



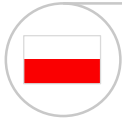
Bank Hipoteczny

PKO Bank Hipoteczny – Issuer of Mortgage Covered Bonds in PKO BP Group

Company Presentation

September 2021

Key investment highlights



Macroeconomic stability in uncertain times

Polish banking sector with strong capital base

Developing residential property market with stable prices

Prospects for further growth in residential mortgages



Leader of Polish banking sector with dominant position in mortgages



A specialized mortgage bank...

... issuing covered bonds collateralised exclusively with PLN residential mortgages...

... rated by Moody's at country ceiling level (Aa1)

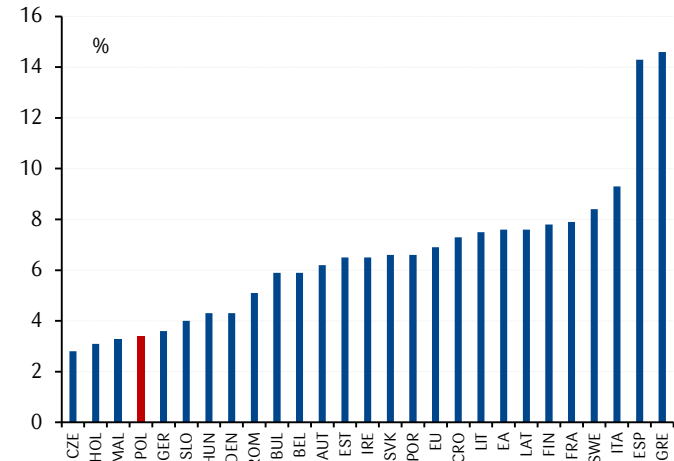
... with eligible portfolio for green covered bonds

- 1 Overview of the Polish economy and its banking sector
- 2 Polish property market and residential mortgage lending
- 3 PKO Group overview
- 4 PKO's dedicated covered bond issuer – PKO Bank Hipoteczny & cover pool description
- 5 Green Covered Bonds as an important addendum to the funding mix
- 6 Polish statutory covered bond framework aligned with the best EU benchmark
- 7 Appendices

Stable economy in uncertain times

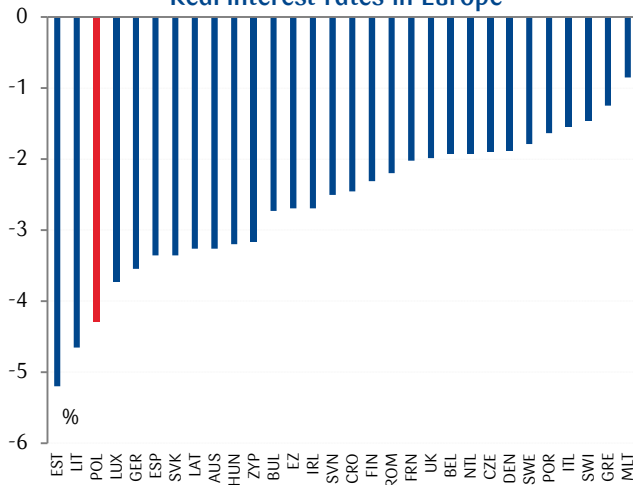
- Economic situation in 2020 was determined by the pandemic, but the scale of the recession in Poland (2.7% GDP decline) was one of the smallest among all EU countries. The quick implementation of generous anti-crisis measures has protected the economy and prevented the rise in unemployment and the wave of bankruptcies. The fiscal measures have been supported by the NBP policy - the 140 bp rate cut to a record low of 0.1% and newly implemented QE.
- Due to the relatively stable situation on the labour market, private consumption rebounded strongly as soon as restrictions had been lifted and became the main pillar stabilizing the economy in 2h20 and in 2021. In 2q21 the economy has already made up for the pandemic losses, outpacing the regional peers.

One of the lowest unemployment rates in UE



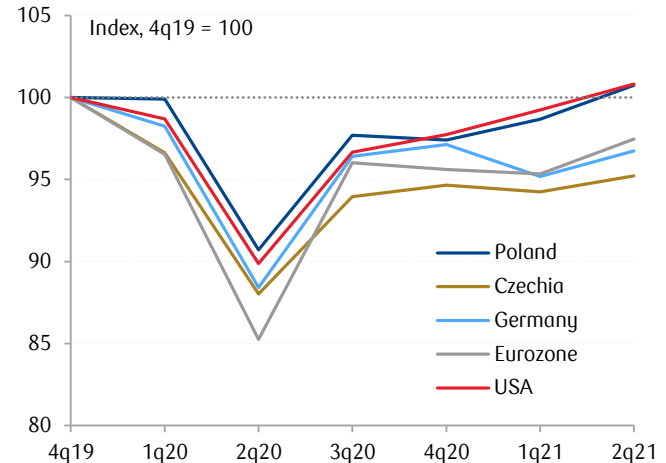
Source: Eurostat, PKO Bank Polski.

Real interest rates in Europe



Source: Refinitiv Datastream, Eurostat, PKO Bank Polski, data for July 2021

GDP has recovered to the pre-pandemic level

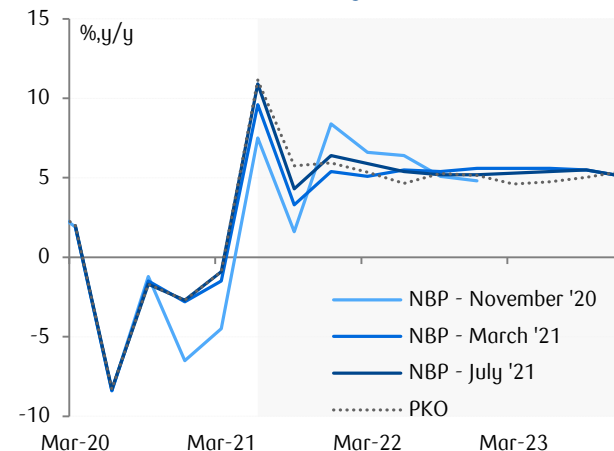


Source: Macrobond, PKO Bank Polski.

Improved economic outlook

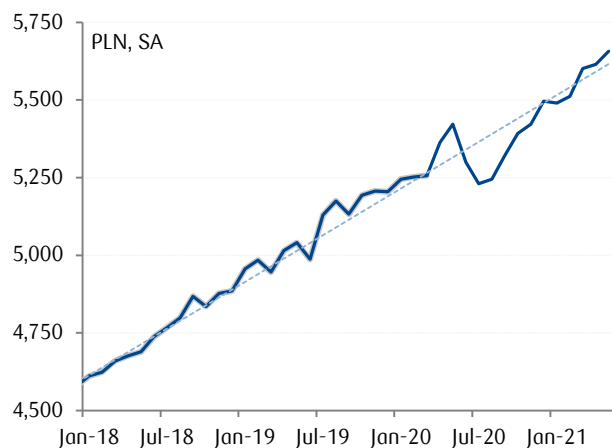
- Economic activity rebounded significantly in 2q21, with a double-digit GDP growth (11.1% y/y). The economy is driven by all the three main factors: consumption, investment and exports. The high-frequency data confirm that pent-up demand is boosting private consumption. In the coming quarters a sustained fiscal-monetary stimulus, strong foreign demand and a reduction in 'forced savings' by households should stay behind a solid GDP growth. In 2022 the EU fund inflows and the New Polish Deal program should generate an additional pro-growth stimulus.
- The return to the pre-pandemic trends is broad-based. Employment is recovering, wages are rising in line with the pre-pandemic trend. Tax revenues are growing strongly, which significantly improves the situation of the central budget.
- The mid-term trend of improving external balance stays in place. In our view, the increase in the trade balance is largely structural, and in the future may be further reinforced by the new trend of nearshoring. The key risk for companies are: (global) shortages in production components, rising costs of supplies, which together with rising wages increase the cost pressure.

GDP forecast according to NBP and PKO BP



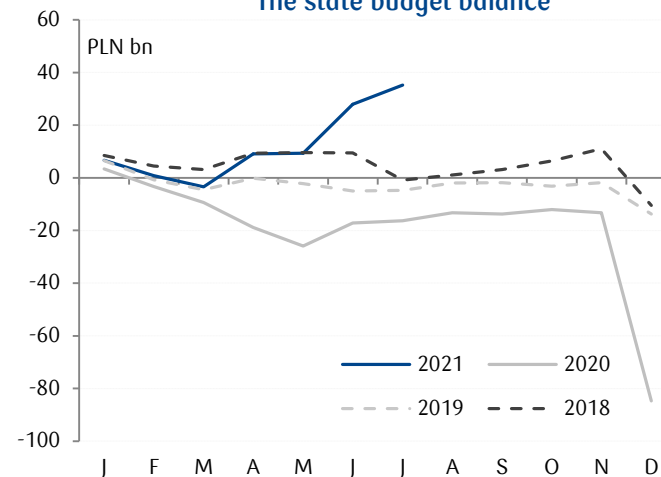
Source: GUS, NBP, PKO Bank Polski

Wages are back to their pre-pandemic trend



Source: GUS, PKO Bank Polski

The state budget balance

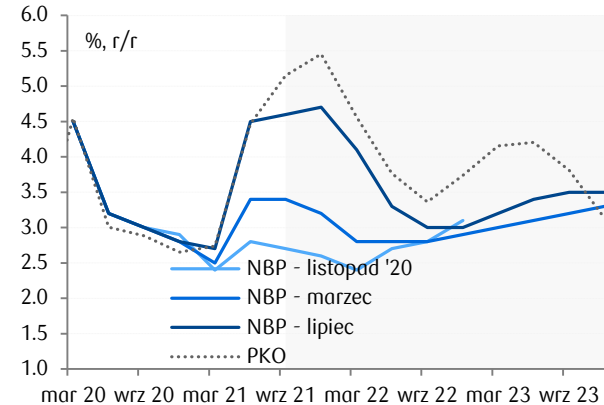


Source: MinFin, PKO Bank Polski;

Monetary policy normalization on the horizon

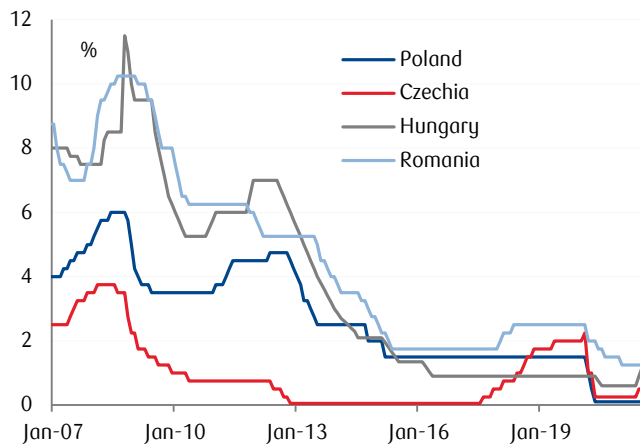
- Rapid recovery comes at the expense of high inflation. The CPI inflation will likely remain above 5% in 2021 and only slightly decline in 2022. The key inflationary factors are the upward trend in energy and food prices, rising administered prices and wages, which push up service prices.
- The vaccination process in Poland has accelerated spectacularly in 2q21, but the risk of another outbreak of pandemic in 2h21 is still high. This means that the normalization of economic policy, and especially monetary policy, will be slow and cautious.
- The market prices in a revolution in domestic monetary policy, but the central bank clearly prefers evolution. The NBP remains in a crisis mode and is cautious about policy normalization. We believe that the MPC will wait with start of rate hikes until 2022.

CPI inflation above the NBP target for longer



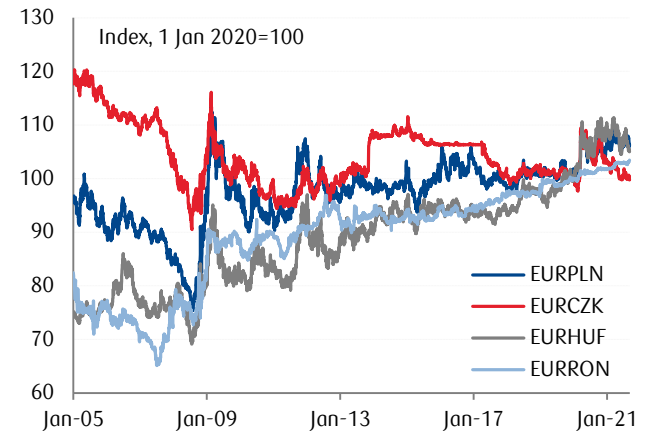
Source: NBP, GUS, PKO Bank Polski.

Interest rates in CEE



Source: Macrobond, PKO Bank Polski

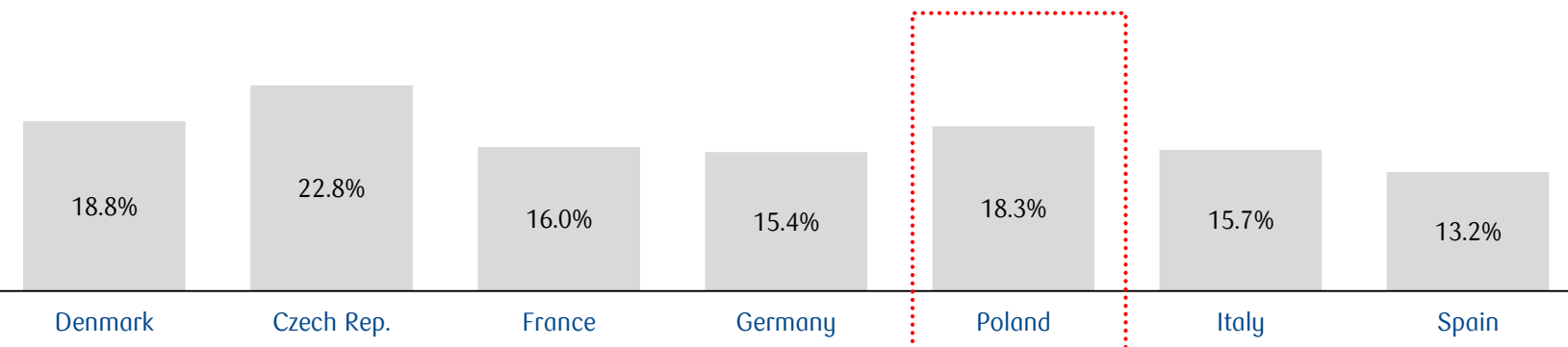
Exchange rates in CEE



Source: Macrobond, PKO Bank Polski.

Polish banking sector – strong capital base...

