczny.pl).

The date of this Base Prospectus is 2 December 2021.

## IMPORTANT NOTICE

This document constitutes the base prospectus of ING Bank Hipoteczny Spółka Akcyjna (the **Bank**) in respect of Covered Bonds (the **Base Prospectus**). This Base Prospectus constitutes a base prospectus for the purposes of Article 8 of the Prospectus Regulation. When used in this Base Prospectus, Prospectus Regulation means Regulation (EU) 2017/1129 and UK Prospectus Regulation means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. This Base Prospectus should be read and understood in conjunction with any supplement thereto. Full information on the Bank and any Tranche of Covered Bonds is only available on the basis of the combination of this Base Prospectus, including any supplements thereto, and applicable final terms (the **Final Terms**).

The Bank, with its registered offices at ul. Chorzowska 50, 40-101 Katowice, Poland, is solely responsible for the information given in this Base Prospectus. The Bank hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus for which it is responsible, is to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see “*Documents Incorporated by Reference*”). This Base Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Base Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see “*Documents Incorporated by Reference*”), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the Competent Authority.

Neither ING Bank N.V. (**ING NV**) nor ING Bank Śląski S.A. (**ING BSK**) and, together with ING NV, the **Arrangers** and each of them the **Arranger**) nor any other Dealer nor any other person mentioned in this Base Prospectus, excluding the Bank, has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers or any of the other Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Bank in connection with the Programme.

No person is or has been authorised by the Bank to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank, the Arrangers or any of the other Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Covered Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Bank, the Arrangers or any of the other Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Covered Bonds should purchase any Covered Bonds. Each investor contemplating purchasing any Covered Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Bank. Neither this Base Prospectus nor any other information supplied in connection with the Programme nor the issue of any Covered Bonds constitutes an offer or invitation by or on behalf of the Bank, the Arrangers or any of the other Dealers to any person to subscribe for or to purchase any Covered Bonds.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Covered Bonds shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers and the other Dealers expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Programme or to advise any investor in the Covered Bonds of any information coming to their attention.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Covered Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Covered Bonds may be restricted by law in

certain jurisdictions. The Bank, the Arrangers and the other Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Bank, the Arrangers or the other Dealers which would permit a public offering of any Covered Bonds outside the European Economic Area or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Covered Bonds may come must inform themselves about, and observe any such restrictions on the distribution of this Base Prospectus and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the United States, the European Economic Area (including Belgium) and the United Kingdom (see "*Subscription and Sale*").

This Base Prospectus has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly any person making or intending to make an offer in a Member State of Covered Bonds which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Covered Bonds may only do so in circumstances in which no obligation arises for the Bank, the Arrangers or any other Dealer to publish a prospectus pursuant to Article 3(1) of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Bank nor the Arrangers nor any other Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Bank, the Arrangers or any other Dealer to publish or supplement this Base Prospectus for such offer.

The Covered Bonds may not be a suitable investment for all investors. Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement to this Base Prospectus;
- (ii) has access to, and knowledge of, the appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Covered Bonds and is familiar with the behaviour of any relevant indices and financial markets;
- (v) understands that an investment in the Covered Bonds involves a reliance on the creditworthiness of the Bank only and not that of any other entities; and
- (vi) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

The Covered Bonds have not been and will not be registered under the Securities Act or any state securities laws, and are subject to U.S. tax law requirements. The Covered Bonds issued under the Programme will be offered and sold outside the United States to, or for the account or benefit of, non-U.S. persons in reliance on Regulation S under the Securities Act in compliance with applicable securities laws.

This Base Prospectus contains selected macroeconomic, industry and statistical data as well as data relating to the ING Bank Śląski group (the **Group**) which has been derived from publicly available sources, including official industry sources and other third-party sources, such as financial statements of the Group which do not form part of this Base Prospectus. The Bank believes that such data is reliable but cannot guarantee its accuracy and completeness. Such information, data and statistics may be based on a number of assumptions and estimates and may be subject to rounding.

The Bank confirms, in relation to information in this Base Prospectus which was sourced from a third party, this information has been accurately reproduced and that as far as the Bank is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

All references in this Base Prospectus to "*U.S. dollars*" refer to United States dollars, all references to "*PLN*" and "*Złoty*" refer to Polish zloty, all references to "*Sterling*" and "*£*" refer to pounds sterling, all references to "*euro*", "*EUR*" and "*€*" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time, and all references to "*Swiss Francs*" and "*CHF*" refer to the currency of Switzerland.

As at 1 December 2021, the euro/PLN spot exchange rate published by the National Bank of Poland was EUR 1.00 = PLN 4.65.

Certain figures in this Base Prospectus have been subject to rounding adjustments. Accordingly, amounts shown as totals in tables or elsewhere may not be an arithmetic aggregation of the figures which precede them.

The term "*mortgage covered bond*" as used herein corresponds to the use of the term "*hipoteczny list zastawny*" as used in Polish legislation. Covered Bonds (as so capitalised) means mortgage covered bonds in bearer form.

In this Base Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

In connection with the issue of any Tranche of Covered Bonds, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the Final Terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds.

Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

The amount of interest payable on Floating Rate Covered Bonds will be calculated by reference to one of EURIBOR or WIBOR, as specified in the applicable Final Terms. As at the date of this Base Prospectus, the administrators of EURIBOR and WIBOR are included in ESMA's register of administrators under Article 36 of Regulation (EU) 2016/1011 (the **EU Benchmarks Regulation**).

**IMPORTANT – EEA RETAIL INVESTORS** – If the Final Terms in respect of any Covered Bonds includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Covered Bonds are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No

1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IMPORTANT – UK RETAIL INVESTORS** – If the Final Terms in respect of any Covered Bonds includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (**FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**MiFID II product governance / target market** – The Final Terms in respect of any Covered Bonds will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a distributor) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealer nor any of its respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR product governance / target market** – The Final Terms in respect of any Covered Bonds will include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a distributor) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**Covered Bonds issued as Green Covered Bonds** – None of the Dealers accepts any responsibility for any environmental or sustainability assessment of any Covered Bonds issued as Green Covered Bonds or makes any representation or warranty or assurance whether such Covered Bonds will meet any investor expectations or requirements regarding such "green" or similar labels. None of the Dealers is responsible for the use of proceeds for any Covered Bonds issued as Green Covered Bonds, nor the impact or monitoring of such use of proceeds. No representation or assurance is given by the Bank or any of the Dealers as to the suitability or reliability of any opinion or certification of any third party made available in connection with an issue of

Covered Bonds issued as Green Covered Bonds, nor is any such opinion or certification a recommendation by the Bank or any Dealer to buy, sell or hold any such Covered Bonds. In the event any such Covered Bonds are, or are intended to be, listed, or admitted to trading on a dedicated "green" or other equivalently-labelled segment of a stock exchange or securities market, no representation or assurance is given by the Bank or any of the Dealers that such listing or admission will be obtained or maintained for the lifetime of the Covered Bonds.

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## GENERAL DESCRIPTION OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms.*

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No 2019/980 (the **Delegated Regulation**).

Words and expressions defined in "*Form of the Covered Bonds*" and "*Terms and Conditions of the Covered Bonds*" shall have the same meanings in this description.

Issuer:	ING Bank Hipoteczny Spółka Akcyjna.
Issuer Legal Entity Identifier:	2594006G5AW3PX0GET92
Description:	Programme for the issuance of Covered Bonds ( <i>hipoteczne listy zastawne</i> ).
Arrangers:	ING Bank N.V. and ING Bank Śląski S.A.
Dealers:	ING Bank N.V., ING Bank Śląski S.A. and any other Dealers appointed in accordance with the Programme Agreement.
Risk Factors:	There are certain factors that may affect the Bank's ability to fulfil its obligations under Covered Bonds issued under the Programme. These are set out under " <i>Risk Factors</i> ". In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme. These are set out under " <i>Risk Factors</i> " and include certain risks relating to the structure of particular Series of Covered Bonds and certain market risks.
Certain Restrictions:	Each issue of Covered Bonds in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale</i> ") including the following restrictions applicable at the date of this Base Prospectus. <b>Covered Bonds having a maturity of less than one year</b> Covered Bonds having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see " <i>Subscription and Sale</i> ".
Principal Paying Agent:	Deutsche Bank AG, London Branch
Programme Size:	EUR 5,000,000,000 (or its equivalent in other currencies calculated as described under " <i>General Description of the Programme</i> ") outstanding at any time. The Bank may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis and subject to certain restrictions, as described under " <i>Subscription and Sale</i> ".
Series and Tranches:	Covered Bonds will be issued on a continuous basis in Tranches with no minimum issue size, each Tranche consisting of Covered Bonds which are identical in all respects.

One or more Tranches, which are expressed to be consolidated and forming a single series and identical in all respects, but having different issue dates, interest commencement dates, issue prices and dates for first interest payments may form a series (**Series**) of Covered Bonds. Further Covered Bonds may be issued as part of an existing Series. The specific terms of each Tranche will be set forth in the applicable Final Terms.

Currencies: Subject to any applicable legal or regulatory restrictions, any currency agreed between the Bank and the relevant Dealer(s).

Maturities: Such maturities as may be agreed between the Bank and the relevant Dealer(s), subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Bank or the relevant Specified Currency.

Issue Price: Covered Bonds may be issued only on a fully-paid basis and at an issue price which is at their nominal amount or at a discount to, or premium over, their nominal amount.

Type of Covered Bonds: For a description of certain aspects relevant to the Covered Bonds, see "*Information relating to Covered Bonds*".

Form of Covered Bonds: The Covered Bonds will be issued in bearer form as described in "*Form of the Covered Bonds*".

Fixed Rate Covered Bonds: Fixed interest will be payable on such date or dates as may be agreed between the Bank and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Bank and the relevant Dealer.

Floating Rate Covered Bonds: Floating Rate Covered Bonds will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating either the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. (**ISDA**)), and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds of the relevant Series), or the latest version of the 2021 ISDA Interest Rate Derivatives Definitions (as published by ISDA as at the Issue Date of the first Tranche of the Covered Bonds of the relevant Series) as specified in the applicable Final Terms; or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the Bank and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Bank and the relevant Dealer for each Series of Floating Rate Covered Bonds.

Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Covered Bonds in respect of each Interest Period (as defined in the Final Terms), as agreed prior to issue by the Bank and the relevant Dealer, will be payable on such Interest Payment Dates (as defined in the Final Terms), and will be calculated on the basis of such

Day Count Fraction (as defined in the Final Terms), as may be agreed between the Bank and the relevant Dealer.

Zero Coupon Covered Bonds: Zero Coupon Covered Bonds will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption: The applicable Final Terms will indicate that the Covered Bonds Holders are not entitled to request redemption of the Covered Bonds prior to the Maturity Date.

Under the Polish Act on Bonds, if the Bank is subject to non-bankruptcy liquidation (*likwidacja*), the Bank shall redeem the Covered Bonds at par on the opening day of such non-bankruptcy liquidation (*likwidacja*) proceedings. If the Bank is subject to a merger (*połączenie*), division (*podział*) or transformation (*przekształcenie formy prawnej*), and the entity that has taken over all or a portion of the Bank's obligations under the Covered Bonds pursuant to such merger (*połączenie*), division (*podział*) or transformation (*przekształcenie formy prawnej*) is not permitted under the Polish Covered Bonds Act to issue covered bonds, the Bank or its successor entity shall redeem such Covered Bonds at par. The terms non-bankruptcy liquidation (*likwidacja*), merger (*połączenie*), division (*podział*) and transformation (*przekształcenie formy prawnej*) in this paragraph shall have the meaning as prescribed under Polish law.

Unless previously redeemed or purchased and cancelled and subject to Condition 5(c) "*Redemption of the Covered Bonds in the event of the Bank's Bankruptcy*", each Covered Bond will be redeemed by the Bank at 100 per cent. of its nominal value on its scheduled maturity date.

Covered Bonds having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions*".

Extended maturity in the event of the Bank's bankruptcy: Upon a Bankruptcy Event of the Bank (as defined in Condition 5(c) of the Conditions), the maturity of all outstanding covered bonds issued by the Bank, including the Covered Bonds, will automatically be extended by 12 months (the **Extended Maturity Date**). While interest under all of the Bank's covered bonds (including the Covered Bonds) will continue to be payable in the manner and on the dates indicated in the Terms and Conditions of the Covered Bonds and the applicable Final Terms, a Bankruptcy Event may affect the timing and amount of principal to be paid to Covered Bond Holders.

On the date of the Bankruptcy Event, the bankruptcy court will appoint a bankruptcy receiver (*syndyk*) who will assume responsibility for the administration of the Bank's assets. Within three months of the Bankruptcy Event, the bankruptcy receiver must conduct, in accordance with the Bankruptcy Law:

- a coverage test (*test równowagi pokrycia*) to determine whether the assets forming the separate bankruptcy asset pool (*osobna masa upadłości*) of the Bank are sufficient to satisfy all of the Bank's obligations towards all holders of outstanding covered bonds (including the Covered Bonds) issued by the Bank; and
- a liquidity test (*test płynności*) to determine whether the assets forming the separate bankruptcy asset pool of the Bank are sufficient to satisfy all of the Bank's obligations towards all holders of outstanding covered bonds issued by the Bank in full

taking into account the Extended Maturity Dates of all outstanding covered bonds (including the Covered Bonds) issued by the Bank.

If the results of both the coverage test and the liquidity test are positive, the claims of the Holders of the Covered Bonds for the repayment of principal are to be fulfilled in accordance with the Terms and Conditions of the Covered Bonds and the applicable Final Terms up to the Extended Maturity Date.

If the result of the coverage test is positive but the result of the liquidity test is negative, or if the result of the coverage test is negative, the maturity of the Covered Bonds will be extended by three years from the latest maturity date of a receivable in the cover pool.

In certain circumstances provided by Polish law, the claims of the Holders of the Covered Bonds for the payment of principal may be satisfied sooner than the applicable extended maturity dates pursuant to pass-through procedures from the receivables in the cover pool.

In addition, the holders of all outstanding covered bonds issued by the Bank may, by a vote of holders representing two-thirds of the aggregate principal amount of all outstanding covered bonds of the Bank, adopt resolutions requesting the bankruptcy receiver to sell the cover pool (Condition 5(c) "*Redemption of the Covered Bonds in the event of the Bank's Bankruptcy*").

Other circumstances may affect the timing and amount of principal to be paid to Covered Bond Holders. For further details see Condition 5(c) "*Redemption of the Covered Bonds in the event of the Bank's Bankruptcy*" of the terms and conditions of the Covered Bonds and "*Information Relating to Covered Bonds*".

Denomination of Covered Bonds:	Covered Bonds will be issued in such denominations as may be agreed between the Bank and the relevant Dealer save that the minimum denomination of each Covered Bond will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see " <i>Certain Restrictions</i> ", and save that the minimum denomination of each Covered Bond will be at least EUR 100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Covered Bonds will be made without deduction for or on account of withholding taxes imposed by a Tax Jurisdiction, subject as provided in Condition 6 " <i>Taxation</i> " of the Terms and Conditions of the Covered Bonds unless such deduction is required by law. In the event that any such deduction is made, the Bank will, save in certain limited circumstances provided in Condition 6 " <i>Taxation</i> " of the Terms and Conditions of the Covered Bonds be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The Terms and Conditions of the Covered Bonds will not contain a negative pledge provision.
Cross Default:	The Terms and Conditions of the Covered Bonds will not contain a cross default provision.
Status of the Covered Bonds:	The Covered Bonds are direct, unconditional, unsubordinated obligations of the Bank and rank pari passu among themselves. The Covered Bonds are covered in accordance with the Polish Covered Bonds Act and rank

pari passu with all other covered and unsubordinated present and future obligations of the Bank which have the same status as the Covered Bonds under the Polish Covered Bonds Act.

- Subordination:** Covered Bonds may not be issued on a subordinated basis.
- Rating:** Covered Bonds issued under the Programme may be rated or unrated. Where a Series of Covered Bonds is rated, such rating will be disclosed in the applicable Final Terms.
- A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. See "*Information relating to Ratings*".
- Listing and admission to trading:** Application may be made to list Covered Bonds issued under the Programme on the Official List of the Luxembourg Stock Exchange and/or the Warsaw Stock Exchange and to admit to trading the Covered Bonds on the Regulated Market of the Luxembourg Stock Exchange and/or on the Regulated Market of the Warsaw Stock Exchange.
- Each of the Luxembourg Stock Exchange's Regulated Market and the Warsaw Stock Exchange's Regulated Market is a regulated market for the purposes of the MiFID II. The Programme provides that Covered Bonds may be listed on further stock exchanges, as may be agreed between the Bank and the relevant Dealer(s) in relation to each Series, as specified in the applicable Final Terms. Covered Bonds may further be issued under the Programme without being listed on any stock exchange.
- The applicable Final Terms will state whether or not the Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or markets.
- Clearing:** The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg and any other clearing system as may be specified in the applicable Final Terms. The Common Code and the International Securities Identification Number (ISIN) will be set out in the applicable Final Terms, as more fully described under "*Form of the Covered Bonds*".
- Payments:** Payments on Global Covered Bonds will be made to Euroclear Bank SA/NV (**Euroclear**) or Clearstream Banking S.A. (**Clearstream, Luxembourg**), as relevant, or to its order for credit to the relevant accountholders of Euroclear or Clearstream, Luxembourg. The Bank will be discharged by payment to, or to the order of, Euroclear or Clearstream, Luxembourg, as relevant, and each Holder of Covered Bonds represented by a Global Covered Bond held through Euroclear or Clearstream, Luxembourg must look solely to Euroclear or Clearstream, Luxembourg for its share of any payments so made by the Bank.
- Notification:** In order to be able to list certain Covered Bonds on the Regulated Market of the Warsaw Stock Exchange, the Bank applied initially for a notification of this Base Prospectus pursuant to Article 25 of the Prospectus Regulation into Poland.
- Governing Law:** The Covered Bonds and any non-contractual obligations arising therefrom or in connection therewith are governed by, and shall be construed in accordance with, Polish law.
- The Polish common court appropriate for the registered seat of the Bank at the time of making a claim shall have non-exclusive jurisdiction for any action or other legal proceedings arising out of or in connection with the

Covered Bonds. The Polish courts shall have exclusive jurisdiction over lost or destroyed Covered Bonds.

**Selling Restrictions:** There are restrictions on the offer, sale and transfer of Covered Bonds in the United States, the European Economic Area (including Belgium), the United Kingdom and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Covered Bonds (see "*Subscription and Sale*").

**United States Selling Restrictions:** The Covered Bonds have not been and will not be registered under the Securities Act or any state securities laws, and are subject to U.S. tax law requirements. Covered Bonds issued under the Programme will be offered and sold outside the United States to, or for the account or benefit of, non-U.S. persons in reliance on Regulation S in compliance with applicable securities laws.

The Covered Bonds will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury regulations section, including, without limitation, successor regulations issued in accordance with IRS Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (**TEFRA D**) or 1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury regulations section, including, without limitation, successor regulations issued in accordance with IRS Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (**TEFRA C**), unless the Covered Bonds are issued in circumstances in which the Covered Bonds will not constitute "registration required obligations" for U.S. federal income tax purposes, which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable.

**Representation of the Holders of the Covered Bonds:** There is no provision for the representation of Holders of the Covered Bonds.

### **Calculating the PLN equivalent of the Aggregate Nominal Amount**

For the purpose of calculating the PLN equivalent of the aggregate nominal amount of Covered Bonds issued under the Programme from time to time:

- (i) the PLN equivalent of Covered Bonds denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the Covered Bonds, described under "*Form of the Covered Bonds*") shall be determined, at the discretion of the Bank, either as of the date on which agreement is reached for the issue of Covered Bonds or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the PLN against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Bank on the relevant day of calculation; and
- (ii) the PLN equivalent of Zero Coupon Covered Bonds (as specified in the applicable Final Terms in relation to the Covered Bonds, described under "*Form of the Covered Bonds*") and other Covered Bonds issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Bank for the relevant issue.

### **Principal Paying Agent and Luxembourg Listing Agent**

The Programme provides for the following initial agents:

**Principal Paying Agent:** Deutsche Bank AG, London Branch

**Luxembourg Listing Agent:** Deutsche Bank Luxembourg S.A.

The Bank may vary or terminate the appointment of the agents and may appoint other or additional agents.

## ***Ratings***

Tranches of Covered Bonds issued under the Programme will be rated or unrated. Where a Tranche of Covered Bonds is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Covered Bonds already issued. Where a Tranche of Covered Bonds is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Covered Bonds will be (1) issued or endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or by a credit rating agency which is certified under the CRA Regulation, and/or (2) issued or endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or by a credit rating agency which is certified under the UK CRA Regulation, will, in each case, be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. In general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation or (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

## ***Prospectus***

This Base Prospectus and any supplement(s) thereto will be published in electronic form on the website of the Luxembourg Stock Exchange at: [www.bourse.lu](http://www.bourse.lu), will be available free of charge at the specified offices of the Bank (at the request of potential investors) and will be published on the website of the Bank at: [www.inghipoteczny.pl](http://www.inghipoteczny.pl).

## ***Final Terms***

In relation to Covered Bonds issued by the Bank which are listed on a Regulated Market on any stock exchange, the applicable Final Terms will be available on the website of the Bank at: [www.inghipoteczny.pl](http://www.inghipoteczny.pl) and will, if legally required, be published in any other form. Furthermore, in relation to Covered Bonds which are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange, the applicable Final Terms will also be available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

## **RISK FACTORS**

*In purchasing the Covered Bonds, investors assume the risk that the Bank may become insolvent or otherwise be unable to make all payments due in respect of the Covered Bonds. There is a wide range of risks which individually or together could result in the Bank becoming unable to make all payments due. The Bank has described in this Base Prospectus risks which could materially adversely affect its business and ability to make payments due known to the Bank as at the date of this Base Prospectus. In addition, risks which are material for the purpose of assessing the market risks associated with the Covered Bonds are also described below. It cannot be excluded that new risks, not known to the Bank as the date of this Base Prospectus, may arise. Additionally, certain risks which the Bank currently deems not to be material may become material as a result of the occurrence of events outside the Bank's control. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **RISKS RELATED TO THE BANK'S FINANCIAL SITUATION**

#### ***Borrowers may fail to duly perform their obligations under the mortgage loans***

The Bank is exposed to potential credit-related losses that can occur as a result of borrowers being unable or unwilling to honour their contractual obligations. Like any financial services organisation, the Bank assumes credit risk where it relies on the ability of the borrowers to satisfy their financial obligations to the Bank on a timely basis.

There are various factors that influence borrowers' ability to satisfy their financial obligations under mortgage loans in the Bank's portfolio. These factors range from the overall economic conditions to events affecting individual borrowers, such as loss of earnings, illness or divorce. In addition, the ability of a borrower to sell a property mortgaged as security for a mortgage loan at a price sufficient to repay the amount outstanding under that loan depends on a number of factors, including the availability of buyers for the property, the value of that property and property values in general at any given time. To the extent the Bank's credit exposure increases, it could have an adverse effect on its business and profitability if material unexpected credit losses occur.

The Bank maintains credit approval and monitoring procedures and monitors, among other factors, the borrower's cash flow and ability to repay mortgage loans in an effort to improve the quality of the Bank's mortgage loan portfolio and mitigate future allowances for loan losses and credit impairments. However, there can be no assurance that these credit approval and monitoring procedures will successfully protect the Bank from material credit losses or reduce the amount of provisions for mortgage loans that become non-performing in the future.

#### ***The Bank's refinancing costs may increase***

Mortgage loans in the Bank's portfolio usually have maturities beyond the maturity of the corresponding funding, which results in the Bank's dependence on its ability to continuously refinance its maturing debts with new funding. The Bank's funding capacity and ability to raise funding can deteriorate due to circumstances which are outside of the Bank's control. Some of these factors may also increase the Bank's need for funding through, for example, a higher amount of collateral demanded by the counterparties to certain financing transactions.

As a result of turmoil or crises in the financial and capital markets, the Bank may encounter difficulties in obtaining refinancing or may only be able to obtain refinancing at elevated costs. The inability of the Bank to anticipate or provide for unforeseen decreases or changes in funding sources and/or to refinance itself would have a material adverse effect on the Bank's ability to meet its obligations under the Covered Bonds.

***A high proportion of long-term mortgages in the Bank's loan portfolio makes it difficult for the Bank to adjust its loan margins to market terms while any deterioration of residential real estate prices and decrease in value of collateral provided to the Bank may negatively affect the Bank's business, financial condition and/or the results of its operations***

Unless expressly permitted by law, under Polish law a party to an agreement cannot change its terms without the consent of the other party. Therefore the Bank is not able to unilaterally change the terms of mortgage loans



in its portfolio. As a result, compared to other financial institutions operating on the Polish market, which have credit portfolios with a larger proportion of short-term loans, the Bank is limited in its ability to change its credit portfolio margins to acquiring new mortgage loans reflecting current credit margins in the market. This limited ability to re-price its loan portfolio may adversely affect the business, financial condition and results of operations of the Bank.

#### ***Proceeds from enforcement of mortgages may not satisfy the Bank's claims in full***

When borrowers default on mortgage loans, enforcement actions can be taken in order to claim the collateral securing these mortgage loans. However, the Bank's credit risk may be increased when the collateral it holds cannot be enforced or is liquidated at a price not sufficient to recover the full amount due and payable under the relevant mortgage loan. The market value at which real estate properties mortgaged as security for mortgage loans can be sold, and the amount that can be recovered as a result of enforcement action, heavily depends on the current real estate market prices and the legal environment at the time.

When acquiring the mortgage loans, the Bank assumes a certain level of prices of residential real property securing such loans. If sale prices of residential real property in Poland substantially decline for any reason, the value of the Bank's security might be adversely affected and, in cases of foreclosure, the Bank may not be able to recover the entire amount of the loan if the borrowers are unable to repay them. In addition, investments in real estate are characterised by low liquidity as compared to other types of investments and such liquidity may further deteriorate in periods of economic downturn. The Bank cannot guarantee that if the residential real estate market in Poland deteriorates significantly, the ability to enforce its security in a timely and effective manner would not deteriorate significantly. This could have an adverse effect on the Bank's business, financial condition and the results of its operations.

Additionally, a decline in the value of collateral taken by the Bank or the inability of the Bank to obtain additional collateral may require the Bank to reclassify the relevant loans and/or set aside additional provisions for loan losses, and could result in increased reserve and/or capital requirements.

#### ***Enforcement of mortgages is a lengthy and expensive process***

Enforcement of a mortgage over a property can be a lengthy process and may require the creditor to incur substantial costs, especially in relation to foreclosure sale of property by court enforcement officers. Given its short operating history, the Bank has not yet developed a comprehensive database on the average time to enforce security over property; however, the Bank relies on the Group's solution in this case. This solution may affect the reliability of the Bank's projections concerning the expected duration of an enforcement action.

Additionally, the Act on Mortgage Credit and Supervision over Mortgage Credit Intermediaries and Agents dated 23 March 2017 (the **Mortgage Credit Act**) introduced certain restrictions on banks' ability to enforce mortgages over real estate. In particular, before commencing enforcement proceedings, a bank should grant the borrower a six-month period in which to sell the real estate asset encumbered with the mortgage.

Prolonged enforcement proceedings requiring significant expenditure can render it difficult for the Bank to recover in full the funds due to the Bank from the borrowers, which could adversely affect the Bank's financial performance and its ability to meet its obligations under the Covered Bonds.

#### ***Changes in interest rates may affect the Bank's income***

Interest rate risk originates primarily from the differences between the structure and/or levels of interest rates applicable in respect of the Bank's asset side and liability side respectively. For example, the Bank may fund its assets with fixed and/or relatively high interest rates, by liabilities obtained at floating and/or lower interest rates, and vice versa. Interest rate risk may also arise when interest rate fixing periods on assets and liabilities do not coincide.

As with all other banks, the Bank earns interest from loans and other assets, and pays interest to its creditors. Interest rates are highly sensitive to many factors beyond the Bank's control, including monetary policies and domestic and international economic and political conditions. As with any bank, changes in market interest rates (including changes in the difference between prevailing short-term and long-term rates) and correlations between changes in interest rates in the reference markets and interest margins could affect the interest rates the

Bank charges on its interest-earning assets compared to the interest rates it pays on its interest-bearing liabilities. This difference could reduce the Bank's net interest income.

As a consequence of its distinctive asset-liability structure as a mortgage bank, the Bank earns interest primarily from mortgage loans and pays interest mainly to the holders of covered bonds. An increase in interest rates may reduce the demand for mortgage loans and the Bank's ability to originate such loans. Conversely, a decrease in the general level of interest rates may adversely affect the Bank through increased prepayments on the Bank's mortgage loan portfolio. Changes in interest rates may also affect the Bank's ability to issue covered bonds.

A mismatch in interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material adverse effect on the financial condition and results of operations of the Bank.

## **RISKS RELATED TO THE BANK'S BUSINESS ACTIVITIES AND INDUSTRY**

### ***COVID-19 outbreak could have a material adverse effect on the Group's business, results of operations and financial position***

A novel strain of coronavirus causing the COVID-19 disease (**COVID-19**), identified in China in late 2019, has spread throughout the world, impacting Asia, Europe, the Middle East and North America. On 11 March 2020, the World Health Organization confirmed that COVID-19's spread and severity had escalated to the point of a pandemic. The outbreak has resulted in authorities, including those in Poland, implementing numerous measures to try to contain the virus, such as travel bans and restrictions, curfews, lockdowns, quarantines and shutdowns of businesses and workplaces. The duration of such restrictions is highly uncertain, but could be prolonged, and even stricter measures may be put in place. These measures have resulted in a severe decrease of global economic activity and falls in production and demand, which has led to sharp declines in the gross domestic product (**GDP**) of those countries which are most affected by the pandemic and is expected to continue to have an overall negative impact on global GDP in 2021. Other consequences include increased unemployment levels, sharp decreases and high volatility in the stock markets, disruption of global supply chains, exchange rate volatility, steady customer draws on lines of credit, decline in real estate prices, and uncertainty in relation to the future impact in regional and global economies in the medium and long term. These measures have also negatively impacted, and could continue to negatively impact, businesses, market participants, the Bank's counterparties and clients, and the global economy for a prolonged period of time. Furthermore, it is unclear how the macroeconomic business environment or societal norms may be impacted after the pandemic. The post-COVID-19 environment may undergo unexpected developments or changes in the financial markets, fiscal, tax and regulatory environments as well as customer and corporate client behaviour which could have an adverse impact on the business of the Bank.

The spread of COVID-19, and the related legislative and regulatory countermeasures introduced at country level, has led the Bank to adjust its operational practices, and it may take further action if required by the authorities or if it determines that this is in the best interests of its employees, customers and other stakeholders. There is no certainty that such measures will be sufficient to mitigate the risks posed by COVID-19, and the implementation of such measures (or their insufficiency) could harm the Bank's ability to perform some of its critical functions and serve its customers. The pandemic and related counter-measures have affected and continue to affect some of the Bank's customers adversely, which in some cases may be material, and which could in turn have an adverse impact on the Bank (for example, through deteriorations in credit quality and higher expected credit losses).

The degree to which COVID-19 impacts the Bank's results of operations, liquidity, access to funding and financial position will depend on future developments, which, as at the date of this Base Prospectus, are highly uncertain and cannot be predicted. These developments may include, but are not limited to, the duration and spread of COVID-19, its severity, actions taken to contain the virus or treat its impact, the extent and effectiveness of economic stimuli taken to contain the virus or treat its impact and how quickly and to what extent normal economic and business activity can resume.

### ***Competition in the Polish banking market may affect the Bank's profitability***

The Bank operates in the Polish banking services market which is subject to growing competition resulting from such market's continuous development. This competition may interfere with the ING BSK's plans to sell mortgage loans and the Bank's plans to acquire these loans. Competition in the Polish banking market, and in particular the possibility that banks will resume the price war over housing loans, may also negatively impact the margins earned by the Bank on mortgage loans. In turn, competition in the covered bonds market, both from Polish and international issuers, may have a negative impact on the value of covered bond issuances planned by the Bank and thus on the Bank's ability to finance its lending activity or the costs of such financing. Growing competition could adversely affect the Bank's financial performance and its ability to perform its obligations under the Covered Bonds.

