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Item 1527

REGULATION OF THE MINISTER OF ECONOMIC DEVELOPMENT¹⁾
of 16 September 2016
on the adoption of the Articles of Association for Bank Gospodarstwa Krajowego

Pursuant to Article 2(3) of the Act of 14 March 2003 on Bank Gospodarstwa Krajowego (Journal of Laws of 2014, item 510, as amended²⁾), the following is decreed:

§ 1. Articles of Association as attached hereto are adopted for Bank Gospodarstwa Krajowego.

§ 2. The Regulation of the Minister of State Treasury of 11 May 2010 on the adoption of the Articles of Association for Bank Gospodarstwa Krajowego (Journal of Laws, item 535; and of 2011, item 1150) shall apply to any business initiated and unfinished by the effective date hereof.

§ 3. This Regulation shall enter into force within 7 days of its publication.³⁾

Minister of Economic Development: *M. Morawiecki*

¹⁾ The Minister of Economic Development manages the Economy branch of the government administration, pursuant to Section 1(2) of the Regulation of the Prime Minister of 17 November 2015 on the specific scope of activities of the Minister of Economic Development (Journal of Laws, item 1895; and of 2016, item 1359).

²⁾ Amendments to the consolidated version of this Act were published in the Journal of Laws of 2014, item 1146 ; and of 2015, item 1513; and of 2016, items 266, 615, 888, 1202 and 1250.

³⁾ This Regulation was preceded by the Regulation of the Minister of State Treasury of 11 May 2010 on the adoption of the Articles of Association for Bank Gospodarstwa Krajowego (Journal of Laws, item 535; and of 2011, item 1150), which is repealed with effect from the effective date hereof in accordance with Article 12 of the Act of 10 June 2016 amending the Act on export insurance guaranteed by the State Treasury and some other acts (Journal of Laws, item 888).

ARTICLES OF ASSOCIATION OF BANK GOSPODARSTWA KRAJOWEGO

Chapter 1 General Provisions

§ 1.1. Bank Gospodarstwa Krajowego, hereinafter referred to as the “Bank”, is a state-owned bank and operates under the Act of 14 March 2003 on Bank Gospodarstwa Krajowego, hereinafter referred to as the “Act”, other applicable regulations and these Articles of Association.

2. Save as otherwise provided by other applicable legislation, the Act of 29 August 1997, the Banking Law (Journal of Laws of 2015, item 128, as amended¹⁾) shall apply to the Bank’s operations.

§ 2. 1. The name of the bank shall be “Bank Gospodarstwa Krajowego”.

2. The Bank may use an abbreviated name of “BGK”.

§ 3. 1. ⁴ The Bank shall have legal capacity and shall operate within the territory of the Republic of Poland and may operate outside its territory.

2. ⁵ (repealed).

3. The Bank’s seat shall be the capital city of Warsaw.

Chapter 2 The object of the Bank’s operations

§ 4. 1. The Bank shall perform the following banking activities as the object of its operations:

- 1) receive call deposits and fixed-term deposits, and keep accounts for such deposits;
- 2) keep other bank accounts;
- 3) grant credit facilities;
- 4) ⁶ grant and confirm bank guarantees and open and confirm letters of credit;
- 5) issue bank securities;
- 6) perform clearing operations;
- 7) perform other banking operations as provided for with regard to the Bank in other laws.

2. The Bank may also perform the following banking activities:

- 1) grant cash loans;
- 2) perform cheque and bill-of-exchange activities and warrant-based activities;
- 3) provide payment services and issue e-money;
- 4) perform fixed-term financial operations;

¹ Amendments to the consolidated version of the Act were published in the Journal of Laws of 2015, item 559, 1166, 1223, 1311, 1348, 1357, 1513, 1634, 1830, 1844, 1854, 1864 and 2281; and of 2016, items 615, 904, 996 and 1177.

- 5) purchase and sell receivables;
- 6) store valuable items and offer safe deposit boxes;
- 7) purchase and sell foreign currencies;
- 8) ⁷ grant and confirm sureties;
- 9) perform contracted activities related to the issuance of securities;
- 10) act as an intermediary in handling of remittances and settlements under foreign-exchange transactions;
- 11) perform the function of a representative bank as a statutory representative of bondholders;
- 12) issue covered bonds.

