

Current report no 11/2023

Date: 24-07-2023

Subject: Registration of changes in the Charter of ING Bank Hipoteczny S.A.

Management Board of ING Bank Hipoteczny S.A. ("Bank") informs that on July 24, 2023 has received the decision of the District Court Katowice-Wschód in Katowice, 8th Commercial Division of the National Court Register of July 21, 2023 concerning the registration of changes to the Bank's Articles of Association adopted by Resolutions No. 20 and 21 of the Ordinary General Meeting of April 27 2023. The registered amendments to the Articles of Association and the consolidated text of the Articles of Association including changes introduced are attached to this report.

Legal basis: § 5 point 1) and § 6 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws from 2018, item 757).

Signatures of company representatives:

Jacek Frejlich - President of the Management Board

Marek Byczek - Vice President of the Management Board

Registered amendments to the Articles of Association, adopted by Resolutions No 20 and 21 of the Ordinary General Meeting of ING Bank Hipoteczny S.A. of April 27, 2023

1. Amendments to the Articles of Association of ING Bank Hipoteczny S.A. including shortening the term of office of the Management Board and the Supervisory Board, starting from the new term of office of those boards, and specifying the rules for holding the term of office.

- 1) § 20.3 is replaced by the wording:

„3. The term of office of the Supervisory Board lasts three years and is a joint term. The terms of office are calculated in full financial years. If a member of the Supervisory Board is replaced during the term of office, the mandate of such co-opted member of the Supervisory Board shall expiry with the expiry of the term of office of the Supervisory Board.”

Previous wording:

“3. The term of office of the Supervisory Board is five years. If a member of the Supervisory Board is replaced during the term of office, the mandate of such co-opted member of the Supervisory Board shall expiry with the expiry of the term of office of the Supervisory Board.”

- 2) § 27.3 is replaced by the wording:

“ 3. The term of office of the Management Board lasts three years and is a joint term. The term of office is calculated in full financial years. If a member of the Management Board is replaced during the term of office, the mandate of such co-opted member of the Management Board shall expiry with the expiry of the term of office of the Management Board.”

Previous wording:

“3. The term of office of the Management Board is five years. If a member of the Management Board is replaced during the term of office, the mandate of such co-opted member of the Management Board shall expiry with the expiry of the term of office of the Management Board.

2. Amendments to the Articles of Association of ING Bank Hipoteczny S.A. including adapting its provisions to the amended Code of Commercial Companies and the Act on Covered Bonds and Mortgage Banks.

- 1) § 8.3.b) is replaced by the wording:

“b) perform operations to mitigate FX risk and interest rate risk; however, if mortgage bonds are issued in a currency other than the currency in which the receivables of the bank securing the bonds are denominated or the currency of the funds referred to in the Act on mortgage bonds and mortgage banks, the Bank shall be obliged to hedge FX risk, including entering into derivative contracts.”

Previous wording:

“b) perform operations to mitigate FX risk and interest rate risk; however, if mortgage bonds are issued in a currency other than the currency in which the receivables of the bank securing the bonds are denominated or the currency of the funds referred to in the Act on mortgage bonds and mortgage banks, the Bank shall be obliged to hedge FX risk.”

- 2) The previous wording of § 22 is marked as section 1, after which a new section 2 is added with the following wording:

“1. The Supervisory Board elects the Chairman, Vice-Chairman and Secretary from among its members.

2. The Chairman of the Supervisory Board convenes meetings of the Supervisory Board, manages its work and ensures proper organization of the work of the Supervisory Board. In the event of absence or impediment in performing the function of the Chairman of the Supervisory Board, his rights and duties are performed by the Vice-Chairman of the Supervisory Board.”

Previous wording:

“The Supervisory Board shall elect the Chairperson, Deputy Chairperson and Secretary from among its members.”

- 3) In § 26, after section 3, a new section 4 is added with the following wording:

“4. The consent of the Supervisory Board is not required to conclude a transaction with the parent company, the value of which added up with the value of transactions concluded with this company during the financial year exceeds 10% of the total assets of the Bank within the meaning of the accounting regulations, determined on the basis of the last approved financial statement of the company.”

Previous wording: None.