### ***The economic conditions in Central and Eastern Europe and the devaluation of the currencies in these countries could have an adverse effect on the Group's, including the Bank's business, financial condition and results of operations***

There is a perception among certain investors that the economic or financial conditions of Central and Eastern European countries influence the economic or financial conditions of Poland, and that financial assets of Central and Eastern European countries may be treated as the same "asset class" by foreign investors. As a result, investors may reduce their investments in Polish financial assets due to deteriorating economic or financial conditions in other countries of Central and Eastern Europe. Specifically, the devaluation or depreciation of any of the currencies in Central and Eastern Europe could impair the strength of PLN. A depreciation of PLN against foreign currencies may make it more difficult for the Group's, including the Bank's customers to repay their obligations denominated in a foreign currency, which could also have a material adverse effect on the Bank's business, financial condition and results of operations. The financial problems faced by the Group's, including the Bank's customers could also adversely affect the Bank's business, financial condition and results of operations. Market turmoil and economic deterioration could adversely affect the respective liquidity, businesses and/or financial conditions of the Group's, including the Bank's borrowers, which could in turn impair the Group's, including the Bank's loan portfolio and other financial assets and result in decreased demand for the Group's, including the Bank's products. In an environment of significant market turmoil, economic deterioration and increasing unemployment, coupled with declining consumer spending, the value of assets collateralising the Group's, including the Bank's secured loans could also decline significantly. The occurrence of any of these developments could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Bank.

### ***Poland's economic, political and social conditions have affected and will continue to have an effect on the Bank's business, financial condition and results of operations***

The Bank conducts its operations only in Poland. Therefore, macroeconomic factors relating to Poland, such as GDP, inflation, interest and currency exchange rates, as well as unemployment, personal income and the financial situation of companies, have a material impact on customer demand, loan impairment allowances and margins for the Bank's products and services, which materially affects the Bank's business, financial condition and results of operations. The main tendencies expected in the Polish economy are:

- moderate Covid-19 contagion rates and resilience of the Poland's economy to the forthcoming pandemic waves,
- positive consumer sentiment and further growth in real disposable income of households;
- growing tensions in the labour market, which result from strong demand for labour and growing supply limitations which lead to maintained growth in remuneration dynamics (labour costs) and employee deficits in some industries;
- continued absorption of EU funds and increased public investments could bring additional stimulus; Private investments are to remain rather subdued due to increased uncertainty relating to the Covid-19 pandemic and deterioration of the regulatory investment climate;
- high inflation environment, driven by both supply side shocks (increasing commodity, in particular energy, prices and freight rates), but also wage pressures and rising inflation expectations due to

increasing production and living costs. Headline inflation rate to remain above or around the upper level (3.5 per cent.) of the NBP's inflation target in the medium term;

- gradual monetary policy normalization and NBP reference rate increases; and
- further deposit growth and recovery in demand for loans as monetary conditions are to remain soft (negative real NBP's interest rates) despite the reference rate increases; slowing growth in the corporate loans will be balanced by further dynamic growth in loans to households; regarding deposits, the improving financial position of households should lead to a growth in deposits; further growth in deposits of non-financial business entities is also expected, while there will be moderate growth in deposits of central and local governments.

Any deterioration of the economic, business, political and social conditions in Poland or the failure of the policy of the Polish Government may have a material adverse effect on the business, financial condition and operations of the Bank.

### ***The Bank is dependent on ING BSK***

The Bank is a wholly-owned subsidiary of ING BSK, a Polish universal bank, and is dependent on ING BSK in a number of areas.

ING BSK set up the Bank to diversify the sources of funding for the Group. As at the date of this Base Prospectus, the Group perceives the covered bonds to be issued by the Bank as an important source of funding for the Group. However, it cannot be excluded that the Group's strategy may change and the Group may decide to raise financing in ways other than through the issuance of covered bonds by the Bank. Such a change in the Group's strategy may lead to a reduction in the scale of the Bank's business activity.

As the sole shareholder of the Bank, ING BSK may be required to subscribe for new shares in the Bank's share capital or provide the Bank with capital in a different manner if so required by the applicable capital adequacy requirements. It is possible that ING BSK may decide that these requirements became too onerous for the Group. This may lead to ING BSK deciding to reduce the scale of operations of the Bank to avoid making additional capital contributions. For example, financial institutions will have to meet the minimum requirement for own funds and eligible liabilities (**MREL**). As at the date of this Base Prospectus, the Bank is exempt from meeting this requirement, but ING BSK will be obliged to satisfy MREL.

Additionally, the Bank outsources certain services to ING BSK on the basis of a cooperation agreement (see "*Description of the Bank – Business overview of the Bank – Cooperation between the Bank and ING BSK in mortgage loan origination and acquisition of mortgage loans*"). The cooperation agreement defines the tasks to be performed by ING BSK for the Bank in the course of its business and specifies how these tasks are to be delivered. The cooperation agreement covers the following:

- post-sale services regarding loans transferred by ING BSK to the Bank, with ING BSK reviewing post-sale applications, instructions and complaints for which no lending decision is required;
- sharing IT systems with ING BSK; and
- support in the application of group-wide tools, methodologies and risk models approved by the Bank's competent bodies for the purposes of risk assessment and control.

Any negative future changes affecting ING BSK's operations, business model and IT systems, as well as any changes in how the ING BSK brand is perceived, may adversely affect the Bank's business, results of operations and financial condition and the Bank's ability to meet its obligations under the Covered Bonds.

### ***The Bank may fail to meet its strategic objective***

The key business objective defined in the Bank's strategy is to obtain long-term financing through issuances of covered bonds and becoming active covered bonds issuers in the Polish market. Bank does not grant mortgage loans to clients itself, but instead purchases the mortgage loans granted by ING BSK. This means that the Bank's financial performance and its ability to deliver the stated strategic business objective largely depend on ING BSK meeting its mortgage loans sales targets and on investors' demand for covered bonds. Decrease in

demand for mortgage loans or decrease of the investors' appetite for covered bonds issued by the Bank, may adversely affect the Bank's business, results of operations and financial condition. Given the nature of its business, the Bank will have a limited ability to seek alternative sources of funding should it fail to deliver its strategic objective regarding mortgage loans and covered bonds. Such failure to deliver its strategic objective could adversely affect the Bank's business, results of operations and financial condition and ability to meet its obligations under the Covered Bonds.

***Similar to other mortgage banks, the Bank has a special asset-liability structure***

Since the Bank operates as a mortgage bank, it has a special asset-liability structure as compared with that generally characterising the Polish banking system. The Bank will primarily fund the acquisition of mortgage loans from ING BSK by issuing covered bonds. Mortgage loans have long-term maturities and provide for repayments in the form of instalments with principal amounts being subject to amortisation on a periodic basis. Covered bonds, on the other hand, are medium-term obligations of the Bank with bullet repayments. Consequently, financing mortgage loans through the issuance of covered bonds exposes the Bank to (funding) liquidity risks (besides interest rate risks) in particular arising from such maturity mismatches. To the extent that the volume of, or the Bank's ability to access on commercially reasonable terms and/or in a timely manner, the wholesale lending markets become constrained, the Bank may face funding gaps, in particular, in periods of turmoil or in the event of unexpected governmental interventions in the markets where it operates. Difficulties in refinancing may also cause the Bank to dispose of its assets at a loss, increase the rates paid on funding or limit its business activities. A lack of liquidity or refinancing opportunities may, *inter alia*, result in a limitation of business volume in the financing business, which may, in turn, lead to a reduction of the Bank's interest income and could adversely affect the Bank's business, financial position and results of operations.

***Falling residential property prices may affect the Bank's financial standing***

The repayment of mortgage loans advanced by the Bank is secured by residential property, which is exposed to the risk of losing value. Therefore, a decline in property prices may lead directly to a decrease in the value of security for loans advanced by the Bank. Furthermore, depreciation of property value may have an effect on the mortgage lending value of property calculated by the Bank, which may result in the Bank breaching statutory restrictions on its activities. All such developments may lead to a reduction of the scale of the Bank's operations and adversely affect the Bank's financial standing.

***Decline in demand for residential properties will lead to decline in demand for mortgage loans***

A drop in demand for residential property may have a direct negative effect on the demand for mortgage loans, translating into lower-than-planned sales of mortgage loans by the ING BSK and, as a consequence, reduced number of loans transferred by ING BSK to the Bank. Lower sales of mortgage loans could adversely affect the Bank's financial performance and ability to perform its obligations under the Covered Bonds.

***Properties securing mortgage loans are exposed to catastrophes and natural disasters***

The Bank insures the properties which are mortgaged in the Bank's favour in accordance with the market practice. It is possible that such insurance may not cover all risks to which a property is exposed. Properties on which loans advanced by the Bank are secured may be destroyed or significantly damaged as a result of natural disasters, such as floods, hurricanes, tornadoes, hailstorms and fires. The frequency and intensity of such phenomena are difficult to predict. Moreover, the growing weather and climate variability observed in recent years creates additional uncertainty over the future occurrence of such disasters. A natural disaster can result in a lower value of property and thus the value of security established for the Bank's benefit, especially if a property is not covered by a valid insurance policy or if bringing the property back to its pre-disaster condition is impossible. In consequence, such natural disasters could adversely affect the Bank's financial standing and ability to perform its obligations under the Covered Bonds.

***Risk management systems might not identify all risks***

In its operations, the Bank manages risk through the risk assessment methods and procedures it has implemented, including risk assessment models. These tools support the Bank's decision-making processes. However, they may prove to be insufficient to properly assess future risks due to reliance on historical data,

errors made at the stage of development, implementation or incorrect use of the methods and models, etc. This may lead to an incorrect assessment of the risk related to the Bank's recognised assets and liabilities, off-balance sheet items and the Bank's business decisions, which in turn may adversely affect the Bank's financial standing and ability to perform its obligations under the Covered Bonds.

#### ***The transfer of mortgage loans from ING BSK to the Bank may be declared ineffective***

Under Polish law, in principle, the debtor's consent is not required to transfer a receivable. The Bank will not acquire a loan from ING BSK before the mortgage securing this loan is established. However, the transfer of the mortgage loans to the Bank may be subject to certain generally available remedies which could result in such transfer being declared ineffective by Polish courts.

In case of the bankruptcy of ING BSK, the transfer of the mortgage loans from ING BSK to the Bank may be declared ineffective pursuant to certain rules in the Polish Bankruptcy Law dated 28 February 2003 (*Ustawa z dnia 28 lutego 2003 r. Prawo upadłościowe*, the **Polish Bankruptcy Law**). Grounds for ineffectiveness include: (i) the transfer of mortgage loans occurred later than six months of the bankruptcy of ING BSK, unless the Bank can show that such transfer was not detrimental to the creditors of ING BSK; or (ii) if the transfer of mortgage loans was made later than 12 months before the commencement of bankruptcy proceedings, and such transfer was made without remuneration or the remuneration obtained by ING BSK was grossly disproportionate to the value of the transferred mortgage loans.

If a Polish court declares the transfer of the mortgage loans to the Bank ineffective, ING BSK will be required to repay to the Bank all amounts received from the Bank in respect of such transfer and the Bank will be required to return the transferred mortgage loans to ING BSK or, if such return is not possible, to pay to ING BSK the value of the respective mortgage loans.

#### ***The Bank is exposed to counterparty credit risk***

The Bank may routinely execute transactions (including securities or currency trades, repos, swaps and derivative contracts) with counterparties in the financial services industry, including commercial banks, investment banks, funds, brokers and dealers.

Many of these transactions expose the Bank to the risk of a counterparty defaulting on its obligations prior to maturity when the Bank has an outstanding claim against that counterparty. This counterparty credit risk may also be increased where the collateral held by the Bank cannot be realised or is liquidated at prices not sufficient to recover the full amount of the counterparty exposure. In addition, counterparty credit risk also arises from holding debt instruments as the issuers (including financial institutions, sovereigns, supranational entities and corporations) of such debt instruments may default on their obligations thereunder due to insolvency, political events, lack of liquidity, operational failure or a number of other reasons. Furthermore, the deteriorating solvency of such counterparties may impair the efficacy of the Bank's hedging and other risk management strategies.

As at the date of this Base Prospectus, the Bank executes securities or currency trades, repos, swaps and derivative contracts only with ING BSK. However, it cannot be excluded that the Bank will enter into transactions of this kind with other counterparties.

Any of the aforementioned events may have a material adverse effect on the Bank's business, financial condition and results of operations.

## **LEGAL AND REGULATORY RISKS**

#### ***The Bank may be unable to satisfy its minimum capital adequacy and other regulatory ratios***

As at 31 December 2020, the Bank's total capital ratio was 26.82 per cent. Certain developments could affect the Bank's ability to continue to satisfy the current capital adequacy requirements, including:

- increasing the scale of the Bank's business activities and increasing the Bank's risk-weighted assets;
- the Bank's ability to raise capital;
- the payment of dividends by the Bank to its shareholder;

- losses resulting from a deterioration in the Bank's asset quality, a reduction in income levels, the introduction of new levies or a combination of all of the above;
- changes in accounting rules or in the guidelines regarding the calculation of the capital adequacy ratios of banks; and
- additional capital requirements imposed by the Bank's regulator.

The Bank may also be required to raise additional capital in the future in order to maintain its capital adequacy ratios above the minimum-required levels including the required capital buffers. The Bank's ability to raise additional capital may be limited by numerous factors, including:

- the Bank's future financial condition, results of operations and cash flows;
- any necessary regulatory approvals;
- the Bank's credit rating;
- financial markets disruption;
- general market conditions for capital-raising activities by commercial banks and other financial institutions;
- changes in domestic and international economy; and
- political and other conditions.

Failure to maintain the minimum capital adequacy and other regulatory ratios or to otherwise maintain sufficient levels of capital to conduct the Bank's business may have an adverse effect on the business, financial condition and results of operations of the Bank. Moreover, a breach of laws relating to the minimum capital adequacy and other regulatory ratios may result in the Bank being subject to administrative sanctions or regulatory resolution measures which may result in an increase in the operating costs of the Bank, loss of reputation, and, consequently, an adverse effect on the business, financial condition and results of operations of the Bank.

***The Bank is subject to substantial regulation and regulatory and governmental oversight***

As a financial institution, the Bank is subject to extensive regulation, as well as to certain administrative measures and policies. Moreover, the Bank holds an authorisation issued by the KNF, and the KNF and other regulatory authorities supervise its activity. Applicable legal provisions address, inter alia, capital adequacy, risk management and prevention of money laundering. The fulfilment of these regulations implies substantial costs and could significantly limit potential operations. Furthermore, regulatory authorities have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been increasing during recent years. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis, and these may especially affect financial institutions such as the Bank that are deemed to be systemically important.

Any legislative or regulatory actions and any required changes to the business operations of the Bank resulting from such legislation and regulations, as well as any deficiencies in the Bank's compliance with such legislation and regulation, could result in significant loss of revenue, limit the ability of the Bank to pursue business opportunities in which it might otherwise consider engaging and provide certain products and services, affect the value of assets that it holds, require the Bank to increase its prices and therefore reduce demand for its products, impose additional compliance and other costs on the Bank or otherwise adversely affect its business.

***The Bank may be required to make substantial contributions to the Bank Guarantee Fund and the Borrower's Support Fund***

Pursuant to the provisions of the Polish Act on Bank Guarantee Fund, Deposit Guarantee Scheme and Compulsory Restructuring dated 10 June 2016 (*Ustawa z dnia 10 czerwca 2016 r. o Bankowym Funduszu Gwarancyjnym, systemie gwarantowania depozytów oraz przymusowej restrukturyzacji*) (the **Resolution Act**), members of a mandatory guarantee system are obliged to contribute to a deposit guarantee fund and a resolution fund. If an entity that is a member of the Polish Bank Guarantee Fund (*Bankowy Fundusz Gwarancyjny*) (the

**BFG**) is declared bankrupt, other members may be required to make additional one-off payments to cover the liabilities of such entity.

In addition, a Borrowers' Support Fund (*Fundusz Wsparcia Kredytobiorców*) was established pursuant to the Polish Act on the Support of Borrowers in Financial Difficulties who Have Taken Out a Housing Loan dated 9 October 2015 (*Ustawa z dnia 9 października 2015 r. o wsparciu kredytobiorców znajdujących się w trudnej sytuacji finansowej, którzy zaciągnęli kredyt mieszkaniowy*) in order to support residential borrowers in financial difficulties. This fund is intended to provide support to natural persons who are unemployed or who find themselves in difficult financial situations or who are required to repay housing loans which significantly encumber their household budgets. The Borrowers' Support Fund is funded predominantly from contributions made by lenders in proportion to their housing loan portfolio for households, for which the delay in repayment of principal or interest exceeds 90 days.

If the Bank is required to make substantial contributions to the BFG and the Borrowers' Support Fund, it may have a material adverse effect on the Bank's strategy, its growth potential and profit margins and, consequently, could have a material adverse effect on the Bank's business, financial condition and results of operations.

### ***Regulatory intervention regarding CHF mortgage loans***

Polish banks have granted a large number of mortgages denominated in Swiss francs or indexed to Swiss francs (**CHF Mortgage Loans**). CHF Mortgage Loans were an extremely popular product due to, among other things, low interest rates. Due to the rapid appreciation of the Swiss franc, monthly instalments of CHF Mortgage Loans and the outstanding principal amounts of CHF Mortgage Loans increased significantly. For this reason, many CHF Mortgage Loan borrowers have decided to bring an action for annulment of their CHF Mortgage Loan agreements or some of their provisions. Up to the date of this Base Prospectus, there have been disparities between the decisions of courts resolving particular cases, with some decisions going in favour of borrowers and others in favour of the banks.

On 3 October 2019, in the judgment of the CJEU for Case C-260/18 concerning a mortgage credit agreement in CHF concluded by Raiffeisen Bank Polska S.A, the CJEU indicated, amongst others, that the provisions of EU law do not preclude national courts, where they find that clauses relating to the CHF Mortgage Loan indexing mechanism are abusive, from deciding to annul CHF Mortgage Loan contracts, having regard, however, to whether such annulment would expose the consumer to particularly harmful consequences. At the same time, the CJEU held that national courts cannot fill in the gaps in CHF Mortgage Loan contracts which arise after the elimination of prohibited provisions, on the basis of provisions relating to equity or established custom. The above decision of the CJEU also covered credits indexed to other currencies bearing an interest rate directly related to the interbank rate of a given currency.

In accordance with the above judgment of the CJEU, national courts should assess the abuse of clauses relating to a mechanism for indexing loans to foreign currencies or at an interest rate directly linked to the interbank rate of the currency concerned and the existence of the grounds for annulment of a credit agreement containing such mechanisms on a case-by-case basis. However, this constitutes a precedent that may facilitate enforcement of the annulment of credit agreements concluded by certain consumers before the Polish courts.

The occurrence of such a phenomenon on a mass scale may have an adverse effect on the entire Polish banking sector and, consequently, may have an adverse effect on the business, financial condition and results of operations of the Group.

At the request of the First President of the Supreme Court, the Supreme Court is expected to adopt a resolution on the key aspects of cases concerning CHF Mortgage Loans. The goal of the Supreme Court is to unify the Polish courts' position on CHF Mortgage Loans and the resolution, if adopted, will be binding upon the Polish courts. As at the date of this Base Prospectus it is not yet certain when this resolution will be adopted and what will be the decision of the Supreme Court. The model used by the Group to estimate legal risk associated with the portfolio of loans indexed to or denominated in a foreign currency takes into account different potential judgments. In particular, the Supreme Court's position may trigger revision of the model assumptions, and lead to potentially significant changes in the estimated collective and individual provisions for legal risk.



In December 2020, the Chairman of the KNF presented a proposal for voluntary settlements between banks and borrowers in respect of CHF Mortgage Loans. Under such proposal the CHF Mortgage Loans would be retroactively settled as PLN loans bearing a floating interest rate based on WIBOR increased by a margin. In October 2021 the Group decided to offer its customers the voluntary settlement of CHF Mortgage Loans. As at 30 June 2021 the nominal value of the CHF Mortgage Loans in the Group's portfolio was PLN 852.9 million and constitutes 0.76 per cent. of the gross value of the CHF Mortgage Loans in the whole Polish banking sector. The Bank does not hold any CHF Mortgage Loans in its portfolio. However, the conversion of the CHF Mortgage Loans may have a negative impact on the Polish banking sector as a whole and, as a consequence, on the business activity and financial position of the Group. This may adversely affect the Bank's financial standing and its ability to meet obligations under the Covered Bonds.

#### ***The Polish Covered Bonds Act may be materially amended in the near future***

On 7 January 2021 the Minister of Finance, Funds and Regional Policy published the draft act implementing the Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU (the **Covered Bonds Directive**) into Polish law. The new legislation will materially amend the Polish Covered Bonds Act currently in force. As at the date of this Base Prospectus, the legislative works concerning the draft legislation have not yet been finalised. It is not yet certain what will be the final shape of the new legislation and when it will come into force. Any changes to the Polish Covered Bonds Act currently in force may require the Bank to change the way it conducts business and these changes may adversely affect the Bank's financial standing and its ability to perform obligations under the Covered Bonds.

#### ***Changes to the Polish pension system***

Open pension funds, which are a part of the pension system in Poland, are important investors in debt securities issued in the Polish market. The Polish Government has announced that it intends to wind up the open pension funds. The persons who have accounts with the open pension funds will be able to decide whether the assets in the account in the open pension fund should be transferred to the state social security system or to a separate individual pension account. As of the date of this Base Prospectus it is not certain whether the changes proposed by the Polish Government will be implemented. The dissolution of the open pension funds may affect the investors' demand for covered bonds issued by the Bank and therefore may adversely affect the Bank's financial standing and ability to meet its obligations under the Covered Bonds.

#### ***The Bank may breach the regulatory requirements concerning the cover pool***

The Bank, its cover pool and issuances of covered bonds by the Bank are subject to a number of regulatory restrictions. If the Bank does not originate or acquire new mortgage loans to replace the loans which were included in the cover pool, but were repaid, it is possible that the Bank will not satisfy the statutory overcollateralisation requirements. Additionally, even though the Bank and the cover pool monitor verify whether the loans in the cover pool meet the statutory criteria, it cannot be excluded that particular loans in the cover pool might not satisfy all statutory criteria. In such case the Bank may need to replenish the assets in the cover pool in order to comply with the regulatory requirements concerning the cover pools which can be done through adding additional eligible loans or by supplying substitute liquid assets. Breach of regulatory requirements concerning the cover pool may also result in disciplinary action from the KNF including fines, removal of board members and (in extreme circumstances) commencement of compulsory restructuring.

### **RISKS RELATED TO THE NATURE OF THE COVERED BONDS**

#### ***Holders of all covered bonds issued by the Bank share the same cover pool***

The Covered Bonds are not guaranteed by any person and constitute direct, unconditional and unsubordinated obligations of the Bank, which will rank *pari passu* among themselves and with all other covered bonds issued by the Bank and with all other obligations of the Bank that have been provided the same priority as the Covered Bonds.

The Bank maintains one cover pool for all covered bonds of the same type (for example, mortgage covered bonds) issued by the Bank. This means that holders of all covered bonds of one type issued by the Bank have

a claim against the same assets in the cover pool maintained for that type of covered bonds. Holders of one type of covered bonds have no claim against the assets in the cover pool maintained for another type of covered bonds (which means that holders of mortgage covered bonds have no claim against the cover pool maintained for public covered bonds). The Polish Covered Bonds Act does not permit the maintenance of a "variety of pools" for calculation, insolvency or other purposes under Polish law (for example, on issue-by-issue or programme-by-programme basis). In the future, the Bank may decide to issue mortgage covered bonds under programmes other than the Programme or on a standalone basis and the holders of mortgage covered bonds will have access to the same cover pool as holders of the Covered Bonds.

#### ***Holders of the Covered Bonds will have limited information on loans in the cover pool***

This Base Prospectus provides basic information on the loans in the cover pool as at 2 December 2021. Within three months from the end of each financial year, the Bank will announce in "*Monitor Sądowy i Gospodarczy*" the aggregate amount of the Bank's receivables in the cover pool. Additionally, the Bank publishes periodically a cover pool report in accordance with Article 129 section 7 of the CRR. The Cover Pool Monitor supervises the proper maintenance of the cover pool register, but the results of this inspection are not publicly available. Therefore, it is possible that after the date of this Base Prospectus the composition of the cover pool will change and these changes may have an adverse effect on the Bank's financial position and ability to perform its obligations under the Covered Bonds.

#### ***The Covered Bonds are obligations of the Bank only***

The Covered Bonds will constitute the obligations of the Bank only. An investment in the Covered Bonds involves a reliance on the creditworthiness of the Bank. The Covered Bonds are not guaranteed by ING BSK or any other member of the Group. Holders of Covered Bonds have no recourse to any entity other than the Bank. Although during the Bank's licensing process, ING BSK declared to the KNF its intention to support the Bank and maintain the Bank's liquidity and capital adequacy ratios above the applicable regulatory limits, this declaration does not constitute a guarantee, or any other similar instrument, for the Covered Bonds. Therefore, it cannot be a basis for claims of the Holders of the Covered Bonds against ING BSK and ING BSK is not in any way liable for the Bank's obligations under the Covered Bonds. This means that if the Bank fails to satisfy its obligations under the Covered Bonds, the Holders of the Covered Bonds will not have any claim against ING BSK and are exposed to the risk that the Bank may not have sufficient assets to make the payments under the Covered Bonds in full.

#### ***No events of default***

The Terms and Conditions of the Covered Bonds do not include any events of default relating to the Bank or the Covered Bonds, the occurrence of which would entitle the Holders of the Covered Bonds to accelerate the Covered Bonds. Consequently, the Holders of the Covered Bonds will only be paid the scheduled interest payments under the Covered Bonds as and when they fall due under the Terms and Conditions of the Covered Bonds and are not able to accelerate the Covered Bonds if the Bank's situation deteriorates.

#### ***Extension of maturity dates in the case of the Bank's bankruptcy***

Upon a Bankruptcy Event of the Bank (as defined in Condition 5(c)), the maturity of all outstanding covered bonds issued by the Bank, including the Covered Bonds, will automatically be extended by 12 months (the **Extended Maturity Date**). While interest under all of the Bank's covered bonds (including the Covered Bonds) will continue to be payable in the manner and on the dates indicated in the terms and conditions of the Covered Bonds and the applicable Final Terms, a Bankruptcy Event may affect the timing and amount of principal to be paid to Covered Bond Holders.

On the date of the Bankruptcy Event, the bankruptcy court will appoint a bankruptcy receiver (*syndyk*) who will assume responsibility for the administration of the Bank's assets. Within three months of the Bankruptcy Event, the bankruptcy receiver must conduct, in accordance with the Bankruptcy Law:

- a coverage test (*test równowagi pokrycia*) to determine whether the assets forming the separate bankruptcy asset pool (*osobna masa upadłości*) of the Bank are sufficient to satisfy all of the Bank's

obligations towards all holders of outstanding covered bonds (including the Covered Bonds) issued by the Bank; and

- a liquidity test (*test płynności*) to determine whether the assets forming the separate bankruptcy asset pool of the Bank are sufficient to satisfy all of the Bank's obligations towards all holders of outstanding covered bonds issued by the Bank in full taking into account the Extended Maturity Dates of all outstanding covered bonds (including the Covered Bonds) issued by the Bank.

If the results of both the coverage test and the liquidity test are positive, the claims of the holders of the Covered Bonds for the repayment of principal are to be fulfilled in accordance with the terms and conditions of the Covered Bonds and the applicable Final Terms up to the Extended Maturity Date.

If the result of the coverage test is positive but the result of the liquidity test is negative, or if the result of the coverage test is negative, the maturity of the Covered Bonds will be extended by three years from the latest maturity date of a receivable in the cover pool.

In certain circumstances provided by Polish law, the claims of the holders of the Covered Bonds for the payment of principal may be satisfied sooner than the applicable extended maturity dates pursuant to pass-through procedures from the receivables in the cover pool.

In addition, the holders of all outstanding covered bonds issued by the Bank may, by a vote of holders representing two-thirds of the aggregate principal amount of all outstanding covered bonds of the Bank, adopt resolutions requesting the bankruptcy receiver to sell the cover pool (Condition 5(c) "*Redemption of the Covered Bonds in the event of the Bank's Bankruptcy*").

Other circumstances may affect the timing and amount of principal to be paid to Covered Bond Holders. For further details see Condition 5(c) "*Redemption of the Covered Bonds in the event of the Bank's Bankruptcy*" of the terms and conditions of the Covered Bonds and "*Information Relating to Covered Bonds*".

Additionally, filing the motion to declare a mortgage bank bankrupt results in a suspension of the mortgage bank's operations for approximately two months. Suspension of the mortgage bank's operations may further affect the timing of payments to be made to Covered Bond Holders.

#### ***Meetings of holders of covered bonds in the event of bankruptcy***

According to the Polish Bankruptcy Law, following the declaration of bankruptcy of the Bank the meeting of holders of covered bonds (including the Covered Bonds) may be convened by the judge-commissioner on a motion of holders of covered bonds representing at least 10 per cent. of the principal amount of the outstanding covered bonds. Unless the Polish Bankruptcy Law provides otherwise, resolutions of the meeting of holders of covered bonds are adopted regardless of the number of the covered bond holders present, by a majority of votes of those holders who hold no less than 50 per cent. of the nominal value of the outstanding covered bonds. Consequently, Covered Bond Holders can be bound by the result of a resolution that they voted against, abstained from voting or did not vote at all.

Consent of the abovementioned meeting is required for sale of assets belonging to any cover pool register maintained by the Bank if: (i) they are sold in whole and the proceeds from such sale will not be enough to cover costs of cover pool liquidation and liabilities from covered bonds; or (ii) they are sold in part and below their fair value. Consent to the sale of part of the Bank's banking enterprise, comprising in particular the separate bankruptcy asset pool, requires a majority of two-thirds of votes. In such case none of the covered bonds (including the Covered Bonds) is subject to such sale and the bankruptcy receiver shall determine the share of the proceeds from the sale of the Bank's banking enterprise which will be used for covering claims of covered bond holders (including the Covered Bond Holders).

For considerations in respect of pre-declaration of bankruptcy meeting of the Covered Bond Holders please refer to the "*Meetings of Holders of Covered Bonds*" risk factor below.

#### ***The Covered Bonds may be subject to mandatory bail-in tool***

The obligations of the Bank under the Covered Bonds may be subject to compulsory write-down or conversion into equity to the extent the value of the Cover Pool is not sufficient to satisfy all claims under the mortgage

covered bonds issued by the Bank. Such event may have adverse effect on the investment in the Covered Bonds and investors' return on the Covered Bonds

***The application of the net proceeds of Covered Bonds with a specific use of proceeds, such as 'Green Covered Bonds' may not meet investor expectations or be suitable for an investor's investment criteria***

The applicable Final Terms relating to any specific Tranche of Covered Bonds may provide that it will be the Bank's intention to apply the proceeds from an offer of those Covered Bonds specifically to refinance existing loans in the cover pool or acquire new loans which, in each case, are secured over energy efficient buildings (**Green Mortgage Loans** and the Covered Bonds issued thereunder, **Green Covered Bonds**). It should be noted that any Green Mortgage Loans will be included in the cover pool together with other mortgage loans, which are not Green Mortgage Loans. Accordingly, prospective investors will have a claim against the cover pool, without having preferential claim on the Green Mortgage Loans over and above other investors.

Prospective investors in the Green Covered Bonds should have regard to the information in "Use of Proceeds" regarding the use of the net proceeds of those Green Covered Bonds and must determine for themselves the relevance of such information for the purpose of any investment in such Green Covered Bonds together with any other investigation such investor deems necessary. In addition, it is an area which has been, and continues to be, the subject of many and wide-ranging voluntary and regulatory initiatives to develop rules, guidelines, standards, taxonomies and objectives.

For example, at EU level, on 18 December 2019, the Council and the European Parliament reached a political agreement on a regulation to establish a framework to facilitate sustainable development. In July 2020, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (the **Taxonomy Regulation**) entered into force and will apply in part as of 1 January 2022 and in whole as of 1 January 2023. On 12 June 2020, the European Commission launched a public consultation on the creation of the EU Green Bond Standard. This consultation ran for an extended period of 16 weeks until 2 October 2020. Based on the outcome of this consultation, as well as ongoing bilateral stakeholder dialogues, the European Commission is likely to establish the EU Green Bond Standard in near future.

Accordingly, no assurance can be given by the Bank or the Dealers or any sustainability advisor or second party opinion provider that the use of such proceeds for any Green Mortgage Loans will satisfy, whether in whole or in part, any existing or future legislative or regulatory requirements, or any present or future investor expectations or requirements with respect to investment criteria or guidelines with which any investor or its investments are required to comply under its own by-laws or other governing rules or investment portfolio mandates.

In the event that any Tranche of Covered Bonds is listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Bank, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements with respect to investment criteria or guidelines with any investor or its investments are required to comply under its own by-laws or other governing rules or investment portfolio mandates. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Bank, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any Tranche of Covered Bonds or, if obtained, that any such listing or admission to trading will be maintained during the life of that Tranche of Covered Bonds.

