



Bank Hipoteczny

PKO Bank Hipoteczny Spółka Akcyjna

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

EUR 4,000,000,000

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

This supplement (the “**Supplement**”) constitutes the first supplement to the Base Prospectus dated 28 September 2016 (the “**Base Prospectus**”) and must be read in conjunction with the Base Prospectus prepared by PKO Bank Hipoteczny S.A. (the “**Issuer**” or the “**Bank**”) regarding this EUR 4,000,000,000 Programme for the issuance of the Covered Bonds (*hipoteczne listy zastawne*) (the “**Programme**”). All capitalised terms used but not otherwise defined shall have the meanings ascribed to them in the Base Prospectus.

The Issuer accepts responsibility for the information contained or incorporated by reference in this Supplement. To the best of the Issuer’s knowledge (having taken reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and contains no omission likely to affect its import. This Supplement has been prepared according to Article 13 of Chapter I of Part II of the Luxembourg Act dated 10 July 2005 on prospectuses, as amended (the “**Prospectus Act**”). This Supplement has been approved by the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) of the Grand Duchy of Luxembourg in its capacity as competent authority under the Prospectus Act for the purposes of the Prospectus Directive.

Information contained in this Supplement updates and/or revises comparable information contained in the Base Prospectus. To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement, and (b) any other statement in or incorporated by reference in the Base Prospectus, the statement in (a) above will prevail.

Except as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

This Supplement will be published in electronic form on the website of the Luxembourg Stock Exchange under www.bourse.lu, will be available free of charge at the specified offices of the Bank and will be published in electronic form on the website of the Bank under www.pkobh.pl.

AMENDMENTS TO THE BASE PROSPECTUS

Documents incorporated by reference

The Issuer published the financial statement for the period ending on 31 December 2016 on 6 March 2017. In connection with the publication of the financial statement, the following section shall be added on page 27 of the Base Prospectus:

- “(e) the English translation of the audited financial statements of the Bank in respect of the financial period from 1 January 2016 until 31 December 2016:
- (i) profit or loss statement – page 3;
 - (ii) comprehensive income statement – page 3;
 - (iii) financial position statement – page 4;
 - (iv) statement of changes in equity – page 5;
 - (v) cash flow statement – page 6; and
 - (vi) notes to the financial statements – pages 7-62; and
- (f) the English translation of the audit opinion prepared in connection with the audited financial statements of the Bank in respect of the financial period from 1 January 2016 until 31 December 2016.”

Management structure and committees

The second paragraph under the heading “Management structure and committees” on page 69 of the Base Prospectus shall be replaced with the following wording:

“There are four committees within the Supervisory Board: the Audit and Finance Committee, the Remuneration Committee, the Commercial Committee, and the Risk Committee. The Audit and Finance Committee supports the Supervisory Board in reviewing the financial standing of the Bank as well as the Bank's internal audit systems. The Remuneration Committee is responsible for preparing the remuneration policy concerning the key personnel of the Bank. It also reviews the candidates for management positions at the Bank and prepares an annual assessment to confirm that the Management Board members have the skills and competencies required to hold their positions on the Management Board. The Commercial Committee supports the Supervisory Board in reviewing the outsourcing arrangements between the Bank and PKO BP. It also evaluates and approves products to be offered by the Bank and opines on the Bank's pricing policy. The Risk Committee is responsible for supporting the Supervisory Board in overseeing the Bank's risk management system.”

Supervisory Board

The table on page 70 of the Base Prospectus shall be replaced with the table below:

Name	Year of birth	Position	Commencement of membership	Commencement of current term	Date of expiration of the current term
Jakub Papierski	1972	President	6 October 2014	6 October 2014	6 October 2018
Piotr Mazur	1966	Member	6 October 2014	6 October 2014	6 October 2018
Barbara Soares da Silva	1979	Member	6 October 2014	6 October 2014	6 October 2018
Artur Osytek	1974	Member	6 October 2014	6 October 2014	6 October 2018
Mieczysław Król	1958	Member	28 October 2016	28 October 2016	6 October 2018
Adam Marciniak	1979	Member	28 October 2016	28 October 2016	6 October 2018
Justyna Borkiewicz	1964	Member	28 October 2016	28 October 2016	6 October 2018

CVs of members of the Supervisory Board

On 31 October 2016 Mr Piotr Alicki tendered his resignation from the Supervisory Board. Therefore his CV shall be deleted from page 71 of the Base Prospectus.

