



Bank Hipoteczny

PKO Bank Hipoteczny

Issuer of Mortgage Covered Bonds in

PKO BP Group

PKO Bank Hipoteczny
March, 2025

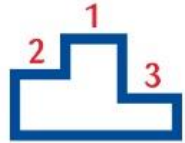
Key investment highlights of PKO Bank Hipoteczny



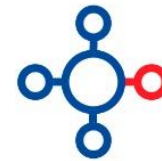
The biggest mortgage Bank in Poland
~PLN 15 bn cover pool as of 28.02.2025



Net profit
PLN 130.3 mn in 2024



The biggest covered bonds issuer in Poland
PLN 7.9 bn of outstanding
43% of market share as of 28.02.2025



Effective business model
synergies with its parent company PKO BP
– leader of Polish banking sector



1st issuer of EUR denominated
benchmark green covered bonds
out of Poland and Central & Eastern Europe



Strongly committed to ESG
with eligible portfolio of green assets



Aa1 - Covered Bond rating
the highest achievable by Polish debt
securities



Green covered bonds
in line with ICMA and certified by Climate
Bonds Initiative

1. Overview of the Polish economy
2. Polish property market and residential mortgage lending
3. PKO Bank Hipoteczny – covered bonds issuer
4. Appendices
 - Strategy for 2023-2025
 - Chosen financial data of PKO BH
 - PKO BP Group overview
 - Polish banking sector
 - Regulations



Overview of the Polish economy



Bank Polski

Macroeconomic and banking sector forecasts

		2022	2023	2024F	2025F
GDP	% y/y	5.3	0.1	2.9	3.5
Consumption	% y/y	5.0	-0.3	3.1	3.5
Investments	% y/y	1.7	12.6	1.3	8.7
Fiscal balance ¹⁾	% GDP	-3.4	-5.3	-6.1	-5.7
Public debt ¹⁾	% GDP	48.8	49.7	54.5	58.4
CPI inflation	%	14.4	11.4	3.6	4.3
LFS unemployment rate	%	2.9	2.8	2.9	2.8
NBP reference rate	% eop	6.75	5.75	5.75	5.00
WIBOR 3M	% eop	7.02	5.88	5.84	4.80
EUR/PLN	PLN eop	4.69	4.35	4.27	4.28
USD/PLN	PLN eop	4.77	4.68	4.54	4.51

		2022	2023	2024	2025F
Loans total	% y/y	1.1	1.2	5.3	6.0
Mortgage loans PLN	% y/y	-1.6	2.2	8.3	8.9
New sales of mortgage loans	%, y/y	-43.6	20.2	43.2	-4.8
Consumer loans	% y/y	-3.3	2.1	5.9	7.1
New sales of consumer loans	%, y/y	-1.0	18.4	25.8	8.0
Corporate loans*	% y/y	4.8	-1.5	2.7	6.5
Deposits total	% y/y	5.6	10.6	9.7	6.5
Deposits for private individuals	% y/y	4.1	12.3	10.6	6.9
Net assets of private individuals (TFI)	% y/y	-20.5	32.7	30.1	17.2
Corporate deposits*	% y/y	8.0	10.4	3.1	5.5

Source: Statistics Poland, Ministry of Finance, National Bank of Poland, PKO Bank Polski forecasts

1) General government In ESA2010 terms

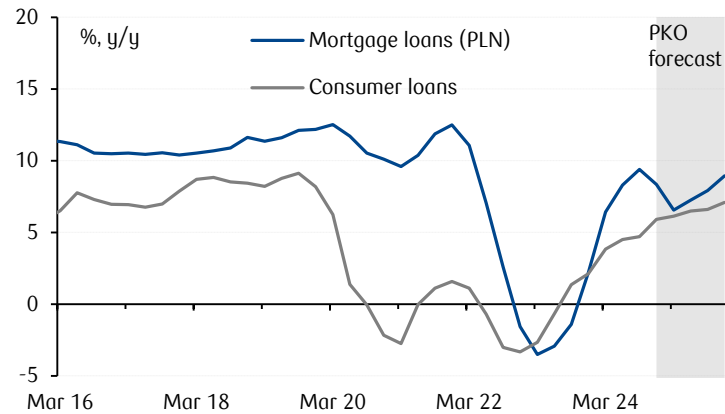
* Non financial economic entities loans and deposits



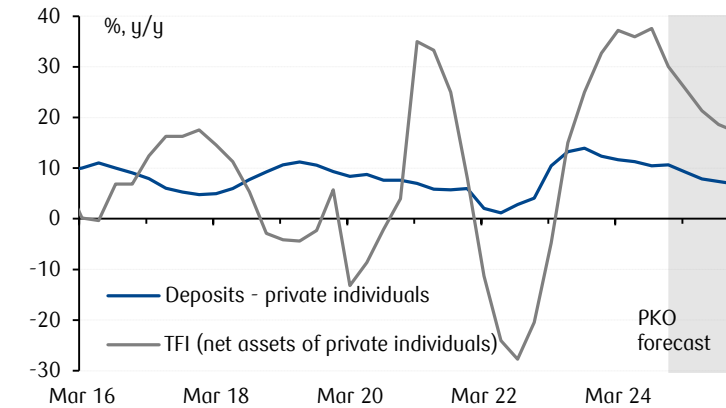
Bank Polski

Loan and deposit market (FX adjusted)

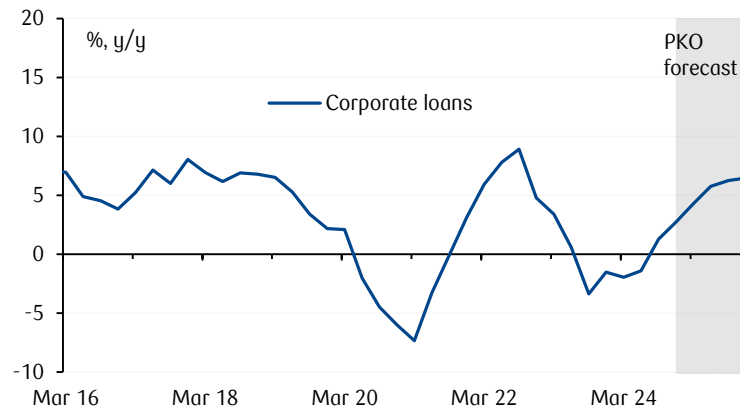
Mortgage and consumer loans



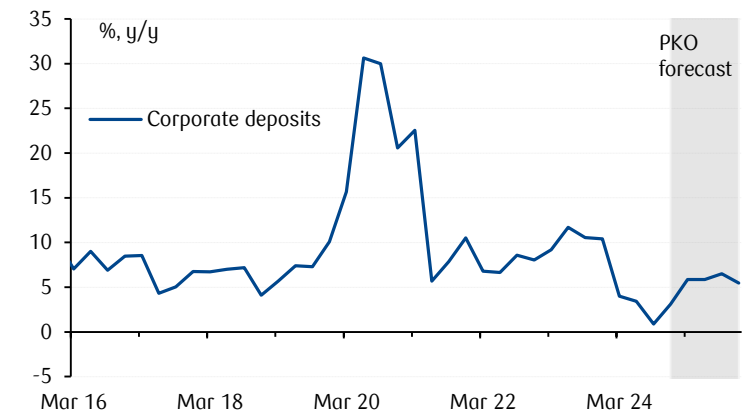
Private individuals' deposits and net assets (TFI)



Corporate* loans

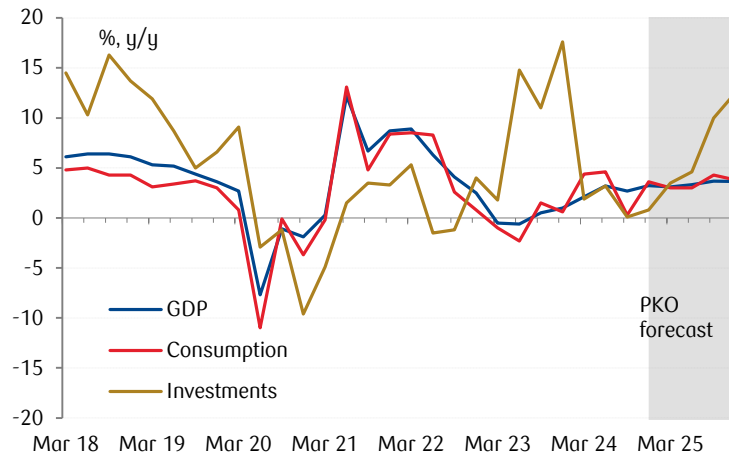


Corporate* deposits



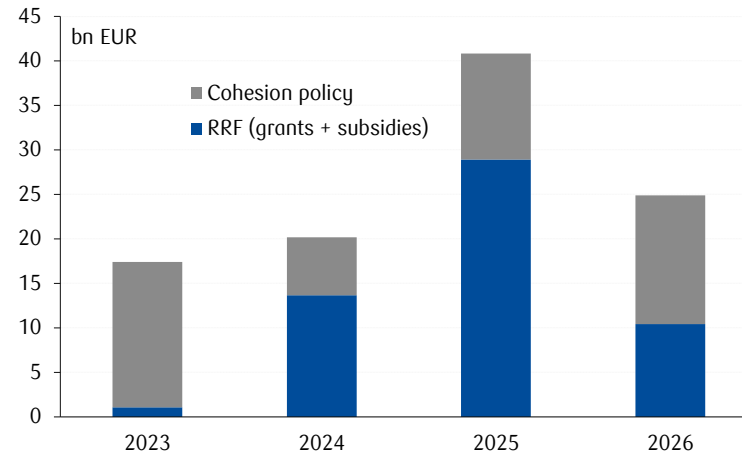
The economy stays on a recovery trajectory

GDP and its main components



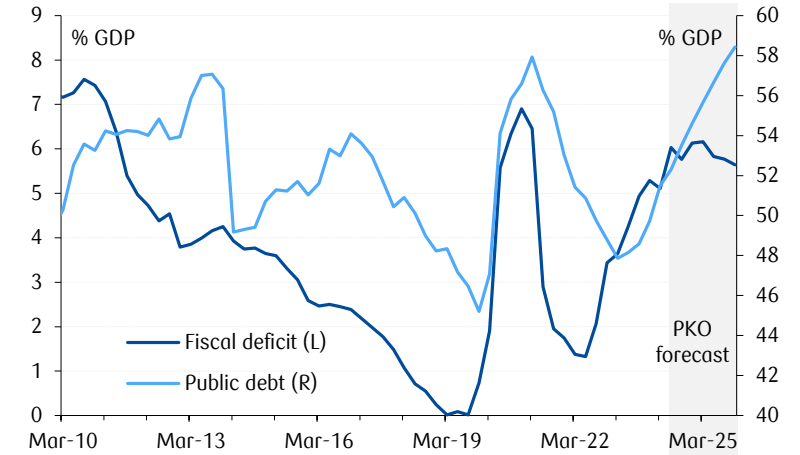
Source: Statistics Poland, PKO Bank Polski

Estimated payments from the RRF and cohesion funds



Source: MFiPR, PKO Bank Polski

Public finances



Source: Statistics Poland, Eurostat, PKO Bank Polski

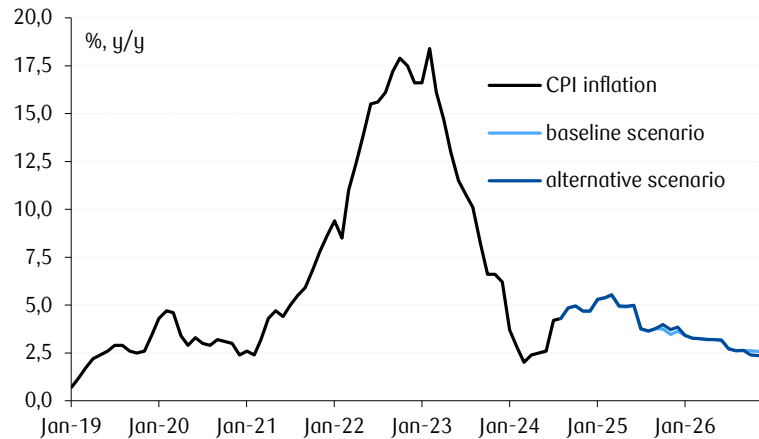
- **The economy remains on a recovery trajectory, with GDP expanding by 2.9% in 2024, following an modest 0.1% y/y increase in 2023.** This growth is primarily driven by private consumption, despite consumers maintaining a relatively high propensity to save. Consumer sentiment has stabilised markedly above recent lows. While real income growth has moderated from record highs, it remains robust. Additionally, demand for consumer credit is on the rise.
- **In 2024, investment remained stagnant, rising by just 1.3%.** Private investment declined as business awaited the disbursement of EU funds, a trend further exacerbated by weaker corporate financial results. A recovery in investment is expected to materialize in 2025. A key driver of this rebound will be the accelerated disbursement of funds from the National Reconstruction Programme, supporting both investment and broader economic activity. The two primary areas of investment focus are energy transformation and automation.
- **In 2024, an excessive deficit procedure was initiated against Poland.** In the Medium-term Budget and Structural Plan 2025-2028, Poland adopted a 4-year corrective plan to reduce the deficit below 3% of GDP in 2028.