- 4) § 33.1.4) is replaced by the wording:

„4) each member of the Management Board independently - in the scope of motions to change the mortgage creditor submitted in proceedings before land and mortgage register courts.”

Previous wording:

"4) each member of the Management Board individually - in the scope of applications to change the mortgage creditor and applications for disclosure of information regarding the entry of receivables secured by mortgage in the register of collateral for mortgage covered bonds, submitted in proceedings before land and mortgage register courts."

**ARTICLES OF ASSOCIATION
ING BANK HIPOTECZNY SPÓŁKA AKCYJNA**

Consolidated text

Adopted by Resolution No. 21 of the Ordinary General Meeting of ING Bank Hipoteczny S.A. of April 27, 2023, Rep. A 2206/2023, prepared on the basis of a notarial deed of February 26, 2018, Rep. A 1499/2018, taking into account the changes introduced to the Articles of Association by Resolution No. 2 of the Extraordinary General Meeting of January 3, 2019, Rep A No. 7/2019, changes introduced to the Articles of Association by Resolutions No. 1 and 2 of the EGM of December 11, 2019, Rep A No. 26636/2019, and changes introduced to the Articles of Association by Resolution No. 20 and 21st Annual General Meeting of ING Bank Hipoteczny S.A. of April 27, 2023, Rep A 2206/2023.

I. General provisions

§ 1.

1. The business name of the Bank shall be: ING Bank Hipoteczny Spółka Akcyjna.
2. The Bank may use the following abbreviation: "ING Bank Hipoteczny S.A.".

§ 2.

The Bank is founded by ING Bank Śląski S.A.

§ 3.

The registered office of the Bank shall be in Katowice.

§ 4.

The Bank shall operate in the territory of the Republic of Poland and abroad.

§ 5.

The Bank may open branches and other entities.

§ 6.

The Bank is a mortgage bank, as referred to in the Act of 29 August 1997 on mortgage bonds and mortgage banks.

§ 7.

All matters not provided for in these Articles of Association shall be subject to the Code of Commercial Companies, Banking Act, Act on mortgage bonds and mortgage banks and other applicable regulations.

II. Scope of the Bank's business.

§ 8.

1. The core business objects of the Bank are:
 - a) acquisition of receivables of other banks related to their mortgage-backed loans;
 - b) issue of mortgage bonds backed with the following:
 - receivables of the mortgage bank under acquired receivables of other banks related to their mortgage-backed loans; and
 - funds of the Bank as compliant with the Act on mortgage bonds and mortgage banks.

2. Apart from the operations listed in par. 1, the Bank may pursue the following operations:
 - a) contracting loans and borrowings;
 - b) issuing bonds;
 - c) safekeeping of securities;
 - d) purchase or acquisition of shares and interests in other entities whose legal form provides for limiting the bank's liability to the amount of the invested funds if supportive to the bank's business as a mortgage bank - the entire value of such purchased shares and interests may not exceed 10% of the Bank's equity;
 - e) provision of consulting and advisory services related to property markets, including with respect to appraising value of properties for mortgage banking;
 - f) management of receivables of the Bank and other banks, related to the loans referred to in par. 1.
3. The Bank may take actions supporting the activities specified in par. 1 and par. 2.a), par. 2.b) and par. 2.d), in particular:
 - a) perform foreign exchange transactions;
 - b) perform operations to mitigate FX risk and interest rate risk; however, if mortgage bonds are issued in a currency other than the currency in which the receivables of the bank securing the bonds are denominated or the currency of the funds referred to in the Act on mortgage bonds and mortgage banks, the Bank shall be obliged to hedge FX risk, including entering into derivative contracts.
4. Any change to the Bank's business shall not require the redemption of shares held by those shareholders who do not approve the change provided the resolution on the change is approved by a majority of 2/3 votes in the attendance of persons representing minimum one half of share capital.

§ 9.

If applicable regulations impose restrictions or impose a duty to obtain a specific permit to perform the operations specified in these Articles of Association, those operations will be performed by the Bank in compliance with the applicable regulations or in line with the obtained permits.

§ 10.

