PKO Bank Hipoteczny SA

Green Covered Bond Framework

June 2022

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PKO Bank Hipoteczny SA Green Covered Bond Framework

1. About PKO Bank Hipoteczny SA

Background

PKO Bank Hipoteczny SA is the mortgage bank subsidiary of the largest commercial bank in Poland, Powszechna Kasa Oszczędności Bank Polski SA (PKO Bank Polski SA). PKO Bank Hipoteczny SA is a partof PKO Bank Polski Group.

PKO Bank Hipoteczny SA specialises in residential mortgage loans for individual clients. Based on its strategic relationship with parent company, PKO Bank Polski SA, these loans are offered to retail clients through Poland's largest network of branches, intermediaries and agencies. PKO Bank Hipoteczny's functional concept is based on operational integration with the parent bank. Its goal is to achieve maximum synergies within the PKO Bank Polski Group, meaning optimal use of the Group's assets and know-how. PKO Bank Polski declared financial support for PKO Bank Hipoteczny to keep its liquidity and capital adequacy ratios above regulatory limits, but does not guarantee to cover its obligations. PKO BankHipoteczny's main purpose in issuing covered bonds is to secure long-term financing by issuing covered bonds at a lower cost than that of issuing unsecured bonds. The use of covered bonds to finance mortgage lending also increases the Group's financial safety by partially eliminating the mismatch between the maturity structure of assets and liabilities.

ESG highlights in PKO Bank Polski Group

The PKO Bank Polski Group carefully monitors the information published on anthropogenic climate changeand is aware of corporate responsibility for complying with the obligations recorded in the Paris agreement.The Group wants to achieve its business objectives by maintaining its impact on the climate change resulting from its operating and product activities and the impact of climate change on business activities at the lowest possible level. The aim of the policies is to successively reduce the exposure to customers andtransactions based on coal as an energy carrier and to refrain from financing new energy production sources based on coal and lignite as well as increasing the financing of operations related to renewable energy in a successive manner.

The PKO Bank Polski Group takes into account ESG issues related to the environment, society and corporategovernance. Specific, measurable commitments were made in 2021 in the ESG area. PKO Bank Polski adopted a set of ESG metrics and integrated them with the non-financial objectives of the Bank's Capital Group for the following years. The fulfilment of objectives will be verified using reliable and fully measurable data.

PKO Bank Hipoteczny, as PKO Bank Polski Group member, supports the Group objectives by financing greenresidential buildings. PKO Bank Hipoteczny is also one of the members of Energy Efficient Mortgage Label.

The full descripion of adopted indicators in the ESG area, our sustainability standards, including ESG policies, are available at website: https://www.pkobp.pl/investor-relations/esg-at-pko-bank-polski-group/

Believing that disclosure on ESG performances is a cornerstone of a sustainable approach to business, since 2019, the Group has been publishing detailed and auditable data on ESG aspects in the nonfinancialpart of the company's annual reports[1].

PKO BANK POLSKI ESG recognition

The highest standards of social responsibility applied in PKO Bank Polski Group on a daily basis are confirmed by the participation in the group of selected companies listed on the Warsaw Stock Exchange, which make up the WIG-ESG Index. The Bank is the biggest listed company in Poland with the highest sharein the indice's portfolio.

PKO Bank Polski is revied by independent rating agencies with regard to ESG standards. The Bank obtain ESG Ratins issued by Sustainalytics, MSCI, FTSE Russel and Rating V.E. Up-to-date list and description of our ratings is available at website: https://www.pkobp.pl/investor-relations/esg-at-pko-bank-polski-group/esg-ratings/

2. PKO Bank Hipoteczny SA Green Bond Framework

PKO Bank Hipoteczny SA Green Covered Bond Framework is in line with ICMA Green Bond Principles 2021[2] to be able to issue green covered bonds to finance and/or refinance mortgages for energy efficient residential properties with lower energy needs and consumption.

The ICMA Green Bond Principles are voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond. In alignment with the ICMA Green Bond Principles, PKO Bank Hipoteczny SA Green Covered Bond Framework is presented through the following key pillars:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External review

For each Green Covered Bond issued, (i) Use of Proceeds (ii) Project Evaluation and Selection (iii) Management of Proceeds, (iv) Reporting, and (v) External review will be adopted subject to and in accordance with this Green Covered Bond Framework as amended from time to time. Any amendments shall be subject to an updated Second Party Opinion.