While it is the intention of the Bank to apply an amount equivalent to the proceeds of any Covered Bonds so specified for Green Mortgage Loans in, or substantially in, the manner described in the relevant Final Terms, there can be no assurance by the Bank, the Dealers or any other person that the relevant project(s) or use(s) the subject of, or related to, any Green Mortgage Loans will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or

partially disbursed for such Green Mortgage Loans. Nor can there be any assurance by the Bank, the Dealers or any other person that such Green Mortgage Loans will be financed or refinanced within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or any failure by the Issuer to do so will not give the Holder the right to early terminate the Covered Bonds.

Any failure to apply an amount equivalent to the proceeds of any issue of Covered Bonds for any Green Mortgage Loans as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Bank is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Covered Bonds no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Covered Bonds and also potentially the value of any other Covered Bonds which are intended to finance Green Mortgage Loans and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose

### ***Fixed Rate Covered Bonds***

The Holder of a Covered Bond with a fixed rate of interest (**Fixed Rate Covered Bond**) is exposed to the risk that the price of such Covered Bond falls as a result of changes in the market interest rate. While the nominal interest rate of a Fixed Rate Covered Bond as specified in the applicable Final Terms is fixed during the life of such Covered Bond, the current interest rate on the capital markets (**market interest rate**) typically changes on a daily basis. As the market interest rate changes, the price of a Fixed Rate Covered Bond also changes, but in the opposite direction.

If the market interest rate increases, the price of a Fixed Rate Covered Bond typically falls, until the yield of such Covered Bond is approximately equal to the market interest rate.

If the market interest rate falls, the price of a Fixed Rate Covered Bond typically increases, until the yield of such Covered Bond is approximately equal to the market interest rate. If the Holder of a Fixed Rate Covered Bond holds such Covered Bond until maturity, changes in the market interest rate are not relevant to such Holder as the Covered Bond will be redeemed at a specified redemption amount, usually the principal amount of such Covered Bond.

In the case of Fixed Rate Covered Bonds with an interest commencement date not equal to the issue date, such instruments will have a lower yield than Fixed Rate Covered Bonds with an interest commencement date equal to the issue date. In the event that such Fixed Rate Covered Bonds are sold in the secondary market before accrual of interest begins, investors may face a negative yield.

Where an investor purchases Covered Bonds at an issue price (including any fees or transaction costs in connection with such purchase) higher than or equal to the sum of the redemption amount of the Covered Bonds and all remaining interest payments on the Covered Bonds until the maturity date, the investor may receive no yield or a negative yield.

### ***Floating Rate Covered Bonds***

The Holder of a Covered Bond with a floating rate of interest (**Floating Rate Covered Bond**) is exposed to the risk of fluctuating reference rates such as the Euro Interbank Offered Rate (**EURIBOR**) or the Warsaw Interbank Offered Rate (**WIBOR**) as applicable and uncertain interest income. Fluctuating reference rate levels make it impossible to determine the yield of Floating Rate Covered Bonds in advance.

Furthermore, where the Floating Rate Covered Bonds do not provide for a minimum rate of interest above zero per cent., investors may not receive any interest payments during one or more interest periods if the applicable reference rate decreases or increases (in the case of Reverse Floating Rate Covered Bonds (as defined below)) to a certain level.

In case of a low floating rate of interest and where an investor purchases Covered Bonds at an issue price (including any fees or transaction costs in connection with such purchase) higher than or equal to the sum of the redemption amount of the Covered Bonds and all remaining interest payments on the Covered Bonds until the maturity date, the investor may receive no yield or a negative yield.

### ***Fixed to Floating Rate Covered Bonds***

Fixed to Floating Rate Covered Bonds are Covered Bonds which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Covered Bonds as the change of interest basis may result in a lower interest return for Covered Bondholders. Where the Covered Bonds convert from a fixed rate to a floating rate, the spread on the Fixed to Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. Where the Covered Bonds convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Covered Bonds and could affect the market value of an investment in the relevant Covered Bonds.

### ***Zero Coupon Covered Bonds***

Zero Coupon Covered Bonds do not pay current interest but are issued at a discount from their nominal value. The difference between the redemption price and the issue price constitutes interest income until maturity and reflects the market interest rate. The Holder of a Zero Coupon Covered Bond is exposed to the risk that the price of such Covered Bond falls as a result of changes in the market interest rate. Prices of Zero Coupon Covered Bonds are more volatile than prices of Fixed Rate Covered Bonds and are likely to fluctuate more in relation to market interest rate changes than interest-bearing Covered Bonds with a similar maturity.

### ***Currency risk***

The Bank will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Covered Bonds; (ii) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds; and (iii) the Investor's Currency-equivalent market value of the Covered Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Bank to make payments in respect of the Covered Bonds. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Additionally, although the Covered Bonds will be denominated in the Specified Currency, if a judgement in the Polish courts is made in the Specified Currency without explicit indication that the claim can only be fulfilled in the Specified Currency, the enforcement of such judgement would be made in PLN, which means an investor becomes exposed to currency risk as the currency of its investment has changed. If PLN moves against the Specified Currency after judgement and before the judgement is fully enforced, the investor might incur a loss due to currency fluctuation.

Furthermore, in the course of bankruptcy proceedings, in principle the claims of the Bank's creditors denominated in any currency other than PLN will be placed on the list of claims in PLN at the exchange rate of the NBP as at the date of the Bankruptcy Event, and in the absence of such exchange rate – according to the average market price on that day. Entering the claim on the list of claims in PLN does not result in the conversion of the claim denominated in a foreign currency into a claim denominated in PLN; however, all payments made as a result of the implementation of the distribution plan prepared based on the list of claims shall be made in PLN. The Bank, after consultation with its advisers, has concluded that, in the course of bankruptcy proceedings, the abovementioned provisions relating to satisfaction of claims as a result of the implementation of the distribution plan after conversion into PLN should not apply to the Covered Bonds, and consequently all payments under the Covered Bonds should be made in accordance with their respective terms and conditions in the Specified Currency. However, as the relevant provisions of the Polish Bankruptcy Law relating to the bankruptcy of mortgage banks have not been tested in practice, the Bank cannot exclude the

possibility that bankruptcy administrators appointed in the course of bankruptcy proceedings of the Bank might interpret the relevant legislation in a different manner.

***The regulation and reform of "benchmarks" may adversely affect the value of Covered Bonds linked to or referencing such "benchmarks"***

Interest rates and indices which are deemed to be "benchmarks", (including the euro interbank offered rate (**EURIBOR**) and the Warsaw interbank offered rate (**WIBOR**)) are the subject of national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bonds referencing such a benchmark.

The EU Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Covered Bonds linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Covered Bonds linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Terms and Conditions of Covered Bonds provide for certain fallback arrangements in the event that EURIBOR or WIBOR and/or any page on which EURIBOR or WIBOR may be published (or any other successor service) becomes unavailable or a Benchmark Event (as defined in the Terms and Conditions) otherwise occurs. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Terms and Conditions), with or without the application of an adjustment spread and may include amendments to the Terms and Conditions of

the Covered Bonds to ensure the proper operation of the successor or replacement benchmark, all as determined by the Bank (acting in good faith and in consultation with an Independent Adviser). An adjustment spread, if applied could be positive or negative and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of EURIBOR or WIBOR. However, it may not be possible to determine or apply an adjustment spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors. If no adjustment spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest. The use of a Successor Rate or Alternative Rate (including with the application of an adjustment spread) will still result in any Covered Bonds linked to or referencing an Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if EURIBOR or WIBOR were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Covered Bonds based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser and the potential for further regulatory developments there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of Covered Bonds in making any investment decision with respect to any Covered Bonds referencing a benchmark.

### ***Meetings of Holders of Covered Bonds***

The Terms and Conditions of the Covered Bonds contain provisions for calling meetings of their respective Covered Bond Holders to consider matters affecting the interests of such Covered Bond Holders generally. These provisions permit defined majorities to bind all Covered Bond Holders who did not attend and vote at the relevant meeting and Covered Bond Holders who voted in a manner contrary to the majority. As a result, Covered Bond Holders can be bound by the result of a vote that they voted against.

Additionally, under the Polish Act on Bonds, the resolutions of meetings of Holders of listed Covered Bonds amending the provisions of the Conditions or the Final Terms concerning: (i) the amounts payable by the Bank under the Covered Bonds, the manner of determining these amounts, including conditions of payment of interest; (ii) the dates, place and the manner of making payments under the Covered Bonds and the dates on which persons entitled to receive payments under the Covered Bonds are determined; (iii) convening, holding and adopting resolutions by the meeting of Holders; and (iv) lowering the principal amount of the Covered Bonds require consent of all Holders attending the meeting and the consent of the Bank. This means the Bank or a holder of a single Covered Bond may prevent an amendment to the Conditions or the Final Terms which would be beneficial for a majority of Holders of the Covered Bonds.

### ***Clearing Systems***

Because the global covered bonds representing the Covered Bonds (each a **Global Covered Bond** and, together, the **Global Covered Bonds**) may be held by or on behalf of Euroclear, with its registered address at 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium and/or Clearstream Luxembourg, with its registered address at 42 Avenue Kennedy, L-1855 Luxembourg, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Bank.

Covered Bonds issued under the Programme may be represented by one or more Global Covered Bond(s). Such Global Covered Bond will be deposited on the issue date with a common safekeeper (in the case of Covered Bonds issued in new global covered bond (**NGCB**) form) or common depositary (in any other case) for Euroclear or Clearstream, Luxembourg. Investors will not be entitled to receive definitive Covered Bonds.



Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Covered Bonds. While the Covered Bonds are represented by one or more Global Covered Bond(s), investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Covered Bonds are represented by one or more Global Covered Bond(s) the Bank will discharge its payment obligations under the Covered Bonds by making payments to the common depositary or to the common safekeeper (in the case of Covered Bonds issued in NGCB form), as the case may be, for Euroclear and Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in a Global Covered Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Covered Bonds. The Bank has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Covered Bonds.

Holders of beneficial interests in the Global Covered Bonds will not have a direct right to vote in respect of the relevant Covered Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

### **RISKS RELATED TO THE ADMISSION OF THE COVERED BONDS TO TRADING ON A REGULATED MARKET**

*An active secondary market in respect of the Covered Bonds may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Covered Bonds*

Application may be made to list the Covered Bonds to be issued under the Programme on the Official List of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) and/or the Warsaw Stock Exchange (*Gięda Papierów Wartościowych w Warszawie S.A.*) and to admit to trading such Covered Bonds on the Regulated Market of the Luxembourg Stock Exchange and/or on the Regulated Market of the Warsaw Stock Exchange. In addition, the Programme provides that Covered Bonds may be listed on other or further stock exchanges or may not be listed at all. Regardless of whether the Covered Bonds are listed or not, there can be no assurance that a liquid secondary market for the Covered Bonds will develop or, if it does develop, that it will continue. The fact that the Covered Bonds may be listed does not necessarily lead to greater liquidity than if they were not listed. If the Covered Bonds are not listed on any exchange, pricing information for such Covered Bonds may, however, be more difficult to obtain, which may affect the liquidity of the Covered Bonds adversely. In an illiquid market, an investor might not be able to sell his Covered Bonds at any time at fair market prices. The possibility to sell the Covered Bonds might additionally be restricted due to currency restrictions.

#### ***Market value of Covered Bonds***

The market value of Covered Bonds might change significantly on a daily basis. The price at which a Holder will be able to sell Covered Bonds prior to maturity may be at a discount, which could be substantial, from the relevant issue price of the Covered Bonds or the purchase price paid by such purchaser. The historical market prices of reference rates or an index should not be taken as an indication of reference rates' or an index's future performance during the term of any Covered Bond.

## USE OF PROCEEDS

The net proceeds from each issue of Covered Bonds will, unless otherwise specified in the applicable Final Terms, be applied by the Bank as follows:

- (a) where "General Corporate Purposes" is specified in the applicable Final Terms, for its general corporate purposes; or
- (b) where "Green Covered Bonds" is specified in the applicable Final Terms, the allocation of an amount equal to the net proceeds from such issue of Covered Bonds will be to projects determined to be eligible under the Issuer's "Green Covered Bond Framework" (**Green Covered Bond Framework**) published on the Issuer's website [https://en.inghipoteczny.pl/\\_fileserver/item/1500014](https://en.inghipoteczny.pl/_fileserver/item/1500014).

If, in respect of any particular issue, there is a particular identified use of proceeds other than using the net proceeds for the Bank's general corporate purposes, then this will be stated in the relevant Final Terms.

## DOCUMENTS INCORPORATED BY REFERENCE

The documents set out below that are incorporated by reference in this Base Prospectus are, where indicated, direct translations into English from the original Polish language documents. To the extent that there are any inconsistencies between the original language versions and the translations, the original language versions shall prevail. The information set out shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. the audited consolidated financial statements of the Bank as at and for the year ended 31 December 2019 (published on the Bank's website <https://en.inghipoteczny.pl/fileserver/item/jghlfty>) prepared in accordance with the International Financial Reporting Standards as adopted by the EU (**IFRS**) (the **2019 Financial Statements**) audited by BDO spółka z ograniczoną odpowiedzialnością sp. k. which constitute a free translation from the Polish version into the English language including the information set out at the following pages in particular:
  - (a) income statement (page 3);
  - (b) statement of comprehensive income (page 4);
  - (c) statement of financial position (page 5);
  - (d) statement of changes in equity (page 6);
  - (e) cash flow statement (page 7);
  - (f) notes to financial statements (pages 8 – 84);
2. the separate independent registered auditor's report on the 2019 Financial Statements (pages 1-6) which constitutes a free translation from the Polish version into the English language (published on the Bank's website <https://en.inghipoteczny.pl/fileserver/item/miyinuc>);
3. the audited consolidated financial statements of the Bank as at and for the year ended 31 December 2020 (published on the Bank's website <https://en.inghipoteczny.pl/fileserver/item/yrxut3a>) prepared in accordance with the IFRS (the **2020 Financial Statements**) audited by BDO spółka z ograniczoną odpowiedzialnością sp. k. which constitute a free translation from the Polish version into the English language including the information set out at the following pages in particular:
  - (a) income statement (page 4);
  - (b) statement of comprehensive income (page 5);
  - (c) statement of financial position (page 6);
  - (d) statement of changes in equity (page 7);
  - (e) cash flow statement (page 8);
  - (f) notes to financial statements (pages 9 – 97);
4. the separate independent registered auditor's report on the 2020 Financial Statements (pages 1-7) which constitutes a free translation from the Polish version into the English language (published on the Bank's website <https://en.inghipoteczny.pl/fileserver/item/2lpkqbc>);
5. the interim condensed financial statements of the Bank for the six-month period ended 30 June 2021 (published on the Bank's website <https://en.inghipoteczny.pl/fileserver/item/ez4knat>) prepared in

accordance with the IFRS, which constitute a free translation from the Polish version into the English language including the information set out at the following pages in particular:

- (a) interim condensed income statement (page 5);
  - (b) interim condensed statement of comprehensive income (page 6);
  - (c) interim condensed statement of financial position (page 7);
  - (d) interim condensed statement of changes in equity (page 8);
  - (e) interim condensed cash flow statement (page 9);
  - (f) notes to financial statements (pages 10 – 70); and
6. the “Terms and Conditions of the Covered Bonds” set out on pages 34-51 of the Bank’s base prospectus dated 5 September 2019 relating to the Programme (published on the Bank’s website <https://en.inghipoteczny.pl/fileserver/item/1500018>).

Any non-incorporated parts of a document referred to herein (which, for the avoidance of doubt, means any parts not listed in the cross-reference list above) are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus. The Bank accepts responsibility as to the accuracy and completeness of any translations into English set out in any documents incorporated by reference in this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained, free of charge, at the specified offices of the Paying Agent, unless such documents have been modified or superseded. Such documents will also be available to view on the website of Luxembourg Stock Exchange (<https://bourse.lu>).

The Bank will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Covered Bonds.

## FORM OF THE COVERED BONDS

Each Tranche of Covered Bonds will be in bearer form and will be initially issued in the form of a temporary global covered bond (a **Temporary Global Covered Bond**) or, if so specified in the applicable Final Terms, a permanent global covered bond (a **Permanent Global Covered Bond**) which, in either case, will:

- (i) if the Global Covered Bonds are intended to be issued in NGCB form, as stated in the applicable Final Terms, be delivered on or prior to the Issue Date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear and Clearstream, Luxembourg; and
- (ii) if the Global Covered Bonds are not intended to be issued in NGCB form, be delivered on or prior to the Issue Date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream, Luxembourg.

Where the Global Covered Bonds issued in respect of any Tranche are in NGCB form, the applicable Final Terms will also indicate whether such Global Covered Bonds are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Covered Bonds are to be so held does not necessarily mean that the Covered Bonds of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGCBs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms. Each Temporary Global Covered Bond (if it will not be exchanged) and/or Permanent Global Covered Bond will be kept in custody by or on behalf of a Common Safekeeper until all obligations of the Bank under the Covered Bonds have been satisfied. While any Covered Bond is represented by a Temporary Global Covered Bond, payments of principal, interest (if any) and any other amount payable in respect of the Covered Bonds due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Covered Bond if the Temporary Global Covered Bond is not intended to be issued in NGCB form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Covered Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Covered Bond is issued, interests in such Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein for interests in a Permanent Global Covered Bond of the same Series. The holder of a Temporary Global Covered Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Covered Bond for an interest in a Permanent Global Covered Bond is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Covered Bond will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Covered Bond if the Permanent Global Covered Bond is not intended to be issued in NGCB form) without any requirement for certification.

The applicable Final Terms will specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (**TEFRA C**) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (**TEFRA D**) are applicable in relation to the Covered Bonds or, if the Covered Bonds do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Where TEFRA D is specified in the applicable Final Terms, the following legend will appear on the applicable Permanent Global Covered Bond:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Covered Bonds and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Covered Bonds or interest.

Covered Bonds which are represented by a Global Covered Bond will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Covered Bonds*"), the Agent (as defined under "*Terms and Conditions of the Covered Bonds*") shall arrange that, where a further Tranche of Covered Bonds is issued which is intended to form a single Series with an existing Tranche of Covered Bonds at a point after the Issue Date of the further Tranche, the Covered Bonds of such further Tranche shall be assigned, if so required, a common code and ISIN which are different from the common code and ISIN assigned to Covered Bonds of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Covered Bonds of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Series/Tranche of Covered Bonds issued under the Programme.*

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

**[MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)] [MiFID II]; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

**[UK MIFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

Luxembourg, [Date]

**ING BANK HIPOTECZNY S.A.**

**Legal entity identifier (LEI): 2594006G5AW3PX0GET92**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]  
under the EUR 5,000,000,000**

**Programme for the issuance of Covered Bonds (*hipoteczne listy zastawne*)**

**PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 2 December 2021 [and the supplement[s] to it dated [ ] [and [ ]], which [together] constitute[s] a base prospectus for the purposes of the Regulation (EU) 2017/1129 (the **Prospectus Regulation**) (the **Base Prospectus**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 8.4 of the Prospectus Regulation and must be read in conjunction with the Base Prospectus. Full information on the Bank and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the Luxembourg Stock Exchange website (www.bourse.lu), on the website of the Bank (www.inghipoteczny.pl), and is available for viewing at and collection from the registered office of ING Bank Hipoteczny S.A., at ul. Chorzowska 50, 40-101 Katowice, Poland and the office of Deutsche Bank AG, London Branch (in its capacity as the Principal Paying Agent) at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under Base Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated 5 September 2019 which are incorporated by reference in the Base Prospectus dated 2 December 2021. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 8.4 of the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated 2 December 2021 [and the supplement[s] to it dated [ ] [and [ ]] (the **Base Prospectus**). Full information on the Bank and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the Luxembourg Stock Exchange website (www.bourse.lu), on the website of the Bank (www.inghipoteczny.pl), and is available for viewing at and collection from the registered office of ING Bank Hipoteczny S.A., at ul. Chorzowska 50, 40-101 Katowice, Poland and the office of Deutsche Bank AG, London Branch (in its capacity as the Principal Paying Agent) at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

1.
  - (a) Series Number: [ ]
  - (b) Tranche Number: [ ]
  - (c) Date on which the Covered Bonds will be consolidated and form a single Series: The Covered Bonds will be consolidated and form a single Series with [identify issue amount/ISIN/maturity date/issue date of earlier Tranche(s)] on [the Issue Date/the exchange date of the Temporary Global Covered Bond for interests in the Permanent Global Covered Bond which is expected to occur on or about [date]][Not Applicable]
2. Specified Currency: [ ]
3. Aggregate Nominal Amount:
  - (a) Series: [ ]
  - (b) Tranche: [ ]
  - (c) Issue Price (per Covered Bond): [ ] per cent. of the Aggregate Nominal Amount of the Tranche [plus accrued interest amounting to [insert Specified Currency and amount of accrued interest] for [insert number



- of days*] days for the period from, and including [the Interest Commencement Date][*insert date*] to, but excluding [the Issue Date] [*insert date*]]
- (Zero Coupon Covered Bonds can be issued only at a discount.)*
4. (a) Specified Denominations: [ ]  
*(Covered Bonds of each Series must have only one Specified Denomination with a minimum denomination of €100,000 (or equivalent)).*
- (b) Calculation Amount: [ ]  
*(Insert the relevant Specified Denomination.)*
5. (a) Issue Date: [ ]
- (b) Interest Commencement Date: *(An Interest Commencement Date will not be relevant for certain Covered Bonds, for example Zero Coupon Covered Bonds.)*  
 [Specify/Issue Date/Not Applicable]
- (i) Period to Maturity Date: [Specify/Maturity Date/Not Applicable]
- (ii) Period from Maturity Date to Extended Maturity Date or Additionally Extended Maturity Date:
6. Maturity Date: *[Specify date or for Floating Rate Covered Bonds – Interest Payment Date falling in or nearest to [specify month and year]]*
7. Interest Basis:
- (a) Period to Maturity Date: [ ] per cent. per annum Fixed Rate  
 [[ [ ] month [WIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
 [Zero Coupon]  
*(see paragraph [11]/[12]/[13(a)] below)*
- (b) Period from Maturity Date to Extended Maturity Date or Additionally Extended Maturity Date: [ ] per cent. per annum Fixed Rate  
 [[ [ ] month [WIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
 [Zero Coupon]  
*(see paragraph [11]/[12]/[13(a)] below)*
8. Redemption/Payment Basis: Redemption at par
9. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [date] paragraph [11/12] applies and for the period from (and including) [date], up to (and including) the Maturity Date, paragraph [11/12] applies] [Not Applicable]
10. Date of Management Board approval for issuance of Covered Bonds obtained: [ ] [and [ ], respectively]

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

11. Fixed Rate Covered Bond Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum in arrear on each Interest Payment Date
  - (b) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]  
*(Amend appropriately in the case of irregular coupons)*
  - (c) Fixed Coupon Amount(s): [[ ] per Calculation Amount/Not Applicable]
  - (d) Broken Amount(s): [[ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]/Not Applicable]
  - (e) Day Count Fraction: [Actual/Actual (ICMA)]  
[30/360]
  - (f) Determination Date(s): [ ] in each year [Not Applicable]  
*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case insert regular interest payment dates, ignoring issue date or maturity date in the case of long or short first or last coupon.)*
  - (g) Party responsible for calculating amounts payable: [Agent/[if not the Agent, insert details of Calculation Agent]]
12. Floating Rate Covered Bond Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ] subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
  - (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not applicable]
  - (c) Additional Business Centre(s): [ ]
  - (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
  - (e) Party responsible for calculating the Rate of Interest and Interest Amount: [Agent/[if not Agent, insert details of Calculation Agent]]
  - (f) Screen Rate Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining items of this subparagraph)*

- (i) Reference Rate: [ ] month [[WIBOR]/[EURIBOR]].
- (ii) Interest Determination Date(s): [ ]  
*(Second Warsaw business day prior to the start of each Interest Period if WIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR)*
- (iii) Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate)*
- (iv) Reference Banks: [ ]
- (g) ISDA Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining items of this subparagraph)*
- (i) ISDA Definitions: [2006 ISDA Definitions]/[2021 ISDA Definitions]
- (ii) Floating Rate Option: [ ]  
*(Ensure this is a Floating Rate Option included in the Floating Rate Matrix (as defined in the 2021 ISDA Definitions))*
- (iii) Designated Maturity: [ ]/[Not Applicable]  
*(A Designated Maturity period is not relevant where the relevant Floating Rate Option is a risk-free rate)*
- (iv) Reset Date: [ ]  
*(In the case of a EURIBOR based option, the first day of the Interest Period)*
- (v) Compounding: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining items of this subparagraph)*
- (vi) Compounding Method: [Compounding with Lookback  
 Compounding with Lookback Period: [[ ] Applicable Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]]  
 [Compounding with Observation Period Shift  
 Compounding with Observation Shift Period: [[ ] Observation Period Shift Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]]  
 Set-in-Advance: [Applicable/Not Applicable]]  
 [Compounding with Lockout

Compounding with Lockout Period: [ Lockout Period Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]

[IOS Compounding]

- (h) Linear Interpolation [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (i) Margin(s): [+/-][ ] per cent. per annum
- (j) Minimum Rate of Interest: [ per cent. per annum]/[Not Applicable]
- (k) Maximum Rate of Interest: [ per cent. per annum]/[Not Applicable]
- (l) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
[30E/360 (ISDA)]
13. Zero Coupon Covered Bond Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]

#### PROVISIONS RELATING TO REDEMPTION

14. Final Redemption Amount of each Covered Bond: [ ] per Calculation Amount  
*(N.B.: In relation to any issue of Covered Bonds which are expressed at item 4 above to have a minimum denomination and tradeable amounts above such minimum denomination which are smaller than it, the following wording should be added: "For the avoidance of doubt, in the case of a holding of Covered Bonds in an integral multiple of [ ] in excess of [ ] as envisaged in item 4 above, such holding will be redeemed at its nominal amount.")*

#### GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

15. Relevant Financial Centre(s) or other special provisions relating to Payment Dates: [Warsaw] / [Brussels] / [Not Applicable] / [ ]  
*(Note that this item relates to the date of payment as referred to under Condition 4(c))*

#### FORM OF COVERED BONDS

16. Form of Covered Bonds:

- (a) Form: [Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond]  
[Permanent Global Covered Bond]
- (b) New Global Note: [Yes/No]

**THIRD PARTY INFORMATION**

[ ] has been extracted from [ ]. The Bank confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Bank:

By:

*Duly authorised*

By:

*Duly authorised*

**ING BANK HIPOTECZNY S.A.**

By:

*Duly authorised*

**COVER POOL MONITOR OF ING BANK HIPOTECZNY S.A.**

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Luxembourg/Warsaw/None/specify other]
- (ii) Admission to trading: [Application has been made for the Covered Bonds to be admitted to trading on [the regulated market of the Luxembourg Stock Exchange/Warsaw Stock Exchange/[specify other] with effect from [ ]]/[Not Applicable.]

### 2. RATINGS

Ratings: [The Covered Bonds to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms]. Each of [defined terms] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The list of registered and certified rating agencies is published by the European Securities and Markets Authority on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.]/[Not Applicable.]

*[Need to include a brief explanation of the ratings if this has previously been published by the rating provider.]*

*(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUES

[Save for the fees [of [insert relevant fee disclosure]] payable to the [Managers/Dealers], so far as the Bank is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer.] The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Bank and its affiliates in the ordinary course of business.] [Amend as appropriate if there are other interests]

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.)]*

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND EXPENSES RELATING TO ADMISSION TO TRADING

- (i) Reasons for the offer [General Corporate Purposes]/[Green Covered Bonds]/[description of the reasons for the offer if not "General Corporate Purposes" or "Green Covered Bonds"]
- (ii) Estimated net amount of [ ] the proceeds
- (iii) Estimated expenses [ ]/[Not Applicable] relating to the admission to trading

### 5. YIELD (Fixed Rate Covered Bonds only)

Indication of yield: [ ]/[Not Applicable]

### 6. OPERATIONAL INFORMATION

- (i) ISIN Code: [ ]

- (ii) Common Code: [ ]
- (iii) CFI: [[See/[[*include code*], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]/[Not Applicable]/[Not Available]
- (iv) FISN: [[See/[[*include code*], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]/[Not Applicable]/[Not Available]
- (v) Any clearing system(s) other than Clearstream Luxembourg [./and], Euroclear Bank S.A./N.V. and the relevant address(es) and identification number(s): [Not Applicable/*give name(s), address(es) and identification number(s)*]
- (vi) Delivery: Delivery [free of/against] payment
- (vii) Names and addresses of additional Paying Agent(s) (if any): [ ]/[Not Applicable]
- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]  
[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 7. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Date of Subscription Agreement: [Not Applicable/*insert date*]
- (iv) Stabilisation Manager(s) (if any): [Not Applicable/*give name and address*]

- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (vi) U.S. Selling Restrictions: [[Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]]
- (vii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]  
*(If the Covered Bonds clearly do not constitute “packaged” products or the Covered Bonds do constitute “packaged” products and a key information document will be prepared in the EEA, “Not Applicable” should be specified. If the Covered Bonds may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
- (viii) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]  
*(If the Covered Bonds clearly do not constitute “packaged” products or the Covered Bonds do constitute “packaged” products and a key information document will be prepared in the UK, “Not Applicable” should be specified. If the Covered Bonds may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
- (ix) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]



## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following are the terms and conditions of the Covered Bonds which will be incorporated by reference into, and will form part of, each Global Covered Bond (as defined below). The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Covered Bond. Reference should be made to "Form of the Covered Bonds" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Covered Bonds.*

The Covered Bonds are mortgage covered bonds (*hipoteczne listy zastawne*) issued by ING Bank Hipoteczny Spółka Akcyjna (the **Bank**), a joint-stock company with its registered office in Katowice, Poland, at ul. Chorzowska 50, 40-101 Katowice, registered in the register of entrepreneurs of the National Court Register maintained by the District Court Katowice-Wschód in Katowice, VIII Commercial Division of the National Court Register, under number 0000723965, with the fully paid-up share capital of PLN 210,000,000, NIP number 205-000-51-99, with the corporate website [www.inghipoteczny.pl](http://www.inghipoteczny.pl) pursuant to the resolution of the Supervisory Board of the Bank No. 23/4/2019 dated 9 May 2019 and the Agency Agreement (as defined below).

The place of issue of the Covered Bonds is Luxembourg.

References herein to the **Covered Bonds** shall be references to the Covered Bonds of the relevant Tranche and shall mean:

- (a) in relation to any Covered Bonds represented by a global Covered Bond (a **Global Covered Bond**), units of each Specified Denomination in the Specified Currency; and
- (b) any Global Covered Bond.

The Covered Bonds have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 2 December 2021 and made between the Bank and Deutsche Bank AG, London Branch as principal paying agent (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for the Covered Bonds (or the relevant provisions thereof) are set out in the Final Terms attached to or endorsed on the Global Covered Bond pertaining thereto, which complete these terms and conditions of the Covered Bonds (the **Conditions**). References to the **applicable Final Terms** are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on the Global Covered Bond for the relevant Covered Bonds.

The Global Covered Bonds do not have interest coupons attached on issue.

Any reference to **Covered Bond Holders** or **Holder** in relation to any Covered Bonds shall mean the holders of the Covered Bonds and shall, in relation to any Covered Bonds represented by a Global Covered Bond, be construed as provided below.

As used herein, **Tranche** means Covered Bonds which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Agency Agreement (i) are available for inspection or collection during normal business hours at the specified office of each of the Paying Agents or (ii) may be provided by email to a Holder following their prior written request to any Paying Agents and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent). Copies of the applicable Final Terms are available for viewing at the registered office of the Bank and of the Agent and copies may be obtained from those offices save that, if the Covered Bonds are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Regulation, the applicable Final Terms will only be obtainable by a Covered Bond Holder holding one or more Covered Bonds and such Covered Bond Holder must produce evidence satisfactory to the Bank and the relevant Paying Agent as to its holding of such Covered Bonds and identity. If the Covered Bonds are to be admitted to

trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Words and expressions used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated. In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## 1. FORM, DENOMINATION AND TITLE

The Covered Bonds are in bearer form and are serially numbered, in the currency (the **Specified Currency**) and in the denominations for each Series (the **Specified Denomination(s)**) specified in the applicable Final Terms. Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination.

The Covered Bonds may be Fixed Rate Covered Bonds or Floating Rate Covered Bonds or a combination of any of the foregoing, depending upon the Interest Basis and the determination in Change of Interest Basis shown in the applicable Final Terms. Alternatively, the Covered Bonds may be Zero Coupon Covered Bonds depending upon the Interest Basis shown in the applicable Final Terms.

Subject as set out below, title to the Covered Bonds is effected by agreement on the transfer among the relevant parties and by delivery or otherwise in accordance with any applicable laws and regulations including the rules of any relevant Clearing System.

The Bank and the Paying Agents will (except as otherwise required by law) deem and treat the Holder of any Covered Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but without prejudice to the provisions set out in the next succeeding paragraph.

The applicable Final Terms will specify whether the Covered Bonds will be issued in new global note form.