Bank Polski

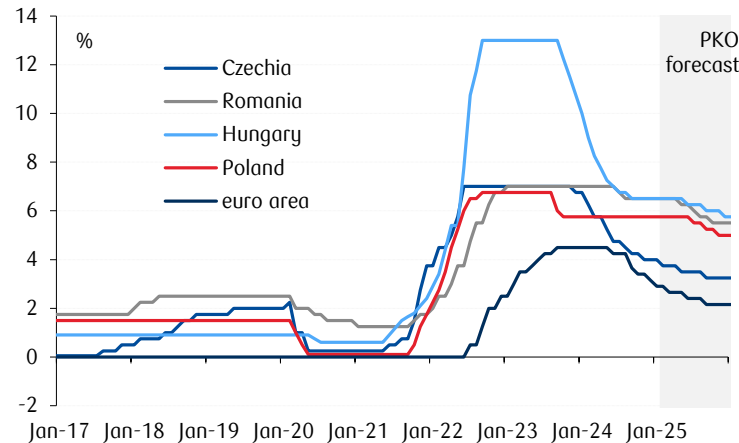
Stable NBP rates despite global monetary policy easing

CPI inflation



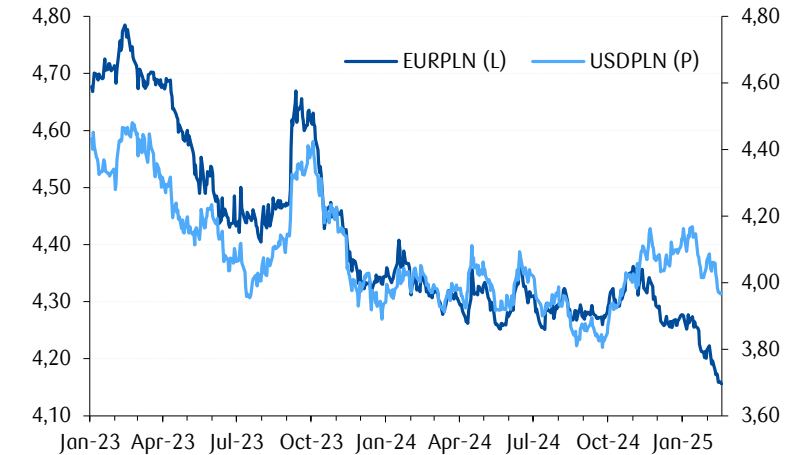
Source: GUS, PKO Bank Polski. Alternative scenario assumes full energy unfreezing in September 2025

Central bank rates



Source: Macrobond, PKO Bank Polski

PLN exchange rate



Source: Macrobond, PKO Bank Polski

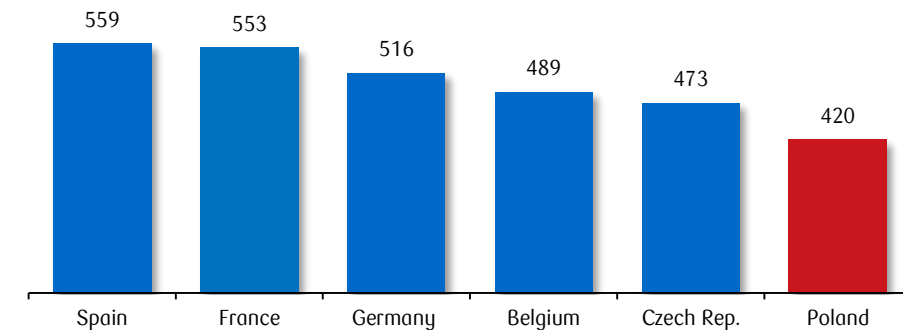
- **From February to June 2024, CPI inflation remained in line with the inflation target.** However, the subsequent phase of energy price unfreezing drove inflation above 3.5% y/y in July 2024, with CPI expected to remain above this level until at least mid-2025. On average, prices increased by 3.6% in 2024, following an 11.4% rise in 2023. Despite regulatory-driven fluctuations, the overall inflation outlook is improving, and the risk of inflation and inflation expectations deviating persistently from the target has declined significantly.
- **The Monetary Policy Council has maintained NBP interest rates at 5.75% since October 2023.** With nominal rates remaining stable, the restrictiveness of Poland's monetary policy increased significantly, reaching its highest level since 2008 in 2024. Real interest rates in Poland are positive and at their highest since 2016. **At the end of 2024, NBP Governor A. Glapinski adopted a more hawkish stance, ruling out interest rate cuts in 2025. However, statements from other MPC members suggest a potential first rate cut by mid-2025.** While a global shift toward monetary easing is underway, Poland's transition to lower rates will be delayed. In this environment, the banking sector is poised to **benefit from higher lending volumes driven by economic recovery, with persistently high nominal rates supporting interest margins.**



Polish property market and residential mortgage lending

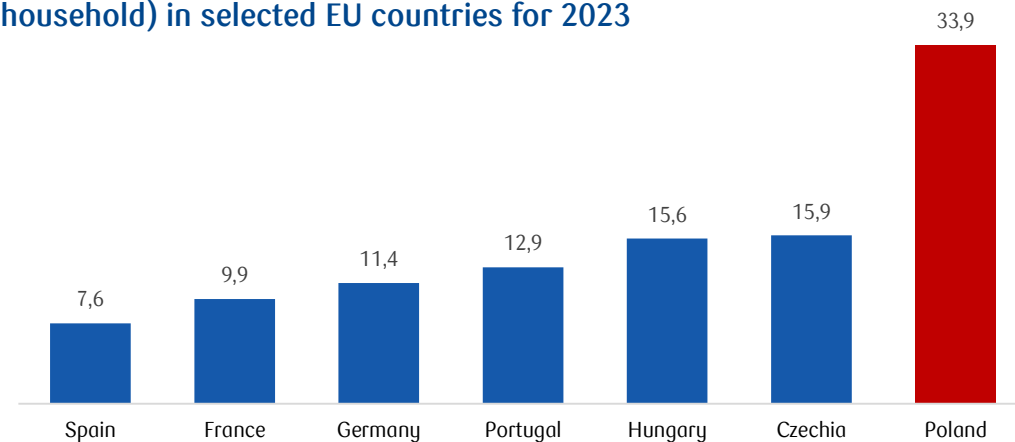
Polish residential market - considerable development potential

Dwellings per 1,000 inhabitants in selected EU countries for 2023



Source: Deloitte Property Index report published in August 2024

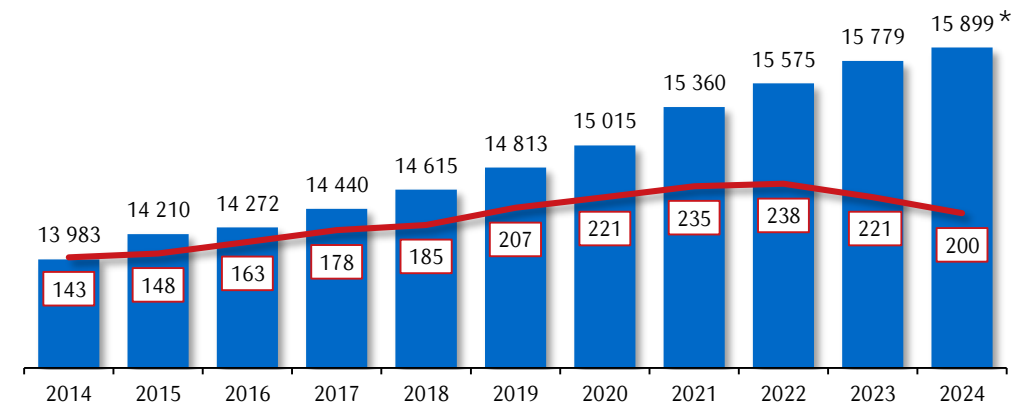
Overcrowding rate (percentage of population living in an overcrowded household) in selected EU countries for 2023



Source: Eurostat

- Relatively low number of dwellings per ths. inhabitants comparing to EU countries
- High percentage of the population living in an overcrowded household in Poland, according to Eurostat methodology
- The housing shortage in Poland is estimated at about 1 million apartments
- Constantly growing number of outstanding dwellings
- The number of construction projects, after a decline of around 30% in 2022, began to grow again at the end of 2023, in response to the sale of the offer under the BK2% („Safe Mortgage 2%”) program. In 2024, the number of housing construction developments increased by 24% year-on-year.

Growing number of dwellings in Poland (thous.)



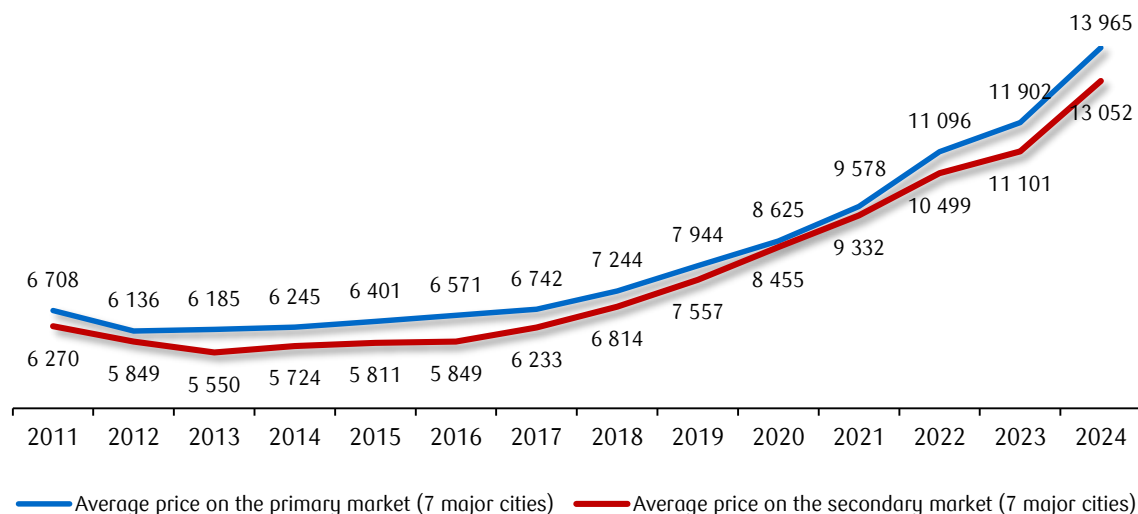
Source: Statistics Poland (GUS)

*PKO BH forecast

■ Outstanding — Completed

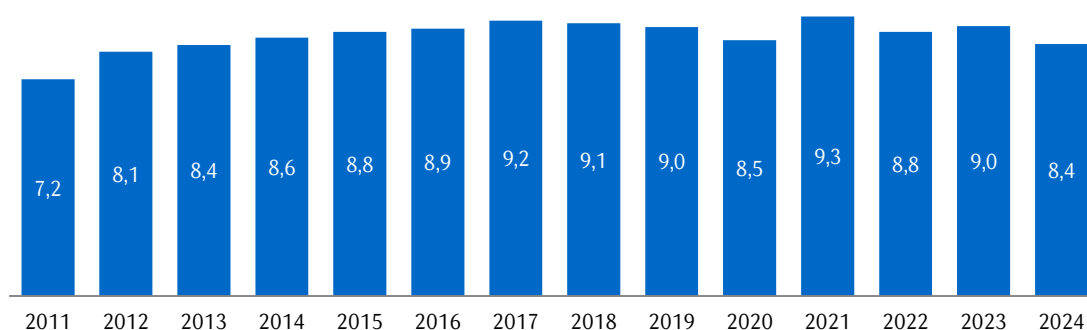
Rising housing prices on the Polish housing market persist