The following CVs of members of the Supervisory Board shall be added to the Base Prospectus after the CV of Mr Artur Osytek on page 72 of the Base Prospectus:

“Mieczysław Król

Mr Król has been a Vice-President of the PKO Bank Polski Management Board since 6 June 2016. He is a banker, financier, and manager, born in 1958, holder of a master's degree in Economics, graduate of the Warsaw School of Economics (Faculty of Finance and Statistics) and International School of Management. He completed a Ph.D. programme at the Warsaw School of Economics (College of Management and Finance).

He has over 30 years' professional experience in banking and finance. He has worked, among others, at the National Bank of Poland and has for many years held the position of director at PKO Bank Polski S.A. From 2006 to 2010, he was Director of the Audit Department at PKO Bank Polski S.A., then from 2011 to 2015 he was Director of the Audit Department at Bank Ochrony Środowiska S.A. in Warsaw. From 2006 to 2007, he was a member of the Supervisory Board of Centrum Finansowo-Bankowe in Warsaw. In 2007, he was Chairman of the Supervisory Board of Zakłady Chemiczne Organika Sarzyna in Nowa Sarzyna and of Zakłady Konserwacji Zabytków. He lectured at Wyższa Szkoła Działalności Gospodarczej in Warsaw and authored many articles on banking and economics.

From 1998 to 2002, he was a councillor of the Warsaw Province, Deputy Chairman of the Budget Committee and member of the Audit Committee. From 2002 to 2014, he was a councillor in Warsaw. In the Warsaw Council, he was a Deputy Chairman of the Budget and Finance Committee and a member of the Healthcare Committee. Regarding his social activities, he was head of the Community Board of the Fr. Jerzy Popiełuszko Bielański Hospital.

Adam Marciniak

Mr Marciniak started his IT career by studying Computer Engineering at the Faculty of Cybernetics, Military Academy of Technology in Warsaw, where he graduated in 2003 with honours, obtaining a Master and Engineer degree as well as second lieutenant grade in the Polish army. In 2007, he obtained additional qualifications as an IT specialist when he graduated from the Institute of Control and Industrial Electronics of the Warsaw University of Technology.

In 2004, he joined Pekao SA as a computer programmer and IT system designer. From 2007 to 2011, he was Director of Electronic Channels, Development and Management Office at Pekao SA. At the same time, from 2009 to 2011, he was Director of the IT Development Department at the Pekao SA Central Brokerage House.

Since February 2011, Adam Marciniak has been the head of the Applications Development and Maintenance Division at PKO Bank Polski, in charge, among others, of the comprehensive implementation of IT projects and entire applications' life cycle, including systems' maintenance. Simultaneously, from October 2011 to November 2014, he was Vice-President for the development of IT systems at Inteligo Financial Services S.A., a member of the PKO Group. During that time, he was responsible for the efficient incorporation of the Inteligo IT services into PKO Bank Polski.

He is a member of the Presidium of the IT Forum at the Polish Banking Association (“ZBP”) and a member of the Supervisory Board of PKO BP FINAT sp. z o.o. He is also head of the Banking Cybersecurity Management Group at the Banking Cybersecurity Centre.

Justyna Borkiewicz

Ms Borkiewicz joined PKO Bank Polski in January 2010 and since April 2011 she has been the Director of the President of the Management Board Bureau. Previously, she worked for 15 years at Pioneer Pekao TFI S.A., first as a legal advisor and since 1997 as the Director of the Legal Department. At the same time, since 2001, she had been the Director of the Legal Department at Pioneer Pekao Investment Management S.A. From 1998 to 2009, she was involved in setting up and in the activities of the Board of Funds and Asset Management, took part in work on successive amendments investment fund legislation and, within the framework of EFAMA, in work on analogous EU legislation.