The applicable Final Terms will specify the initial Aggregate Nominal Amount of the relevant Tranche and, in the event of a further Tranche to be consolidated with an existing Tranche or Tranches, the Aggregate Nominal Amount of the relevant Series of Covered Bonds.

The Aggregate Nominal Amount of the relevant Series of Covered Bonds represented by the Temporary Global Covered Bond(s) and the Permanent Global Covered Bond(s) shall be the aggregate nominal amount from time to time entered in the records of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). The records of Euroclear or Clearstream, Luxembourg (which expression means the records that of Euroclear or of Clearstream, Luxembourg holds for its customers which reflect the amount of such customer's interest in the Covered Bonds) shall be conclusive evidence of the aggregate nominal amount of the Covered Bonds represented by the Temporary Global Covered Bond and the Permanent Global Covered Bond and, for these purposes, a statement issued by a Euroclear or by Clearstream, Luxembourg stating the aggregate nominal amount of the Covered Bonds so represented at any time shall be conclusive evidence of the records of Euroclear or of Clearstream, Luxembourg at that time.

## 2. STATUS OF THE COVERED BONDS

The Covered Bonds are direct, unconditional and unsubordinated obligations of the Bank and rank *pari passu* among themselves. The Covered Bonds are covered in accordance with the Polish Act dated 29 August 1997 on Covered Bonds and Mortgage Banks (*Ustawa z dnia 29 sierpnia 1997 r. o listach zastawnych i bankach hipotecznych*, the **Polish Covered Bonds Act**) and rank *pari passu* with all other unsubordinated present and future obligations of the Bank which have the same status as the Covered Bonds under the Polish Covered Bonds Act.

## 3. INTEREST

The applicable Final Terms determine whether the Covered Bonds of a given Series are Fixed Rate Covered Bonds, Floating Rate Covered Bonds, or any combination thereof (depending upon the Interest

Basis and the determination in Change of Interest Basis shown in the applicable Final Terms), or Zero Coupon Covered Bonds.

(a) *Interest on Fixed Rate Covered Bonds*

Each Fixed Rate Covered Bond bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date, subject to Condition 5(c) (in which case it shall be paid until the Extended Maturity Date or Additionally Extended Maturity Date, as the case may be).

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Fixed Coupon Amounts are calculated by applying the Rate of Interest to the aggregate outstanding nominal amount of the Fixed Rate Covered Bonds represented by a Global Covered Bond and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or, in case of the first interest period, the Interest Commencement Date) to (but excluding) the next Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period such interest shall be calculated in respect of such period by applying the Rate of Interest to the aggregate outstanding nominal amount of the Fixed Rate Covered Bonds represented by a Global Covered Bond and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 3:

- (i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
  - (A) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of: (I) the number of days in such Determination Period; and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of: (I) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and (II) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) *Interest on Floating Rate Covered Bonds*

(i) Interest Payment Dates

Each Floating Rate Covered Bond bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 3(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply mutatis mutandis or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Luxembourg and each Relevant Business Centre specified in the applicable Final Terms;

- (B) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and
  - (C) a day on which Clearstream, Luxembourg and Euroclear are offsetting money and securities transfers.
- (ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Covered Bonds

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or the Calculation Agent, as applicable, under an interest rate swap transaction if the Agent or the Calculation Agent, as applicable, were acting as Calculation Agent (as defined in the ISDA Definitions (as defined below)) for that swap transaction under the terms of an agreement incorporating (i) if “2006 ISDA Definitions” is specified in the applicable Final Terms, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (**ISDA**) and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds; or (ii) if “2021 ISDA Definitions” is specified in the applicable Final Terms, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions as published by ISDA as at the Issue Date of the first Tranche of the Covered Bonds; (together, the **ISDA Definitions**) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
  - (2) the Designated Maturity, if applicable, is a period specified in the applicable Final Terms;
  - (3) the relevant Reset Date is the day specified in the applicable Final Terms; and
- (A) if the Floating Rate Option is an Overnight Floating Rate Option, the Overnight Rate Compounding Method is one of the following as specified in the applicable Final Terms:
- (a) Compounding with Lookback;
  - (b) Compounding with Observation Period Shift;
  - (c) Compounding with Lockout; or
  - (d) IOS Compounding.

In connection with the Overnight Rate Compounding Method, references in the ISDA Definitions to numbers or other items specified in the relevant confirmation shall be deemed to be references to the numbers or other items specified for such purpose in the applicable Final Terms.

For the purposes of this subparagraph (A), **Floating Rate, Floating Rate Option, Designated Maturity, Reset Date, Overnight Floating Rate Option, Overnight Rate Compounding Method, Compounding with Lookback, Compounding with Observation Period Shift,**

**Compounding with Lockout** and **OIS Compounding** have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Covered Bonds

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either EURIBOR or WIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 am (Brussels time, in the case of EURIBOR) or 11.00 am (Warsaw time in the case of WIBOR) on the Interest Determination Date in question plus or minus (as specified in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

In the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Bank and/or an agent appointed by the Bank shall request each of the Reference Banks to provide its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 am (Brussels time, in the case of EURIBOR) or 11.00 am (Warsaw time in the case of WIBOR) on the Interest Determination Date in question. If two or more of the Reference Banks provide the offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Bank and/or an agent appointed by the Bank.

As used herein, **Reference Banks** means the principal office of the bank or banks specified as such in the Final Terms or such other prime bank or banks as may be appointed as such by the Agent after consultation with the Bank.

If on any Interest Determination Date only one of the Reference Banks provides the Agent with a quotation as provided in the foregoing provisions of this paragraph, the Rate of Interest shall be the sum of the relevant quotation (rounded, if necessary, to the nearest 0.001 per cent (0.0005 per cent. being rounded upwards)) and the Margin (as applicable), all as determined by the Agent.

If on any Interest Determination Date none of the Reference Banks provides the Agent with a quotation, the Rate of Interest shall be (i) the rate determined on the previous Interest Determination Date (if any) or (ii) if there is no such previous Interest Determination Date, the Rate of Interest in the last preceding Interest Period, in each case, substituting, where a different margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the margin relating to the relevant Interest Period in place of the margin relating to that last preceding Interest Period.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance

with the provisions of Condition 3(b)(ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 3(b)(ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Agent, in the case of Floating Rate Covered Bonds, will at, or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Covered Bonds for the relevant Interest Period by applying the Rate of Interest to the aggregate outstanding nominal amount of the Covered Bonds represented by a Global Covered Bond and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 3(b):

- (A) if **Actual/Actual (ISDA)** or **Actual/Actual** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if **Actual/365 (Sterling)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) if **30/360, 360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y1** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y2** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M1** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M2** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D1** is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

**D2** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and **D1** is greater than 29, in which case **D2** will be 30;

- (F) if **30E/360** or **Eurobond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y1** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y2** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M1** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M2** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D1** is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case **D1** will be 30; and

**D2** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case **D2** will be 30;

- (G) if **30E/360 (ISDA)** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y1** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y2** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M1** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M2** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D1** is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D1** will be 30; and

**D2** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D2** will be 30.

- (v) Linear Interpolation

Where Linear Interpolation is specified in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the



applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next than shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(vi) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Bank and any stock exchange on which the relevant Floating Rate Covered Bonds are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 9 as soon as possible after their determination but in no event later than the fourth Luxembourg Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Covered Bonds are for the time being listed and to the Covered Bond Holders in accordance with Condition 9. For the purposes of this paragraph, the expression **Luxembourg Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Luxembourg.

(vii) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3(b) by the Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Agent, the other Paying Agents and all Covered Bond Holders and (in the absence of wilful default or bad faith) no liability to the Bank or the Covered Bond Holders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(viii) Accrual of interest

Each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue at a level specified under the provisions of the Polish Civil Code dated 23 April 1964 (*Ustawa z dnia 23 kwietnia 1964 r. Kodeks cywilny*, the **Civil Code**) until whichever is the earlier of:

- (A) the date on which all amounts due in respect of such Covered Bond have been paid; and
- (B) five days after the date on which the full amount of the moneys payable in respect of such Covered Bond has been received by the Agent and notice to that effect has been given to the Holders in accordance with Condition 9.

(ix) Benchmark discontinuation

Notwithstanding the provisions above in this Condition 3(b), if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply:

- (A) Independent Adviser

The Bank shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to advise the Bank in determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 3(b)(ix)(B)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 3(b)(ix)(D)) for purposes of determining the Rate of Interest (or a relevant component part thereof) applicable to the Covered Bonds for all future Interest Periods (subject to the subsequent operation of this Condition 3(b)(ix)). In making such determination, the Bank shall act in good faith as an expert. In the absence of fraud, the Independent Adviser shall have no liability whatsoever to the Bank, the Agent or the Holders for any determination made by it or for any advice given to the Bank in connection with any determination made by the Bank, pursuant to this Condition 3(b)(ix).

If the Bank is unable to appoint an Independent Adviser in accordance with this Condition 3(b)(ix)(A), the Bank, acting in good faith, may still determine (i) a Successor Rate or Alternative Rate and (ii) in either case, an Adjustment Spread and/or any Benchmark Amendments in accordance with this Condition 3(b)(ix) (with the relevant provisions in this Condition 3(b)(ix) applying mutatis mutandis to allow such determinations to be made by the Bank without consultation with an Independent Adviser). Where this Condition 3(b)(ix) applies, without prejudice to the definitions thereof, for the purposes of determining any Successor Rate, Alternative Rate, Adjustment Spread and/or Benchmark Amendments (as the case may be), the Bank will take into account any relevant and applicable market precedents and customary market usage as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets.

For the avoidance of doubt, none of the Agents shall be obliged to monitor or inquire whether a Benchmark Event has occurred or have any liability in respect thereof.

(B) Successor Rate or Alternative Rate

If the Bank, following consultation with the Independent Adviser, determines that:

- (I) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Covered Bonds (subject to the operation of this Condition 3(b)(ix)); or
- (II) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Covered Bonds (subject to the operation of this Condition 3(b)(ix)).

(C) Adjustment Spread

If a Successor Rate or Alternative Rate is determined in accordance with this Condition 3(b)(ix), the Bank, following consultation with the Independent Advisor, shall determine an Adjustment Spread (which may be expressed as a specified quantum of, or a formula or methodology for determining, such Adjustment Spread), which Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a relevant component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(D) Benchmark Amendments

if any Successor Rate, Alternative Rate or Adjustment Spread and (in either case) the applicable Adjustment Spread is determined in accordance with this Condition 3(b)(ix) and the Bank, following consultation with the Independent Adviser, determines (i) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the Benchmark Amendments) and (ii) the terms of the Benchmark Amendments, then the Bank may also, following consultation with the Agent (or the person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), take necessary action to effect such Benchmark Amendments (and for the avoidance of doubt, the Agent shall, at the direction and expense of the Bank, consent to and effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 3(b)(ix)). No Holder consent shall be required in connection with effecting such Benchmark Amendments.

(E) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 3(b)(ix) will be notified promptly by the Bank to the Agent, the Calculation Agent, the Paying Agents in accordance with Condition 9.

No later than notifying the Agent of the same, the Bank shall deliver to the Agent a certificate signed by two authorised signatories of the Bank:

- (I) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 3(b)(ix); and
- (II) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Agent shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Agent's ability to rely on such certificate as aforesaid) be binding on the Bank, the Agent, the Calculation Agent, the Paying Agents and the Holders.

(F) Survival of Original Reference Rate

Without prejudice to the obligations of the Bank under Condition 3(b)(ix) (A), (B), (C) and (D), the Original Reference Rate and the fallback provisions provided for in Condition 3(b)(iv) will continue to apply unless and until the Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), any Adjustment Spread (if applicable) and Benchmark Amendments (if applicable), in accordance with Condition 3(b)(ix)(E).

(G) Instructions to the Agents

Notwithstanding any other provision of this Condition 3(b)(ix), if in the Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 3(b)(ix), the Agent shall promptly notify the Bank and/or the Independent Adviser thereof and the Bank shall

direct the Agent in writing as to which alternative course of action to adopt. If the Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Bank and/or the Independent Adviser (as the case may be) thereof and Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

(H) Definitions:

As used in this Condition 3(b)(ix):

**Adjustment Spread** means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (I) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (II) (if no such recommendation has been made, or in the case of an Alternative Rate) the Bank, following consultation with the Independent Adviser, determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or
- (III) (if the Bank determines that no such spread is customarily applied) the Bank, following consultation with the Independent Adviser, determines to be appropriate.

**Alternative Rate** means an alternative to the Reference Rate which the Bank, following consultation with the Independent Adviser, determines in accordance with Condition 3(b)(ix)(B) is customarily applied in the international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Covered Bonds or, if the Bank, following consultation with the Independent Adviser, determines there is no such rate, such other rate as the Bank, following consultation with the Independent Adviser, determines is most comparable to the relevant Reference Rate.

**Benchmark Amendments** has the meaning given to it in Condition 3(b)(ix)(D).

**Benchmark Event** means:

- (I) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (II) the later of (i) the making of a public statement by the administrator or an insolvency official with jurisdiction over the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (ii) the date falling six months prior to the date specified in (i) above; or

- (III) the making of a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (IV) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (ii) the date falling six months prior to the date specified in (i) above;
- (V) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (ii) the date falling six months prior to the date specified in (i) above; or
- (VI) it has, or will prior to the next Interest Determination Date become unlawful for any Paying Agent, Calculation Agent, the Bank or other party to calculate any payments due to be made to any Holder of the Covered Bonds using the Original Reference Rate (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable); or
- (VII) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate announcing that such Original Reference Rate will, on or before a specified date, no longer be representative or may no longer be used and (ii) the date falling six months prior to the date specified in (i) above.

**Independent Adviser** means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Bank under Condition 3(b)(ix)(A).

**Original Reference Rate** means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Bank.

**Relevant Nominating Body** means, in respect of a benchmark or screen rate (as applicable):

- (I) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (II) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

**Successor Rate** means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

(c) Interest Rates Positive

Unless specified otherwise in the applicable Final Terms, the rate of interest payable in respect of the Covered Bonds shall never be less than zero. If the method for determining a rate of interest applicable to the Covered Bonds would result in a negative figure, the applicable rate of interest would be zero.

(d) No Periodic Payments of Interest on Zero Coupon Covered Bonds

There will be no periodic payments of interest on any Zero Coupon Covered Bonds.

**4. PAYMENTS**

(a) *Method of payment*

Subject as provided below, Holders will receive payments as follows:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the Holder with a bank in the principal financial centre of the country of such Specified Currency; and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the Holder.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(b) *Payments*

Payments of principal and interest (if any) in respect of Covered Bonds will (subject as provided below) be made in the manner specified and otherwise in the manner specified in the relevant Global Covered Bond, where applicable, against presentation or surrender, as the case may be, of such Global Covered Bond at the specified office of any Paying Agent outside the United States. A record of each payment distinguishing between any payment of principal and any payment of interest, will be made on such Global Covered Bond either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

The holder of a Global Covered Bond shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the Bank will be discharged by payment to, or to the order of, the holder of such Global Covered Bond in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Bank to, or to the order of, the holder of such Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Covered Bonds is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Covered Bonds will be made at the specified office of a Paying Agent in the United States if:

- (i) the Bank has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Covered Bonds in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

- (iii) such payment is then permitted under United States law without involving, in the opinion of the Bank, adverse tax consequences to the Bank.

(c) *Payment Day*

If the date for payment of any amount in respect of any Covered Bond is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 7) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Relevant Financial Centre specified in the applicable Final Terms; and
- (ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and
- (iii) a day on which Clearstream, Luxembourg and Euroclear are effecting money and securities transfers.

(d) *Interpretation of principal and interest*

Any reference in the Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 6;
- (ii) the Final Redemption Amount of the Covered Bonds; and
- (iii) any premium and any other amounts (other than interest) which may be payable by the Bank under or in respect of the Covered Bonds.

Any reference in the Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6.

## 5. REDEMPTION AND PURCHASE

(a) *Redemption at maturity*

Subject to Condition 5(c) and Condition 5(g), unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Bank at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

(b) *No redemption at the option of the Covered Bond Holders (Investor Put)*

The Covered Bond Holders are not entitled to request redemption of the Covered Bonds prior to the Maturity Date.

(c) *Redemption of the Covered Bonds in the event of the Bank's Bankruptcy*

- (i) In these Conditions:

**Bankruptcy Event** means the announcement of the bankruptcy of the Bank (*ogłoszenie upadłości*) by a Polish bankruptcy court in accordance with the Polish Bankruptcy Law;

**Bankruptcy Receiver** means the receiver (*syndyk*) appointed by the bankruptcy court in respect of the Separate Bankruptcy Asset Pool in accordance with the Polish Bankruptcy Law;

**Coverage Test** means the coverage test (*test równowagi pokrycia*) as defined in the Polish Covered Bonds Act, performed by the Bankruptcy Receiver to determine whether the Separate Bankruptcy Asset Pool is sufficient to satisfy all of the Bank's obligations towards all holders of outstanding covered bonds issued by the Bank in full;

**Cover Pool Register** means the cover pool register (*rejestr zabezpieczenia listów zastawnych*) maintained by the Bank in accordance with the provisions of the Polish Covered Bonds Act;

**Liquidity Test** means the liquidity test (*test płynności*) as defined in the Polish Bankruptcy Law, performed by the Bankruptcy Receiver to determine whether the Separate Bankruptcy Asset Pool is sufficient to satisfy the Bank's obligations towards all holders of outstanding covered bonds issued by the Bank in full taking into account the maturity of all outstanding covered bonds issued by the Bank extended by 12 months;

**Partial Separate Bankruptcy Asset Pool Sale** means the sale of a portion of the assets constituting the Separate Bankruptcy Asset Pool in accordance with the Polish Bankruptcy Law;

**Polish Accounting Act** means the Polish Act dated 29 September 1994 on Accounting (*Ustawa z dnia 29 września 1994 r. o rachunkowości*);

**Polish Bankruptcy Law** means the Polish Act dated 28 February 2003 Bankruptcy Law (*Ustawa z dnia 28 lutego 2003 r. Prawo upadłościowe*);

**Qualifying Hedging Instruments** means hedging arrangements to which the Bank is a party which satisfy the conditions of the Polish Covered Bonds Act and the Polish Accounting Act;

**Separate Bankruptcy Asset Pool** means a separate bankruptcy asset pool (*osobna masa upadłości*) of the Bank created on the date of the Bankruptcy Event to satisfy claims of all holders of outstanding covered bonds issued by the Bank and counterparties to Qualifying Hedging Instruments;

**Separate Bankruptcy Asset Pool Sale** means the sale of all of the assets constituting the Separate Bankruptcy Asset Pool in accordance with the Polish Bankruptcy Law; and

**Underlying Receivables** means the receivables which are the basis for the issuance of the covered bonds issued by the Bank.

- (ii) Upon the occurrence of a Bankruptcy Event, the maturity date of all covered bonds issued by the Bank shall be automatically extended by 12 months (the **Extended Maturity Date**).
- (iii) With respect to the Coverage Test and the Liquidity Test to be conducted by the Bankruptcy Receiver within three months of the date of the Bankruptcy Event in accordance with the Polish Covered Bonds Act:
  - (A) If the Coverage Test and the Liquidity Test each confirm that the Separate Bankruptcy Asset Pool is sufficient to satisfy the Bank's obligations towards all holders of outstanding covered bonds issued by the Bank in full, the Bank's obligations towards the Covered Bond Holders shall be fulfilled in accordance with these Conditions and the applicable Final Terms taking into account the Extended Maturity Date and paragraph (iv) below.

Notwithstanding the above, the Covered Bond Holders, together with the holders of all outstanding covered bonds issued by the Bank may, not later than two months following the announcement of the results of the Coverage Test and the Liquidity Test by the Bankruptcy Receiver, by a vote of holders representing two-thirds of the aggregate nominal amount of all outstanding covered bonds of the Bank, instruct the Bankruptcy Receiver to conduct a Separate Bankruptcy Asset Pool Sale (a) to another mortgage bank, with the transfer of the obligations of the Bank under all of the outstanding covered bonds of the Bank in which case payments of principal and interest under the Covered Bonds will be made by the mortgage bank acquiring the Separate Bankruptcy Asset Pool or (b) to another mortgage bank or a bank, without such



transfer, in which case payments of principal and interest under the Covered Bonds will be made by the Bankruptcy Receiver from the proceeds from the Separate Bankruptcy Asset Pool Sale.

If the amount of proceeds received from the Separate Bankruptcy Asset Pool Sale, *less*, with respect to all outstanding covered bonds of the Bank:

- (I) the aggregate amount of interest that will become due and payable within six months from the Separate Bankruptcy Asset Pool Sale; and
- (II) the aggregate amount of principal and interest that had become due and payable prior to the date of the Bankruptcy Event but had not been paid prior to the date of Bankruptcy Event,

is equivalent to at least 5 per cent of the aggregate principal amount of all outstanding covered bonds of the Bank, the Bankruptcy Receiver may, at his discretion, repay the principal under the Covered Bonds (provided that payments are made pro rata to all holders of outstanding covered bonds of the Bank, including the Covered Bond Holders, and counterparties to the Qualifying Hedging Instruments) earlier than on the Extended Maturity Date. Such payment would be made on the next interest payment date, but in any event not earlier than 14 days after the date on which the decision of the judge-commissioner approving the Bankruptcy Receiver's report on the progress of the bankruptcy proceedings becomes final and binding.

- (B) If the Coverage Test confirms that the Separate Bankruptcy Asset Pool is sufficient to satisfy the Bank's obligations towards all holders of outstanding covered bonds issued by the Bank in full, but the Liquidity Test fails to confirm that the Separate Bankruptcy Asset Pool is sufficient to satisfy the Bank's obligations towards all holders of outstanding covered bonds issued by the Bank in full taking into account the maturity of all outstanding covered bonds issued by the Bank extended by 12 months, the Maturity Date of the Covered Bonds shall be extended by three years from the latest maturity date of an Underlying Receivable entered into the Cover Pool Register (the **Additionally Extended Maturity Date**).

However, if the available funds in the Separate Bankruptcy Asset Pool, *less*, with respect to all outstanding covered bonds of the Bank:

- (I) the aggregate amount of interest that will become due and payable within six months from the date of the performance of the Coverage Balance Test; and
- (II) the costs of bankruptcy proceedings with respect to the Separate Bankruptcy Asset Pool indicated in the Bankruptcy Receiver's report,

are equivalent to at least 5 per cent of the aggregate nominal value of the outstanding covered bonds issued by the Bank, payment of principal under the Covered Bonds shall be made on the next interest payment date falling at least 14 days after the date on which the decision of the judge-commissioner approving the Bankruptcy Receiver's report on the progress of the bankruptcy proceedings becomes final and binding; *provided that* such payments of principal shall be made pro rata to all holders of covered bonds issued by the Bank (including the Covered Bond Holders) and counterparties to the Qualifying Hedging Instruments (the **Pass-Through Procedure**).

Notwithstanding the above, the Covered Bond Holders, together with all holders of the outstanding covered bonds issued by the Bank, may, not later than three months following the date of the announcement of the results of the Coverage Test and the Liquidity Test, by a vote of holders representing two-thirds of the aggregate nominal amount of all outstanding covered bonds of the Bank:

- (I) disapply the Additionally Extended Maturity Date and the Pass-Through Procedure and revert to the Extended Maturity Date; or

- (II) instruct the Bankruptcy Receiver to conduct a Separate Bankruptcy Asset Pool Sale or Partial Separate Bankruptcy Asset Pool Sale to:
- a. another mortgage bank, with the transfer of the obligations of the Bank under all of the outstanding covered bonds of the Bank;
  - b. a bank which is not a mortgage bank, without the transfer of the obligations of the Bank under all of the Bank's outstanding covered bonds, or
  - c. an entity which is not a bank, with respect to assets the possession of which is not restricted to banks, without the transfer of the obligations of the Bank under all of the Bank's outstanding covered bonds,

in which case principal and all interest under the Covered Bonds shall become immediately due and payable.

- (C) If the Coverage Test fails to confirm that the Separate Bankruptcy Asset Pool is sufficient to satisfy the Bank's obligations towards all holders of outstanding covered bonds issued by the Bank in full, paragraph (B) above shall apply (including the Additionally Extended Maturity Date); *provided that* the vote by the holders of the outstanding covered bonds issued by the Bank on the Separate Bankruptcy Asset Pool Sale or Partial Separate Bankruptcy Asset Pool Sale referred in paragraph (B) above may occur at any time following the announcement of the results of the Coverage Balance Test.

- (iv) Irrespective of the results of the Coverage Test and Liquidity Test, following the date of the Bankruptcy Event, any interest under the Covered Bonds shall be calculated on the basis of, and payable in the manner and on the dates indicated in the Conditions and the applicable Final Terms.

- (v) In addition, if a Bankruptcy Event occurs after the Maturity Date and the aggregate nominal amount under the Covered Bonds which is due and payable had not been repaid prior to the Bankruptcy Event Date, the Bank shall, subject to the Additionally Extended Maturity Date, pay such aggregate nominal amount under the Covered Bonds within 12 months of the date of the Bankruptcy Event, but not earlier than after the first announcement on the results of the Coverage Test and the Liquidity Test.

*This Condition 5(c) replicates mandatory provisions of Polish law, in particular the Polish Bankruptcy Law, as at the date of this Base Prospectus. In the event of a conflict between Condition 5(c) and mandatory provisions of Polish law, if and as amended from time to time, mandatory provisions of Polish law shall prevail. Changes (if any) in the mandatory provisions of Polish law which affect the provisions of this Condition 5(c) shall not create an obligation for the Bank to notify the Holders thereof unless otherwise required under applicable Polish law.*

- (d) *Purchases*

The Bank may at any time purchase Covered Bonds at any price in the open market or otherwise.

- (e) *Cancellation*

All Covered Bonds which are redeemed or purchased by the Bank will forthwith be cancelled. All Covered Bonds so cancelled cannot be reissued or resold.

- (f) *Late payment on Zero Coupon Covered Bonds*

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to Condition 5(a) is improperly withheld or refused, default interest specified under Article 481 §2 of the Civil Code shall accrue on such amount.

- (g) *Mandatory redemption in case of non-bankruptcy liquidation, merger, division or transformation under statutory provisions of Polish law*

Under the Polish Act dated 15 January 2015 on Bonds (*Ustawa z dnia 15 stycznia 2015 r. o obligacjach*) (the **Polish Act on Bonds**), if the Bank is subject to non-bankruptcy liquidation (*likwidacja*), the Bank shall redeem the Covered Bonds at par on the opening day of such non-bankruptcy liquidation (*likwidacja*) proceedings. If the Bank is subject to a merger (*połączenie*), division (*podział*) or transformation (*przekształcenie formy prawnej*), and the entity that has taken over all or a portion of the Bank's obligations under the Covered Bonds pursuant to such merger (*połączenie*), division (*podział*) or transformation (*przekształcenie formy prawnej*) is not permitted under the Polish Covered Bonds Act to issue covered bonds, the Bank or its successor entity shall redeem such Covered Bonds at par. The terms non-bankruptcy liquidation (*likwidacja*), merger (*połączenie*), division (*podział*) and transformation (*przekształcenie formy prawnej*) in this paragraph shall have the meaning as prescribed under Polish law.

## 6. TAXATION

All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Bank will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Bank will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Covered Bonds after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond:

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Covered Bond by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Covered Bond; or
- (b) presented for payment by, or by a third party on behalf of, a Holder who could lawfully avoid (but has not so avoided) such deduction or withholding by it complying, or procuring (if it is in the relevant Holder's control) that any third party complies, with any statutory requirements or by it making, or procuring (if it is in the relevant Holder's control) that any third party makes, a declaration of non-residence or other similar claim for exemption to any tax authority in the relevant place; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 4(c)); or
- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond to another Paying Agent in a Member State of the European Union.

Notwithstanding any other provision of these Conditions, in no event will the Bank be required to pay any additional amounts in respect of the Covered Bonds for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

As used herein:

- i. **Tax Jurisdiction** means Poland or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments made by the Bank of principal and interest on the Covered Bonds become generally subject; and

- ii. the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Covered Bond Holders in accordance with Condition 9.

## 7. **PRESCRIPTION**

Claims against the Bank for payment of principal amount under the Covered Bonds expire after six years and claims against the Bank for payment of interest under the Covered Bonds expire after three years.

## 8. **PAYING AGENTS**

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Bank is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) so long as the Covered Bonds are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent, which may be the Agent, with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (b) the Bank undertakes that it will ensure that it maintains a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Bank is incorporated.

In addition, the Bank shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 4(b). Notice of any variation, termination, appointment or change in the Paying Agents will be given to the Covered Bond Holders promptly by the Bank in accordance with Condition 9.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Bank and do not assume any obligation to, or relationship of agency or trust with, any Covered Bond Holders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

## 9. **NOTICES**

All notices regarding the Covered Bonds will be deemed to be validly given if published in a daily newspaper of general circulation in Luxembourg. It is expected that such publication will be made in the *Luxemburger Wort* in Luxembourg. So long as the Covered Bonds are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website, [www.bourse.lu](http://www.bourse.lu). It is expected that any such publication in a newspaper will be made in the *Luxemburger Wort* in Luxembourg. The Bank shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant regulatory authority on which the Covered Bonds are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. The Bank will deliver printouts of all information published on the Bank's website in accordance with the Polish Act on Bonds to ING Bank Śląski S.A.

So long as any Global Covered Bonds representing the Covered Bonds are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Holders of the Covered Bonds and, in addition, for so long as any

Covered Bonds are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the Holders on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Covered Bond Holder shall be in writing and given by lodging the same with the Agent. While any of the Covered Bonds are represented by a Global Covered Bond, such notice may be given by any Holder to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## **10. FURTHER ISSUES**

The Bank shall be at liberty from time to time without the consent of the Covered Bond Holders to create and issue further covered bonds having terms and conditions the same as the Covered Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds.

## **11. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### *(a) Governing law*

The Covered Bonds and any non-contractual obligations arising therefrom or in connection therewith are governed by, and shall be construed in accordance with, Polish law.

### *(b) Submission to jurisdiction*

The Polish common court appropriate for the registered seat of the Bank at the time of making a claim shall have non-exclusive jurisdiction for any action or other legal proceedings (**Proceedings**) arising out of or in connection with the Covered Bonds. The Polish courts shall have exclusive jurisdiction over lost or destroyed Covered Bonds.

### *(c) Enforcement*

Any Holder of Covered Bonds may in any proceedings against the Bank, or to which such Holder and the Bank are parties, in his own name enforce his rights arising under such Covered Bonds on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of Covered Bonds (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Covered Bonds credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) or (ii) a copy of the Covered Bonds in global form certified as being a true copy by a duly authorised officer of the Clearing System or a depositary of the Clearing System, without the need for production in such proceedings of the actual records or the Global Covered Bond representing the Covered Bonds. For purposes of the foregoing, **Custodian** means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Covered Bonds and includes the Clearing System. Each Holder may, without prejudice of the foregoing, protect and enforce his rights under the Covered Bonds also in any other way which is permitted in the country in which the proceedings are initiated.

## **12. MEETINGS OF COVERED BOND HOLDERS MODIFICATION, WAIVER AND SUBSTITUTION**

The meeting of the Covered Bond Holders may consider any matter affecting their interests under the Covered Bonds, including the sanctioning by a resolution of a modification of the Conditions. Such a meeting may be convened for each Series by the Bank and shall be convened by the Bank if required in writing by Covered Bond Holders holding not less than 10 per cent. in nominal amount of the Covered Bonds of that Series for the time being outstanding (excluding the Covered Bond Holders who are

members of the Bank's capital group within the meaning of Article 3 Section 1 item 44 of the Polish Accounting Act). The meeting of the Covered Bond Holders shall be convened by an announcement made at least 21 days before the date of the meeting published in accordance with Condition 9. The meeting of the Covered Bond Holders shall be held at the seat of the entity operating the regulated market (in the event the Covered Bond Holders are admitted to trading on a regulated market) or (in all other cases) in Warsaw, Poland. The quorum at any such meeting for passing a resolution is one or more persons holding or representing not less than 50 per cent. of the nominal amount of the Covered Bonds of that Series for the time being outstanding (excluding the Covered Bond Holders who are members of the Bank's capital group within the meaning of Article 3 Section 1 item 44 of the Polish Accounting Act), except that at any meeting the business of which includes the modification of certain provisions of the Covered Bonds (including modifying the date of maturity of the Covered Bonds or any date for payment of interest thereon, reducing the nominal value or the rate of interest payable in respect of the Covered Bonds or altering the currency of payment of the Covered Bonds), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Covered Bonds of that Series for the time being outstanding (excluding the Covered Bond Holders who are members of the Bank's capital group within the meaning of Article 3 Section 1 item 44 of the Polish Accounting Act). A resolution passed at any meeting of the Covered Bond Holders shall be binding on all the Covered Bond Holders of the Series for which the meeting was held, whether or not they are present at the meeting. The resolutions shall be passed:

- (a) in case of reduction of the nominal value of the Covered Bonds – by an unanimous vote of all present Covered Bond Holders;
- (b) in case of:
  - i. modifications to the methods of calculating interest, and terms of payment (including reduction or cancellation) of interest;
  - ii. modifications as to the time, place or method of satisfying the claims of the Covered Bond Holders, including the date, as at which entitlement to these benefits is established; or
  - iii. the principles of convening, holding or adopting resolutions by the meeting of the Covered Bond Holders,  
  
by an unanimous vote of all present Covered Bond Holders (in case the Covered Bonds are admitted to trading on a regulated market) or by a majority of 75 per cent. of all present Covered Bond Holders (in case the Covered Bonds are not admitted to trading on a regulated market); and
- (c) in all other cases – by a majority vote.