Housing prices on the Polish housing market



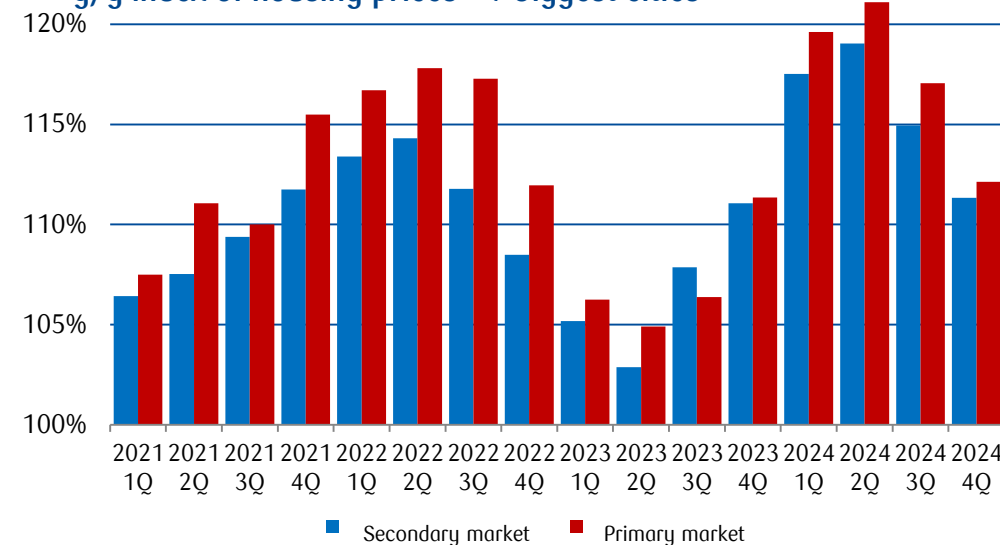
Source: National Bank of Poland

Affordability on primary market (transaction prices (PLN ths/sqm) vs average annual salary)



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

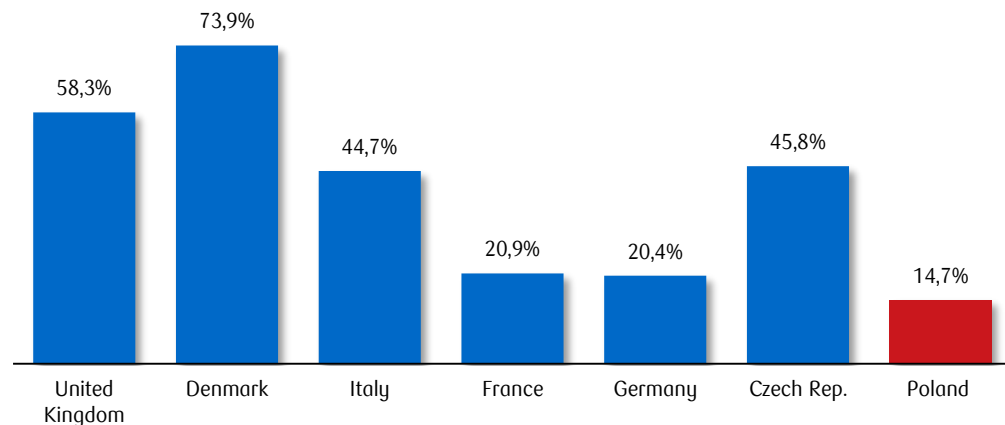
y/y index of housing prices - 7 biggest cities



- Apartment prices have been rising continuously since 2016, with the two periods of the highest growth dynamics resulting from a strong increase in demand due to:
 - historically low interest rates (2021/2022 – price dynamics of approx. 15% per year)
 - BK2% („Safe Mortgage 2%”) program operation (H1 2024 – price dynamics of approx. 20% per year)
- Projected price change in 2025:
 - Price stabilization, growth rate below 5% per year.
- Housing affordability decreased significantly in H1 2024 due to the dynamic increase in housing prices (the effect of the BK2% program), and then in H2 2024 it slowly began to make up for the losses as a result of the stabilization of housing prices with approx. 10% dynamics of wage increase per annum.

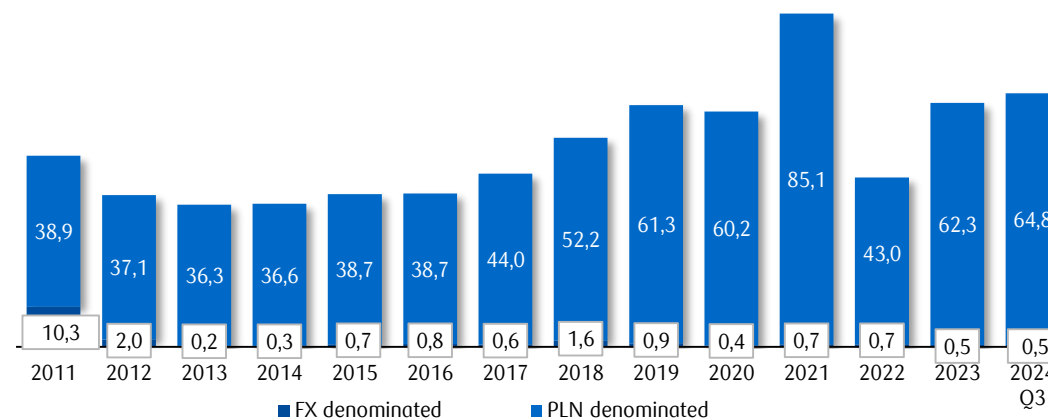
Situation on the domestic mortgage market

Ratio of total outstanding residential mortgage loans to GDP ratio for 2023 (%)



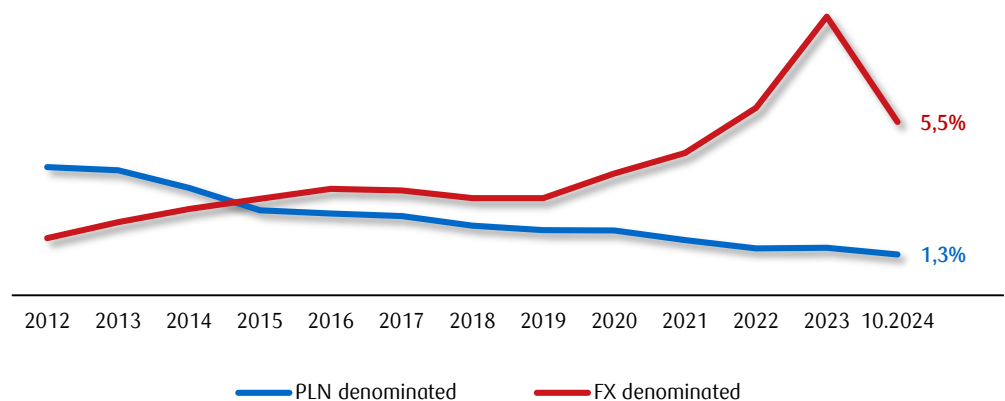
Source: calculations based on Statista (<https://www.statista.com>) and Hypostat 2024 „A review of Europe's mortgage and housing markets“ (<https://hypo.org>)

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



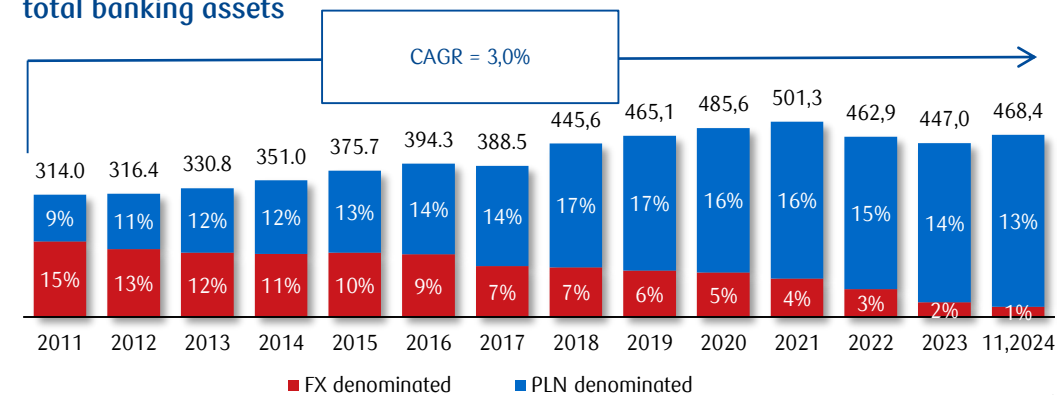
Source: Polish Banking Association

NPLs of mortgage loans in the Polish banking sector (%)



Source: NBP, Polish Financial Supervision Authority

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



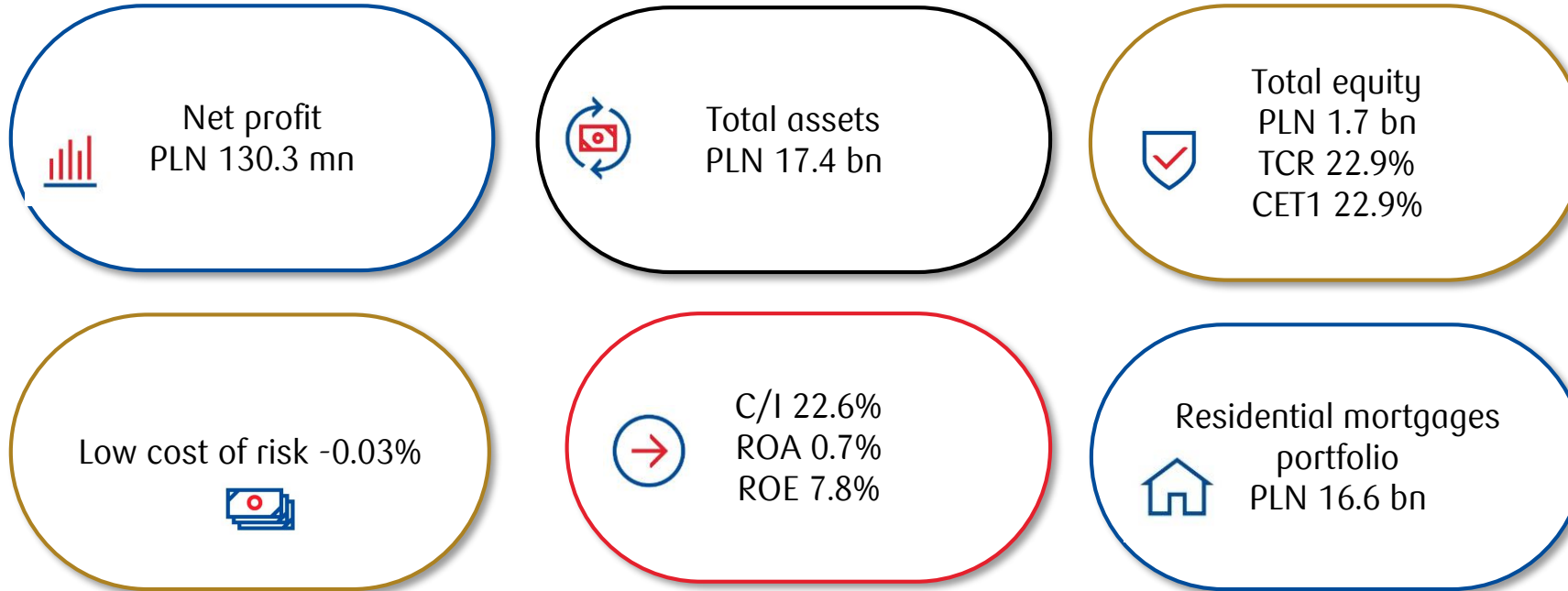
Source: PKO BH calculation based on NBP and KNF data