Tier 1 ratio as of IVQ 2020 (%)



Source: IMF, KNF

KPIs of the Polish banking sector as of 31.12.2020

KPIs	Banking sector
TCR	21.1%
ROE	3.4%
ROA	0.4%
C/I	59.5%
Capital to assets ratio	9.7%
Total NPL ratio (phase 3)	6.9%
NPL % of mortgage loans	2.4%

Source: Polish Financial Supervision Authority (KNF)

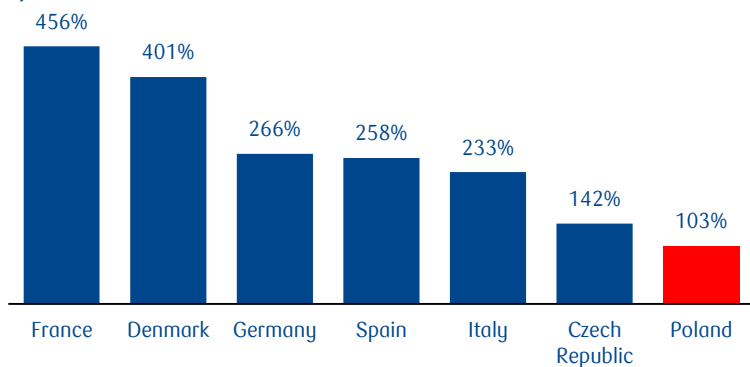
Key market parameters

	31.12.2018	31.12.2019	31.12.2020	30.06.2021
% WIBOR 3M	1.72%	1.72%	0.21%	0.21%
€ EUR/PLN	4.30	4.26	4.61	4.52

Source: NBP, Reuters

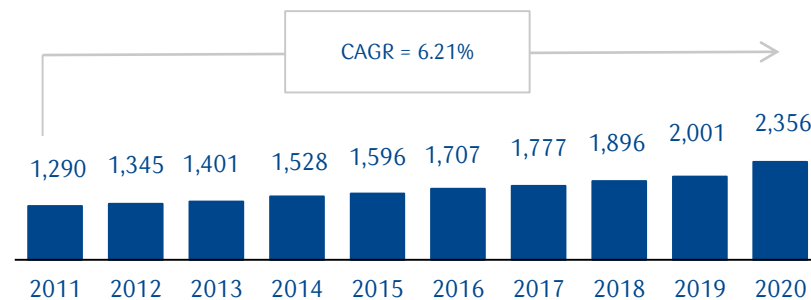
...combined with high potential for further growth

Banking sector assets to GDP ratio in 2020 (%)



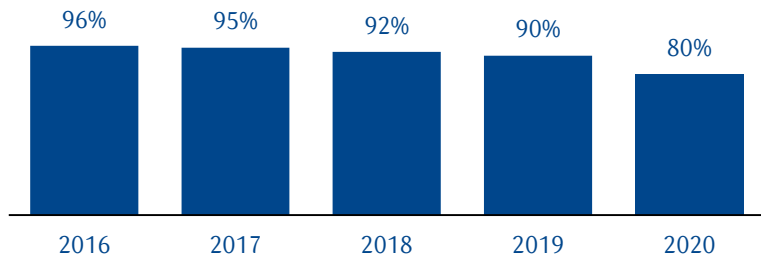
Source: PKO BH calculation based on ECB and Eurostat data

Total assets of the Polish banking sector (PLN bn)



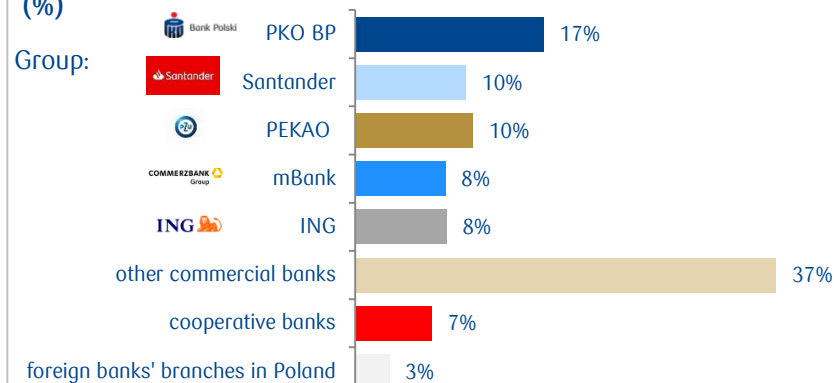
Source: Polish Financial Supervision Authority (KNF)

Loans-to-deposits ratio in Polish banking sector (%)



Source: PKO BH calculation based on KNF data

Market position by total assets as of 31.12.2020 (%)

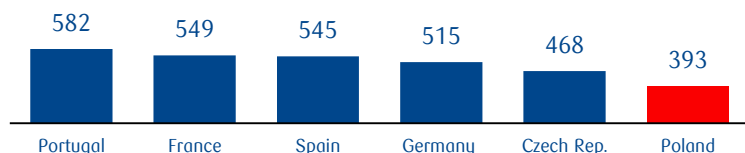


Source: KNF, bank financial statements

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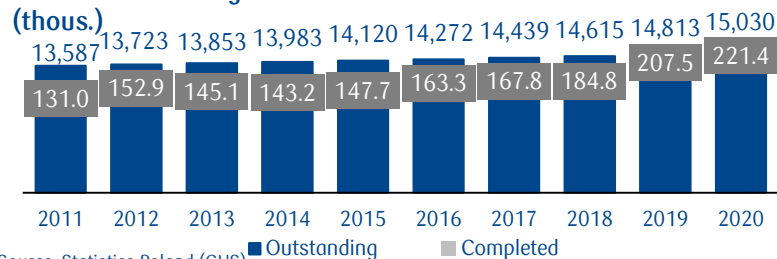
Polish residential market - increasing prices...

Dwellings per 1,000 inhabitants in selected EU countries for 2020



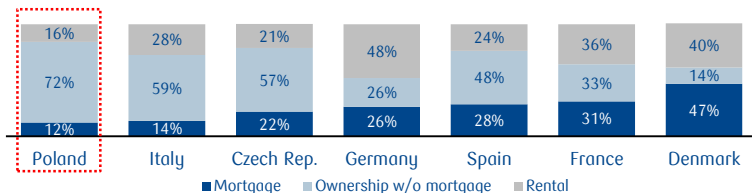
Source: Deloitte Property Index report published in July 2021

Number of dwellings in Poland (thous.)



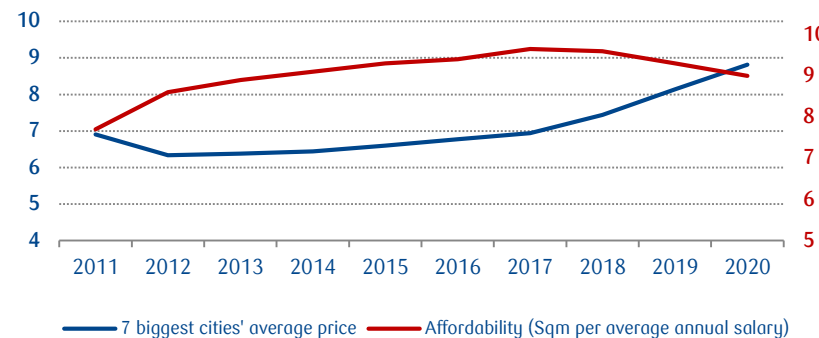
Source: Statistics Poland (GUS)

Dwelling ownership status for 2019 (%)



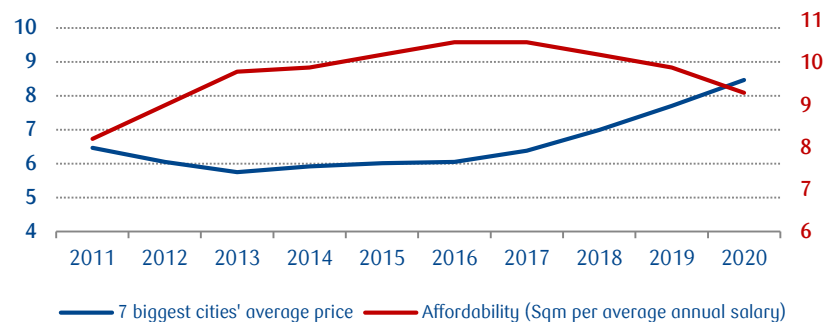
Source: Eurostat

Dwelling transaction prices (PLN ths/sqm) on primary market (LHS) and affordability (RHS)



Source: PKO BH calculation based on NBP and Statistics Poland (GUS) data

Dwelling transaction prices (PLN thous./sqm) on secondary market (LHS) and affordability (RHS)



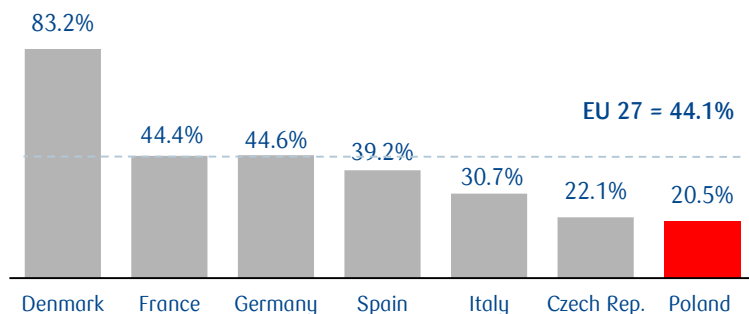
Source: PKO BH calculation based on NBP and Statistics Poland (GUS) data

...and strong potential for further mortgage growth



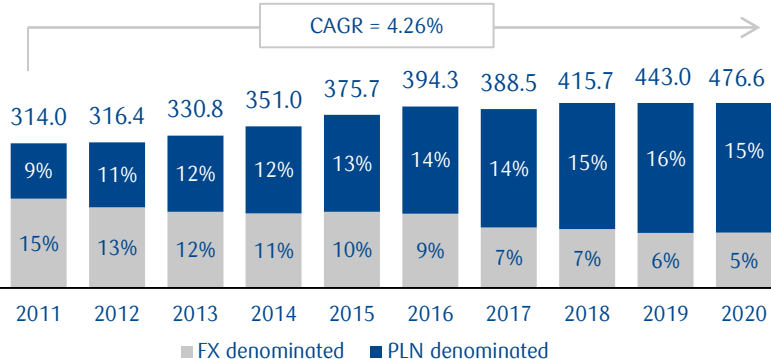
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Total outstanding residential mortgage loans to GDP ratio for 2019 (%)



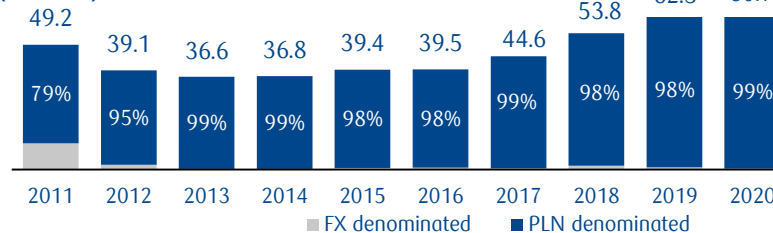
Source: European Mortgage Federation

Outstanding value of residential mortgage loans in Poland (PLN bn) as % of total assets



Source: NBP, Polish Financial Supervision Authority

Value of newly signed residential mortgage loans in Poland (PLN bn)



Source: Polish Banking Association

Standard mortgage loan features:

Interest: based on floating rate

Currency: Polish zloty

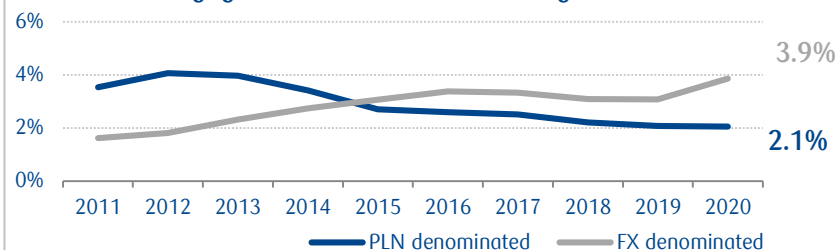
Tenor: 25-30 years

Loan payments: amortized

LTV: up to 80%

Source: PKO BH own analysis

NPL % of mortgage loans in the Polish banking sector

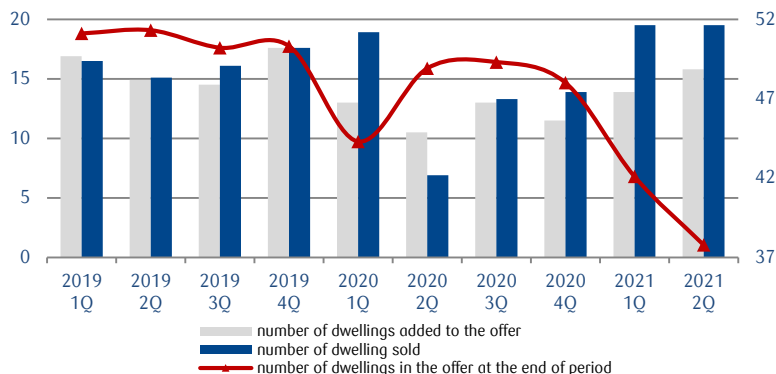


Source: PKO BH calculation based on NBP data

Residential market in Poland – volumes and prices

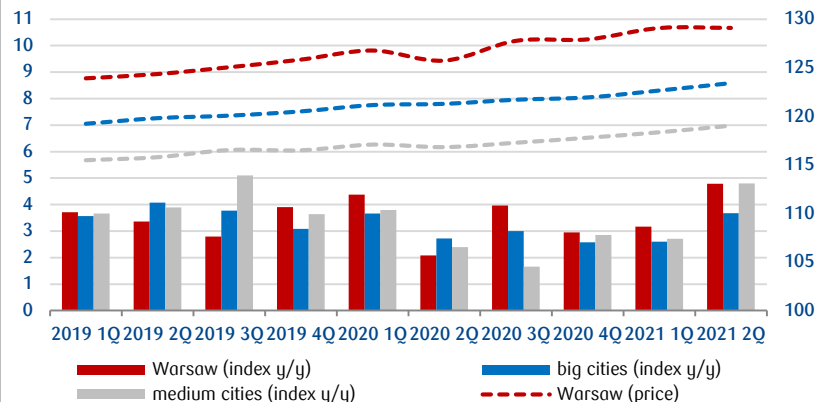


Dwellings added to offer and sold (thous. - LHS), dwellings in the offer (thous. - RHS) – primary market of 7 biggest cities



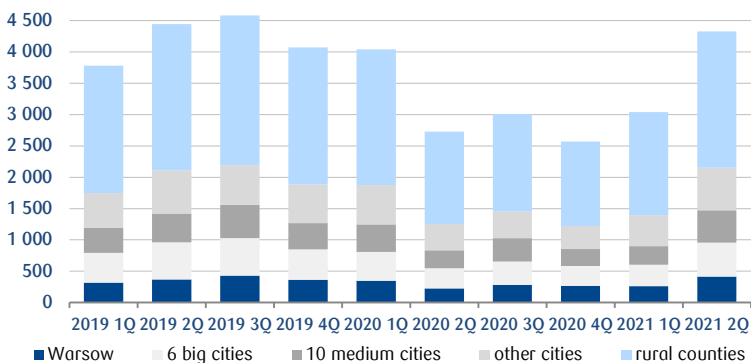
Source: PKO BH calculation based on JLL data

Dwelling transaction prices (PLN ths./sqm) on primary market of 7 biggest cities (LHS), index q/q and index y/y (RHS)



