

Covered Bonds Investor Presentation

Successful track record since 1999



Investment Highlights

mBank Group & mBank Hipoteczny

- mBank Group – 5th largest banking group in Poland (in terms of assets and by customer net loans and deposits). Well capitalized & liquid universal bank, recognized domestically and internationally as a mobile banking icon
- mBank Hipoteczny - longest (21 years) track record of covered bond issuance in the Polish capital market with the equivalent of ca. EUR 1.64 B of covered bonds already outstanding placed on local and international market
- Mortgage covered bonds - rated Aa2 by Moody's Investors Service: 1 notch below the Polish sovereign rating & 6 notches above the issuer rating
- Covered bonds as a part of mBank Group Green Bonds Framework – refinancing tool for green residential mortgages

Polish economy & real estate market

- Poland – one of EU's most resilient economies with profitable, well-capitalized and attractive banking sector
- Growing, high standard real estate market with attractive prospects for lending growth
- Strong covered bond legal framework: updated in 2016 with the objective of implementing best in class market practices for the benefit of covered bonds investors
- Growing covered bond market, offering European investors diversification and access to attractive exposures



mBank Group overview

- Key performance
- mBank Hipoteczny role in mBank Group Strategy

mBank Group in a snapshot

General description

- Set up in 1986, **mBank** (originally BRE – Export Development Bank) is Poland’s 5th largest **universal banking group** in terms of total assets and by net loans and deposits at the end of 2020
- Servicing **4.7 million retail clients** and 29.1 thousand corporate clients **in Poland** and 1,003 thousand retail clients in Czech Republic and Slovakia
- mBank has **leading positions** in retail, corporate, SME and private banking, leasing, factoring, commercial real estate financing, brokerage, corporate finance and capital markets advisory as well as distribution of insurance
- Listed on the Warsaw Stock Exchange since 1992** with a market value of ca. EUR 9,998.6 million, a member of WIG-30 index
- Highly capitalised, liquid bank with a strong funding profile and **a well balanced business mix** between retail and corporate banking segments
- Rated ‘BBB-’ by Fitch and ‘BBB’ by Standard & Poor’s
- A strategic shareholder, Germany’s Commerzbank, owns 69.28% of mBank’s shares

Key financial mBank Group data (PLN M)

	2017	2018	2019	2020
Total Assets	131,424	145,750	158,720	180,136
Net loans	84,476	94,723	103,203	109,832
Deposits	91,496	102,009	116,661	137,699
Equity	14,292	15,216	16,151	16,675
Total income	4,454	5,059	5,524	5,867
Net profit	1,092	1,316	1,010	104
Cost/Income ratio	45.9%	42.8%	42.2%	41.1%
Cost of risk	0.61%	0.78%	0.79%	1.19%
Return on Equity (ROE) (net)	8.3%	9.5%	6.6%	0.63%
Tier 1 ratio	18.3%	17.5%	16.51%	17.0%
Total Capital Ratio	21.0%	20.7%	19.5%	19.9%
NPL ratio	5.2%	4.8%	4.5%	4.8%
NPL coverage ratio	59.2%	62.8%	60.7%	58.2%

Main product lines

RETAIL BANKING

A wide range of modern financial services for mass market, affluent and private banking clients as well as entrepreneurs

Poland

Czech Republic
and Slovakia

5,662 thou. clients

CORPORATE AND FINANCIAL MARKETS

Fully fledged offering:

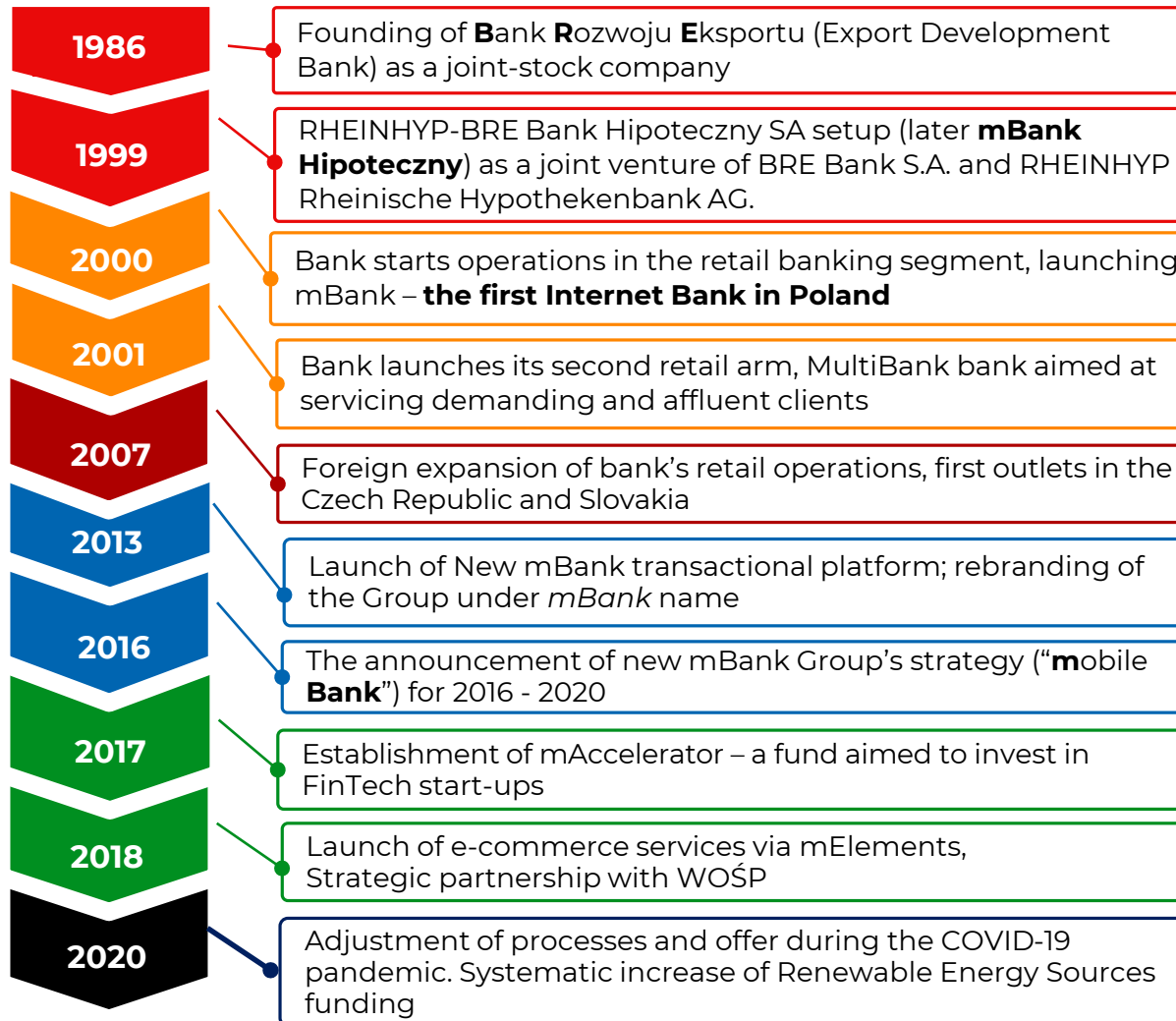
- Corporate banking
- Transactional banking
- Investment banking
- Brokerage
- Leasing
- Factoring

29.1 thou. clients

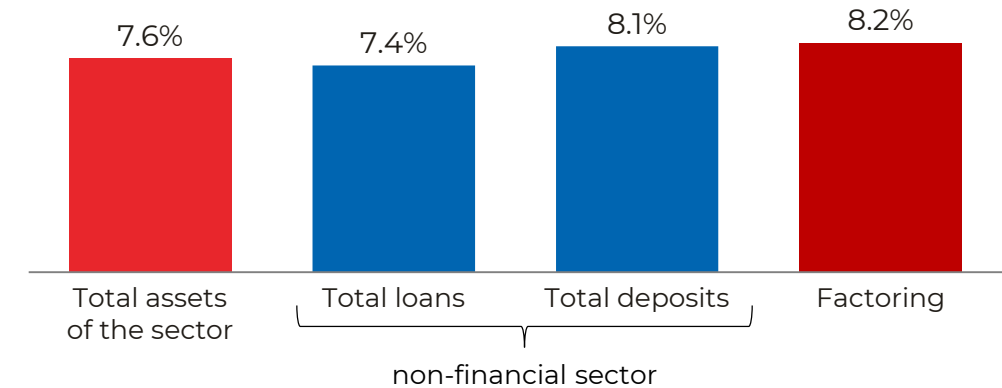
Source: mBank Group Consolidated Financial Statements YE 2020

mBank - from a corporate bank to a large universal banking group

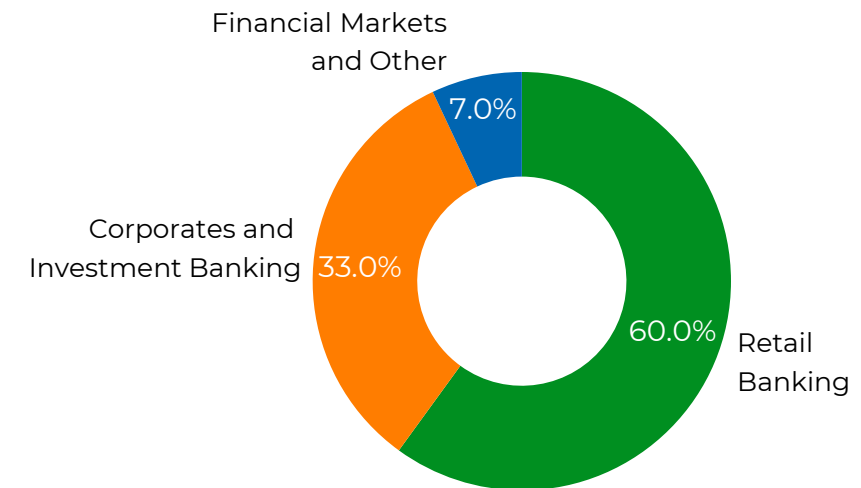
Brief history



Market shares



Composition of mBank Group's total income



Total income: PLN 5,866.8 million in 2020

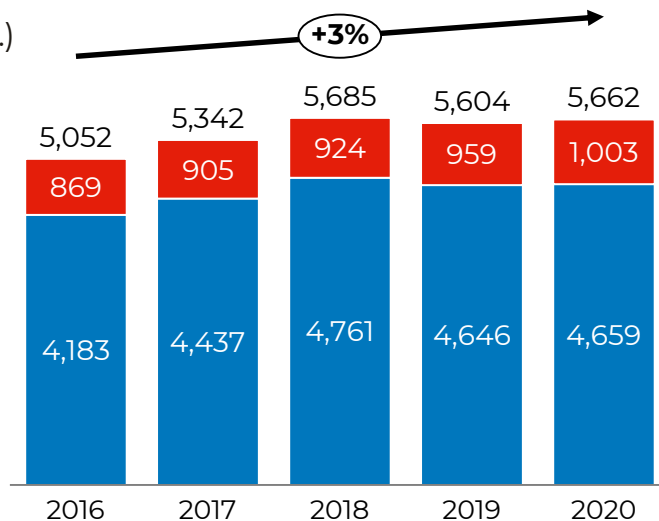
mBank Group's unique story of successful organic growth

Number of retail customers (thou.)

Favourable demographics of customer base:

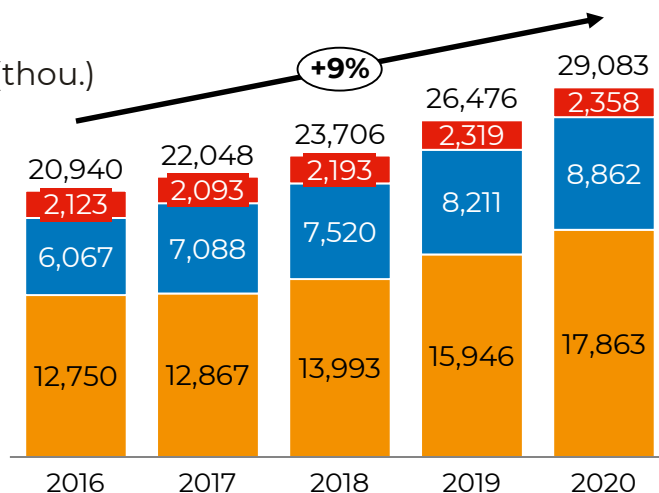
- ca. 50% of retail clients are under the age of 35 and are expected to reach their highest personal income levels in the future,
- mBank's mortgage clients predominantly live in urban areas and large cities of more than 100 thou. residents

■ mBank CZSK
■ Poland

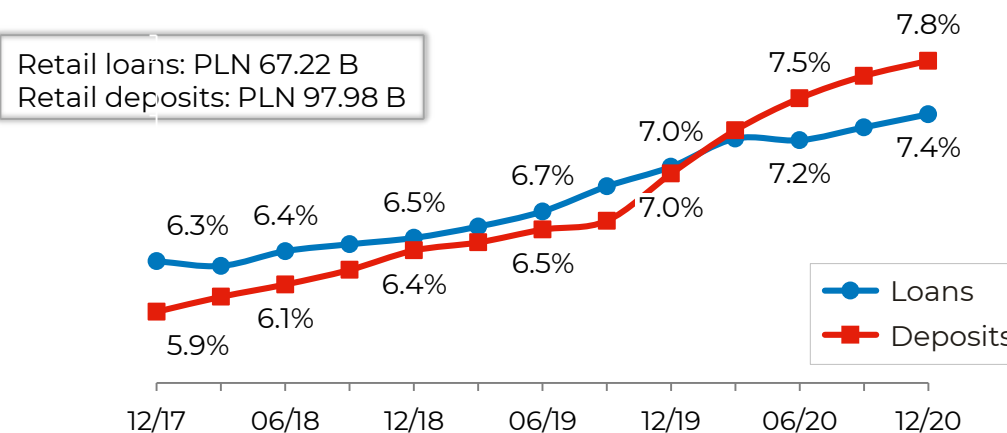


Number of corporate customers (thou.)

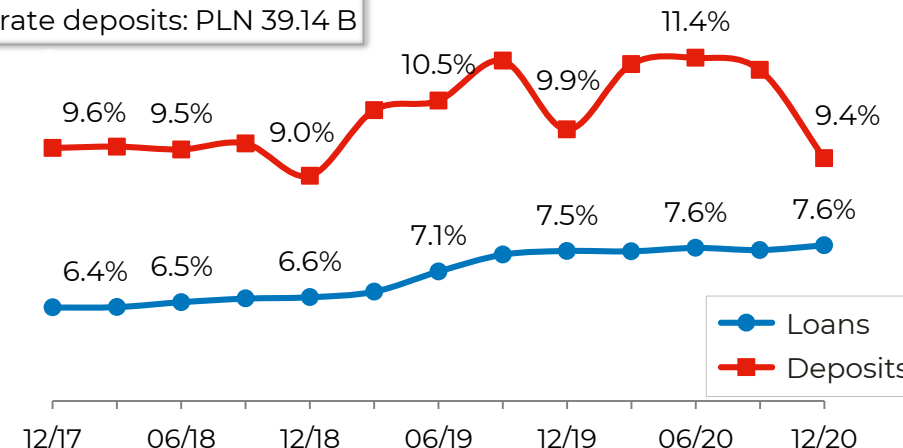
- K1 – annual sales over PLN 500 M and non-banking financial institutions
- K2 – annual sales PLN 30 M to PLN 500 M
- K3 – annual sales PLN below 30 M



Market shares



Corporate loans: PLN 46.03 B
Corporate deposits: PLN 39.14 B



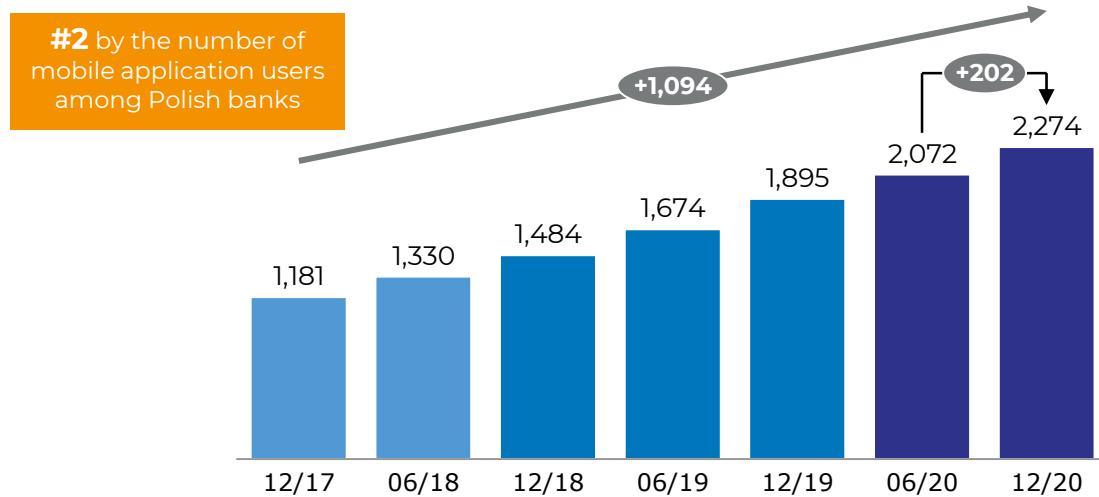
Source: mBank Group Consolidated Financial Statements YE 2020

mBank Group – mobile retail and corporate banking

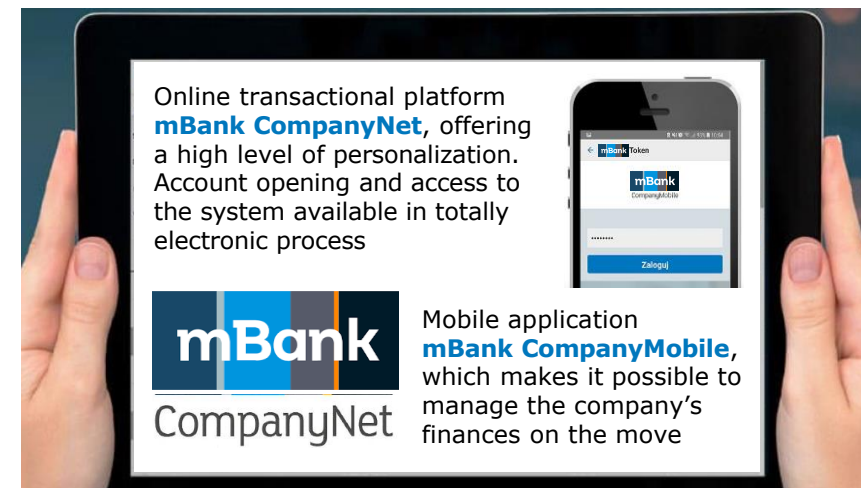
Focus on client convenience through well-designed functionalities

- **Account opening via selfie**, in a totally remote process
- Google Pay and Apple Pay (for Visa and MasterCard holders) for contactless payments with a phone in POS
- The **possibility of logging** in with a PIN code, fingerprint or Face ID
- Mobile authorisation – confirmation of operations made in the transaction system via the mobile application (instead of entering the code received in text message)
- Payment Assistant – reminders of regular payments, allowing the users to quickly settle invoices
- **mLine** in a click – connection with consultants directly from the application, without the need of ID and telecode
- Quick cash loan with a decision in 1 minute from request submission, based on pre-approved limit determined for the client
- Express transfers using telephone numbers within the **BLIK** system
- Scanning of data to the transfer form from both paper or electronic invoices instead of manual filling
- **Remote mortgage loan process**, with visiting a branch only for the final signature of the agreement