PKO Bank Hipoteczny – covered bonds issuer

Key Achievements – financial highlights

- as at 31.12.2024

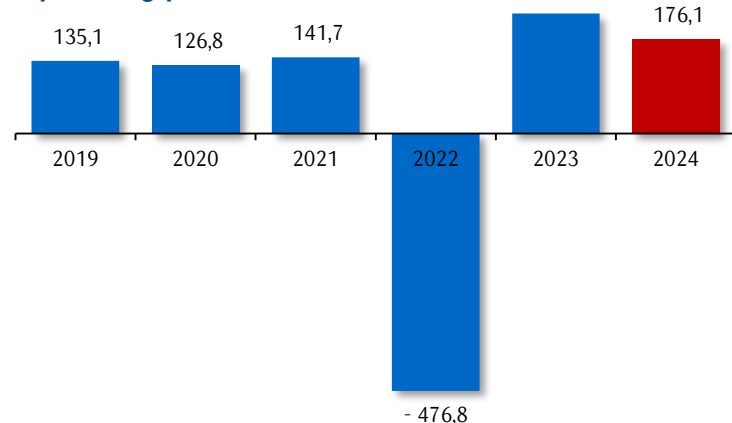


- as at 28.02.2025

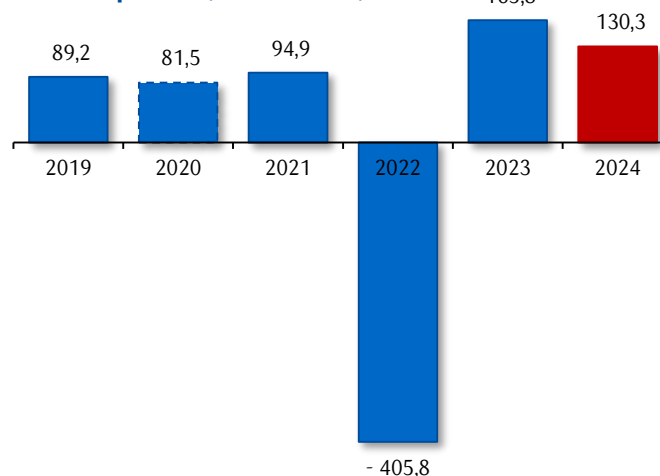


The net profit affected by credit moratoria

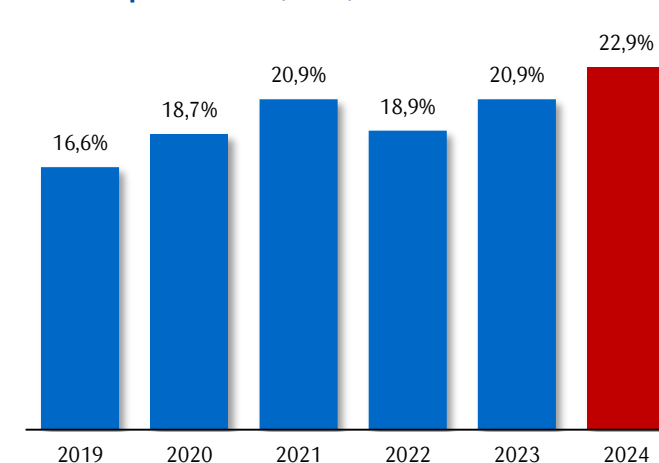
Operating profit (in PLN mn)



Net profit (in PLN mn)



Total capital ratio (in %)



Source: PKO Bank Hipoteczny financial statements

Credit moratoria implemented in May 2024:

- for borrowers financing their own housing needs
- monthly installment $\geq 30\%$ of the family income
- max 4 instalments in 2024: 2 in period 1/06 – 31/08/2024 and 2 in period 1/09 – 31/12/2024

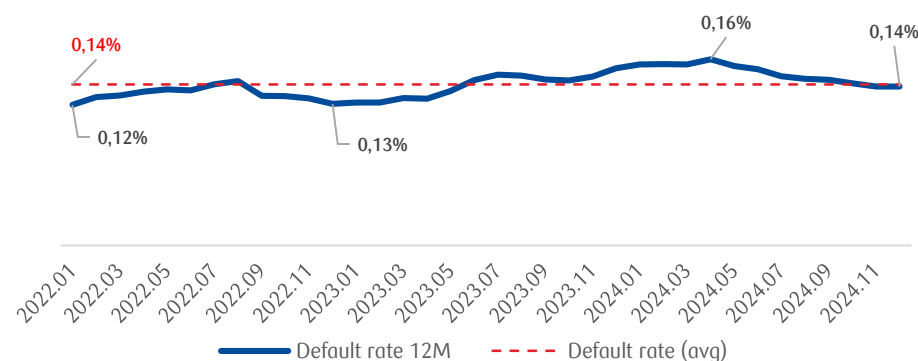
Impact of credit moratoria* on Bank's results:

- Till the end of 2024 5,2 thou. ff Bank customers have submitted an application to suspend the repayment of one or more mortgage loan installments, which was 5.4% of all customers and 8.3% of the value of all mortgages
- At the end of the year, the total effect recognized by the Bank due to statutory credit holidays amounted to PLN 28.3 mln

Excellent quality of the housing loan portfolio at PKO BH

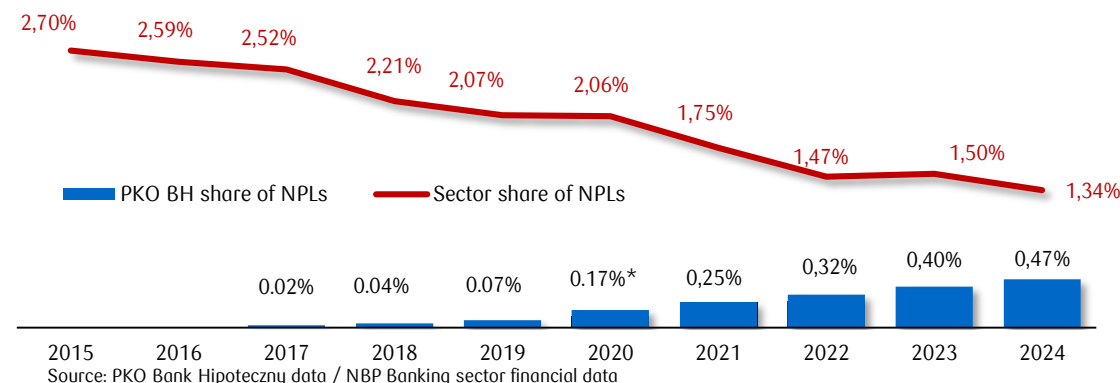
- NPL ratio significantly below the sector level thanks to:
 - ✓ Reminder actions taken by the Bank at an early stage of the arrears of the loans
 - ✓ active management of the impaired loan portfolio (NPL) aimed at returning to timely service
- Despite economic fluctuations, the stability of default rate proves that credit portfolio is well-diversified and resilient to external shocks
- CoR still very low, which is a consequence of prudent lending policy and very good quality of the loan portfolio

Default rate (%)



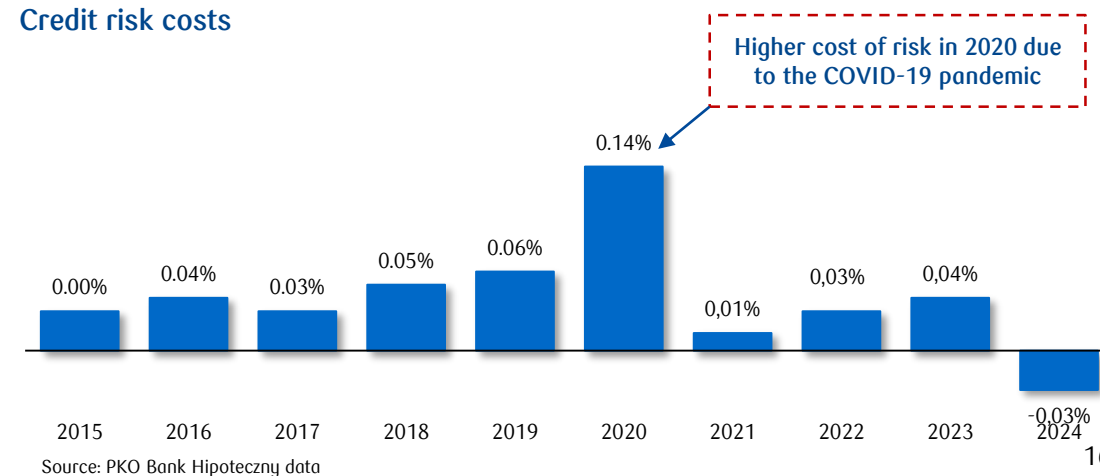
Source: PKO Bank Hipoteczny data

Share of NPLs (%) vs. sector



*Increase of NPLs due to implementation of 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, which does not affect the quality of the portfolio and the cost of risk.

Credit risk costs



Safe lending criteria

Polish banking regulations

- LTV (market value) $\leq 80\%^*$

Polish regulations on mortgage banks

- LTMLV (mortgage lending value) $\leq 100\%$
- First-ranking lien in mortgage register
- Legal title: ownership

PKO BH criteria (current offer)

- PLN loans only
- Residential mortgages (principal dwelling only)
- Contractual maturity: up to 35 years
- Interest rate: floating and fixed for 5 years (12.8% of the credit portfolio as of 28.02.2025)

PKO BH criteria

- New construction (selectively) and secondary market
- Collateral: flats or houses
- Not in arrears (in case of pooling)

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

* In the case of using credit insurance of the required financial contribution LTV $\leq 90\%$ is allowed.

High-quality cover pool of purely residential mortgages in PLN

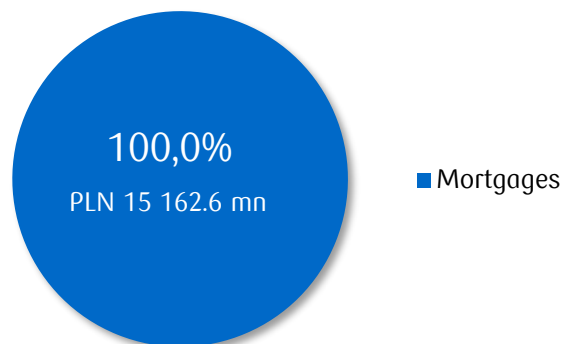


Data as of 28.02.2025

Cover pool



Cover pool structure* (%)



Mortgage characteristics (in the cover pool):

- **Mortgages: PLN and residential only**
- **Overcollateralisation above regulatory limits: 88.7%** (vs. 5% required)
- Number of loans: 90 568
- Average loan value: PLN 167.4k / EUR 40.3k
- Average indexed LtV 29.5%
- 10 Largest Exposures: 0.1% of total exposures

Features of standard residential mortgage loans in the Cover Pool:

- **Variable** interest rate based on WIBOR rate or **fixed** interest rate for 5 years
- Amortizing **monthly (no interest-only)**
- For **own housing** purposes (no buy-to-let)

*The Cover Pool includes also derivatives, which are PLN -269.7 mn as of 28.02.2025

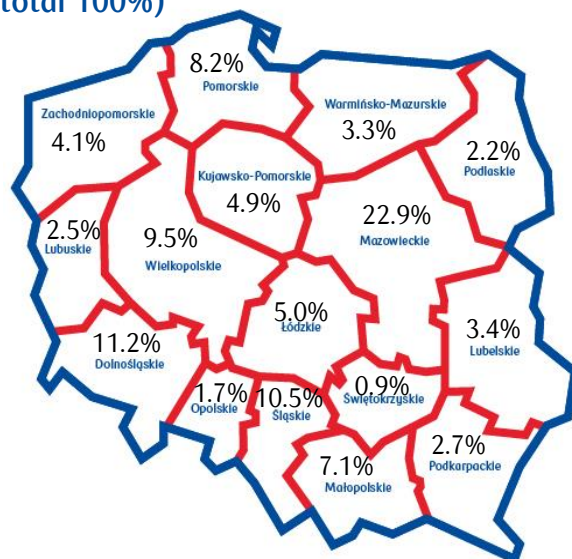
Source: PKO Bank Hipoteczny data including: <https://www.pkobh.pl/en/reports/cover-pool-reports/>

EUR/PLN NBP fixing exchange rate as at 28.02.2025, 1 EUR= 4.1575

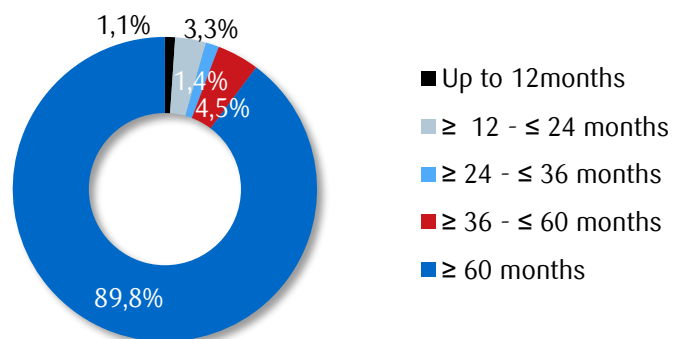
...with good diversification and low LTV ratio

Data as of 28.02.2025

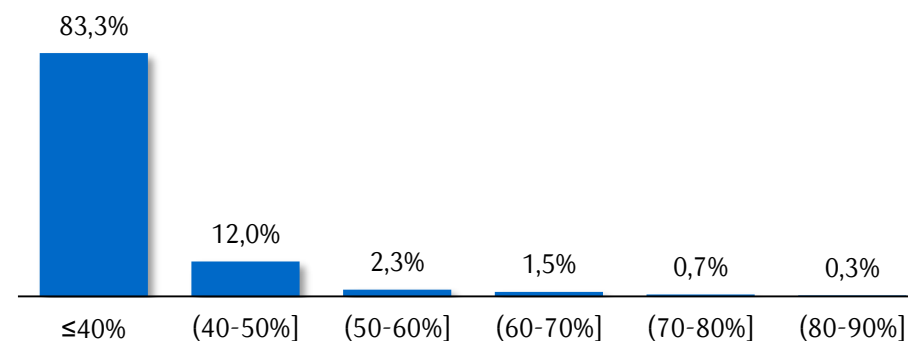
Cover pool composition by geographical location in Poland (total 100%)



