

Report of the Supervisory Board of ING Bank Hipoteczny S.A. for 2023

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Summary of the operations of the Supervisory Board and its Committee for the period from 1 January 2023 to 31 December 2023, including an assessment of the adequacy of the internal regulations concerning the functioning of the Supervisory Board.

Acting pursuant to Article 382 § 1 of the Commercial Companies and Partnerships Code, the Supervisory Board of ING Bank Hipoteczny S.A. hereby submits to the Ordinary General Meeting *the Review of the Supervisory Board on their operations in the period from 1 January 2023 to 31 December 2023.*

I. Legal basis for the operation of the Supervisory Board in ING Bank Hipoteczny S.A.

The Supervisory Board of ING Bank Hipoteczny S.A. operates under the Banking Law, the Act on Covered Bonds and Mortgage Banks, the Commercial Companies and Partnerships Code, the Bank's Charter and the Bylaw of the Supervisory Board. Pursuant to § 20.3 of the Charter of ING Bank Hipoteczny S.A., members of the Supervisory Board have been appointed for a joint five-year term of office. The current term of office began on 26 February 2018. Accordingly, the mandates of the members of the Supervisory Board of the current term expire on the date of the General Meeting approving the financial statements for 2023. In connection with the approval of the Polish Financial Supervision Authority, an amendment to the Charter of ING Bank Hipoteczny S.A. was introduced, which includes shortening the term of office of the Supervisory Board to three years, starting from the new term of office.

II. The composition of the Supervisory Board of ING Bank Hipoteczny S.A., their division of functions and changes in the composition of the Board in the period from 1 January 2023 to 31 December 2023.

In 2023, there were no changes in the composition of the Supervisory Board of ING Bank Hipoteczny S.A.

As at 31.12.2023, the Supervisory Board composition was as follows:

Ms Bożena Graczyk, Chairwoman

Mr Marcin Giżycki, Deputy Chairman

Mr Jacek Michalski, Secretary (Independent Member)

Mr Brunon Bartkiewicz, Member

Ms Joanna Erdman, Member

Mr Krzysztof Gmur, Member (Independent Member)

The Supervisory Board confirms that their composition is sufficient and adequate to the nature and scale of the Bank's operations.

III. Information on compliance with legal requirements.

The Supervisory Board performs its tasks on the basis of the specific powers granted by the *Company's Charter, the Bylaw of the Supervisory Board taking into account the Statement of the Management Board on the application at ING Bank Hipoteczny S.A. of Corporate Governance Principles for Supervised Institutions adopted by the Polish Financial Supervision Authority (adopted by Supervisory Board Resolution No. 20/3/2019 of 22 March 2019).*

The Supervisory Board has two members who meet the independence criteria set out in the Regulations Bylaw of the Supervisory Board.

As at 31 December 2023, these are: Mr Jacek Michalski, Secretary of the Supervisory Board, and Mr Krzysztof Gmur, Member of the Board, who is also the Chairman of the Audit and Risk Committee of the Supervisory Board. The other Members of the Supervisory Board, namely Ms Bożena Graczyk, Mr Marcin Giżycki, Mr Brunon Bartkiewicz, Ms Joanna Erdman, are related to the sole shareholder of the Bank, that

is, ING Bank Śląski S.A.

In accordance with the Bank's practice, independent members make annual statements confirming that they have no relationship with the Bank, its shareholders or employees that could have a major effect on their ability to take impartial decisions. In addition, members are required to notify the Bank immediately if circumstances affecting their independence arise. Thus, the Supervisory Board confirmed that there are no relationships or circumstances that could affect the fulfilment of the independence criteria by the members of the Supervisory Board.

The Bank's website contains information about the Members of the Supervisory Board, their functions in the Committee of the Board included. Moreover, the website shows information on the submission of declarations regarding the fulfilment of independence criteria or existing relationships with ING Bank Hipoteczny, as well as information on the fulfilment of requirements under Article 22aa of the Banking Law Act.

The Supervisory Board confirms that its members are competent to duly perform their duties resulting from their knowledge, practical experience and skills. The individual competencies of specific members are complementary in such a way as to enable the exercise of a due level of collective supervision over all areas of the Bank's operations. All members have appropriate experience and knowledge to supervise the Bank.

IV. Form and mode of supervision. Information on the number and frequency of Supervisory Board meetings and the number of adopted resolutions

The Supervisory Board acted based on the adopted meeting schedule and framework work plan. The Supervisory Board works in a culture of debate, analysing the company's situation against the sector and the market on the basis of materials provided to it by the company's Management Board and internal functions, as well as those obtained from outside the company, using the results of the work of its committee. In particular, the Supervisory Board approves the company's strategy and reviews the work of the Management Board in achieving the strategic objectives set and monitors the company's performance.

In 2023, the agendas included in particular current business matters, risk and internal control system matters submitted by the Management Board of the Bank, as well as any other important matters to be considered by the Supervisory Board.

The Supervisory Board supervised the Bank's operations first and foremost during meetings, taking the required decisions in the form of resolutions. Besides the Supervisory Board members, the meetings are attended on a regular basis by members of the Management Board, as well as representatives of the Internal Auditor and Compliance positions, as well as other invited guests reporting on issues falling within their responsibility.

The Supervisory Board pays particular attention to ensuring that the Bank has an adequate and effective risk management system and an adequate and effective internal control system. In the course of its work, the Supervisory Board monitors the functioning of both systems in the organisation on an ongoing basis and periodically assesses their functioning.

In 2023, bearing in mind the requirements of the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and the internal control system and remuneration policy in banks, the Supervisory Board approved the 2022 Risk Management Report. In addition, taking into account the information contained in this report and the periodic reports of the Risk Area, the findings of the external auditor, the findings resulting from the supervisory activities carried out by the Polish Financial Supervision Authority and the SREP score, the Supervisory Board also made a positive assessment of the adequacy and effectiveness of the Bank's risk management system in 2022.

With regard to the functioning of the internal control system, in 2023 the Supervisory Board approved

the Report on the manner the tasks of the 2022 internal control system are fulfilled, a summary of critical and high risk recommendations included.

Furthermore, in accordance with the requirements of the aforementioned Regulation and having regard to such aspects of the functioning of the internal control system as:

- assessment of the internal control system by the Internal Audit function,
- information of the Bank Management Board, included in this report, on the manner the tasks of the internal control system are performed,
- periodical reports of the Compliance Cell,
- findings of the statutory auditor,
- findings from supervisory activities performed by authorised institutions.

The Supervisory Board made a positive assessment of the adequacy and effectiveness of the Bank's internal control system in 2022, including a positive assessment of the adequacy and effectiveness of the control function, the Compliance Cell and the Internal Audit Position. Information on the assessment of the Bank's standing in 2023, including the evaluation of the internal control systems, risk management, compliance and the internal audit function is presented on page 14.

Irrespective of the regular meetings, the members of the Supervisory Board were in regular and direct contact with the Management Board of the Bank, taking an active part in all important issues concerning the Company's operations.