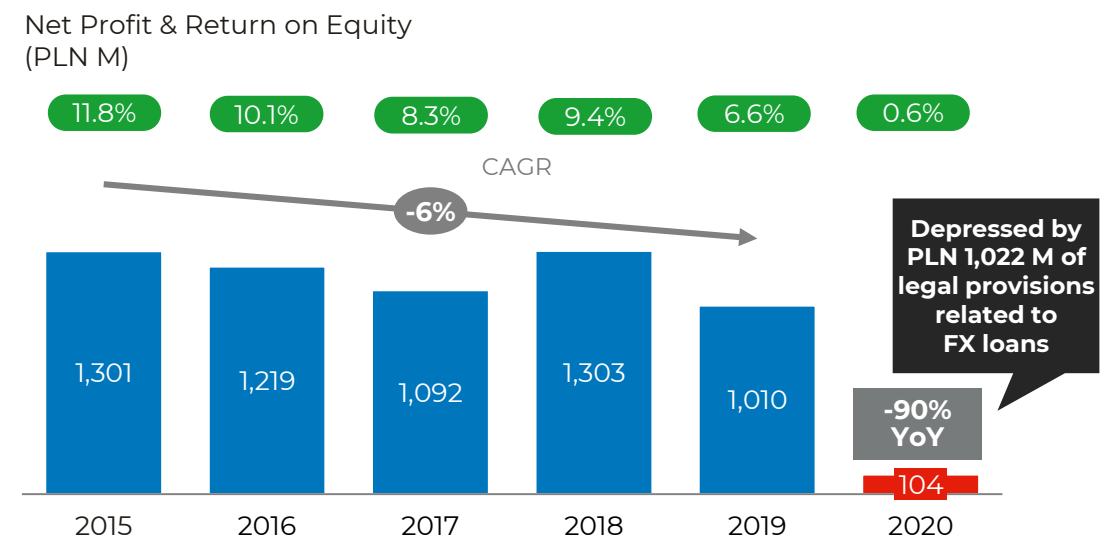
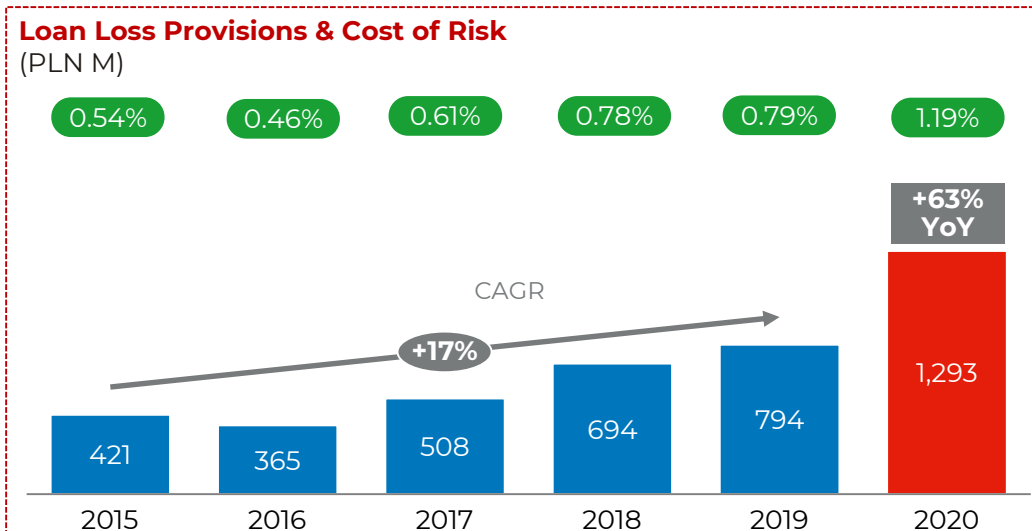
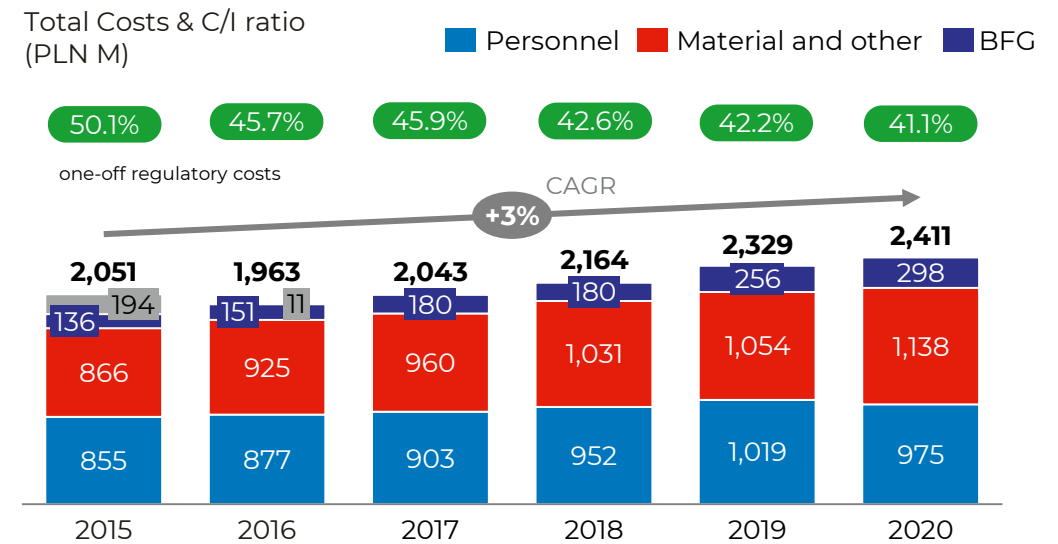
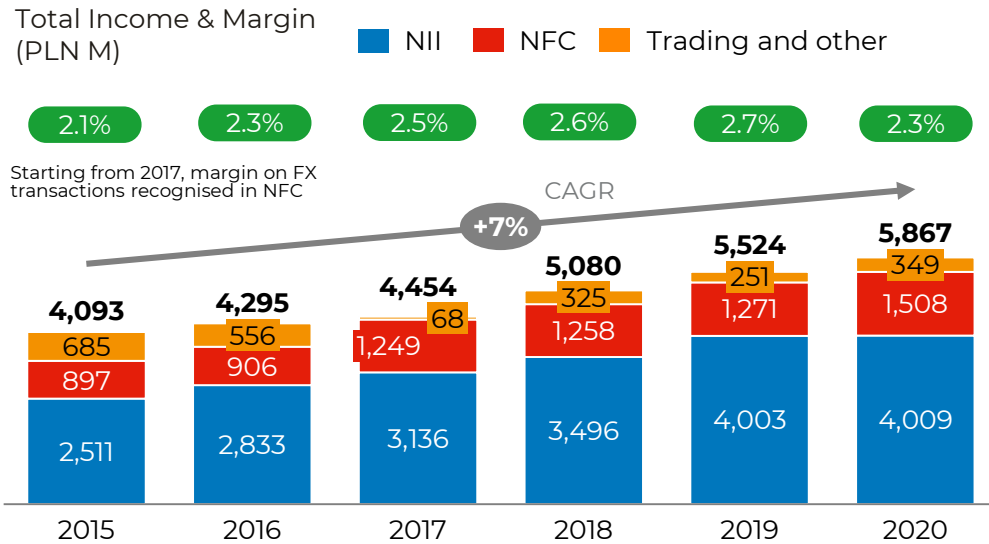
Active Users of mBank's Mobile Application (thou.)



Digital access channels for corporate customers



mBank Group's historical performance: Profit and Loss Account



Note: A drop of net profit in 2019 and 2020 caused by the provisions for legal risk related to the FX mortgage loans.

mBank Group's historical performance: Cost of Risk

mBank Group's support for clients amid COVID-19 pandemic

Due to the crisis caused by the COVID-19 pandemic, mBank Group offers to its clients a number of assistance tools aimed at supporting them in a difficult situation resulting from the outbreak of the epidemic.

The purpose of these tools is to help maintain the financial liquidity of clients by reducing the financial burden in the short term.

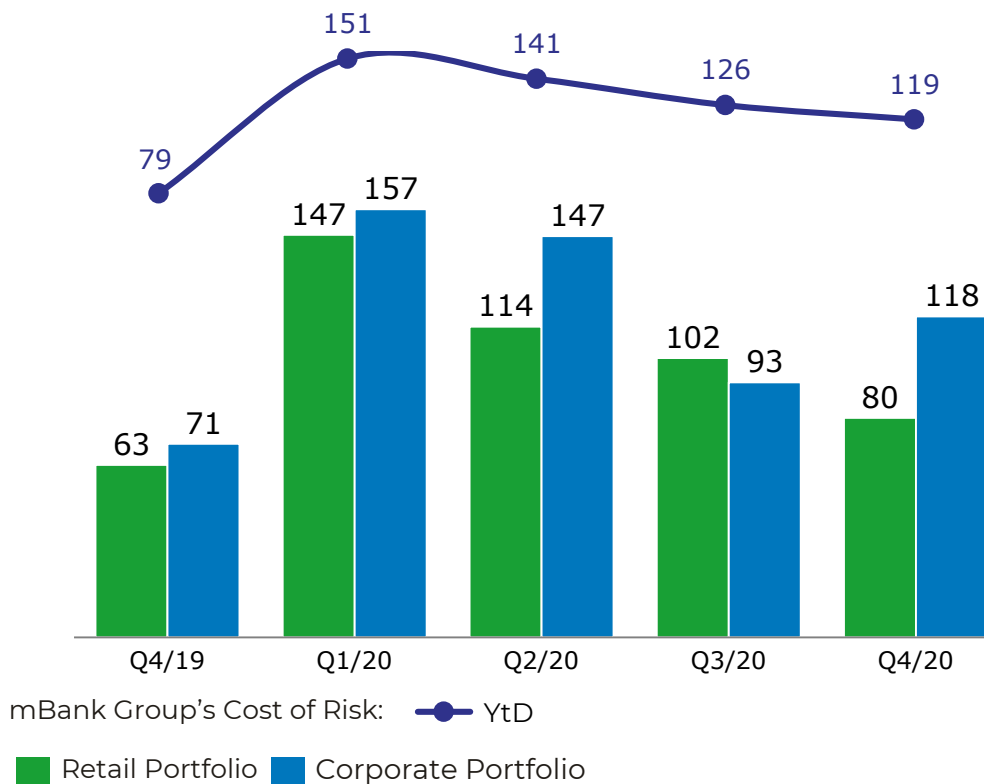
mBank was the first bank in Poland which offered a loan repayment moratorium covered supporting instruments granted from 13 March to 30 September 2020.

The Group offers to retail clients also support under so-called Crisis Shield 4.0, effective from 23 June 2020.

Cost of credit risk at the end of 2020 in the amount of PLN 1.293 billion includes the cost of risk results from COVID-19 pandemic.

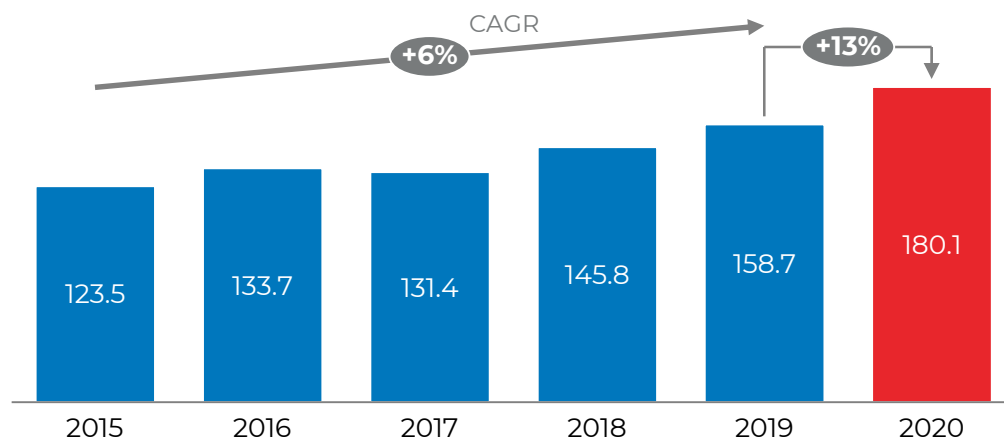
The cost of risk in 2020 stood at 119 bps, compared with 79 bps in 2019

mBank Group's Cost of Risk by Segment (bps)

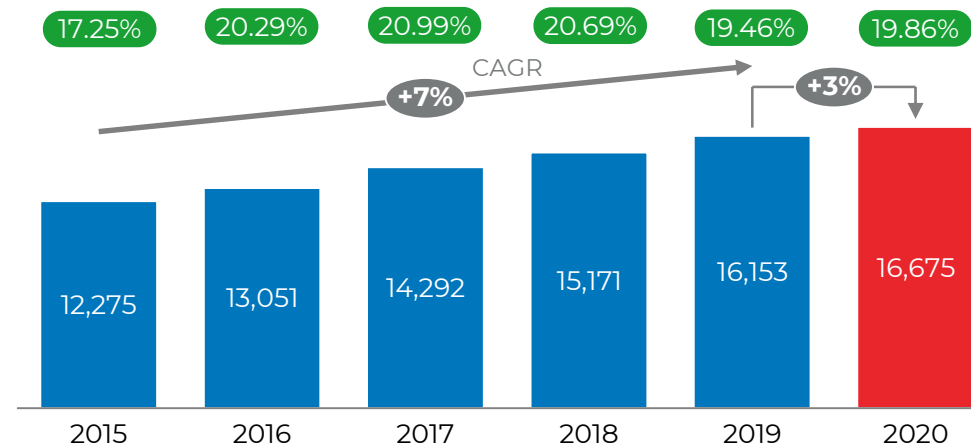


mBank Group's historical performance: Balance Sheet

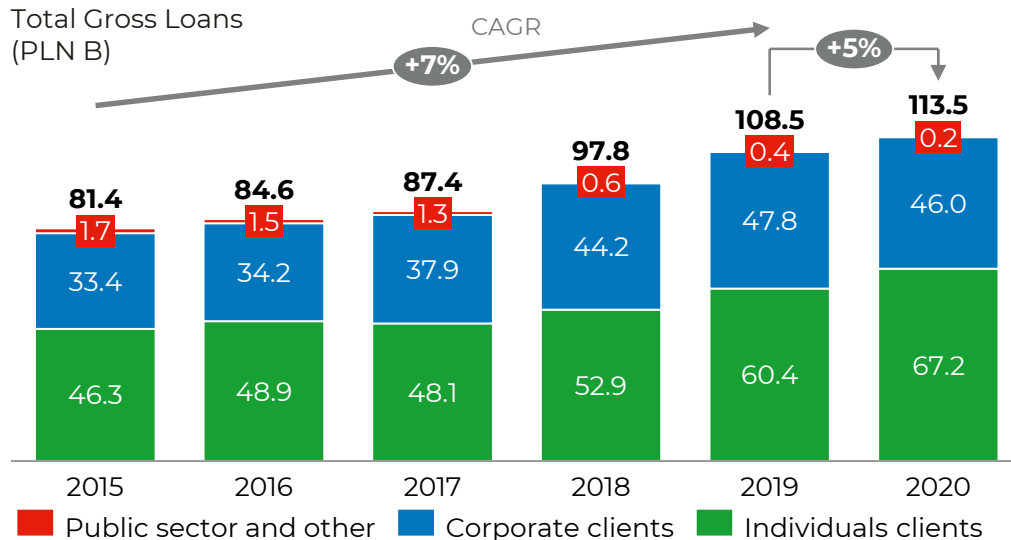
Total Assets
(PLN B)



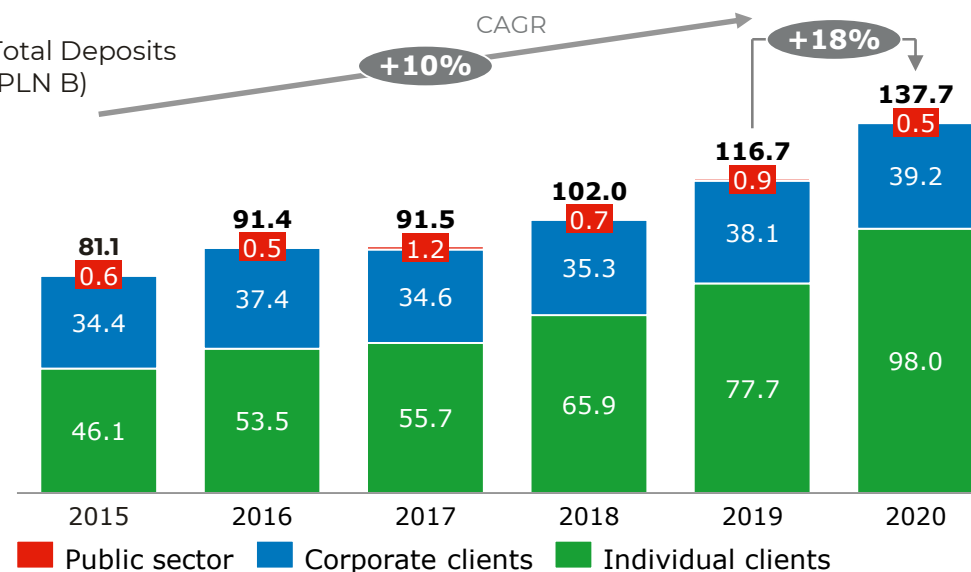
Equity & Total Capital Ratio
(PLN M)



Total Gross Loans
(PLN B)

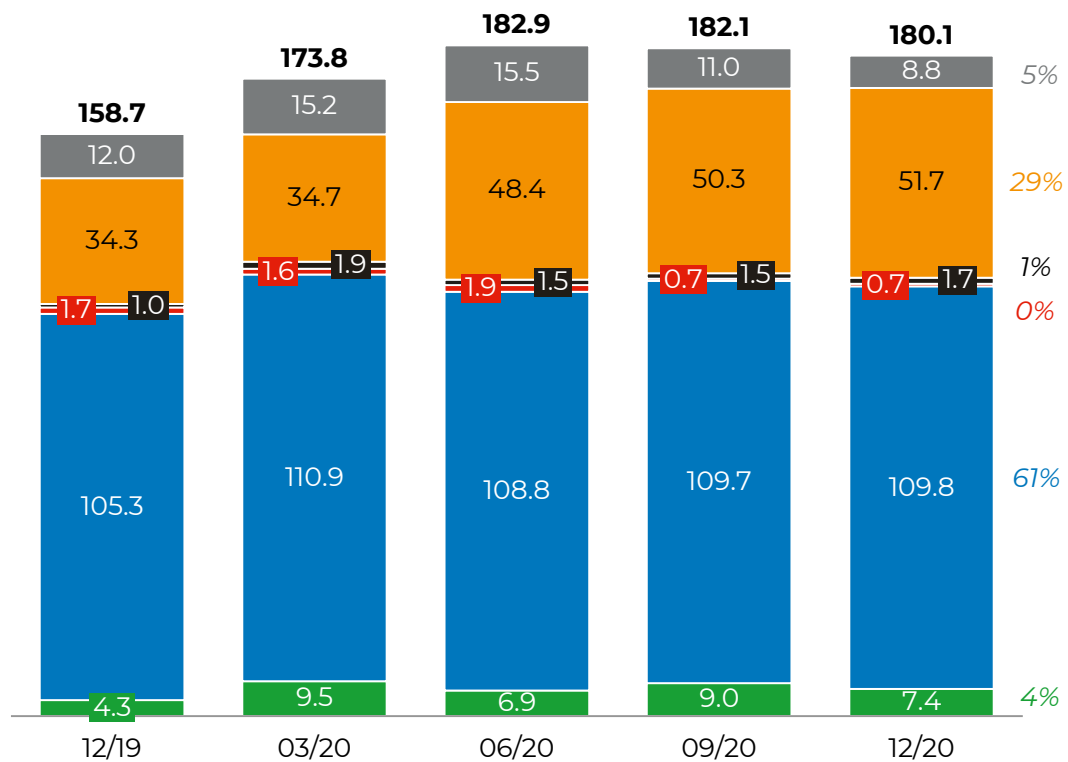


Total Deposits
(PLN B)



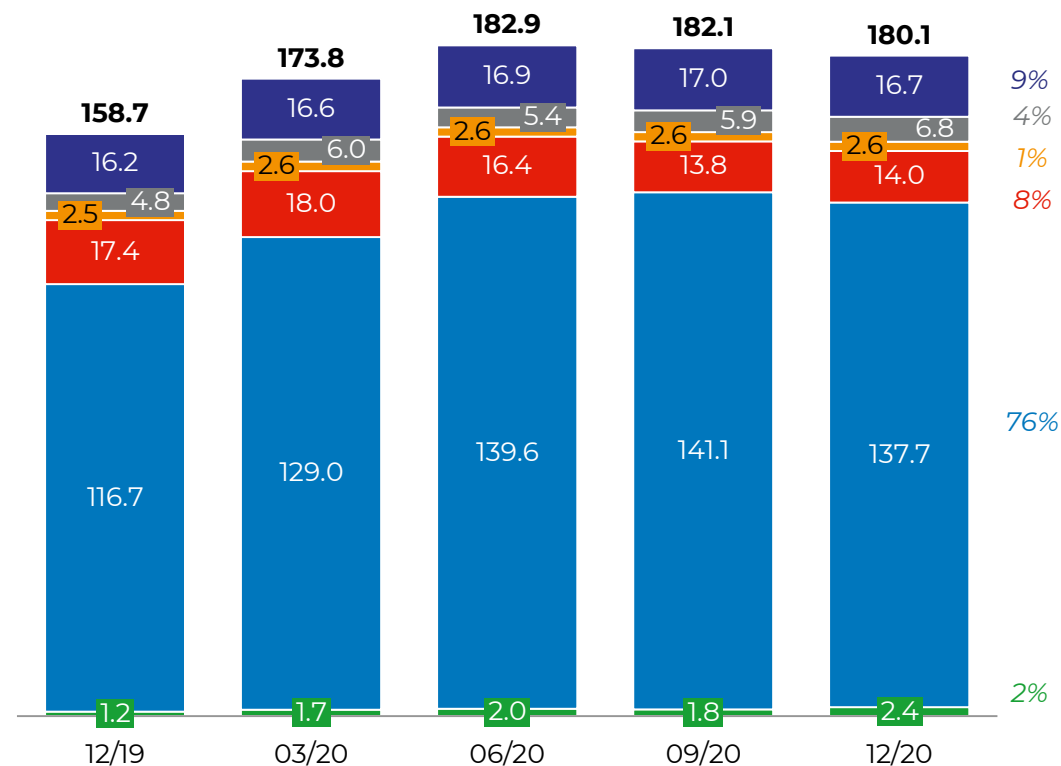
mBank Group's historical performance: Balance Sheet

Structure of Assets
(PLN B)



- Other
- Investment securities
- Derivative financial instruments
- Trading securities
- Loans and advances to customers
- Amounts due from banks