1. In compliance with applicable laws, the Bank may pursue its business in cooperation with other banks, in particular ING Bank Śląski S.A., and commission other banks and other entities to perform operations covered with the Bank's business objects.
2. In compliance with applicable laws, the Bank may get financially or operationally involved in projects carried out jointly with the Bank's related entities and the Bank's parent entity, or cooperate with those entities and other entities, in particular by applying Bank's available resources or systems in compliance with their economic application and with specific focus on safe operation of the Bank and those institutions.

III. Share capital.

§ 11.

1. The Bank's share capital is PLN 380,000,000.00 (in words: PLN two hundred ten million) and is split into:
 - 1) 120,000 (one hundred twenty thousand) series A ordinary registered shares with the nominal value of PLN 1,000,00 (PLN one thousand) each share;
 - 2) 90,000 (ninety thousand) series B ordinary registered shares with the nominal value of PLN 1,000,00 (PLN one thousand) each share;
 - 3) 170.000 (one hundred seventy thousand) series C ordinary registered shares with the nominal value of PLN 1,000,00 (PLN one thousand) each share;
2. The share capital was fully covered with contributions in cash.

§ 12.

1. The shares of the Bank may be redeemed. Shares may be redeemed solely with the consent of the shareholder whose shares are to be redeemed by way of purchase by the Bank.

2. Share redemption requires a resolution of the General Meeting specifying in particular the legal basis for the redemption and the amount of consideration due to the holders of the redeemed shares or a justification to the redemption of the shares without consideration, and the method of decreasing the share capital.
3. Share redemption requires approval of the Polish Financial Supervision Authority.
4. Shares may not be redeemed if such redemption resulted in a decrease of the share capital below the amount required by applicable laws.

IV. Bodies of the Bank.

§ 13.

The Bank's governing bodies are:

- 1) The General Meeting of Shareholders,
- 2) The Supervisory Board,
- 3) The Management Board.

V. General Meeting of Shareholders.

§ 14.

1. General Meetings shall be convened with registered letters or courier delivery service, dispatched minimum two weeks before the proposed date of the General Meeting. The day when such notices are dispatched shall be deemed the announcement date. Instead of a registered letter or a parcel sent by courier, the notification may be sent to the shareholder by e-mail, provided that he has previously consented to it in writing, specifying the address to which the notification should be sent.
2. The General Meeting shall work in compliance with the principles specified in the Code of Commercial Companies and these Articles of Association as an Annual General Meeting or Extraordinary General Meeting.
3. Annual General Meetings of Shareholders shall be held annually in June, at the latest. Annual General Meetings are convened by the Bank's Management Board; should the Management Board fail to convene such Meeting in time, General Meetings shall be convened by the Supervisory Board.
4. Extraordinary General Meetings are convened as the need arises by the Bank's Management Board upon its own initiative or upon a request of the Supervisory Board or shareholders representing minimum one twentieth (1/20) part of the share capital; the request of the shareholders shall be provided to the Management Board in writing or electronically.
5. Extraordinary General Meetings may be convened any time by the Supervisory Board at its discretion.
6. Extraordinary General Meetings may also be convened by shareholders representing minimum one half of the Bank's share capital or minimum one half of the number of votes in the Bank; the chairperson of such Meeting shall be appointed by shareholders.
7. General Meetings shall be held at the Company's registered office or in another place in the Republic of Poland indicated in the announcement of convening the General Meeting.

§ 15.

1. All issues proposed by the Management Board to be transacted at a General Meeting of Shareholders shall be first submitted to the Supervisory Board for opinion.
2. The shareholders who are entitled to demand that a specific matter be added to the agenda of a General Meeting shall submit the demand in writing or electronically to the Bank's Management Board that will place the submitted matter in the agenda of the next General Meeting within the timeframe set forth in the Code of Commercial Companies and shall submit it to the Supervisory Board along with its opinion.
3. No opinion of the Supervisory Board is required in matters relating to members of the Supervisory Board.

§ 16.

Unless the Code of Commercial Companies or the Articles of Association provide otherwise, resolutions of the General Meeting require an absolute majority of votes.

§ 17.

Each share shall entitle to one vote. Shareholder may vote differently with each of the shares held.

§ 18.

Subject to Art. 14.5, General Meetings shall be opened by the Chairperson or Deputy Chairperson of the Supervisory Board or the President of the Management Board who will arrange the election of the Chairperson of the Meeting. If none of the foregoing persons is able to open the General Meeting, the meeting shall be opened by a representative of ING Bank Śląski S.A.