§ 5. 1. In addition to the banking activities referred to in § 4, the Bank may:

- 1) acquire or purchase shares and rights attached to shares, shares of any other legal entity, and investment fund units;
 - 2) incur liabilities related to the issuance of securities;
 - 3) trade in securities;
 - 4) exchange receivables for debtor's assets on terms and conditions agreed on with the debtor;
 - 5) purchase and sell real property;
 - 6) provide consulting and advisory services in financial matters;
 - 7) ⁸ provide trust services and issue electronic identification means within the meaning of the provisions on trust services and electronic identification;
 - 8) ⁹ perform brokerage activity;
 - 8a) ¹⁰ perform non-brokerage activities, consisting in:
 - a) accepting and forwarding orders for purchase or disposal of financial instruments,
 - b) executing orders referred to in subparagraph (a) on account of the ordering party,
 - c) purchasing or disposing financial instruments for own account,
 - d) offering financial instruments,
 - e) providing services as part of performance of concluded issue guarantee agreements or concluding and performing similar agreements the subject matter of which also provides for financial instruments;
 - 8b) ¹¹ conducting trust activities and acting as an agent of securities issuance;
 - 9) invest cash in domestic and foreign securities;
 - 10) conduct investment and deposit operations on the interbank market;
 - 11) issue bonds;
 - 12) conduct derivative-based transactions;
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13) act as intermediary in offsetting transactions;

14) provide services in the area of asset management under separate provisions and agreements with the State Treasury or with state-owned legal persons, or under the government social and economic programmes and local government and regional development programmes;

15) ¹² provide services other than referred to in point 14, under separate provisions, in performance of agreements with the State Treasury or with state-owned legal persons, or under the government social and economic programmes, including those related to sureties and guarantees, and local government and regional development programmes;

15a) ¹³ perform the functions of an agent of an investment firm;

16) perform other activities as provided for with regard to the Bank under separate laws or ones which the Bank is authorised to perform under separate laws.

1a. ¹⁴ Only securities issued by the State Treasury or the National Bank of Poland or other financial instruments and bonds not admitted to organized trading referred to in Article 70(2)(1) of the Act of 29 July 2005 on Trading in Financial Instruments (Journal of Laws of 2020, items 89, 284, 288, 568 and 2320) may be subject to the activities referred to in paragraph 1(8a)(a) to (d).

1b. ¹⁵ The subject of activities defined in paragraph 1(8a)(c) may also include bonds, mortgage bonds, and other transferable securities admitted to organised trading, incorporating property rights corresponding to rights arising from a debt incurred or derivative instruments for which the underlying instruments are bonds, mortgage bonds, other transferable securities incorporating property rights corresponding to rights arising from a debt incurred, an interest rate, or a currency.

2. Credit facilities and cash loans may be raised by the Bank in the course of its operations.

§ 6. The Bank shall fulfil the duties with regard to handling of the funds established, entrusted or assigned thereto under separate laws.

§ 7. The Bank shall support the economic policy of the Council of Ministers, the government social and economic programmes, and local government and regional development programmes.

§ 8. ¹⁶ (repealed).

§ 9. ¹⁷ (repealed).

Chapter 3 The Bank's bodies and organisation

§ 10. The Bank's bodies shall be the Supervisory Board and the Management Board.

§ 11. 1. The composition, term of office, and number of members of the Supervisory Board, the terms and conditions of appointment thereof, and reasons for expiry of the appointment of a member of the Supervisory Board shall be as set forth in Article 8 of the Act.

2. The Supervisory Board shall, by secret ballot, elect from among its members the individuals to serve, on a permanent basis, as the Deputy Chairperson of the Supervisory Board and Secretary of the Supervisory Board.

3. ¹⁸ Where the Chairperson and the member of the Supervisory Board acting as permanent Deputy Chairperson are absent, the Chairperson of the Supervisory Board shall establish the order of substitution of the members of the Supervisory Board in presiding over the sessions of the Supervisory Board.

§ 12. 1. In addition to the responsibilities specified in Article 5c, Article 9 and Articles 11(3) and 11(5) of the Act and also in other laws, it shall be the responsibility of the Supervisory Board to:

- 1) adopt the Supervisory Board Rules;
- 2) adopt the rules of granting credit facilities, cash loans, bank guarantees, sureties and other off-balance sheet liabilities to the individuals and entities referred to in Article 79(1) and Article 79a of the Banking Act of 29 August 1997 and other off-balance sheet liabilities issued on request of the individuals and entities set out in Article 79(1) of the Act;
- 3) approve the Bank's multiyear development programmes;
- 4) ⁴ approve the Bank's basic organisational structure;
- 5) ⁵ approve the internal control rules for the Bank and the rules of operation of the compliance unit;
- 6) approve the Management Board Rules;
- 7) consent to the issuance of banking securities and bonds by the Bank;
- 8) consent to the issuance of covered bonds by the Bank;
- 9) ²¹ consent to the acquisition and disposal of real estate or share in the ownership of real estate with a value exceeding PLN 2 million, excluding the acquisition and sale of real estate or share in the ownership of real estate acquired using Bank's receivables;;
- 10) ²² consent to establishment and closure of the Bank's organisational units;
- 11) consent to capital investments where the value of a single capital investment project or total value of capital investment with regard to a single entity exceeds 5% of own funds, where capital investment shall be understood to mean investment in equity capital, shares of limited liability companies, investment fund units, investment certificates, as well as the instruments referred to in Article 4a(1)(2) of the Act;
- 12) adopt a resolution on advance contribution to the state budget from the profit in accordance with §37(4) and §37(5);
- 13) specify, in accordance with Article 5d(3), the purposed to which the Bank's net profit may be allocated;
- 14) approve the internal division of competences within the Management Board as adopted by the Bank's Management Board;
- 15) examine business presented by the Management Board on their own initiative or at the Supervisory Board's request;
- 16) apply to the Polish Financial Supervision Authority for its consent to the appointment of the President of the Management Board and the member of the Management Board referred to in Article 22a(4) of the Act of 29 August 1997, the Banking Law, and to entrusting the appointed member of the Management Board with the functions of the member of the Management Board referred in the provision quoted;
- 17) notify the Polish Financial Supervision Authority of changes in the composition of the Management Board.

2. It shall also be within the Supervisory Board's responsibility to:

- 1) execute, for and on behalf of the Bank, contracts of employment or civil law contracts with members of the Management Board;
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2) adopt rules laying down the terms and conditions of calculation of remuneration and other benefits awarded to members of the Management Board, save as otherwise provided for under separate regulations;

3) ²³ (repealed);

4) ²⁴ select the entity authorised to audit the financial statements and consolidated financial statements;

4a) ²⁵ approve the policy on the selection of an audit firm for auditing financial statements and consolidated financial statements, as well as approve the policy on the provision of authorised non-audit services by the audit firm conducting the audit, by entities affiliated to that firm or by a member of the audit firm's network

5) ²⁶ elect the members of the Supervisory Board Committees referred to in §24 to §26, including Chairmen of the Committees, and adopt the rules of procedure for these Committees;

6) supervise the implementation of the risk management system and internal control system, together with an assessment of its adequacy and effectiveness, in particular by approving: an acceptable risk level, risk management strategy, risk management policies, and monitoring their implementation;;

7) ²⁷ supervise the compliance risk management and assess the efficiency of such risk management, and to approve the Bank's compliance risk management policy to be presented by the Management Board, hereinafter referred to as the "Compliance Policy";

8) approve the remuneration policy to be developed by the Management Board, applicable to each category of individuals whose professional activities have a significant effect on the Bank's risk profile, as referred to in Article 9ca(1) of the Act of 29 August 1997, the Banking Law, hereinafter referred to as the "Remuneration Policy".

3. Prior to adopting the resolution referred to in Article 5c of the Act, the Supervisory Board shall consult the Management Board on the legitimacy, amount and method of reduction of the authorized fund.

4. The Resolution referred to in Subsection 1(12) shall be adopted by the Supervisory Board at the request of the minister responsible for public finance. Prior to adopting the resolution, the Supervisory Board shall consult the Management Board on the legitimacy and amount of the advance contribution from the profit.

5. In fulfilment of its duties, the Supervisory Board may review all documents of the Bank, and may request the Management Board and other employees of the Bank to present all information and explanation concerning the Bank's operations.

§ 13. 1. The Supervisory Board shall operate under the Act, these Articles of Association, and the Rules referred to in § 12(1)(1).

2. Members of the Supervisory Board perform their duties in person.

3. ²⁸ Sessions of the Supervisory Board shall be held as required, however at least quarterly. A session shall be convened by the Chairperson of the Supervisory Board, or, in his or her absence, by the member of the Supervisory Board who acts as the Deputy Chairperson on a permanent basis, on their own initiative or at a written request of the President of the Management Board, or at least two members of the Supervisory Board, or at least two members of the Management Board, to be submitted in writing or in electronic form to the Chairperson of the Supervisory Board, or, in his or her absence, to the member of the Supervisory Board who acts as the Deputy Chairperson on a permanent basis. Sessions of the Supervisory Board shall be chaired by its Chairperson, or, in his or her absence, by the member of the Supervisory Board who acts as the Deputy Chairperson on a permanent basis or a person designated to chair a session in accordance with § 11(3).