As part of its monitoring of the financial reporting process, the Audit and Risk Committee meets periodically (in the first and second half of the year, respectively) with the Vice-President of the Management Board overseeing the Finance Area to discuss the Bank's financial statements prior to their publication. On the other hand, as part of its monitoring of the effectiveness of the internal control system and internal audit, the Committee holds periodic meetings with the Internal Audit function on the specifics of the internal audit function.

A detailed description of the activities undertaken by the Supervisory Board and the Board Committees in 2023 can be found in the minutes of the Board and Committee meetings, which, together with the resolutions adopted, as well as the Committee's recommendations, opinions and decisions, are available at the Company's registered office.

V. Topics of Supervisory Board meetings

In 2023, the Supervisory Board exercised oversight over the Company's operations by keeping watch over the Company's adherence to the relevant regulations, including in the area of accounting, finance and reporting of public companies. The work of the Supervisory Board was carried out efficiently, with the participation of all its members.

During their meetings, the Supervisory Board considered matters arising from the provisions of the Commercial Companies and Partnerships Code, as well as matters relating to the Company's day-to-day operations.

The detailed range of topics dealt with by the Supervisory Board in 2023 is set out below. The topics indicated were also dealt with by the Audit and Risk Committee (within the scope of its powers), which issued relevant recommendations and opinions to the Supervisory Board.

- 1) Finance, including:
 - approval of the Financial Plan of ING Bank Hipoteczny S.A. for 2023-2025,
 - approval of the Supervisory Board's report for 2022 containing:

- a summary of the activities of the Supervisory Board and its Committee for the period from 1 January 2022 to 31 December 2022, including a self-assessment of the adequacy of internal regulations concerning the functioning of the Supervisory Board and the effectiveness of its supervisory functions,
- outcome of the appraisal of:
 - the annual financial statements of ING Bank Hipoteczny S.A. for the period from 1 January 2022 to 31 December 2022,
 - the Management Board Report on Operations of ING Bank Hipoteczny S.A. for the period from 1 January 2022 to 31 December 2022,
 - the motion of the Management Board regarding coverage of the loss sustained by ING Bank Hipoteczny S.A. in the period from 1 January 2022 to 31 December 2022,
 - the motion of the Management Board on the distribution of retained earnings for 2020 and 2021, subject to the approval of the Polish Financial Supervision Authority.
- assessment of the Bank's standing in 2022, taking into account the assessment of the adequacy and effectiveness of the risk management and internal control systems, the compliance function and internal audit cell included,
- assessment of application by the Bank of the Principles of Corporate Governance for Supervised Institutions in 2022,
- assessment of the implementation by the Management Board of their information obligations towards the Supervisory Board,
- information on the total remuneration payable by the Bank for all audits commissioned by the Supervisory Board during the financial year
- report on the evaluation of the remuneration policy of the Bank in 2022,
- approval of the update of the Capital Management Policy at ING Bank Hipoteczny S.A.
- approval of the 2022 ICAAP Process Review Report of ING Bank Hipoteczny S.A.,
- approval of amendments to the Stress Testing Policy at ING Bank Hipoteczny S.A.,
- information on the conducted review of the dividend policy of ING Bank Hipoteczny S.A.,
- regular information from the Bank Management Board on the list of agreements with related companies,
- regular information on the results of stress tests,
- regular summary of ING Bank Hipoteczny's Investment Policy in 2022, regular information from the Bank Management Board on the Bank's compliance with the regulatory requirements of the Act on Covered Bonds and Mortgage Banks,
- regular presentation of the Quarterly Report on the performance of services provided by ING Bank Śląski S.A. to ING Bank Hipoteczny S.A. in accordance with the Cooperation Agreement.
- regular information from the outsourcing area of ING Bank Hipoteczny S.A.,
- approval of the update of "Policy of Disclosure of Qualitative and Quantitative Information About Capital Adequacy and Other Information to be Disclosed at ING Bank Hipoteczny S.A."
- granting consent to the extension of the contract for the statutory audit of the Bank's financial statements by the auditing firm BDO Spółka z ograniczoną odpowiedzialnością sp. k. for the years 2024-2025,
- approval of an update of the provisions of the Cooperation Agreement between ING Bank Hipoteczny S.A. and ING Bank Śląski S.A. together with the Detailed Terms and Conditions of Services in the respective business areas;
- and approval of the update of the remuneration for the services provided under the Agreement to the net amount of PLN 5,207,418.90,
- information on changes in accounting principles (Policy),

2) Execution of the internal audit tasks at the Bank, including:

- approval of the Annual Operating Budget for the Internal Audit position at ING Bank Hipoteczny S.A. in 2024,
- approval of the update of the ING Bank Hipoteczny S.A. Internal Audit Charter Policy

- together with the Annex,
- approval of the Long-term Audit Plan 2024-2028 and the Annual Audit Plan for 2024 at ING Bank Hipoteczny S.A. and its update,
 - acceptance for information of the Status and changes to the deadline for the implementation of the post-audit recommendations together with the opinion of the internal audit as at 31 December 2022, 31 March 2023, 30 June 2023 and 30 September 2023,
 - acceptance for information of the Annual Report on the achievement of the objectives, mission and strategy of internal audit, together with the assessment of the internal control and risk management system for 2022 at ING Bank Hipoteczny S.A.,
 - acknowledgement of the Report on the results of the internal audit function's quality assurance and improvement programme for 2022,
 - approval of personnel changes as regards the Head of the Internal Audit Position.
- 3) Performing the tasks of the Bank's compliance function, including:
- Approval of the Compliance Action Plan for 2023,
 - Approval of the Assessment of the Adequacy and Effectiveness of the Breach Reporting System (anonymous reporting included) at ING Bank Hipoteczny S.A. for 2022,
 - Assessment of the adequacy and effectiveness of internal governance at ING Bank Hipoteczny S.A. for 2022 (Supervisory Board assessment),
 - information on the implementation of the annual compliance plan,
 - acceptance for information of the regular quarterly Compliance Report.
- 4) Monitoring of the effectiveness of the Bank's risk management system, including non-financial and compliance risks, along with:
- Approval of ING Bank Hipoteczny S.A.'s Risk Management Strategy for 2023 - 2025 together with Credit, Market and Non-Financial Risk Appetite Limits (RAS) and ING Bank Hipoteczny S.A.'s Model Risk Management Strategy including Model Risk Tolerance Levels (RAS) and approval of ING Bank Hipoteczny S.A.'s Non-Financial Risk Appetite Statement for 2023,
 - Approval of the Report on the manner of fulfilment of the internal control system for 2022 with a summary of critical and high risk recommendations,
 - approval of the update of the ING Bank Hipoteczny S.A. Internal Control System Policy,
 - Approval of the Report of the Management Board of ING Bank Hipoteczny on the effectiveness and adequacy of the implementation of the Concentration Risk Management Policy for 2022.
 - Approval of the 2022 ING Bank Hipoteczny S.A. ILAAP Process Review Report,
 - Approval of the update of the Operational Risk Management Policy of ING Bank Hipoteczny S.A.,
 - Approval of the report on how the 2022 risk management system tasks were fulfilled and assessment of the adequacy and effectiveness of the system.
 - Approval of an update to the *Policy - Product Approval and Review Process (PARP) of ING Bank Hipoteczny S.A.*
 - acceptance for information of the regular quarterly Risk Report.
- 5) Monitoring and supervision of the Bank's HR and payroll area, including:
- assessment of the suitability of the Members of the Management Board of ING Bank Hipoteczny S.A.,
 - Approval of an update of the ING Bank Hipoteczny S.A. Remuneration Policy, the ING Bank Hipoteczny S.A. Policy of Variable Remuneration Components for Identified Staff, together with a review of the eligibility criteria for inclusion in the List of Identified Staff and the ING Bank Hipoteczny S.A. Compensation Bylaw for Management Board Members.
 - assessment of delivering on targets for 2022 by the Bank Management Board Members and