§ 19.

The General Meeting adopts resolutions on matters relating to: determination of the rules of remuneration of the members of the Supervisory Board and other matters provided for in law, the Articles of Association or submitted by the Supervisory Board, the Management Board, or eligible shareholders.

VI. Supervisory Board.

§ 20.

1. Members of the Supervisory Board are appointed and dismissed by the General Meeting in a secret ballot subject to compliance with the requirements specified in the Banking Act.
2. The number of members of the Supervisory Board is determined by the General Meeting and may not be less than 5 persons. At least one half members of the Supervisory Board, including its Chairperson, shall be citizens of the Republic of Poland.
3. The term of office of the Supervisory Board lasts three years and is a joint term. The terms of office are calculated in full financial years. If a member of the Supervisory Board is replaced during the term of office, the mandate of such co-opted member of the Supervisory Board shall expiry with the expiry of the term of office of the Supervisory Board.

§ 21.

1. Members of the Supervisory Board may be dismissed at any time by resolution of the General Meeting.
2. The mandates of members of the Supervisory Board expire:
 - 1) after the expiry of their term of office, on the day of the General Meeting approving the financial statements for the full last financial year when they performed their functions.
 - 2) in case of resignation of a member of the Supervisory Board from his/her function on the day following the notification to the Bank of the resignation or on another specified in the resignation,
 - 3) if a member of the Supervisory Board is dismissed by the General Meeting on the day the relevant resolution is approved,
 - 4) in the case of death of member of the Supervisory Board.

§ 22.

1. The Supervisory Board elects the Chairman, Vice-Chairman and Secretary from among its members.
2. The Chairman of the Supervisory Board convenes meetings of the Supervisory Board, manages its work and ensures proper organization of the work of the Supervisory Board. In the event of absence or impediment in performing the function of the Chairman of the Supervisory Board, his rights and duties are performed by the Vice-Chairman of the Supervisory Board.

§ 23.

1. In order to support members of the Supervisory Board in their tasks, the Supervisory Board shall appoint members of the Audit and Risk Committee from among its members.

2. The Audit and Risk Committee supports the Supervisory Board as follows:
 - 1) monitoring the financial reporting process, monitoring and supervision over internal and external audit and the management system at the Bank and its subsidiary companies, and in particular, over the adequacy and effectiveness of the internal control system and the risk management system, including the compliance risk, the Bank's relations with its associated entities, including reviews of cooperation agreements with ING Bank Śląski S.A. and also relations between the Bank and the entity that audits the Bank's financial statements.
 - 2) monitoring and supervision over the risk management process, including the operational risk, the credit risk, and the market risk, and also the internal capital estimation process, capital management and planning and the model risk, and the capital adequacy area.
3. Should a need arise, the Supervisory Board may also establish other committees.
4. The scope of operation, composition and working mode of the Committees shall be determined by the Supervisory Board; however, a majority of members of the Audit and Risk Committee, including its chairperson, shall be independent, and minimum one member shall have knowledge skills in the area of accounting or audit of financial statements, in compliance with the Act on auditors, audit firms and public supervision.

§ 24.

1. Subject to par. 2, Members of the Supervisory Board shall only perform their duties in person.
2. Members of the Supervisory Board may participate in adoption of resolutions by the Supervisory Board by casting their votes in writing through another member of the Supervisory Board. Voting in writing shall not apply to items placed on the agenda at the meeting of the Supervisory Board.

§ 25.

1. The Supervisory Board may approve valid resolution if the meeting is attended by minimum one half of its members, including the Chairperson and Deputy Chairperson, and all the members have been correctly invited.
2. Irrespective of the mode specified in Art. 24.2, resolutions of the Supervisory Board may be taken in writing or with the use of remote direct communications systems.
3. Resolutions of the Supervisory Board shall be adopted by an absolute majority of votes. Should the number of votes be equal, the vote of the Chairperson of the Supervisory Board shall be decisive.
4. The organization of work of the Supervisory Board and its functioning mode, in particular the mode of voting in writing or with the use of remote direct communications systems shall be set in the Regulations of the Supervisory Board, approved by it with a majority of minimum 2/3 votes.