4. ²⁹ A session of the Supervisory Board shall be held no later than within 10 days of the date when the request for convening such session was submitted.

5. ³⁰ The members of the Supervisory Board may participate in a Supervisory Board session also by means of distant communication..

6. ³¹ Resolutions of the Supervisory Board shall be passed by an absolute majority vote. In order for resolutions of the Supervisory Board to be valid, all members of the Supervisory Board shall have been notified, and at least half of its members shall have been present, including the Chairperson or the member of the Supervisory Board who acts as the Deputy Chairperson on a permanent basis or a person designated to chair the session in accordance with § 11.3.

6a. ³² Resolutions passed at the session shall be adopted by open ballot, subject to paragraph 7.

7. ³³ Resolutions are adopted by secret ballot if they:

- 1) are of a personal nature;
- 2) concern matters affected by a conflict of interest referred to in paragraph 8a;
- 3) are required by the applicable provisions of law.

8. ³⁴ In duly justified circumstances, resolutions of the Supervisory Board may be adopted by a written vote or with use of means of distant communication. A resolution adopted in writing or with the use of means of distant communication shall be deemed valid where the content of the draft of such resolution has been notified to all members of the Supervisory Board and where an absolute majority of the members of the Supervisory Board have voted in favour of such resolution.

8a. ³⁵ The member of the Supervisory Board shall inform the Chairperson of the Board, and in the case of the Chairperson of the Board – the member of the Supervisory Board acting as permanent Deputy Chairperson, or a person designated to chair the session in accordance with § 11.3 of the conflict of interest or a justified risk of its occurrence. In the event of a conflict of interests or a justified risk of its occurrence, the member of the Supervisory Board affected by the conflict of interest may not chair a session of the Supervisory Board and he or she is obliged to refrain from taking any action that may affect the content of the decision in which the conflict of interest or a legitimate risk of its occurrence occurred in relation to that member, and to leave the session awaiting a decision in which the conflict of interest or a legitimate risk of its occurrence occurred in relation to that member.

9. Neither a written vote nor means of distant communication may be used for adopting resolutions on:

- 1) suspension of members of the Management Board;
 - 2) ³⁶ approval of the financial statements and consolidated financial statements;
 - 3) ³⁷ approval of the Management Board's report on the Bank's operations;
 - 4) distribution of the profit or covering of the loss;
 - 5) the Bank's annual financial and operational plan;
 - 6) reduction of the Bank's authorised fund in accordance with Article 5c of the Act;
 - 7) advance contribution to the state budget from the profit in accordance with § 37(4) and §37(5);
 - 8) election of the individuals to serve, on a permanent basis, as the Deputy Chairperson of the Supervisory Board and the Secretary of the Supervisory Board;
 - 9) election of the members of the Supervisory Board Committees referred to in §24 to §26, and adoption of the rules of procedure for these Committees;
 - 10) allocation of the Bank's net profit to the purposes referred to in Article 5d(3) of the Act;
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11) ³⁸ the Bank's multiyear development programmes.

10. Resolutions of the Supervisory Board shall be forwarded to the Management Board for implementation or for information.

§ 14. The composition, term of office, rules of appointment, and reasons for expiry of the appointment of the Management Board shall be as set forth in Articles 10 and 11 of the Act.

§ 15. 1. The Management Board shall manage the Bank's operations.

2. It shall be within the responsibility of the Management Board to handle all matters related to the management of the Bank, except for duties reserved for the Supervisory Board and the President of the Management Board, in particular to:

- 1) define the human resources and payroll policies;
- 2) define the internal division of competences in the Management Board, with account being taken of the provisions of Article 10a of the Act;
- 3) define interest rates for credit facilities, cash loans, deposits, and rates of commissions and fees for banking operations;
- 4) ³⁹ adopt regulations concerning the rules of the provision of services by the Bank or the performance of activities referred to in § 4 and 5;;
- 5) convert liabilities or dispose of assets totalling more than 5% of own funds with regard to a single entity, subject to § 12(1)(7), § 12(1)(9) and § 12(1)(11);
- 6) incur liabilities or dispose of assets totalling more than 5% of own funds with regard to a single entity, subject to § 12(1)(7), § 12(1)(9) and § 12(1)(11);
- 7) develop the Bank's financial and operational plan;
- 8) plan, implement and ensure the functioning of the management system encompassing risk management and an internal control system, including adoption of internal control rules for the Bank;
- 9) develop and implement the Remuneration Policy.