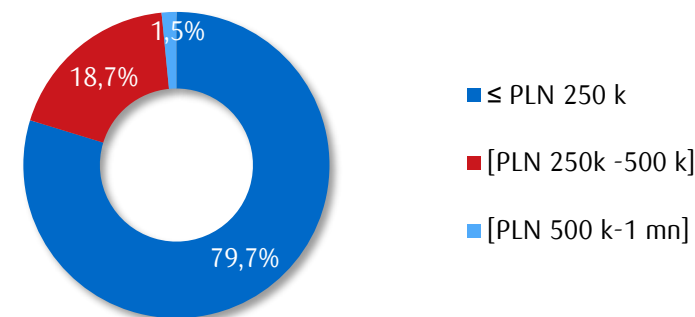
Cover pool composition by loan seasoning (%)



Cover pool composition by LTV (% residential loans)

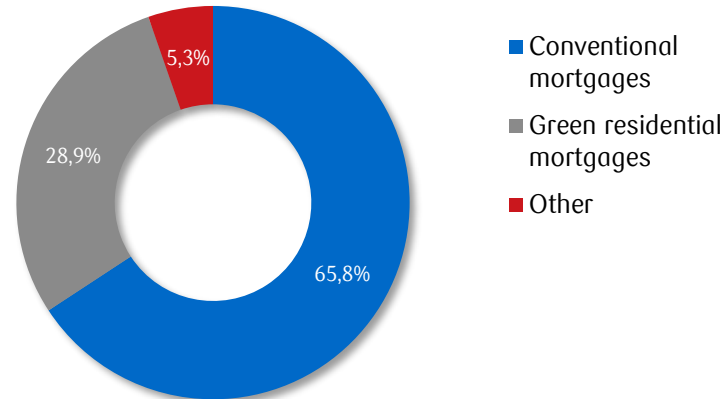


Cover pool composition by loan value (% number of loans)



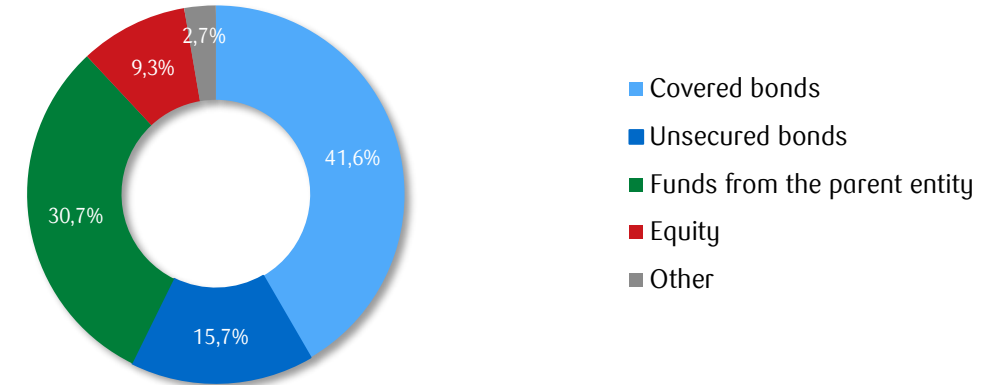
Asset and liability structure

PKO Bank Hipoteczny assets' structure in % as of 31.12.2024



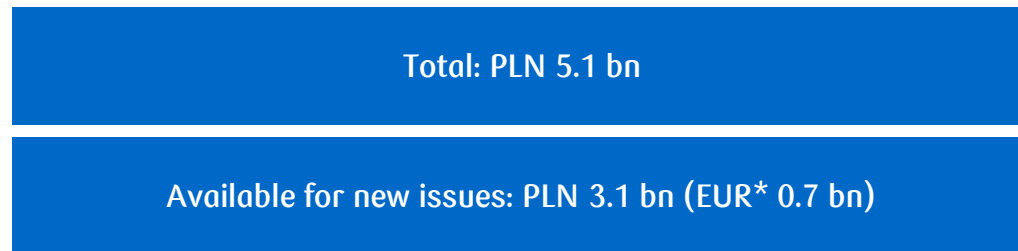
Source: PKO Bank Hipoteczny financial statement, PKO Bank Hipoteczny Cover pool report

PKO Bank Hipoteczny funding structure in % as of 31.12.2024



Source: PKO Bank Hipoteczny financial statement

Green assets in cover pool (data as of 28.02.2025)



Source: PKO Bank Hipoteczny Cover pool report

Mortgages in cover pool (data as of 28.02.2025)



Source: PKO Bank Hipoteczny Cover pool report

* EUR/PLN NBP fixing exchange rate as at 28.02.2025, 1 EUR= 4.1575

Covered bond rating at country ceiling level

MOODY'S

Government of Poland rating

A2/P-1

stable outlook

PKO Bank Polski rating

A3/(P)P-2

stable outlook

PKO Bank Hipoteczny rating

A3/P-2

stable outlook

+4 notches



+5 notches



+5 notches



PKO Bank Hipoteczny
Covered Bond Rating
(PLN & EUR)

Aa1

Poland country ceiling = Aa1

PKO Bank Hipoteczny covered bond rating is based on:

- High cover pool quality
- OC at the minimum level of 5% (Moody's OC consistent with Aa1 rating is 0.5%)
- Legally defined and predictable bankruptcy procedure



Appendices



Strategy for 2023-2025

Strategy for 2023-2025

„Efficient in action, committed to development”

Our advantages enable us to pursue an ambitious strategic mission caring for sustainable development. We provide:

Our clients with tailor-made credit products for real estate financing



Our investors with high-security covered bonds



Our strategic mission

Our employees with diverse and friendly working environment



Our shareholder with sources of stable funding



Our advantages:



Scale of business



Security



High quality of loan portfolio



Cost effectiveness

Strategic goals 2023-2025

We want to achieve ambitious strategic goals having in mind not only current profitability, but also investing in development that goes beyond the horizon of the strategy. Strategic goals of PKO Bank Hipoteczny:



Promoting ESG throughout the organization by conducting the Bank's operations in a sustainable and impactful manner



Environmental

We take care about our common future by:

- Moving to new headquarters in September 2023 – SkySawa building certified by BREEAM Interim "Outstanding" rating
- Promoting pro-environmental real estate solutions
- Being a PKO Group's competence center for green residential mortgages
- Issuing green covered bonds
- Reducing the carbon footprint of Bank's operations and usage of plastic and printed materials



Social

- Participating in socially responsible initiatives in the field of mortgage products, including sectoral works
- Educating customers on mortgage loans, green solutions and real estate sector via new dedicated online platform
- Putting emphasis on the transparency of communication with customers by promoting an understandable and simple language



Corporate Governance

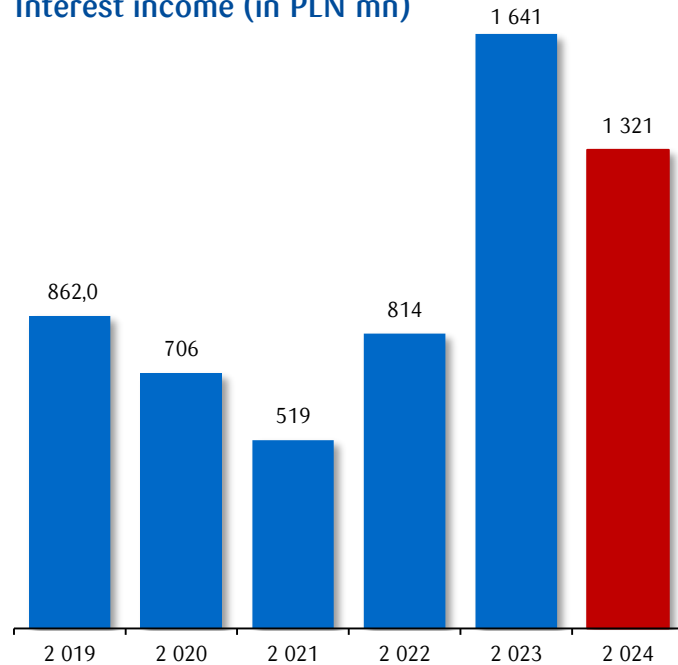
- Promoting diversity as a value
- Creating a friendly working environment and taking care of employees' development
- Enabling effective communication between employees
- Promoting a healthy lifestyle among employees



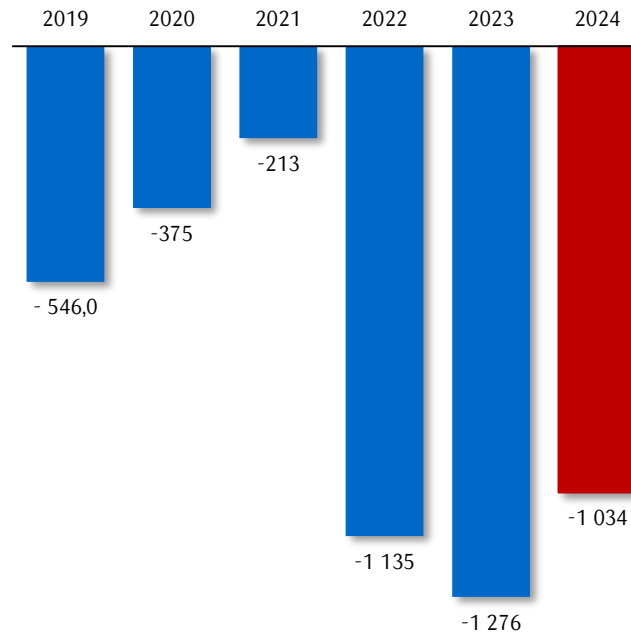
Chosen financial data of PKO BH

Net interest income in PKO BH

Interest income (in PLN mn)

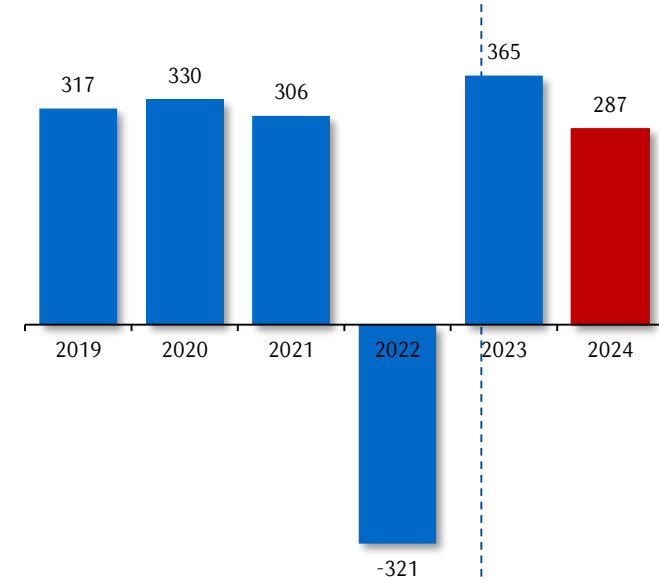


Interest expenses (in PLN mn)



Impact of loan repayment holidays for 2024

Net interest income (in PLN mn)

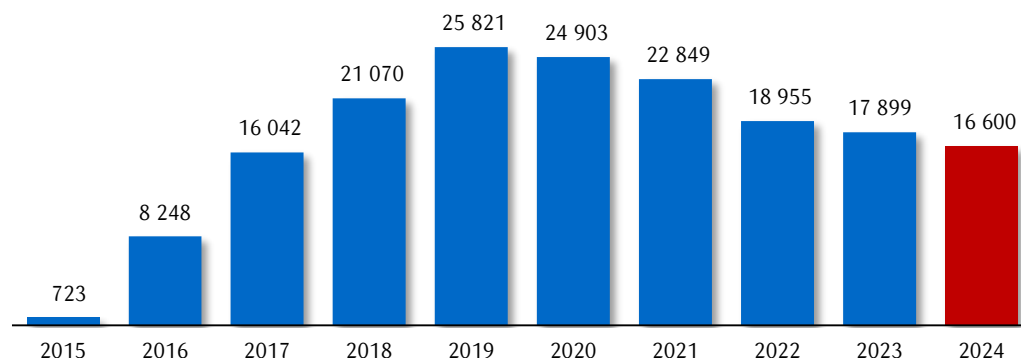


Impact of loan repayment holidays programme for 2022-2023

- Interest income PLN 1321.2 mn consists of:
 - ✓ PLN 1267.9 mn - interest income on residential loans
 - ✓ PLN 48.8 mn income from debt securities
 - ✓ PLN 5.5 mn - other interest income
- Interest expenses PLN 1034.4 mn resulted primarily from:
 - the mortgage covered bonds issued - PLN 341.7 mn
 - the costs of hedging transactions - PLN 203.8 mn
 - the interest expense of PLN 317.6 mn on loans received and utilization of the overdraft limit and PLN 169.3 mn on bonds issued