Any changes to the Conditions approved by the Covered Bond Holders in the manner specified above shall only take effect if the Bank consents thereto. The Bank's statement concerning consent or the lack thereof for the change of the Conditions shall be published by the Bank on the Bank's website within seven days from the end of the meeting of the Covered Bond Holders. Failure to publish such statement means that the Bank does not grant its consent for the change of the Conditions.

Upon the occurrence of the Bankruptcy Event, the provisions of the Polish Bankruptcy Law with respect of meetings of holders of all outstanding covered bonds of the Bank shall prevail. For further details see Condition 5(c) above.

## MARKET OVERVIEW

### The Polish economy

Poland is the eighth largest and one of the most dynamic economies in the European Union. In 2018, it received developed market status from FTSE Russell and Stoxx. In 2020, real GDP in Poland decreased by 2.5 per cent., compared to 4.7 per cent. increase in 2019. This can be mainly attributed to the restrictions introduced following the outbreak of the Covid-19 pandemic.

In 2020 tax revenues grew by 0.8 per cent. as compared to 2019. The general government deficit increased from 0.7 per cent. of GDP in 2019 to 7.0 per cent. for 2020. The level of public debt increased from 45.6 per cent. in 2019 to 57.5 per cent. of GDP in 2020.

The table below sets out the key economic indicators for Poland as 31 December 2020 and 31 December 2019.

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Activity indicators</b>		
Real GDP (per cent., year on year)	-2.5	4.7
Private consumption (per cent., year on year)	-3.0	4.0
Investments (per cent., year on year)	-8.4	7.2
Industrial production (per cent., year on year)	-1.0	4.3
General government balance (per cent. of GDP)	-7.0	-0.7
Government debt (per cent. of GDP)	57.5	45.6
Registered unemployment rate (per cent.)	6.2	5.2
Nominal GDP (USD billion)	581	592
<b>Prices</b>		
CPI inflation rate (per cent., year on year average)	3.4	2.3
PPI inflation rate (per cent., year on year average)	-0.6	1.2
Enterprise sector wage rates (per cent., year on year)	4.8	6.6
<b>Market indicators</b>		
3-months' interbank rate (per cent.)	0.21	1.71
EUR/PLN exchange rate (average)	4.61	4.26

Source: Statistics Poland (*Główny Urząd Statystyczny*, GUS), NBP

### The Polish banking sector

#### *Structure of the Polish banking sector*

In line with KNF data, as at 31 August 2021, the total number of banks and branches of foreign credit institutions operating in Poland was 587: there were 30 domestic commercial banks, 37 branches of foreign credit institutions, and 520 cooperative banks operating in Poland.

The following table sets out the number of domestic commercial banks, foreign credit institutions and cooperative banks operating in Poland:

	<b>31 August 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Total, including:	587	596	600
Domestic commercial banks	30	30	30
Branches of foreign credit institutions	37	36	538
Cooperative banks	520	530	32

Source: KNF's monthly data on the banking sector – September 2021

### ***Financial situation of the Polish banking sector***

According to the KNF, in 2020 situation in the Polish banking sector was mainly influenced by the development of the Covid–19 pandemic and increased legal risk related to mortgage loans denominated in foreign currencies or indexed to foreign currencies. In 2020 the structure of the Polish banking sector remained stable with continuation of trends observed in previous years. Capital position, long and short term liquidity were all evaluated to be on safe levels, above the regulatory requirements.

The basic characteristics of the Polish banking sector are shown in the table below:

	<b>2020</b>	<b>2019</b>	<b>Change 2019/2020</b>
	<i>(in PLN billion)</i>		<i>(per cent.)</i>
Total assets	2,350.1	2,000.1	17.5
Deposits from the non-financial sector	1,405.2	1,242.8	13.1
Loans to non-financial sector	1,142.5	1,136.8	0.5

Source: KNF's report on the situation of the Polish banking sector in 2020 – July 2021

#### ***Total assets***

In 2020, the nominal value of total assets of the Polish banking sector increased by 17.5 per cent. compared to 2019. This increase was significantly higher than in 2019. Changes in the assets structure are mainly related to the government support programmes introduced during the Covid-19 pandemic. Financial aid provided by the Polish government and the NBP's quantitative easing programme resulted in a significant increase of the value debt securities. Different forms of governmental aid resulted also led to an increase in deposits and reduced demand for loans.

The structure of total assets is set out in the table below:

	<b>2020</b>	<b>2019</b>	<b>Change 2019/2020</b>
	<i>(in PLN billion)</i>		<i>(per cent.)</i>
Cash, central bank, and other deposits	112.6	115.2	-2.2
Debt securities	695.1	457.8	51.8
Capital instruments	6.4	6.0	6.4
Loans and advances at FV	55.8	48.8	14.4
Loans and advances at amortised cost	1,288.6	1,291.9	-0.3
Other assets	191.6	80.5	138.0

Source: KNF's report on the situation of the Polish banking sector in 2020 – July 2021

#### ***Loans***

In 2020, loans to the non-financial sector increased by PLN 5.7 billion, i.e. 0.5 per cent. compared to 2019 and the growth rate was lower than in 2019. The largest share of total loans to non-financial clients belongs to households (67 per cent.), followed by business (32 per cent.).

The following table sets out the structure of loans to non-financial clients:

	<b>2020</b>	<b>2019</b>	<b>2019/2020</b>
	<i>(in PLN billion)</i>		<i>(per cent.)</i>
Loans to non-financial sector, including:	1,142.5	1,136.8	0.5
Loans to households, including:	766.8	745.3	2.9
Housing loans	477.5	448.9	6.4
Loans to business	367.6	383.9	-4.2

Source: KNF's report on the situation of the Polish banking sector in 2020 – July 2021

According to AMRON – SARFiN report, in 2020, the housing loans growth rate was slower compared to 2019. Banks granted approximately 204,170 loans with an aggregate value of PLN 60.7 billion compared to 225,073



loans of an aggregate value of PLN 62.6 billion in 2019. In 2020 loans granted in PLN accounted for 98.79 per cent. of all new loans.

The quality of loan portfolio set out in the table below remained stable – share of receivables in stage 3:

	<b>2020</b>	<b>2019</b>
	<i>(in PLN billion)</i>	
Total non-financial sector	6.95	6.63
Business	9.02	8.58
Households	6.01	5.68

Source: KNF's report on the situation of the Polish banking sector in 2020 – July 2021

At the end of 2020, the amount of loans with identified impairment increased by 0.31 per cent. point. In housing loans, the quality of the loan portfolio is very high. Share of loans with under observation or with identified impairment is at the level of 2.5 per cent. of the total portfolio.

### **Deposits**

In 2020 non-financial sector deposits increased by 13.0 per cent. and 165.2 billion PLN compared to 2019. Household deposits had a 70.9 per cent. share in total deposits and deposits denominated in PLN constituted 86.5 per cent of total deposits. Low rates environment and increased inflation resulted in a decrease in term deposits.

The structure of the Polish banking sector deposits is set out in the table below:

	<b>2020</b>	<b>2019</b>	<b>Change 2019/2020</b>
	<i>(in PLN billion)</i>		<i>(per cent.)</i>
Households	1,018.4	919.9	10.7
Business	386.8	322.9	19.8

Source: KNF's report on the situation of the Polish banking sector in 2020 – July 2021

### **Financial results**

In 2020, the net financial result of the Polish banking sector amounted to PLN 0.93 billion and was lower compared to 2019 by 93.3 per cent. This decrease was due mainly to lower operational income and significantly higher reserves. The level of impairment write-offs also increased significantly.

The table below shows the financial results of the Polish banking sector:

	<b>2020</b>	<b>2019</b>	<b>Change 2019/2020</b>
	<i>(in PLN billion)</i>		<i>(per cent.)</i>
Operational income	61,972.6	70,627.0	-12.3
Operational costs and amortisation	39,272.0	39,247.4	0.1
Reserves	4,284.6	2,405.5	78.1
Net financial result	931.5	13,806.2	-93.3

Source: KNF's report on the situation of the Polish banking sector in 2020 – July 2021

In 2020, low increase in the operational cost and amortisation was observed, by 0.1 per cent. The highest impact on cost increase is related to BFG and bank tax.

These factors are reflected in the basic effectiveness ratios given in the table below:

	<b>2020</b>	<b>2019</b>
Cost to income	63.4	55.6
Net result / average assets	0.04	0.7
Net result / average equity	0.3	6.7

Source: KNF's report on the situation of the Polish banking sector in 2020 – July 2021

### Key trends in the Polish banking sector

Polish banks continue to increase their effectiveness by optimising employment and sales networks. As a result, in 2020 the number of employees in the banking sector decreased to 149 thousand from 157 thousand in 2019. The number of bank branches decreased by 569. At the same time, Polish customers are more active on the internet, which additionally supports these tendencies.

The capital base remained stable. In 2020, growth in banks' own funds (10.2 per cent. compared to 2019) and total risk exposure (1.5 per cent. compared to 2019) was observed. As a result, capital ratios increased by 1.7 per cent. point compared to previous year. At the end of 2020, only two cooperative banks and two commercial banks did not fulfil the minimum requirements for capital ratios but their share in the sector's assets was marginal (2.8 per cent.). In terms of liquidity, all banks fulfil the LCR requirement at 100 per cent.

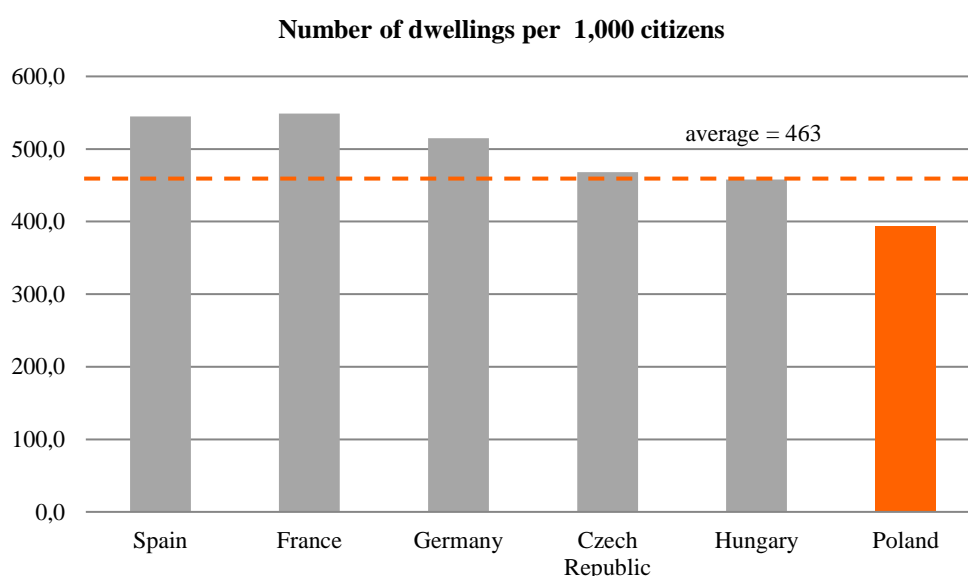
The table below sets out basic information concerning capital adequacy and liquidity in the Polish banking sector:

	2020	2019	Change 2019/2020 (per cent.)
Banks' own funds (PLN billion)	231.9	210.3	10.2
Risk exposure (PLN billion)	1,118.1	1,101.9	1.5
Tier I ratio (per cent.)	18.5	17.0	n/a
Total capital ratio (per cent.)	20.7	19.1	n/a
Liquidity coverage ratio (per cent.)	193	156	n/a

Source: KNF's report on the situation of the Polish banking sector in 2020 – July 2021

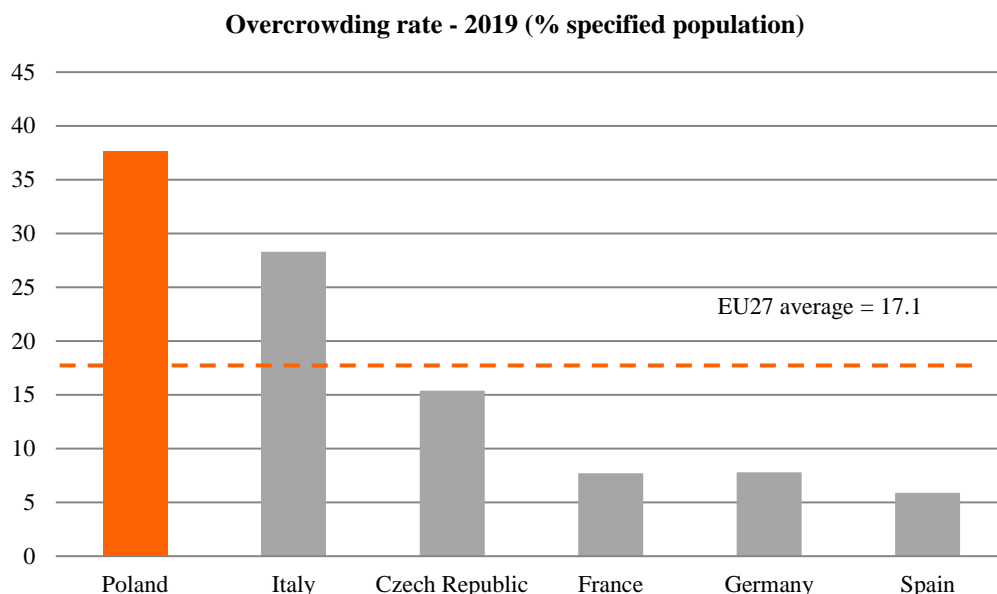
### Residential market

One of the permanent elements that characterises the Polish socio-economic situation is a shortage of flats. According to Deloitte Property Index 2021, the number of dwellings in Poland per 1,000 citizens in 2020 was 392.90. For comparison, the number in other countries included in the report is around 463. In Germany, France and Spain, it is over 500 apartments.



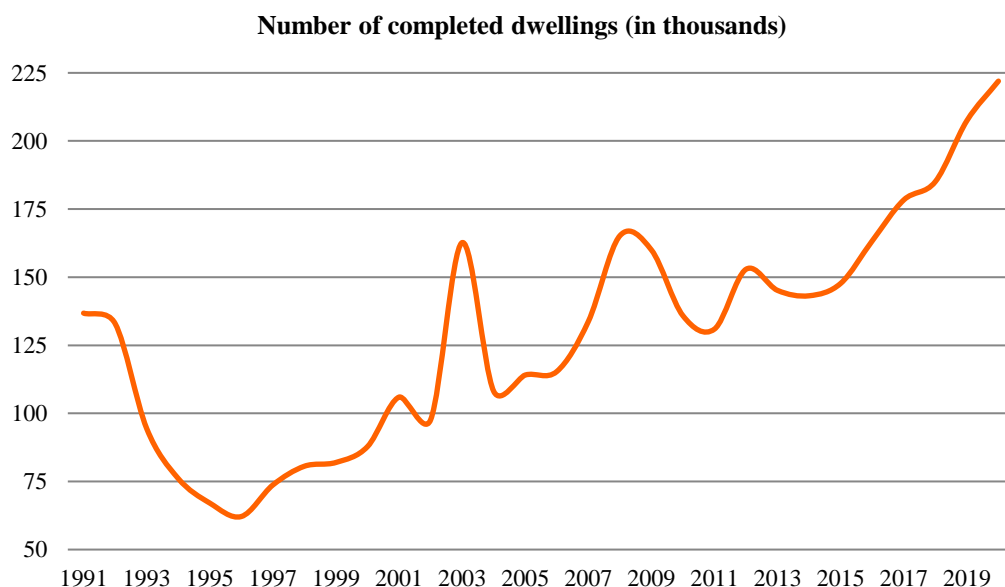
Source: Deloitte Property Index 2021

In addition to a shortage in quantity, it is also important to point out the unsatisfactory standard of a large part of the available housing stock. According to the Eurostat definition, over 37 per cent. of Poles live in overcrowded homes.



Source: Eurostat

According to GUS data 164,422 apartments were commissioned in the first nine months of 2021, (5.2 per cent. more than in the corresponding period of the previous year). In addition, there were almost 216,419 apartments whose construction has begun (29.3 per cent. more than in the corresponding period of the previous year) and 254,666 apartments for which construction permits have been issued or filed in accordance with the construction design (32.4 per cent. more than in the corresponding period of the previous year).



Source: GUS

The availability of an adequate housing stock is one of the factors that determines further social and economic development. The significant housing shortage in Poland is an opportunity for the development of the mortgage banking market, which is based granting residential mortgage loans financed and refinanced through issuances of covered bonds.

The prices of flats in Poland have systematically grown since 2014 by about 30 per cent. on average, more in particular locations. The rental market is concentrated mainly in the largest Polish agglomerations. It is a market dominated by private individual investors. Long-term renting dominates the market. Demand is generated mainly by students, foreigners, people starting their career and employees delegated to a location other than their permanent address.

#### *The Polish mortgage loan market*

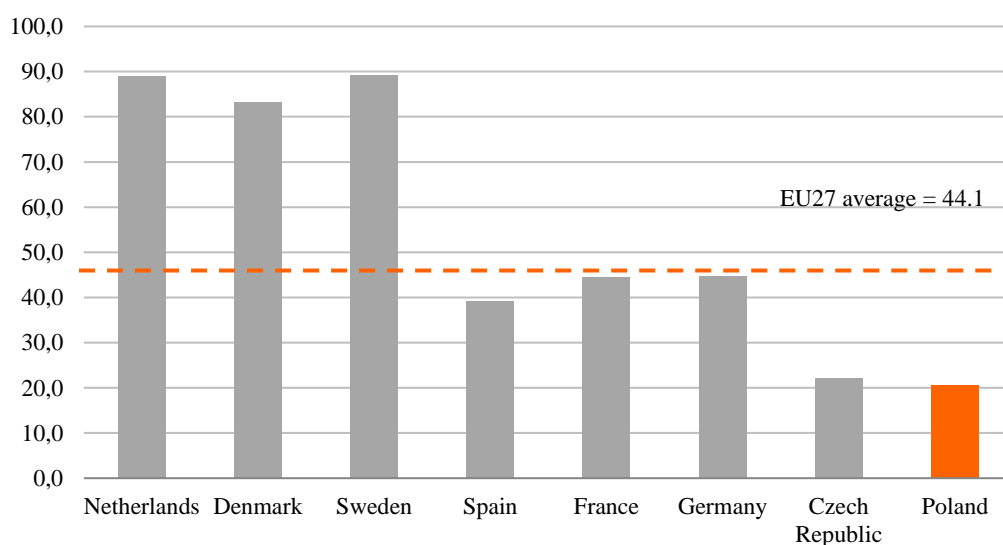
2020 was a strong year for the Polish mortgage market, which exceeded PLN 475 billion. In 2020 204,170 new residential mortgage loans of an aggregated value of PLN 60,7 billion (respectively 9.29 per cent. and 3.13 per cent. less than in in the previous year) were granted. For several years, the trend of an increase in the average size of a single loan, which in the 2020 was around PLN 295,000, is clearly noticeable. This is related to an increase in borrowers' affluence, interest in larger areas and constantly rising property prices.

First half of 2021 brought further dynamic growth of mortgage lending due to historically low interest rates and rising positive consumers' confidence driven by strong labour market performance.

The Polish mortgage market is dominated by loans with a floating interest rate. Currently, banks are expanding their offer of loans based on a fixed interest rate.

In Poland, according to the European Mortgage Federation the ratio of total amount of residential loans to GDP in market prices oscillates around 20 per cent. whereas in the EU countries, according to the European Mortgage Federation at the end of 2019, it was around 44 per cent.

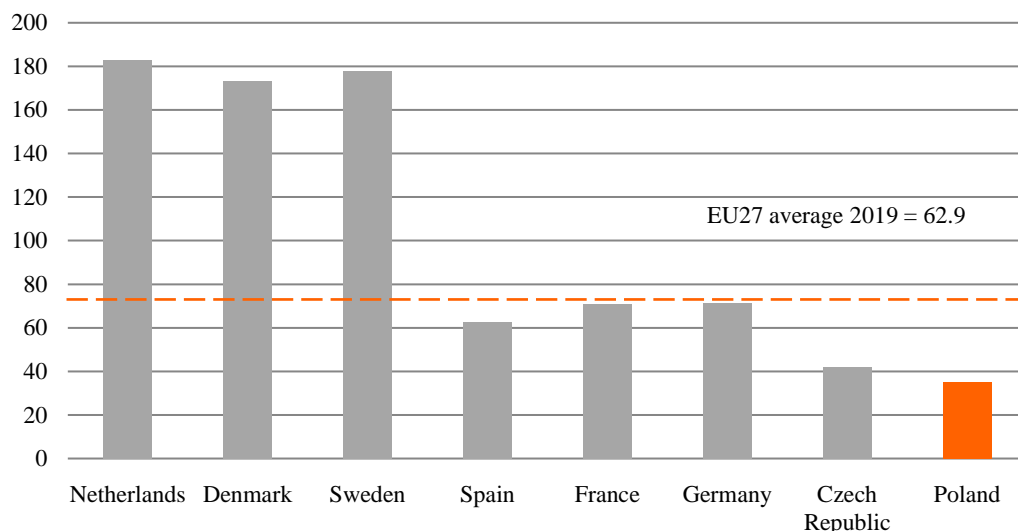
**Total Outstanding Residential Loans to GDP Ratio  
- 2019 (%)**



Source: European Mortgage Federation – Hypostat 2020

The ratio of outstanding residential loans to disposable income of households in Poland is also lower than the EU27 average.

### Total Outstanding Residential Loans to Disposable Income of Households Ratio - 2019 (%)



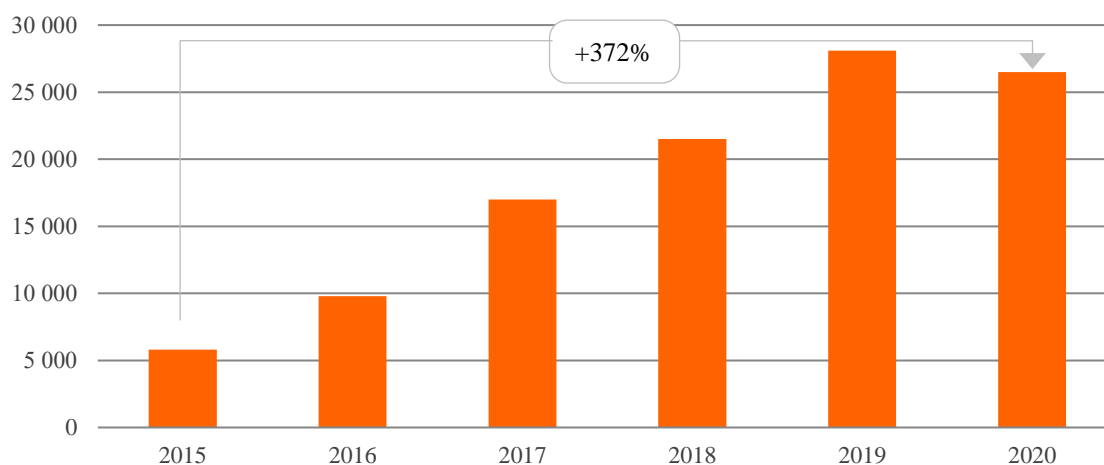
Source: European Mortgage Federation – Hypostat 2020

The high demand for housing, the growing economy and low interest rates are conducive to further growth in the mortgage market; however, the dynamics may be affected by increasing severity of the Covid-19 pandemic.

### Covered bond and mortgage bank market

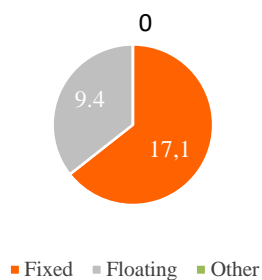
The Polish covered bond market is still small in comparison to developed EU economies, where covered bonds are an important source of financing mortgage loans. At the end of 2020, the total outstanding covered bonds amounted to around 5 per cent. of the total residential loans portfolio. However, in recent years this market has been characterised by dynamic development. Issuers from Poland place covered bonds both on the domestic and foreign markets. The amount of outstanding covered bonds has increased almost five times since 2015:

### Outstanding covered bonds issued by Polish mortgage bank - PLN million

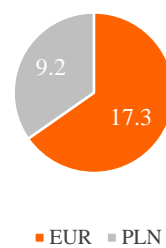


The covered bonds are offered mostly in public offerings. The majority of the covered bonds offered in the Polish market are floating rate covered bonds whereas the bonds offered in the foreign markets are fixed rate covered bonds.

**Interest rate breakdown  
(PLN billion)**



**Currency breakdown  
(PLN billion)**



As at 31 December 2020, the total value of outstanding covered bonds was approximately PLN 26.5 billion. PKO Bank Hipoteczny S.A. is currently the largest issuer of mortgage bonds in Poland in terms of outstanding covered bonds portfolio.

## SELECTED FINANCIAL INFORMATION OF THE BANK

### Presentation of financial information

Unless otherwise indicated, the financial information in this Base Prospectus relating to the Bank has been derived from the audited standalone financial statements of the Bank for the financial years ended 31 December 2019 and 2020 and for the six-month period ended 30 June 2021.

The Bank's financial year ends on 31 December and references in this Base Prospectus to any specific year are to the 12-month period ended on 31 December of such year. The Bank's financial statements have been prepared in accordance with the IFRS as adopted by the European Union.

### Alternative Performance Measures

The Base Prospectus includes certain data which the Bank considers to constitute alternative performance measures (APMs) for the purposes of the European Securities Markets Authority (ESMA) Guidelines on Alternative Performance Measures.

These APMs are not defined by, or presented in accordance with, IFRS. The APMs are not measurements of the Bank's operating performance under IFRS and should not be considered as alternatives to any measures of performance under IFRS or as measures of the Bank's liquidity.

ROA (Return on assets)	Calculated by dividing net annual profit attributable to owners of the Bank by average total assets at the end of the current accounting period.
ROE (Return on equity)	Calculated by dividing the net annual profit attributable to owners of the Bank by the average equity at the end of the current reporting period.
DR (Total debt ratio)	Calculated by dividing the total debt at the end of the current accounting period by the total assets at the end of the current accounting period.
TCR (Total capital ratio)	Calculated by dividing the total capital of the Bank by total risk weighted assets at the end of the current accounting period.
LR (Leverage ratio)	Calculated by dividing the total capital of the Bank by total exposures at the end of the current accounting period.
LCR (Liquidity coverage ratio)	Calculated by dividing liquidity coverage of the Bank by net liquidity outflows at the end of the current accounting period.

### Bank's financial information for the periods ended 30 June 2021, 31 December 2020 and 31 December 2019

#### Selected Financial Data

	30 June 2021	31 December 2020	31 December 2019
		<i>(in PLN thousand)</i>	
Net interest income	25,663.4	52,088.7	25,059.2
Net income on basic activities	25,103.0	52,081.0	24,773.6
General and administrative expenses	-16,099.2	-24,629.5	-23,835.4
Gross profit (loss)	9,189.2	24,695.6	13.8
Net profit (loss)	6,526.2	19,827.6	-188.9

Profit/loss per ordinary share (PLN)	17.17	94.42	-0.91
Amounts due from banks	31,847.6	65,823.7	7,249.2
Debt securities	83,084.2	50,186.9	264,803.9
Loans and advances granted to customers	4,173,149.3	3,690,920.7	3,060,989.9
Total assets	4,293,452.5	3,813,219.1	3,339,126.8
Liabilities to other banks	3,262,954.3	1,969,597.2	2,488,153.6
Liabilities under issue of bonds	150,153.0	975,131.6	0.0
Liabilities under issue of covered bonds	399,619.8	399,480.6	400,359.9
Total liabilities	3,825,262.4	3,351,435.7	3,067,574.7
Share capital	380,000.0	380,000.0	210,000.0
Total equity	468,190.1	461,783.4	271,552.1

### The basic ratios

	30 June 2021	31 December 2020 <i>(per cent.)</i>	31 December 2019
ROA	0.39	0.52	-0.01
ROE	3.53	4.29	-0.07
DR	89.10	87.89	91.87
TCR	26.82	30.60	17.03
LR	10.83	11.76	8.10
LCR	11,160	8.56	20.58

### Income Statement

	30 June 2021	31 December 2020 <i>(in PLN thousand)</i>	31 December 2019
Interest income	39,707.2	108,806.1	54,184.8
Interest costs	-14,043.8	-56,717.4	-29,125.6
<b>Net interest income</b>	<b>25,663.4</b>	<b>52,088.7</b>	<b>25,059.2</b>
Fee and commission income	227.5	523.9	211.3
Commission expenses	-749.4	-447.7	-326.9
<b>Net commission income</b>	<b>-521.9</b>	<b>76.2</b>	<b>-115.6</b>
FX result	-5.6	-52.5	-36.3
Net income on other basic activities	-32.9	-31.4	-133.7
<b>Net income on basic activities</b>	<b>25,103.0</b>	<b>52,081.0</b>	<b>24,773.6</b>
General and administrative expenses	-16,099.2	-24,629.5	-23,835.4
Expected loss provision	248.6	-2,755.9	-924.4
Tax on certain financial institutions	-63.2	0.0	0.0
<b>Gross profit (loss)</b>	<b>9,189.2</b>	<b>24,695.6</b>	<b>13.8</b>
Income tax	-2,663.0	-4,868.0	-202.8
Net profit (loss)	6,526.2	19,827.6	-188.9
Number of shares	380,000	380,000	210,000
Profit/loss per ordinary share (PLN) – basic	17.17	52.18	-0.91
Profit/loss per ordinary share (PLN) – diluted	17.17	52.18	-0.91



## Statement of comprehensive income

	30 June 2021	31 December 2020	31 December 2019
	<i>(in PLN thousand)</i>		
<b>Profit after tax for the period</b>	<b>6,526.2</b>	<b>19,827.6</b>	<b>-188.9</b>
Total other comprehensive income, including:	-119.5	403.8	-140.0
Items which can be reclassified to income statement:			
<i>Unrealised result on measurement of HTC&amp;S securities</i>	-119.5	493.4	47.8
<i>including deferred tax</i>	28.0	-115.7	-11.2
Items which will not be reclassified to income statement, including:	0.0	-89.6	-187.8
<i>Actuarial gains/losses including deferred tax</i>	0.0	-89.6	-187.8
	0.0	21.0	44.1
<b>Net comprehensive income for the period</b>	<b>6,406.7</b>	<b>20,231.4</b>	<b>-328.9</b>

## Statement of financial position

	30 June 2021	31 December 2020	31 December 2019
	<i>(in PLN thousand)</i>		
<b>Assets</b>			
Amounts due from banks	31,847.6	65,823.7	7,249.2
Debt securities measured at fair value through other comprehensive income	50,084.3	50,186.9	34,823.5
Debt securities measured at amortised cost	32,999.9	0.0	229,980.4
Loans and advances granted to customers	4,173,149.3	3,690,920.7	3,060,898.9
Property, plant and equipment	573.2	739.4	988.3
Intangible assets	328.9	824.8	1,816.7
Deferred tax assets	1,087.8	942.2	1,585.1
Other assets	3,381.5	3,781.4	1,784.7
<b>Total assets</b>	<b>4,293,452.5</b>	<b>3,813,219.1</b>	<b>3,339,126.8</b>
<b>Liabilities</b>			
Liabilities to banks	3,262,954.3	1,969,597.2	2,488,153.6
Liabilities under issue of bonds	150,153.0	975,113.6	0.0
Liabilities under issue of covered bonds	399,619.8	399,480.6	400,359.9
Provisions	775.8	775.8	585.7
Current tax liabilities	673.1	98.8	113.1
Capital increase liabilities	-	0.0	170,000.0
Other liabilities	11,086.4	6,351.7	8,362.4

