



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 6 September 2017 (the “**Base Prospectus**”) and must be read in conjunction with the Base Prospectus prepared by PKO Bank Hipoteczny S.A. (the “**Bank**”) regarding its 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 Bank accepts responsibility for the information contained in this Supplement. To the best of the Bank’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 for securities, as amended (the “**Prospectus Act**”). This Supplement has been approved by the *Commission de Surveillance du Secteur Financier* 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. Copies of the documents incorporated by reference will be published on the website of the Luxembourg Stock Exchange under www.bourse.lu.

PURPOSE OF THIS SUPPLEMENT

The purpose of this Supplement is: (a) to insert some additional language in the Base Prospectus in relation to ESMA’s register of administrators under Regulation (EU) No. 2016/1011 and in relation to the MiFID Product Governance rules under EU Delegated Directive 2017/593; (b) to incorporate by reference the English translation of the audited financial statements of the Bank in respect of the financial period from 1 January 2017 until 31 December 2017 (the “**2017 Financial Statements**”) and the English translation of the Independent Auditor’s Report prepared in connection with the audited financial statements of the Bank in respect of the financial period from 1 January 2017 until 31 December 2017 (the “**2017 Audit Opinion**”); (c) amend the risk factor entitled “Changes in accounting standards”; (d) to update the sections of the Base Prospectus entitled “Management board”, “CVs of members of the Management Board”, “Supervisory Board” and “CVs of members of the Supervisory Board”; and (e) to include a new “Significant or Material Change” statement in the Base Prospectus.

AMENDMENTS TO THE BASE PROSPECTUS

Information regarding the Regulation (EU) No. 2016/1011

The following paragraph shall be added on the cover page of the Base Prospectus before the paragraph beginning with “The Covered Bonds have not been and will not be registered [...]”:

“Interest and/or other amounts payable under the Covered Bonds may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the “**Benchmarks Regulation**”). Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms. The registration status of any administrator under the Benchmarks Regulation is a

matter of public record and, save where required by applicable laws, the Issuer does not intend to update the Base Prospectus to reflect any changes in the registration status of the relevant administrator.

Amounts payable on Floating Rate Covered Bonds will be calculated by reference to one of EURIBOR, LIBOR or WIBOR, as specified in the relevant Final Terms. As at 12 March 2018, the administrators of EURIBOR, LIBOR and WIBOR are not included in ESMA's register of administrators under Article 36 of the Benchmarks Regulation. As far as the Bank is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that European Money Markets Institute, ICE Benchmark Administration and GPW Benchmark S.A. are not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence)."

Update to the "Important Notice" section

The following paragraph shall be added to the Important Notice section below the last paragraph on page (iii) of the Base Prospectus:

"MiFID II product governance / target market – The Final Terms in respect of any Covered Bonds may include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a **"distributor"**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the **"MiFID Product Governance Rules"**), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealer nor any of its respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules."

Update to the risk factor entitled "Changes in accounting standards"

The risk factor entitled "Changes in accounting standards" on page 15 of the Base Prospectus shall be deemed replaced with the following paragraph:

"The Bank's accounting policies and methods are fundamental to how it records and reports its financial condition and results of operations. From time to time amendments are adopted to the applicable financial accounting and reporting standards that govern the preparation of the Bank's financial statements.

As of 1 January 2018, the Bank has applied the International Financial Reporting Standard (**"IFRS"**) 9 "Financial Instruments" replacing the International Accounting Standard 39 (**"IAS 39"**). IFRS 9 "Financial Instruments" was published in 2014 and combines all aspects of accounting for financial instruments: classification and measurement, impairment and micro hedge accounting.

According to IFRS 9, the classification and measurement of financial assets is based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics (the so-called SPPI-test, SPPI standing for "solely payments of principal and interest"). The Bank classified its entire loan portfolio in a "held to collect" business model, which complies with the SPPI test and thus it is measured at amortised cost. Regarding the bond portfolio, the Bank has opted for the "held to collect and sell" business model. The bonds portfolio complies with the SPPI criteria, and thus it is measured at fair value through other comprehensive income.