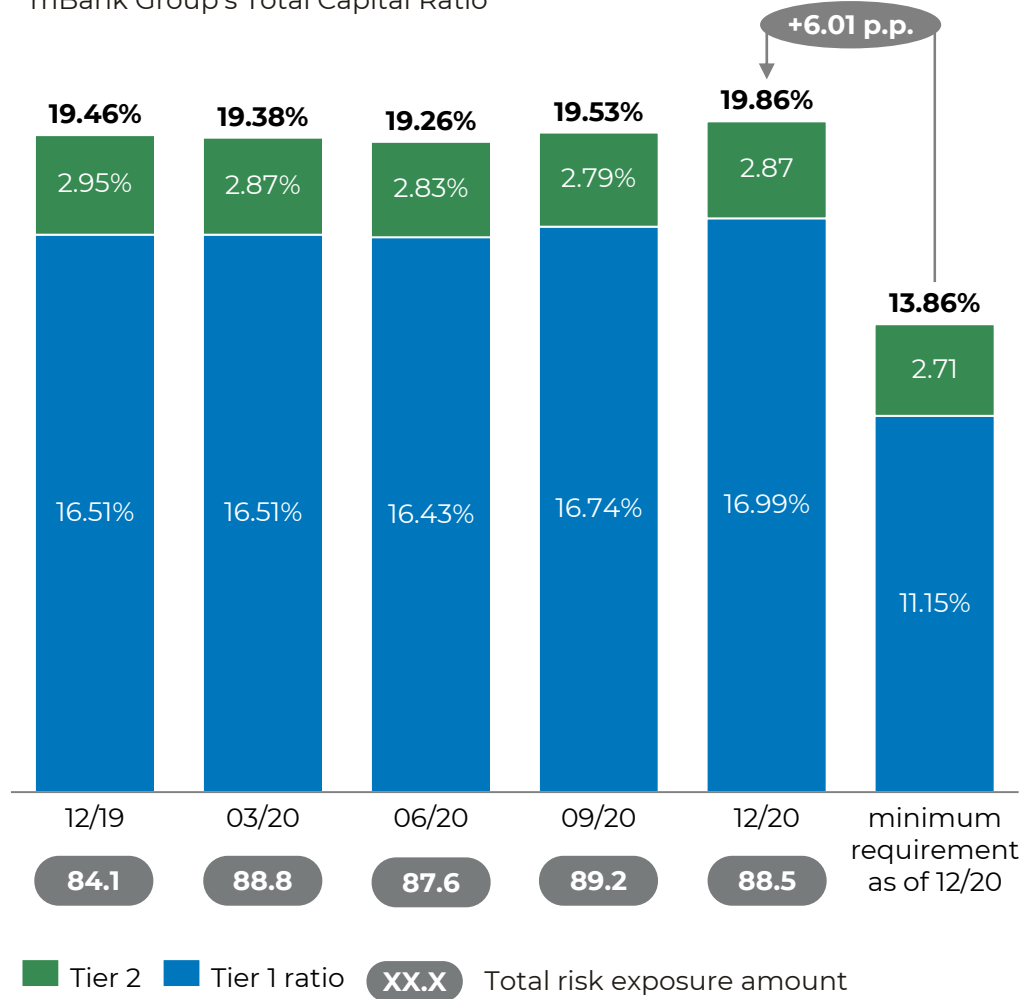
Structure of Liabilities and Equity
(PLN B)



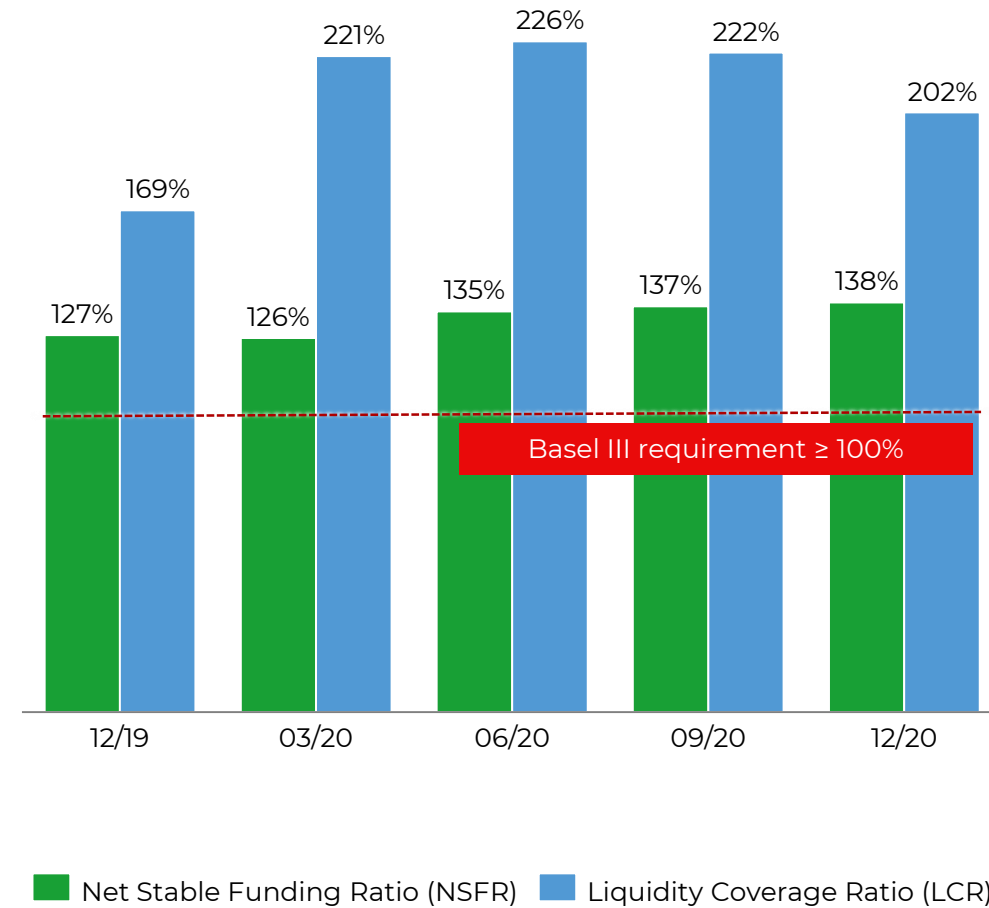
- Equity (total)
- Other
- Subordinated liabilities
- Debt securities in issue
- Liabilities to customers
- Liabilities to other banks

mBank Group's historical performance: Balance Sheet

mBank Group's Total Capital Ratio



mBank's NSFR and LCR



¹ LCR for mBank Group was at 218% as of 31.12.2020

mBank Group's Strategy for 2020-2023

What will mBank be like in the horizon of the strategy for 2020-2023?

We will...



... continue mBank's **organic growth**, based on the **acquisition** of **young clients** and dynamic **companies** from prospective industries.



... **accompany** our clients throughout their **lifecycle** and **development**, designing our products, platforms, access channels and service model according to their **needs**.



... remain the most **convenient transactional bank** by providing our customers with **ease and speed of use**, high security standards, advanced platform, **personalisation** and a bonus for loyalty.



... build our offer and solutions based on the **mobile first** paradigm, increasing the share of sales and service in the **digital sphere**.



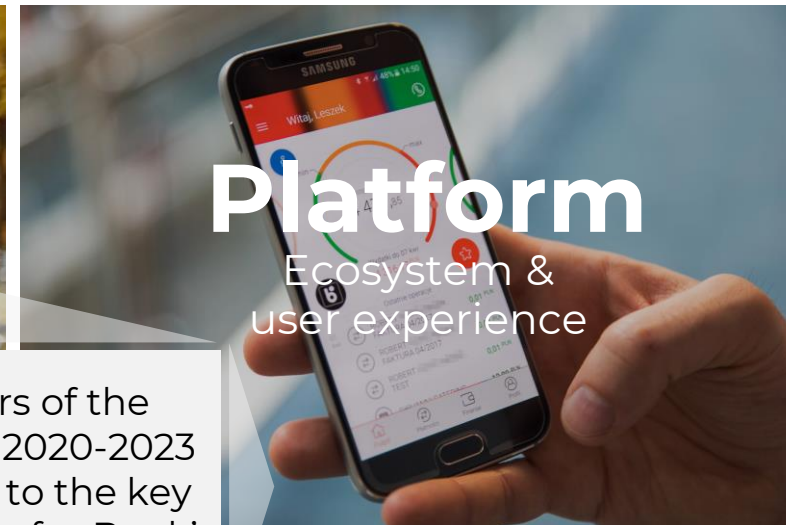
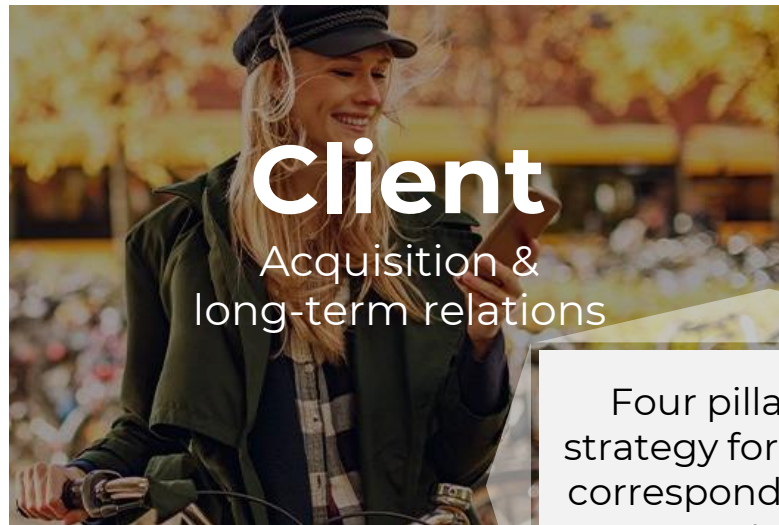
... intensify **optimisation, automation** and **digitalisation** of internal processes what will translate into savings for the organisation and **enhanced operational efficiency**.



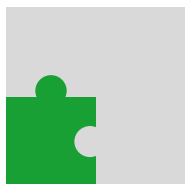
... be systematically **improving our profitability** due to rising revenues, decent cost discipline and prudent approach to risk management, while **more favourable balance sheet structure** will result in higher margin.

mBank Group's Strategy for 2020-2023

In the strategy for 2020-2023, mBank Group focuses on 4 areas



Four pillars of the strategy for 2020-2023 correspond to the key components of mBank's business model



mBank Group's Strategy for 2020-2023

Corporate Social Responsibility and Sustainable Development Strategy of mBank

Top aim

Be among top three leaders of social responsibility in the banking sector

Direction guidelines

Sustainable Development Goals (SDGs) set by the United Nations

For the first time, the CSR strategy has become an integral part of the document.

mBank educates

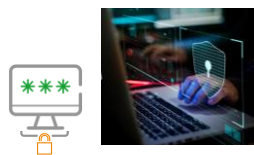
- We support the development of mathematical education and equalize educational opportunities for young people.

national competitions and grant programmes



- We teach how to use online and mobile banking safely. We make customers more sensitive to cybercrime threats in the banking area.

social (educational) campaigns



mBank cares about the climate and the environment

- We limit our indirect impact.

credit policy regarding industries relevant in the context of EU climate policy

mBank in the ESG Index (GPW)



- We limit our direct impact.

measurement and reduction of our carbon footprint reduction of energy consumption saving water, paper and office supplies



mBank promotes prosperity

- We support organisations that work for social welfare.

cooperation with WOŚP



- We are accessible to clients with disabilities (inclusive banking).

- We act ethically.

Code of Conduct 2.0



- We communicate with our customers in a fair, clear and transparent way.

- We ensure diversity and equal opportunities.



mBank Hipoteczny overview

- Key performance
- COVID-19 impact on mBank Hipoteczny

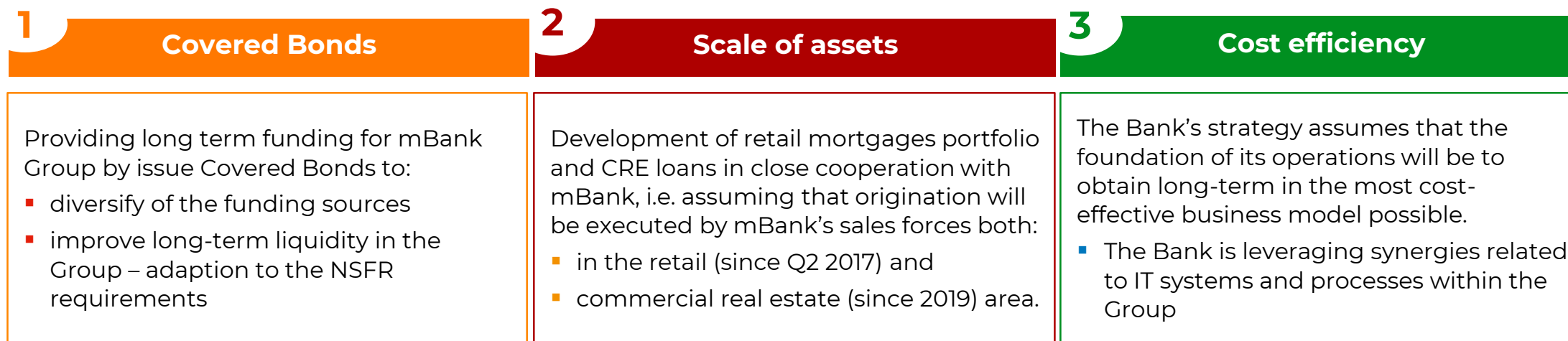
mBank Hipoteczny overview and role in Group strategy

mBank Hipoteczny is a specialised credit institution (mortgage bank) authorised to issue covered bonds under Polish law.



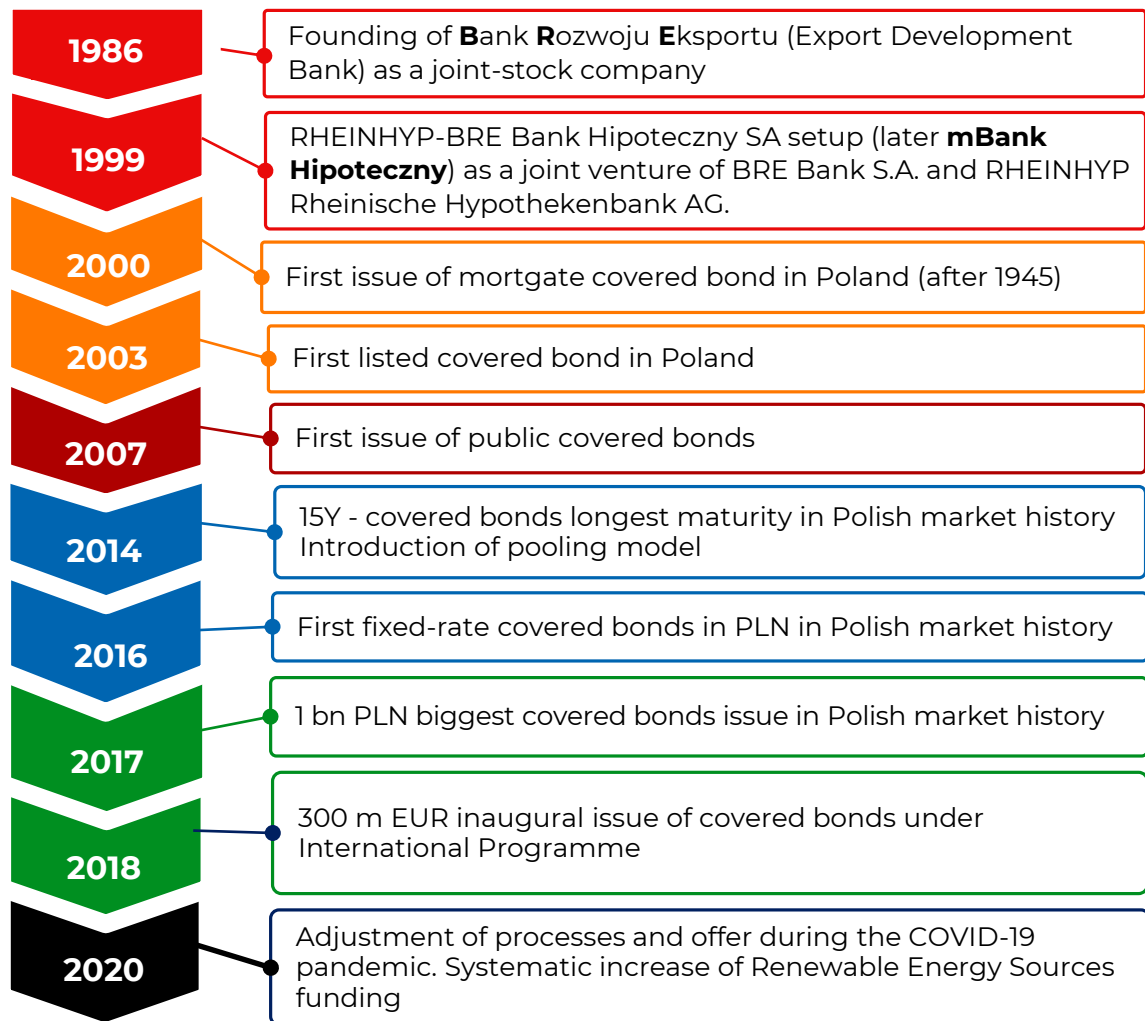
mBank Hipoteczny has been issuing covered bonds since 2000, when it was the first bank to introduce mortgage covered bonds to the post-war Polish capital market, restoring their importance and place after 50 years of absence. Outstanding publicly traded covered bonds issued by the Bank as of 2020 are PLN 7.55 bn, represent 28.7% market share in the covered bond market in Poland.

mBH strategic objectives for 2019–2022 are the following:

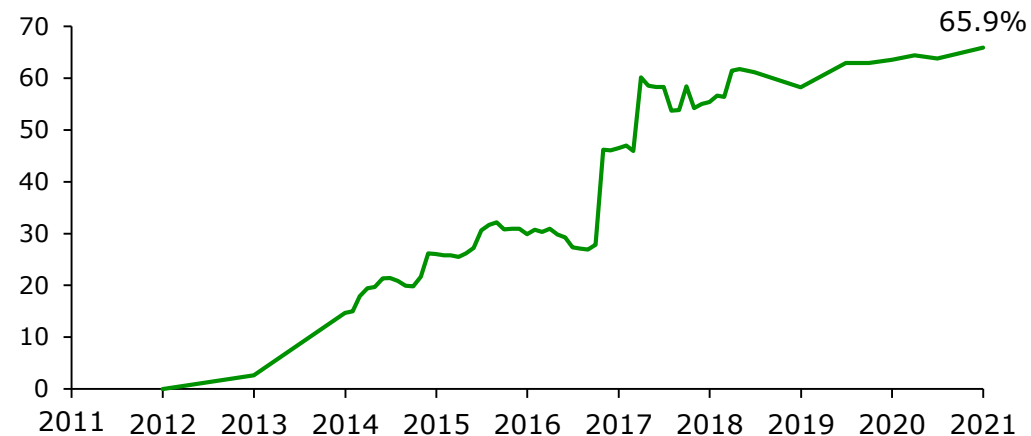


mBank Hipoteczny - specialised credit institution

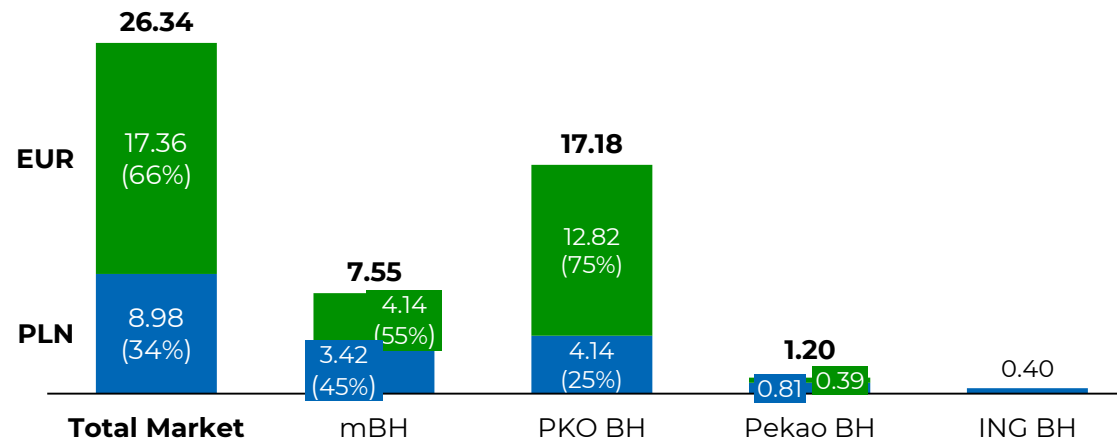
Brief history



Increasing share of EUR Polish Covered Bond issues



Outstanding Polish mortgage covered bonds currency (split by issuer, PLN M)



Data based on NBP fx rate as of 31.12.2020. Data source: Financial statements of ING Bank Hipoteczny, mBank Hipoteczny, Pekao Bank Hipoteczny, PKO Bank Hipoteczny 2020

mBank Hipoteczny: Key financials

Summary of Key Financials: Profit and Loss Accounts

<i>in PLN M</i>	2016	2017	2018	2019	2020	
NII - Net Interest Income	130.1	156.0	176.3	186.1	167.6	Decrease in NII due to low interest rates environment
NFC - Net Fee & Commission Income	1.5	(5,7)	(2.5)	(8.2)	(6.4)	
Total income¹⁾	134.1	146.9	168.6	177.8	158.6	
Total costs ²⁾	(65.7)	(67.5)	(63.6)	(66.5)	(62.6)	
Cost/Income Ratio	48.96%	45.99%	36.78%	36.81%	38.94%	Increase in LLP as a consequence of COVID-19
LLP - Loan Loss Provisions	(21.6)	(20.2)	(16.71)	(20.0)	(42.32)	
Operating result	46.9	59.2	88.3	91.3	53.7	
Taxes on the balance sheet	(16.7)	(24.4)	(27.6)	(32.2)	(31.3)	
Profit before income tax	30.2	34.7	60.7	59.1	22.3	Net profits impacted by LLP, balance sheet tax and lower NII
Net profit	23.4	27.8	41.2	37.1	4.9	
Net Interest Margin (NIM)	1.37%	1.36%	1.44%	1.40%	1.27%	Increased capitalisation due to larger share of residential low risk loans
TCR	14.54%	15.79%	16.25%	18.23%	19.22%	
Cost of Risk LLP	0.26%	0.20%	0.19%	0.19%	0.38%	
ROE - Return on Equity (gross)	3.62%	3.46%	5.85%	4.95%	1.77%	
ROA - Return on Assets (gross)	0.31%	0.30%	0.49%	0.44%	0.17%	

¹⁾ total income (defined as net interest income + net fee and commission income + net trading income + other operating income - other operating expenses)

²⁾ total cost (overhead costs + amortisation and depreciation)

COVID-19 impact on mBank Hipoteczny operations

In the context of the crisis triggered by the COVID-19 pandemic, a range of assistance tools was introduced to help customers maintain their liquidity. They are consistent with the guidelines of EBA and were notified by the Polish Financial Supervision Authority.