- setting and updating of bonus targets for 2023,
 - approval of the Diversity Policy for members of the Management Board and Supervisory Board of ING Bank Hipoteczny S.A.
- 6) Implementation of recommendations issued by supervisory authorities.
- 7) Issues from the Bank governance area:
- approval of amendments to the Bylaws of the Supervisory Board and the Audit and Risk Committee,
 - approval of amendments to the Bylaw of the Bank Management Board of ING Bank Hipoteczny S.A.,
 - approval of the amendments to the Organisational Bylaw of ING Bank Hipoteczny S.A. and amendments implemented from time to time to Annex 1 to the Bylaw - Division of Competence among Bank Management Board Members of ING Bank Hipoteczny S.A.,
 - approval of the Bank Supervisory Board Work Plan for 2024,
 - periodic information - summary of resolutions of the Bank Management Board.

Assessment of the implementation by the Management Board of their information obligations towards the Supervisory Board,

Pursuant to Article 380¹ of the Act of 15 September 2000 of the Commercial Companies and Partnerships Code and based on §15 of the Bylaw of the Management Board of ING Bank Hipoteczny S.A., the Management Board of the Bank shall provide the Supervisory Board at their meeting, at least on a quarterly basis, with the information concerning:

- 1) resolutions of the Management Board and their subject matter,
- 2) the situation of the Company, including with regard to its assets, as well as major circumstances with regard to the conduct of the Company's business, most notably in the area of operations, investments and human resources,
- 3) progress in the implementation of the Company's business directions, including the information on any deviations from the previously set directions together with the reasons therefor.

In addition, the Management Board is obliged to inform the Supervisory Board without delay of:

- 1) transactions and any other events or circumstances that materially affect or may affect the Company's financial position, its profitability or liquidity included,
- 2) changes to information previously provided to the Supervisory Board, if such changes materially affect or may affect the Company's position.

The Supervisory Board regularly received extensive information from the Bank Management Board on the Bank's current standing (including economic and financial situation), its operation, its action plans, progress in the implementation of the set business development directions and any significant circumstances and events that could affect its operation and asset situation.

In addition, in 2023 the Management Board ensured that the Supervisory Board was kept informed on an ongoing basis about internal and external factors affecting the Bank's operations, including changes in the Bank's business and legal and regulatory environment. A summary thereof was submitted to the Supervisory Board as part of the 2023 Management Report. In view of the comprehensive scope of the information and reports provided by the Bank Management Board, the Supervisory Board did not need to exercise its authority to request additional information, documents, reports or explanations pursuant to Article 382 § 4 of the Commercial Companies and Partnerships Code.

Taking into account the above circumstances, the Supervisory Board assesses that the Bank Management Board properly fulfilled its obligations referred to in Article 380¹ of the Commercial Companies and Partnerships Code.

Information on the total remuneration payable by the Bank for all audits commissioned by the Supervisory Board during the financial year

In the period from 1 January 2023 to 31 December 2023, the Supervisory Board did not exercise the right to have, at the company's expense, examined a specific matter concerning the company's business or its assets, or to have certain analyses or opinions prepared by a selected advisor (advisor to the Supervisory Board) pursuant to Article 382¹ of the Commercial Companies and Partnerships Code and pursuant to the procedure set out in § 37 of the Bylaw of the Supervisory Board of ING Bank Hipoteczny S.A.

Self-assessment of the adequacy of internal regulations concerning the functioning of the Supervisory Board

Pursuant to section 8.9 of Recommendation Z of the Polish Financial Supervision Authority, the Bank Supervisory Board performs a self-assessment of the adequacy of the internal regulations concerning the functioning of the Supervisory Board and the effectiveness of its supervisory functions.

The functioning of the Supervisory Board of ING Bank Hipoteczny S.A. is based in particular on the following internal regulations:

- Charter of ING Bank Hipoteczny S.A.,
- Bylaw of the Supervisory Board of ING Bank Hipoteczny S.A.,
- Bylaw of the Audit and Risk Committee of the Supervisory Board of ING Bank Hipoteczny S.A.
- ING Bank Hipoteczny S.A. Supervisory Board Members Appointing, Onboarding and Recalling Policy,
- Policy for the Assessment of the Suitability of Supervisory Board Members, Management Board Members and Key Function Holders at ING Bank Hipoteczny S.A. and Procedures for the Assessment of the Suitability of Supervisory Board Members, Management Board Members and Audit and Risk Committee Members at ING Bank Hipoteczny S.A.
- Diversity Policy for ING Bank Hipoteczny S.A. Management Board and Supervisory Board Members, and
- Policy of Remuneration for Members of the Supervisory Board of ING Bank Hipoteczny S.A.

The above-mentioned regulations are reviewed on a regular basis, at least once a year. These reviews analyse the need for amendments, in particular involving adaptation to changes in the Bank's regulatory environment or aimed at improving the functioning of the Board.

In the opinion of the Supervisory Board, they ensure that the Supervisory Board properly performs its supervisory functions. These regulations describe in detail the Bank's management system, the Bank's organisation, operating principles, powers, duties and responsibilities, and the mutual relations of the Supervisory Board, the Management Board and the key functions at the Bank. In addition, they reflect the requirements of the Banking Law, the Commercial Companies and Partnerships Code, the PFSA Recommendations, the Principles of Corporate Governance for Supervised Institutions and generally applicable law.

Draft amendments to the Bank's Charter are presented by the Management Board to the General Meeting, following the prior opinion of the Supervisory Board. In 2023, amendments were made to the Charter to align the provisions of the Charter with:

- the amended Act on Covered Bonds and Mortgage Banks and Certain Other Acts, providing, inter alia, for clarification of the right of Mortgage Banks to conclude derivative instrument agreements as actions mitigating foreign exchange risk, as well as the deletion of the obligation to mention in land and mortgage registers the entry of mortgage-backed debt in the cover register
- the amended Commercial Companies and Partnerships Code, concerning, among other things, the general rules of operation of the Management Board and the Supervisory Board. The

amendments have been incorporated into the Bylaw of the Bank Management Board, the Bylaw of the Supervisory Board and the Bylaw of the Audit and Risk Committee.

Amendments to the Charter of ING Bank Hipoteczny S.A. also included shortening the term of office of the Management Board and the Supervisory Board starting from the new term of office of these bodies, as market practice of mortgage banks shows that the term of office of members of the Supervisory Board and the Management Board lasts three full financial years. Furthermore, the issue of the joint tenure of the Bank's bodies and the manner of its calculation was clarified.