This framework will apply to any Green Covered Bond issued by PKO Bank Hipoteczny SA after it's publication.

3. Use of Proceeds

PKO Bank Hipoteczny SA intends to allocate the net proceeds of the Green Covered Bonds to a loan portfolio of new and existing residential mortgages to energy efficient residential buildings and appartments in Poland (Residential Green Buildings). The eligible loans are to be funded by an allocation of the Green Covered Bond proceeds.

Any financing not classified within this Green Covered Bond framework will not be financed or refinanced with the issue proceeds from a green covered bond. The refinancing will cover capital expenditures.

PKO Bank Hipteczny SA has relied on the support of external green real estate consultant Drees&Sommer Advanced Building Technologies GmbH (Drees&Sommer ABT) to define the associated eligibility criteria.

[1] The newest Bank's NFDR - Group Directors' Report of PKO Bank Polski S.A. for 2021 - is available at our website: https://www.pkobp.pl/media_files/e29e8ea2-88a5-40ca-ae4b-6023ef7dece8.xhtml#_Toc96541997
[2] https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/

Green residential buildings must meet the following minimum eligibility criteria:

EU Taxonomy – eligibility criteria for climate change mitigation

1) Construction or acquisition of new buildings built after December 31st, 2020, complying with 10 % reduction in Primary Energy Demand (PED) of Nearly-Zero-Energy-Building (NZEB) Standard in Poland.

2) Acquisition of existing buildings built before December 31st, 2020, belonging to top 15% low carbon buildings in Poland.

3) Renovation of buildings built before December 31st, 2020. Relative improvement in primary energy demand of at least 30% in comparison to the performance of the building before the renovation.

4) Renovation of buildings built before December 31st, 2020. The building renovation complies with the applicable requirements for major renovations as defined in the Energy Performance of Buildings Directive (EBPD), based on the cost optimal level as defined in Technical Condition 2014 (TC 2014).

Climate Bonds Initiative's – eligibility criteria for low carbon buildings.

1) Single-Family House or Multi-Family House complying with TC 2017 or later by year of construction are automatically eligible for qualification for bonds where the mid-point of the bond term is no later than 2025.

2) Single-Family House or Multi-Family House with an Energy Performance Certificate (EPC) available, stating the polish technical condition TC 2017 or newer.

3) Single-Family House or Multi-Family House which are built after the year 2017, based on the year of construction.

Existing residential buildings in Poland, which have undergone a property upgrade (major renovations,refurbishment, thermo-modernization or efficiency upgrade):

4) A property upgrade resulting in a reduction in building's carbon emissions or energy consumption of at least 30%.

Residential criteria are based on Climate Bonds Initiative's Low carbon certification methodology. Criteria are valid for assets located in the Republic of Poland. Criteria and Tresholds are subject to change.

For the avoidance of doubt, any future changes to the eligibility criteria will not apply to Green Covered Bonds issued before the date of the change.