The new impairment rules under IFRS 9 replace the current incurred loss model of IAS 39 with an expected credit loss model. The IFRS 9 impairment rules requires an impairment allowance for all financial assets that are measured at amortized cost and fair value through other comprehensive income for all loan commitments and all financial guarantees not recognized at fair value. The changes in these allowances are reported in profit and loss. For most such assets, the impairment allowance is measured as the expected credit losses projected over the next 12 months. The allowance remains based on the expected losses over the next 12 months, unless there is a significant increase in credit risk. If there is a significant increase in credit risk, the allowance is measured as the expected credit losses projected for the instrument over its full lifetime. If the credit risk significantly recovers, the allowance can once again be limited to the projected credit losses over the next 12 months. The Bank has identified all the necessary elements to adjust the current impairments methodology to the new requirements of IFRS 9 and the Management Board has validated all material aspects of the new impairments rules applicable from 1 January 2018 onwards.

Hedge accounting under IFRS 9 is aligned more with the risk management policies of entities than under IAS 39. It expands the definition of non-derivative financial instruments and can now also include non-financial assets such as hedging instruments. IFRS 9 does not address macro hedge counting, and allows entities to continue with IAS 39 for such hedges. The Bank will continue to apply the requirements of IAS 39.

The increase in the impairment allowance following the implementation of IFRS 9 will, on initial recognition, be recognised in the Common Tier 1 capital, though the Bank chose to apply transitional arrangements to mitigate the impact of the implementation of IFRS 9, which are specified in Regulation No. 2017/2395 of the European Parliament

and the Council (EU) of 12 December 2017. Therefore, the impact on the Common Tier 1, the Tier 1 and the Total Capital Ratio of the Bank was negligible on 1 January 2018.

The new standards and interpretations which are already endorsed or waiting for the European Union’s approval and which will apply to the Bank’s financial reporting consist of, in particular the new standard IFRS 16: Leases (effective for annual periods beginning on 1 January 2019 or after that date). The Bank believes that the application of the new IFRS 16 will have an impact on the recognition, presentation, valuation and disclosure of assets held under operating leases and the corresponding liabilities in the financial statements of the Bank as a lessee. Any amendments to the IFRS which will be approved by the European Union in the future, and which will concern the valuation of the balance sheet, off-balance sheet items, disclosures or creating write-downs and provisions, may have a negative impact on the presentation of the financial and economic situation of the Bank and consequently on its ability to perform its obligations under the Covered Bonds.”

Documents incorporated by reference

On 12 March 2018, the Bank published the 2017 Financial Statements. The 2017 Financial Statements and the 2017 Audit Opinion have been filed with the *Commission de Surveillance du Secteur Financier* and, by virtue of this supplement, are incorporated by reference in, and form part of, the Base Prospectus, including the information set out at the following pages of the 2017 Financial Statements in particular:

- (a) profit or loss statement – page 3;
- (b) comprehensive income statement – page 3;
- (c) financial position statement – page 4;
- (d) statement of changes in equity – page 5;
- (e) cash flow statement – page 6; and
- (f) notes to the financial statements – pages 10 - 88.

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004.

Update to the Form of Final Terms

The following new legend shall be added to the Form of Final Terms below the paragraph entitled “Prohibition of Sales to EEA Retail Investors” on page 36 of the Base Prospectus:

“**[MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)]**[MiFID II]**; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. *[Consider any negative target market]*. Any person subsequently offering, selling or recommending the Covered Bonds (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]”

Management board

The table on page 76 of the Base Prospectus shall be replaced with the table below:

<u>Name</u>	<u>Year of birth</u>	<u>Position</u>	<u>Commencement of membership in the Management Board</u>	<u>Commencement of current term of office</u>	<u>Date of expiration of current term of office'</u>
Jakub Niesluchowski	1981	Acting President of the Management Board, Vice-president of the Management Board	1 April 2015	1 April 2015	30 June 2019

¹ The term of office of the members of the Bank’s management board expires on the date of approval of the Bank’s financial statement for the year ending 31 December 2018 by the Bank’s general meeting. 30 June 2019 is the latest date possible for granting this approval.