The Bylaw of the Supervisory Board and the Bylaw of the Audit and Risk Committee were also reviewed and updated in 2023. Separate information on amendments to the Bylaw of the Supervisory Board is presented to the General Meeting, in accordance with recommendation 9 in Recommendation Z of the Polish Financial Supervision Authority on internal governance principles at banks.

Accordingly, based on the carried out reviews of the regulations and taking into account the implemented changes, the Supervisory Board assesses that the internal regulations for its operation are adequate and enable the Board to operate appropriately, efficiently and effectively.

Self-assessment of the work of the Supervisory Board in the period from 1 January 2023 to 31 December 2023.

In 2023, the Supervisory Board supported the Bank Management Board in all matters concerning the Bank and its operations. The Supervisory Board monitored the implementation of the Bank's Strategy on an ongoing basis.

The Supervisory Board confirm that during the period of activity of ING Bank Hipoteczny, namely from 1 January 2023 to 31 December 2023, they exercised regular and ongoing supervision over the Bank's activity in accordance with their competencies and legal requirements concerning joint stock companies. The Board is well prepared to exercise its statutory powers and fulfils them in an appropriate manner to ensure adequate supervision over the Bank in all material areas of its operations. All members of the Board have exercised due diligence in fulfilling their duties related to their function in the Board, using their knowledge and experience as regards supervision of a joint-stock company. The Supervisory Board are of the opinion that their operations in the period from 1 January 2023 to 31 December 2023 were effective and conducted in accordance with the best market standards.

The Supervisory Board Members performed their duties with honesty and integrity. All meetings were well attended and the Supervisory Board Members were able to devote the necessary amount of time to their duties. Acting in the interests of the company, the Supervisory Board members were guided in their conduct by the independence of their own opinions and judgements. In this way, an effective assessment and review of the making and execution of decisions related to the day-to-day management of the Bank was ensured on the part of the Supervisory Board.

Cooperation with the Management Board of the Bank was very good. The Management Board presented the required information in a clear, reliable and exhaustive manner. The Supervisory Board would like to thank the Bank Management Board for preparing and submitting information, documents and reports in a way that made it possible for the Supervisory Board and its Committee to function efficiently. In particular, the Supervisory Board would like to thank the Bank Management Board for the effective implementation of the adopted Strategy for 2023.

Keeping in mind the results obtained and the overall operations, the Supervisory Board request that the members of the Bank's authorities receive acknowledgement of the fulfilment of their duties in 2023.

Review of the Audit and Risk Committee of the Supervisory Board on their work in the period from

1 January 2023 to 31 December 2023

In order to support the Supervisory Board in the exercise of their powers, the Board appointed an Audit and Risk Committee from among its members. The Committee perform consultative and advisory functions, preparing recommendations for the Supervisory Board, and the Chairman of the Committee presents reports on its work at Supervisory Board's meetings.

The Audit and Risk Committee support the Supervisory Board in monitoring the financial reporting process as well as the process of monitoring and supervising internal and external audit and management system in the Bank. In particular, the Committee monitor the adequacy and effectiveness of the internal control system and the risk management system, including the compliance risk, the Bank's relations with related entities as well as the relations between the Bank and the entity auditing the Bank's financial statements.

There were no changes in the composition of the Committee from 1 January 2023 to 31 December 2023.

The Audit Committee worked in the following composition:

Mr Krzysztof Gmur, Chairman (Independent Member)

Mr Jacek Michalski, Member (Independent Member)

Ms Bożena Graczyk, Member

Majority of the members of the Audit and Risk Committee, its Chairman included, have the status of independent members. Pursuant to Article 129(1) of the Act on Certified Auditors (...) of 11 May 2017, at least one member of the Committee has knowledge and skills in accounting or auditing the financial statements - Mr Krzysztof Gmur, acting as Chairman of the Committee, is qualified as a certified auditor.

I. Information on the number and frequency of Audit Committee meetings and the number of recommendations issued

The Audit and Risk Committee supported the Supervisory Board in carrying out their tasks primarily during its meetings, providing them with relevant recommendations. Besides the Committee members, if invited by the Committee Chairman, the following functions may participate in the meeting, without the right to vote: President of the Management Board, Vice Presidents overseeing the Finance and Risk Functions, Chief Accountant, representative of the entity authorised to audit financial statements, representative of the auditing firm and other invited guests.

In addition, irrespective of the invitation, the persons in the Internal Audit function and the head of the Compliance function (or their substitutes) shall attend, without voting rights, the meetings of the Audit and Risk Committee.

In the period from 1 January 2023 to 31 December 2023, six meetings were held by means of remote direct communication (in accordance with the approved work plan) and five meetings by circulation. A total of twenty-eight Recommendations, one opinion to the Supervisory Board, three decisions and two recommendations were issued by circulation.

All meetings were held in a composition and manner that allowed for binding recommendations to be made, with high attendance by all Audit and Risk Committee Members.

II. Topics for Audit and Risk Committee meetings

As regards Audit, in 2023 the Committee's work was primarily focused on the following areas:

- monitoring of the adequacy and effectiveness of the internal control system and the risk

- management system, including compliance risk,
- overseeing the relationship between the Bank and the auditor of the Bank's financial statements, including reviewing the independence of the auditing firm and taking steps to terminate the contract with the incumbent auditor due to the risk that services provided to ING Bank N.V. by a company from the network to which BDO belongs could be classified as prohibited.
- ,
- evaluation of the interim and annual financial statements of ING Bank Hipoteczny S.A.,
- developing and presenting recommendations to the Supervisory Board on the Policy of Disclosure of Qualitative and Quantitative Information About Capital Adequacy and Other Information to be Disclosed at ING Bank Hipoteczny S.A.,
- analysis of information and materials provided periodically by the external auditor and presentations by the external auditor made directly to Committee members at Committee meetings,
- continuous analysis of the periodic reports provided by the Internal Audit function on the status of the implementation of the 2023 audit plan and the status and changes in the timing of post-audit recommendations,
- monitoring of compliance work.

In 2023, the Committee's other areas of work included:

- monitoring of the Bank's relationships with related parties, including analysis of interim information on agreements concluded with related parties,
- quarterly monitoring of the performance of services provided by ING Bank Śląski S.A. to ING Bank Hipoteczny S.A. in accordance with the Cooperation Agreement,
- quarterly monitoring of information from the outsourcing area of ING Bank Hipoteczny S.A.
- overseeing of the compliance area in the Bank, including the development and presentation of recommendations to the Supervisory Board on amendments to the Policy - Internal Governance Principles in ING Bank Hipoteczny S.A.,
- continuous analysis of interim reports, annual and quarterly compliance risk reports,
- analysis of critical and high risk recommendations,
- analysis of information concerning financial and regulatory reporting and the control environment in terms of reporting,
- analysis of information on compliance with the regulatory requirements of the Act on Covered Bonds and Mortgage Banks.

In addition, in 2023 the Committee have been considering, on an ongoing basis, the issues identified in the Best Practices for Public Interest Entities published on 24 December 2019 by the Office of the Polish Financial Supervision Authority concerning the principles for the appointment, composition and operation of the audit committee.