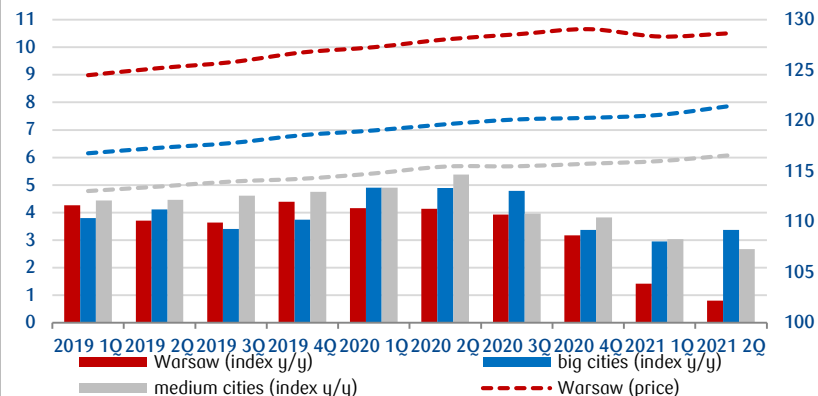
Source: PKO BH calculation based on FKNF data

Number of transactions on secondary market registered in PKO internal database



Source: PKO BH calculation based on PKO internal property database

Dwelling transaction prices (PLN thous./sqm) on secondary market (LHS) and index y/y (RHS)



Source: PKO BH calculation based on FKNF data

COVID-19 impact on residential market in Poland



Bank Hipoteczny

Key effects of COVID pandemics on residential property market and H2 2021 outlook:		Q2 2020	H2 2020	H1 2021	H2 2021
<p>Transactions</p> <ul style="list-style-type: none"> - Number of transactions dropped significantly in Q2 2020 due to lockdown restrictions. - In the second half of 2020 market rebounded partially. - In the H1 2021 number of transactions exceeded pre-pandemic levels. 	↓	—	↑	↑	
<p>Rental rates</p> <ul style="list-style-type: none"> - Decline in rental rates for residential properties due to decline in short-term rental market. - Situation on the rental market (short and long term) will not improve in 2021 yet, except from the regions with high tourist value during holiday. 	↓	—	—	—	
<p>Property prices</p> <ul style="list-style-type: none"> - Residential property prices growth dynamics muted in 2020; rally in H1 2021. - Strong demand boosted by low interest rates and improvement in the macroeconomic situation caused a return to high turn-over and property prices increased by 12-15% depending on the region. 	—	—	↑	↑	
<p>CPI</p> <ul style="list-style-type: none"> - CPI is expected to stay above 4,0% in 2021 and potentially around 5% in H2 2021 what encourage property (including institutional investors) to invest their funds as a capital protection. 	—	—	↑	↑	
<p>Mortgage loans</p> <ul style="list-style-type: none"> - High sales results observed in H1 2021 and projected through 2021 are consistent with the information on high demand for mortgage loans. 	—	—	↑	↑	



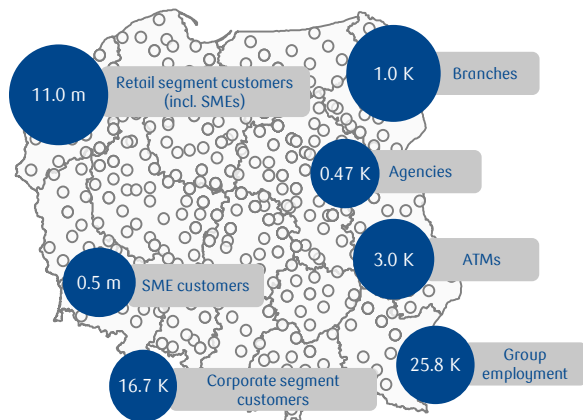
Polish residential property market remains strong

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PKO Group – the leader in the Polish banking sector...

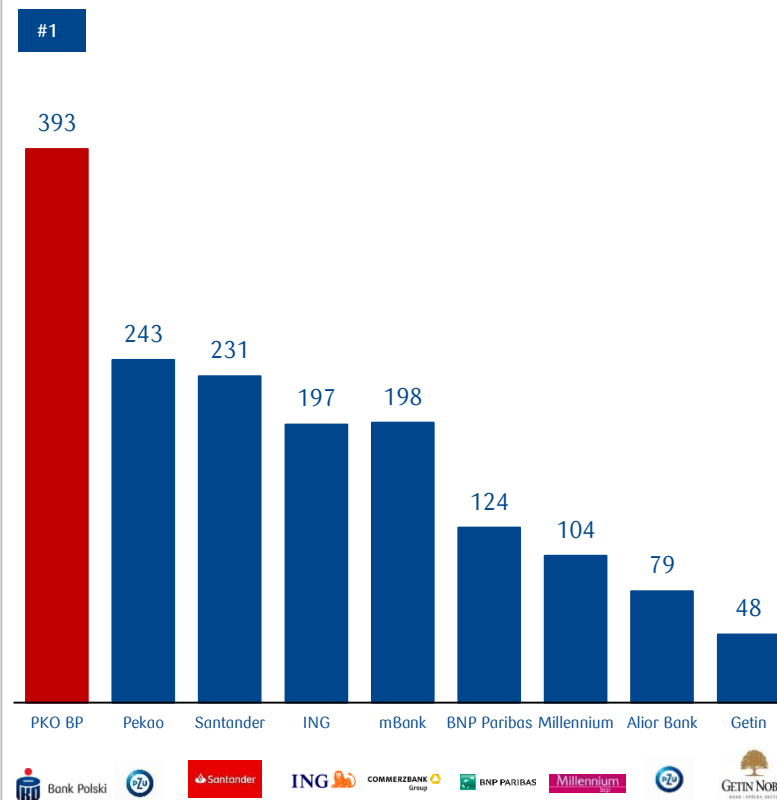
General description of PKO Group:

- **Leader** in the Polish banking sector in terms of total assets, net income, total equity, loan and deposit portfolios, number of customers and size of distribution network
- Leading mortgage bank in CEE
- Long-term debt rating by Moody's at A3 with stable outlook
- The leader of mobile banking in Poland
- Listed on the Warsaw Stock Exchange since 2004
- PKO Bank Polski has joined the FTSE Russel index covering leading European companies
- The State Treasury of Poland owns 29.43% of PKO Bank Polski shares
- Total equity of PKO Group was **PLN 41.1 bn** as of 30.06.2021



Source: PKO BP

Market position by total assets as of 30.06.2021 (PLN bn)



Source: Bloomberg

...showing leadership in residential mortgages

Key financial data of PKO Group (PLN bn)

	IH 2021	IH 2020	IH 2021/ IH 2020 change
Net profit/loss (PLN mn)	2,413	1,306	+84.7%
Assets	392.6	377.2	+4.2%
Loans	224.6	231.2	-2.9%
Deposits	293.8	281.8	+4.3%
Equity	41.1	44.1	-6.8%

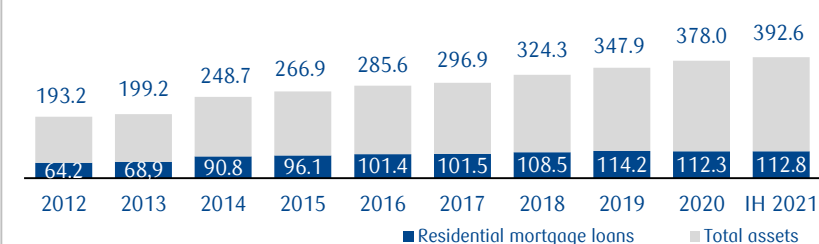
Source: PKO BP financial statements

Key performance indicators of PKO Group as of 30.06.2021

KPIs	PKO Group 1H2021	PKO Group 2020
TCR	18.9%	18.2%
ROE	12.1%/11.1%*	-6.0%/7.1*
ROA	-1,3%	-0.7%
C/I	38.1%	41.0%
Total NPL ratio	4.5%	4.4%
NPL ratio for PLN residential mortgage loans	1.7%	1.6%

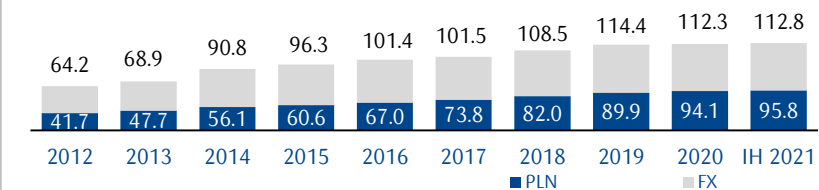
Source: PKO BP financial statements,

Assets of PKO Group (PLN bn)



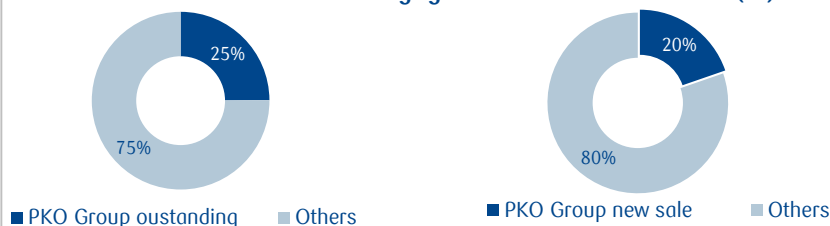
Source: PKO BP financial statements

Breakdown of PKO Group residential mortgage loan portfolio (PLN bn)



Source: Calculated by PKO BH based on PKO BP financial statements and investor presentations

Market share in residential mortgage loans as of 31.12.2020 (%)



Source: PKO BP annual report

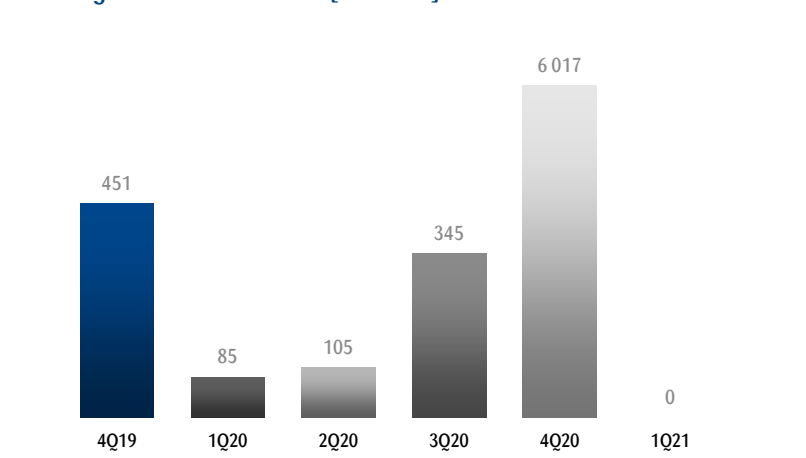
* Return on equity adjusted for the costs of legal risk and other impacts of the EGM's decision to enter into voluntary settlements with the foreign currency mortgage loan consumers.

PKO BP – very resistant to FX mortgage risk

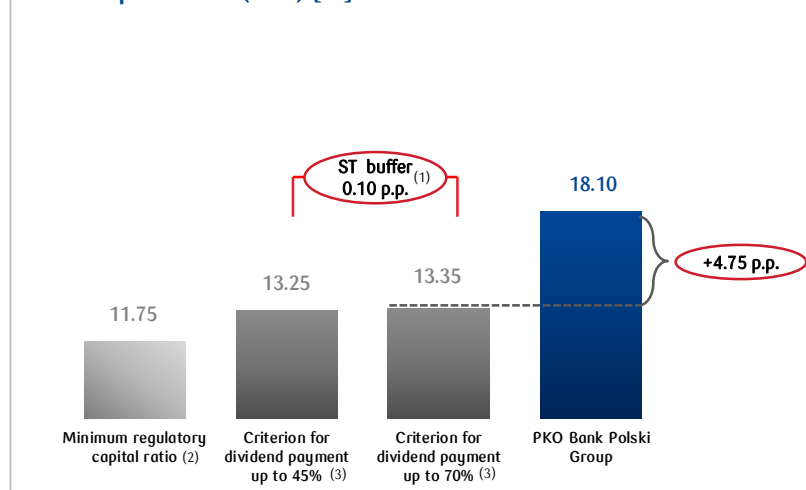
Over PLN 14 billion of capital above the regulatory minimums

On 23 April 2021, the EGM made a decision to enter into settlements with the foreign currency loan borrowers

The established reserves enable offering settlements to the foreign currency loan borrowers in [PLN mn]



Total capital ratio (TCR) [%]



(1) Polish FSA's additional buffer for Bank's sensitivity to an adverse macroeconomic scenario. Previously the level of buffer was 0.66 p.p.

(2) Tier 1: CRR 6% + conservation buffer 2.5% + OSII buffer 1% + countercyclical buffer 0.01% + FX buffer for the Group 0.18%

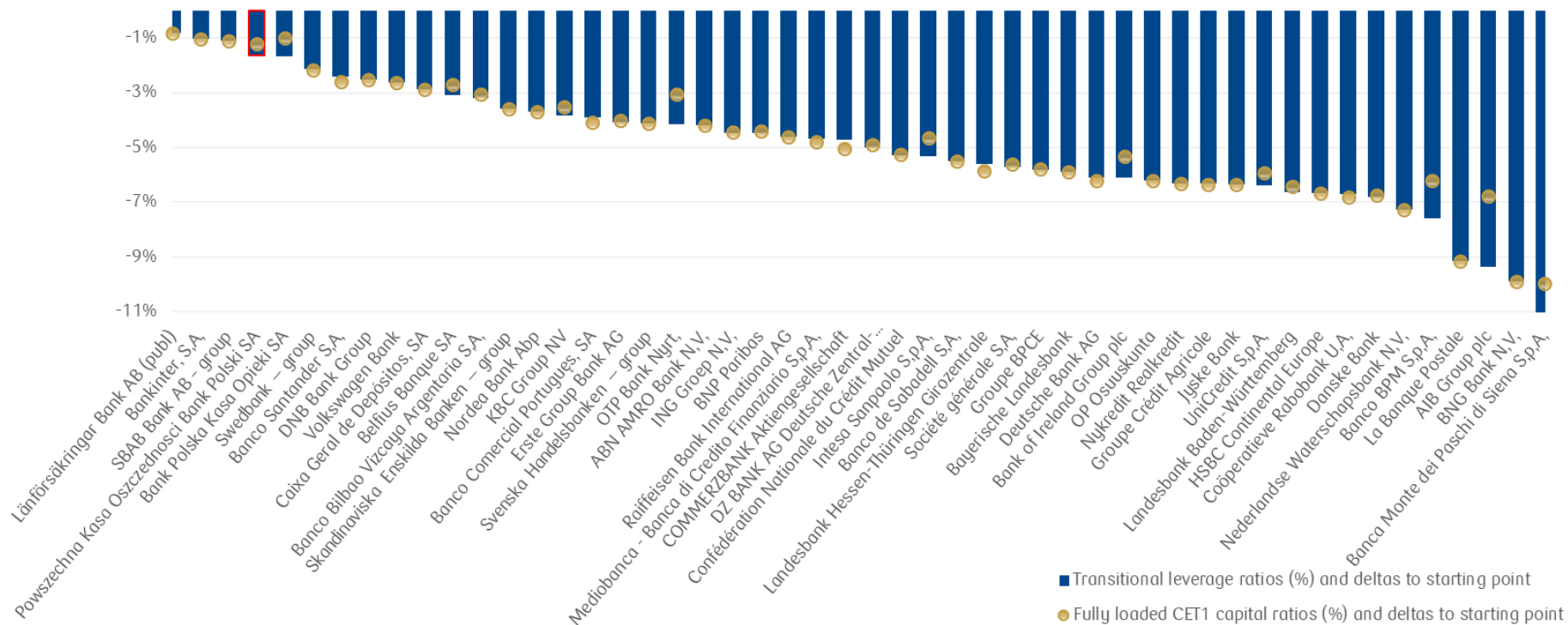
(3) TCR: CRR 8% + conservation buffer 2.5% + OSII buffer 1% + countercyclical buffer 0.01% + FX buffer for the Group 0.24%

Having considered dividend payment adjustments for the following criteria:

K1 - share of the foreign currency mortgages for households in total receivables from non-financial sector (1Q'21: Bank: 9.8%; Group: 7.9%); no adjustment when K1 < 10%; no adjustment when K1 < 10%.