She took part in the establishment of PKO Bank Polski Foundation and has been Deputy Chair of the Foundation's Programme Council. Since April 2011, she has been a member of the Bank Ethics Committee at the ZBP and is the head of the ZBP Consumer Credit Committee (since 2014). As part of her pro bono activities, since 2006 she has supported Zonta Club (a public benefit organization) in Warsaw with her legal services.

She is a legal advisor, graduate of the Warsaw University Faculty of Law and Administration, and qualified as a mediator in civil law cases.”

Luxembourg taxation

The section of the Base Prospectus under the heading “Luxembourg - Withholding Tax – Resident holders of Covered Bonds” on page 89 of the Base Prospectus shall be replaced with the following wording:

“Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the “**Relibi Law**”), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Covered Bonds held by Luxembourg resident holders of Covered Bonds.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Covered Bonds coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 per cent.”

Recent Developments

A new section entitled “Recent Developments” shall be added to the Base Prospectus and shall read as follows:

“RECENT DEVELOPMENTS

Financial Stability Committee recommendation concerning foreign-currency mortgage loans

As at the date of this Supplement, there has been no statutory intervention in the issue of foreign-currency mortgage loans and mortgage loans indexed to foreign currencies (the “**FX Loans**”). On 13 January 2017, the Financial Stability Committee (*Komitet Stabilności Finansowej*, the “**KSF**”) issued a resolution concerning these loans. The KSF believes that a statutory intervention in the FX Loans issue could threaten the stability of the Polish financial system. According to the KSF, any restructuring of the FX Loans should be conducted on a voluntary basis. At the same time, the KSF recommended that the public authorities supervising the financial system should take actions which would encourage the banks which granted the FX Loans to enter into restructuring arrangements with borrowers under these loans. These recommendations include: increasing the risk weight (from 100 per cent. to 150 per cent.) and the minimal loss given default parameter for exposures collateralised by residential properties, the purchase of which was financed with the FX Loans; modifying the operations of the Borrowers' Support Fund (*Fundusz Wsparcia Kredytobiorców*) to increase the support offered by the fund to borrowers under mortgage loans and enable the fund to support the restructuring of the FX Loans; amending the applicable tax regulations in a manner which would reduce the tax burden on lenders and borrowers

participating the voluntary restructuring of the FX Loans; imposing a systemic risk buffer of 3 per cent. applicable to all exposures in Poland; the KNF taking into account risk of FX loans in Supervisory Review and Evaluation Process and Pillar II requirements; the KNF issuing a recommendation on good practices concerning the restructuring of the FX Loans; the Bank Guarantee Fund taking into account the risks associated with the FX Loans in determining the contributions paid by the banks to the fund.

New legislation in Poland implementing the Mortgage Credit Directive

On 24 February 2017, the Sejm, Poland's lower chamber of parliament, adopted the Act on Mortgage Credit and Supervision over Mortgage Credit Intermediaries and Agents (the "**Mortgage Credit Act**"). Upon becoming effective, The Mortgage Credit Act would implement the Mortgage Credit Directive into Polish law. As of the date of this Supplement, to become effective, the Mortgage Credit Act must be approved by the Senate, Poland's higher chamber of parliament, and signed by the President. The Mortgage Credit Act may change during the approval procedure and the final version of the Mortgage Credit Act may differ from the version approved by the Sejm. The Mortgage Credit Act may introduce certain restrictions on the Bank's business activity (including restrictions on granting mortgage loans such as restrictions on currencies in which a loan may be denominated, information undertakings concerning mortgage loans, licencing requirements for agency and advisory services regarding mortgage loans and the contents of loan agreements), reduce its ability to grant mortgage loans or adversely affect the Bank's ability to efficiently enforce its claims under the mortgage loans within the scope of the Mortgage Credit Act.

Composition of the Bank's cover pool

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

NO SIGNIFICANT OR MATERIAL CHANGE

There has been no significant change in the financial position of the Bank since 31 December 2016 and there has been no material adverse change in the financial position or prospects of the Bank since 31 December 2016.