Keeping in mind the provisions of the Best Practices regarding:

- monitoring of the financial reporting process,
- monitoring of the effectiveness of internal control, internal audit and risk management systems,
- monitoring of the performance of the financial audit activities,
- and controlling and monitoring of the independence of the certified auditor and auditing firm, in particular when services other than audit ones are provided to the public interest entity by the auditing firm.

Members of the Audit and Risk Committee received reports on the audits carried out by the Internal Audit Position on an ongoing basis. The Committee recommended to the Supervisory Board personnel changes to the head of the Internal Audit Position in December 2023. As part of their work, the Committee concluded that the Internal Audit Position is able to perform its tasks in an independent and impartial manner. The Audit and Risk Committee thus confirms that it has no reservations about the independence of the audit process at the Bank.

Audit and Risk Committee - based on information and documents provided by the Bank Management Board and analyses that were conducted during the meetings - carried out risk assessments of the monitored processes and areas. The Committee's assessment did not differ from the assessments made by the Management Board. The work carried out did not identify any areas for which the actions taken by the Management Board were inadequate to the Bank's situation, market requirements or regulatory recommendations. As in previous years, particular attention was paid to the Bank's compliance area, and to model and outsourcing risks.

As part of the Bank's risk monitoring process, a regular item on the 2023 agenda was the risk report composed of credit, market, operational (non-financial) and model risks reports. Information on the impact of the credit holidays on the mortgage portfolio, the quality of the portfolio itself (including delays in repayments), as well as the amortisation of the mortgage portfolio (the number of loan repayments) and the conversion of variable-rate loans into fixed-rate periodic loans were an important element of the said report. Following the outbreak of war in Ukraine, the Bank is particularly monitoring exposures granted to citizens of Ukraine, Russia and Belarus.

In 2023, the Committee's work was also focused on, inter alia, the following areas:

- preparing and making recommendations to the Supervisory Board on the following documents:
- The Risk Management Strategy for 2023-2025 together with Credit, Market and Non-Financial Risk Appetite Limits (RAS) and ING Bank Hipoteczny S.A.'s Model Risk Management Strategy including Model Risk Tolerance Levels (RAS) and approval of ING Bank Hipoteczny S.A.'s Non-Financial Risk Appetite Statement for 2023,
- ING Bank Hipoteczny S.A.'s Capital Management Policy,
- Operational Risk Management Policy at ING Bank Hipoteczny S.A.,
- ING Bank Hipoteczny S.A. Internal Control System Policy,
- Analysis of the 2022 Internal Capital Adequacy Assessment Process (ICAAP) Report for ING Bank Hipoteczny S.A.,
- Analysis of the 2022 Internal Liquidity Adequacy Assessment Process (ILAAP) Review Report for ING Bank Hipoteczny S.A.,
- ING Bank Hipoteczny S.A.'s Stress Testing Policy,
- Policy - ING Bank Hipoteczny S.A.'s Product Approval and Review Process (PARP),
- Analysis of the 2022 Risk Management System Performance Report and assessment of the adequacy and effectiveness of the system
- ING Bank Hipoteczny S.A.'s Conflicts of Interest Policy,
- ING Bank Hipoteczny S.A. Audit Charter Policy,

The Supervisory Board highly assesses the work of the Audit and Risk Committee. The activities undertaken during the year on a regular and ad hoc basis, including the in-depth analyses carried out on the issues discussed and the recommendations and opinions submitted to the Supervisory Board, provide added value and have enabled the Supervisory Board to carry out its statutory tasks effectively and competently.

The Chairwoman of the Supervisory Board would like to thank in particular for the commitment and availability of the members of the Supervisory Board during the year, as well as the constant readiness of the Supervisory Board to deal with urgent matters by way of circulation in periods between standard meetings. Given the changing market and economic conditions, the Chairwoman would particularly like to thank the Bank Management Board for their positive cooperation, flexible approach and commitment to the implementation of the tasks entrusted to it and the adopted Bank Strategy.

Report of the Supervisory Board on the results of evaluation of the annual financial statements of ING Bank Hipoteczny S.A. for the period from 1 January 2023 to 31 December 2023.

Pursuant to Article 382 § 3.1 of the Act of 15 September 2000 on Commercial Companies and Partnerships Code, having read the annual financial statements of ING Bank Hipoteczny S.A. for the period from 1 January 2023 to 31 December 2023, as well as the report on the audit of the separate financial statements for the period from 1 January 2023 to 31 December 2023, prepared by Mazars Audyt Spółka z ograniczoną odpowiedzialnością, the Supervisory Board of ING Bank Hipoteczny S.A:

1. state that the financial statements of ING Bank Hipoteczny S.A. for the period from 1 January 2023 to 31 December 2023 presented by the Management Board have been prepared, in all material respects, in a reliable and clear manner, to reflect the Company's assets and financial position as at 31 December 2023 and the financial result and cash flows for the financial period from 1 January 2023 to 31 December 2023, in accordance with the relevant regulations applicable to the financial statements, and are consistent with the accounts, documents and facts,
2. with the above in mind, the Supervisory Board decide to recommend that the General Meeting approve the financial statements of ING Bank Hipoteczny S.A. for the period from 1 January 2023 to 31 December 2023,
3. present this report on the results of evaluation to the General Meeting of ING Bank Hipoteczny S.A.

Report of the Supervisory Board on the results of evaluation of the Management Board Report on Operations of ING Bank Hipoteczny S.A. from 1 January 2023 to 31 December 2023, including the Corporate Governance Statement.

Pursuant to Article 382 §3.1 of the Act on Commercial Companies and Partnerships Code of 15 September 2000, in conjunction with Article 49 of the Accounting Act of 29 September 1994, having read the annual report of the Management Board on the operations of ING Bank Hipoteczny S.A. for the period from 1 January 2023 to 31 December 2023, including the Corporate Governance Statement as well as the independent auditor's report on the audit of the annual separate financial statements for the financial year ending on 31 December 2023, prepared by Mazars Audyt Spółka z ograniczoną odpowiedzialnością, the Supervisory Board of ING Bank Hipoteczny S.A:

1. state that the Management Board Report on Operations of ING Bank Hipoteczny for the period from 1 January 2023 to 31 December 2023, including the Corporate Governance Statement, contains material information about the assets and financial situation of ING Bank Hipoteczny S.A., including an assessment of the achieved results and an indication of risk factors together with a description of the threats, has been made in accordance with the relevant regulations in force concerning reports on operations and is consistent with the accounts, documents and the facts,
2. with the above in mind, they decide to recommend that the General Meeting approve the Management Board Report on Operations of ING Bank Hipoteczny S.A. for the period from 1 January 2023 to 31 December 2023, including the Corporate Governance Statement,
3. present this report on the results of evaluation to the General Meeting of ING Bank Hipoteczny S.A.

Report of the Supervisory Board on the results of evaluation of the Management Board's motion concerning 2023 profit distribution.

Pursuant to Article 382 §3.2 of the Act on Commercial Companies and Partnerships Code of 15 September 2000, the Supervisory Board of ING Bank Hipoteczny S.A:

1. having reviewed the Management Board's motion concerning the method of distribution of the profit of PLN 41,306,527.29 earned by the Bank in 2023, has no objections to the submitted motion and decides to recommend to the General Meeting to adopt a resolution as requested by

- the Management Board,
2. present this report on the results of evaluation to the General Meeting of ING Bank Hipoteczny S.A.