2a. ⁴⁰ The Management Board may delegate the tasks referred to in paragraph 2(3) and (4), in whole or in part, to a designated member of the Management Board, taking into account the internal division of competences referred to in paragraph 2(2).

3. The Management Board shall submit to the Supervisory Board for approval or adoption:

- 1) the Bank's multiyear development programmes;
 - 2) ⁴¹ financial statements and consolidated financial statements;
 - 3) ⁴² report on the Bank's operations;
 - 4) the request concerning the distribution of the profit or covering of the loss for the Bank;
 - 5) requests concerning the issuance of banking securities and bonds;
 - 6) requests concerning the issuance of covered bonds;
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- 7) requests concerning the establishment and closure of organisational units in the form of branches of the Bank;
- 8) requests concerning the matters referred to in § 12(1)(11);
- 9) the Management Board Rules and internal control rules for the Bank;
- 10) ⁴³ requests concerning the purchase and sale of real property or share in the ownership of real property whose value exceeds PLN 2 million, with the exception of the purchase and sale of real property or share in the ownership of real property taken over in exchange for the Bank's receivables;
- 11) the Remuneration Policy and Compliance Policy;
- 12) the internal division of competences in the Management Board, with account being taken of the provisions of Article 10a of the Act;
- 12a) ⁴⁴ risk management strategy and risk management policy, including an acceptable level of risk;
- 13) other matters presented on the Management Board's initiative or at the request of the Supervisory Board.

4. The Management Board shall submit to the Supervisory Board the opinion referred to in § 12(3) and § 12(4). The Management Board shall inform the minister responsible for the economy of resolutions adopted by the Supervisory Board concerning the reduction of the Bank's authorized fund and concerning the advance contribution to the state budget from the profit as referred to in § 37(4) and § 37(5).

§ 16. 1. ⁴⁵ Resolutions of the Management Board shall be adopted at a session.

1a. ⁴⁶ Members of the Management Board, including the President of the Management Board, may attend the session of the Management Board also by means of distant communication.

2. ⁴⁷ In order for resolutions of the Management Board to be valid, all members of the Management Board shall have been notified, and at least half of its members shall have been present. Resolutions of the Management Board adopted at a session shall be passed by a simple majority of votes, with at least half of all members present. In the event of a tied vote, the President of the Management Board or, in his or her absence, the member of the Management Board chairing the session, shall have the casting vote.

3. ⁴⁸ Resolutions of the Management Board may be adopted by a written vote or with use of means of distant communication. A resolution of the Management Board adopted by a written vote or with use of means of distant communication shall be deemed valid where the content of the draft resolution has been notified to all members of the Management Board and a simple majority of the members of the Management Board have voted in favour of such resolution

3a. ⁴⁹ A Member of the Management Board shall inform the President of the Management Board and, in the case of the President of the Management Board – the Chairperson who chairs the session of the conflict of interest or of a justified risk of its occurrence. In the event of a conflict of interest, the member of the Management Board affected by the conflict of interest shall not chair the session until the decision on the matter has been made and he or she shall refrain from taking any action that may affect the content of the decision on the matter and leave the Management Board session for the duration of the aforementioned activities.

3b. ⁵⁰ Resolutions shall be adopted by open ballot, subject to paragraph 3c.

3c. ⁵¹ Resolutions shall be adopted by secret ballot if they:

- 1) are of a personal nature;
 - 2) concern matters affected by a conflict of interest referred to in paragraph 3a;
 - 3) are required by the applicable provisions of law.
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4. ⁵² The procedure set forth in Subsection 3 may not be applied to adopt resolutions on:

- 1) the rules of human resources and payroll policies;
- 2) the Bank's multiyear development programmes;
- 3) the Bank's financial statements and consolidated financial statements and the report on the Bank's operations;
- 4) the Bank's financial and operational plan;
- 5) requests concerning the distribution of the profit or covering of the loss for the Bank;
- 6) the opinion on the reduction of the Bank's authorised fund in accordance with Article 5c of the Act;
- 7) the opinion on the advance contribution from the profit as referred to in § 37(4) and § 37(5).