Not statutory tools

CRE



- Unchanged rules for qualifying borrowers for Forborne status
- The forbearance portfolio represents 2.45% (2.14% as at 31.12.2019) of the entire portfolio as at 31.12.2020

Retail banking



- For instruments granted between 13 March and 30 September
- Customers with overdue payments could apply for a deferral of capital or capital and interest payments of a part of instalments, for a period of up to 6 months

Anti-crisis shield 4.0 (statutory tool)

CRE



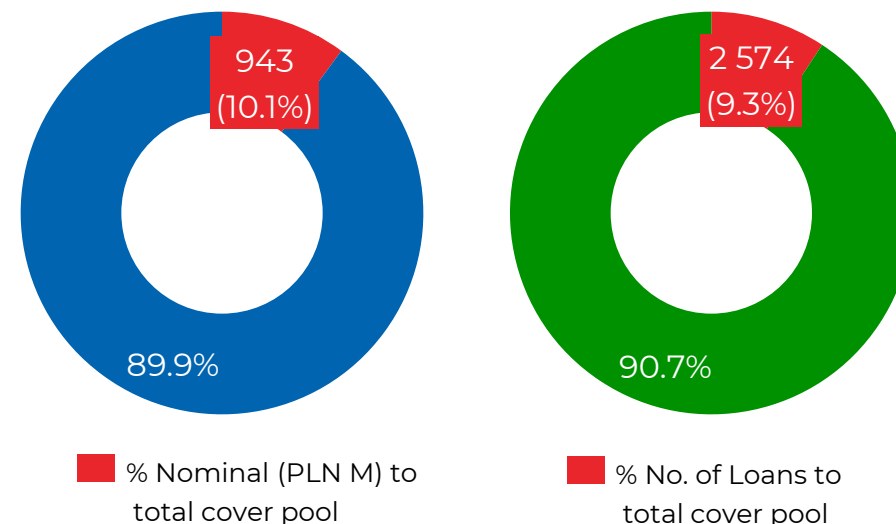
- Corporate clients could suspend the repayment of the capital part of instalments for a maximum period of 6 months
- Possibility to suspend the repayment of entire capital and interest instalments for up to 3 months for medium-sized companies

Retail banking

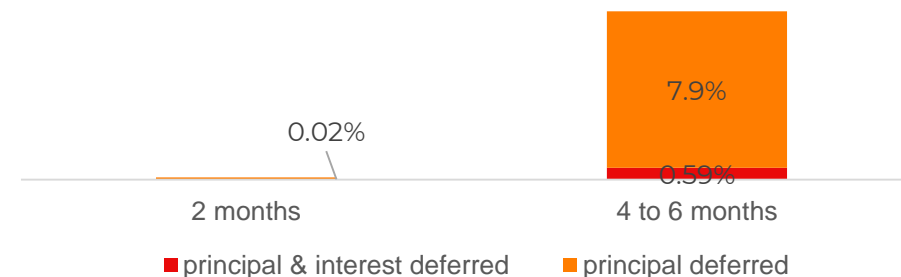


- Suspension for up to 3 months the loan repayment without charging interest during the suspension period for customers who lost main source of income after 13 March

Share of Cover Pool assets affected by payment holidays

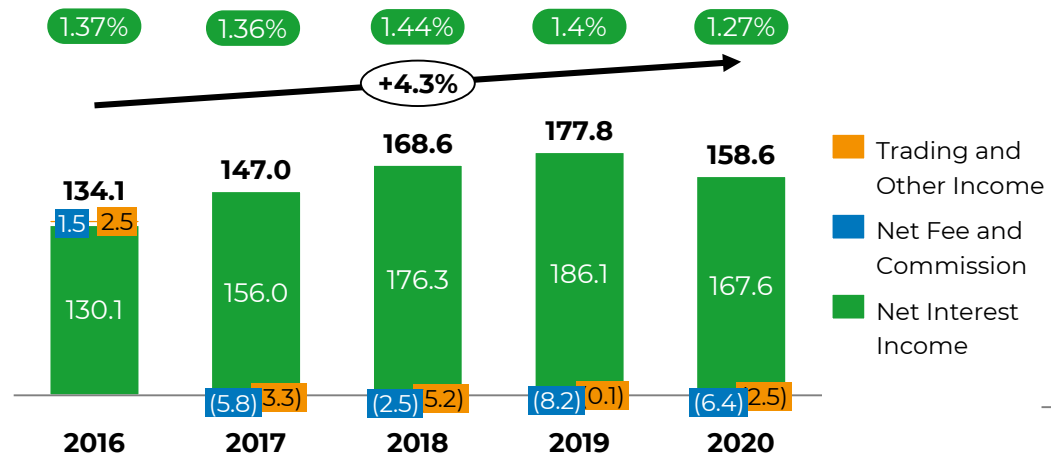


Types of granted payment holiday in % (nominal mn) to Cover Pool

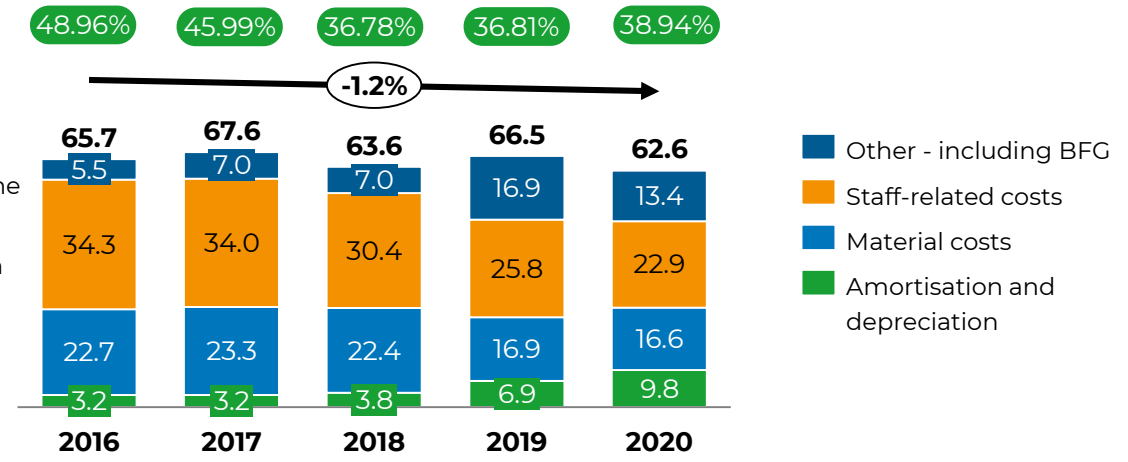


mBank Hipoteczny performance: Profit and Loss Account

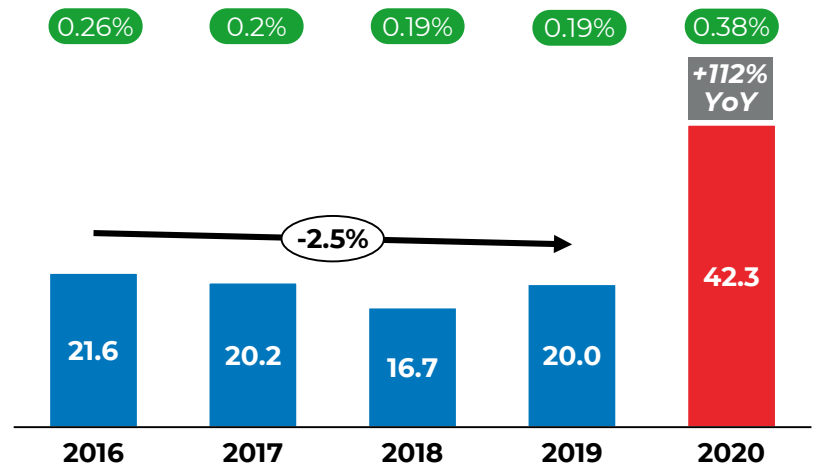
Development of Total Income (PLN M) & Net Interest Margin



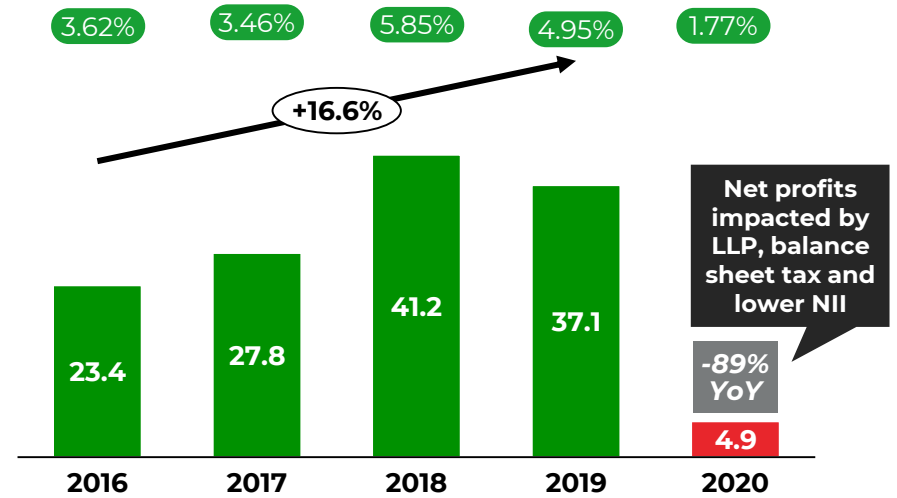
Development of Total Costs (PLN M) & C/I ratio



Loan Loss Provisions (PLN M) & Cost of Risk



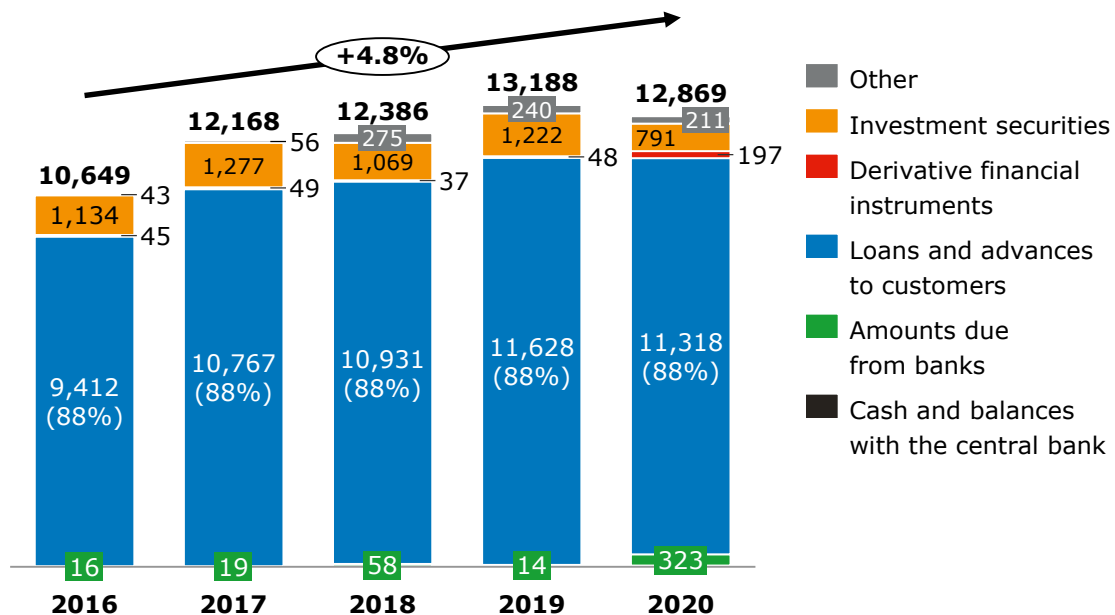
Net Profit (PLN M) & Return on Equity



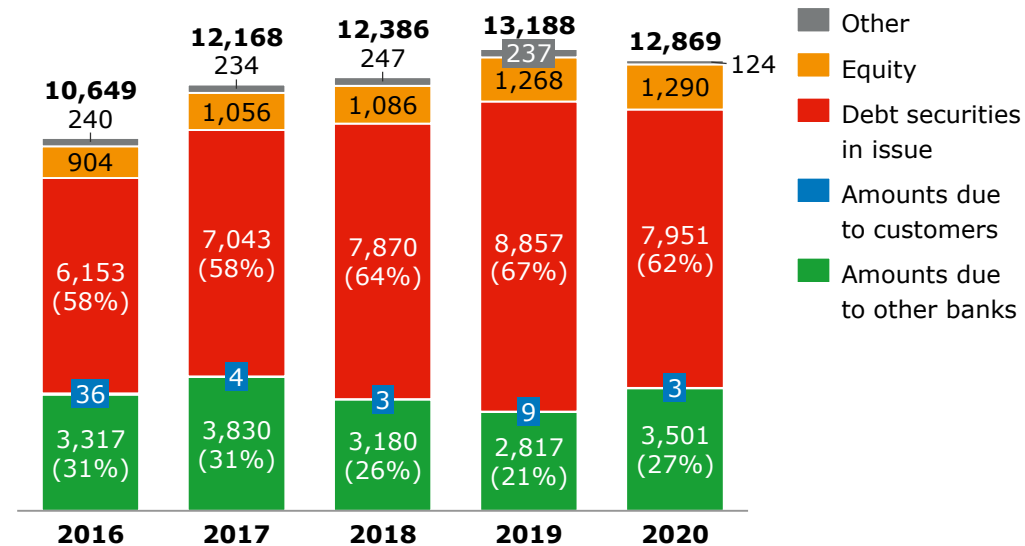
Source: Financial Statement of mBank Hipoteczny SA for 2020

mBank Hipoteczny performance: Assets & Liabilities

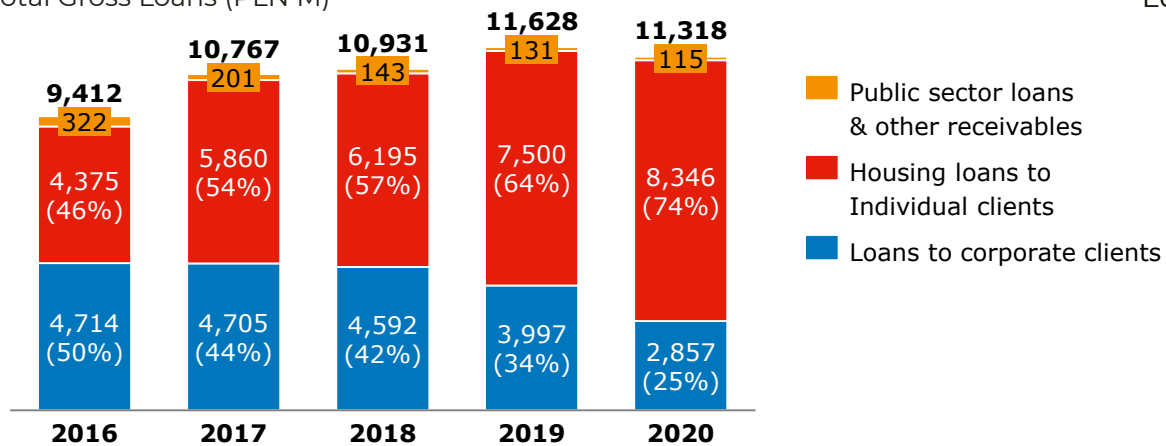
Structure of Assets (PLN M)



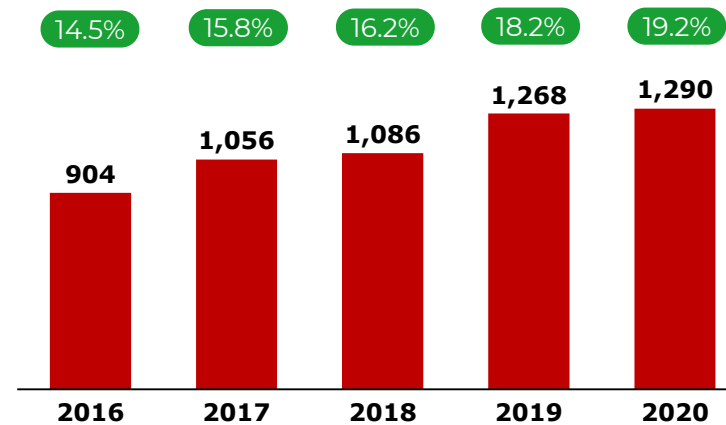
Structure of Liabilities (PLN M)



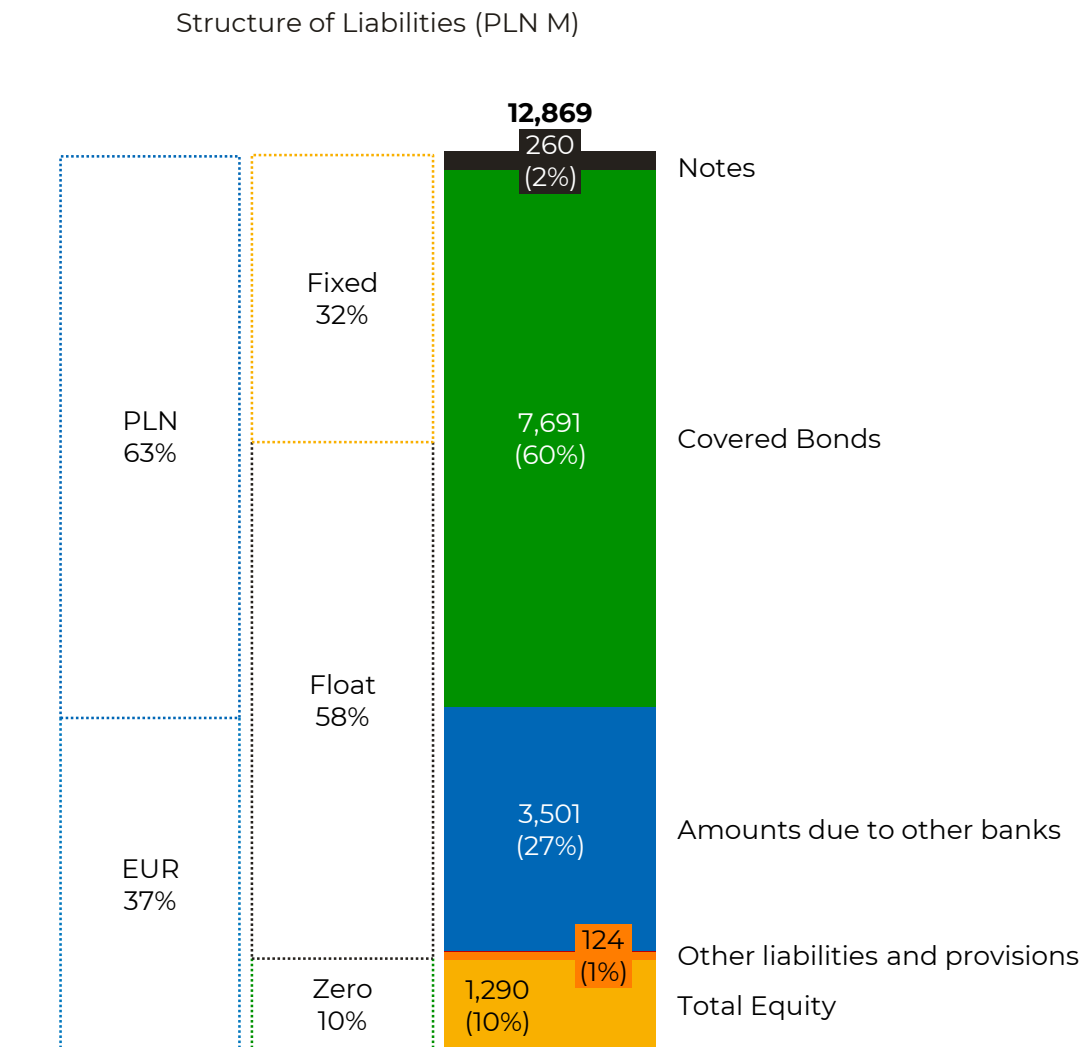
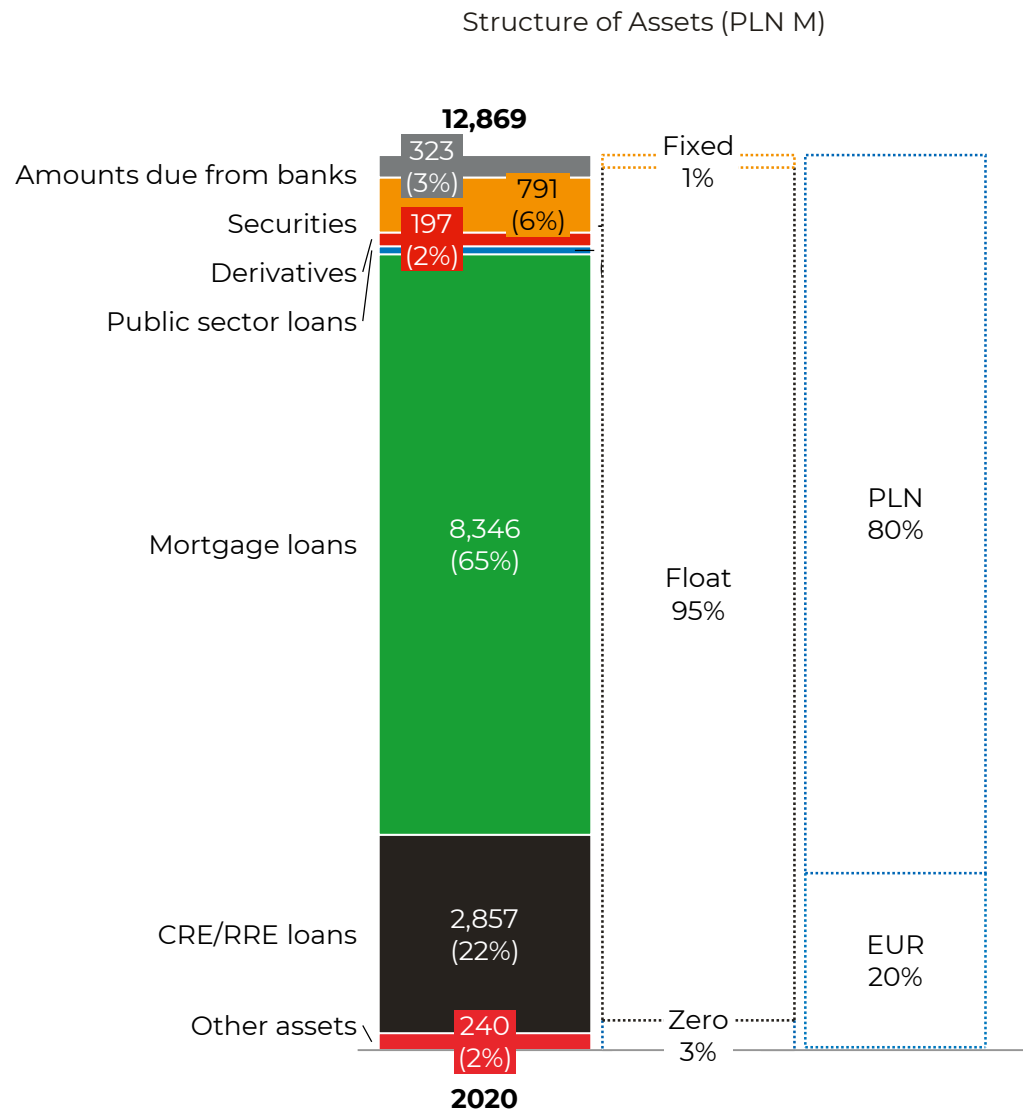
Total Gross Loans (PLN M)