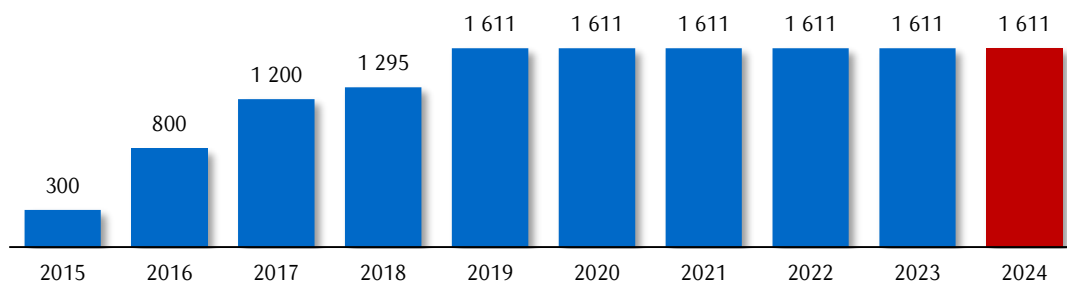
Volumes of covered bonds and PLN-denominated residential mortgage loan portfolio

Residential mortgage loan portfolio – outstanding (PLN mn)



Source: PKO Bank Hipoteczny financial statements

Share capital (PLN mn)

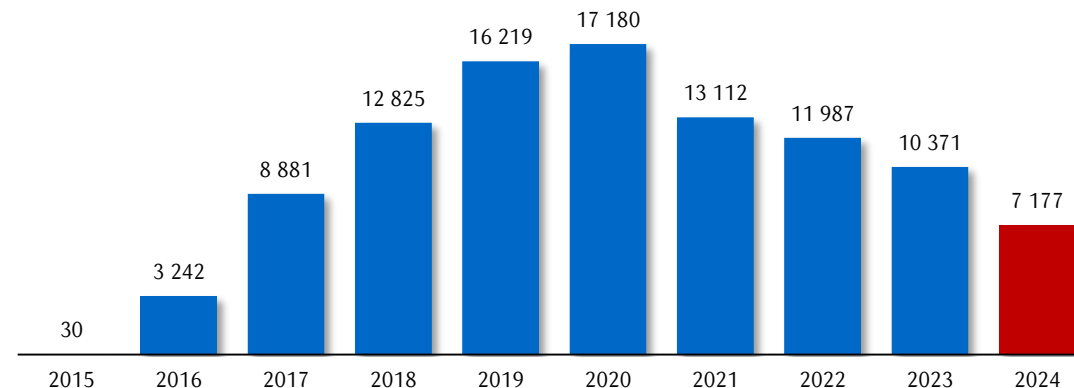


Source: PKO Bank Hipoteczny financial statements

*EUR denominated issues converted by EUR/PLN NBP fixing rate as of the end of particular periods

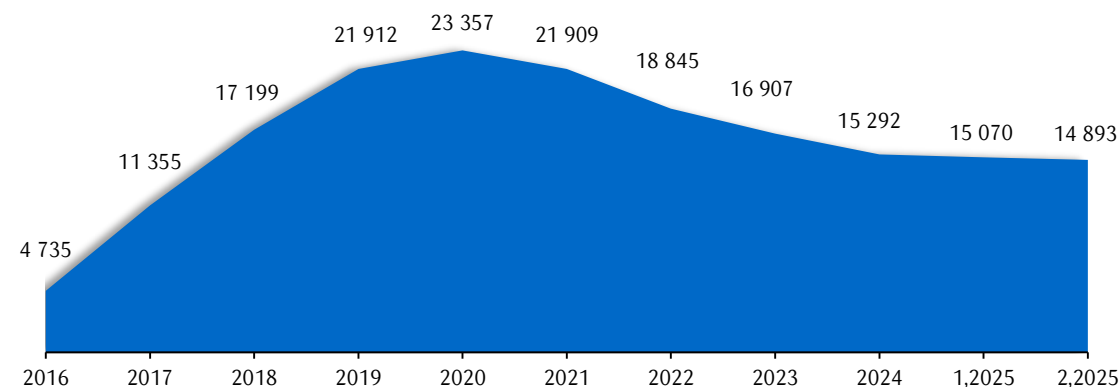
**Without hedging instruments included into the cover pool; liquidity buffer included but not counting towards coverage and OC

Covered bonds outstanding* (PLN mn)



Source: PKO Bank Hipoteczny cover pool reports

Cover pool** (PLN mn)



Source: PKO Bank Hipoteczny cover pool reports



PKO BP Group overview

PKO BP – a leader in the Polish banking sector

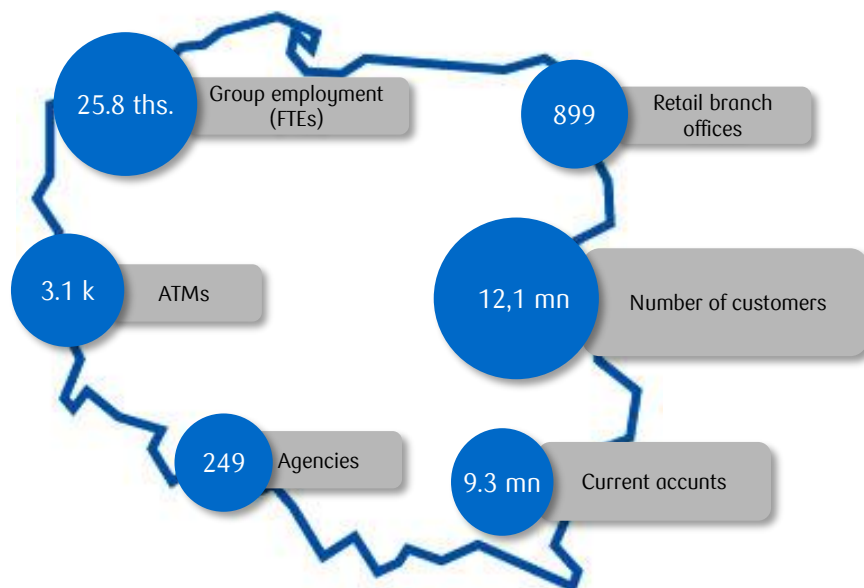


Bank Polski

Key data as of 31.12.2024

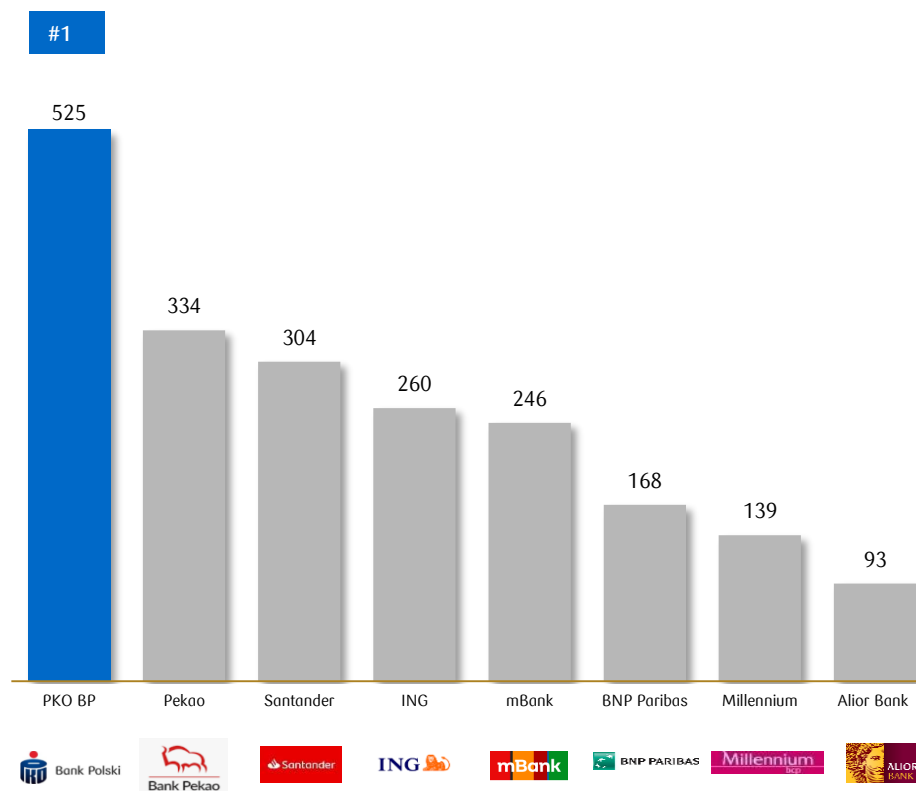
Solid growth in all key areas:

- Further growth in the number of customers by 222 thousand to 12.1 mln
- Increase of savings by 11.4% y/y
- Increase of financing to customers by 9.6% y/y
- NPL ratio at 3.59%
- Solid capital base with CET1 at 17.39%
- PLN 9.3 bn in reported net profit, PLN 14.0 bn excluding impact of CHF provisions and credit holidays
- Core revenues growth by 19.6% y/y
- Further improvement of net interest margin to 4.80%
- High level of operating efficiency, C/I 29.5%
- CoR at 39 bp



Source: PKO BP 2024 financial statement

Market position by total assets as of 31.12.2024 (PLN bn)



Source: Financial statements for 2024

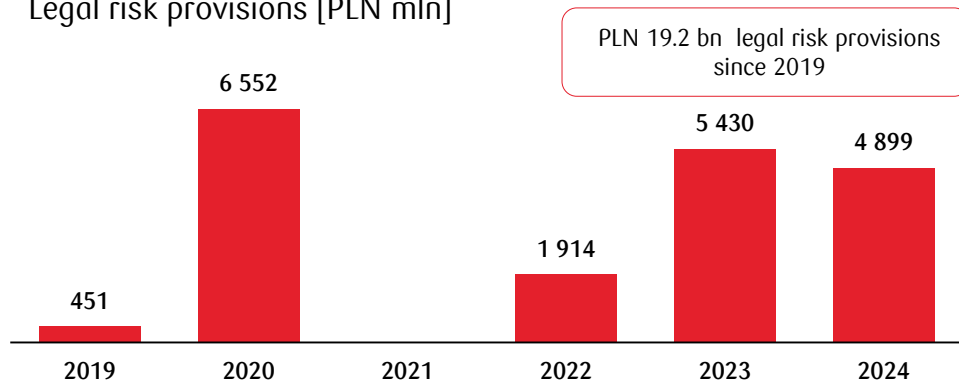
*PKO BP Group includes among others PKO Bank Polski S.A., PKO Leasing S.A. Group, PKO Towarzystwo Funduszy Inwestycyjnych S.A., PKO Finance AB and PKO Bank Hipoteczny S.A.