K2 - share of the foreign currency mortgages granted in 2007/08 in total portfolio of foreign currency mortgages (1Q'21: Bank: 39.0%; Group: 38.3% (-) 0.2 p.p. q/q; adjustment by -30 p.p. (for >20% share if K1 > 5%).

PKO Group – PKO Bank Polski among the most resilient banks in Europe in the EU-wide stress tests



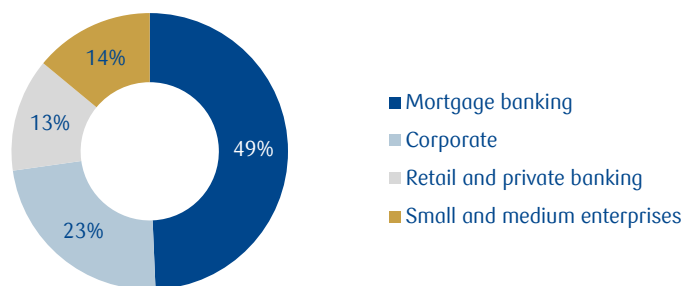
- Under the stress test CET1 Transitional decreases to 15.37% in 2023 from 16.99% at the end of 2020
- CET1 Fully Loaded declines to 15.19% in 2023 from 16.39% at the end of 2020

PKO Group – solid funding and capital base backing a diversified loan structure



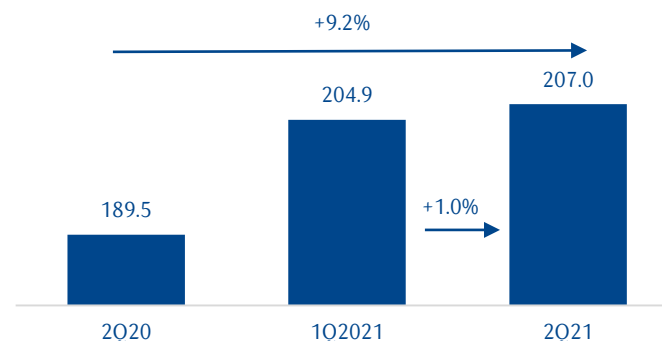
Bank Hipoteczny

PKO Group loans and advances segmentation as of 30.06.2021 (%)



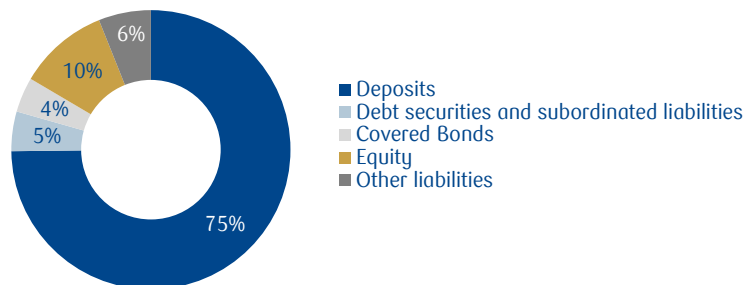
Source: Calculated by PKO BH based on PKO BP financial statements

Deposits [PLN bn]



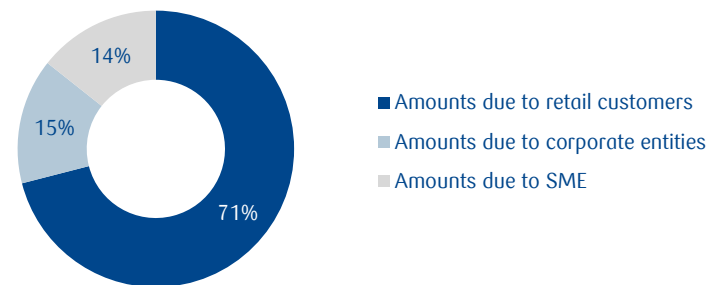
Source: Calculated by PKO BH based on PKO BP financial statements

PKO Group funding structure as of 30.06.2021 (%)



Source: Calculated by PKO BH based on PKO BP financial statements

PKO Group deposit structure as of 30.06.2021 (%)



Source: Calculated by PKO BH based on PKO BP financial statements

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PKO Bank Hipoteczny - issuer of covered bonds leveraging on leading position in residential mortgages

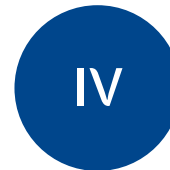
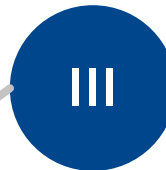
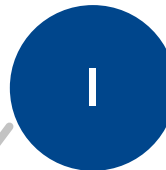


PKO Bank Hipoteczny as a stand-alone Bank:

- Started its operations in April 2015
- Total assets: PLN 26.4¹ bn
- TCR/CET1: 19.9%¹
- Cover pool: PLN 22.8¹ bn
- Covered bonds issued PLN 15.9 bn¹
- The winner of the international Environmental Finance Bond Awards 2020 in the category „Green Bond of the Year 2019“.

PKO Bank Hipoteczny as a subsidiary of PKO Bank Polski:

- PKO Bank Polski holds 100% of shares in PKO Bank Hipoteczny
- 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



Synergies within PKO Group:

- Joint mortgage product
- Use of PKO Group resources (distribution network, IT infrastructure)
- PKO Group know-how and risk assessment standards
- PKO Bank Hipoteczny diversifies funding sources of PKO Group

PKO Bank Hipoteczny as an issuer of covered bonds complies with:

- Strict regulatory limits on mortgage banks and covered bonds
- Conservative approach to determine the mortgage lending value (through-the-cycle) of real estate
- Constant supervision by the independent Cover Pool Monitor (appointed by the Polish FSA) over mortgage bank activities and the cover pool

¹ As of 30 June 2021

Updated strategy of PKO Bank Hipoteczny for 2020-2022

We do care for the Bank's stakeholders responsibly by ensuring:



For the clients - credit products tailored to their needs in the area of residential property financing



For the investors - long-term mortgage covered bonds with a high level of security

Strategic goals of PKO Bank Hipoteczny:



1

Diversification of financing sources of the Bank and PKO Bank Polski Group by maintaining the ability to obtain long-term financing in the form of mortgage covered bonds for residential mortgage lending

2

Maintaining a safe level of risk in the Bank's operations, in particular with regards to the loan portfolio and capital ratios








3

Optimal use of the assets and competences of PKO Bank Hipoteczny and PKO Bank Polski in order to achieve synergies within the PKO Bank Polski Group

4

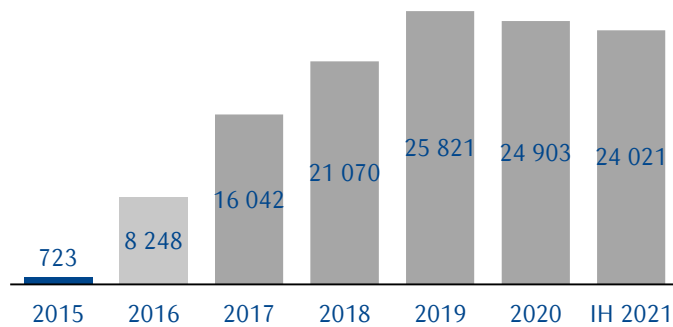
Issuing green covered bonds and taking actions in the field of sustainable development

Operating model of PKO Bank Hipoteczny 2020-2022

Mortgage loans	Mortgage covered bonds and unsecured bonds
<p>Clients</p>  <ul style="list-style-type: none"> The mortgage loans offer of PKO Bank Hipoteczny includes mortgage-backed residential loans for individual clients 	<p>Investors</p>  <ul style="list-style-type: none"> The offer of mortgage covered bonds is primarily addressed to Polish and foreign institutional investors The offer of unsecured bonds is primarily addressed to domestic investors
<p>Distribution, Marketing, Agency model</p>  <ul style="list-style-type: none"> PKO Bank Polski acts as an agent of PKO Bank Hipoteczny Sale of the residential mortgage loans is done with the use of distribution channels of PKO Bank Polski Marketing of the mortgage lending is conducted only by PKO Bank Polski 	<p>Distribution Marketing</p>  <ul style="list-style-type: none"> The distribution of unsecured bonds is carried out through the Issue Agent of PKO Bank Polski. In the case of mortgage covered bonds, we additionally use the support of investment banks outside the PKO BP Group.
<p>Pooling model</p>  <ul style="list-style-type: none"> PKO Bank Polski Group transfers to PKO Bank Hipoteczny residential mortgage loans granted by PKO Bank Polski in PLN. 	<p>Funding</p>  <ul style="list-style-type: none"> The main source of financing for PKO Bank Hipoteczny are funds obtained through mortgage covered bonds issuances by the Bank. Additional sources of funding are: unsecured bond issues, credit lines granted by PKO Bank Polski and other international institutions.
 <ul style="list-style-type: none"> We introduced credit moratoria for customers affected by the pandemic for up to 9 months. Together with PKO Bank Polski, we implemented online solutions for our clients and employees to support the process of granting and servicing mortgage loans. Digitalization is one of the key aspects of our operating model in pandemic times 	

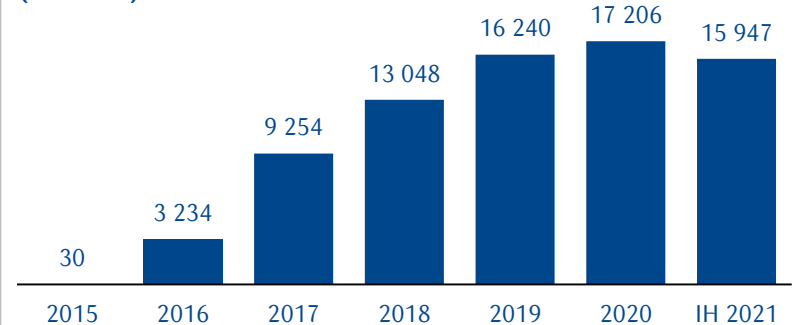
Stable volumes of covered bonds and PLN-denominated residential mortgage loan portfolio

Residential mortgage loan portfolio - outstanding (PLN mn)



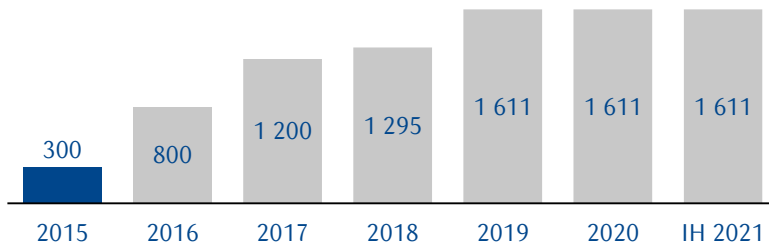
Source: PKO BH financial statement

Covered bonds outstanding* (PLN mn)



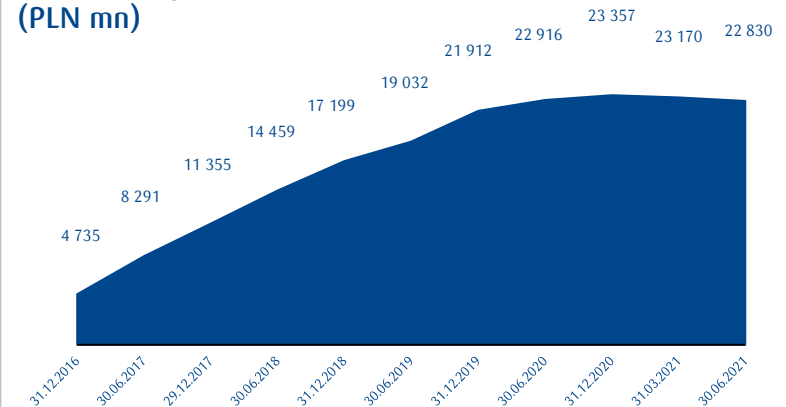
Source: <http://www.pkobh.pl>

Share capital (PLN mn)



Source: PKO BH financial statement

Cover pool growth** (PLN mn)



Source: PKO BH cover pool reports

*EUR denominated issues converted by EUR/PLN NBP fixing rate

** Without hedging instruments included into the cover pool; liquidity buffer included but not counting towards coverage and OC

Robust lending criteria...

Criteria	
Polish banking regulations	1 LtV (market value) \leq 80% ¹
Polish regulations on mortgage banks	2 LtMLV (mortgage lending value) \leq 100%
	3 First-ranking lien in mortgage register
	4 Legal title: ownership or perpetuity
PKO Group criteria (current offer)	5 PLN loans only
	6 Residential mortgages (principal dwelling only)
	7 Contractual maturity: up to 35 years
PKO Bank Hipoteczny criteria	8 Interest rate: floating and periodically fixed
	9 New construction (selectively) and secondary market
	10 Collateral: flats or houses
	11 Not in arrears (in case of pooling)

Strategic decision of the Group (included in the Prospectus)

Subject to approval by the Cover Pool Monitor, the receivables are registered in the cover pool

¹ In the case of using credit insurance of the required financial contribution and in a situation where the loan is secured by a mortgage established on a dwelling, LTV \leq 90% is allowed.

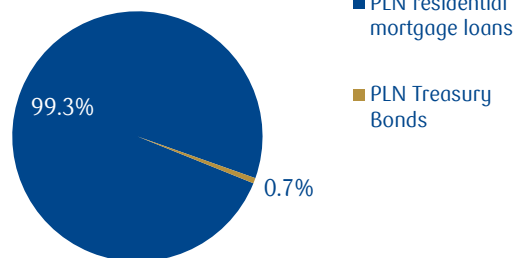
High-quality cover pool of purely residential mortgages in PLN...