Equity (PLN M) and TCR



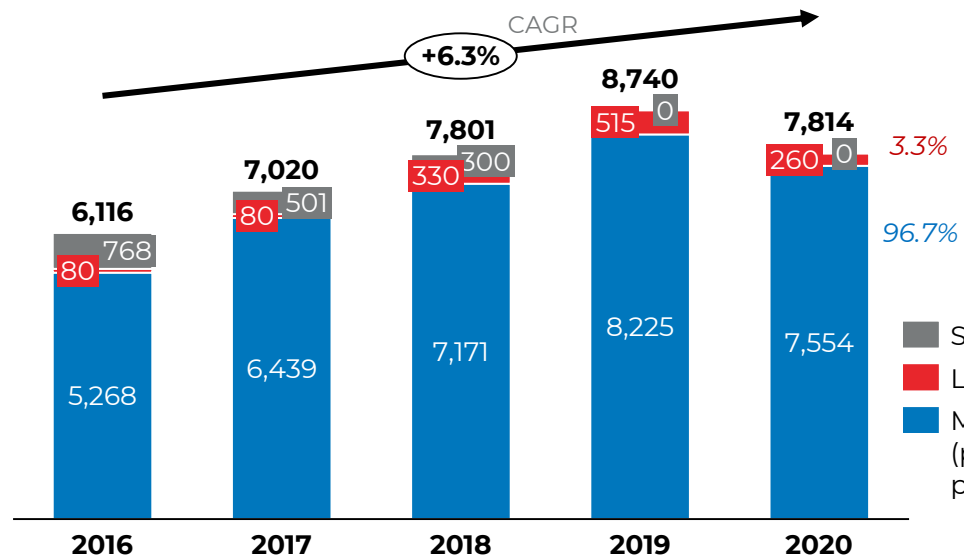
Well diversified and stable balance sheet



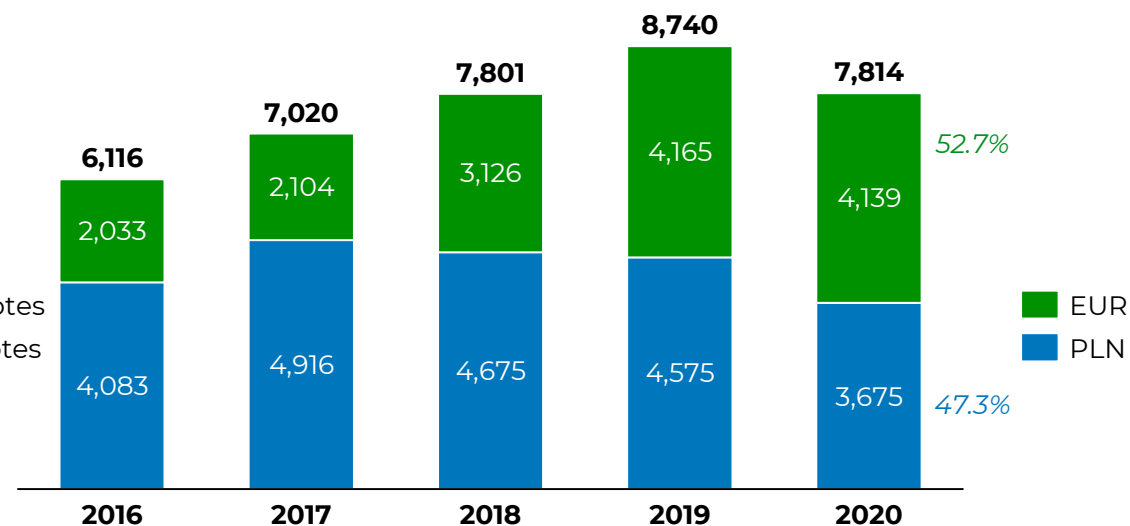
Source: Financial Statement of mBank Hipoteczny SA for 2020

Debt securities issued

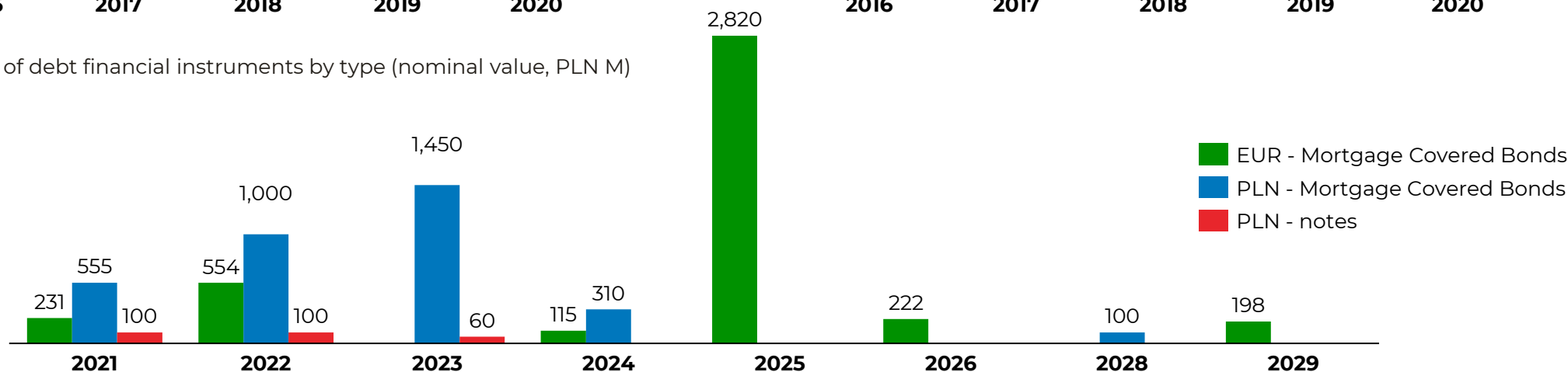
Debt financial instruments by type (nominal value, PLN M)



Debt financial instruments by currency (nominal value, PLN M)



Maturity of debt financial instruments by type (nominal value, PLN M)



Source: Financial Statement of mBank Hipoteczny SA for 2020

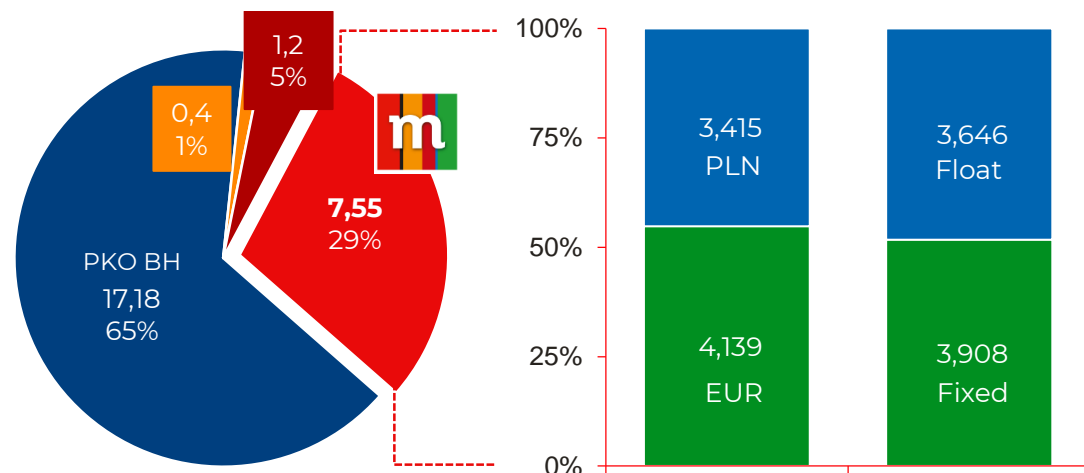


Covered bonds

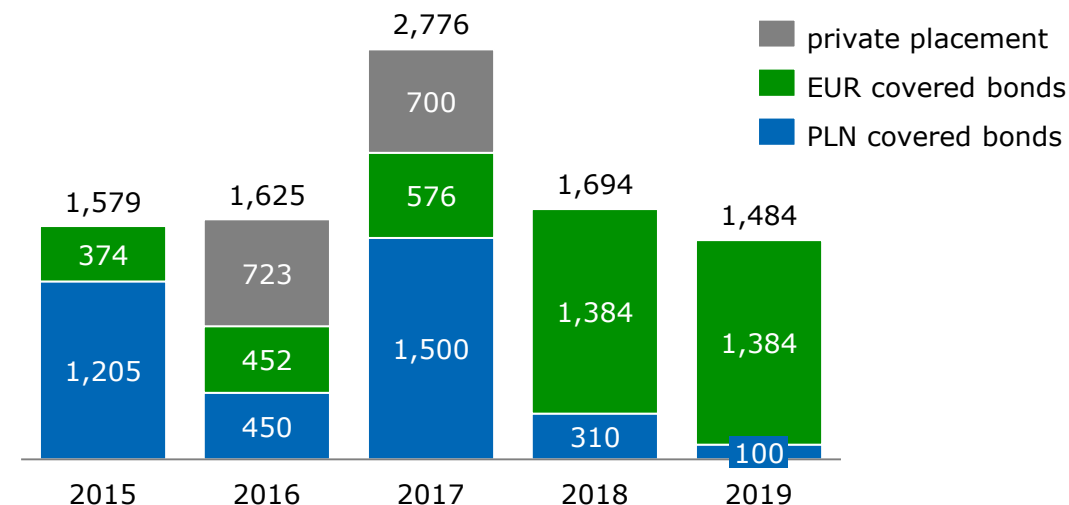
- mBank Hipoteczny issuances track record
- Ratings

mBank Hipoteczny on Covered Bond Market

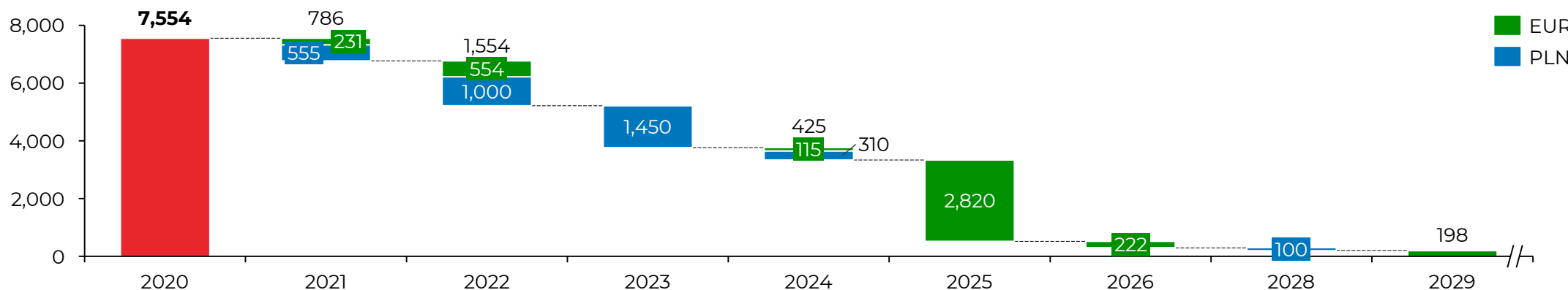
Outstanding covered bonds by issuer and mBH distribution (PLN M, by currency and interest rate) – as of 2020



mBH issuance of private and public covered bonds 2015 - 2019 (PLN M, by year)



mBH covered bonds maturity profile (PLN M, by currency)



Data based on NBP fx rate as of 31.12.2020. Data source: Financial statements of ING Bank Hipoteczny, mBank Hipoteczny, Pekao Bank Hipoteczny, PKO Bank Hipoteczny 2020

mBank Hipoteczny on International Covered Bond Market

General Programme Terms and Conditions

Security Type	PLN and EUR mortgage loans
Issue Type	Soft Bullet / Conditional Pass-Through
Distribution	Private / public placement
Interest rate	Fixed / Floating
Currency	Multi currency
Coupon	Annual, Act/Act ICMA
Maturity	Up to 30 years
Programme size	Up to EUR 3.0 bn
Rating	Aa2 (Moody's Investors Service)
Base Prospectus approval	Commission de Surveillance du Secteur Financier, Luxembourg (CSSF)
Investors	Financial Institutions
Clearing	Euroclear / Clearstream
Listing	Luxembourg Stock Exchange
Listing Agent	Deutsche Bank Luxembourg S.A.
Fiscal & Paying Agent	Deutsche Bank Aktiengesellschaft
Governing law	Polish Law

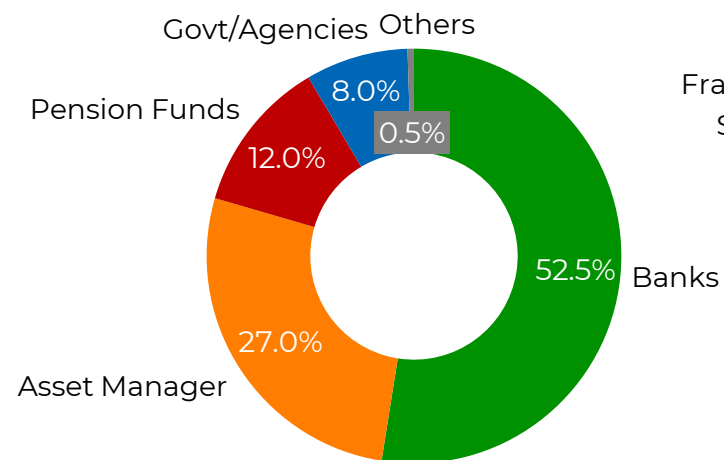
26 April 2018 - inaugural covered bond sub-benchmark transaction with a EUR 300 M.

- 7 years tenor
- Fixed (1.073%) MS + 42bps
- pricing implies new issue premium
- 2.7 oversubscribed book
- 60 real money investors participating

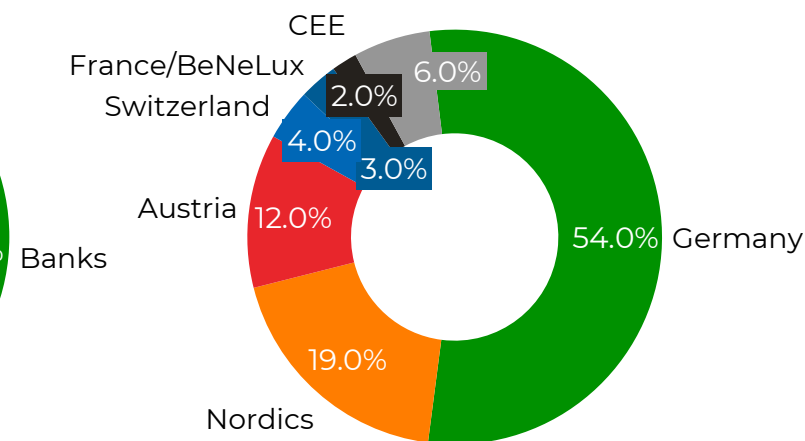
12 November 2019 - successfully returned to the syndicated covered market again with a EUR 300 M.

- 5 years tenor
- Fixed (0.242%) MS + 43bps
- pricing implies new issue concession
- 3.4 oversubscribed book
- 70 real money investors participating

Allocation by Region
(all issues)



Allocation by Investor Type
(all issues)



Issuance Activity

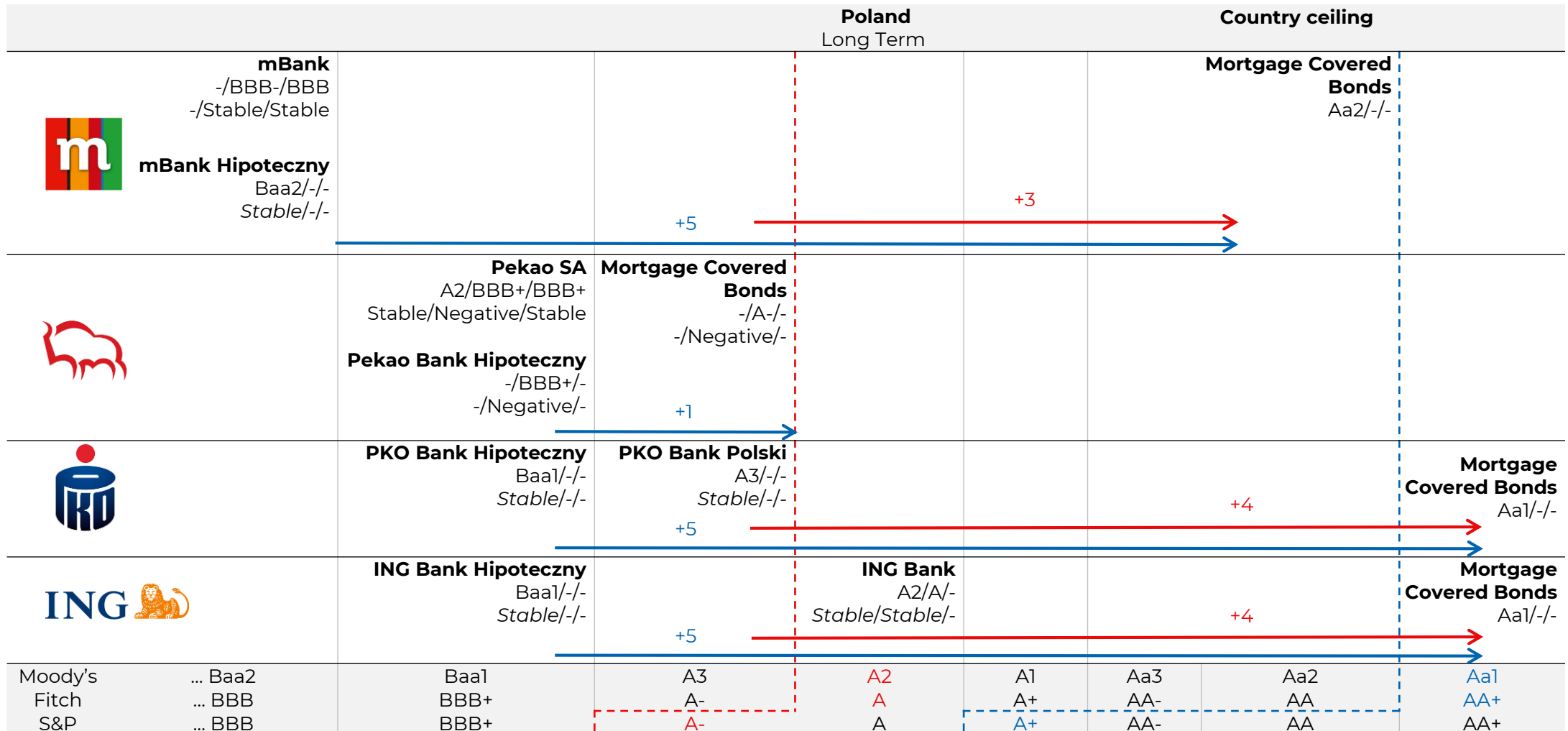
Summary of Mortgage Covered Bonds public issued in 2015-2020. Data as of 2020.