<b>Total liabilities</b>	<b>3,825,262.4</b>	<b>3,351,435.7</b>	<b>3,067,574.7</b>
<b>Equity</b>			
Share capital	380,000	380,000	210,000.0
Supplementary capital - share premium	62,002.2	62,002.2	62,191.1
Accumulated other comprehensive income	-165.8	-46.4	-450.1
Retained earnings	26,353.7	19,827.6	-188.9
<b>Total equity</b>	<b>468,190.1</b>	<b>461,783.4</b>	<b>271,552.1</b>
<b>Total equity and liabilities</b>	<b>4,293,452.5</b>	<b>3,813,219.1</b>	<b>3,339,126.8</b>
Carrying amount	468,190.1	461,783.4	271,552.1
Number of shares	380,000.0	380,000.0	210,000.0
Carrying amount per share (in PLN)	1,232.08	1,215.22	1,293.11

### Statement of changes in equity

#### For the period from 1 January 2021 to 30 June 2021

	Share capital	Supplementary capital – share premium	Accumulated other comprehensive income	Retained earnings	Total equity
Opening balance of equity	380,000.0	62,002.2	-46.4	19,827.6	461,783.4
Net result for the current period	0.0	0.0	0.0	6,526.2	6,526.2
Other net comprehensive income, including:	0.0	0.0	-119.5	0.0	-119.5
<i>Unrealised result on measurement of HTC&amp;S securities</i>	0.0	0.0	-119.5	0.0	-119.5
Closing balance of equity	380,000.0	62,002.2	-165.8	26,353.7	468,190.1

#### For the period from 1 January 2020 to 31 December 2020

	Share capital	Supplementary capital – share premium	Accumulated other comprehensive income	Retained earnings	Total equity
Opening balance of equity	210,000.0	62,191.1	-450.1	-188.9	271,552.1
Issuing of shares series C	170,000.0	0.0	0.0	0.0	170,000.0
Coverage of losses from previous years	0.0	-188.9	0.0	188.9	0.0
Net result for the current period	0.0	0.0	0.0	19,827.6	19,827.6
Other net comprehensive income, including:	0.0	0.0	403.7	0.0	403.7

<i>Unrealised result on measurement of HTC&amp;S securities</i>	0.0	0.0	493.3	0.0	493.3
Actuarial gains/losses	0.0	0.0	-89.6	0.0	-89.6
Closing balance of equity	380,000.0	62,002.2	-46.4	19,827.6	461,734.4

#### For the period from 1 January 2019 to 31 December 2019

	Share capital	Supplementary capital – share premium	Accumulated other comprehensive income	Retained earnings	Total equity
Opening balance of equity	120,000.0	0.0	-310.1	-7,379.4	112,310.5
Issuing of shares series B	90,000.0	69,570.5	0.0	0.0	159,570.5
Coverage of losses from previous years	0.0	-7,379.4	0.0	7,379.4	0.0
Net result for the current period	0.0	0.0	0.0	-188.9	-188.9
Other net comprehensive income, including:	0.0	0.0	-140	0.0	-140
<i>Unrealised result on measurement of HTC&amp;S securities</i>	0.0	0.0	47.8	0.0	47.8
Actuarial gains/losses	0.0	0.0	-187.8	0.0	-187.8
Closing balance of equity	210,000.0	62,191.1	-450.1	-188.9	271,552.1

#### Cash flow statement

	period from 1 January 2021 to 30 June 2021	period from 1 January 2020 to 31 December 2020 <i>(in PLN thousand)</i>	period from 1 January 2019 to 31 December 2019
<b>Profit after tax</b>	<b>6,526.2</b>	<b>19,827.6</b>	<b>-188.9</b>
<b>Adjustments, of which</b>	<b>-461,517.2</b>	<b>-616,402.5</b>	<b>-3,031,675.7</b>
Depreciation and amortisation	677.9	1,368.8	1,376.8
Interest accrued (from the income statement)	-25,663.4	-52,088.7	-25,059.2
Interest paid	-156.8	-43,999.3	-78.9
Interest received	39,851.6	110,390.8	47,168.4
Income tax (from the income statement)	-2,663.0	-4,868.0	202.8
Income tax paid	3,091.7	5,496.6	0.0
Change in provisions	0.0	100.4	202.8
Change in loans and other receivables from banks	-0.1	1,433.4	-1,433.5
Change in debt securities measured at fair value through other comprehensive income	-93.9	493.4	47.8

Change in loans and other receivables from customers	-482,365.8	-631,395.0	-3,060,898.9
Change in fixed assets due to recognition of lease	146.7	186.1	-851.5
Change in other assets	237.3	-2,299.8	-294.1
Change in liabilities to other banks	363.8	-56.3	1,598.1
Change in covered bonds liabilities	154.7	531.6	359.9
Change in other liabilities	4,902.1	-1,696.3	5,983.8
<b>Net cash flow from operating activities</b>	<b>-454,991.0</b>	<b>-596,574.9</b>	<b>-3,031,864.6</b>
Purchase of property plant and equipment	0.0	-11.0	-94.3
Purchase of securities measured at fair value through other comprehensive income	0.0	-15,914.4	-34,823.5
Purchase of securities measured at amortised cost	-32,999.9	229,980.4	-229,980.4
Interest received on debt securities	70.0	339.7	236.9
<b>Net cash flow from investing activities</b>	<b>-32,929.9</b>	<b>214,394.8</b>	<b>-256,661.3</b>
Proceeds from contribution to capital increase	-	0.0	170,000.0
Proceeds from the issue of shares	-	0.0	159,570.5
Proceeds from the issue of covered bonds	-	0.0	400,000.0
Proceeds from the issue of bonds	150,000.0	975,000.0	0.0
Long-term loans received	2,008,996.9	3,091,066.6	2,958,819.1
Long-term loans repaid	-716,000.0	-3,608,517.9	-472,263.5
Interest on long-term loans repaid	-11,360.2	-6,963.2	-24,980.4
Payment of interest on issued covered bonds	-1,573.8	-8,082.9	0.0
Lease liabilities repaid	-167.4	-314.4	-339.0
Redemption of bonds	-975,000.0	0.0	0.0
Payment of interest on issued bonds	-950.8	0.0	0.0
<b>Net cash flow from financing activities</b>	<b>453,944.8</b>	<b>442,188.2</b>	<b>3,190,806.7</b>
Net increase/decrease in cash equivalents	-33,976.1	60,008.0	-105,719.2
Opening balance of cash and cash equivalents	65,823.7	5,815.7	111,534.9
Closing balance of cash and cash equivalents	31,847.6	65,823.7	5,815.7

## DESCRIPTION OF THE BANK

### History and general introduction

ING Bank Hipoteczny Spółka Akcyjna is a Polish mortgage bank (*bank hipoteczny*). The core business of the Bank involves acquiring mortgage loans secured on residential properties granted by ING BSK. The loans in the Bank's loan portfolio are denominated solely in PLN and as at the date of this Base Prospectus the Bank does not intend to acquire loans denominated in currencies other than PLN (for details on the Bank's loan portfolio, see "*Business overview of the Bank*" and "*The Bank's loan portfolio*" below). As at the date of this Base Prospectus, the Bank does not itself grant mortgage loans. The Bank is the sole entity in the Group authorised to issue covered bonds.

ING BSK, the sole shareholder of the Bank, is the fifth bank in Poland in terms of total assets. ING BSK is a member of the ING capital group. ING capital group provides financial and insurance services in 40 countries worldwide. The ING capital group's dominant entity is ING Groep N.V. with its registered office in Amsterdam.

ING BSK has established the Bank as an entity through which the Group could diversify the Group's sources of funding. The Group perceives the covered bonds issued by the Bank as an important source of long-term funding for the Group. Additionally, obtaining funds through issuances of covered bonds by the Bank enables the Group to reduce the maturity mismatch between the Group's assets and liabilities.

The Bank was established on 20 March 2018 for an indefinite period. The Bank is entered into the register of entrepreneurs of the National Court Register maintained by District Court Katowice-Wschód in Katowice under number 0000723965. The Bank is authorised to operate as a mortgage bank under the Polish Covered Bonds Act and is supervised by the KNF. Its operating permit was issued by the KNF on 2 January 2019. The Bank's registered office is in Katowice at ul. Chorzowska 50 and its telephone number is +48 32 357 84 33. Although the Bank is a member of the Group and closely cooperates with ING BSK in its business operations, the Bank is an independent legal entity with separate corporate bodies. The Bank has no subsidiaries.

As at the date of this Base Prospectus, the share capital of the Bank is PLN 380,000,000, which comprises 380,000 ordinary shares each with a nominal value of PLN 1,000.00 each. All of the Bank's shares are owned by ING BSK.

### Ratings

#### *Ratings assigned to ING BSK*

ING BSK has been assigned ratings by Moody's as set forth in the table below:

Category	Rating	Outlook
Long-term deposit rating	A2	Stable
Short-term deposit rating	P-1	N/A
BCA rating	baa2	N/A
Adjusted BCA rating	baa1	N/A
Long-term counterparty risk assessment	A1(cr)	N/A
Short-term counterparty risk assessment	P-1(cr)	N/A
Long-term counterparty risk rating	A1	N/A
Short-term counterparty risk rating	P-1	N/A

ING BSK has been assigned ratings by Fitch Ratings as set forth in the table below:

Category	Rating	Outlook
Long-term issuer default rating	A+	Negative
Short-term issuer default rating	F1+	N/A
Viability rating	bbb+	N/A

<b>Category</b>	<b>Rating</b>	<b>Outlook</b>
Support-rating	1	N/A
National long-term rating	AAA(pol)	Stable
National short-term rating	F1+(pol)	N/A

Source: ING BSK

### **Ratings assigned to the Bank**

As at the date of this Base Prospectus, Moody's assigned the following ratings to the Bank and the covered bonds issued by the Bank:

<b>Category</b>	<b>Rating</b>	<b>Outlook</b>
Long-term covered bonds rating	Aa1	N/A
Long-term Bank's rating	A3	Stable
Short-term Bank's rating	P-2	Stable
Long-term counterparty rating	A1	N/A
Short-term counterparty rating	P-1	N/A
Long-term counterparty risk assessment	A1(cr)	N/A
Short-term counterparty risk assessment	P-1(cr)	N/A

According to the Moody's rating scale, obligations rated "Aa" are judged to be of high quality and are subject to very low credit risk.

Under the Moody's rating scale counterparty risk assessments are opinions on the likelihood of a default by an issuer on certain senior operating obligations and other contractual commitments. Issuers assessed "A(cr)" are judged to be upper-medium grade and are subject to low risk of defaulting on certain senior operating obligations and other contractual commitments.

Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of that generic rating category.

## **Description of the Group and the Bank's position within the Group**

### **Overview**

The Bank is solely owned by ING BSK and is a member of the Group. The Bank has no subsidiaries. According to the ING BSK's financial statements for the financial year ended 31 December 2020, ING BSK's share in sales of PLN residential mortgage loans in 2020 was approximately 19.2 per cent. ING BSK's share in the assets and equity of the Polish banking sector for the year ended 31 December 2020 was 7.9 per cent. and 8.5 per cent., respectively (based on KNF data).

As at 31 December 2020, ING BSK serviced approximately 4.72 million customers (including 4.24 million retail customers and 486 thousand corporate clients).

In addition to products and services offered to retail and corporate banking clients, the Group provides specialist financial services with regard to leasing, factoring, investment funds, pension funds, investment banking, electronic payment services, life insurance, debt collection services and support in the conduct of business and offers Internet banking products and services. ING BSK also generates income from its investment operations by investing ING BSK's excess liquidity in the inter-bank and Polish treasury securities markets.

ING BSK's distribution network consists of 290 retail branches and 1,001 cash machines as at 31 December 2020. As at 31 December 2020, the Group employed 8,451 full-time equivalent staff and employees.

As at 31 December 2020, the Group had market shares in the Polish banking sector of 7.9 per cent., 9.6 per cent. and 9.3 per cent. in respect of the assets, amounts due to customers and loans and advances to customers, respectively (based on KNF and NBP data).

The Group's share in new sales of mortgage loans to retail banking customers amounted to 19.2 per cent. as at 31 December 2020, respectively, which puts the Group in the second place in the Polish market. ING BSK has a legacy portfolio of CHF-denominated mortgage loans, the active selling of which ceased in December 2008. As at 30 June 2021 and as at 31 December 2020 and 2019, the share of foreign currency mortgage loans in total gross loan portfolio was 0.4 per cent., 0.5 per cent. and 0.8 per cent., respectively. As at 31 December 2020, the amount of housing mortgage loans granted by the Group was PLN48 billion.

ING BSK's primary residential loan products are standard repayment mortgages for financing home or apartment purchases, renovations or refurbishments. These loans are secured by mortgages on the property being acquired or other property. Until such mortgages are registered in the mortgage register, ING BSK insures the receivables under such loans during the interim period.

## **Business overview of the Bank**

### *Spheres of activity*

The Bank's business activities as a Polish mortgage bank are subject to the Polish Covered Bonds Act. The Bank's business activities include: (i) purchasing receivables under mortgage loans granted by other banks; (ii) issuing mortgage covered bonds; (iii) taking credits and loans; (iv) issuing bonds; (v) depositing debt securities; (vi) acquiring shares in other entities whose legal form ensures that the Bank's liability is limited to the value of funds invested by the Bank, if such investment supports the Bank's business activities, provided that the aggregate value of such shares does not exceed 10 per cent. of the Bank's own funds; (vii) providing consultancy services relating to the real estate market, including services to establish the mortgage lending value of real properties; and (viii) managing the receivables of the Bank and other banks under mortgage loans and granting these loans on behalf of other banks under agreements entered into with these banks. The Bank does not accept deposits.

The Bank focuses its business activity on acquiring mortgage loans for residential purposes granted by ING BSK (the pooling model), issuing covered bonds to finance or refinance the mortgage loans in the Bank's portfolio and entering into derivative transactions required by law. As at the date of this Base Prospectus, the Bank does not grant or acquire commercial mortgage loans and the Bank does not purchase loans from banks other than ING BSK. Loans acquired by the Bank are denominated solely in PLN. The Bank cannot exclude that in the future it might start acquiring commercial real estate loans denominated in PLN or in other currencies.

The maximum amount of a loan at the time of acquiring the loan may not exceed 100 per cent. of the mortgage lending value of the property.

Loans acquired by the Bank are secured by mortgages entered in the land and mortgage register with the highest priority. The mortgage may be established over the following types of real property:

- a house for a single family, a semi-detached house or a house for a single family with a garage or a semi-detached house with a garage; or
- flat, flat with a parking spot in a shared car park or a flat with a garage.

The value of the property, i.e. the mortgage lending value of the property, is determined in a strictly prescribed form in accordance with the "*Rules for determining the mortgage lending value of the property*", approved by the KNF.

Additionally, the Bank's claims under the loans are secured by an assignment of the borrower's pecuniary claims under the insurance policy against fire and other accidents relating to the property on which the mortgage is or will be established.

The Bank's business activity is subject to a number of restrictions and the Bank must regularly conduct several tests to confirm that its activities comply with the regulatory restrictions and requirements. The Bank follows the regulatory requirements and performs all required tests. For a description of these restrictions and tests, see "*Overview of the Polish Covered Bonds Legislation*".

From time to time the Bank may execute foreign exchange transactions and may enter into hedging transactions to hedge interest rate and foreign exchange risks. Under the Polish Covered Bonds Act, these transactions may only be entered into to support the Bank's principal business activities. Additionally, under the Polish Covered Bonds Act, the Bank must hedge its foreign exchange risk if the covered bonds issued by the Bank are denominated in a currency different from: (i) the currency of the receivables in the cover pool; or (ii) the currency of cash held by the Bank or deposited by the Bank with the NBP or the currency in which the securities held by the Bank as substitute assets are denominated.

### *The Bank's strategic position in the Group*

ING BSK set up the Bank in order to obtain long-term financing through issues of covered bonds. It would enable the Group to:

- reduce maturity mismatch between its assets and liabilities;
- diversify the Group's funding sources; and
- lower the Group's wholesale funding costs.

### *Cooperation between the Bank and ING BSK in acquisition of mortgage loans*

The Bank's operations are based on maximum possible operational integration with ING BSK's. The Bank benefits from the Group's significant market share in the Polish residential mortgage loan market and the Group's extensive distribution network which ensures a stable growth of the number of mortgage loans the Bank may acquire. Additionally, the Bank has access to ING BSK's know-how resources relating to managing mortgage loans granted to individuals and to risk models developed by the Group. The Bank closely cooperates with ING BSK in servicing mortgage loans acquired from ING BSK. Because of this close cooperation between the Bank and ING BSK, the Bank is dependent on ING BSK in conducting its business activities.

In its business activity, the Bank benefits from ING BSK's know-how and resources, made available to the Bank under the cooperation agreement dated 25 September 2018 (the **Cooperation Agreement**) and the framework agreement for transfer of mortgage loans dated 17 January 2019 (the **Framework Agreement**), entered into between the Bank and ING BSK.

During the proceedings at the KNF concerning the establishment of the Bank, ING BSK declared to the KNF that it will provide the Bank with financial support. ING BSK also committed to the KNF to maintain the Bank's liquidity and capital adequacy ratios above the applicable regulatory limits.

### *The Cooperation Agreement*

The Cooperation Agreement covers the following areas of cooperation between the Bank and ING BSK:

- post-sales services for loans acquired by the Bank:
  - o post-sales services which have no impact on the risk associated with the loan, i.e. providing information on account balance, preparing statements from bank accounts and providing updates on upcoming payments, are outsourced to ING BSK and are performed by ING BSK branches as well as through internet banking and ING BSK's client contact centre;
- access to ING BSK's know-how and other resources:
  - o the Bank outsourced its back-office functions as well as processing settlements, payments, reconciliation of accounts and administrative support to ING BSK;
  - o both the Bank and ING BSK use the same risk evaluation tools and models for the sales and risk evaluation processes;
  - o both the Bank and ING BSK use the same IT systems in certain areas, however, the systems used by each bank store separate data and have separate access controls;
  - o the Bank uses the same suppliers as ING BSK and usually benefits from supply and services agreement entered into by ING BSK for the benefit of the whole Group.



ING BSK supports the Bank in operational aspects only. The Bank independently makes all decisions relating to its business activities and its credit process.

#### *The Framework Agreement*

The Framework Agreement regulates the transfers of mortgage loans from ING BSK to the Bank. The loans are transferred in tranches and each tranche is transferred to the Bank under a separate transfer agreement. An independent expert separately evaluates each tranche of loans. The Bank must pay ING BSK 90 per cent. of the purchase price within thirty days from the date of the transfer. The remaining, interest-bearing part of the purchase price must be paid within 18 months from the date of the transfer.

#### *The pooling model*

Under the pooling model, the Bank purchases from ING BSK mortgage loans originated by ING BSK. The purchase of mortgage loans from ING BSK is governed by the Framework Agreement. The mortgage loans which the Bank acquires from ING BSK must satisfy the following criteria:

The principal amount of the loan to the mortgage lending value:	Maximum 100%
Title to the property:	Separate ownership or perpetual usufruct ( <i>użytkowanie wieczyste</i> )
Security interest:	Mortgage with the highest priority
Currency:	PLN
Arrears:	None
Purpose of the loan:	Residential

#### *Servicing of the loans*

Following the transfer of a mortgage loan, ING BSK is responsible for dealing with the customers, managing their loan accounts and providing information on the customers during the term of the loans. These services are conducted by ING BSK under the Cooperation Agreement.

#### **The Bank's loan portfolio**

All loans in the Bank's cover pool are PLN-denominated mortgage loans granted to private individuals. As at 25 November 2021, the principal amount of the loans in the Bank's portfolio was PLN 3.944,2 thousand and the principal amount of the loans in the cover pool was PLN 3.047,3 thousand.

All loans in the Bank's cover pool are floating rate loans with an interest rate based on WIBOR for six months. As at 25 November 2021, the average contractual maturity of the loans in the cover pool was 236 months (weighted average).

The Polish Covered Bonds Act sets out the detailed eligibility criteria for a loan to be included in the cover pool. For a description of this criteria see "*Overview of the Polish Covered Bonds Legislation – Composition of the Cover*".

The Bank periodically publishes disclosure reports (*raporty ujawnień*) regarding issuances of the mortgage covered bonds by the Bank and the structure of its loan portfolio.

#### **Composition of the Bank's cover pool**

The Bank's cover pool does not contain asset-backed securities that do not comply with paragraph 1 of Article 80 of the Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (recast). These asset-backed securities have never been included in the Bank's cover pool and the Bank does not intend to include such asset-backed securities in its cover pool in the future.

## **Other sources of financing**

Apart from issuing covered bonds, the Bank raises financing through:

- credit facilities;
- short-term bond issuances; and
- the deferred payment of purchase price for loans acquired from ING BSK.

Under the Polish Covered Bonds Act, the Bank's obligations under outstanding bonds and loans and credit facilities cannot exceed ten times the Bank's own funds within five years from the date the Bank commenced its operations and six times the Bank's own funds after such five-year period.

As at 30 June 2021, the principal amount of outstanding loans and credit facilities was PLN 3 191 942 000,00, the principal amount of outstanding covered bonds issued by the Bank was PLN 400 000 000,00 the principal amount of outstanding bonds issued by the Bank was PLN 150 000 000,00 and the amount of deferred payments of purchase prices for loans acquired from ING BSK was PLN 71 012 300,00.

## **Risk Management**

### *General*

Risk management is a key internal process within the Bank. It is aimed at ensuring the profitability of commercial activity by providing the control of the risk level and maintaining it within the risk tolerance and limits applied by the Bank in a changing macroeconomic and legal environment. The expected level of risk plays an important role in the Bank's planning process.

As a result of the statutory restrictions on activities that may be pursued by mortgage banks, the Bank's asset-liability structure is distinct from that which generally characterises the Polish banking system. The Bank's asset side consists predominantly of mortgage loans. The Bank's liabilities consist of equity and credit facilities granted to the Bank. The Bank assumes that the covered bonds it issues will also play a significant part in the Bank's liabilities in the future.

Risk management within the Bank is based on the following principles:

- the risk management process, including the management of risk relating to the loan process, is defined and regulated by strategies, policies and procedures adopted by the Bank's Management Board and Supervisory Board;
- the Bank manages the liquidity risk and performs an ILAAP (Internal Liquidity Adequacy Assessment Process) wherein the liquidity risk management process and liquidity management methods are appropriate to the Bank's business model;
- the Bank manages all identified types of banking risks and performs an ICAAP (Internal Capital Adequacy Assessment Process) wherein:
  - the risk management process is appropriate to the scale of operations and to the significance, scale and complexity of a given risk, and tailored to new risk factors and sources on a current basis; and
  - the risk management methods, in particular the models and their assumptions, and the risk measurement systems are tailored to the scale and complexity of the risk, and are periodically verified and validated;
- having an organisational structure that ensures the independence of the risk area, including the separation of the mortgage valuation and credit decision-making processes from the Bank's commercial activities;
- integration with the planning and controlling systems and supporting the implementation of the Bank's strategy in compliance with the risk management strategy, particularly in terms of risk tolerance levels;

- the risk management process is consistent with the Group's principles of risk management, including the usage of the Group's risk and valuation models, modified to reflect the nature of the Bank's activities and approved by the Bank's Management Board and Supervisory Board; and
- performing stress tests based on previously approved scenarios with the results of the tests being discussed at committee and Management Board meetings.

Guidelines and methodologies for measuring risk have been approved by the Bank's Management Board and are subject to regular review, taking into account the applicable legal and regulatory framework, economic and financial environment, interest rate outlook, and the overall level of market risks affecting the Bank's balance sheet transactions. The Bank's guidelines and methodologies for measuring risk are aligned with the guidelines and methodologies for measuring risk introduced by the Group.

#### *Risk management process*

The process of risk management in the Bank consists of the following elements:

- risk identification: the identification of actual and potential sources of risk and an estimation of the significance of their potential influence on the financial and non-financial situation of the Bank. Within the risk identification process, types of risk perceived as significant to the Bank's activities are identified;
- risk assessment and measurement: each identified risk must be assessed to determine the significance of this risk for the Bank. This enables the Bank to choose the risks that require additional control measures and the severity of these measures. Risks that have been identified and assessed previously must be re-assessed to confirm or amend the assessment made previously;
- risk control: establishing limit-risk levels in particular areas of operations. Risk control covers the determination of control mechanisms adequate to the scale and complexity of the Bank's operations, particularly in the form of the Risk Appetite Statement;
- risk forecasting and monitoring: preparing risk-level forecasts and monitoring deviations from forecasts or adopted reference points (e.g. limits, thresholds, plans, measures from the previous period, recommendations and suggestions). Risk monitoring is performed with a frequency appropriate to the significance and volatility of a specific risk type;
- risk reporting: periodically informing the Bank's managing and supervisory bodies (also through their relevant committees) of the results of risk measurement or risk assessment, actions taken and recommended actions. The scope, frequency and form of reporting are adjusted to the management level of the recipients; and
- management actions: including, in particular, issuing internal regulations, establishing levels in the Risk Appetite Statement, establishing limits and thresholds, issuing recommendations, making decisions about the use of tools supporting risk management, and taking action to maintain a defined level of risk. The objective of management actions is to direct the risk management process and risk levels.

The Bank's Management Board is responsible for risk management, including supervising and monitoring the Bank's activities. The Bank's Management Board takes the most important decisions affecting the risk profile of the Bank and adopts internal regulations concerning risk management.

The risk management process is executed in three lines of defence, which are independent of one another in organisational and functional terms.

The first line of defence consist of the Bank's organisational units managing risk in the operational activity of the Bank (in particular, Treasury and Business and Operations units). The first line of defence is responsible for working out, implementing and executing control mechanisms aimed at attaining the objectives of the internal control system. It ensures that the rules, including any relevant limits resulting from internal and external regulations, are observed in order to achieve compliance with applicable laws and markets standards. The responsibilities of the first line of defence include the analysis, control and management of risk.

The second line of defence consists of units responsible for the areas of operational risk, model risk, compliance risk, legal risk, credit and market risk, finance risk, and human resources risk . The second line of defence

supports the first line of defence in attaining the objectives of the internal control system, in particular through the issuance of internal regulations and ensuring the methods and tools within the internal control system are adequate for the bank's profile, monitoring the first line of defence's observance of control mechanisms, horizontal monitoring of the observance of control mechanisms within the second line of defence, performing independent control and quality assurance, reporting risks which may be material to the Bank as well as reporting identified threats and instances of non-compliance.

The internal audit function is the third line of defence, the purpose of which is an independent review and assessment of the risk management system and internal control system (excluding internal audit) introduced by the Bank.

#### *Mortgage lending value*

Due to the asset structure of the Bank, the process of assessing the mortgage lending value of a property is critical to the operations of the Bank.

The Bank's policy with respect to credit security and its valuation is based on the Polish Covered Bonds Act, the Banking Law and the Act on Land and Mortgage Register and Mortgages dated 6 July 1982 (*Ustawa z dnia 6 lipca 1982 r. o księгах wieczystych i hipotece*). The Bank's policy also takes into account the KNF's guidelines.

The Bank has in place and applies the Mortgage Lending Value Calculation Rules approved by the KNF and issued in accordance with the Polish Covered Bonds Act and KNF recommendations.

The mortgage lending value determined by the Bank reflects the long-term risk associated with property serving as collateral for loans advanced by the Bank and is used to calculate the maximum amount of a loan secured by a mortgage over a given property or to decide whether a loan secured by this property can be purchased by the Bank.

The Bank calculates the mortgage lending value based on an expert's opinion, prepared with due care and diligence, taking into account only those characteristics of the property and expenditure necessary to build it which are permanent and can be obtained by any owner of the property assuming its reasonable use. The expert's opinion, prepared as at a specific date, presents the assumptions and parameters based on which the analysis was made, the calculation process and the proposed mortgage lending value. The opinion takes into account the analyses and forecasts of the parameters specific to a given property which are material for credit risk assessment, as well as general factors, such as population growth, unemployment rate, and regional and urban development.

The mortgage lending value of a property for loans acquired by the Bank from ING BSK is determined in the following stages:

<b>Stage</b>	<b>Description</b>
Legal due diligence of the real property	ING BSK conducts a legal due diligence of the real property encumbered with the mortgage.
Preparing a report on the property and a market report	An external expert who has demonstrated to the Bank sufficient experience and skills in estimating banking risk associated with securing mortgage loans prepares a report on the property and a market report.
Preparing the mortgage lending value valuation	The Collateral Valuation Unit, a separate unit of the Bank, prepares the mortgage lending value valuation.
Final review of the valuation and determining the mortgage lending value of the property	The Collateral Valuation Unit, a separate unit of the Bank, conducts a final review of the valuation and determines the final mortgage lending value of the property.

## MANAGEMENT OF THE BANK

### General

The Bank is a joint-stock company (*spółka akcyjna*) operating under Polish law. The Bank, its management and the Bank's corporate setup are governed by the Statutes of the Bank. The business address of all members of the Bank's Management Board is ul. Chorzowska 50, 40-101 Katowice, Poland. The business address of all members of the Bank's Supervisory Board is ul. Chorzowska 50, 40-101 Katowice, Poland.

To the best of the Bank's knowledge, there are no potential conflicts of interest between the duties of the members of the Management Board or the Supervisory Board with respect to the Bank and their private interests or other duties.

### Management structure and committees

The Management Board represents the Bank in all matters and is responsible for its day-to-day management. The Supervisory Board is responsible for overseeing the operations of the Bank. The Supervisory Board is not responsible for the management of the Bank, but certain decisions require the Supervisory Board's approval.

There is one committee within the Supervisory Board: the Audit and Risk Committee. The Audit and Risk Committee supports the Supervisory Board in monitoring and supervising the financial reporting process, internal and external audit and the organisation of the Bank's management. The Audit and Risk Committee also monitors the relationship between the Bank and the Bank's auditor. Additionally, the Audit and Risk Committee supports the Supervisory Board in monitoring the risk management system.

### Management Board

The Management Board manages the activities of the Bank, acts on the Bank's behalf and makes decisions in all matters regarding the Bank which are not reserved for the General Meeting or the Supervisory Board. The Management Board is also responsible for making all decisions concerning issuances of covered bonds by the Bank. The operations of the Management Board are further regulated by the Management Board's by-laws.

The Management Board consists of at least three members who are appointed and dismissed by the Supervisory Board. The members of the Management Board are appointed for a joint five-year term. There are no restrictions on reappointment of members of the Management Board. As at the date of this Base Prospectus, the members of the Management Board are:

<b>Name</b>	<b>Position</b>	<b>Commencement of membership on the Management Board</b>	<b>Commencement of current term of office</b>	<b>Date of expiration of current term of office</b>
Mirosław Boda	President of the Management Board	26 February 2018	26 February 2018	26 February 2023
Jacek Frejlich	Vice-president of the Management Board	26 February 2018	26 February 2018	26 February 2023
Roman Telepko	Vice-president of the Management Board	26 February 2018	26 February 2018	26 February 2023

### *Supervisory Board*

The Bank's Supervisory Board is responsible for overseeing the Bank's operations. The Supervisory Board appoints the Management Board members, approves the Bank's strategy and the Bank's financial plans. The operations of the Supervisory Board are regulated by the by-laws of the Supervisory Board. The Supervisory Board consists of at least five members appointed by the Bank's General Meeting for a joint five-year term. There are no limits on the reappointment of Supervisory Board members.

As at the date of this Base Prospectus, the Supervisory Board has the following members:

<b>Name</b>	<b>Position</b>	<b>Commencement of membership</b>	<b>Commencement of current term of office</b>	<b>Date of expiration of the current term of office</b>
Bożena Graczyk	Chairwoman	26 February 2018	26 February 2018	26 February 2023
Marcin Giżycki	Deputy Chairman	26 February 2018	26 February 2018	26 February 2023
Brunon Bartkiewicz	Member	26 February 2018	26 February 2018	26 February 2023
Joanna Erdman	Member	26 February 2018	26 February 2018	26 February 2023
Krzysztof Gmur	Member	26 February 2018	26 February 2018	26 February 2023
Jacek Michalski	Member	10 August 2018	26 February 2018	26 February 2023

### **Cover Pool Monitor**

As at the date of this Base Prospectus, upon application by the Supervisory Board, the KNF appointed Ms Grażyna Zielińska as Cover Pool Monitor and Mr Krzysztof Brejda as Deputy Cover Pool Monitor. The Cover Pool Monitor's responsibilities are described in "*Overview of the Polish Covered Bonds Legislation*" below.

## RELATED PARTY TRANSACTIONS

ING BSK maintains current accounts and short-term deposit accounts for the Bank. Moreover, the Bank's employees have access to credit lines which ING BSK makes available through credit cards offered to the Group's employees.

All the above mentioned transactions are carried out on an arm's length basis. The Bank and ING BSK also carry out transactions resulting from agreements for the sub-lease of premises used for the Bank's registered office, the office in Warsaw and a backup centre, support agreements concerning IT and personnel and payroll services.

Furthermore, the Bank benefits from services provided by other related entities, ie SWIFT operating services provided by ING Belgium N.V., financial and accounting services provided by ING Usługi dla Biznesu S.A. and the hosting of IT applications provided by ING Business Shared Services B.V. acting through its branch in Poland.