Name	Year of birth	Position	Commencement of membership in the Management Board	Commencement of current term of office	Date of expiration of current term of office¹
Agnieszka Krawczyk	1973	Vice-president of the Management Board	1 January 2018	1 January 2018	30 June 2019
Marek Szcześniak	1977	Vice-president of the Management Board	1 June 2015	1 June 2015	30 June 2019

CVs of members of the Management Board

On 21 December 2017 Mr Rafał Kozłowski tendered his resignation from the Management Board. Therefore, his CV shall be deleted from page 77 of the Base Prospectus.

The CV of Ms Agnieszka Krawczyk below shall be added to the Base Prospectus after the CV of Mr Jakub Niesłuchowski on page 77 of the Base Prospectus:

“Agnieszka Krawczyk

Ms Krawczyk is a graduate of the Higher School of Management in Warsaw. Since 1993 she has been involved in the banking industry, including mortgage banking and the real estate market. In her professional career she has worked at all levels, from relationship manager to director. She has extensive experience in sales techniques, customer service processes and structuring product offers. She has gained her professional experience working at BPH, BGŻ, Raiffeisen and Getin Noble. She was also involved in setting up Allianz Bank. Since 2011 she has been associated with PKO BP, first as the Head of the Office, and then as the Director of the Mortgage Banking Products Department, where she was responsible, among others, for creating an offer for private individuals in the field of real estate financing and mortgage-secured loans, increasing the effectiveness of created products, defining the service process and assessment of operational risk. She was involved in establishing the Bank.

She is the Deputy Chairman of the Presidium of the Committee for Real Estate Financing at the Association of Polish Banks and represents the lenders in the Borrowers’ Support Fund Council.”

Supervisory Board

The table on page 77 of the Base Prospectus shall be replaced with the table below:

Name	Year of birth	Position	Commencement of membership in the Supervisory Board	Commencement of current term	Date of expiration of current term of office²
Jakub Papierski	1972	President	6 October 2014	6 October 2014	30 June 2019
Piotr Mazur	1966	Member	6 October 2014	6 October 2014	30 June 2019
Justyna Borkiewicz	1964	Member	28 October 2016	28 October 2016	30 June 2019
Mieczysław Król	1958	Member	28 October 2016	28 October 2016	30 June 2019
Artur Kluczny	1964	Member	18 October 2017	18 October 2017	30 June 2019
Rafał Kozłowski	1974	Member	9 February 2018	9 February 2018	30 June 2019
Piotr Kwiecień	1971	Member	18 October 2017	18 October 2017	30 June 2019
Jan Emeryk Rościszewski	1965	Member	18 October 2017	18 October 2017	30 June 2019

CVs of members of the Supervisory Board

On 17 October 2017, Mr Adam Marciniak tendered his resignation from the Supervisory Board. Therefore, his CV shall be deleted from page 79 of the Base Prospectus.

² The term of office of the members of the Bank’s supervisory board expires on the date of approval of the Bank’s financial statement for the year ending 31 December 2018 by the Bank’s general meeting. 30 June 2019 is the latest date possible for granting this approval.

On 17 October 2017, Mr Artur Osytek tendered his resignation from the Supervisory Board. Therefore, his CV shall be deleted from page 79 of the Base Prospectus.

On 17 October 2017, Ms Barbara Soares da Silva tendered her resignation from the Supervisory Board. Therefore, her CV shall be deleted from page 79 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 Mieczysław Król on page 79 of the Base Prospectus:

“Artur Kluczny

Mr Kluczny graduated from the Jagiellonian University in Cracow, the National Graduate Institute for Policy Studies in Tokyo and the National School of Public Administration. He also completed postgraduate studies in banking and doctorate studies in economics at the College of Management and Finance of the Warsaw School of Economics.

He is currently running ARIOCO Consulting, a strategy and corporate consultancy firm rendering services to entities involved in capital markets transactions.

He started working on the financial market in 1998 at the Ministry of Treasury, where he supervised ownership of National Investment Funds and implemented privatisation projects. Mr Kluczny then worked for many years at the Prime Minister’s Office. He was a member of the Financial Markets Development Council at the Ministry of Finance. From 2007 to 2009 he was a deputy chairman of the Polish Financial Supervision Authority. He was responsible for the supervision of the capital market, development of cross-sectoral policy and international co-operation. He participated in CESR works in Paris. From 2013 to 2015 he was a member of the Investment Committee of the National Capital Fund participating in the Polish VC/PE funds. He has held management and supervisory positions in a number of commercial law firms, including advisory and financial auditing services. He is an independent member of Supervisory Boards of insurance companies within the PKO BP Group.