5. A detailed mode of operation of the Management Board shall be specified by the Management Board Rules.

§ 17. 1. ⁵³ The President of the Management Board shall represent the Bank externally, chair meetings of the Management Board, organise the Bank's operations, and ensure the implementation of the Management Board's resolutions.

2. Within his or her responsibility, the President of the Management Board shall, in particular:

- 1) issue by-laws regulating the Bank's operations and organisation, other than reserved for the Management Board and the Supervisory Board;
- 2) decide on staffing matters;
- 3) handle matters regulated by labour law;
- 4) ⁵⁴ (repealed);
- 5) ensure security of the Bank and protection of classified information;
- 6) arrange replacements among members of the Management Board.

3. In the absence of the President of the Management Board, his or her responsibilities and duties shall be performed by the First Vice-President of the Management Board.

4. Where both the President of the Management Board and the Vice-President of the Management Board are absent, the responsibilities and duties of the President of the Management Board shall be performed by the Vice-President of the Management Board.

5. ⁵⁵ Where the President of the Management Board, the First Vice-President of the Management Board and the Vice-President of the Management Board are all absent, the President of the Management Board shall establish the order of substitution of the members of the Management Board in presiding over Management Board meetings.

§ 18.1. When arranging the division of competences as referred to in § 15(2)(2), the members of the Management Board referred to in Article 10a of the Act may also be entrusted with competences other than the ones resulting from the division set forth in Article 10a of the Act.

2. At least one of the members of the Management Board referred to in Article 10a of the Act shall be entrusted with supervision of the management of risk significant for the Bank's operations.

3. ⁵⁶ The supervision referred to in paragraph 2 may not be entrusted to a member of the Management Board whose competences include areas posing significant risk for the Bank's operations.

§ 19. 1. ⁵⁷ The rules of making statements on behalf of the Bank, including ones related to property rights and obligations, shall be regulated by Article 10(3) of the Act.

2. Powers of attorney to make statements related to the Bank's property rights and obligations shall be granted by two members of the Management Board acting jointly or by attorneys-in-fact acting within the scope of the powers of attorney received.

3. The attorneys-in-fact may act individually or jointly with another attorney-in-fact or member of the Management Board.

§ 20. 1. The employer in the meaning of the Act of 26 June 1974, the Labour Code (Journal of Laws of 2014, item 1502, as amended²⁾) is the Bank.

1a. ⁵⁹ All employees of the Bank report to President of the Management Board.

2. ⁶⁰ The President of the Management Board may authorize other individuals to handle on his or her behalf the activities provided for in § 17(2)(2) and § 17(2)(3).

§ 21. 1. ⁶¹ The Bank's basic organisational structure shall comprise the head office and other organisational units established for the purpose of performance of the Bank's objectives.

2. The Bank's head office shall comprise departments, bureaus, other organisational sections and independent specialist positions.

3. The other organisational units referred to in Subsection 1 may, subject to their organisational rules, comprise organisational sections.

4. Organisational units shall conduct operating activities resulting from the scope of the Bank's operations.

§ 22. 1. The detailed organisational structure of the Bank shall be laid down in the Bank's organisational rules to be adopted by the Management Board.

2. ⁶² The organisation of organisational units and organisational sections of the Bank and the detailed responsibilities thereof shall be laid down in organisational rules of these units and sections.

§ 23. 1. The Bank shall operate;

1) a Financial Committee;

2) a Credit Committee.

2. Credit committees may be established at the Bank's organisational units in order to examine issues concerning credit operations and services provided to borrowers.

3. ⁶³ Other committees may be established by the Management Board in order to handle specific areas of the Bank's operations, including commissioned activities.

4. ⁶⁴ The manner of establishment, the scope of activities, and the composition of the committees referred to in Subsection 1 to 3 shall be specified by the Management Board by resolution.

²⁾ Amendments to the consolidated version of this Act were published in the Journal of Laws of 2014, item 1662; of 2015, items 1066, 1220, 1224, 1240 and 1735; and of 2016, items 868, 910, 960 and 1053.

§ 24. ⁶⁵ 1. The Bank shall operate an Audit Committee whose members shall be appointed from among the members of the Supervisory Board. The Audit Committee is the committee referred to in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2020, item 1415).

2. The Audit Committee shall be composed of 3 to 5 members who meet requirements set out in separate regulations.

3. The detailed scope and mode of operation of the Audit Committee shall be laid down in the relevant provisions of law in force and the Audit Committee Rules.