Further legal risk provisions for mortgage loans in CHF, 48 ths settlements concluded

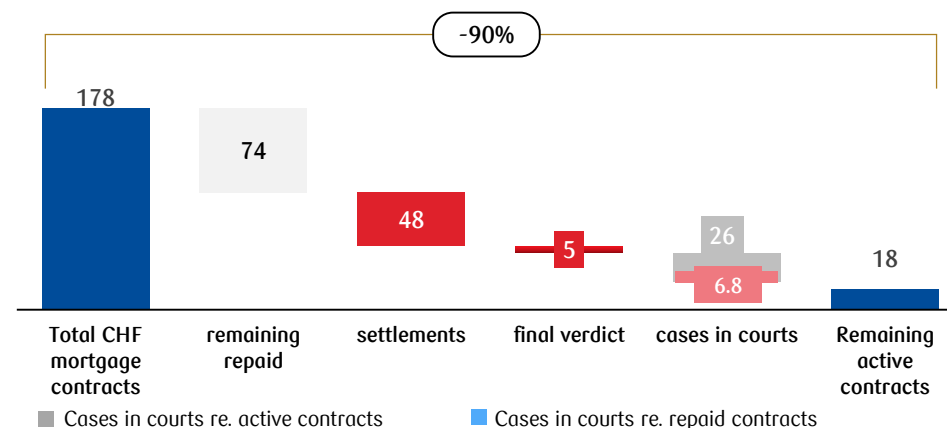


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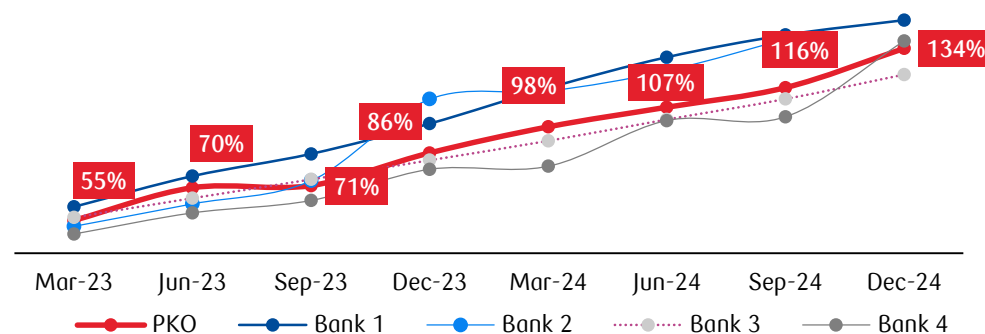
Legal risk provisions [PLN mln]



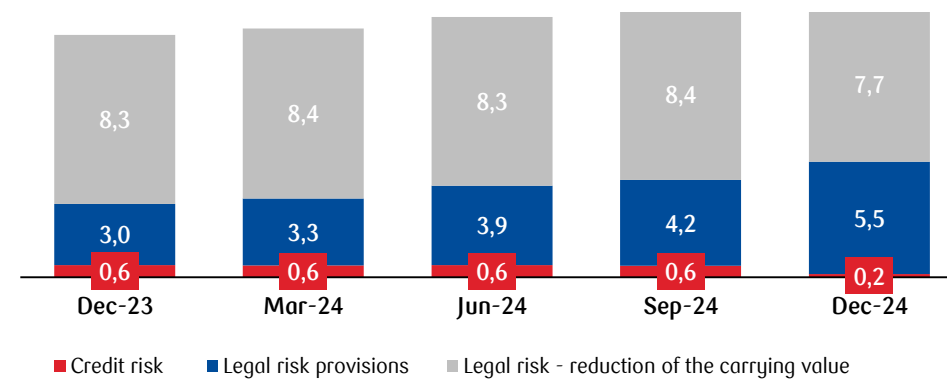
Status of credit agreements in CHF [ths]



Coverage of mortgage loans in CHF [%]¹



Provisions for mortgage loans in CHF [PLN bn]



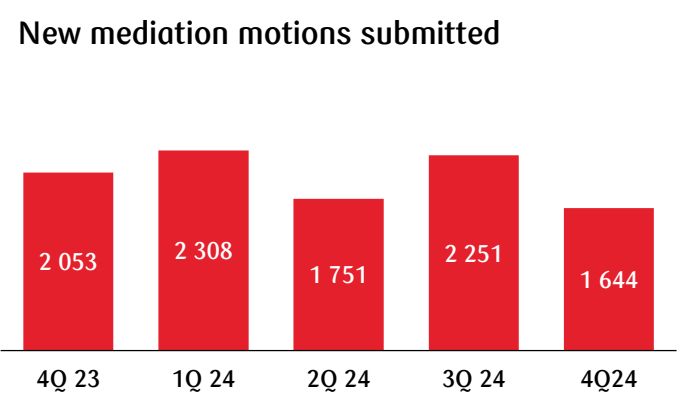
¹ Mortgage loan provision coverage – Legal risk provisions and legal risk – reduction of the carrying value to the gross carrying value of FX mortgage loans incl. cost of legal risk

Significant acceleration of settlements concluded in courts, stable level of inflow of new applications for mediation

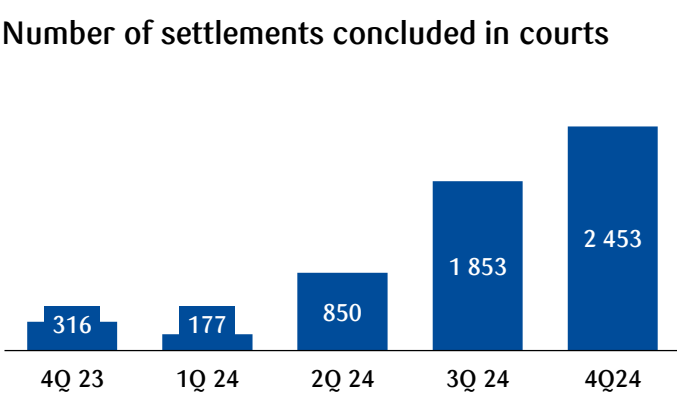


Bank Polski

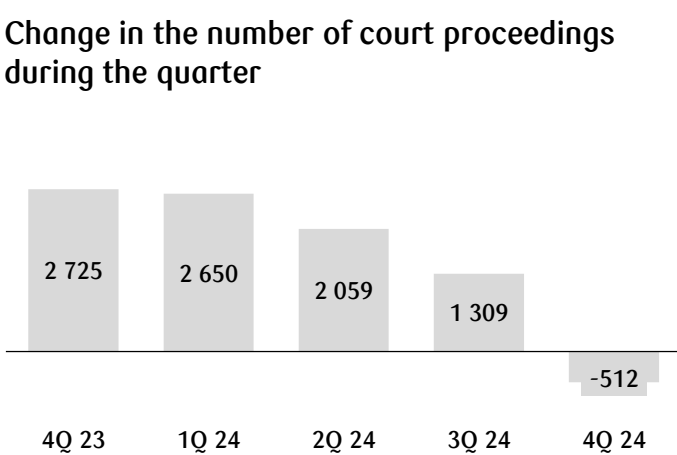
New mediation motions submitted



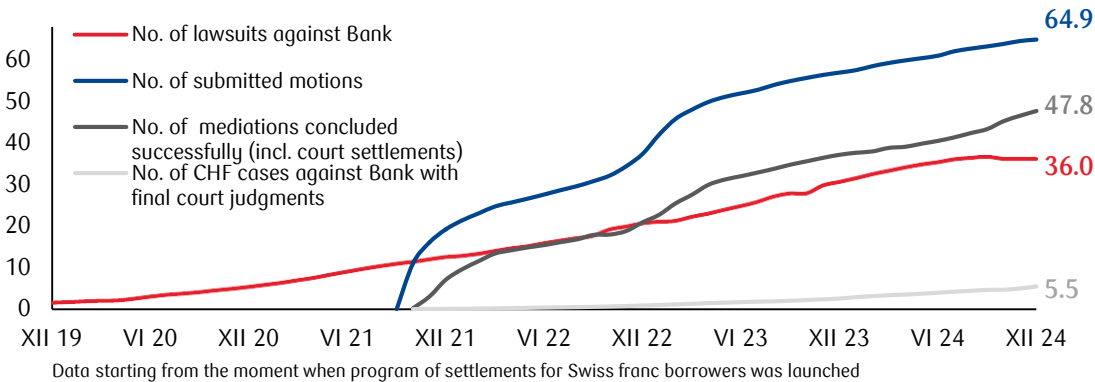
Number of settlements concluded in courts



Change in the number of court proceedings during the quarter



Number of cases regarding settlements of CHF borrowers [ths]



63 %

Share of motions submitted to the total no. of entitled CHF customers

70 %

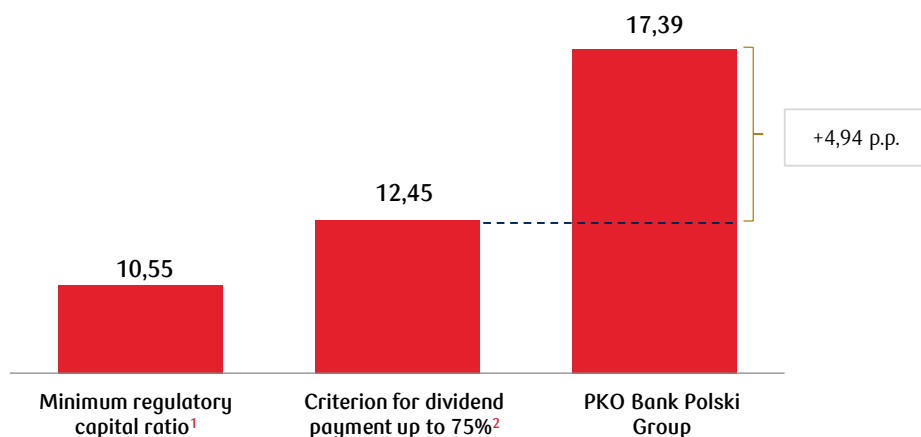
Share of successfully completed cases in total completed cases

Solid capital position allowing to finance investments

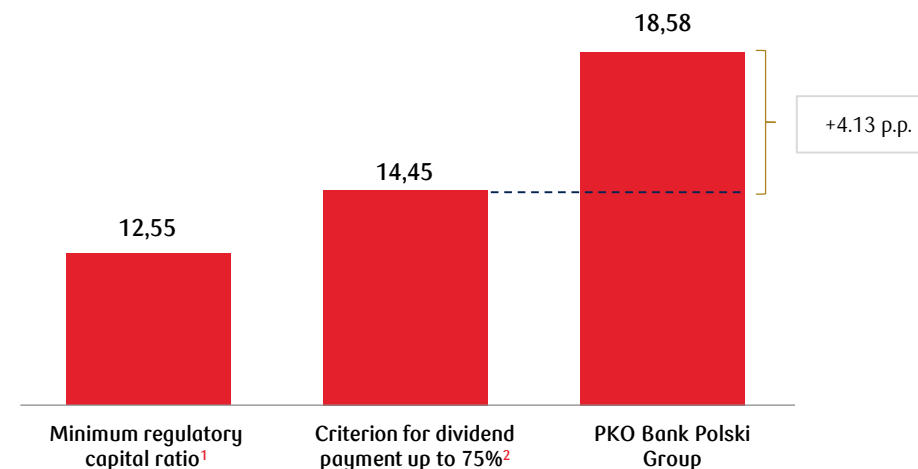


Bank Polski

CET1 = Tier1 capital ratio [%]



Total capital ratio (TCR) [%]



The Bank meets the requirements of the KNF position on dividend policy in 2025, to pay dividends amounting to 75% of profit

¹ – Tier 1: CRR 6% + conservation buffer 2.5% + OSII buffer 2% + countercyclical buffer 0.05% (Bank: 0.06%); TCR: CRR 8% + conservation buffer 2.5% + OSII buffer 2% + countercyclical buffer 0.05% (Bank: 0.06%)

² – Tier 1: CRR 6% + conservation buffer 2.5% + OSII buffer 2% + target value of the countercyclical buffer 1.95% (as of Q4 2024); TCR: CRR 8% + conservation buffer 2.5% + OSII buffer 2% + target value of the countercyclical buffer 1.95% + additional requirement: good credit quality of the portfolio of receivables from the non-financial sector, both in the Group and the Bank level (NPL share <5%)

We have strengthened our sustainability efforts



Bank Polski



Environment



Goal: **net-zero by 2050**



We support clients in their energy transformation

PLN 10 bn of new financing supporting the transformation

EUR 750 bn issuance of green bonds to refinance housing loans



Reduction of own emissions (scope 1 and 2):

99% green energy

Reducing the energy consumption of our buildings: modernization of **24** branches and **12** new renewable energy installations



Social responsibility



2.3% gender pay gap



40.3% share of the underrepresented gender in management positions

Signature of the **Diversity Charter**

Women's Bank – an initiative supporting underrepresented gender's development



1.4% share of employees with disabilities



5.5 ths+ initiatives for financial education, cybersecurity, ecology and business development



Corporate governance



ESG one of the pillars of the business strategy for 2025-2027



Transformation Plan for own emissions and the loan portfolio (energy and real estate - 43% of the portfolio)



Improvement of ESG competences:

„Competitiveness of the climate and the role of financial institutions” training for the **Management and Supervisory Boards**

79% employees completed mandatory ESG training

Creation of the Energy Transformation Solutions Office

Credit / ESG ratings and ownership

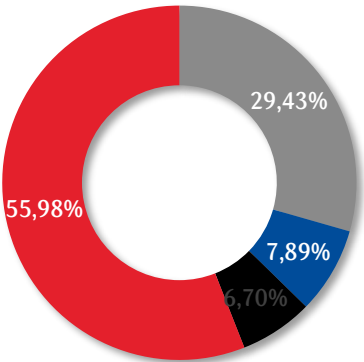


Bank Polski

Moody's Investors Service

Deposit rating	A2
Senior Unsecured	A3
Junior Senior Unsecured	Baa2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Outlook	Stable

Shareholder structure (number of shares: 1 250 mln)



- The Bank's shares have been listed on the Warsaw Stock Exchange since November 10, 2004.
- Largest domestic bank on the WSE in terms of capitalization PLN 74,7 billion PLN (as of 31/12/2024)
- Bank PKO BP is included in the following indices: WIG, WIG20, WIG30, WIG Banki, WIG-ESG, FTSE Russell, Stoxx 600
- ISIN; PLPKO0000016; Bloomberg: PKO PW; Reuters: PKOB WA