§ 26.

1. The Supervisory Board performs overall supervision over the business of the Bank in all areas of its operation. The competences of the Supervisory Board - apart from its rights and duties resulting from law, resolutions and recommendations of the financial supervision authority as well as specified in other provisions of the Articles of Association - include:
 - 1) approval of the principles of prudent and stable management of the Bank and the Bank's strategy developed by the Management Board, performing periodic reviews and verification of its implementation, as well as approval of long-terms development plans of the Bank and annual financial business plans of the Bank, developed by the Management Board,
 - 2) approval of acceptable risk levels in various areas of the Bank's business,
 - 3) approval of proposals of the Bank's Management Board relating to the establishment and liquidation of the Bank's organizational units abroad,
 - 4) providing consent for purchase or disposal by the Bank of shares or rights to shares or interests in other legal persons as long as the value of such assets each time exceeds PLN equivalent to EUR 1,000,000 or the operation relates to assets constituting minimum 50% of the share capital of another legal person; no consent of the Supervisory Board shall be required in case of the Bank's exposure resulting from change of receivables, enforcement of collateral accepted by the Bank,

- 1) appointment and dismissal of members of the Bank's Management Board, subject to Art. 28,
 - 2) conclusion of contracts with members of the Bank's Management Board relating to their functions and determination remuneration under such contracts and providing consent to members of the Management Board to be provided with other benefits from the Bank or its related entities,
 - 3) approval of the Regulations of the Management Board, Organizational Regulations and the Bank's internal control system,
 - 4) selection of an entity to audit the Bank's financial statements, subject to recommendations of the Audit and Risk Committee of the Management Board and providing opinion on terminating the contract with such entity,
 - 5) providing consent for transactions between the Bank and its shareholders or other related entities or members of the Bank's bodies if the value of such transaction exceeds EUR 1,000,000 with the exception of typical and routine transactions whose nature and terms and conditions result from the Bank's normal operations, or transactions contemplated in the Bank's annual financial plan approved by the Supervisory Board,
 - 6) providing consent for the Bank to incur an obligation or dispose of assets with the single value or jointly vis-a-vis one entity or entities related to such entity, exceeds 10% of the Bank's equity, subject to item 4) and 11); such consent is not required with reference to the entities referred to in item 9),
 - 7) providing consent to purchase, dispose or pledge by the bank of a fixed asset whose value exceeds PLN equivalent of EUR 1,000,000; the consent of the Supervisory Board - subject to item 10) - shall not be required when such assets is required by the Bank as creditor as a result of collection of the Bank's receivables,
 - 8) submission to annual General Meetings of reports and reviews as required by applicable laws, recommendations of the supervisory authority and other regulations approved by the Bank,
 - 9) suspension, for valid reasons, of a member of the Management Board in his/her function and delegation - for maximum 3 months - of members of the Supervisory Board to temporarily perform functions of members of the Management Board that are not able to perform their functions,
 - 10) approving the Bank's policy related to compliance risk,
 - 11) approving rules governing procedures for internal capital assessment, capital management and capital planning,
 - 12) approval of regulations to appraise mortgage value of properties that becomes effective when approved by the Polish Financial Supervision Authority,
 - 13) approval of cooperation agreements with ING Bank Śląski S.A.,
 - 14) requesting of the Polish Financial Supervision Authority to appoint and trustee and a deputy trustee,
 - 15) approval of the principles of model management,
 - 16) approval of the code of ethics and management principles of conflicts of interest.
2. The provisions of par. 1.11) apply to acquisition, disposal or encumbrance of a property of a share in a property or perpetual usufruct right respectively; irrespective of the amount of the transaction, no resolution of the General Meeting is required for those transactions.
 3. The Supervisory Board may exercise the authority specified in par. 1.10) also by providing consent to perform legal operations meeting the requirements specified in this paragraph without separate consents of the Supervisory Board for individual transactions. In such situation, the Management Board shall be required to provide the Supervisory Board with information on transactions executed in line with the above consent at the next meeting of the Supervisory Board.
 4. The consent of the Supervisory Board is not required to conclude a transaction with the parent company, the value of which added up with the value of transactions concluded with this company during the financial year exceeds 10% of the total assets of the Bank within the meaning of the accounting regulations, determined on the basis of the last approved financial statement of the company.