§ 25. ⁶⁶ 1. The Bank shall operate a Remuneration and Nomination Committee whose members shall be appointed from among the members of the Supervisory Board.

2. The Remuneration Committee shall be composed of 3 to 5 members.

3. The detailed scope and mode of operation of the Remuneration Committee shall be laid down in the relevant provisions of law in force and the Remuneration and Nomination Committee Rules.

§ 26. 1. The Bank shall operate a Risk Committee whose members shall be appointed from among the members of the Supervisory Board.

2. The Risk Committee shall be composed of 3 to 5 members.

3. ⁶⁷ The detailed scope and mode of operation of the Risk Committee shall be laid down in the Risk Committee Rules.

§ 27. ⁶⁸ 1. The Bank shall operate an internal control system consisting of rules and mechanisms concerning decision-making processes in place at the Bank and the assessment of operations conducted by the Bank.

2. Under the management system, the Bank has the following systems in place:

1) the risk management system;

2) internal control system;

3. The risk management system aims at ensuring the identification, measurement or estimation of risk as well as controlling, monitoring and reporting it for the purposes of a correct specification and achievement of objectives of banking operations, including the stability and security of banking operations, a high quality of assets and achieving the planned financial result as part of an acceptable risk level, in particular by:

- 1) the application of formalised rules in specifying the amount of risk taken;
- 2) the application of formalised procedures in the identification, measurement or estimation of risk, including its level in the future and risk monitoring;
- 3) the application of formalised rules when setting limits reducing the risk and defining the course of action to be followed in the event of exceeding these limits;
- 4) ensuring the functioning of the management reporting system enabling the monitoring of the level of risk;
- 5) adjusting the organisational structure to the size and profile of the risk incurred, including the organisation of an internal audit unit and compliance unit.

4. The internal control system shall ensure:

- 1) the efficiency and effectiveness of the Bank's operations;
- 2) the reliability of financial statements;
- 3) compliance with the risk management principles at the Bank;
- 4) the Bank's compliance with the provisions of law, internal regulations, and market standards.

5. The internal control system shall comprise:

- 1) a control function, the task of which shall be to ensure compliance with controls relating in particular to the risk management at the Bank and covering positions, groups of human resources or organizational units responsible for the implementation of tasks entrusted to that function;
- 2) a compliance unit, the task of which shall be to identify, evaluate, control, and monitor compliance risk, understood as the risk of consequences of non-compliance with legal regulations, internal regulations and market standards, as well as submitting reports in this regard;
- 3) an independent internal audit unit, the task of which shall be to review and assess, in an independent and objective manner, the adequacy and effectiveness of the risk management system and of the internal control system, except for the internal audit unit.

6. The compliance unit shall report directly to the member of the Management Board designated as part of the division of competences within the Management Board, approved by the Supervisory Board in line with the procedure referred to in § 12(1)(14).

7. The internal audit unit reports directly to the President of the Management Board.

8. The Supervisory Board shall oversee the introduction of the internal control system and it performs at least once a year an assessment of the adequacy and effectiveness of that system.

§ 28. In the event that covered bonds are issued, a trustee and his or her deputy shall be appointed for the Bank in accordance with the regulations listed in Article 6(a) of the Act.

§ 29. The Bank's internal by-laws shall be adopted by the Bank's bodies or authorised individuals, within their official competence, in the form of resolution, decrees or decisions, as appropriate.

Chapter 4 The Bank's funds

§ 30. 1. The Bank shall have own funds adjusted to the size of its operations.

2. ⁶⁹ The Bank's own funds constitute the sum of Tier 1 and Tier 2 capital calculated in accordance with the provisions of Regulation of the European Parliament and of the Council No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (OJ L 176, 27.06.2013, p. 1, as amended).

2. The Bank's own funds shall be composed of:

- 1) an authorised fund;
 - 2) a capital surplus fund;
 - 3) a revaluation reserve;
 - 4) a reserve fund;
 - 5) a general banking risk fund;
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- 6) retained profit (accumulated loss);
- 7) net profit (loss);
- 8) write-offs from the net profit for the financial year (negative value).

§ 31. 1. The authorised fund shall be established:

- 1) with cash and other assets contributed by the State Treasury, including treasury securities transferred by the minister responsible for public finance in accordance with Article 5a of the Act;
- 2) with annual write-offs from the Bank's net profit, of at least 10% of this profit.