PKO Bank Hipoteczny cover pool as of 30 June 2021

Cover pool value

**PLN
22.8 bn**

Cover pool structure² (%)



Mortgages – PLN only

Mortgages – residential only

*Strategic decision of the Group
(included in the Prospectus)*

Overcollateralisation above regulatory limits

Number of loans: 122,692

Average loan value PLN 184.7k

Average indexed LtV 46.7%

10 Largest Exposures: 0.05% of total exposures

Features of standard residential mortgage loan in the Cover Pool

Variable interest rate based on Wibor rate¹

Amortized monthly (no-interest only)

For own housing purposes (no buy-to-let)

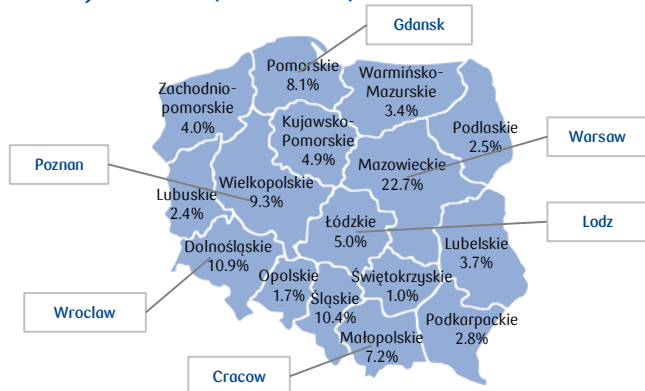
Source: PKO BH data including: <https://www.pkobh.pl/en/current-reports/cover-pool-reports/>

¹Accounts for 99.1 % of mortgage loans in the cover pool

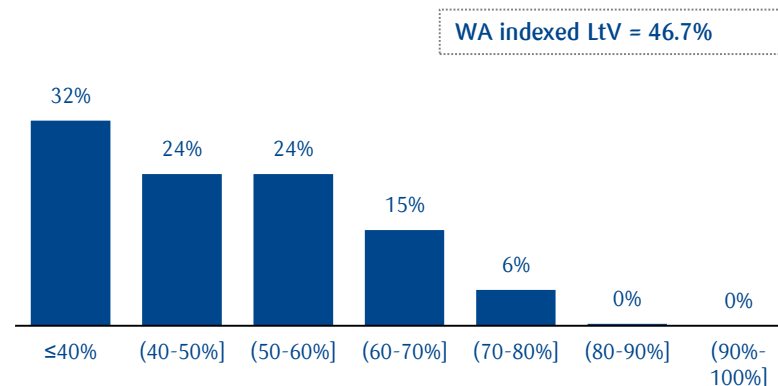
²Without hedging instruments included into the cover pool; liquidity buffer included but not counting towards coverage and OC

...with good diversification and low LtV ratio

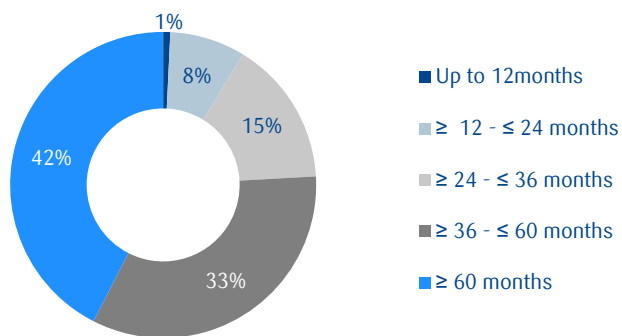
Cover pool composition by geographical location in Poland as of 30 June 2021 (total 100%)



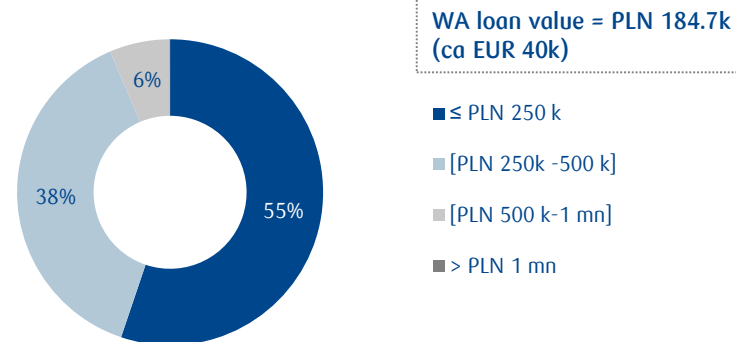
Cover pool composition by LtV as of 30 June 2021 (%)



Cover pool composition by loan seasoning as of 30 June 2021 (%)



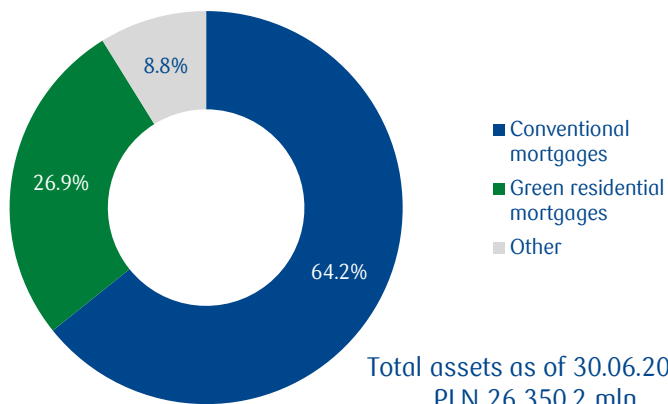
Cover pool composition by loan value as of 30 June 2021 (%)



Source: PKO BH data including <https://www.pkobh.pl/en/current-reports/cover-pool-reports/>

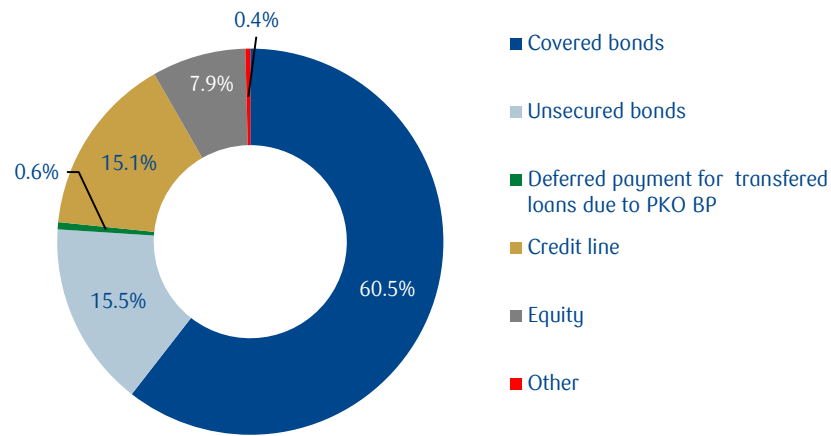
Assets and liabilities structure

PKO BH assets' structure as of 30.06.2021 in %



Source: PKO BH financial statement

PKO BH funding structure as of 30.06.2021 in %



Source: PKO BH financial statement

Green assets in cover pool as of 30.06.2021

Total
PLN 7 115 mn

Available
PLN 6 615 mn

Excess cover pool as of 30.06.2021

PLN 5 077 mn

EUR 1 123 mn

Key Financials IH 2021

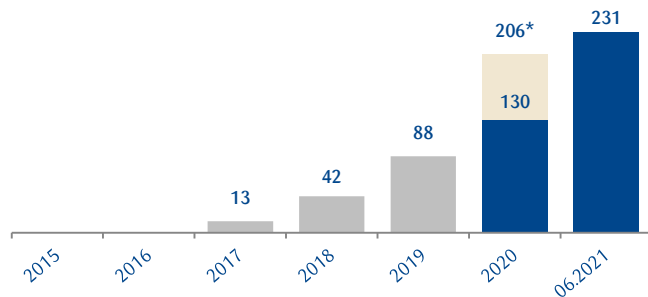
Selected financial data

Selected financial data (PLN mn)	As of 30.06.2021	As of 30.06.2020
Net interest income	152.7	173.2
Net fees and commissions	(3.6)	(1.3)
General administrative expenses	(24.8)	(26.0)
Regulatory charges	(24.6)	(25.2)
Net allowances for expected credit losses	(1.4)	(19.6)
Operating result	55.9	60.0
Profit before income tax	55.9	60.0
Net profit	33.9	35.5
Total assets	26,350	27,495
Loans	24,021	25,481
Total equity	2,074	2,063
Share capital	1,611.3	1,611.3
Total Capital Ratio	19.9%	17.5%
Tier 1 (CET 1)	1,985.0	1,879.5

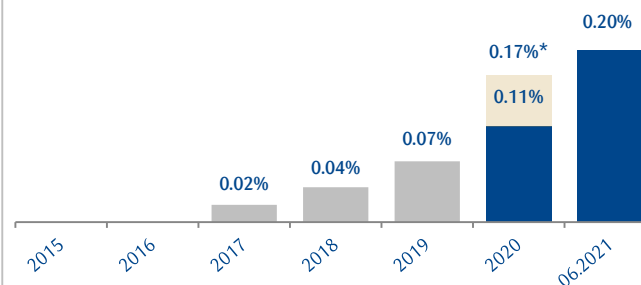
- In the first half of 2021, PKO Bank Hipoteczny's profit before tax amounted to **PLN 55.9m** and net profit to **PLN 33.9m**.
- Net interest income for the period amounted to PLN 152.7m, a decrease of 12% resulting from the amortisation of the loan portfolio and falling interest rates.
- **The result on allowances for expected loan losses in the first half of 2021 amounted to only PLN 1.4 million, compared to PLN 19.6 million in the corresponding period of the previous year**, which was mainly due to an improvement in forecasts of the main macroeconomic indicators, concerning Gross Domestic Product and rate of unemployment.

Excellent quality of the housing loan portfolio at PKO Bank Hipoteczny

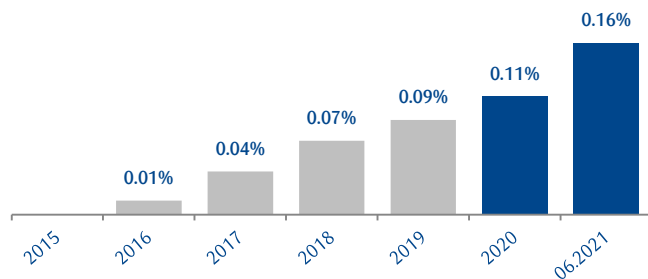
NPL's – numer of loans



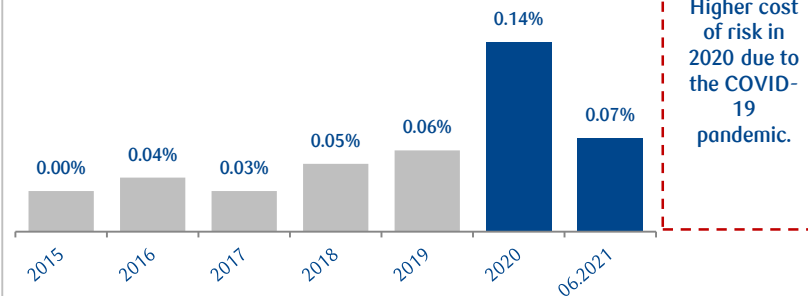
Share of NPL's (%)



Share of DPD30 (%)



Credit risk cost



*Increase in the number and share of NPL's due to implementation EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013. This is a change in the definition without affecting the quality of the portfolio and the cost of risk.

Rating at country ceiling level

MOODY'S

Government of Poland rating

A2/P-1

stable outlook

+4 notches



**PKO Bank Hipoteczny
Covered Bond Rating
(PLN & EUR)**

PKO Bank Polski rating

A3/(P)P-2

stable outlook

+5 notches



Aa1

PKO Bank Hipoteczny rating

A3/P-2

stable outlook

+5 notches



Poland country ceiling = Aa1

PKO Bank Hipoteczny covered bond rating is based on:

- High cover pool quality
- Statutory OC at the minimum level of 10% (Moody's requirement: 0%)¹
- Legally defined and predictable bankruptcy procedure

¹ Timely payment indicator

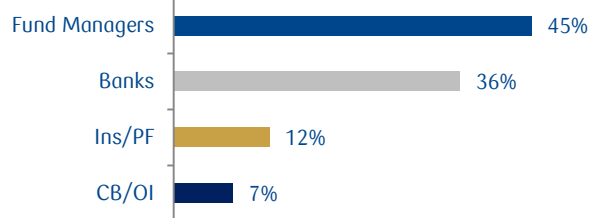
The first Polish EUR benchmark-size bond issuer in the international markets, with solid debt capital markets track record built over recent years



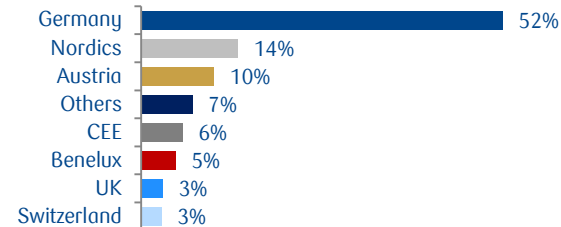
	#1 Benchmark issue	#2 Benchmark issue	#3 Benchmark issue	#4 Benchmark issue	#5 Benchmark issue	TAP of #5 Benchmark issue	TAP of #1 Benchmark issue
Issue size	EUR 500	EUR 500	EUR 500	EUR 500	EUR 500	EUR 100	EUR 100
Moody's Rating	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3
Margin	MS + 18 bp (3 bp over govies)	MS + 27 bp (3 bp over govies)	MS + 28 bp (11 bp over govies)	MS + 23 bp (12 bp over govies)	MS + 34 bp	MS + 28.9 bp	MS + 29 bp
Coupon	0.125%	0.625%	0.750%	0.750%	0.250%	0.250%	0.125%
Price / Yield as of issue date	99.702 / 0.178%	99.972 / 0.630%	99.906 / 0.764%	99.892% / 0.769%	99.933% / 0.274%	100.145%/0.197%	99.489%/0.281%
Issue date	24.10.2016	30.03.2017	27.09.2017	22.03.2018	28.01.2019	01.03.2019	08.03.2019
Maturity date	24.06.2022	24.01.2023	27.08.2024	24.01.2024	23.11.2021	23.11.2021	24.06.2022
Stock Exchange Listing	LuxSE and WSE	LuxSE and WSE	LuxSE and WSE	LuxSE and WSE	LuxSE and WSE	LuxSE and WSE	LuxSE and WSE
ISIN	XS1508351357	XS1588411188	XS1690669574	XS1795407979	XS1935261013	XS1935261013	XS1508351357

Distribution of all outstanding EUR – denominated benchmark covered bond issues of PKO Bank Hipoteczny