VII. The Management Board.

§ 27.

1. The Management Board is composed of minimum three members, including the President and Deputy Presidents of the Management Board.
2. The number of members of the Management Board shall be established by the Supervisory Board. Minimum one half of members of the Management Board shall be citizens of the Republic of Poland.
3. The term of office of the Management Board lasts three years and is a joint term. The term of office is calculated in full financial years. If a member of the Management Board is replaced during the term of office, the mandate of such co-opted member of the Management Board shall expiry with the expiry of the term of office of the Management Board.
4. Mandates of members of the Management Board shall expire as follows:
 - 1) after the end of their term of office, on the day of the General Meeting of Shareholders approving the financial statements for the full last financial year when they performed their functions.
 - 2) in case of resignation of a member of the Management Board from his/her function on the day following the notification to the Bank of the resignation or on another specified in the resignation,
 - 3) in the case of dismissal of a member of the Management Board by the Supervisory Board on the day of such dismissal,
 - 4) in the case of death of a Management Board member,
5. When the mandate of a member of the Management Board expires, the Supervisory Board shall take steps in order to co-opt a person to the Management Board without undue delay.

§ 28.

1. Members of the Management Board are appointed by the Supervisory Board; the President of the Management Board and Deputy President supervising risks material to the Bank's business are appointed subject to approval of the Polish Financial Supervision Authority. The consent of the Polish Financial Supervision Authority shall be also required when the function of the Deputy President referred to above is entrusted to a previously appointed member of the Management Board.
2. The Supervisory Board shall notify the Polish Financial Supervision Authority of the composition of the Management Board and of any changes thereto, as well as with other information concerning members of the Management Board as required by the Banking Act.
3. Members of the Management Board are appointed and dismissed subject to prior assessment of their compliance with the requirements specified in the Banking Act.

§ 29.

1. The Management Board may approve valid resolution if the meeting is attended by more than one half of its members and all the members of the Management Board have been correctly invited.
2. Subject to the Code of Commercial Companies, resolutions of the Management Board shall require an absolute majority of votes. In the event of equal votes, the President of the Management Board shall have a casting vote.
3. Irrespective of the mode specified in Art. 29.1 and Art. 29.2, resolutions of the Management Board may be taken in writing or with the use of remote direct communications systems.
4. The organization of work of the Management Board, matters requiring resolutions of the Management Board and its mode of functioning are set forth in the Regulations of the Management Board resolved by the Management Board and approved by the Supervisory Board.

§ 30.

1. The Management Board shall manage and represent the Bank. All the matters not otherwise reserved by law or these Articles of Association to the competence of the other Bank's governing bodies shall be within the scope of the Management Board's responsibilities.
2. The Management Board works as a collective body subject to the matters that in compliance with the Regulations of the Management Board or the Organizational Regulations may be entrusted to individual members of the Management Board.

3. Within the entrusted authority referred to in par. 2:
 - 1) the President of the Management Board supervises in particular the internal audit unit and compliance unit,
 - 2) the Deputy President of the Management Board whose appointment requires approval of the Polish Financial Supervision Authority, supervises in particular risk management units, including credit risk, and unit responsible for mortgage appraisal of properties.
4. Additionally, the President of the Bank's Management Board:
 - 1) directs the work of the Management Board, organizes its work and chairs its meetings,
 - 2) represents the Management Board in contacts with the General Meeting and the Supervisory Board.

§ 31.