Assessment of the ING Bank Hipoteczny S.A.'s standing in 2023 prepared by the Supervisory Board, including an assessment of the adequacy and effectiveness of the internal control, risk management, compliance and internal audit systems

ING Bank Hipoteczny S.A. is a subsidiary of ING Bank Śląski S.A. which as at 31 December 2023 held 100% shares in the share capital of ING Bank Hipoteczny S.A. The latter is a member of the Group which in this document is referred to as the ING Bank Śląski S.A. Group (Group).

As at 31 December 2023, the share capital of ING Bank Hipoteczny S.A. amounted to PLN 380,000,000.00 and was fully taken up by ING Bank Śląski S.A. ING Bank Hipoteczny S.A.'s shares were paid in cash.

The Bank runs business based on the strategic cooperation with ING Bank Śląski S.A., acquiring debt under mortgage-backed loan agreements. The strategic objective of the Bank is to provide the Group with long-term and stable funding by way of issue of covered bonds.

Business landscape

As of 31 December 2023, banks' housing loan receivables from households in Poland amounted to PLN 447.5bn, down by 3.3% y/y, according to data published by the NBP. The balance of loans granted in PLN increased by 4.6% y/y to PLN 409.3bn.

The ING Bank Śląski S.A. Group has a 15.2% market share of mortgage volumes in PLN.

Operations of ING Bank Hipoteczny S.A.

2023 was a period of dynamic changes in the Polish economy, with both falling inflation and a downward trend in interest rates. It was also a year in which, due to ongoing armed conflicts around the world, including the ongoing conflict in Ukraine, further uncertainty persisted, following a period of pandemics and energy shocks, negatively affecting attempts to return to a stable operating environment for both the global and Polish economies. Despite another year of the Bank's operations in an unfavourable external economic environment, observed changes in macroeconomic indicators and regulatory challenges, the Bank's situation is stable. Despite the volatile economic and regulatory environment, the Bank shows a very good liquidity and capital position, significantly exceeding the required regulatory levels. At the end of 2023, the total capital ratio stood at 23.31%. The Bank's mortgage bonds issued are characterised by a high level of safety, reflected in a rating of Aa1.

The Bank's objective is to continue its efforts to acquire and then gradually increase the share of long-term financing through the issuance of covered bonds. However, these activities must be adjusted to the external situation and market potential. Changes in the market caused by external factors are analysed by the Bank Management Board on an ongoing basis. This refers also to the covered bond market as well as changes in the regulatory and economic environment and the situation of customers. In 2023, the Bank continued to rebuild its loan portfolio by acquiring high-quality mortgage-backed receivables from ING Bank Śląski, thereby increasing the basis for planned future mortgage bond issues. The Bank also diversified its funding sources by issuing own bonds.

The Supervisory Board supervises the Bank's operations, ensuring compliance with relevant legal regulations, in particular those concerning accounting, finance and reporting. The duties of the Supervisory Board also include supervision over processes related to management of particular risks in

ING Bank Hipoteczny S.A. with the support of the Audit and Risk Committee. Based on the Committee's recommendations, the Supervisory Board accept and approve the risk management strategy in the Bank's operations, the main principles of the policy in this respect as well as the risk appetite level. Further, the Supervisory Board monitors the utilisation of internal limits vis-à-vis the current strategy of the Bank. The Audit and Risk Committee provides support to the Supervisory Board in monitoring the risk management process, including operational risk, non-compliance, credit risk and market risk. The Committee also supervises: the process of internal capital estimation, capital adequacy assessment and risk assessment of models related to calculation of capital and other models. The Committee voices its opinion about the overall readiness of the Bank to take the risk in the current and long term perspective.

Similarly, it is the Committee's task to monitor the financial reporting process. In this context, the Committee analyses from time to time the Bank's financial statements and the results of the audit of those statements. The Audit and Risk Committee also analyses the results of the work of the entity authorized to audit financial statements, ensuring its independence and effectiveness. Moreover, the Committee monitors the effectiveness of internal control, internal audit and risk management systems and assesses the effectiveness of measures taken to mitigate the risk and assesses the quality of risk management.

In the opinion of the Supervisory Board, the risk management system in ING Bank Hipoteczny S.A. covers all material risks. In the processes of their identification, measurement, management and reporting, instruments and techniques appropriate for each identified risk category are used.

In 2023, ING Bank Hipoteczny S.A. satisfied the requirements of safe operation and capital adequacy, in particular:

- pursued a prudent lending policy - the Bank had in its portfolio only loans granted in Polish zlotys (PLN). The lending processes and procedures were compliant with the regulatory requirements and best practices on the market. The Bank had a loan portfolio of very good quality. The share of non-performing loans represented approximately 0.17% at the end of 2023, i.e. it was significantly lower than the average across the banking sector. Throughout 2023, no designated credit risk limits were exceeded;
- had the market standards, policies and systems in the area of market risk management. During 2023, the level of market risk was at a moderate level;
- maintained a stable liquidity position. In 2023, supervisory liquidity measures were above regulatory limits, stress test results show a good liquidity position of the Bank;
- effectively managed operational risks, including model risks, within the limits of the accepted risk appetite, meeting market standards in this respect;
- had an adequate level of equity to meet supervisory requirements.

ING Bank Hipoteczny S.A. has an Internal Control System covering all organisational units of the Bank and all three lines of defence. The main objectives of the Internal Control System were achieved in 2023.

The Bank has a formal reporting path for the scale and nature of the identified irregularities, as well as the status of corrective actions and disciplinary measures taken. In particular, information on open critical and high risk recommendations (if any) is submitted to the Audit and Risk Committee on a quarterly basis. Corrective actions are planned, implemented and their status is monitored on an ongoing basis.

In the area of the Compliance Cell and in the area of operations of the Internal Audit Position, adequate staff resources are provided for the effective performance of these units in 2023.

In 2023, no gaps were identified as regards the independence and resources of the Compliance Cell and the Internal Audit Position.

The internal control system that is in place at the Bank secures the Bank effectively enough against unexpected events with respect to granted financing, non-financial, market, liquidity or capital adequacy risks.

The Supervisory Board is of the opinion that the Bank's attention should continue to be focused on the activities set out in the Bank's strategy while maintaining a secure approach to the Bank's management, such as:

- adequate capital management in order to ensure safe lending portfolio growth and fulfilment of all present and future regulatory requirements,
- increase in the volume of mortgage loans including green assets which are used for the issue of covered bonds,
- obtaining financing through another issue of covered bonds,
- maintaining an adequate level of liquid assets,
- further improvement of cost effectiveness while maintaining high quality processes, through the optimal use of existing resources.

In the opinion of the Supervisory Board, the Bank's current strategy of increasing the scale of its operations, while maintaining a conservative and safe approach that takes into account the ongoing analysis of the external situation, builds a good foundation for the Bank's stable development and the generation of good financial results in the future reporting periods.

In 2024, the Bank will keep on following the adopted strategy while maintaining adequate capital base in relation to the planned increase in the volume of mortgage loans.