Amount	Currency	Issue date	Maturity date	Tenor (yr)	Coupon
200.0 M	PLN	2015-02-20	2022-04-28	7.2	WIBOR 6M + 78bps
20.0 M	EUR	2015-02-25	2022-02-25	7.0	Fixed (1.135%) MS + 5bps
250.0 M	PLN	2015-04-15	2023-10-16	8.5	WIBOR 6M + 87bps
11.0 M	EUR	2015-04-24	2025-04-24	10.0	Fixed (1.285%) MS + 85bps
50.0 M	EUR	2015-06-24	2020-06-24	5.0	EURIBOR 3M + 69bps
500.0 M	PLN	2015-09-17	2020-09-10	5.0	WIBOR 3M + 110bps
255.0 M	PLN	2015-12-02	2021-09-20	5.8	WIBOR 3M + 115bps
300.0 M	PLN	2016-03-09	2021-03-09	5.0	WIBOR 3M + 120bps
50.0 M	EUR	2016-03-23	2021-06-21	5.2	EURIBOR 3M + 87bps
50.0 M	PLN	2016-04-28	2020-04-28	4.0	Fixed (2.91%) MS + 112bps
100.0 M	PLN	2016-05-11	2020-04-28	4.0	Fixed (2.91%) MS + 112bps
13.0 M	EUR	2016-09-28	2026-09-20	10.0	Fixed (1.18%) MS + 90bps
35.0 M	EUR	2016-10-26	2026-09-20	9.9	Fixed (1.183%) MS + 80bps
24.9 M	EUR	2017-02-01	2024-02-01	7.0	Fixed (0.94%) MS + 46bps
500.0 M	PLN	2017-09-29	2022-09-10	5.0	WIBOR 3M + 75bps
1,000.0 M	PLN	2017-10-11	2023-09-15	5.9	WIBOR 3M + 82bps
100.0 M	EUR	2017-10-30	2022-06-22	4.6	Fixed (0.612%) MS + 40bps
300.0 M	EUR	2018-04-26	2025-03-05	6.9	Fixed (1.073%) MS + 42bps
300.0 M	PLN	2018-06-22	2024-06-10	6.0	WIBOR 3M + 58bps
10.0 M	PLN	2018-10-11	2024-06-10	5.7	WIBOR 3M + 58bps
100.0 M	PLN	2019-02-22	2028-12-20	9.8	WIBOR 3M + 80bps
300.0 M	EUR	2019-11-12	2025-09-15	5.9	Fixed (0.242%) MS + 43bps

Note: Additional issues: Private placement 2016: EUR 70m and PLN 400m; 2017 PLN 300m and PLN 400m

Covered Bonds rating among Polish issuers

Moody's / Fitch / S&P Ratings as of 31.12.2020 → relation to sovereign rating → relation to issuer rating



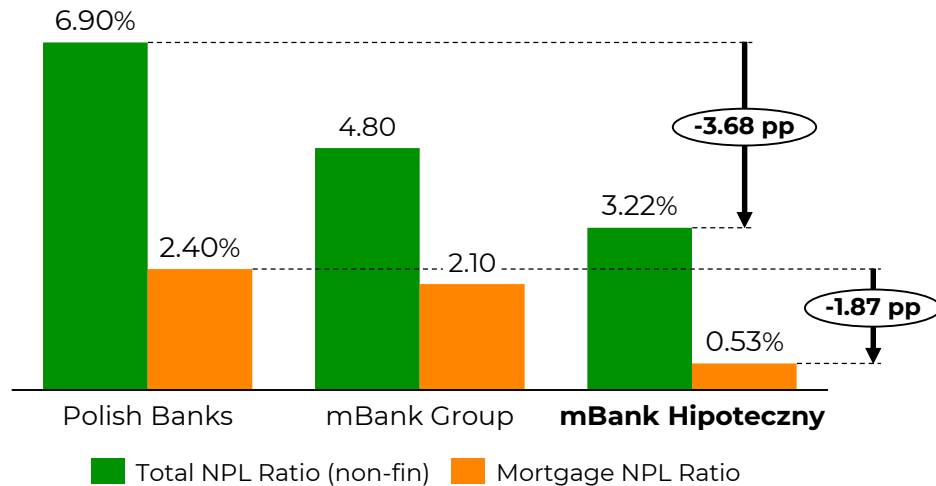


Cover pool

- General loan portfolio overview
- Retail and commercial real estate in cover pool

mBank Hipoteczny quality of the loan portfolio

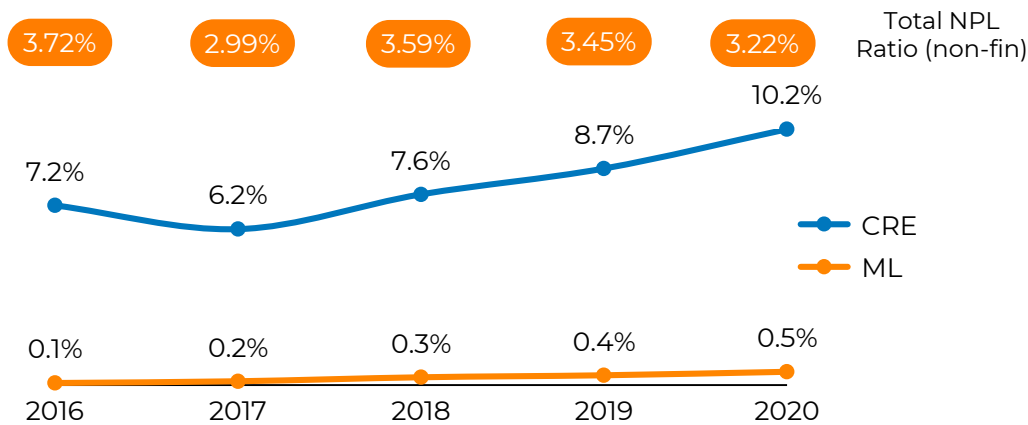
mBank Hipoteczny NPL ratio significantly below the market level



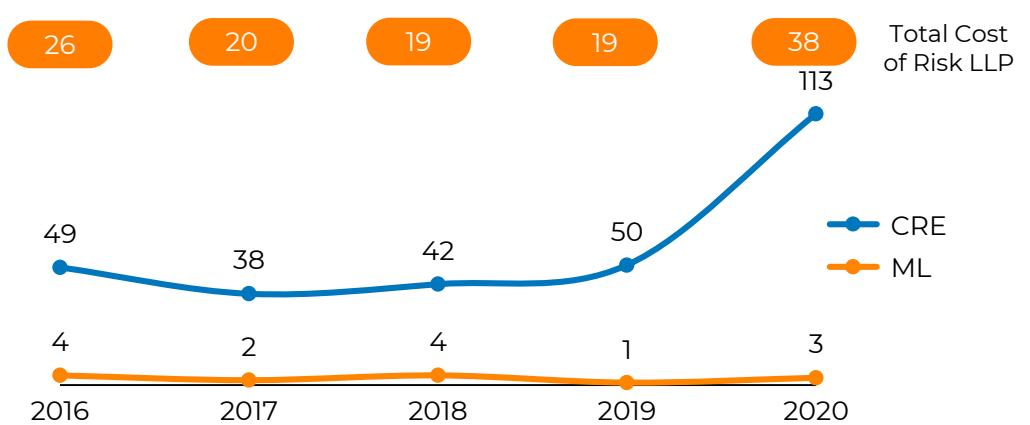
Characteristics of the retail portfolio eligible for pooling

- Financing the purchase of real estate located in Poland
- LtV** at the transfer date does not exceed **100%**,
- First rank joint contractual ordinary mortgage on all property pledged as collateral,
- The remaining term of the loan over **3** years,
- Suitable **internal rating**,
- PLN** denominated loans,
- No delays and defaults.

mBank Hipoteczny NPL by business lines (%)



mBank Hipoteczny Cost of Risk LLP by business lines (bps)

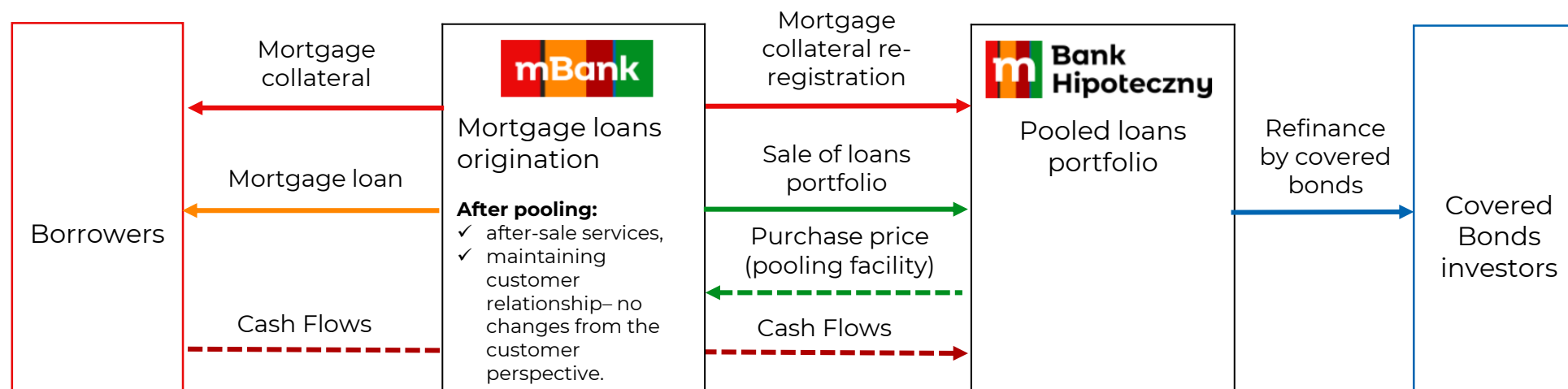


mBank Hipoteczny assets origination – retail mortgages

Pooling model

Transfer of existing residential mortgage loan portfolio from mBank for its refinancing with mortgage Covered Bonds. Based on framework agreement on acquiring portfolios of mortgage loans, introduced in 2014 as **pioneer transaction** of the mortgage transfer on the Polish market.

Transfer is based on comprehensive model of cooperation between mBH and mBank:

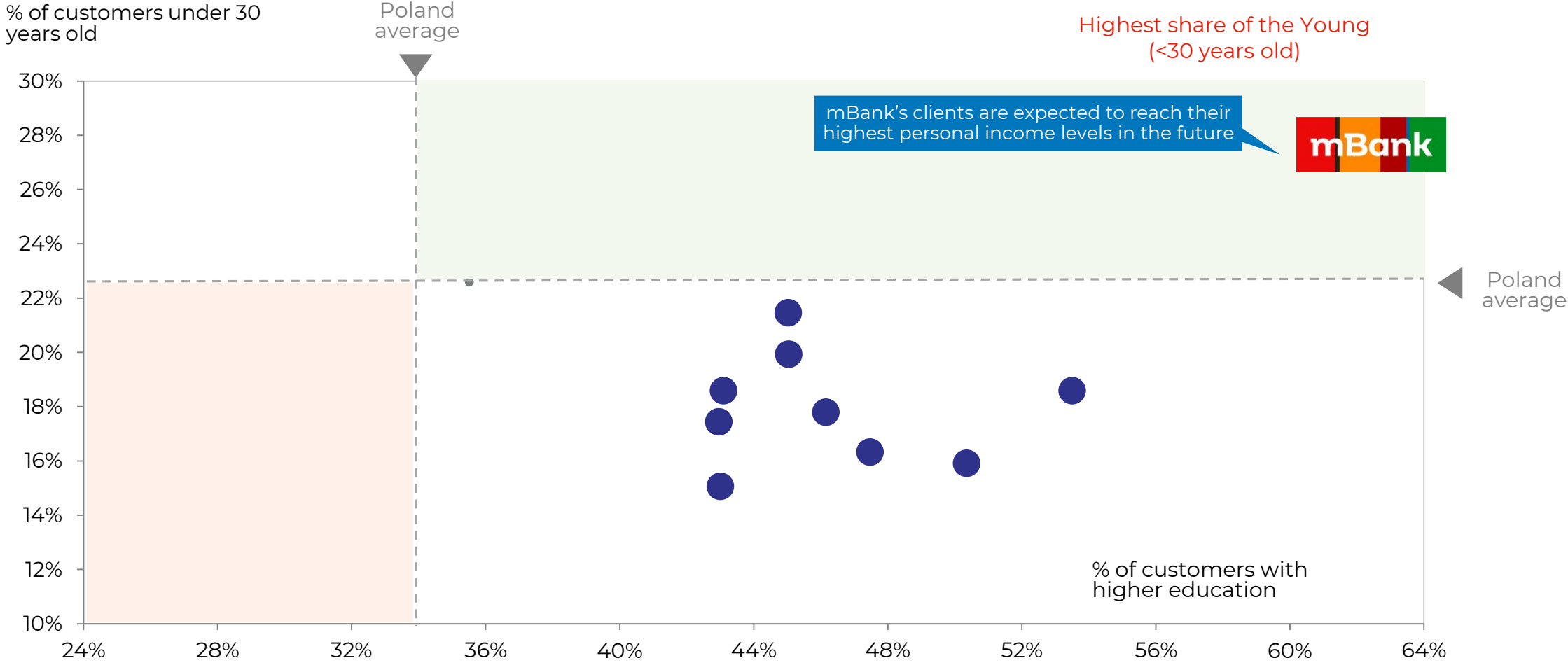


The target level of the newly originated portfolio of residential assets at mBank S.A. meeting the pooling criteria is to amount to over 90%. The inclusion of both primary and secondary market transactions in the transfer process with its cyclical nature is aimed at a systematic increase in the value of the mortgage loan portfolio of mBH.

The process of transferring mortgage loans assumes transfer of assets to mBH on regular basis.

Supportive demographic profile of mBank's retail client base

Distribution of Polish banks by attractiveness of customer base in terms of age and education

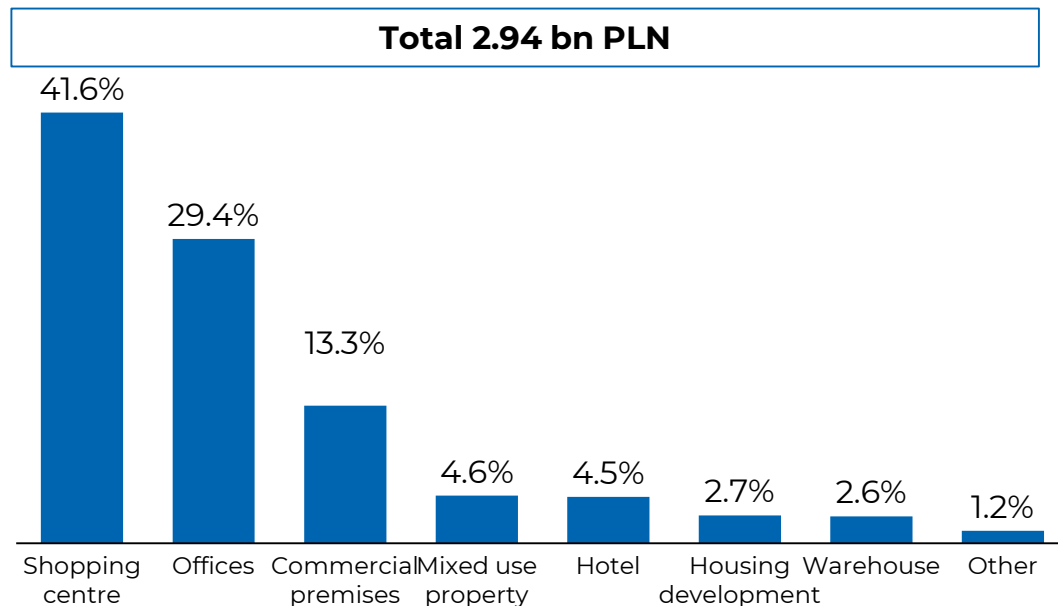


Source: mBank based on declarative answers from Target Group Index by Kantar MillwardBrown, June 2019, 20.1k customers.

mBank Hipoteczny assets origination - commercial real estate

Origination	Cover pool eligibility	Risk Management
<p>Origination model assumes of mBank Hipoteczny participate in syndicate model commercial real estate loans organised by mBank or by purchasing loan assets from mBank - commercial pooling model.</p>	<p>mBank Hipoteczny acquires via commercial pooling and syndicate model loans for refinancing existing, completed CRE properties. Those loans are transferred directly to cover pool.</p>	<p>All decisions on the bank's credit exposure will be made by mBH, based on its independent credit risk analysis. mBH will no longer grant loans to developers, which will reduce risk profile by removal of construction phase risk.</p>

Financed projects by type (as of 2020)



Characteristics of funded projects

- Duration of the loan for commercial real estate is up to **21 years**,
- Commercial loans denominated in **EUR** and **PLN**,
- **25%** of the total investment cost is the minimum **own funds** of the borrower,
- Security features required by the Bank includes:
 - mortgage entered in the first place in the Land and Mortgage Register maintained for the financed real property
 - special purpose vehicle's a specially created structure dedicated to the specific project - scope of its operation is limited to activities related to its ownership and management
 - assignment of rights from insurance against fire and other perils for real estate which is the subject of credit or the registered pledge on those rights

Source: Management Board Report mBank Hipoteczny 2020

Well diversified mixed high-quality cover pool

Cover pool assets
residential and CRE mortgages

9,329



73.9% - Residential ML

WA LtMLV - 75.2%

Number of loans 27,517

Average size PLN 0,25 M

10 largest exposures – 0.3%

NPLs – 0.05%

26.1% - CRE loans

WA LtMLV – 66.9%

Number of loans 231

Average size PLN 10,54 M

10 largest exposures – 21%

NPLs – 0.00%

Cover pool
Receivables (EUR, USD, PLN)
+ substitute assets
+ derivatives

9,539



Covered bonds
outstanding all issues +
overcollateralisation

9,539



Overcollateralisation

Actual, non-committed

24.9%

Regulatory minimum at 10%

Covered bonds potential PLN 741 M

Internal OC 15%

mBH disclosures are compliant with the **ECBC Covered Bond Label Convention** - Harmonised Transparency Template (HTT)

mBank Hipoteczny is one of the members of the **Covered Bond Label**, established by ECBC - a quality label, the purpose of which is to highlight the security and quality of covered bonds to investors and to further enhance recognition of and trust in the covered bond asset class.

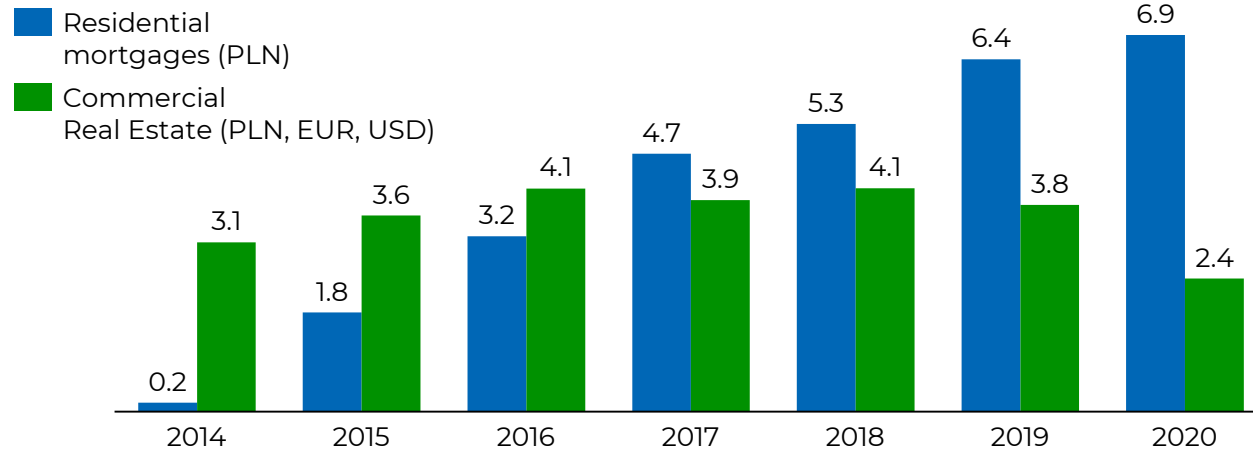


COVERED BOND
LABEL
HTT

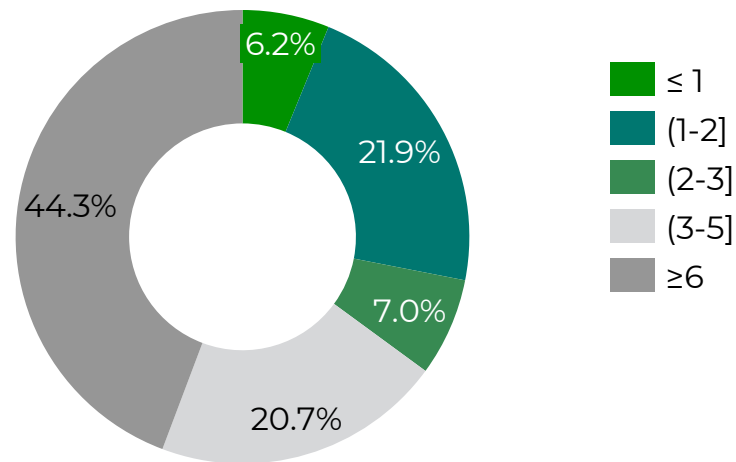
Based on mBH HTT report - 2020-12-31

Cover Pool – currency and mortgage type split

Increasing share of residential mortgages in cover pool
(nominal value, PLN B)



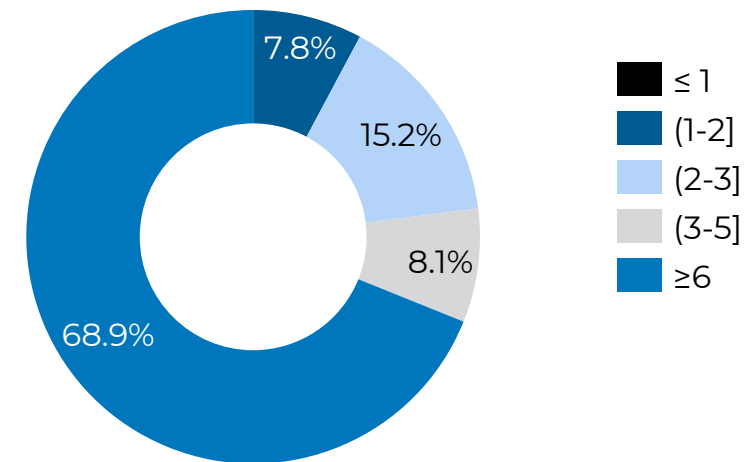
Loan seasoning – residential mortgages
(Year)



Characteristics of the portfolio in the future

- Since 2014 the currency structure of the loan portfolio in mortgage cover pool was subject to changes resulting from a systematic growth of the portfolio of retail loans granted only in PLN.
- mBH strategy for the following years is to be EUR issuer covered by significant increase of residential PLN denominated mortgages.