1. Decisions are taken by the Bank as follows:
 - 1) decisions in matters reserved for the General Meeting are made in the form of resolutions of the General Meeting,
 - 2) decisions in matters reserved for the Supervisory Board are made in the form of resolutions of the Supervisory Board,
 - 3) decisions in matters that in accordance with the Organizational Regulations and Regulations of the Management Board require collective action by the Management Board are made in the form of resolutions of the Management Board,
 - 4) decisions in matters where no collective action is required by the Management Board and that have been delegated to the competencies of individual members of the Management Board, are to be made in the form of decisions of such member of the Management Board; however, the Management Board by way of a resolution may identify matters that require a decision of minimum two members of the Management Board,
 - 5) decisions in matters that have been delegated by the Management Board to the competencies of a committee established by the Management Board, are made in the form of resolutions of such committee,
 - 6) decisions in matters not reserved to the competencies of the Management Board, a member of the Management Board or the relevant committee, are made in the form of a decision by the person managing the area, within the authority accorded to him/her.
2. Decisions on contracting obligations or disposal of assets when their total value via-a-vis one entity exceeds 5% of the Bank's equity, are made - subject to Art. 26.1.4, Art. 26.1.10) and Art. 26.1.11 and Art. 26.2 - by the Management Board and the competent committee established in compliance with the Organizational Regulations, or by other persons within the authority accorded to them by the Management Board.

§ 32.

1. Internal regulations of the Bank are approved - in compliance with the respective competencies - by resolutions of the Supervisory Board, decisions of the competent committee of the Supervisory Board, resolutions of the Management Board or decisions of the competent Member of the Management Board, subject to par. 2.
2. Internal regulations that concern matters that have not been reserved to the Management Board or individual members of the Management Board may also be issued in the form of resolutions of the competent committee or decisions of the person managing the relevant area within the authority accorded to him/her.
3. The detailed principles applicable to the implementation and publication of the Bank's internal regulations in the manners specified in par. 1 and par. 2 are set forth by the Management Board.

§ 33.

1. The following persons are authorized to represent the Bank, including making declarations of will on behalf of the Bank:
 - 1) two members of the Management Board acting jointly,
 - 2) one member of the Management Board acting jointly with a proxy,
 - 3) two commercial proxies acting jointly - the commercial proxy may also include authorization only to perform actions jointly with a member of the Management Board,
 - 4) each member of the Management Board independently - in the scope of motions to change the mortgage creditor submitted in proceedings before land and mortgage register courts.

2. Proxies acting individually or jointly with a Member of the Management Board or with another proxy may be appointed to perform specific activities or to perform specific types of activities.

VIII. Organization and management system of the Bank.

§ 34.

1. The fundamental organizational structure of the Bank includes its Head Office and branches and other organizational units established as need arises. The tasks of the Bank's head office and organizational units are carried out by its organizational segments.
2. A detailed internal organization of the Bank shall be defined in the Rules of Organization adopted by the Management Board and approved by the Supervisory Board.

§ 35.

The Bank has a single-facility structure and is an employer within the meaning of labor law regulations.

§ 36.

1. The Bank operates a management system which is a set of rules and mechanisms covering decision-taking processes in the Bank and assessment of the pursued operations. The functioning principles of the management system are set forth in the Articles of Association, Regulations of the Supervisory Board and the Management Board, Organizational Regulations and regulations of the relevant committees functioning in the Bank.
2. The management system covers procedures of anonymous reporting of breaches of law and the existing ethical procedures and standards to a designated member of the Management Board or in certain instances - to the Bank's Supervisory Board.
3. The Bank's management system includes in particular:
 - 1) risk management system,
 - 2) internal control system.
3. The management system, including the risk management system and the internal control system, are designed and implemented by the Management Board which is responsible for their correct operation.
4. The Supervisory Board supervises the implementation of the management system that also reviews it for adequacy and effectiveness.

§ 37.

1. The tasks of the risk management system include the identification, measurement or estimation, control and monitoring of risks inherent in the Bank's operations to ensure the correct process of setting and achieving objectives of the Bank's business.
2. Within its risk management system, the Bank:
 - 1) applies formalized rules that are used to determine the size of undertaken risks and rules governing risk management,
 - 2) applies formalized procedures in order to identify, measure or estimate, and monitor risks inherent in the operations, including also risk levels anticipated in the future,
 - 3) applies formalized limits that mitigate the risk and the rules of procedure if the limits have been exceeded,
 - 4) applies an approved management information system supporting risk level monitoring,
 - 5) holds an organizational structure that is adapted to the risk scope and profile.

§ 38.

1. The objective of the internal control system is to ensure:
 - 1) effectiveness and efficiency of the Bank's operations,
 - 2) credibility of financial reporting,
 - 3) compliance with the rules of risk management at the Bank,
 - 4) compliance of the Bank's operations with law, internal regulations, and market standards.