Table: PKO BH Green Coverd Bond – summarized criteria

PKO-BH Green Bond criteria	Poland	
EU Taxonomy – eligibility criteria for climate change mitigation		
The object fulfills one or more of thefollowing criteria:	Single-Family House	Multi-Family House
7.1 Construction of new buildings Built after 1/12/2020 or newer	**At least 10% lower than the requirements for the primary energy demand of the "Nearly Zero-Energy Building" standard (NZEB)**. Based on the "Energy Performance ofBuildings Directive (EBPD)", the NZEB-standard is implemented in the Technical Condition 2021 (TC 2021) requirements.	
7.2 Renovation of existing buildings Built before 31/12/2020	**Major renovation**:The building renovation complies with the applicable requirementsfor major renovations as defined in the Energy Performance of Buildings Directive (EBPD), based on the cost optimal level as defined in Technical Condition 2014 (TC 2014).	
	Property upgrade: Relative improvement in primary energy demand ≥ 30% incomparison to the performance of the building before the renovation. Reductions through renewable energy sources are not taken into account.	
7.7 Acquisition and ownership ofbuildings Built before 31/12/2020	**Top 15%:** Technical condition TC 2017 or newer	
Climate Bonds Initiative's – eligibility criteria for low carbon buildings.		
The object fulfills one or more of thefollowing criteria:	Single-Family House	Multi-Family House
Energy standard or newer based on year of bond issuance	Year of bond issuance = 2020 – 2025: TC 2017 with a linear decreasing bond term (mid point) of 6 years in 2020 and 1 year in 2025 Year of bond issuance = 2026 – 2032: TC 2021 with a linear decreasing bond term (mid point) of 7 years in 2026 and 1 year in 2032	Year of bond issuance = 2020 – 2025: TC 2017 with a linear decreasing bond term (mid point) of 6 years in 2020 and 1 year in 2025 Year of bond issuance = 2026 – 2031: TC 2021 with a linear decreasing bond term (mid point) of 6 years in 2026 and 1 year in 2031
Year of construction is equal or newer based on year of bond issuance	Year of bond issuance = 2020 – 2025: Year of construction = 2017 or newer witha linear decreasing bond term (mid point)of 6 years in 2020 and 1 year in 2025 Year of bond issuance = 2026-2032: Year of construction = 2021 or newer witha linear decreasing bond term (mid point)of 7 years in 2026 and 1 year in 2032	Year of bond issuance = 2020 – 2025: Year of construction = 2017 or newer witha linear decreasing bond term (mid point)of 6 years in 2020 and 1 year in 2025 Year of bond issuance = 2026 – 2031: Year of construction = 2021 or newer with a linear decreasing bond term (mid point) of 6 years in 2026 and 1 year in 2031
Property upgrade with reduction inprimary energy or carbon Emissions	Major renovation with an improvement in the CO2 emissions figure from EPC from before and after the retrofit, based on tenor of bond, which meet the requirement ofTechnical Note 2014 (issued after July 2015). Minimum improvement in carbon emissions ≥ 30%. Term 1-5 years: 30% improvement | Term 5-30 years: 30%-50% linear improvement |Term ≥ 30 years : 50% improvement	

4. Process for Project Evaluation and Selection

A dedicated Green Covered Bond Committee ("The Committee") has been established in the Bank to ensure that evaluation, selection of the Eligible Assets as well and allocation process is in line with the provisions of this Framework.

The Green Covered Bond Committee reports directly to the Management Board of PKO Bank Hipoteczny SA. The Green Covered Bond Committee acts in line with the "Regulations of the Permanent Committees of PKO Bank Hipoteczny SA". The Green Covered Bond Committee is headed by a member of the Management Board responsible for Treasury and Product. Chief Risk Officer who is also a member of the Management Board is a Deputy Head of the Committee. The Committee also consists of representatives from each of the following departments and competence areas: Treasury, Products, Risk, Compliance, Controlling and Finance covering the coverpool register.

The Committee is responsible for the content and implementation of this Framework, including Eligibility Criteria definition, selection of Eligible Assets, management of proceeds and reporting. Any amendments to the Framework need to be approved by the Committee.

Additionally the Committee may recommend development of new green mortgage products which are in line with the eligibility criteria defined in the Framework. The Committee will meet on regular basis (at least annually) and will conduct an additional review on the selected mortgages to ensure ongoing compliance with the eligibility criteria.

PKO Bank Hipoteczny SA takes care that all selected Eligible Assets comply with national standards and laws, including environmental ones. It is part of the Bank's transaction approval process to take care, that all its activities comply with internal environmental and social requirements. Only projects that comply with our credit process and our policies, are subject to further analysis from the perspective of Eligibility Criteria.

As a mortgage bank PKO Bank Hipoteczny SA has a registered cover pool of mortgages consisting of conventional assets and Eligible Assets. According to the Polish regulations the mortgage bank cannot have separate cover pools. Assets which are in line with eligibility criteria are reposted as Eligible Assets.

The selection of assets which can be financed with proceeds from the Green Covered Bonds is concluded based on the eligibility criteria approved by the Green Covered Bond Committee and presented in this Framework. The technical selection process is within Controlling Department and is based on the internal tool which was prepared with the support of the external advisor.