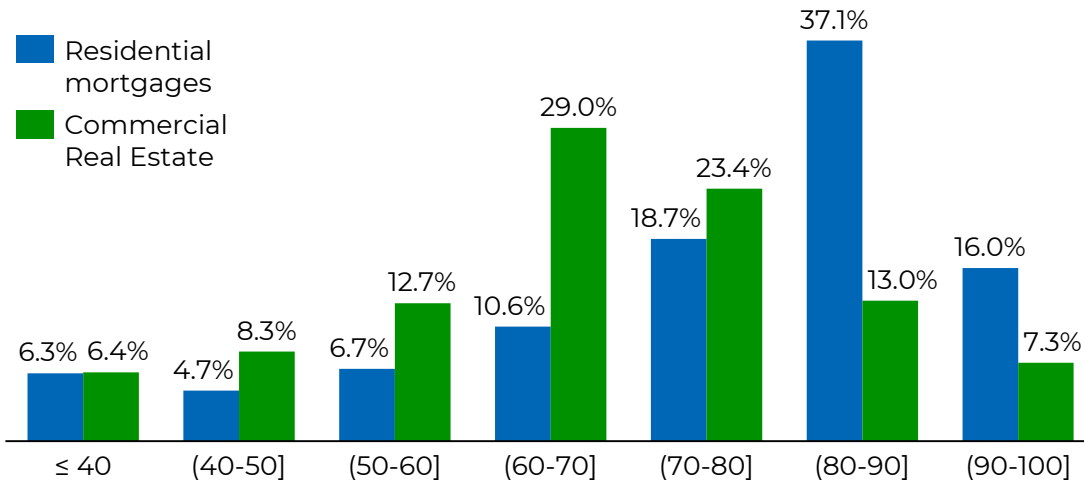
Loan seasoning - commercial loans
(Year)



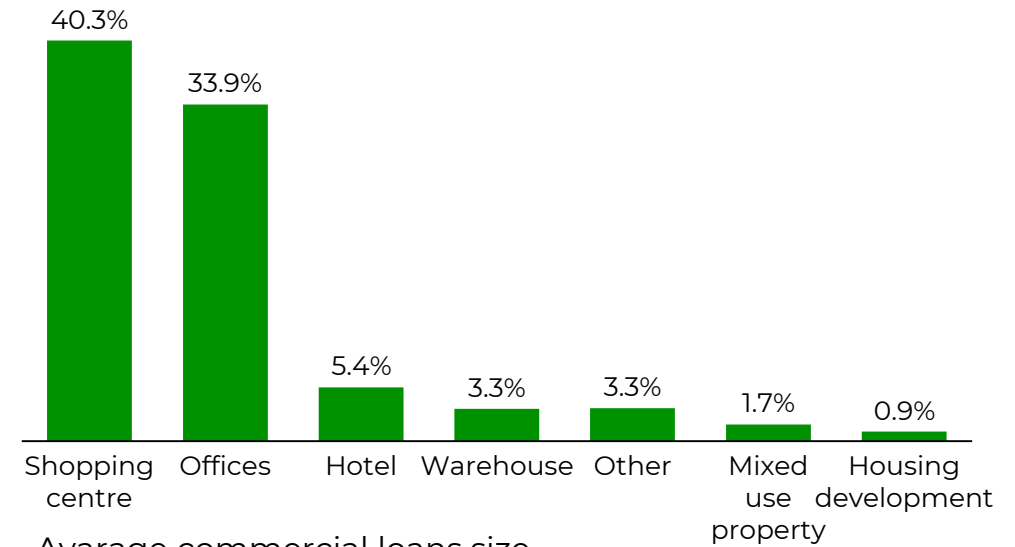
Based on mBH HTT report - 2020-12-31

Cover Pool - loans value

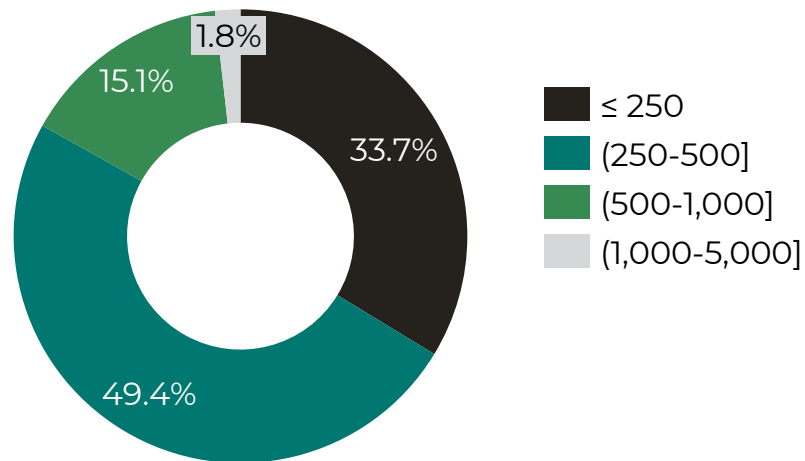
LtV – residential mortgages and commercial loans in cover pool



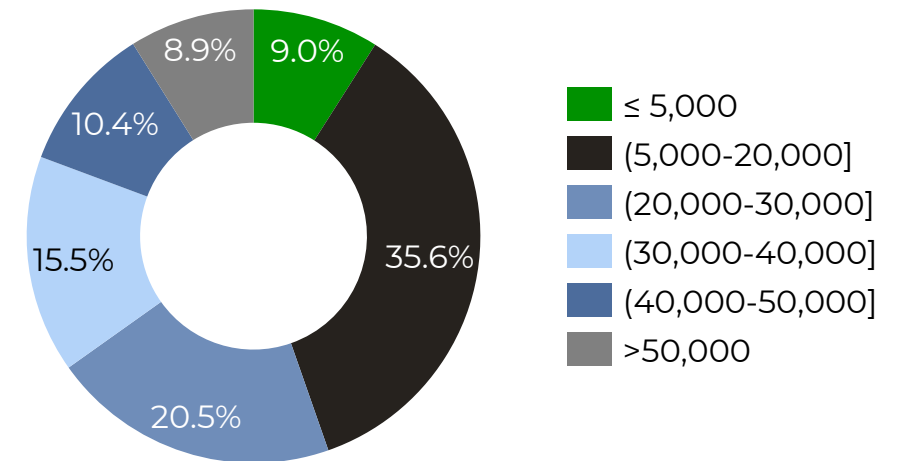
Type of commercial loans in cover pool



Average residential mortgage size (PLN M)



Average commercial loans size (PLN M)



Based on mBH HTT report - 2020-12-31

Cover Pool – regional distribution

Geographical distribution negatively correlated with unemployment– strong client base portfolio

% of mBH's Mortgage Cover Pool

- > 20%
- 10.0 – 19.9%
- 5.0 – 9.9%
- 1.0 – 4.9%
- < 1%



Geographical CRE/RRE regional distribution vs existing office stock by the cities – positive correlation

% of CRE/RRE regional distribution in Mortgage Cover Pool

- > 20%
- 10.0 – 19.9%
- 5.0 – 9.9%
- 1.0 – 4.9%
- < 1%



Based on mBH HTT report - 2020-12-31

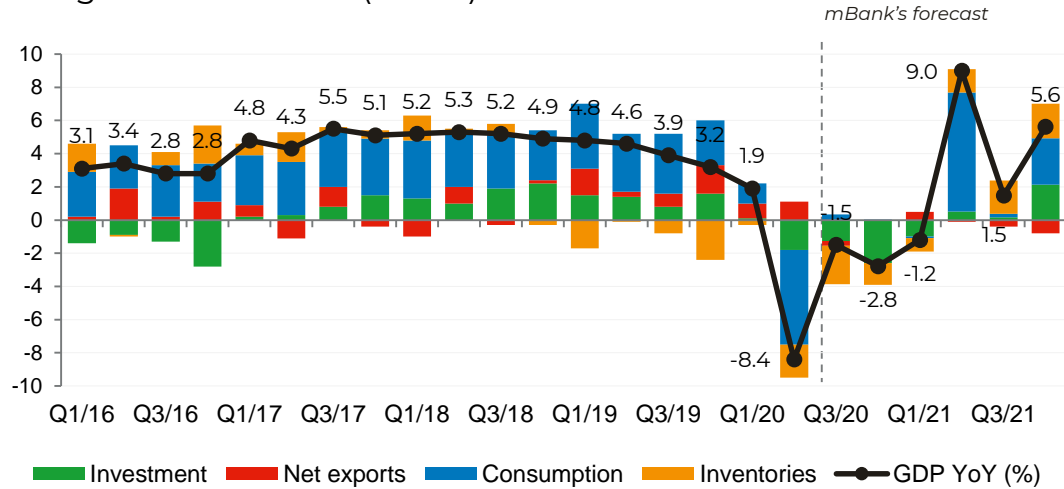


Polish economy

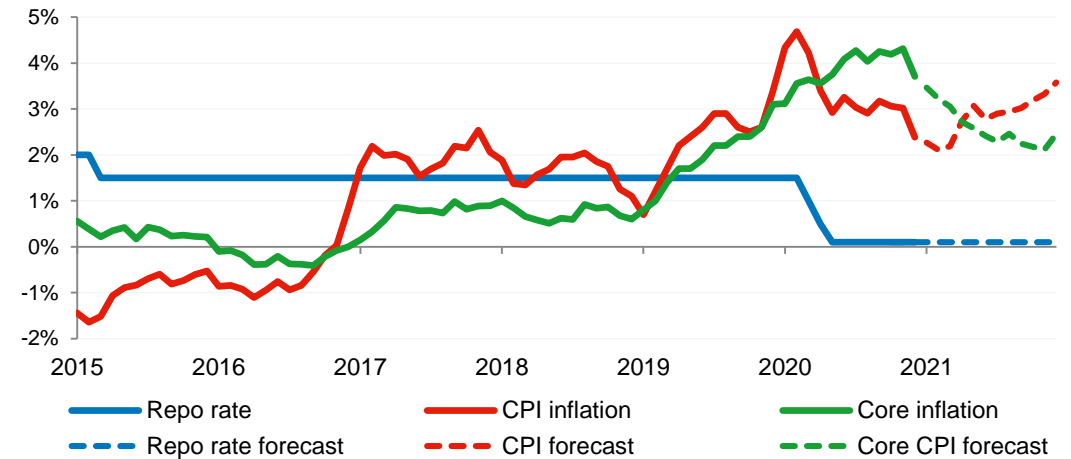
- Fundamentals after COVID-19 pandemic
- Polish banking sector challenges

Stable growth impacted by COVID-19

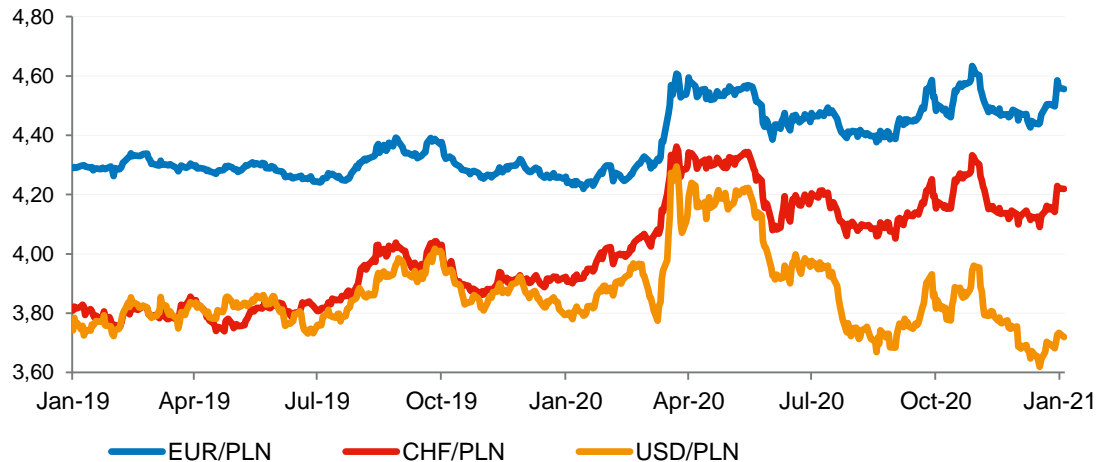
GDP growth in Poland (% YoY)



Inflation rate (YoY) and the path of interest rates



Flexible exchange rate



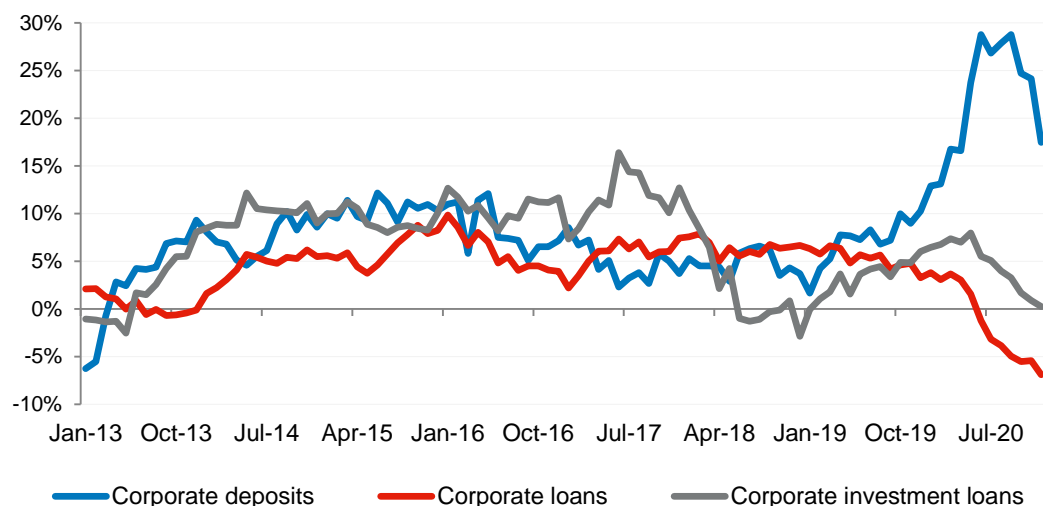
Key economic indicators for Poland

	2019	2020	2021P
GDP growth (YoY)	4.5%	-2.8%	3.8%
Domestic demand (YoY)	3.5%	-3.7%	3.9%
Private consumption (YoY)	4.0%	-3.0%	3.7%
Investment (YoY)	7.2%	-8.4%	1.1%
Inflation (eop)	3.4%	2.4%	3.7%
MPC rate (eop)	1.50%	0.10%	0.10%
CHF/PLN (eop)	3.92	4.22	4.03
EUR/PLN (eop)	4.25	4.56	4.40

Source: Central Statistical Office (GUS), National Bank of Poland, Bloomberg, mBank's estimates as of 05.02.2021.

Demand for credit to pick up but huge liquidity a damping factor

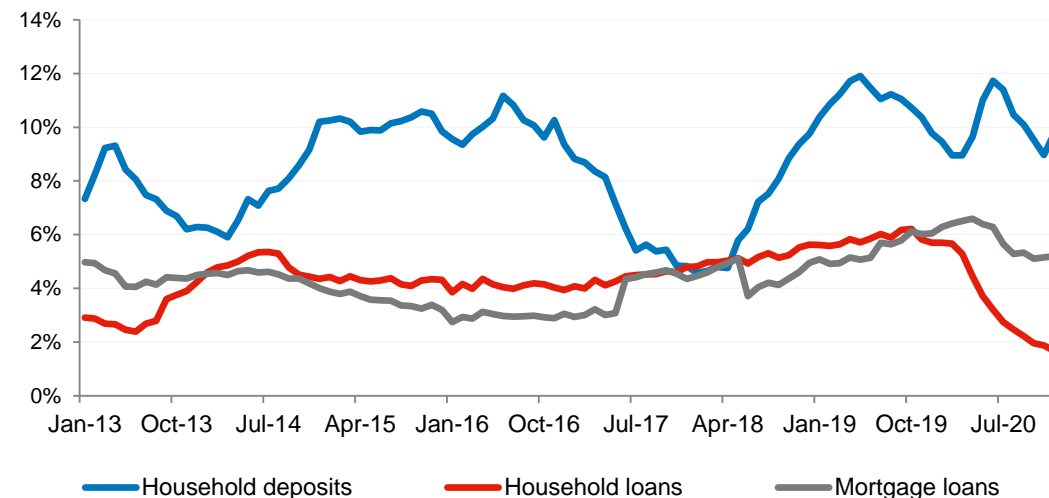
Corporate loans and deposits (% YoY, FX-adjusted)



Big shift generated by the PFR funds. Coexistence of low demand for credit and substantial liquidity. Interest in new financing is expected to pick-up somewhat in 2021. Downside risks prevail.

Source: NBP

Household loans and deposits (% YoY, FX-adjusted)



Consumers acquired substantial liquidity buffers (also in cash). It will take time until they will be willing to dip their toes in credit on previous scale. Bright outlook for mortgage loans, other types of credit muted.

Source: NBP

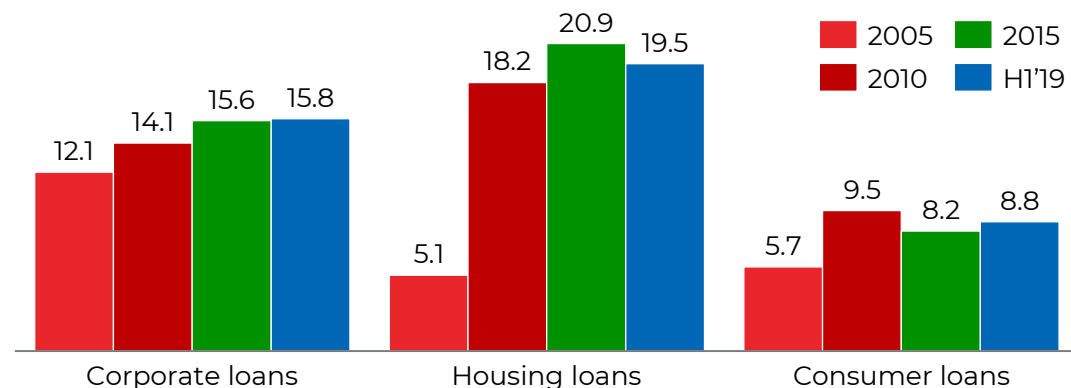
Corporate volumes – YoY	2019	2020	2021P
Corporate loans	3.0%	-4.8%	3.6%
Corporate deposits	10.0%	19.0%	4.3%

Household volumes – YoY	2019	2020	2021P
Mortgage loans	6.6%	7.3%	4.4%
Non-mortgage loans	5.1%	-3.8%	5.2%
Retail deposits	9.7%	10.7%	5.5%

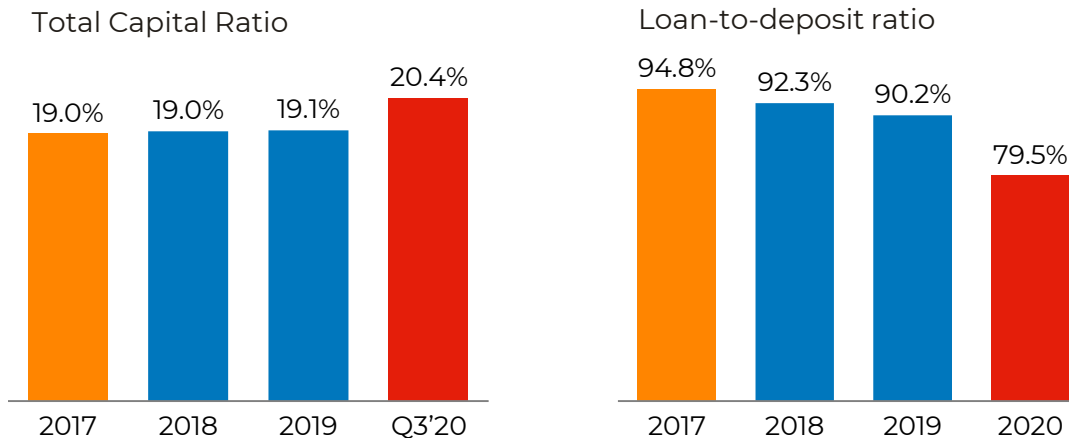
Source: National Bank of Poland, mBank's estimates as of 05.02.2021.