Assessment by the Supervisory Board of the application of the Principles of Corporate Governance for Supervised Institutions at ING Bank Hipoteczny S.A. in 2023

With Resolution No. 218/2014 of 22 July 2014 (Official Journal of PFSA, item 17), the Polish Financial Supervision Authority adopted the Principles of Corporate Governance for Supervised Institutions ("The Principles").

The Principles were adopted by ING Bank Hipoteczny S.A. ("the Bank") to the extent specified in the Representation of the Bank's Management Board dated 15 April 2019, published on the Bank's website at: <https://www.inghipoteczny.pl/inghipoteczny/o-nas>.

The draft Representation of the Management Board was endorsed by the Supervisory Board on 22 March 2019. On the same day, the Supervisory Board adopted the Principles concerning operation of the Supervisory Board and its members.

In accordance with the Representation of the Management Board, the principles set out in the following regulations were excluded from application:

- §8.4 and §9.6;
- §28.3 and §28.4;
- §32.1 - §34 and §36.1 and §36.2;
- §49.4 and §52.2;
- Chapter 9 of the Principles.

The exclusion of application of the above mentioned Principles results mainly from the fact that the sole

shareholder holding 100% shares of ING Bank Hipoteczny S.A. is ING Bank Śląski S.A. and ING Bank Hipoteczny S.A. does not sell new products.

The Principles adopted for partial application in ING Bank Hipoteczny S.A.:

- §9.1;
- §29.1 and §29.2;
- §35, §37 and §38 sections 1 - 2.

As in the case of the exclusion of the application of the Principles, their limitation results from the fact that the sole shareholder holding 100% shares of ING Bank Hipoteczny S.A. is ING Bank Śląski S.A. and ING Bank Hipoteczny S.A. does not sell new products.

At the same time, with Resolution No. 18 dated 3 April 2019, the Ordinary General Meeting of the Bank accepted the Representation of the Bank's Management Board and declared their readiness to apply the Principles in the part referring to the shareholders and to the Bank's relations as a supervised institution with its shareholders, under the principles set out in this resolution. The Resolution is available on the Bank's website: https://www.inghipoteczny.pl/_files/assetmanager/item/1100077

In the opinion of the Supervisory Board, after the adoption of the Principles, the Bank took appropriate actions to adjust the relevant internal regulations to the Principles and to ensure that the Principles are applied in the ongoing operations of the Bank.

An independent review of the application of the Principles (for 2023) completed in March 2024 did not identify any gaps or irregularities. As a result of the assessment of the application of the individual Principles, the qualification of the application of the Principles was changed:

- § 28.3. The supervisory authority prepares and presents to the governing body once a year an evaluation report on the functioning of the remuneration policy at the regulated institution.
- § 28.4. The governing body shall assess whether the established remuneration policy is conducive to the development and safe operation of the regulated institution.
- § 36.1. A regulated institution should endeavour to ensure that the financial products or services offered are appropriate to the needs of the customers to whom they are directed.
- § 36.2. At the stage of presenting the nature and design of a recommended financial product or service, regulated institutions and entities cooperating with them should take into account the needs referred to in paragraph 1, in particular as regards the individual situation of the customer, including knowledge and experience in the financial market, and where justified, the desired duration of the investment and the level of risk acceptance.

The assessment concluded that, according to the current interpretation, they are applicable to the Bank's activities. For all principles indicated, the Bank fulfils the requirements indicated in the description and there are no gaps. The completed assessment will be presented to the Management Board and Supervisory Board for approval, and the Company's bodies will take steps to update the Statement on the Application of the "Corporate governance principles for supervised institutions" by ING Bank Hipoteczny S.A.

The Bank's authorities apply the Principles, in particular those relating to their operation and mutual relations. The Principles are also applied by the Bank's employees and are reflected in the ongoing operations of the Bank. This applies to the Principles relating to internal relations, organisation of the Bank's key systems and functions, and the Principles relating to external relations with the Bank's shareholders, customers and other stakeholders.

Having regard to the above, the Supervisory Board assess that in 2023 the Bank applied the *Principles of Corporate Governance for Supervised Institutions* correctly.

Report on the evaluation of the remuneration policy of ING Bank Hipoteczny S.A.

The remuneration policy in place at ING Bank Hipoteczny S.A. is assessed on the basis of:

- Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and internal control system, as well as the remuneration policy and the detailed manner of estimating internal capital at banks;
- §28.3 of the Principles of Corporate Governance for Supervised Institutions adopted with Resolution No. 218/2014 of 22 July 2014 of the Polish Financial Supervision Authority (Official Journal of the Polish Financial Supervision Authority, item 17) ("the Principles");

Since 9 April 2018, ING Bank Hipoteczny S.A. has had a Remuneration Policy (the "Policy") in place, which is reviewed and updated annually - the last update of the regulation was approved on 8 December 2023 by Supervisory Board Resolution No. 74/18/2023. The document was prepared based on standards in force in the ING Bank Śląski S.A. Group. The Policy defines the key assumptions for the remuneration policy used to attract and retain employees by ensuring a market competitive remuneration and defines the component parts of the remuneration.

The Bank identifies social and environmental risks diagnosed as part of its sustainability strategy. The remuneration policy at ING Bank Hipoteczny S.A. is consistent with the strategy adopted by the ING Bank Śląski S.A. Group for a given period and supports corporate social responsibility, which is reflected in the objectives set for the employees for a given year. At the same time, the Policy does not support the activities which are not compatible with the sustainable growth.

I. PRINCIPLES OF THE REMUNERATION POLICY OF ING BANK HIPOTECZNY S.A.

1. The remuneration policy:
 - 1) supports the implementation of the business strategy, as well as the short-, medium- and long-term interests of the Bank and its clients,
 - 2) supports proper and effective risk management in order to maintain and protect the Bank's safe capital base and does not encourage taking excessive risk beyond the risk appetite approved by the Supervisory Board of ING Bank Hipoteczny S.A.,
 - 3) is gender neutral, which means that it does not create conditions for any gender to be favoured in an unjustified manner with regard to employment, career development, promotions, as well as awarding and paying remuneration.
2. The purpose of this Remuneration Policy is to ensure that the conflicts of interest relating to remuneration are identified and mitigated properly. Adequate risk mitigation measures, that is, a layered approval process, clear and transparent performance appraisal principles which are communicated to all employees, are part of the variable remuneration process.
3. ING Bank Hipoteczny S.A. does not provide for any form of remuneration that might encourage employees to favour their own interests or those of the Bank while acting to the detriment of clients.
4. The rules of remuneration of persons acting on behalf of the Bank do not constitute an incentive to take excessive risk of mis-selling products.
5. The remuneration is based on the scope of duties and responsibilities included in the job description, which is subject to valuation in accordance with the Hay Group methodology applied within the ING Bank Śląski S.A. Group.

6. The Bank reviews the level of remuneration every year. Market data – payroll reports and business and economic information – are analysed. The decision on the amount of the employee's salary rise is taken, first and foremost, based on the place of his or her base remuneration in the salary brackets within a given pay grade and the annual performance outcome.