2. The authorised fund shall be increased as of the date of:

- 1) inflow of the cash from the State Treasury to the Bank;
- 2) crediting of the treasury securities to the Bank's securities account;
- 3) transfer of other assets by the State Treasury to the Bank;
- 4) resolution of the Supervisory Board approving the distribution of profit.

3. The Bank's authorised fund shall be reduced in accordance with Article 5c of the Act as of the date when:

- 1) the Bank's account is charged with the contribution of cash to the state budget in the amount by which the authorised fund was reduced;
- 2) the Bank's securities account is charged as a result of a free-of-charge transfer to the State Treasury of the treasury securities referred to in Article 5a(1) of the Act as held by the Bank;
- 3) shares previously transferred to the Bank in order to increase the authorised fund are transferred free of charge to the State Treasury or another state-owned legal person.

§ 32. 1. The capital surplus fund shall be established:

- 1) with write-offs from the net profit for the year, of at least 8% of this profit, with the reservation that write-offs may cease where the capital surplus fund reaches the level of at least 1/3rd of the authorised fund;
- 2) with other resources, including the net profit as referred to in §37(2).

2. Subject to § 38, the capital surplus fund shall be allocated to covering of the Bank's balance-sheet loss.

3. Decisions on the utilisation of the capital surplus fund shall be within the responsibility of the Supervisory Board.

§ 33. 1. The reserve fund shall be established with write-offs from the net profit for the year.

2. Subject to § 38, the reserve fund shall be allocated to covering of specific loss and expenditure and balance-sheet loss.

3. Decisions on the utilisation of the reserve fund shall be within the responsibility of the Supervisory Board.

§ 34. 1. The general banking risk fund shall be established with write-offs from the net profit for the year.

2. Decisions on the utilisation of the general banking risk fund shall be within the responsibility of the Management Board, in accordance with rules applicable to the utilisation of this fund, to be adopted by the Management Board and approved by the Supervisory Board.

Chapter 5
Principles of financial management

§ 35.1. The Bank shall manage its finances on its own, based on the financial and operational plan, which shall be a financial plan within the meaning of Article 129(1) of the Act of 29 August 1997, the Banking Law.

2. In its financial and operational plan, the Bank shall distinguish financial and operational plans for the funds referred to in § 6, and it shall ensure separate balance sheets, profit and loss accounts and statements off-balance sheets, profit and loss accounts and statements of off-balance sheet items for these funds, where required under separate regulations.

3. Financial and operational plans for the funds referred to in § 6 shall be presented as an attachment to the Bank's financial and operational plan, with the exception of financial and operational plans for the funds whose assets fall within the definition of the Bank's assets in the meaning of the accounting regulations.

4. The Bank shall develop financial and operational plans related to the implementation of the basic objectives of the Bank's operations as referred to in Article 4 of the Act.

§ 36. 1. ⁷¹ The Bank's financial statements and consolidated financial statements shall be presented by the Management Board to the Supervisory Board for review and approval, no later than on 31 May of the year following the financial year whereto the financial statements apply.

2. In the event that assets of the funds referred to in § 6 do not fall within the definition of the Bank's assets in the meaning of the accounting regulations, statements for such funds shall only be an attachment to the Bank's financial statements.

3. The Bank's accounting year is the calendar year.---

§ 37. 1. The Bank's net profit as approved by resolution of the Supervisory Board may be allocated to:

- 1) increasing the Bank's own funds referred to in § 30,
- 2) contribution to the state budget, or
- 3) other purposes as determined by the Supervisory Board.

2. Net profit on the operations of the funds referred to in § 6 shall be allocated to supplementation of these funds.

3. Net profit on the operations of the funds whose assets fall within the definition of the Bank's assets in the meaning of the accounting regulations may also be allocated to the capital surplus fund.

4. The Bank's profit generated since the end of the last financial year disclosed in financial statements audited by a statutory auditor decreased by the amount of the profit referred to in Subsection 3 and uncovered loss, may be allocated to the advance contribution to the state budget, providing that the Bank holds own funds as referred to in § 30 in excess of the level which the Bank is required to maintain in accordance with the Act of 29 August 1997, the Banking Law.

5. The amount of the advance contribution to the state budget may not exceed 90% of the profit as determined in accordance with Subsection 4.

37a. ⁷² Pursuant to the resolution of the Supervisory Board, profit from previous years is allocated for the purposes indicated in § 37.

§ 38. In the event that loss is generated by any fund referred to in § 6, such loss shall be charged to such fund.

§ 39. The Bank shall keep its accounts in accordance with separate regulations.