### From 1 January 2020 to 31 December 2020

	ING BSK	Other related entities
	<i>(in PLN thousand)</i>	
<b>Income, including</b>	<b>621.8</b>	<b>0.0</b>
interest income	621.8	0.0
<b>Expenses, including</b>	<b>56,143.4</b>	<b>717.7</b>
Interest costs	49,713.1	37.6
Commission expenses	167.3	0.0
General and administrative expenses	<b>6,263.1</b>	<b>680.1</b>
<b>Receivables</b>	<b>66,356.2</b>	<b>0.0</b>
Amounts due from banks	65,823.7	0.0
Property, plant and equipment	532.4	0.0
<b>Liabilities</b>	<b>1,970,289.6</b>	<b>52.4</b>
Liabilities to other banks	1,969,597.2	0.0
Capital increase liabilities	0.0	0.0
Other liabilities	692.4	55.6
Including accruals	576.8	17.1
<b>Off-balance sheet operations</b>	<b>3,031,198.9</b>	<b>0.0</b>
Off-balance sheet liabilities received	3,031,198.9	0.0

### From 1 January 2019 to 31 December 2019

	ING BSK	Other related entities
	<i>(in PLN thousand)</i>	
<b>Income, including</b>	<b>2,378.8</b>	<b>0.0</b>
interest income	2,378.8	0.0
<b>Expenses, including</b>	<b>-33,792.4</b>	<b>-539.6</b>
Interest costs	-26,946.5	-12.2
Commission expenses	-39.8	0.0
General and administrative expenses	<b>-6,806.1</b>	<b>-527.4</b>
<b>Receivables</b>	<b>7,978.9</b>	<b>0.0</b>
Amounts due from banks	7,249.2	0.0
Property, plant and equipment	729.6	0.0
<b>Liabilities</b>	<b>2,660,959.0</b>	<b>0.0</b>
Liabilities to other banks	2,488,153.6	0.0
Capital increase liabilities	170,000.0	0.0
Other liabilities	2,805.4	61.1
Including accruals	1,767.6	61.1
<b>Off-balance sheet operations</b>	<b>332,248.6</b>	<b>0.0</b>
Off-balance sheet liabilities received	332,248.6	0.0

**From 1 January 2021 to 30 June 2021**

	<b>ING BSK</b>	<b>Other related entities</b>
	<i>(in PLN thousand)</i>	
<b>Income, including</b>	<b>3.5</b>	<b>0.0</b>
interest income	3.5	0.0
<b>Expenses</b>	<b>-15,217.3</b>	<b>-60.6</b>
Interest costs	-11,405.1	0.0
Commission expenses	-628.9	0.0
General and administrative expenses	<b>-3,183.3</b>	<b>-60.6</b>
<b>Receivables</b>	<b>32,259.9</b>	<b>0.0</b>
Amounts due from banks	31,847.6	0.0
Property, plant and equipment	412.3	0.0
<b>Liabilities</b>	<b>3,263,964.3</b>	<b>0.0</b>
Liabilities to other banks	3,262,954.3	0.0
Other liabilities	1,010.0	0.0
Including accruals	469.0	0.0
<b>Off-balance sheet operations</b>	<b>1,963,700.0</b>	<b>0.0</b>
Off-balance sheet liabilities received	1,809,200.0	0.0
Guarantees	154,500.0	0.0



## OVERVIEW OF LEGAL REGULATIONS CONCERNING THE BANKING SECTOR

*The following description is of a general nature and sets out certain features of Polish law concerning the banking sector as at the date of this Base Prospectus. It does not purport to be, and is not, a complete description of all aspects of the Polish legislative and regulatory framework pertaining to banking activities.*

### Specific legal requirements for banks

Engaging in banking activities involves meeting multiple regulatory obligations, most of which follow directly from the provisions of the Banking Act dated 29 August 1997 (*Ustawa z dnia 29 sierpnia 1997 r. Prawo bankowe*) (the **Banking Act**), and from resolutions, ordinances and recommendations issued by the KNF. The most important of these obligations relate to banks' own funds, the capital adequacy ratio, solvency ratio, exposure concentration, risk management systems and financial management conducted by banks.

Banks have a duty to protect banking secrecy. Regulations on personal data protection are particularly important for the functioning of banks in order to protect individual customers. Personal data may be processed exclusively in compliance with detailed regulations, using technical and organisational resources which ensure the protection of personal data against unauthorised processing, including making it available to third parties.

Banks must also comply with regulations for the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

Certain restrictions also apply if banks retain any third parties for the performance of banking activities for and on behalf of the bank or for the performance of any banking-related operations.

Agreements concluded by banks with their customers are subject to detailed regulations (see also "*Consumer protection*" below).

### Banking supervision exercised by the KNF

In Poland, banking supervision is exercised by the KNF and covers in particular:

- assessing the financial position of banks, including analysing liquidity, the quality of assets, solvency and the financial results of banks;
- estimating, maintaining and reviewing internal capital;
- auditing the quality of risk management systems, and in particular the risk management system and internal control system;
- auditing compliance of the bank's activities with the appropriate regulations; and
- monitoring and controlling the bank's compliance with the exposure concentration limits and standards for the risk acceptable in banks' operations as determined by KNF.

The KNF has wide powers and legal instruments which enable it to carry out supervision over banks (including the possibility to conduct inspections).

### Other supervisory authorities

Some areas of banking operations are subject to the supervision of other public administration authorities, the most important of which are as follows:

- the President of the Office for Protection of Competition and Consumers with respect to protecting market competition and consumers' collective rights;
- the Head of the Data Protection Office with respect to collecting, processing, managing and protecting personal data; and
- the minister responsible for financial institutions (the Minister of Finance) and the General Inspector for Financial Information with respect to the prevention of money laundering and financing of terrorism.

## **Bank Guarantee Fund**

The Bank Guarantee Fund covers the monetary assets deposited in bank accounts or receivable in respect of claims confirmed by documents issued by banks with a guarantee system. Participation in the Bank Guarantee Fund is mandatory for all Polish banks and in certain instances for branches of foreign banks operating in Poland. Banks covered by the guarantee system make mandatory annual payments to the Bank Guarantee Fund and are obliged to set up a guaranteed funds protection fund. The mandatory guarantee system ensures that if a bank becomes insolvent, the funds deposited in bank accounts, up to an amount specified in the regulations, are returned. As at the date of this Base Prospectus, funds up to the amount equivalent to EUR100,000 per single person in respect of deposits in all accounts in a given bank are fully covered by the guarantee system. Funds deposited in particular by government administration authorities, other banks, credit institutions, insurance companies, investment and pension funds are not covered by the guarantee system.

## **Mortgage Credit Act**

The Mortgage Credit Act, which implements the Directive 2014/17/EU (the **Mortgage Credit Directive**) into Polish law, came into force on 22 July 2017.

The general purpose of the Mortgage Credit Act is to improve the position of borrowers who purchase real estate. The Mortgage Credit Act introduces restrictions on granting mortgage loans such as restrictions on currencies in which a loan may be granted, which depend on the currency of the borrower's income. Banks will be allowed to tie mortgage loans with other products except the auxiliary bank account free of charge (which does not concern Polish mortgage banks as they are not allowed to maintain bank accounts for their clients). It does not affect the cross-selling that respects the borrower's right to choose a standalone mortgage loan or other combined offer. Additionally, while a bank may require the borrower to insure the property financed with the mortgage loan and to assign this insurance to the bank, the bank may not restrict the borrower's ability to choose an insurer, as long as the insurance policy meets the criteria stipulated by the bank. The Mortgage Credit Act imposes several mortgage loans information requirements on banks. The first requirement is in respect of advertisements concerning mortgage loans which must provide detailed information about, and refer to all important features of, the mortgage loans. The next is the offer information which must be presented in a special information sheet and submitted to the customer after getting acquainted with his credit needs. The information sheet is binding on a bank for 14 days. Banks are also obliged to issue a credit decision within 21 days of the date of a loan application and to justify the refusal of granting a loan. The third requirement is in respect of the content of the loan agreement, which is also strictly regulated. It includes a customer's right to withdraw from the loan agreement within 14 days of the date of signing the agreement. Therefore, these regulations have demanded some changes in the process of originating mortgage loans. The Mortgage Credit Act introduces licensing requirements for brokerage and agent services regarding mortgage loans. Moreover it introduces regular training requirements as a condition of maintaining the licence. Banks are also required to conduct regular training of their employees involved in mortgage loan origination processes.

## **Personal data protection**

In light of the large number of individuals serviced by banks, all the regulations concerning personal data protection are of particular importance to banking operations. Personal data may be processed exclusively in compliance with specific regulations, while applying technical and organisational means that ensure the protection of personal data, particularly from disclosure to any unauthorised parties. Additionally, the persons to which such data relates should have the right to access all of their personal data and to correct it.

The General Data Protection Regulation (**GDPR**) entered into force on 25 May 2018. It imposes new obligations and guidelines on companies in the management and processing of personal data. This means a significant change for companies in their approach to the security of data storage and the issue of making it available to the relevant employees.

The key challenges resulting from the GDPR's implementation result from:

- the definition of personal data, including identifying the person to whom the data relates, will be much broader;
- automated processing of personal data will be permitted under certain conditions;

- the legal rights of the individual will be increased considerably;
- personal data processors, controllers and data protection officers will have many new obligations related to providing technical and organizational protection of personal data; and
- administrative fines for non-compliance with the Regulation can reach EUR20 million or 4 per cent. of an organisation's annual worldwide turnover. Moreover, individuals will have the right to judicial redress and claim compensation beyond the statutory fines.

## OVERVIEW OF THE POLISH COVERED BONDS LEGISLATION

*The following description is of a general nature and sets out certain features of Polish law governing the issuance of covered bonds as at the date of this Base Prospectus. It does not purport to be, and is not, a complete description of all aspects of the Polish legislative and regulatory framework pertaining to the Covered Bonds.*

### Introduction

As at the date of this Base Prospectus, the main act of law governing the covered bonds in Poland is the Polish Covered Bonds Act. The Polish Covered Bonds Act was adopted on 29 August 1997 and came into force on 1 January 1998. The Polish Covered Bonds Act was significantly amended on 24 July 2015. These amendments came into force on 1 January 2016. Other laws and regulations that also apply to mortgage banks and covered bonds are the Bonds Act, the Banking Act, the Bankruptcy Law as well as the decrees issued by the Minister of Finance and the recommendations issued by the KNF.

On 7 January 2021 the Minister of Finance, Funds and Regional Policy published the draft act implementing the Covered Bonds Directive into Polish law. As at the date of this Base Prospectus, the legislative works concerning the draft legislation have not yet been finalised. It is not yet certain what will be the final shape of the new legislation and when it will come into force.

### Mortgage banks

In Poland, only specialised mortgage banks may issue covered bonds. As at the date of this Base Prospectus, all mortgage banks operating in Poland are subsidiaries of a bank and a separate legal entity. Establishing a mortgage bank requires a permit from the KNF and mortgage banks' activities are subject to KNF supervision.

### Mortgage banks' lending activity

In accordance with the Polish Covered Bonds Act, the lending activities of the mortgage banks cover: (i) granting mortgage loans; (ii) granting loans secured by a guarantee of the State Treasury of the Republic of Poland, the NBP, the European Central Bank, governments and central banks of the EU and OECD member states, except for countries that are restructuring their external indebtedness or have restructured their external indebtedness in the last five years, loans to these entities, loans to local government units and loans secured by a guarantee from the local government units; and (iii) purchasing loans of the type referred to in (i) and (ii) above from other banks.

Under the Polish Covered Bonds Act, the amount of the mortgage bank's receivables under mortgage loans, in the part exceeding 60 per cent. of the mortgage lending value of the property, may not exceed 30 per cent. of the total amount of the mortgage bank's receivables under the mortgage loans. The amount of a single mortgage loan, on the day the bank grants or acquires the loan, may not exceed the mortgage lending value of the secured property.

### Covered bonds

Covered bonds (*listy zastawne*) are debt securities issued exclusively by mortgage banks under the Polish Covered Bonds Act. There are two types of covered bonds: mortgage covered bonds (*hipoteczne listy zastawne*) and public covered bonds (*publiczne listy zastawne*). For a description of assets constituting the basis for issuing mortgage covered bonds and public covered bonds, see "Core assets" below.

The covered bonds constitute direct, unconditional and unsubordinated obligations of the Bank, and rank *pari passu* among themselves and all other obligations of the Bank which have the same priority as the covered bonds. Any obligations of the Bank arising from the covered bonds are obligations of the Bank the repayment of which can be realised from any assets of the Bank, subject to a special regime that applies in respect of the obligations arising from the covered bonds on the Bank's bankruptcy. The assets which satisfy the relevant criteria set out in the Polish Covered Bonds Act and which cover the obligations of the Bank arising from the covered bonds are referred to in this Base Prospectus as the cover pool. The Polish Covered Bonds Act sets out the criteria that certain assets must meet to be eligible to constitute cover for covered bonds.

Under the Polish Covered Bonds Act, the title to assets in the cover pool is held by the Bank and these assets remain on the Bank's balance sheet. Subject to certain exceptions in the course of the bankruptcy proceedings

(described in detail in the "*Bankruptcy and Insolvency*" section), the holders of the covered bonds do not have direct access to the assets in the cover pool.

In accordance with the Polish Covered Bonds Act, the mortgages established to secure loans included in the cover pool must have the highest priority. This means that, on enforcement of the Bank's claims secured by a mortgage, the Bank's claims will be satisfied after the satisfaction of the enforcement costs, alimonies, and the statutory minimum wage for a three-month period, pensions due as compensation for an illness, inability to work, disability or death but ahead of the other creditors of the Bank.

The aggregate principal amount of outstanding covered bonds may not exceed 40 times the mortgage bank's own funds increased by the general risk reserves created by the mortgage bank.

## **Composition of the Cover Pool**

### *General*

A mortgage bank maintains separate cover pools for mortgage covered bonds and public covered bonds. There is only one cover pool for each type of covered bond, so that holders of all mortgage covered bonds have the benefit of the same cover pool and holders of all public covered bonds have the benefit of the same cover pool. The cover pool must comply with the requirements concerning, among others, the value of the assets, set out in the Polish Covered Bonds Act.

Additionally, a mortgage bank must maintain a cover pool register (*rejestr zabezpieczenia listów zastawnych*) for each cover pool indicating the assets constituting the cover pool. A mortgage bank enters both core and substitute assets as well as the assets in the liquidity buffer in the cover pool register. For a description of assets in the liquidity buffer, please see "*Liquidity buffer*" below.

The value of a loan disclosed in the cover pool register is up to the amount of the loan indicated in the relevant loan agreement for the loans originated or acquired by the mortgage bank. Within three months from the end of each financial year, a mortgage bank will announce in "*Monitor Sądowy i Gospodarczy*" the aggregate value of assets entered in the register as at the end of the financial year.

There are two types of assets in the cover pool: the core assets and the substitute assets. At least 85 per cent. of the assets in the cover pool must be core assets. Mortgage banks are subject to a mandatory overcollateralisation requirement, so that at all times the value of the assets in the cover pool must be at least 110 per cent. of the aggregate principal amount of the outstanding covered bonds. If the assets in the cover pool are denominated in a currency different from the currency of the covered bonds, the mortgage bank is required to enter into transactions hedging the currency risk.

A mortgage bank cannot dispose of the assets included in the cover pool without the prior written consent of the Cover Pool Monitor. Generally, a mortgage bank can use the assets in the cover pool as collateral only for the covered bonds. The only exceptions are establishing collateral for hedging transactions entered into by the mortgage bank and entered in the cover pool register and collateral established in favour of settlement systems of which a mortgage bank is a member.

### *Core assets*

For the mortgage covered bonds, the core assets consist of mortgage loans, both originated by the mortgage bank and acquired by the mortgage bank from other banks.

The mortgage bank may apply the proceeds from the issuance of covered bonds towards refinancing the mortgage loans in the cover pool. Refinancing in relation to a single loan cannot exceed 80 per cent. of the mortgage lending value for residential properties and 60 per cent. of the mortgage lending value for other properties.

A mortgage securing a loan to be included in the cover pool must have the highest priority. The mortgage bank may disburse the funds to the borrower before the mortgage is entered in the land and mortgage register if the bank received interim security.

Loans secured by mortgages over real property on which construction works are pending cannot exceed 10 per cent. of the aggregate principal amount of loans in the cover pool. Loans secured by mortgages over real

property on which there are no buildings, but which is designated for construction in the applicable zoning plan, cannot exceed 10 per cent. of this limit.

For public covered bonds, the core assets are: (i) loans secured by a guarantee of the State Treasury of the Republic of Poland, the NBP, the European Central Bank, governments and central banks of the EU and OECD member states, except for states which are restructuring their external indebtedness or have restructured their external indebtedness in the last five years; (ii) loans to the State Treasury of the Republic of Poland, the NBP, the European Central Bank, governments and central banks of the EU and OECD member states, except for states which are restructuring their external indebtedness or have restructured their external indebtedness in the last five years; (iii) loans to local government units; and (iv) loans secured by a guarantee from the local government units.

#### *Substitute assets*

The substitute assets, for both mortgage covered bonds and public covered bonds, are securities issued or guaranteed by the State Treasury of the Republic of Poland, the NBP, the European Central Bank, governments and central banks of the EU and OECD member states, except for states which are restructuring their external indebtedness or have restructured their external indebtedness in the last five years, cash deposited by the mortgage bank with the NBP and cash held by the mortgage bank.

#### *Liquidity buffer*

A mortgage bank has to maintain a liquidity buffer. The value of the assets in the liquidity buffer must be at least the amount of interest payable under the outstanding covered bonds in the next six months. The only assets that can be included in the liquidity buffer are: (i) securities issued or guaranteed by the State Treasury of the Republic of Poland, the NBP, the European Central Bank, governments and central banks of the EU and OECD member states, except for states which are restructuring their external indebtedness or have restructured their external indebtedness in the last five years; (ii) cash deposited by the mortgage bank with the NBP; and (iii) cash held by the mortgage bank. The assets included in the liquidity buffer cannot be used as a base for issuing covered bonds.

#### *Derivatives*

When calculating the value of the cover pool and the liquidity buffer the value of hedging arrangements to which the mortgage bank is a counterparty is also taken into account provided that the following conditions are met:

- the purpose of the hedging arrangement and the assets and liabilities to be hedged by that contract were formally designated before the hedging arrangement was concluded;
- the hedging instrument and the hedged assets or liabilities provided for in the hedging arrangement have similar characteristics, including, in particular, with regard to the nominal values, maturities, and the effects of interest rate or exchange rate changes; and
- the degree of certainty as to the expected cash flows from the hedging arrangement is significant.

#### **Valuation of assets in the Cover Pool**

As required by the Polish Covered Bonds Act, a mortgage bank should determine the mortgage lending value of a real property in a prudent and cautious manner. The mortgage lending value of a property is determined on the basis of valuation prepared by the mortgage bank or by a separate entity. The Cover Pool Monitor and the KNF may review the valuation. The detailed principles of determining the mortgage lending value of a real property are issued by the management board of a mortgage bank and are subject to the KNF's approval. Under Recommendation F issued by the KNF, if the valuation is conducted by the mortgage bank, it should be conducted by a separate organisational unit within the mortgage bank, independent from the units responsible for selling mortgage loans and handling the loan application process. Additionally, Recommendation F provides that a simplified valuation procedure may be adopted for credit exposures whose value does not exceed PLN300,000 for properties located in Warsaw, Cracow, Poznań, Wrocław, Gdańsk, Sopot or Gdynia and

PLN200,000 for properties located elsewhere. For more information on the valuation process please see "*Mortgage lending value*".

### **The role of the Cover Pool Monitor**

The Polish Covered Bonds Act governs the appointment and the responsibilities of the Cover Pool Monitor and the Deputy Cover Pool Monitor.

The Cover Pool Monitor monitors whether:

- there is appropriate coverage for the outstanding covered bonds;
- the mortgage lending value of the property was established in accordance with rules of establishing the mortgage lending value of the property adopted by the mortgage bank;
- the mortgage bank maintains the required overcollateralisation level and liquidity buffer;
- the results of the liquidity test and the coverage test confirm that the claims of the holders of the covered bonds can be satisfied in full;
- the mortgage bank maintains the cover pool register in accordance with the applicable regulations; and
- the mortgage bank maintains the appropriate cover pool and makes the required entries in the cover pool register.

The Cover Pool Monitor must notify the KNF if it identifies any non-compliance by the mortgage bank with the applicable regulations or if the result of the coverage test or the liquidity test is negative. On a monthly basis, the Cover Pool Monitor must provide the KNF with a copy of the cover pool register for the preceding month countersigned by the Cover Pool Monitor.

There must be one Cover Pool Monitor and at least one Deputy Cover Pool Monitor at a mortgage bank. Additional Deputy Cover Pool Monitors may be appointed if it is required due to the scale of the mortgage bank's operations. The Cover Pool Monitors and the Deputy Cover Pool Monitors are individuals who are citizens of an EU member state, have a university degree and can guarantee the proper performance of their obligations.

The Cover Pool Monitor and the Deputy Cover Pool Monitors are appointed by the KNF, upon application from the mortgage bank's supervisory board, for a six-year term and may be appointed for one additional term.

The Cover Pool Monitor and Deputy Cover Pool Monitors are independent in performing their duties.

### **Monitoring the Cover Pool**

The mortgage bank conducts the collateralisation review (*rachunek zabezpieczeń*). The mortgage bank monitors daily the satisfaction of the overcollateralisation requirements and verifies whether the mortgage bank's interest income from assets in the cover pool is not lower than interest payable under the outstanding covered bonds. Additionally, each mortgage bank has to perform two periodic tests: the coverage test and the liquidity test.

The coverage test verifies whether the value of the assets in the cover pool allows for full satisfaction of all claims under the outstanding covered bonds. Under the decree of the Minister of Finance dated 30 December 2015, a mortgage bank should perform the coverage test using the following formula:

$$\frac{\text{core assets} + \text{substitute assets} + \text{hedging instruments} + \text{liquidity buffer}}{\text{principal amount of outstanding covered bonds} + \text{costs of liquidating bankruptcy asset pool} + \text{due and unpaid interest}}$$

The purpose of the liquidity test is to verify that the value of the assets in the cover pool is sufficient for full satisfaction of all claims under the outstanding covered bonds even if the maturity of the covered bonds is extended in bankruptcy proceedings. Under the decree of the Minister of Finance, a mortgage bank should perform the liquidity test for a six-month period and a 12-month period.

The liquidity test for the six-month period is conducted using the following formula:

(Substitute assets + liquidity buffer + net proceeds under hedging instruments for the next six months) –  
(Interest payable in the next six months +  
principal amount of covered bonds that fall due in the next six months +  
cost for the next six months of liquidating bankruptcy asset pool)

The liquidity test for the 12-month period is conducted using the following formula:

(Substitute assets + liquidity buffer + net proceeds under hedging instruments for the next 12 months +  
interest under receivables in the cover pool for the next 12 months +  
repayment of principal of receivables in the cover pool for the next 12 months) –  
(Interest payable in the next 12 months +  
principal amount of covered bonds that fall due in the next 12 months +  
obligations towards holders that became due but were not paid before the date of declaration of bankruptcy +  
costs for the next 12 months of liquidating bankruptcy asset pool)

The liquidity test should be performed by taking into account interest and principal amount payable in respect of covered bonds: (i) in the next six months; and (ii) in the next 12 months.

In conducting the tests, the mortgage bank should take into account foreign exchange and interest rate differences if such differences were not hedged with appropriate hedging transactions. The tests are conducted by reference to the market conditions as at the day of the test and by reference to adverse market conditions.

The liquidity test must be performed at least every three months and the coverage test must be performed every six months. The test results are positive if they demonstrate that as at the date of conducting the tests, the assets entered in the cover pool register were sufficient to satisfy the claims of holders of the covered bonds in full. The test results are verified by the Cover Pool Monitor. If the result of any test is negative, the Cover Pool Monitor must notify the KNF.



## BANKRUPTCY AND INSOLVENCY

### Recovery plan

If a mortgage bank is in breach of the capital adequacy requirements, there is a threat that a mortgage bank might breach the capital adequacy requirements, the financial position of the mortgage bank deteriorated materially, the mortgage bank demonstrates a loss, there is a threat that the mortgage bank may demonstrate a loss, there is a risk that the mortgage bank may become insolvent or illiquid, the leverage ratio is increasing, the value of non-performing loans or the concentration of exposure is increasing, the mortgage bank should notify the KNF and BGF and implement a recovery plan (*plan naprawy*).

The KNF may:

- request the mortgage bank to implement the recovery plan;
- order the mortgage bank to stop granting loans to the bank's shareholders, the members of the bank's management board and supervisory board, and the bank's employees;
- request the mortgage bank to decrease certain variable elements of the remuneration of individuals holding managerial positions in the mortgage bank or to suspend payment of these variable elements;
- request the mortgage bank's management board to convene a general meeting of the shareholders to ascertain the situation of the mortgage bank, adopt a decision on covering the balance sheet loss and take other decisions, including a decision on increasing the mortgage bank's own funds;
- request the mortgage bank to dismiss a person holding a managerial position at the mortgage bank;
- order the mortgage bank to prepare and implement a restructuring plan (*plan restrukturyzacji*);
- request the mortgage bank to amend its business strategy; or
- request the bank to amend its constitutional documents or the organisational structure.

The KNF may also appoint a trustee (*kurator*) to oversee the execution of the recovery plan. The trustee may participate in the meetings of the mortgage bank's governing bodies and has access to all information necessary to perform his duties. The trustee may also file with the relevant court an objection against the decisions of the mortgage bank's management board and supervisory board.

If the measures ordered by the KNF are insufficient or the implementation of the recovery plan is insufficient to remedy the situation of the bank, the KNF may decide to appoint a receiver (*zarząd komisaryczny*). The receiver replaces the management board and the supervisory board and takes over the management of the mortgage bank. The receiver prepares a recovery plan and, after agreeing the plan with the KNF, executes it.

### Liquidation

If, after six months from convening an extraordinary general meeting of the shareholders referred to in "Recovery plan" above, the loss of the mortgage bank exceeds half of the mortgage bank's own funds, the KNF may revoke the bank's banking licence and order its liquidation

The liquidation of a bank is conducted by a liquidator (*likwidator*) appointed by the KNF. Upon the liquidator's appointment, the management board of the bank is dismissed and the supervisory board is suspended. The liquidator takes over the management of the bank and represents the bank in all matters. The purpose of the liquidation proceedings is to collect the bank's outstanding claims, liquidate its assets and terminate the bank's operations. The claims of the holders of the covered bonds and the counterparties to eligible hedging are satisfied from the assets in the cover pool ahead of claims of other creditors of the mortgage bank. The claims of the bank's shareholders are satisfied after the satisfaction of the claims of the other creditors of the bank. Once the liquidator completes the liquidation, the liquidator files a report with the KNF and applies to the court maintaining the register of entrepreneurs (*rejestr przedsiębiorców*) to delete the bank from the register of entrepreneurs. The bank ceases to exist on the day it is deleted from the register of entrepreneurs.

## Compulsory Restructuring

The Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the **BRRD**) was implemented in Poland by the Resolution Act which entered into force on 9 October 2016.

Under the Resolution Act, the BFG became the applicable resolution authority and was granted broad powers with respect to the Polish banks and other financial institutions (a **Resolution Entity**). The BFG can either initiate compulsory restructuring proceedings concerning a Resolution Entity or decide to apply the bail-in tools concerning its capital instruments if (i) the threat of that Resolution Entity's insolvency cannot be ruled out by steps taken by it or its supervisory authorities, or (ii) initiating such BFG's actions are in the public interest.

BFG can apply the following resolution tools with respect to the Resolution Entity:

- sale of business;
- bridge institution;
- asset separation; and
- bail-in (i.e. compulsory write-down or conversion of Resolution Entity's obligations).

The above tools may be applied separately or in any combination save that asset separation can only be applied in conjunction with another resolution tool.

In addition to the resolution tools, the Resolution Act grants certain resolution powers to BFG, including:

- the right to suspend the termination rights of a party to an agreement with the Resolution Entity until midnight on the business day following the date on which the publication notice of that suspension occurs;
- the right to suspend the termination rights of a party to an agreement with a subsidiary of the Resolution Entity until midnight on the business day following the date on which the publication notice of that suspension occurs, provided that certain conditions are met;
- the right to suspend the performance of any due obligations of the Resolution Entity under an agreement until midnight on the business day following the date on which the publication notice of that suspension occurs; and
- the right to suspend the rights of a secured creditor to enforce a security interest concerning any assets of the Resolution Entity until midnight on the business day following the date on which the publication notice of that suspension occurs.

The above suspension rules do not apply to certain types of claims specified in detail in the Resolution Act

If the BFG decides that a mortgage bank's liabilities under covered bonds should be transferred to another entity, this transfer should not limit the rights of the holders of covered bonds or affect the collateralisation of covered bonds. Furthermore, the obligations of mortgage banks under covered bonds and hedging instruments entered into the cover pool register may be subject to a compulsory write-down or conversion only to the extent the value of the cover pool is not sufficient to satisfy all claims under covered bonds issued by the Bank.

A party to an agreement with the Resolution Entity cannot terminate that agreement due to BFG's declaration of the initiation of the Resolution Proceedings or due to BFG's performance of its rights within the resolution proceedings, assuming that all the principal obligations under that agreement to make payments or deliveries or provide collateral continue to be performed by the applicable Resolution Entity.

## Bankruptcy

### *General*

If, according to the balance sheet prepared as at the last day of the relevant reporting period, the assets of the bank are not sufficient to satisfy the bank's obligations, the management board, the receiver or the liquidator must promptly notify the KNF. The KNF will take a decision on whether to suspend the bank's operations and appoint a receiver if a receiver was not previously appointed and will file a petition to the relevant court for the

commencement of bankruptcy proceedings. The KNF will also suspend the bank's operations and appoint a receiver and will file a petition for the commencement of bankruptcy proceedings if, for reasons directly connected with the financial situation of the bank, the bank fails to satisfy its obligations to pay the guaranteed funds specified in Article 2 item 68 of the Resolution Act.

KNF is not permitted to file a petition to the relevant court for the commencement of bankruptcy proceedings if BFG has commenced compulsory restructuring in respect of the bank. However, under the Resolution Act, the BFG is also authorised to file a motion to declare a mortgage bank bankrupt if in the course of compulsory restructuring the application of certain resolution tools, i.e. sale of business, bridge institution, and/or asset separation did not result in the sale of the bank subject to the proceedings and according to the balance sheet prepared as at the last day of the relevant reporting period, the assets of the bank are not sufficient to satisfy the bank's obligations.

Before declaring a bank's bankruptcy, the bankruptcy court will question a representative of the KNF, the members of the bank's management board and receiver, and the liquidator regarding the grounds for declaring the bank bankrupt and the candidates for the bankruptcy receiver (*syndyk*).

On the day the bank is declared bankrupt, the management and supervisory bodies of the bank are dissolved. The receivership and the appointment of the liquidator expire. Additionally, the rights of the members of the bank's corporate bodies to receive severance payments and remuneration for the period after the declaration of bankruptcy expires.

Additionally, on the day the bank is declared bankrupt:

- bank account agreements are terminated and interest on deposits is calculated until the date of declaration of bankruptcy; and
- loan agreements are terminated if the funds were not disbursed prior to the date of declaration of bankruptcy.

#### *Position of holders of covered bonds*

On the declaration of a mortgage bank's bankruptcy, the following assets will constitute a separate bankruptcy asset pool:

- the assets in the cover pool, including the rights under the hedging arrangements which comply with the requirements described in "Overview of the Polish covered bonds legislation – Composition of the cover pool – Derivatives";
- the assets in the liquidity buffer;
- proceeds from payments under receivables in the cover pool; and
- assets acquired by the mortgage bank in exchange for assets in the cover pool.

If there is doubt whether a mortgage bank's asset should be included in the separate bankruptcy asset pool, for the purpose of the bankruptcy proceedings, it is included in the bankruptcy estate up to its value indicated in the cover pool register.

If there is any surplus left in the separate bankruptcy asset pool after satisfying the claims of the holders of the covered bonds, it is added to the general bankruptcy estate of the mortgage bank.

In principle, the mortgage bank's creditors cannot set-off their claims against the mortgage bank with the mortgage bank's claims against these creditors included in the separate bankruptcy asset pool. The only exceptions are:

- set-off of claims under hedging transactions indicated in the cover pool register; and
- settlement of claims between the mortgage bank and the payment and settlement system of which the mortgage bank is a member as well as settlement of financial collateral granted by the mortgage bank.

The rules concerning satisfaction of claims of the holders of covered bonds on a mortgage bank's bankruptcy also apply to satisfaction of claims of counterparties to hedging transactions entered into by the mortgage bank which are entered in the cover pool register.