He actively participated in the works of the Polish Institute of Directors. He has attended a number of trainings, including on the mortgage covered bonds market. He is the author of several articles and publications on the capital market and the economy.

Rafał Kozłowski

Mr Kozłowski has been working for PKO BP since 2012. One of his tasks was launching the mortgage bank. At the beginning of 2018 he took the position of Vice President of the Management Board of PKO BP, supervising the area of finance and accounting.

He is a graduate of the Warsaw School of Economics, University of Warsaw and University of Illinois where he completed his Executive MBA studies in 2008. Mr Kozłowski has been working in the banking industry since 1995. He has held managerial positions in Powszechny Bank Kredytowy, Bank BPH PBK, Bank Pekao S.A. and PKO BP, and was also the CFO and member of the Management Board in the Corporation of European Pharmaceutical Distributors N.V. in Amsterdam, where he managed an international holding of 160 companies located in Poland, Lithuania and Great Britain.

In the course of his professional career, he has been involved in developing strategy and bank budgets, along with monitoring, preparing analyses and stock exchange reports, and preparing public bids and acquisition transactions of foreign entities.

Piotr Kwiecień

Mr Kwiecień is a qualified legal advisor and a member of the Warsaw Chamber of Legal Advisors. He holds a Master’s degree in law from the Faculty of Law and Administration at Warsaw University. He has worked at, among others, BIG Bank Gdański S.A. and PTE Big Bank Gdański S.A. as a manager of the internal controls team. Since 2005 he has run a law firm focused on advising entities from the financial sector. He has also been a member of the supervisory boards of entities from both the public and private sectors. Currently, he is a member of the Supervisory Board of PKO TFI S.A.

Jan Emeryk Rościszewski

Mr Rościszewski is Vice-President of the Management Board at PKO BP supervising the retail banking sector. He has worked on financial markets for over 25 years. In 1988, he earned his master’s degree from the Faculty of Humanities of the Catholic University of Lublin. In 1990, he was awarded a DEA degree by the Institute of Political Studies in Paris. He completed a number of training sessions in the finance, insurance and management sectors in France, Great Britain and Poland. In 1996, he became a certified insurance broker. From 1990 to 1991, he worked in France for AXA Banque and AXA International, and from 1991 to 1993 - for Groupe Azur.

From 1993 to 1996, he was a member of the management board of the TU Azur Ostoja S.A. and TUnŻ Azur Życie S.A. Since 1996, he has worked for BNP Paribas. From 1998 to 2016, as the President of the Board, he managed the Life Insurance Company Cardif Polska S.A., currently owned by the BNP Paribas Group. Concurrently, and from 2001 to 2016, he was the General Manager of Cardif Assurance Risques Divers in Poland.

He holds or has held many additional positions such as: chairman of the Supervisory Board of Pocztylion-Arka PTE (1999 – 2016), vice-president of Poczтовая Agencja Usług Finansowych S.A. (2000 – 2014), member of the Audit Commission of the Polish Chamber of Insurance (2012 – 2016) and member of the Supervisory Board of BBI Development NFI S.A. (since 2011).

From 1981 to 1983, he was involved in the Primate's Committee for Aid to Persons Deprived of Liberty. Since 2009 he has been the Knight of Honour and Devotion of the Order of Malta, and since 2012, he has held the position of Hospitaller of the Association of Polish Knights of Malta. He is a member of the Warsaw Mountaineering Club and the Domus Polonorum Polish Heraldry Society. In 2010, he was awarded the Polonia Restituta Officer's Cross for outstanding service in the development of the insurance market in Poland. He is the author and co-author of historical books and articles on finance and management."

No Significant or Material Change

The paragraph "Significant or Material Change" on page 105 of the Base Prospectus shall be deemed to be replaced with the following paragraph:

"There has been no significant change in the financial position of the Bank since 31 December 2017 and there has been no material adverse change in the financial position or prospects of the Bank since 31 December 2017."