

Dear Sir / Madam,

I am pleased to present you with the annual report of PKO Bank Hipoteczny for 2019.

It was a period of stable growth and consolidation of the Bank's market position. PKO Bank Hipoteczny remained the undisputed leader both in terms of the value of outstanding mortgage covered bonds issued, and the size of the mortgage loan portfolio.

In 2019, the Bank's total assets exceeded PLN 27 billion, including a high quality portfolio of housing loans of PLN 25.8 billion. This represents a 23% increase in total assets compared with the end of 2018, while maintaining stability and operational safety.

Based on our strategic cooperation with PKO Bank Polski, together we offer mortgage loans which are valued by our customers and which have received many awards from experts. However, we constantly strive to develop our product, while improving customers' safety, as it is very important for us. That is why in 2019 our Bank introduced to its product mix a mortgage loan with interest based a five-year fixed base rate.

Sustainable development was an important aspect of our operations in 2019. On 11 April 2019, PKO Bank Hipoteczny SA together with PKO Bank Polski SA were the first two banks in Poland to join the pilot project "Energy Efficient Mortgages (EEM) Initiative". The aim of this project is aimed at developing standardized pan-European solutions for mortgage loans to finance energy-efficient apartments and houses. We are the first mortgage bank in Poland to have issued green mortgage covered bonds. They amounted to PLN 500 million in total. Their high quality is evidenced by the certification obtained by PKO Bank Hipoteczny, which is awarded to bonds whose positive effect on the natural environment is of the highest standard. Furthermore, we introduced a preferential mortgage loan offer based on more favourable pricing terms for customers who present an energy performance certificate confirming the high energy-efficiency of the property being purchased.

In 2019, we were also an active participant in the international mortgage covered bonds market. The Bank carried out three issues of EUR-denominated mortgage covered bonds totalling EUR 700 million. As a result, at the end of 2019, the balance of the Bank's mortgage covered bonds was PLN 16.2 billion, giving us a market share of approx. 62%. This represents a 26% increase in the balance of mortgage covered bonds during the year. The Aa3 rating awarded by Moody's Investor Service confirms the high security of our bonds. This is the highest rating which can be obtained by Polish debt securities.

In recent years, we have significantly supported diversification of sources of financing for the PKO Bank Polski Group by providing long-term financing in the form of mortgage covered bonds. However, due to a new regulatory requirement regarding the minimum requirement for own funds and eligible liabilities (MREL), there is work under way on changing the PKO Bank Polski Group's policy regarding the structure of long-term financing. Therefore, in 2020 the Bank anticipates a reduction both in the level of mortgage covered bonds issued and assets acquired.

I would like to thank our investors and customers for their confidence, which has enabled PKO Bank Hipoteczny to develop dynamically, as well as the employees of the Bank and the Group for their relentless enthusiasm and dedication.

I hope you find the report interesting.

A handwritten signature in blue ink, appearing to read 'PS', with a long, sweeping horizontal stroke extending to the right.

Paulina Strugała
President of the Management Board of PKO Bank Hipoteczny SA