The bankruptcy court will appoint, upon consultation with the KNF, a trustee (*kurator*) who will represent the holders of the covered bonds in the bankruptcy proceedings. The holders of the covered bonds may also participate in the bankruptcy proceedings after receiving consent from the judge-commissioner (*sędzia komisarz*) conducting the proceedings.

The bankruptcy court will also appoint a bankruptcy receiver. The bankruptcy receiver takes over the management of the mortgage bank's assets from the bank's management and should liquidate the bankrupt bank's assets. From his appointment, the bankruptcy receiver acts in his own name, but on behalf of the bankrupt bank.

Within 21 days from the day of declaration of the mortgage bank's bankruptcy, the trustee will report to the bankruptcy estate:

- the aggregate principal amount of the outstanding covered bonds which became due before the date of declaration of bankruptcy;
- the aggregate amount of all interest outstanding under the covered bonds; and
- the aggregate principal amount all outstanding covered bonds due after the date of declaration of bankruptcy, interest due after the date of declaration of bankruptcy and any applicable premiums.

On the date of declaration of bankruptcy, the maturity of all outstanding covered bonds is extended by 12 months. The obligations towards holders of the covered bonds which became due before the declaration of bankruptcy and which were not paid are satisfied within 12 months from the date of the declaration of bankruptcy, but no earlier than the day falling after the results of the coverage test and the liquidity test are announced. Due interest under the covered bonds is paid in the manner set out in the terms and conditions of the covered bonds.

Within three months from the date the bank was declared bankrupt, the bankruptcy receiver is required to conduct the coverage test and the liquidity test (for a detailed description of the tests, please see "*Overview of the Polish Covered Bonds Legislation – Monitoring the Cover*"). The results of the tests are positive if the separate bankruptcy asset pool is sufficient to satisfy the claims of the holders of all outstanding covered bonds. The test results are published by the judge-commissioner.

If the results of both tests are positive, the claims under the covered bonds are satisfied in accordance with the terms and conditions of the covered bonds, taking into account the extension of maturity of the covered bonds by 12 months. In this scenario the receiver may enter into hedging transactions.

Within two months from the date the test results are announced, a meeting of holders of the covered bonds may request the receiver, by way of resolution adopted with a majority of two-thirds of votes of holders of the outstanding covered bonds, to sell all receivables and rights in the separate bankruptcy asset pool:

- to another mortgage bank together with transferring to the purchaser all obligations of the bankrupt bank under the covered bonds; or
- to another bank or another mortgage bank without transferring to the purchaser the obligations of the bankrupt bank under the covered bonds.

A meeting of the holders of the covered bonds may be convened if a request for convening the meeting is made within a month from the date the test results are announced. If this resolution is adopted, interest under the covered bonds until the date of sale of the assets is paid from the assets in the separate bankruptcy asset pool.

If the proceeds from the sale of assets in the separate bankruptcy asset pool reduced by the interest under the outstanding covered bonds payable in the next six months and the amount of claims of holders of the covered bonds which became due before the date of declaration of bankruptcy and which were not paid before that date, are at least five per cent. of the principal amount of the outstanding covered bonds, the claims of the holders of the covered bonds may be satisfied pro rata before the extended maturity date. These proceeds will be paid to the holders of the covered bonds on the next interest payment date, but not earlier than 14 days after the day on which the decision of the judge-commissioner approving the receiver's report on the progress of the bankruptcy proceedings becomes final and binding.

If the results of the coverage test are positive and the results of the liquidity test are negative, the maturity date of the covered bonds, including the covered bonds which became due before the date of declaration of

bankruptcy, is extended to the date falling three years after the latest maturity date of a mortgage bank's receivables in the cover pool. If there is an excess in proceeds under the loans received by the bank, after deducting interest payable in the next six months and the costs of bankruptcy proceedings of at least 5 per cent. of the principal amount of the outstanding covered bonds, the holders of the covered bonds shall receive payments under the covered bonds before the extended maturity date. These payments will be made pro rata on the next interest payment date, but not earlier than 14 days after the day on which the decision of the judge-commissioner approving the receiver's report on the progress of the bankruptcy proceedings becomes final and binding.

A meeting of the holders of the covered bonds may, within three months from the date of announcing the results of the tests, adopt a resolution on disapplying the extension of the maturity date or on the sale of the assets in the cover pool. The assets in the cover pool may be sold to another bank which is not a mortgage bank without transferring to the purchaser the obligations of the bankrupt bank under the covered bonds. The assets in the cover pool, possession of which is not restricted to banks, may also be sold to an entity which is not a bank.

If the results of the coverage test are negative, the maturity date of the covered bonds, including the covered bonds which became due before the date of declaration of bankruptcy, is extended to the date falling three years after the latest maturity date of a mortgage bank's receivable in the cover pool. If there is an excess in proceeds under the loans received by the bank, after deducting interest payable in the next six months and the costs of bankruptcy proceedings, of at least 5 per cent. of the principal amount of the outstanding covered bonds, the holders of the covered bonds shall receive payments under the covered bonds before the extended maturity date. These payments will be made on the next interest payment date, but not earlier than 14 days after the day on which the decision of the judge-commissioner approving the receiver's report on the progress of the bankruptcy proceedings becomes final and binding.

A meeting of the holders of the covered bonds may, however, adopt a resolution on disapplication of the extension of the maturity date or on sale of the assets in the cover pool. The assets in the cover pool may be sold to another bank which is not a mortgage bank without transferring to the purchaser the obligations of the bankrupt bank under the covered bonds. The assets in the cover pool, possession of which is not restricted to banks, may also be sold to an entity which is not a bank.

The order of priority of satisfaction of claims from the separate bankruptcy asset pool is as follows:

- costs of liquidating the separate bankruptcy asset pool which include the trustee's fee, interest and other ancillary payments under the covered bonds; and
- the outstanding principal amount of the covered bonds.

If the separate bankruptcy asset pool is not sufficient to satisfy the claims of the holders of the covered bonds, these claims will be satisfied from the general bankruptcy estate. The funds from the general bankruptcy estate designated for satisfying the claims of the holders of the covered bonds will be transferred to the separate bankruptcy asset pool.

## TAXATION

*The following is a discussion of certain Polish tax considerations relevant to an investor resident in Poland or which is otherwise subject to Polish taxation. This statement should not be deemed to be tax advice. It is based on Polish tax laws and, as its interpretation refers to the position as at the date of this prospectus, it may thus be subject to change including a change with retroactive effect. Any change may negatively affect tax treatment, as described below. This description does not purport to be complete with respect to all tax information that may be relevant to investors due to their personal circumstances. Prospective purchasers of the Securities are advised to consult their professional tax advisor regarding the tax consequences of the purchase, ownership, disposal, redemption or transfer without consideration of the Covered Bonds. The information provided below does not cover tax consequences concerning income tax exemptions applicable to specific taxable items or specific taxpayers (e.g. domestic or foreign investment funds).*

*The reference to "interest" as well as to any other terms in the paragraphs below means "interest" or any other term as understood in Polish tax law.*

### (a) Taxation of a Polish tax resident private investor (natural person)

Under Art. 3.1 of the Personal Income Tax Act dated 26 July (the **PIT Act**), natural persons, if residing in the Republic of Poland, are liable for tax on their total income (revenue) irrespective of the location of the sources of revenue (unlimited obligation to pay tax).

Under Art. 3.1a of the PIT Act, a Polish tax resident individual is a natural person who (i) has his/her centre of personal or business interests located in Poland or (ii) stays in Poland for longer than 183 days in a year, unless any relevant tax treaty dictates otherwise.

#### (i) Income from capital investments other than interest

Income other than interest derived by a Polish tax resident individual from debt financial instruments held as non-business assets, including income from a transfer of securities for consideration, qualify as capital income according to Art. 17 of PIT Act. This income does not cumulate with the general income subject to the progressive tax scale but is subject to a 19 per cent. flat rate tax. The costs of acquiring the Covered Bonds are recognised at the time the revenue is achieved. Based on Art. 17.2 and Art. 19.1 of the PIT Act, if the price expressed in the contract without a valid reason significantly deviates from the market value, the amount of income is determined by the tax authority or fiscal control authority in the amount of the market value.

In principle, this income should be settled by the taxpayer by 30 April of the year following the year in which the income was earned. No tax or tax advances should be withheld by the person making the payments.

#### (ii) Withholding tax on interest income

Under Art. 30a.7 of the PIT Act, interest income (discount) does not cumulate with general income subject to the progressive tax rate but under Art. 30a.1.2 of the PIT Act it is subject to 19 per cent. flat rate tax.

Under Article 41.4 of the PIT Act, the interest payer, other than an individual not acting within the scope of his/her business activity, should withhold the 19 per cent. Polish tax upon any interest payment. Under the Art. 41.4d of the PIT Act, tax on interest or discount on securities is withheld by entities keeping securities accounts for taxpayers, in their capacity as tax remitters, if the income (revenue) is earned in the territory of Poland and is associated with the securities registered in these accounts, and, further, if relevant payments are made to the taxpayers through those entities. This principle also applies to remitters who are payers of

corporate income tax and are subject to limited tax liability in Poland, to the extent they conduct their business through a foreign establishment and it is to that establishment's operations that the securities account is linked. There are no regulations defining in which cases income earned (revenue) by a Polish tax resident should be considered income (revenue) earned in Poland. However, it is expected those cases will be analogous to those of non-residents. Pursuant to Art. 3.2b of the PIT Act, income (revenues) earned in the Republic of Poland by non-residents shall include in particular income (revenues) from:

- (A) work performed in the Republic of Poland based on a service relationship, employment relationship, outwork system and co-operative employment relationship irrespective of the place where remuneration is paid;
- (B) activity performed in person in the Republic of Poland irrespective of the place where remuneration is paid;
- (C) economic activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland;
- (D) immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from disposal of any rights to such property;
- (E) securities and derivatives other than securities, admitted to public trading in the Republic of Poland as part of the regulated stock exchange market, including those obtained from the disposal of these securities or derivatives, or the exercise of rights resulting from them;
- (F) the transfer of ownership of shares in a company, of all rights and obligations in a partnership without legal personality, or participation in an investment fund, a collective investment undertaking or other legal entity and rights of similar character or from receivables being a consequence of holding those shares, rights and obligations, participation or rights, if at least 50 per cent. of the value of assets of such company, partnership, investment fund, collective investment undertaking or legal entity is constituted, directly or indirectly, by immovable properties located in the Republic of Poland, or rights to such immovable properties;
- (G) the transfer of ownership of shares, all rights and obligations, participation or similar rights in a real estate company (as defined in the PIT Act);
- (H) the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organisational units without legal personality, having their place of residence, registered office, or management board in the Republic of Poland, irrespective of the place of concluding and performing the agreement; and/or
- (I) unrealised gains as referred to in the exit tax regulations.

The above list is not exhaustive; therefore, the tax authorities may also consider that income (revenues) not listed above is sourced in Poland.

Given the above, each situation should be analysed to determine whether interest earned by a Polish tax resident individual from the Covered Bonds is considered to be income sourced in Poland and whether the entity operating the securities account for the individual will withhold the tax. Since the Issuer is a Polish entity, as a rule interest from the Covered Bonds should be considered as earned in the territory of Poland.

Although this is not clearly regulated in Polish tax law, in fact, foreign entities do not act as Polish withholding tax remitters (save when such foreign entities operate by way of a branch that constitutes a tax establishment in Poland). Therefore, it should be expected that the Bank itself or a non-Polish entity operating the Covered Bonds account for the individual will not withhold the tax.

According to Article 45.3b of the PIT Act, if the tax is not withheld, the individual is obliged to settle the tax himself/herself by 30 April of the following year.

Separate rules apply to interest income on Covered Bonds held in Polish omnibus accounts (within the meaning of the provisions of the Act on Trading in Financial Instruments, hereinafter **Omnibus Accounts**). Under Art. 41.10 of the PIT Act, insofar as securities registered in Omnibus Accounts are concerned, the entities operating Omnibus Accounts through which the amounts due are paid are liable to withhold the flat-rate income tax on interest income. The tax is charged on the day of placing the amounts due at the disposal of the Omnibus Account holder.

Pursuant to Art. 30a.2a of the PIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19% flat-rate tax is withheld by the tax remitter (under Art. 41.10 of the PIT Act the entity operating the Omnibus Account) from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder.

Under Art. 45.3c of the PIT Act, taxpayers are obliged to disclose the amount of interest (discount) on securities in their annual tax return if the securities were registered in an Omnibus Account and the taxpayer's identity was not disclosed to the tax remitter.

Under Art. 30a.9 of the PIT Act, withholding tax incurred outside Poland (including countries which have not concluded a tax treaty with Poland), up to an amount equal to the tax paid abroad, but not higher than 19 per cent. tax on the interest amount, could be deducted from the Polish tax liability. Double tax treaties can provide other methods of withholding tax settlements.

(iii) Covered Bonds held as business assets

If an individual holds the Covered Bonds as business assets, in principle, interest (discount) and income from a transfer of securities for consideration should be subject to tax in the same way as other business income. The tax, at 19 per cent. flat rate or the 17 per cent. to 32 per cent. progressive tax rate depending on the choice and meeting of certain conditions, should be settled by the individuals themselves.

(b) Taxation of a Polish tax resident corporate income taxpayer

Under Art. 3.1 of the Corporate Income Tax Act dated 15 February 1992 (the "**CIT Act**") the entire income of taxpayers who have their registered office or place of management in Poland is subject to tax obligation in Poland, irrespective of where the income is earned.

The appropriate tax rate is the same as the tax rate applicable to business activity, i.e. 19 per cent. for a corporate income taxpayer or 9 per cent. for small and new taxpayers.

A Polish tax resident corporate income taxpayer is subject to income tax in respect of the Covered Bonds (both on any capital gains and on interest/discount) following the same principles as those which apply to any other income received from business activity within the same source of income. As a rule, for Polish income tax purposes interest is recognised as revenue on a cash basis, i.e. when it is received



and not when it has accrued. In respect of capital gains, the cost of acquiring the Covered Bonds will be recognised at the time the revenue is achieved. Revenue from a transfer of securities for consideration is, in principle, their value expressed as the price specified in the contract. If the price expressed in the contract, without a valid reason, significantly deviates from the market value, the revenue amount is determined by the tax authority as an amount equivalent to the market value (Art. 14 of the CIT Act). In the case of income from the transfer of securities for consideration, tax deductible costs are generally recognised when the corresponding revenue has been received. The taxpayer (without the remitter's participation) settles income tax on interest/discount and on the transfer of securities for consideration, which is settled along with other income from the taxpayer's business activity within the same source of income.

Regarding the proper source of revenue, in principle, the income (revenue) from the Covered Bonds, including their transfer against a consideration, is combined with revenues from capital gains (Art. 7b.1 of the CIT Act). In the case of insurers, banks and some other entities (financial institutions), this revenue is included in revenues other than revenues from capital gains (Art. 7b.2) of the CIT Act).

Although no Polish withholding tax should apply on interest payable to Polish corporate income taxpayers, under specific rules applying to interest income on securities held in Omnibus Accounts, under Art. 26.2a of the CIT Act, for income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 20 per cent. flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. If such tax is withheld for a Polish tax resident corporate income taxpayer, to receive a refund of such tax, the entity should contact its tax advisor.

Any withholding tax incurred outside Poland (including countries which have not concluded any tax treaty with Poland), up to an amount equal to the tax paid abroad, but not higher than the tax calculated in accordance with the applicable domestic tax rate, can be deducted from the Polish tax liability. Double tax treaties can provide other methods of withholding tax settlements.

(c) Covered Bonds held by a non-Polish tax resident (natural person or corporate income taxpayer)

Under Art. 3.2a of the PIT Act, natural persons, if they do not reside in Poland, are liable to pay tax only on income (revenue) earned in Poland (limited obligation to pay tax).

Under Art. 3.2 of the CIT Act, in the case of taxpayers who do not have their registered office or management in Poland, only the income they earn in Poland is subject to taxation in Poland.

Non-Polish tax residents who are natural persons or corporate income tax payers are subject to Polish income tax only with respect to their income earned in Poland. Under Art. 3.3 of the CIT Act, income (revenues) earned in the Republic of Poland by non-residents shall include in particular income (revenues) from:

- (A) all types of activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland;
- (B) immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from the disposal of any rights to such property;
- (C) securities and derivatives other than securities, admitted to public trading in the Republic of Poland as part of the regulated stock exchange market, including those obtained from the disposal of these securities or derivatives, or the exercise of rights resulting from them;

- (D) the transfer of ownership of shares in a company, of all rights and obligations in a partnership without legal personality, or participation in an investment fund, a collective investment undertaking or other legal entity and rights of similar character or from receivables being a consequence of holding those shares, rights and obligations, participation or rights, if at least 50 per cent. of the value of assets of such company, partnership, investment fund, collective investment undertaking or legal entity is constituted, directly or indirectly, by immovable properties located in the Republic of Poland, or rights to such immovable properties;
- (E) the transfer of ownership of shares, all rights and obligations, participation or similar rights in a real estate company (as defined in the CIT Act);
- (F) the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organisational units without legal personality, having their place of residence, registered office, or management board in the Republic of Poland, irrespective of the place of concluding or performing the agreement; and/or
- (G) unrealised gains referred to in the exit tax regulations.

Similar provisions are included in Art. 3.2b of the PIT Act.

It should be noted that the list of income (revenues) earned in Poland, as provided in Art. 3.3. of the CIT Act and Art. 3.2b of the PIT Act is not exhaustive, therefore, other income (revenues) may also be deemed to be earned in the Republic of Poland.

Taking the above into account, each situation should be analysed to determine whether the interest accrued by a Polish tax resident on Covered Bonds is considered income in Poland. However, due to the fact that the Bank is a Polish entity and further to the above, in many cases interest on the Covered Bonds should be treated as earned on the territory of Poland.

(d) Exemption for interest (discount) on Covered Bonds obtained by non-Polish tax residents

According to Art. 17.1.50a of the CIT Act, interest (discount) on covered bonds obtained by taxpayers referred to in Art. 3.2 of the CIT Act, ie non-Polish tax residents is tax exempt. Pursuant to Art. 26.1aa.1 of the CIT Act, tax remitters are not obliged to collect tax on interest (discount) on covered bonds.

Similar exemptions apply to personal income tax. Pursuant to Art. 21.1.130a of the PIT Act, interest (discount) on covered bonds obtained by natural persons referred to in Art. 3.2a of the PIT Act, i.e. non-Polish tax residents, is tax exempt. According to Art. 41.24. 1 of the PIT Act, tax remitters are not obliged to collect tax on interest (discount) on covered bonds.

(e) Tax on civil law transactions

Neither an issuance of the Covered Bonds, nor a redemption of the Covered Bonds is subject to tax on civil law transactions.

In light of Art. 1.1.1.a of the Tax on Civil Law Transactions Act dated 9 September 2000 (the **PCC Act**), agreements for sale or exchange of assets or proprietary rights are subject to tax on civil law transactions. The Covered Bonds should be considered as representing proprietary rights. Transactions are taxable if their subjects are:

- (i) assets located in Poland or proprietary rights exercisable in Poland;
- (ii) assets located abroad or proprietary rights exercisable abroad if the acquirer's place of residence or registered office is located in Poland and the civil law transaction was carried out in Poland.

As a rule, covered bonds issued by an entity with its registered office in Poland are considered proprietary rights exercised in Poland and therefore are subject to tax on civil law transactions in the amount of 1%, regardless of the place of conclusion of the transaction and the jurisdiction of the parties to the contract. The taxable base is the market value of the asset or proprietary right (Art. 6.1.1 of the PCC Act).

In the case of a sale agreement, the tax liability lies with the buyer (in the case of an exchange agreement, on both sides of the contract liable jointly and severally.) and, as a rule, arises upon the conclusion of this agreement (Art 3.1.1. of the PCC Act). Taxpayers are required, without the request of the tax authority, to submit a tax return on civil law transactions as well as calculate and pay the tax within 14 days from the date of the creation of the tax liability (i.e. from the date of concluding the sale/exchange agreement). If such agreement has been entered into in notarial form, the tax due should be withheld and paid by the notary public.

However, under Art. 9.9 of the PCC Act, an exemption applies to the sale of property rights constituting financial instruments (such as the Covered Bonds):

- (i) to investment companies and foreign investment companies;
- (ii) via investment companies or foreign investment companies;
- (iii) as part of organised trading; or
- (iv) outside organised trading by investment companies and foreign investment companies, if those rights were acquired by those companies under organised trading,

within the meaning of the provisions of the Act of 29 July 2005 on Trading in Financial Instruments.

Moreover, in accordance with Art. 1a.5 and 1a.7 in connection with Art. 2.4 of the PCC Act, the PCC exemption applies to sale or exchange agreements concerning the Covered Bonds:

- (i) to the extent that they are taxed with the VAT in Poland or in another EU Member State or EEA; or
- (ii) when at least one of the parties to the transaction is exempt from VAT in Poland or in another EU Member State or EEA on account of that particular transaction.

(f) Remitter's liability

Under Art. 30 of the Tax Code dated 29 August 1997, a tax remitter failing to fulfil its duty to calculate, withhold or pay tax to a relevant tax authority is liable for the tax that has not been withheld or that has been withheld but not paid, up to the value of all its assets. The tax remitter is not liable if the specific provisions provide otherwise or if tax has not been withheld due to the taxpayer's fault. In such a case, the relevant tax authority will issue a decision concerning the taxpayer's liability.

## SUBSCRIPTION AND SALE

Subject to the provisions of the amended and restated programme agreement dated 2 December 2021 (the **Programme Agreement**) between the Bank, ING NV and ING BSK (together with any further financial institution appointed as a dealer under the Programme Agreement, the **Dealers**), the Covered Bonds may be sold by the Bank to the Dealers, who shall act as principals in relation to such sales. However, the Bank has reserved the right to issue Covered Bonds directly on its own behalf to subscribers who are not Dealers and which agree to be bound by the restrictions set out below. The Programme Agreement also provides for Covered Bonds to be issued in Tranches which are jointly and severally underwritten by two or more Dealers or such subscribers.

The Bank has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Covered Bonds. The Dealer Agreement may be terminated in relation to all the Dealers or any of them by the Bank or, in relation to itself and the Bank only, by any Dealer, at any time on giving not less than ten business days' notice.

### United States of America

The Covered Bonds have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the **Securities Act**), or the securities law of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except certain transactions exempt from or not subject to the registration requirements of the Securities Act.

Each Dealer has represented and agreed that it has not offered nor sold the Covered Bonds of any identifiable Tranche, and will not offer nor sell the Covered Bonds of any identifiable Tranche (i) as part of their distribution at any time nor (ii) otherwise until 40 days after completion of the distribution of such tranche within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Accordingly, each Dealer has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Covered Bonds, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer agrees that, at or prior to confirmation of sale of Covered Bonds, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Covered Bonds from it during the restricted period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the **Securities Act**), or the securities laws of any state or other jurisdiction of the United States, and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of this tranche of Securities, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used above have the meanings given to them by Regulation S.

Each Dealer has represented and agreed that it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of Covered Bonds within the United States of America, except with its affiliates or with the prior written consent of the Bank.

Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Covered Bonds, other than Covered Bonds with an initial maturity of one year or less, will be issued in accordance with the provisions of U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D) or substantially identical provisions (the **D Rules**), or in accordance with the provisions of U.S. Treasury Regulation Section 1.163-5 (c)(2)(i)(C) or substantially identical provisions (the **C Rules**), as specified in the Final Terms.

In addition, in respect of Covered Bonds issued in accordance with the D Rules, each Dealer has represented and agreed that:

- (a) to the extent permitted under the D Rules, it has not offered or sold, and during the restricted period will not offer or sell, Covered Bonds in bearer form to a person who is within the United States or its possessions or to a United States person;
- (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Covered Bonds in bearer form are aware that such Covered Bonds may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if such Dealer is a United States person, it has represented that it is acquiring the Covered Bonds in bearer form for purposes of resale in connection with their original issuance and if such Dealer retains Covered Bonds in bearer form for its own account, it will do so only in accordance with the requirements of U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D)(6) or substantially identical provisions; and
- (d) with respect to each affiliate that acquires Covered Bonds in bearer form from such Dealer for the purpose of offering or selling such Covered Bonds during the restricted period, such Dealer either (i) has repeated and confirmed the representations and agreements contained in sub-clauses (a), (b) and (c) on such affiliate's behalf or (ii) has agreed that it will obtain from such affiliate for the benefit of the Bank the representations and agreements contained in sub-clauses (a), (b) and (c).

Terms used in the above paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

In addition, where the C Rules are specified in the applicable Final Terms as being applicable to any Tranche of Covered Bonds, Covered Bonds in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, Covered Bonds in bearer form within the United States or its possessions in connection with their original issuance. Further, each Dealer has represented and agreed in connection with the original issuance of Covered Bonds in bearer form, that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such Dealer or purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of Covered Bonds in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

The Bank may agree with one or more Dealers for such Dealers to arrange for the sale of Covered Bonds under procedures and restrictions designed to allow such sales to be exempt from the registration requirements of the Securities Act.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or has in its possession or distributes the Base Prospectus or any other offering material.

#### **Prohibition of Sales to EEA Retail Investors**

Unless the Final Terms in respect of any Covered Bonds specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

- (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**); and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

If the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Member State except that it may make an offer of such Covered Bonds to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Bank for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Bank or any Dealer to publish a prospectus pursuant to Article 3(1) of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Covered Bonds in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds; and
- the expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

## **United Kingdom**

### ***Prohibition of sales to UK Retail Investors***

Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the UK. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not

qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

- (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

If the Final Terms in respect of any Covered Bonds specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in the UK except that it may make an offer of such Covered Bonds to the public in the UK:

- (A) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Bank for any such offer; or
- (C) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Covered Bonds referred to in (A) to (C) above shall require the Bank or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Covered Bonds to the public** in relation to any Covered Bonds means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds; and
- the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

#### ***Other regulatory restrictions***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Covered Bonds which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Bank;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of

Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and

- (d) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

### **Belgium**

Other than in respect of Covered Bonds for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Covered Bonds may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Covered Bonds, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Covered Bonds, directly or indirectly, to any Belgian Consumer.

### **General**

No action has been taken in any jurisdiction that would permit a public offering of any of the Covered Bonds, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required. Each Dealer has represented and agreed that it will comply with all relevant laws and directives in each jurisdiction in which it purchases, offers, sells, or delivers Covered Bonds or has in its possession or distributes the Base Prospectus or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Covered Bonds under the laws and directives in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, in all cases at its own expense, and neither the Bank nor any other Dealer shall have responsibility therefor.

These selling restrictions may be modified by the agreement of the Bank and the Dealers, *inter alia*, following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Covered Bonds to which it relates or in a supplement to this Base Prospectus.



## GENERAL INFORMATION

### Authorisation

No governmental consents, approvals or authorisations in Poland in connection with the issue of the Covered Bonds and the performance by the Bank of its obligations under the Covered Bonds will be required to be complied with.

The establishment and update of the Programme and the issue of Covered Bonds have been duly authorised by the resolution of the Supervisory Board of the Bank No. 23/4/2019 dated 9 May 2019. The issuance of each Series of the Covered Bonds will be authorised by a separate resolution of the Management Board of the Bank.

### Listing and admission to trading of Covered Bonds

Application may be made to list Covered Bonds issued under the Programme on the Official List of the Luxembourg Stock Exchange and/or the Warsaw Stock Exchange and to admit to trading the Covered Bonds on the Regulated Market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) and/or on the Regulated Market of the Warsaw Stock Exchange (*Gięlda Papierów Wartościowych w Warszawie S.A.*). Each of the Luxembourg Stock Exchange's Regulated Market and the Warsaw Stock Exchange's Regulated Market is a regulated market for the purposes of the Market and Financial Instruments Directive 2014/65/EU. The Programme provides that Covered Bonds may be listed on further stock exchanges, as may be agreed between the Bank and the relevant Dealer(s) in relation to each Series, as specified in the applicable Final Terms. Covered Bonds may further be issued under the Programme without being listed on any stock exchange.

Covered Bonds which are unlisted or to be listed or admitted to trading, as the case may be, on another stock exchange or market may be issued under this Programme but only, in the case of Covered Bonds listed or admitted to trading on another stock exchange or market, if the Bank ensures that all laws and regulations are complied with including, among others, any applicable requirements for notifications of competent authorities and other requirements under the Prospectus Regulation.

The applicable Final Terms will state whether or not the relevant Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

### Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection on the Bank's website ([www.inghipoteczny.pl](http://www.inghipoteczny.pl)):

- (a) the constitutional documents (with English translations thereof) of the Bank; and
- (b) any future base prospectuses, offering circulars, prospectuses, information memoranda, supplements and Final Terms prepared by the Bank.

In addition, for at least ten years from the date of this Base Prospectus, a copy of this Base Prospectus and of any document containing the information incorporated by reference in this Base Prospectus can be obtained from the Bank's website: [www.inghipoteczny.pl](http://www.inghipoteczny.pl).

The content on the websites available via hyperlinks included in this Base Prospectus does not form a part of this Base Prospectus with the exception of hyperlinks to the electronic addresses where information incorporated by reference is available. Hyperlinks used for information incorporated by reference in this Base Prospectus will be functional for at least ten years from the date of this Base Prospectus.

### Clearing Systems

The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code, the International Securities Identification Number (ISIN) and the alphabetical code of each Series of Covered Bonds will be set out in the applicable Final Terms.

If the Covered Bonds are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

Euroclear's address is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium. Clearstream, Luxembourg's address is 42, avenue Kennedy, 1855 Luxembourg, Luxembourg.

### **Conditions for determining price**

The price and amount of Covered Bonds to be issued under the Programme will be determined by the Bank and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Change**

There has been no significant change in the financial performance or position of the Bank since 30 June 2021 and there has been no material adverse change in the financial position or prospects of the Bank since 31 December 2020.

### **Litigation**

The Bank is not and has not been involved in any governmental, legal or arbitration proceedings relating to claims or amounts that are material in the context of the issue of the Covered Bonds (including any such proceedings which are pending or threatened of which the Bank is aware) in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Bank.

### **Auditors**

The Bank's financial statements for the financial years ended 31 December 2019 and 31 December 2020 prepared in accordance with International Financial Reporting Standards as adopted by the European Union have been audited by Michał Tomczyk, certified auditor, member of the Polish Chamber of Certified Auditors (*Polska Izba Biegłych Rewidentów*), licence no. 13503, acting on behalf of BDO spółka z ograniczoną odpowiedzialnością sp. k., an audit firm entered on the list kept by the Polish Chamber of Certified Auditors under no. 3355 and BDO spółka z ograniczoną odpowiedzialnością sp. k. rendered an unqualified audit report on such financial statements of the Bank.

### **Yield**

In relation to any Tranche of Fixed Rate Covered Bonds, an indication of the yield in respect of such Covered Bonds will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Covered Bonds on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Covered Bonds and will not be an indication of future yield.

### **Arranger and/or Dealers transacting with the Bank**

The Arranger, certain Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Bank and its affiliates in the ordinary course of business. Except as discussed in the applicable Final Terms, the Arranger, certain Dealers and their affiliates may be customers of, and borrowers from the Bank and its affiliates. In addition, the Arranger, certain Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Bank and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the certain Arranger, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Bank or the Bank's affiliates. The Arranger, the certain Dealers or their affiliates that have a lending relationship with the Bank routinely hedge their credit exposure to the Bank consistent with their customary risk management policies. Typically, the Arranger, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Arranger, the Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial

instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Post-issuance information**

In connection with the issuance of mortgage covered bonds by the Bank and in accordance with Article 129 section 7 of the CRR, the Bank publishes regular disclosure reports (*raporty ujawnień*) detailing the Bank's issuances of the mortgage covered bonds and cover pool register. The abovementioned disclosure reports (*raporty ujawnień*) are published on the Bank's website [www.inghipoteczny.pl](http://www.inghipoteczny.pl).

## **BANK**

### **ING Bank Hipoteczny Spółka Akcyjna**

ul. Chorzowska 50  
40-101 Katowice  
Poland

## **ARRANGERS AND DEALERS**

**ING Bank N.V.**  
Foppingadreef 7  
1102 BD Amsterdam  
Netherlands

**ING Bank Śląski S.A.**  
ul. Sokolska 34  
40-086 Katowice  
Poland

## **PRINCIPAL PAYING AGENT**

### **Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

## **LISTING AGENT**

### **Deutsche Bank Luxembourg S.A.**

2, Boulevard Konrad Adenauer  
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Luxembourg

## **LEGAL ADVISERS TO THE BANK**

*as to Polish law*  
**Allen & Overy, A. Pędzich sp. k.**  
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00-844 Warsaw  
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*as to English law*  
**Allen & Overy LLP**  
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## **AUDITORS**

### **BDO spółka z ograniczoną odpowiedzialnością sp. k.**

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