By investor type

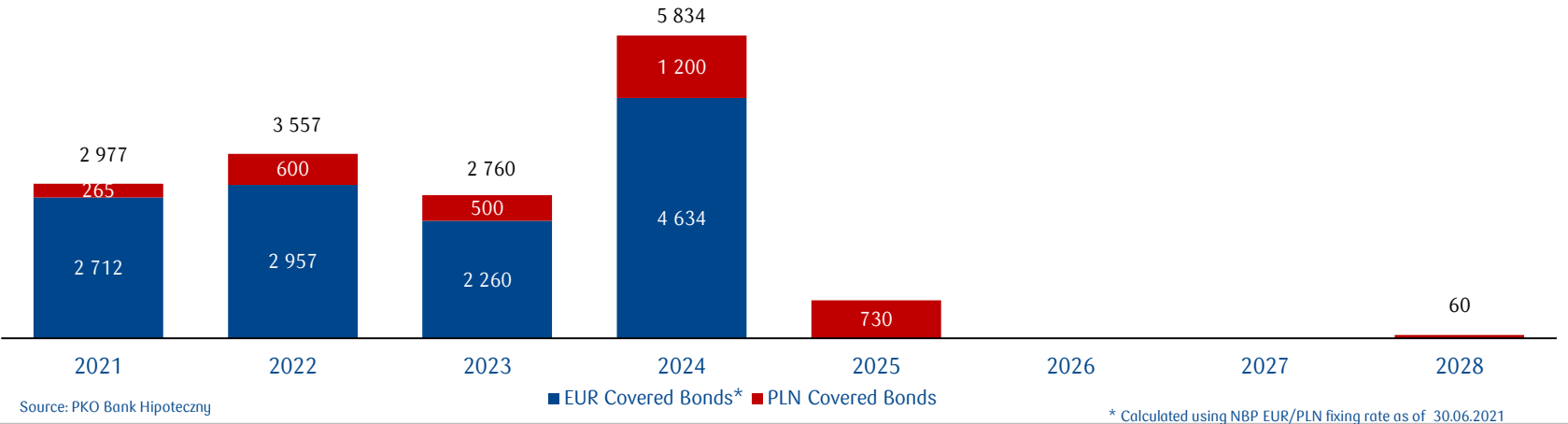


By region

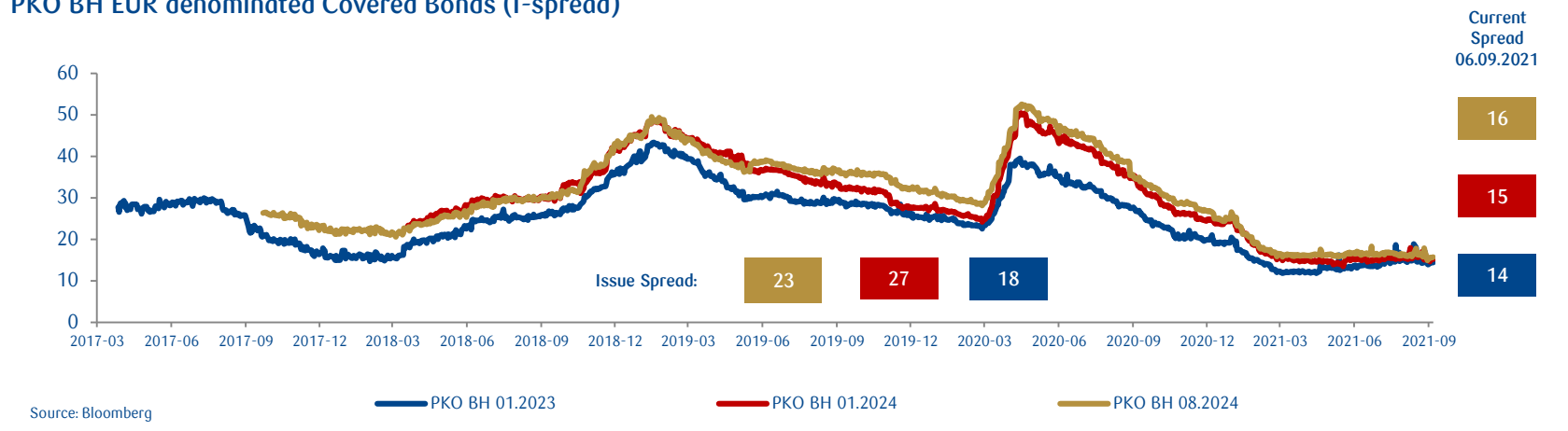


PKO Bank Hipoteczny covered bond maturity profile Bank Hipoteczny

PKO Bank Hipoteczny covered bond maturity profile as of 30.06.2021
(PLN mn)



PKO BH EUR denominated Covered Bonds (I-spread)



Value offered to investors – standard covered bond ticking the boxes



Bank Hipoteczny

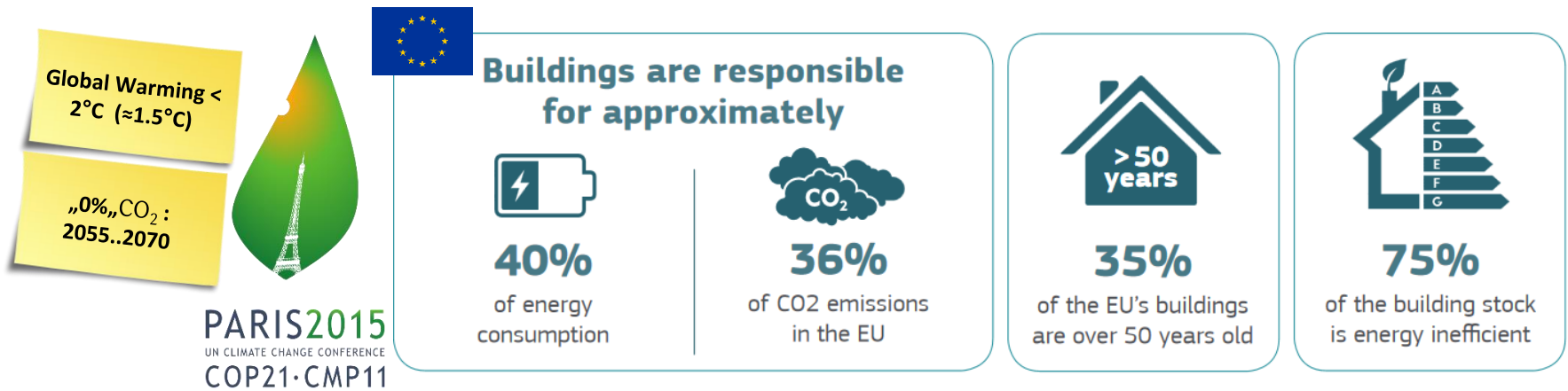
<p>Favourable regulatory treatment</p>	Robust regulatory covered bond framework aligned with best EU benchmarks	<input checked="" type="checkbox"/>
	Bail-in exemption (BRRD)	<input checked="" type="checkbox"/>
	CRR compliance	<input checked="" type="checkbox"/>
	Solvency II compliance	<input checked="" type="checkbox"/>
	LCR level 1 compliance (EUR Benchmarks)	<input checked="" type="checkbox"/>
	ECB repo eligibility (EUR)	<input checked="" type="checkbox"/>
	NBP repo eligibility (PLN)	<input checked="" type="checkbox"/>
	ECB CBPP eligibility	<input type="checkbox"/>
<p>High quality of Covered Bond</p>	Cover pool – PLN residential loans only	<input checked="" type="checkbox"/>
	FX risk hedging	<input checked="" type="checkbox"/>
	Coverd Bond rating at country ceiling Aa1	<input checked="" type="checkbox"/>
	Covered Bond Label	<input checked="" type="checkbox"/>
	Climate Bonds Initiative Certification	<input checked="" type="checkbox"/>



-
- 1 Overview of the Polish economy and its banking sector
 - 2 Polish property market and residential mortgage lending
 - 3 PKO Group overview
 - 4 PKO's dedicated covered bond issuer – PKO Bank Hipoteczny & cover pool description
 - 5 Green Covered Bonds as an important addendum to the funding mix**
 - 6 Polish statutory covered bond framework aligned with the best EU benchmarks
 - 7 Appendices

Climate change is important to PKO BH

- We have identified an important influence of buildings on Climate
- In 2019 we have decided that as a Bank we want to contribute to the Climate Change Mitigation
- As a first bank in Poland we have created a Green Covered Bond Framework to be able to finance energy efficient mortgages with
- We are active participant of Energy Efficient Mortgages Initiatives



Green covered bonds as a financing tool for PKO Bank Hipoteczny mortgages

PKO BH has established a strategic project for acquiring green assets and issuing green covered bonds

Documentation/ Framework

- PKO BH green covered bonds are in line with ICMA Green Bond Principles
- **Second Party Opinion** of PKO BH Green Covered Bond Framework has been issued by **Sustainalytics**
- PKO BH green covered bonds are certified by **Climate Bonds Initiative**

Methodology

- Criteria and methodology to identify energy efficient residential buildings in the Bank's loan portfolio was developed by green buildings consultant **Drees&Sommer**
- PKO BH methodology is approved by **Climate Bonds Initiative** under their **Low Carbon Criteria** as proxy for energy-efficient residential properties in Poland

Special Offer for green mortgages

- Dedicated special offer for financing of energy efficient mortgages with valid EPCs in PKO Group.

Energy Efficient Mortgage Label

- PKO Bank Hipoteczny joined Energy Efficient Mortgage Label in February 2021
- At the end of February 2021, 31 institutions from 13 EU countries joined EEM Label
- The EEML aims to support the EU's Green Deal and climate neutrality by 2050 and align the product portfolio with regulatory changes such as the new EU taxonomy, the Mortgage Directive and the CRR Capital Requirements Regulation



**DREES &
SOMMER**



Use of Proceeds

- Financing and refinancing of eligible assets on PKO Bank Hipoteczny balance sheet.
- Eligible assets include loans for residential buildings as defined in the eligibility criteria:
 - i. new or existing residential buildings representing top 15% low carbon buildings in Poland;
 - ii. existing residential buildings in Poland, which have undergone a property upgrade (major renovations, refurbishment, thermo-modernization or efficiency upgrade).

Project Evaluation and Selection

- PKO Bank Hipoteczny has established a **Green Covered Bond Committee (GCBC)** which is comprised of one representative from each of the following offices of the bank: **Treasury, Residential Mortgage Loans, Risk, Compliance, Controlling and The Cover Pool Register.**
- GCBC reports directly to the Management Board of the Bank.
- GCBC's role is to oversee the process for evaluation and selection of eligible loans according to the adopted methodology.

Management of Proceeds

- The proceeds from green covered bonds will be allocated either to refinance existing portfolio or to finance new loans. The proceeds should be allocated within 24 months.
- **We will apply to Sustainalytics for post issuance verification.**

Reporting

- **Allocation reporting** is available to investors after every green covered bond issuance and annually thereafter, until the bonds have been fully repaid.
- **Impact reporting** is done on annual basis on climate benefits associated to the Green buildings eligible loans on:
 - i. estimated annual primary energy savings in MWh;
 - ii. estimated annual GHG emissions avoided in tons of CO₂ equivalent

Energy efficient buildings as an underlying base for the issuance of green covered bonds



Technical requirements for energy efficient buildings evolved over time

Over the years different buildings codes existed regarding the energy performance of buildings. Poland's building energy performance requirements contain limits for non-renewable primary energy demand for heating, ventilation, cooling and hot water in kWh/m². Binding requirements for energy efficient residential buildings were defined in the Regulation of the Minister of Infrastructure and Construction of November 14, 2017.

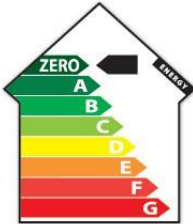
Single-family house - PE according to the ordinance (kWh/(m ² ·year) from		Multi-family building - PE according to the ordinance (kWh/(m ² ·year) from:	
TC 2014	120	TC 2014	105
TC 2017	95	TC 2017	85
TC 2021	70	TC 2021	65

Maximum value for the PE indicator for heating, ventilation and hot water supply needs

Low energy consumption buildings in Poland/nZEB

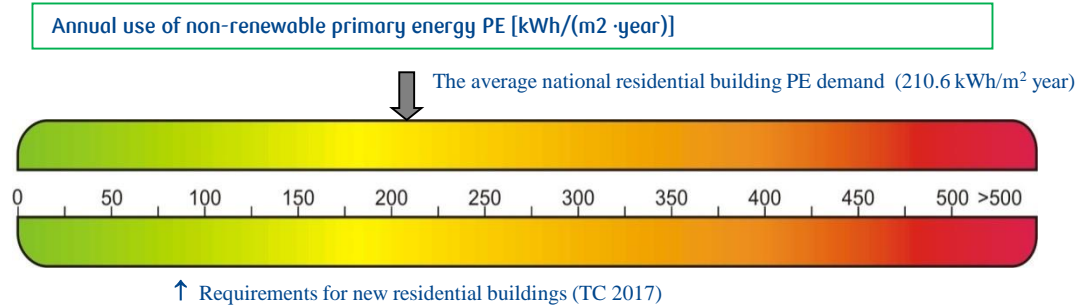
The "building with low energy consumption" should be understood as a building that meets the requirements related to energy saving and thermal insulation contained in technical building regulations - Technical Conditions 2017, effective from 1 January 2017. A building with nearly zero energy consumption (nZEB) should be understood as a building that meets the requirements related to energy saving and thermal insulation contained in the regulations - Technical Conditions 2021, effective from January 1, 2021.

Single-family house -PE (kWh/(m ² ·year)		Multi-family building - PE (kWh/(m ² ·year)	
TC 2021	70	TC 2021	65



Energy Performance Certificate

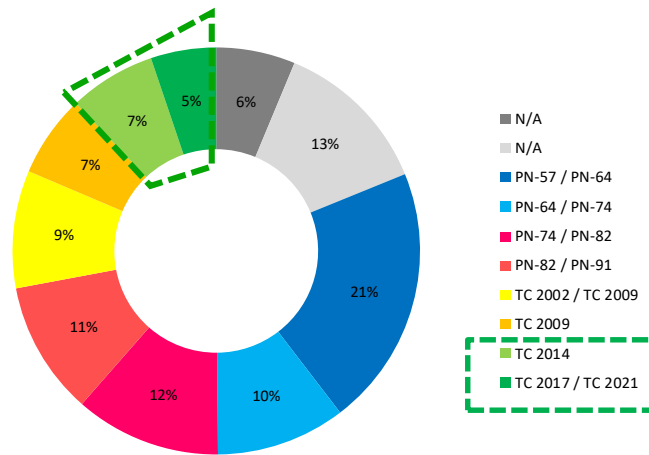
A document on the basis of which the energy efficiency of a building can be assessed Central Register of Energy Performance of Buildings carried out since March 2015 by the Ministry of Infrastructure and Development



Green covered bonds Methodology – Top 15% approach

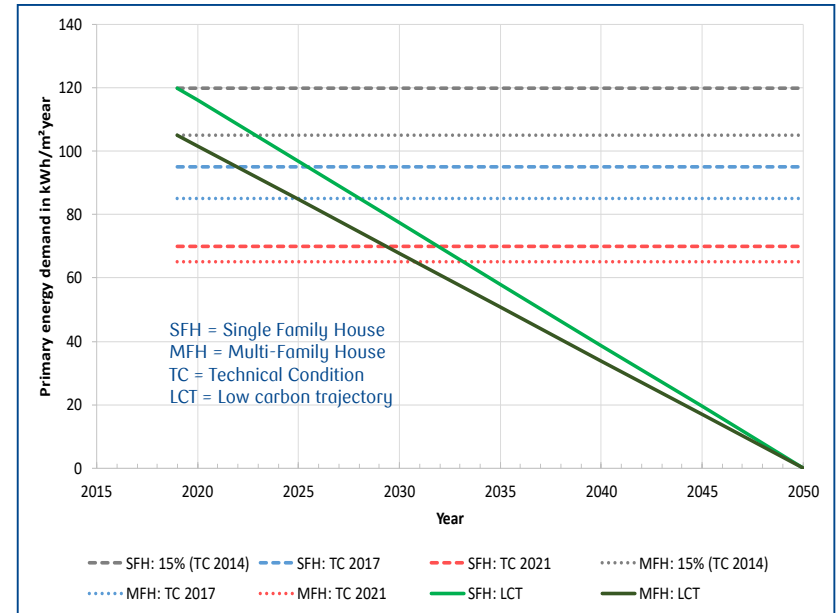
A top 15% approach

- Based on the statistical analysis of buildings and mandatory building energy performance codes minimum criteria for a green bond were determined.
- The asset which does comply with the requirements of the building code TC 2014 is positioned in the **Top 15% of the market and is eligible for the green bond of PKO BH**



Assets with TC 2014 or newer represent the top 15% low carbon buildings of the Polish residential market

A Low Carbon Trajectory



A low carbon trajectory (LCT) connects:


- the basis requirements of TC 2014 (SFH: PE ≤ 120 | MFH: PE ≤ 105 kWh/m²/year) as the start in the year 2019

towards

- the Zero-Emission-Goal in 2050 with zero non-renewable primary energy.