As part of its annual remuneration review, the Bank monitors also:

1. the gender pay ratio and takes appropriate action to address any gender imbalance in this respect.
 2. the relation of the average annual gross total remuneration of the individual Management Board Members to the average gross total remuneration of the other employees (the average annual gross total remuneration of individual Management Board Members shall not exceed 40 times the average annual gross total remuneration of other employees).
 3. individuals whose salary level differs significantly (upwards or downwards) from the average salary offered in a homogeneous job group, together with a proposal for remedial action, unless the situation is justified by, for example, appraisal, knowledge and experience.
7. The remuneration system is open and transparent, and its rules are communicated to all employees of the Bank.

II. ELEMENTS OF REMUNERATION

1. The total remuneration consists of fixed and variable parts.
2. Fixed remuneration represents a sufficiently high part of total remuneration to allow a fully flexible variable remuneration policy, reduction or non-payment of variable remuneration, included.
3. Variable remuneration stands for all forms of remuneration and other benefits provided in return for performance. Variable remuneration includes an annual bonus, which is determined for each employee on the basis of an appraisal of sustainable and risk-adjusted performance, taking into account quantitative and qualitative criteria. As part of variable remuneration, employees may also receive an additional individual pecuniary award aimed at recognising and rewarding employees showing above-average performance and special potential.
4. For a group of employees holding positions that have a material impact on the Bank's risk profile, there are separate principles regarding variable remuneration set out in the Variable Remuneration Policy for Identified Staff of ING Bank Hipoteczny S.A. For Identified Staff being Management Board Members or the Bank's Chief Accountant, mandatory deferral and partial payment of bonuses in financial instruments apply. For other Identified Staff, a limited variable remuneration policy applies. The Policy of variable remuneration components sets out in detail the components of variable remuneration that may be awarded to Identified Staff and the rules for the payment of this remuneration.

The most important ones include:

- a) the financial and non-financial criteria and risk-adjusted criteria - to assess individual performance, where non-financial criteria represent minimum 50% of all goals, excluding those responsible for control functions;
- b) financial criteria are not used for the persons responsible for control functions. The objectives for these persons derive from their functions and are not linked to performance in the areas they control,
- c) for the Management Board Members and a person acting as the Chief Accountant of the Bank granting a part of variable remuneration (at least 50%) in the form of phantom stock entitling

to receive cash linked to the stock value (1 share represents the net asset value of ING Bank Hipoteczny S.A. at the end of the financial year).

- d) The deferral period for part of the variable remuneration is five years from the variable remuneration determination by the Management Board or Supervisory Board. The vesting of the deferred variable remuneration takes place annually over a period of five years, in five equal parts, unless there are grounds for reduction or non-payment.
5. Fringe benefits under the remuneration policy of the Bank:
- a) Medical care - the employees of the Bank are provided with basic medical care, including dental care and the possibility to use additionally paid family packages,
 - b) Employee Pension Scheme - with the Scheme, the Bank offers its employees an opportunity to collect, jointly and voluntarily, additional retirement funds,
 - c) Life insurance - the Bank's employees are provided with life insurance which covers: death of an employee, death of an employee due to an accident and serious illness,
 - d) benefits granted to employees under the Regulations of the Cafeteria Plan General Terms and Conditions.

III. SUPERVISION OF REMUNERATION POLICY

1. Compliance with the remuneration policy in the Bank is supervised by:
 - 1) General Meeting - assess, on the annual basis, whether the approved remuneration policy is conducive to the development and security of the Bank's operations,
 - 2) Supervisory Board of ING Bank Hipoteczny S.A. - approve the Policy and supervise its observance,
 - 3) The control functions actively participate and cooperate in the review of the Bank's remuneration policy to ensure its consistency with the risk management strategy and framework, and assess the adequacy of the capital base and the fulfilment of the conditions necessary to activate the bonus pool.
2. The remuneration policy is subject to an independent review by the Internal Audit position. The review is carried out at least once a year.
3. The Polish Financial Supervision Authority supervise the compliance of the Bank's activity with the regulations concerning the variable remuneration components policy.

IV. REPORT ON THE EVALUATION OF THE REMUNERATION POLICY AT THE BANK IN 2023

1. The Bank's remuneration policy is consistent with its strategy, values and risk appetite, and supports the long-term interests of the Bank and its customers. Moreover, it promotes and supports the process of effective risk management in order to maintain and protect the secure capital base of the Bank, does not encourage taking excessive risk beyond the Bank's risk appetite accepted by the Supervisory Board and is based on performance management, which combines individual goals with short-, medium- and long-term business strategy and ensures stable development.
2. The Bank has a step up system used for goals settlement, which combines the assessment of: performance, strong corporate culture. In accordance with the Employee Evaluation Bylaw of ING Bank Hipoteczny S.A. (Step Up), in February 2023, a bonus was paid to the Bank's employees as part of the provision created for this purpose.
3. In March 2023, bonuses for Identified Staff were settled in accordance with the Policy of variable remuneration for Identified Staff of ING Bank Hipoteczny S.A., variable remuneration was determined for 2023 and the non-deferred part of the bonus was granted.

4. In accordance with the provisions of the *ING Bank Hipoteczny S.A. Employee Evaluation Bylaw (Step up)* and the *ING Bank Hipoteczny S.A. Identified Staff Evaluation Bylaw*, the Bank Management Board, in consultation with the Supervisory Board, determine the amount of the employees variable remuneration pool. On the basis of the determined amount, the Management Board may decide to apply an adjustment factor to the bonus potential, both increasing and decreasing the amount.

No adjustment of bonus potentials was applied to the 2023 bonus.

In 2023, the *ING Bank Hipoteczny S.A. Employee Evaluation Bylaw (Step up)* and the *ING Bank Hipoteczny S.A. Identified Staff Evaluation Bylaw* have provisions stipulating that:

- if the Bank's gross profit is less than 80% on the accrual basis for a given year, the rules for triggering the annual bonus set out in the Evaluation Bylaw do not apply and the decision on granting the bonus shall be taken by the Bank Management Board on a discretionary basis,
 - the deferral period for variable remuneration is up to 5 years (for Identified Staff to whom the variable remuneration policy applies in full, i.e. the Management Board Members and the Bank's Chief Accountant).
5. In accordance with the Update Procedure for the ING Bank Hipoteczny S.A.'s List of Identified Staff, the list of interpretations of the qualitative and quantitative criteria and the additional eligibility criteria for an employee to be included in the List of Identified Staff for 2023 was revised in December 2024. The indicated changes in the approach to the individual criteria have had no impact on the 2024 IDS List.

The review was based on the final wording of the following regulations:

THE ACT of 25 February 2021 **amending the Banking Law Act and Certain Other Acts** - implemented the provisions of CRD V in Poland, including the criteria for employees with a material impact on the risk profile of the institution

Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive

EBA Guidelines on sound remuneration policies EBA/GL/2021/04 of 2 July 2021

In this respect, ING Bank Hipoteczny - as a subsidiary of ING Bank Śląski - adopts an approach to the IDS criteria consistent with that of ING BSK which cooperates with ING Group in this respect. Following the review, the recommended number of IDS for 2022 has not changed.

The Supervisory Board are of the view that in 2023 the Bank respected the principles of its remuneration policy.