■ State Treasury ■ Nationale Nederlanden OFE ■ Allianz Polska OFE ■ Others

ESG ratings



A

(A in 2023)

↔

CCC

B

BB

A

AA

AAA



23.9 Medium Risk

(23.5 in 2023)

↓

Severe

High

Medium

Low

Negligible



3.3

(3.3 in 2023)

↔

0

3.3

5



46

(46 in 2023)

↔

0

46

100



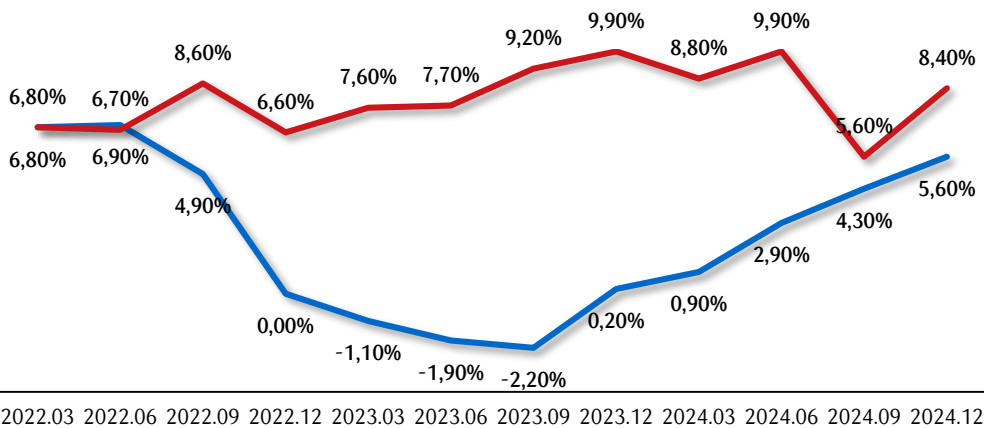
Bank Hipoteczny

Polish banking sector

Polish banking sector



Loan and deposit growth rate Y/Y



Source: BFG

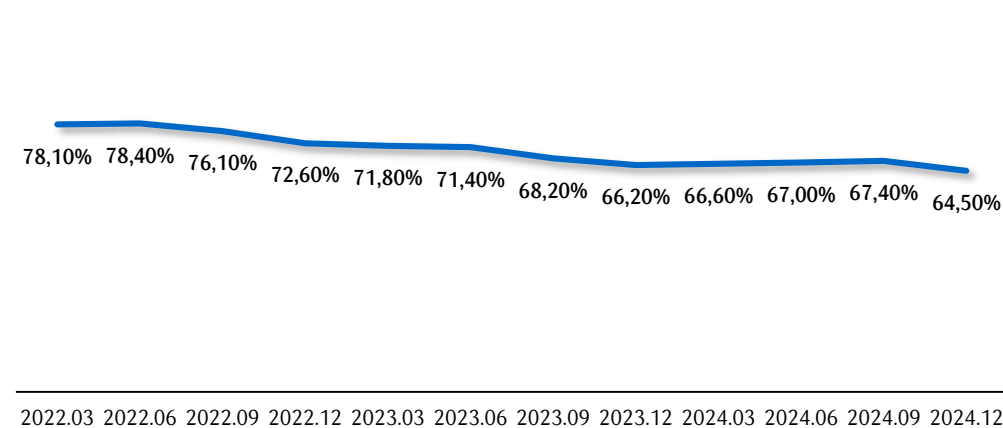
— Kredyty brutto — Depozyty

KPIs of the Polish banking sector as at 31.12.2024

KPIs	Banking sector
TCR	21.4%*
ROE	15.50%
ROA	1.27%
C/I	43.00%
Total Stage 3 ratio	5.1%**
Stage 3 ratio (mortgage loans only)	1.4%**

Source: The Polish Financial Supervision Authority
 *At the end of September 2024
 **Calculations based on The Polish Financial Supervision Authority data.

Ratio of gross loans to deposits



Source: BFG

Key market parameters

<div> <div>%</div> <div>31.12.2020</div> <div>31.12.2021</div> <div>30.12.2022</div> <div>29.12.2023</div> <div>31.12.2024</div> </div>					
WIBOR 3M	0.21%	2.54%	7.02%	5.88%	5.84%
<div> <div>€</div> <div>4.61</div> <div>4.60</div> <div>4.69</div> <div>4.35</div> <div>4.27</div> </div>					
EUR/PLN					

Source: GPW Benchmark, NBP



Bank Hipoteczny

Regulations

Robust regulatory regime

- Covered bonds and mortgage banks in Poland are regulated by the Polish Covered Bond Act. Covered Bond Directive was implemented into Polish Law in July 2022
- By law, only **specialized mortgage banks** are entitled to issue covered bonds in Poland
- **Segregation of assets** in the cover pool (only mortgages, cash, sovereign debt or similar*)
- **Constant supervision by the independent Cover Pool Monitor** (appointed by KNF) over mortgage bank activities and its cover pool
- Conservative approach of determining **the mortgage lending value** (through-the-cycle) of real estate with rules approved by KNF
- **Strict regulatory limits on mortgage banks and covered bonds** including:
 - min. 5% overcollateralisation (OC)
 - liquidity buffer to cover the maximum cumulative net liquidity outflow in 180 days
 - coverage and liquidity tests
- **Mandatory FX risk limitation**
- **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)
- Covered bonds exempt from bail-in protocol (BRRD)**



*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).

**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.

Regulatory safeguards built into bankruptcy procedure

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

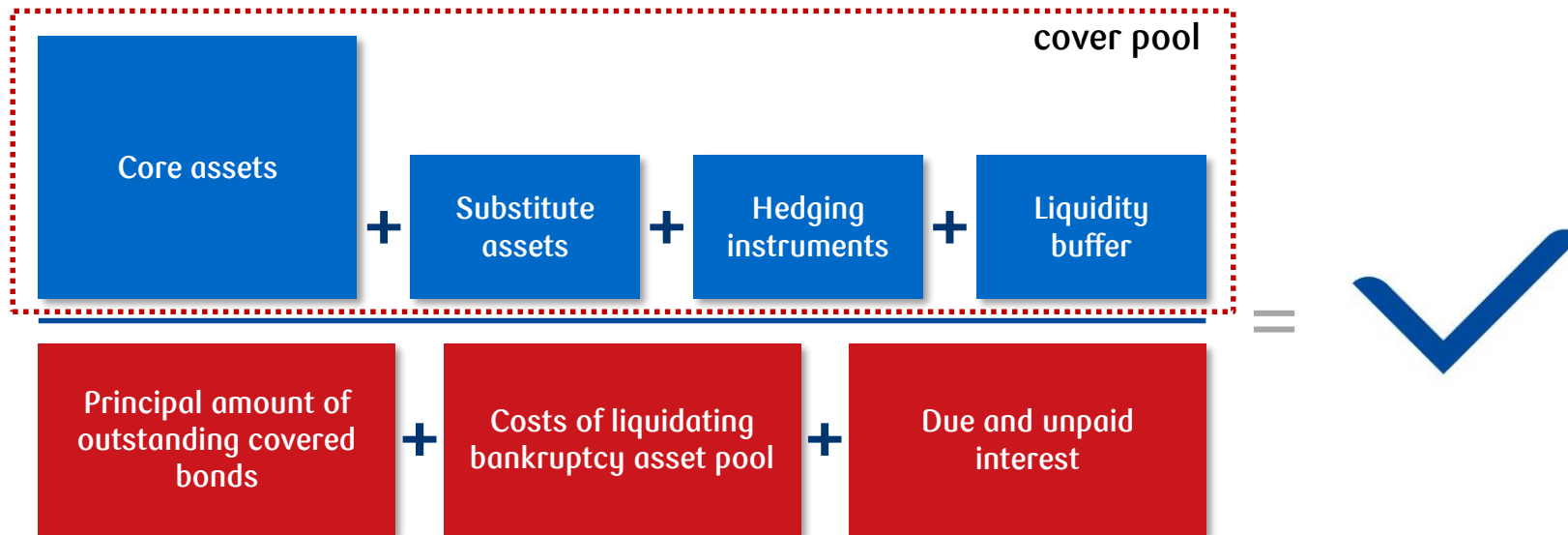
Covered bondholders entitled with option to intervene in bankruptcy procedure

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%

To ensure the safety of the Covered Bonds the Bank is obliged to perform the coverage test

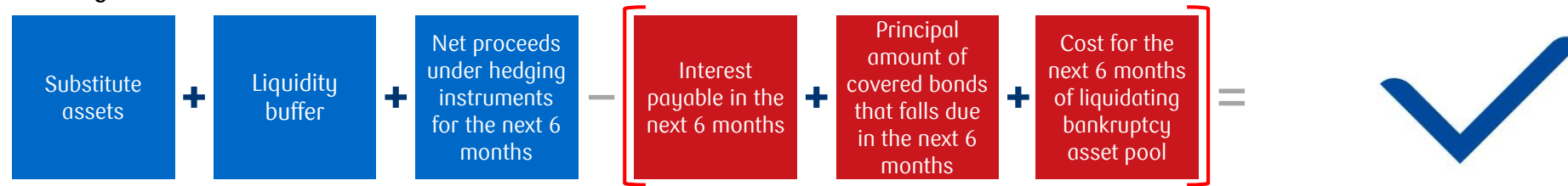


The coverage test:

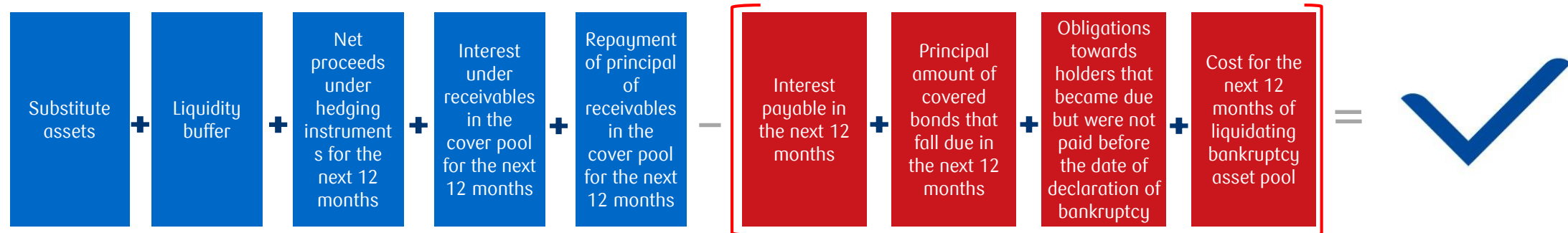
- **verifies whether the value of assets in a cover pool allows for full satisfaction of all claims** under outstanding covered bonds,
- must be **performed every six months**,
- is performed based on the following sets of data:
 - real data as of day of testing,
 - scenarios concerning changes of FX rates.

...and the liquidity test

180 days



12M



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.

Experienced management team



Wojciech Papierak

President of the Management Board

graduate of the Faculty of Law at the University of Łódź. Associated with banking since 1993. He gained his first experience while working in a bank branch, and he climbed the next career ladder in various institutions and areas in the following years, up to serving on the management boards and supervisory boards of several banks (Nordea Bank Polska S.A., PKO BP S.A., FM Bank PBP S.A., Plus Bank S.A.).

Responsible for internal audit, HR, legal and compliance departments.

Katarzyna Kurkowska- Szczechowicz

Vice President of the Management Board

graduate of the Faculty of Economics at the Warsaw School of Economics, majoring in Finance and Banking, a master's degree in law from the Faculty of Law and Administration at the University of Warsaw and a graduate of the Executive MBA Program at Aalto University. Associated with the financial market for over 20 years. She has worked in the structures of PKO BP since 2012.

Responsible for treasury, product and IT departments.

Piotr Kochanek

Vice President of the Management Board

graduate of the Faculty of Mathematics of the Silesian University of Technology. He has gained his professional experience working for Bank BPH, DnB Nord Polska, Allianz Bank Polska and Nordea Bank Polska. Since 2014, he has been associated with PKO Bank Hipoteczny as Head of the Risk Department.

Responsible for risk and mortgage departments.

Michał Stępniewski

Vice President of the Management Board

graduate of the Faculty of Law at the University of Warsaw, legal adviser, graduate of British law studies at the University of Cambridge and IESE Business School. He has gained professional experience working, among others, at The Polish Financial Supervision Authority, the Ministry of the State Treasury, PKO TFI S.A. and KDPW S.A.

Responsible for controlling and finance departments.

Thank you

Contact

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Treasury Office Director

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00-116 Warsaw

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IR.pko.bh@pkobh.pl

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