The low carbon trajectories for single- and multifamily houses serve as the 15th percentile baseline for the local Polish residential market.

Green covered bonds Methodology – proxy for green residential buildings in Poland

PKO-BH green bond criteria		 Poland	
	The object fulfills one or more of the following criteria:	Single-Family House	Multi-Family House
1)	Primary energy consumption complies with low carbon trajectory based on year of issuance, duration of bond	PE ≤ 95 kWh/m ² year Year of bond issuance and duration	PE ≤ 85 kWh/m ² year Year of bond issuance and duration
2)	Energy Performance Certificate (EPC) available and Primary Energy demand (PE) is less than or equal and complies with low carbon trajectory based on year of issuance, duration of bond	EPC available and PE ≤ 95 kWh/m ² year Year of bond issuance and duration	EPC available and PE ≤ 85 kWh/m ² year Year of bond issuance and duration
3)	Energy standard or newer based on year of bond issuance	<u>Year of bond issuance = 2020 – 2025:</u> TC 2017 with a linear decreasing bond term (mid point) of 6 years in 2020 and 1 year in 2025 <u>Year of bond issuance = 2026 – 2032:</u> TC 2021 with a linear decreasing bond term (mid point) of 7 years in 2026 and 1 year in 2032	<u>Year of bond issuance = 2020 – 2025:</u> TC 2017 with a linear decreasing bond term (mid point) of 6 years in 2020 and 1 year in 2025 <u>Year of bond issuance = 2026 – 2031:</u> TC 2021 with a linear decreasing bond term (mid point) of 6 years in 2026 and 1 year in 2031
4)	Year of construction is equal or newer based on year of bond issuance	<u>Year of bond issuance = 2020 – 2025:</u> Year of construction = 2017 or newer with a linear decreasing bond term (mid point) of 6 years in 2020 and 1 year in 2025 <u>Year of bond issuance = 2026 – 2032:</u> Year of construction = 2021 or newer with a linear decreasing bond term of 7 years in 2026 and 1 year in 2032	<u>Year of bond issuance = 2020 – 2025:</u> Year of construction = 2017 or newer with a linear decreasing bond term (mid point) of 6 years in 2020 and 1 year in 2025 <u>Year of bond issuance = 2026 – 2031:</u> Year of construction = 2021 or newer with a linear decreasing bond term of 6 years in 2026 and 1 year in 2031
5)	Property upgrade with reduction in carbon emissions	Major renovation with an improvement in the CO ₂ emissions figure from EPC from before and after the retrofit, based on tenor of bond, which meet the requirement of Technical 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	

PKO Bank Hipoteczny joined Energy Efficient Mortgage Label in February 2021

- ✓ The Energy Efficient Mortgage Label was created in 2020 by the European Mortgage Federation - European Bond Council (EMF-ECBC) as a clear and transparent quality label for consumers, lenders and investors to identify energy-efficient mortgage loans (EEMs) for residential buildings
- ✓ At the end of February 2021, 31 institutions from 13 EU countries joined EEM Label.
- ✓ The EEML aims to support the EU's Green Deal and climate neutrality by 2050 and align the product portfolio with regulatory changes such as the new EU taxonomy, the Mortgage Directive and the CRR Capital Requirements Regulation
- ✓ EEML is going to provide more information on the portfolios of energy efficient loans as assets to be included in green covered bonds
- ✓ EEML will apply a harmonized disclosure standard by means of a harmonized formula (HDT) to improve comparability.



PKO BH Green Covered Bond Framework Second Party Opinion

Sustainalytics issued a SPO to our Framework

- ✓ PKO Bank Hipoteczny SA has obtained an independent Second Party Opinion from Sustainalytics to confirm the validity of PKO BH's Green Bond Framework

„Sustainalytics is of the opinion that the PKO Bank Hipoteczny SA Green Covered Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018.”

- ✓ The assessment prepared by Sustainalytics was based on following categories:

Use of proceeds



Project evaluation/selection



Management of proceeds



Reporting



- ✓ PKO Bank Hipoteczny SA publishes allocation and impact reports on a yearly basis on its website. This guarantees transparency of the entire process as the allocation report provides the total amount of proceeds allocated to eligible loans and balance of unallocated proceeds, while the impact report gives information about GHG emissions avoided in tons of CO₂ equivalent

PKO BH issued first ever green covered bond on the Polish market

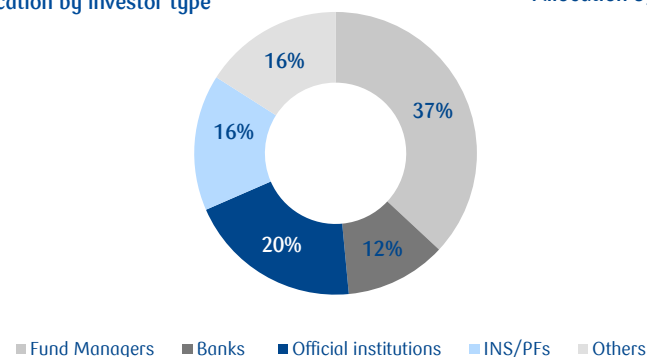
Key features	
Size	PLN 250 000 000
Rating Moody's	Aa1
Coupon	Wibor 3M + 0.60%
Coupon payment	Quarterly
Issue date	10 June 2019
Maturity date	30 September 2024
Listing	WSE/BondSpot
ISIN	PLPKOHP00132

Key features	
Size	PLN 250 000 000
Rating Moody's	Aa1
Coupon	Wibor 3M + 0.51%
Coupon Payment	Quarterly
Issue date	2 December 2019
Maturity date	2 December 2024
Listing	WSE/BondSpot
ISIN	PLPKOHP00199

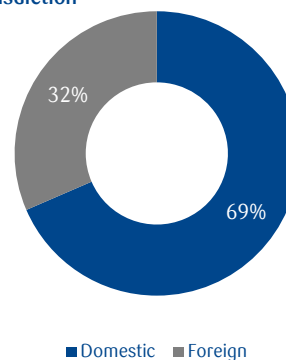


- PKO Group has conducted two issues of green covered bonds secured by high-quality mortgage loans in zloty.
- Green mortgage bonds of PKO Bank Hipoteczny are certified by the international agency Climate Bonds Initiative. The certification is granted only to bonds that meet the highest standards in terms of positive impact on the environment.
- PKO Bank Hipoteczny is a regular issuer of mortgage covered bonds and has already carried out a total of 20 issues on the domestic and foreign market.

Allocation by investor type

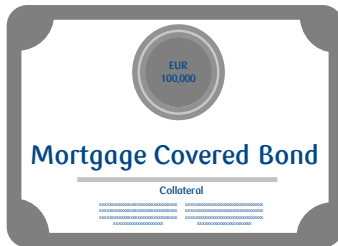


Allocation by investor jurisdiction



Source: PKO Bank Hipoteczny

-
- 1 Overview of the Polish economy and its banking sector
 - 2 Polish property market and residential mortgage lending
 - 3 PKO Group overview
 - 4 PKO's dedicated covered bond issuer – PKO Bank Hipoteczny & cover pool description
 - 5 Green Covered Bonds as an important addendum to the funding mix
 - 6 Polish statutory covered bond framework aligned with the best EU benchmarks**
 - 7 Appendices

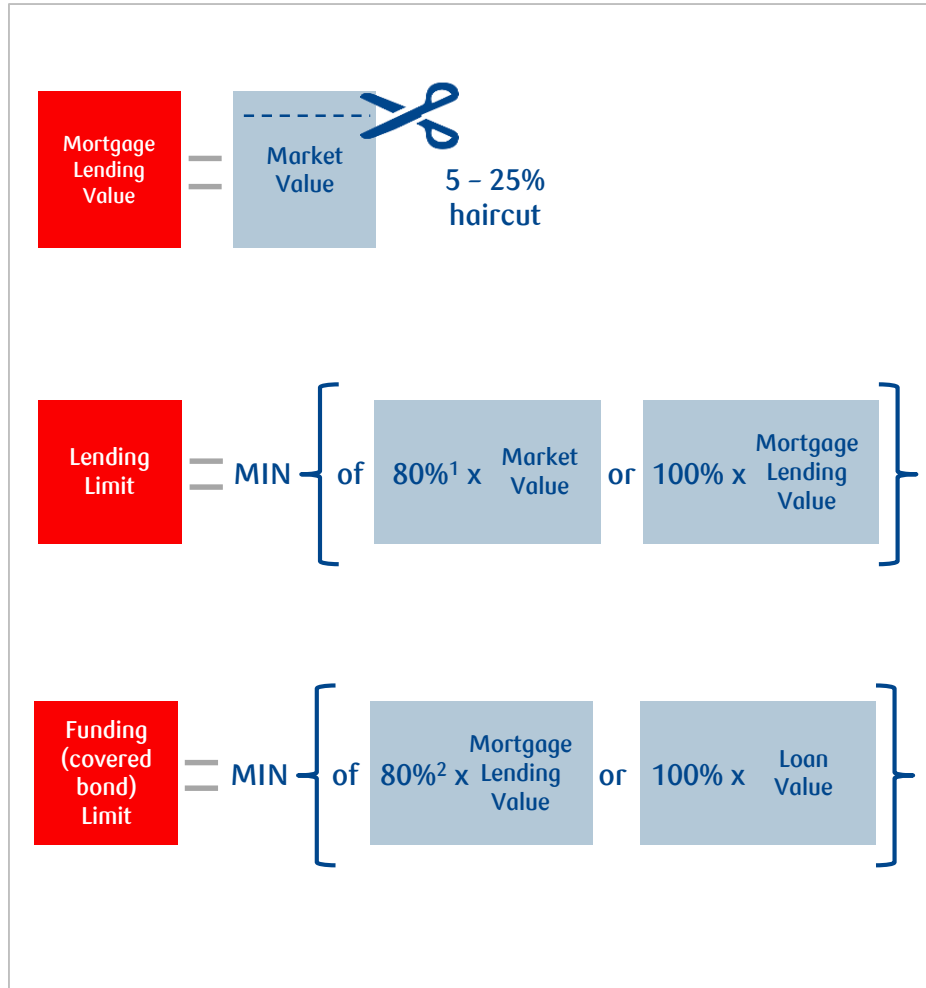


1. Covered bond and mortgage banks in Poland are regulated by the Polish Covered Bond Act. **Covered Bond Directive to be implemented into Polish Law in 2021.**
2. By law, only **specialized mortgage banks** are entitled to issue covered bonds in Poland
3. **Segregation of assets** in the cover pool (only mortgages, cash, sovereign debt or similar¹)
4. **Constant supervision by the independent Cover Pool Monitor** (appointed by the Polish FSA) over mortgage bank activities and its cover pool
5. Conservative approach of determining **the mortgage lending value** (through-the-cycle) of real estate with rules approved by the Polish FSA
6. **Strict regulatory limits on mortgage banks and covered bonds** including:
 - min. 10% overcollateralisation (OC)
 - liquidity buffer to cover covered bond interest payments in 6 months
 - coverage and liquidity tests
7. **Mandatory FX risk limitation**
8. **Legally defined and predictable bankruptcy procedure (not at the discretion of the issuer) designed to achieve best-possible outcome for covered bond holders** (12 months extension period after issuer's default and switch to pass-through if available liquidity will not be sufficient to repay the bonds within 1 year.)
9. **Covered bonds exempt from bail-in protocol (BRRD)²**

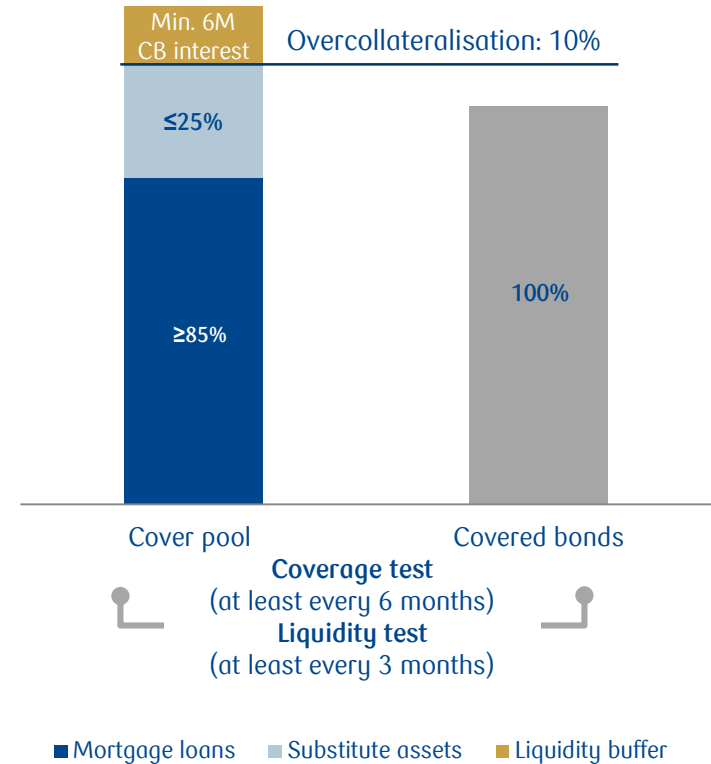
¹ Securities issued or guaranteed by the State Treasury of the Republic of Poland, the National Bank of Poland, the ECB, governments and central banks of the EU and OECD member states (except for states that have restructured their external debt in the past five years).

² In the event of compulsory restructuring of mortgage banks, covered bonds may be subject to compulsory write-down and/or conversion to the extent the value of the covered bonds exceeds the value of the cover pool.