2. The internal control system includes:
 - 1) a control function which is to ensure compliance with control mechanisms concerning in particular risk management at the Bank, covering positions, groups of people or organizational units responsible for performance of the tasks assigned to the function,
 - 2) a compliance unit has the task of identifying, assessment, control and monitoring of compliance risk, understood as the compliance risk of failure to comply with applicable laws, internal regulations and market standards and generation of the relevant reports,
 - 3) an independent internal audit unit with the task of reviews and assessment - in an independent and objective manner - the adequacy and effectiveness of the risk management system and the internal control system, with the exception of the internal audit unit.
3. The heads of the internal audit unit and compliance unit report directly to the President of the Management Board. Appointment and dismissal of heads of the units requires approval of the Supervisory Board.
4. The detailed operating principles of the internal control system are drafted by the Bank's Management Board and approved by the Supervisory Board.
5. The Supervisory Board supervises the internal control system which minimum on an annual basis reviews the adequacy and effectiveness of the system.

IX. Bank's equity.

§ 39.

1. The Bank's equity comprises:
 - 1) paid-up and registered share capital,
 - 2) supplementary capital,
 - 3) the capital reserves,
 - 4) general bank risk fund,
 - 5) revaluation reserve,
 - 6) retained profit,
 - 7) equity instruments and subordinated loans, subject to approval of the Polish Financial Supervision Authority.
2. The Bank's equity is established in compliance with the principles set forth in the applicable regulations.

§ 40.

1. The general bank risk fund is established in compliance with the Banking Act.
2. The fund referred to in par. 1 is established from net profit in an amount approved by the General Meeting and is destined to cover the risk of banking operations.
3. Decisions to draw from the fund referred to in par. 1 are taken by the Bank's Management Board.

§ 41.

Supplementary capital is established with allocations from net profit, share premium account and capital infusions by shareholder and is destined to cover balance sheet losses of the Bank.

§ 42.

Reserve capital is established irrespective of the Bank's supplementary capital from the annual net profit allocations in the amount determined by a resolution of the General Meeting of Shareholders. Reserve capital may be used to cover specific losses and expenses as well as to increase the share capital with the Bank's own funds.

§ 43.

1. Retained profit includes:
 - 1) Profits brought forward,
 - 2) profit pending approval and interim net profit for the current reporting period, calculated in compliance with the applicable accounting standards, net of any anticipated reductions or dividend, in amounts not higher than the profit amounts verified by auditors, subject to approval of the Polish Financial Supervision Authority.

§ 44.

Revaluation reserve is used to recognize changes to the values of fixed assets as a result of revaluation, performed in compliance with the applicable regulations. Revaluation reserve shall be increased each time as a result of an increased value of fixed assets. Revaluation reserve shall be reduced by a portion of valuation differences of fixed assets that used to be assets of the Bank and subsequently disposed of, donated or liquidated.

§ 45.

All decisions to use the supplementary and reserve capital shall be approved by the General Meeting of Shareholders.

X. Principles of Bank's financial management

§ 46.

1. Bank's financial management is based on the annual financial plan approved by the Supervisory Board.
2. Detailed rules of the Bank's financial management are determined by the Bank's Management Board.

§ 47.

The Bank's net profit shall be allocated, in the amount resolved on by the General Meeting of Shareholders, to:

- 1) supplementary capital,
- 2) the capital reserves,
- 3) general bank risk fund,
- 4) dividend to the shareholders that may be opened also in the form of newly issued shares,
- 5) other purposes.

§ 48.

1. The Bank shall keep its accounting in accordance with the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and their interpretations published in the form of the European Commission regulations.
2. In all matters not provided for in the regulations referred to in par. 1, the domestic accounting standards shall apply accordingly.
3. The Bank's accounting policies are set forth by the Bank's Management Board.

§ 49.

1. The calendar year shall be the financial year.
2. Within maximum three months of the end of each financial year, the Bank shall publish the following in Monitor Sądowy i Gospodarczy:
 - 1) the total nominal amount of mortgage bonds issued by the Bank that were outstanding on the last day of the financial year;
 - 2) the total amount of the Bank's receivables and the funds recognized in the collateral register of mortgage bonds as at the last day of the financial year.