5. Management of Proceeds

The proceeds from the issuance of Green Covered Bonds will be allocated within 24 months to a portfolio of loans that meet eligibility criteria and in accordance with the evaluation and selection process presented above - the Eligible Green Loan Portfolio. Green Covered Bonds issued under this Framework will be managed in a portfolio approach. The Eligible Green Loan Portfolio is legally part of mortgage cover pool of PKO Bank Hipoteczny.

PKO Bank Hipoteczny SA intends to designate sufficient Eligible Assets in the Eligible Green Loan Portfolio to ensure an over collateralization of the outstanding balance of Eligible Assets in terms of the total outstanding balance of all Green Covered Bonds. For each new Green Covered Bond issuance, where necessary, additional Eligible Assets will be added to this Eligible Green Loan Portfolio to ensure the sufficient and timely allocation of the incremental net proceeds. Management of proceeds and especially tracking the allocation of proceeds to Eligible Assets will be overseeing by the Green Covered Bond Committee.

If a loan is repaid or otherwise ceases to fulfil the eligibility criteria during the life of the Green Covered

Bonds, PKO Bank Hipoteczny SA will remove the loan from the Eligible Green Loan Portfolio and replace it as soon as reasonably practicable. PKO Bank Hipoteczny SA will monitor the use of net proceeds from Green Covered Bonds with use of its internal information systems. PKO Bank Hipoteczny SA runs a separate register of covered bonds' asset pool, based on which assets' eligibility will be monitored and reported. Pending allocation or reallocation, PKO Bank Hipoteczny SA will hold and/or invest any unallocated Green Covered Bond net proceeds, at its own discretion, in its liquidity portfolio in money market instruments described under the legally binding Act of 29 August 1997 on Covered Bonds and Mortgage Banks. PKO Bank Hipoteczny SA commits that the unallocated proceeds will not be used to finance GHG intensive activities nor controversial activities

6. Reporting

The Green Bond Principles require Green Bond issuers to provide information on the allocation of proceeds.In addition to information related to the projects to which Green Bond proceeds have been allocated,the Green Bond Principles recommend communicating on the expected impact of the projects.

On a best effort basis, PKO Bank Hipoteczny SA will align the reporting with the portfolio approach described in the Harmonised Framework for Impact Reporting[3] (June 2021). The reporting will be based on the outstanding Eligible Green Loan Portfolio and the numbers will be aggregated for all Green Covered Bonds outstanding.

Allocation Reporting

Allocation report will be available to investors on annual basis until all bonds issued under this Framework have been fully repaid.

The report will provide, on a portfolio basis, reporting on indicators such as:

- the total amount of outstanding proceeds allocated to eligible loans
- the total amount of eligible loans
- the balance of unallocated proceeds
- the amount or the percentage of new financing and refinancing

Impact Reporting

PKO Bank Hipoteczny SA commits on a best effort basis to report anually and on a timely basis and until all bonds issued under this Framework have been fully repaid, on climate benefits associated to the Green buildings eligible loans on:

- Estimated annual primary energy savings in MWh
- Estimated annual Greenhouse Gas (GHG) emissions avoided in tons of CO_2 equivalent

For the Green buildings eligible category, PKO Bank Hipoteczny has appointed a specialized consultantto develop the methodology for the estimation and calculation of the impacts that will be made publically available.

Both allocation report and impact report will be made available on PKO Bank Hipoteczny SA website.

To offer maximum transparency to investors PKO Bank Hipoteczny SA will also strive to deliver such impact estimates in an investor presentation alongside with the issuance of each Green Covered Bond.

[3] https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June- 2021-100621.pdf

7. External review

Second party opinion

PKO Bank Hipoteczny SA will obtain an independent second party opinion from Sustainalytics in order to confirm the validity of the PKO Bank Hipoteczny SA Green Covered Bond Framework. The independent second party opinion will be published on the PKO Bank Hipoteczny website.

PKO Bank Hipoteczny SA has the intention to obtain accreditation of the CBI certification for the envisaged green bond with Green Bond Framework complying with Climate Bond Initiative's standard.

Verification post issuance

PKO Bank Hipoteczny SA may request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the covered bond proceeds to Eligible Assets, provided by its external auditor (or any subsequent external auditor).

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