Stringent regulatory limits



Cover pool composition with min. 10% OC and 6M liquidity buffer



¹ Up to 90% only if low down payment insurance is in place

² For residential mortgage loans, while 60% for commercial mortgage loans

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PKO Group has become a regular covered bond issuer

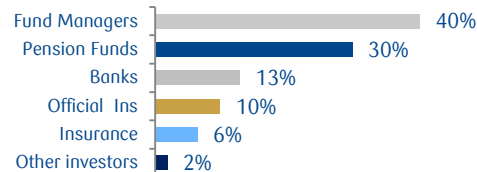


Key features of PLN-denominated covered bonds of PKO Group

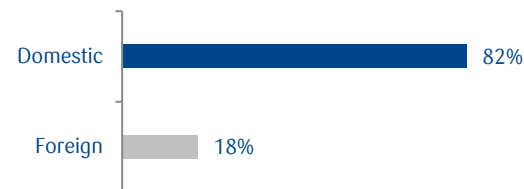
	Series #4	Series #6	Series #7	Series #8	Series #9	Series #10	Series #11	Series #12	Series #13
Issue date	28.04.2017	27.10.2017	27.04.2018	18.05.2018	27.07.2018	24.08.2018	26.10.2018	10.06.2019	02.12.2019
Issue size, mn	PLN 500	PLN 500	PLN 700	PLN 100	PLN 500	PLN 60	PLN 230	PLN 250	PLN 250
Maturity date	18.05.2022	27.06.2023	25.04.2024	29.04.2022	25.07.2025	24.08.2028	28.04.2025	30.09.2024	02.12.2024
Coupon	WIBOR 3M + 0.69% (23bp over govies)	WIBOR + 0.60% (29 bp over govies)	WIBOR 3M + 0.49% (42 bp over govies)	WIBOR 3M + 0.32% (39 bp over govies)	WIBOR 3M + 0.62% (39 bp over govies)	3.4875% p.a.	WIBOR 3M + 0.66% (40bp over govies)	WIBOR 3M + 0.60%	WIBOR 3M + 0.51%
Stock Exchange Listing	WSE and BondSpot	WSE and BondSpot	WSE and BondSpot	WSE and BondSpot	WSE and BondSpot	WSE and BondSpot	WSE and BondSpot	WSE and BondSpot	WSE and BondSpot
ISINs	PLPKOHP 00041	PLPKOHP 00066	PLPKOHP 00074	PLPKOHP 00082	PLPKOHP 00090	PLPKOHP 00108	PLPKOHP 00116	PLPKOHP 00132	PLPKOHP 00199
Moody's Rating	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3

Distribution of all outstanding PLN - denominated covered bond issues of PKO Group

By investor type











By investor jurisdiction



PKO Bank Hipoteczny is the issuer of covered bonds entirely backed by prime PLN residential mortgages



Bank Hipoteczny

	 Bank Hipoteczny	 Bank Hipoteczny	 Pekao Bank Hipoteczny	 ING Bank Hipoteczny
Starting date	2015	1999	1999	2019
 Mortgage cover pool by purpose of loan	only residential loans low credit risk	commercial & residential loans	commercial & residential loans	only residential loans low credit risk
 Mortgage cover pool by loan currency	PLN no currency exposure	PLN/EUR/USD	PLN/EUR/USD/CHF	PLN no currency exposure
 Mortgage covered bond ratings ¹	Aa1/-/- country ceiling level	Aa2/-/- country ceiling level	-/-/A-	Aa1/-/- country ceiling level
 Total mortgage CB outstanding as of 30 June 2021	PLN 3,355 mn EUR 2,779 mn largest in Poland	PLN 3,115 mn EUR 846.9 mn	PLN 1,140 mn EUR 70 mn	PLN 400 mn

¹ Moody's /S&P/Fitch
Source: <http://www.pekaobh.pl>; <https://mhipoteczny.pl>; <https://www.pkobh.pl/en/>

Regulatory safeguards built into bankruptcy procedure

Process	Covered bond repayment	Recourse and Priorities	Hedging
P1. Clear process of bankruptcy declaration	C1. Avoidance of time subordination	R1. Dual recourse (separate bankruptcy asset pool and general bankruptcy estate)	H1. Hedging arrangements will survive declaration of bankruptcy and will be extended by 12 months.
P2. Clear deadlines for key actions of bankruptcy procedure defined in the legal framework	C2. Explicit rules for early repayment of covered bonds C3. Explicit procedure for treatment of covered bonds, which became due before declaration of bankruptcy	R2. Clearly defined order of priorities of payments from the separate bankruptcy asset pool	H2. Possibility of the bankruptcy receiver to enter into hedging transactions (provided tests are passed)

Covered bondholders entitled with option to intervene in bankruptcy procedure			
Coverage test	passed	passed	failed
Liquidity test	passed	failed	n/a
Covered bonds repayment	<ol style="list-style-type: none"> Covered bonds repaid according to terms and conditions of the covered bonds, taking 12 months extension into account Receiver may enter into hedging transactions 	<ol style="list-style-type: none"> Maturity date of all covered bonds extended to the date falling three years after the latest cover asset maturity date Distinct rules for pro-rata repayment before extended maturity date 	
Holders option	Resolution of covered bondholders with 2/3 majority to sell the separate bankruptcy asset pool to another bank	Resolution of covered bondholders with 2/3 majority <ol style="list-style-type: none"> to disapply maturity extension or to sell cover assets to another bank or non-bank 	

Probability of default according to Moody's Idealised Cumulative Default Probabilities table:

- Baa1: 5Y - 1.10%; 7Y - 1.67%; 10Y - 2.60%
- A3: 5Y - 0.73%; 7Y - 1.11%; 10Y - 1.80%

Details on protective features of the Polish Covered Bond framework in case of issuer bankruptcy (1/4)



Bank Hipoteczny

Clear and straightforward process of bankruptcy declaration

- In case of insufficient assets to satisfy all the bank's obligations, according to the balance sheet prepared as at the last day of the relevant reporting period, the management board, the receiver or the liquidator must promptly notify the KNF
 - A creditor of the bank, including a holder of debt securities issued by the bank, cannot file a bankruptcy procedure concerning a mortgage bank.
 - Before declaring the bank's bankruptcy, the bankruptcy court will question a representative of the KNF, the members of the bank's management board and receiver, and the liquidator regarding the grounds for declaring the bank bankrupt
-

Clearly defined order of priorities of payments from the separate bankruptcy asset pool

- Costs of liquidating the separate bankruptcy asset pool which include the trustee's fee, interest and other ancillary payments under the covered bonds
- Outstanding principal amount of the covered bonds and the hedging instruments

Details on protective features of the Polish Covered Bond framework in case of issuer bankruptcy (2/4)



Bank Hipoteczny

Clear deadlines for key actions of bankruptcy procedure defined in the legal framework

On day one of the declaration of mortgage bank's bankruptcy:

- Bankruptcy administration put in place (=bankruptcy receiver) and management and supervisory bodies of the bank dissolved
- Appointment of trustee (kurator) to represent the holders of the covered bonds in the bankruptcy proceedings
- Constitution of the separate bankruptcy asset pool (confirmation of ring-fencing) on the basis of the cover pool register and additionally including: assets in the liquidity buffer, proceeds from payments under receivables in the cover pool, assets acquired by the mortgage bank in exchange for assets in the cover pool
- Rejection of set-off of claims of the bank's creditors with the bank's claims against these creditors included in the separate bankruptcy asset pool (in principle)
- Application of rules concerning satisfaction of claims of the holders of covered bonds to satisfaction of claims of counterparties to hedging transactions entered in the cover pool register
- Maturity of all outstanding covered bonds is extended by 12 months. Due interest under the covered bonds is paid in the manner set out in the terms and conditions of the covered bonds

Within 21 days from the declaration of mortgage bank's bankruptcy:

- Trustee to report to the bankruptcy estate the aggregate principal amount of all outstanding covered bonds due before and after the date of declaration of bankruptcy and the aggregate amount of all interest

Within 3 months from the declaration of mortgage bank's bankruptcy:

- Bankruptcy receiver is required to conduct the coverage and liquidity tests on the basis of separate bankruptcy asset pool for the mortgage cover bonds
- Depending on results of the tests, one of the three scenarios will be triggered

Within 1 month from the announcement of the test results:

- Deadline for requesting a meeting of covered bond holders

Details on protective features of the Polish Covered Bond framework in case of issuer bankruptcy (3/4)



Bank Hipoteczny

Explicit rules for early repayment of covered bonds

Both tests are positive:

- The claims under the covered bonds are satisfied in accordance with the terms and conditions of the covered bonds, taking into account the extension of maturity of the covered bonds by 12 months
- A meeting of holders may, within 2 months from the date of announcing the results of the tests, request the receiver, by way of resolution adopted with a majority of two-thirds of votes of holders of the outstanding covered bonds, to sell all receivables and rights in the separate bankruptcy asset pool:
 - to another mortgage bank together with transferring to the purchaser all obligations of the bankrupt bank under the covered bonds; or
 - to another bank or another mortgage bank without transferring to the purchaser the obligations of the bankrupt bank under the covered bonds
- Proceeds from asset sale – (interest under the outstanding covered bonds payable in the next six months + amount of claims of holders of the covered bonds which became due before the date of declaration of bankruptcy and were not paid before that date) \geq 5% of the principal amount of the outstanding covered bonds
- These proceeds will be paid pro-rata to the holders of the covered bonds on the next interest payment date, but not earlier than 14 days after the day on which the decision of the judge-commissioner approving the receiver's report on the progress of the bankruptcy proceedings becomes final and binding

Details on protective features of the Polish Covered Bond framework in case of issuer bankruptcy (4/4)



Bank Hipoteczny

Explicit rules for early repayment of covered bonds

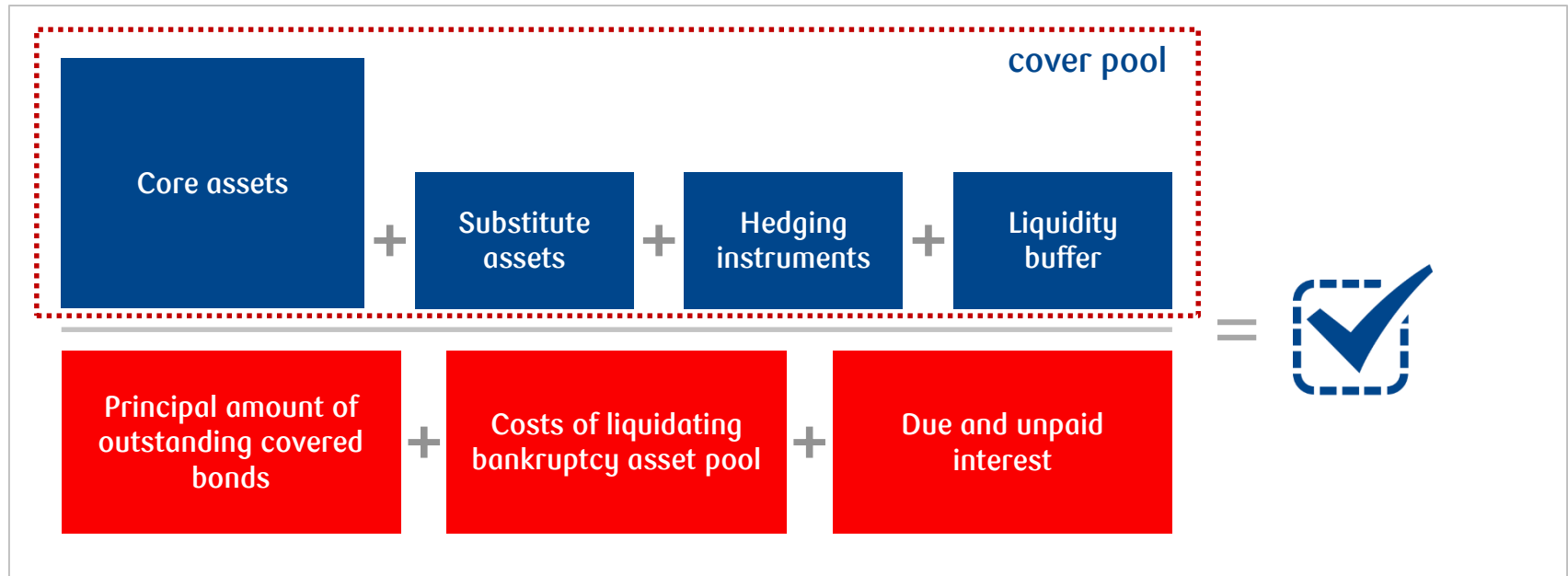
At least one test is negative:

- The maturity date of the covered bonds, including the covered bonds which became due before the date of declaration of bankruptcy, is extended to the date falling three years after the latest maturity date of a mortgage bank's receivables in the cover pool
- Proceeds under the loans received by the bank – (interest payable in the next six months + costs of bankruptcy proceedings) \geq 5% of the principal amount of the outstanding covered bonds
- These proceeds will be paid pro rata to the holders of the covered bonds on the next interest payment date, but not earlier than 14 days after the day on which the decision of the judge-commissioner approving the receiver's report on the progress of the bankruptcy proceedings becomes final and binding
- A meeting of the holders may adopt a resolution on disapplying the extension of the maturity date or on the sale of the assets in the cover pool. The assets in the cover pool may be sold to another bank which is not a mortgage bank without transferring to the purchaser the obligations of the bankrupt bank under the covered bonds. The assets in the cover pool, possession of which is not restricted to banks, may also be sold to an entity which is not a bank

To ensure the safety of the Covered Bonds the Bank is obliged to perform the Coverage Test...



Bank Hipoteczny



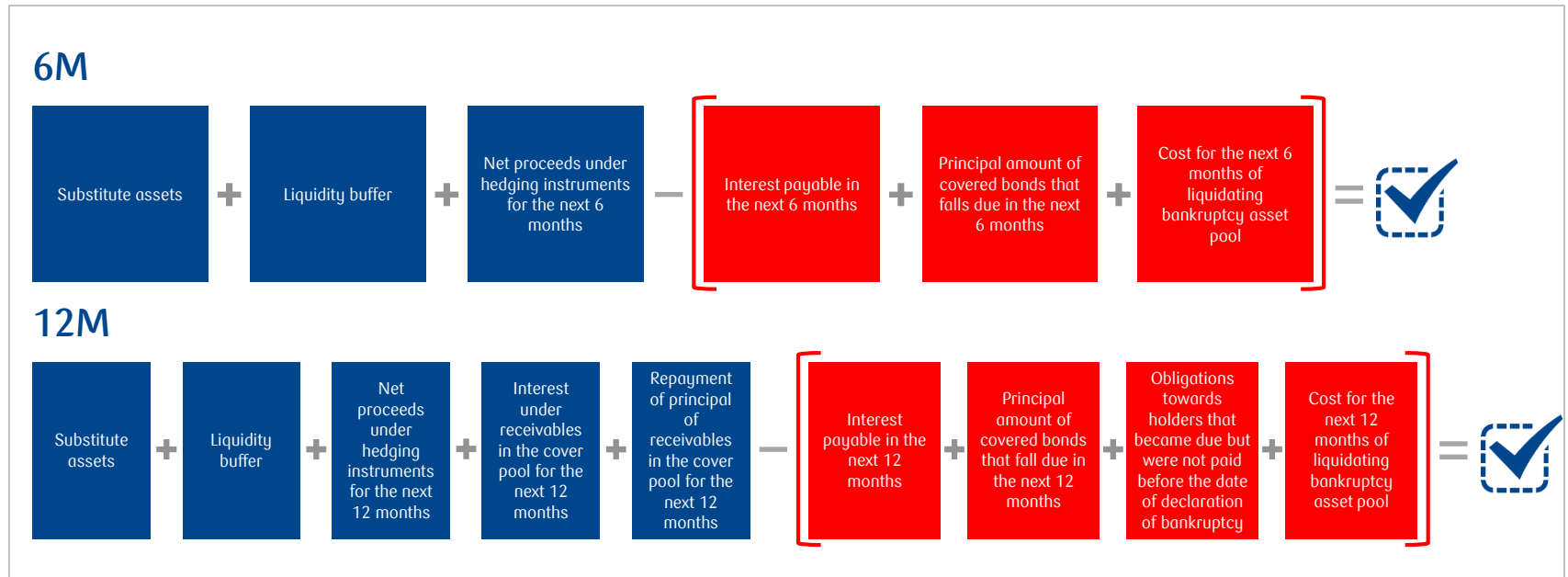
The coverage test verifies whether the value of assets in a cover pool allows for full satisfaction of all claims under outstanding covered bonds.

The coverage test must be performed every six months.

The test is performed based on the following sets of data:

- real data as of day of testing
- scenarios concerning changes of FX rates

...and the Liquidity test



The purpose of the liquidity test is to **verify that assets in a cover pool are sufficient for full satisfaction of all claims** under outstanding covered bonds, even if their maturity is extended in bankruptcy proceedings.

The liquidity test must be **performed at least every three months**.

The test is performed based on the following sets of data:

- real data as of day of testing
- scenarios concerning changes of FX rates
- scenarios concerning the shift of interest rate curves

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