Polish banking sector is stable and well-capitalized

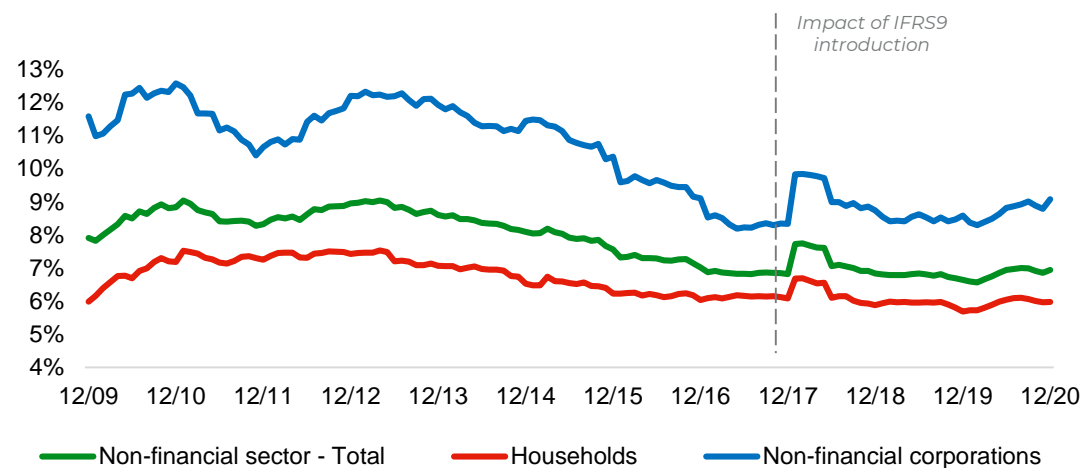
Loan penetration: key credit categories to GDP (%) in Poland



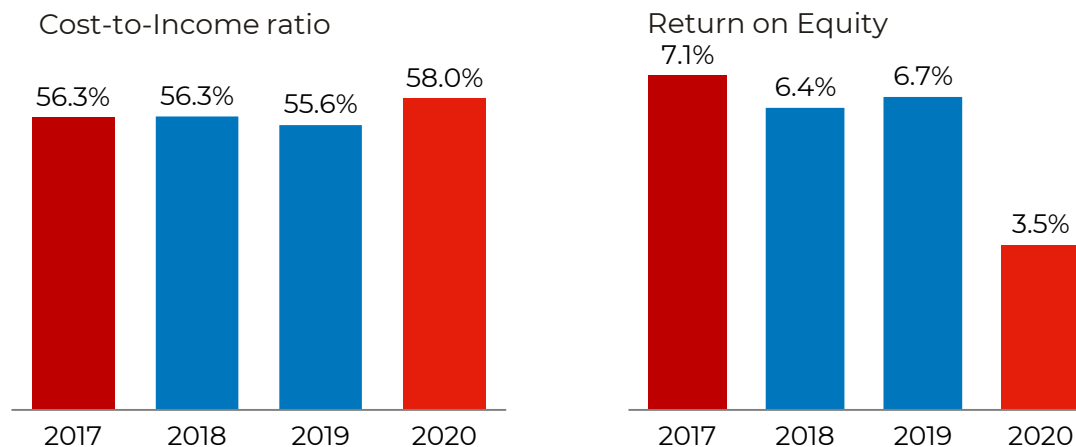
Capital adequacy and Funding: capital and L/D ratios



Asset quality: development of NPL ratios by segment



Efficiency and Profitability: C/I ratio and ROE



Note: Ratios (C/I, ROE) impacted by banking tax in 2016-2020.

Source: mBank calculations based on data published by the Polish FSA, National Bank of Poland

Key challenges for Polish banks' operations and profitability

Discussions concerning foreign currency mortgage loans

Ongoing discussion concerning foreign currency mortgage loans, including the proposal of the Chairman of the PFSA to convert these loans into PLN as well as no unified line of jurisprudence concerning FX-loans-related cases constitute a major factor influencing banks' functioning.

Low interest rate environment

After three interest rate cuts, by 0.5% in March 2020, another 0.5% in April 2020 and 0.40% in May 2020, the reference rate currently at 0.10%, at the lowest level ever recorded in Poland. The outbreak and consequences of COVID-19 outburst at the beginning of 2020 make it unlikely for the Monetary Policy Council to rise the NBP interest rates in the nearest future.

Uncertainty concerning financial implications of COVID-19 pandemics

Aid measures provided to the clients negatively impacted by the economic implications of COVID-19 pandemics, such as loan moratoria and new funding backed by the guarantees of the Bank Gospodarstwa Krajowego, as well as transfer of government aid to the corporates, were aimed at supporting liquidity and financial resilience of companies and individuals. Long-term results of the pandemic might potentially have an impact on the quality of loan portfolios in the banks. Any regulatory measures with this respect need to be observed.

Charges to the Bank Guarantee Fund

On 9 October 2016 entered into force the *Act on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution*. Consequently, in 2017 two new funds – Deposit Guarantee Fund and Resolution Fund – were created as well as a calculation of banks' contributions were changed (no longer based on TREA).

Tax imposed of financial institutions

Starting from February 2016, banks, other credit institutions and insurers have to pay a special tax. In case of banks, assets above PLN 4 billion are taxed, with own funds and government bonds deducted from the tax base. Banks under recovery proceedings are not to pay the tax. The monthly tax rate is set at 0.0366%.

Additional capital requirements

Despite the temporarily decreased systemic risk buffer in Poland (0% since 19 March 2020), capital requirements remain to be kept at solid levels. Moreover, the Polish FSA individual additional capital requirements on banks most exposed to FX mortgage loans remains in place.

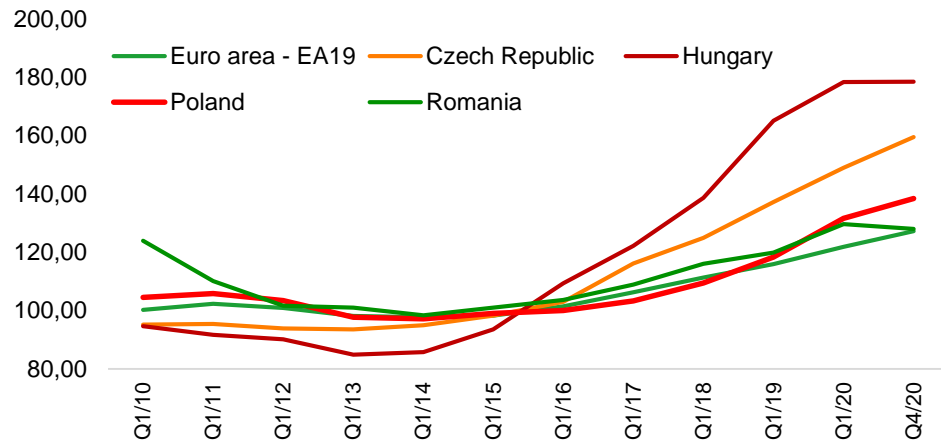


Real estate market

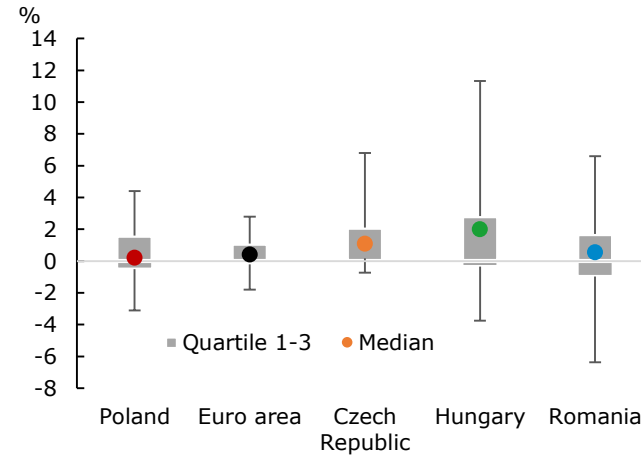
- Stable residential market in Poland
- Commercial real estate outlook

Stable and growing residential market in Poland

House price dynamics in the CEE – very low volatility in Poland



index, 2015=100;



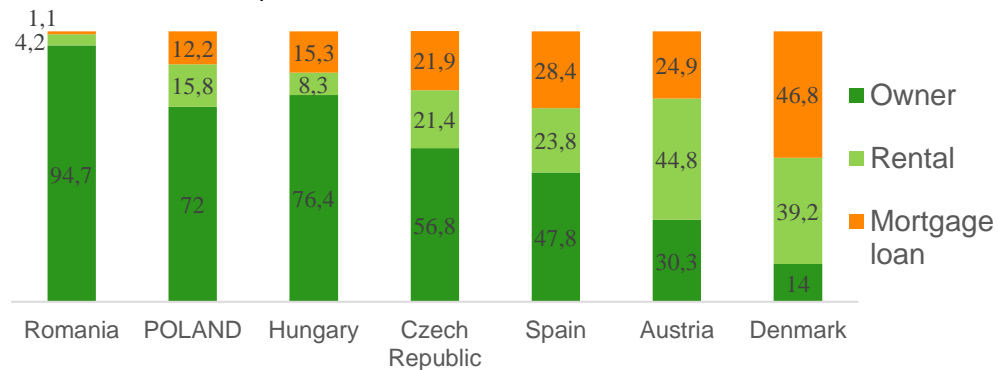
Residential prices on primary and secondary market in Poland remains stable trough the years.

Low volatility of house price dynamics driven by strong demand and supply offers significant potential for further growth.

Data Source: Eurostat

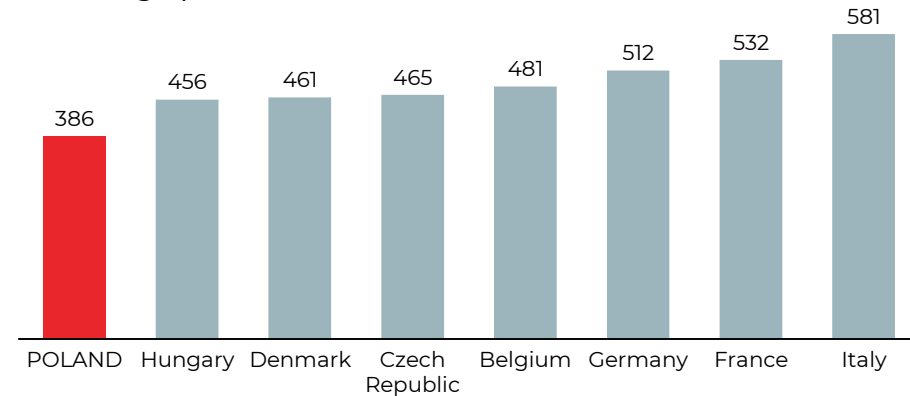
Mortgage penetration in Poland remains low while home ownership rates are among the highest in Europe

Distribution of population by tenure status in selected countries (data for 2020, in %)



Source: Eurostat

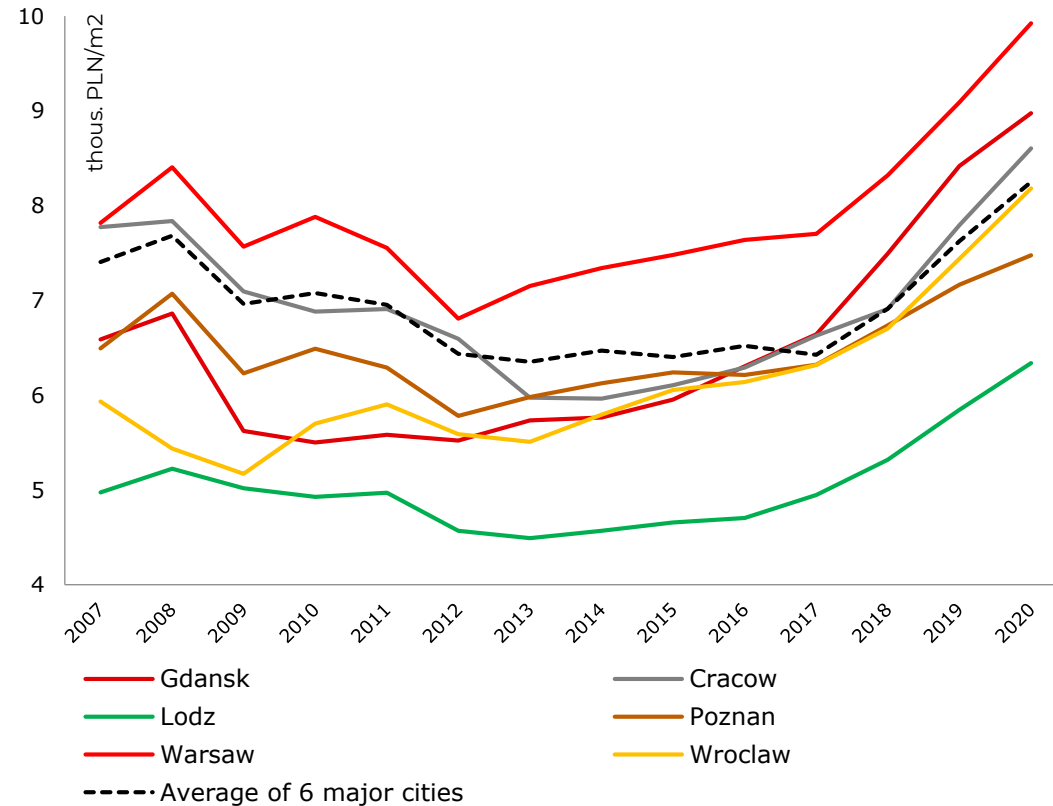
Dwellings per 1 000 citizens



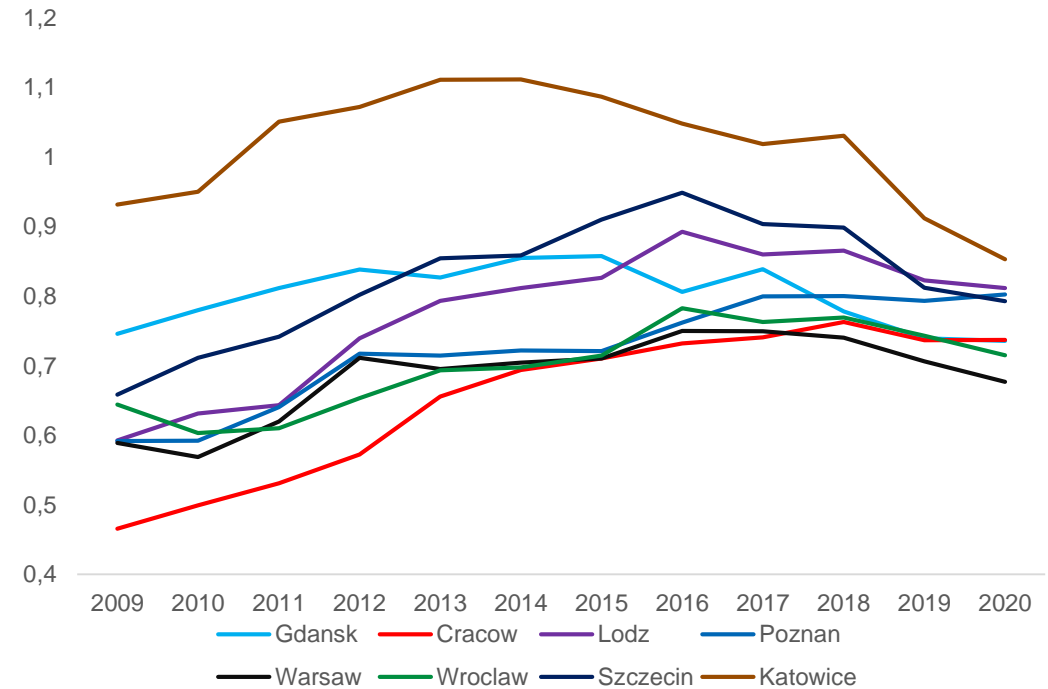
Source: Deloitte Property Index 2020

Residential market in Poland - stable demand

Average house price per square meter – primary market by major Polish cities.



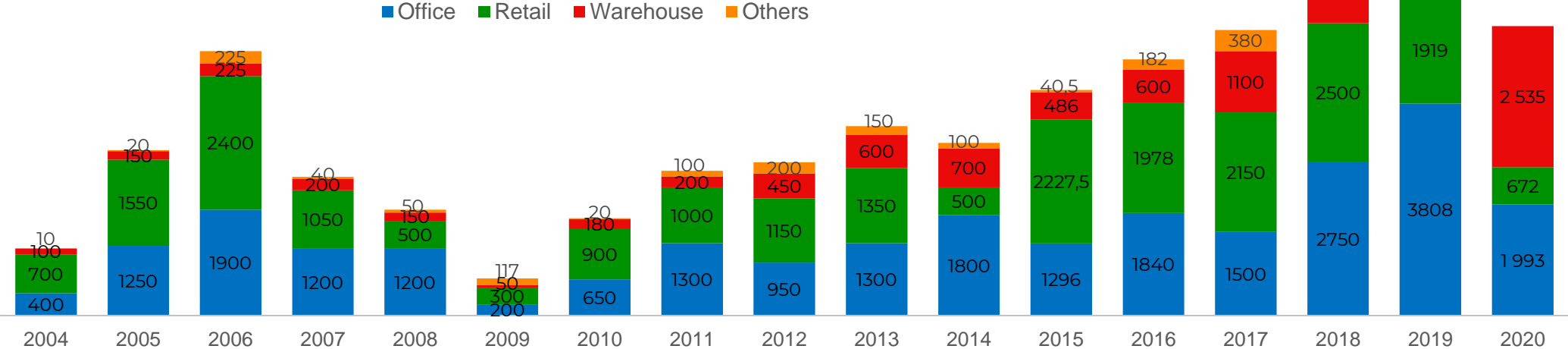
Average house price per square meter vs. average monthly wages by major Polish cities.



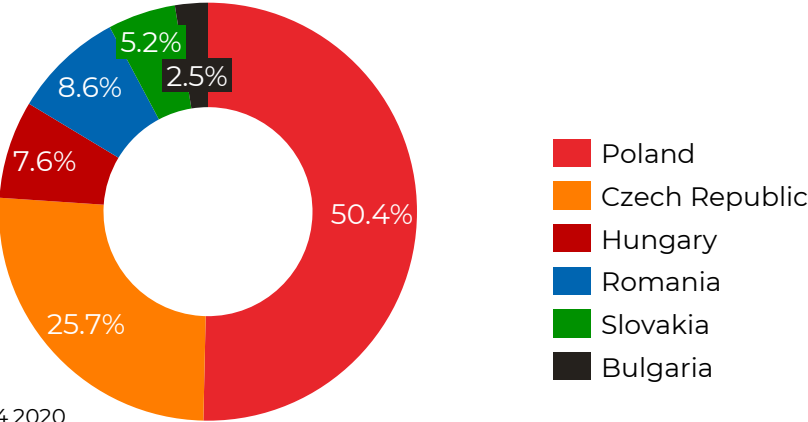
Average house prices remain stable trough the years. Increase since 2013 was offset by significant increase of average wages. - Houses purchasing power almost doubled during last 10 years.

Commercial Real Estate – investment volume

Investment volume in Poland by sector (EUR M)



Poland - CEE leader in CRE investment volumes (%)



Poland - CEE leader in CRE investment (50%)

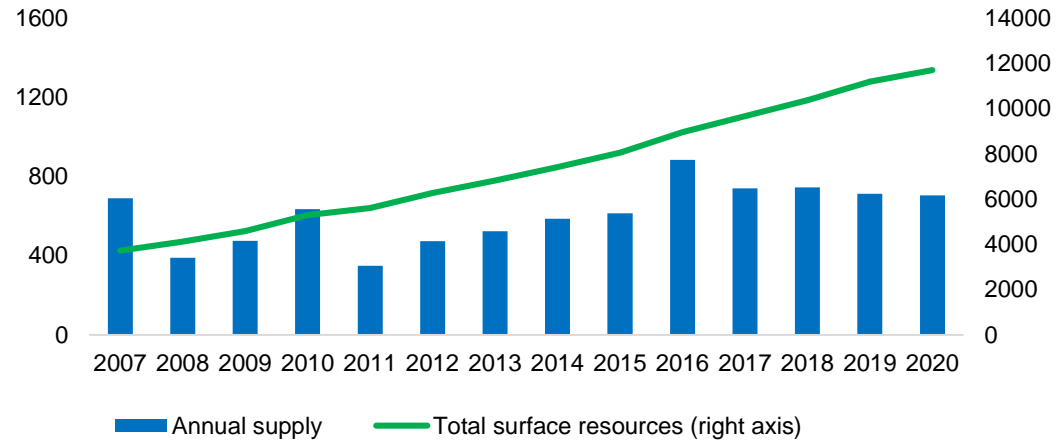
The volume of transactions concluded in 2020 on the commercial real property market in Poland amounted to approx. EUR 5.14 bn and the result was lower than that in 2019 (EUR 7.56 bn).

The share of the commercial real estate market in 2020 is approx. 39% for offices market, approx. 13% for market retail and approx. 49% for warehouse.

Source: Colliers, Q1-Q4 2020

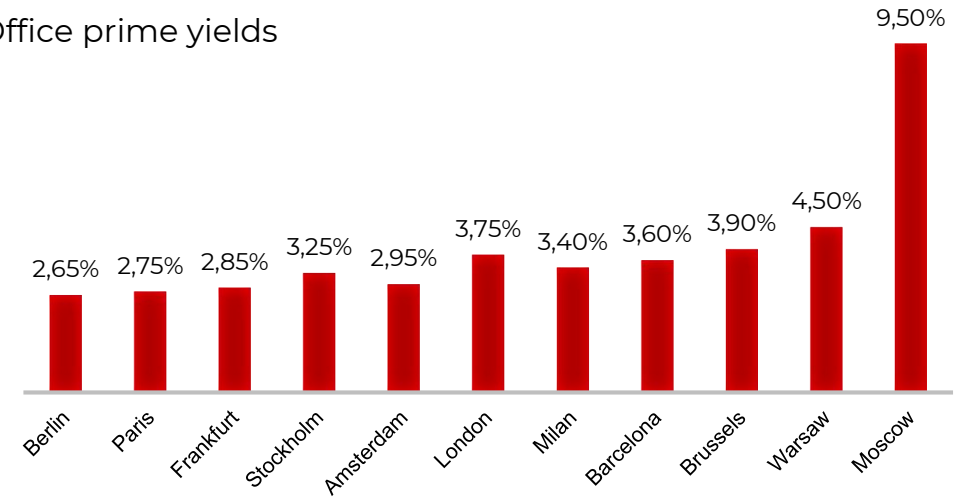
Commercial Real Estate – Offices

Office resources (ths. square meters)



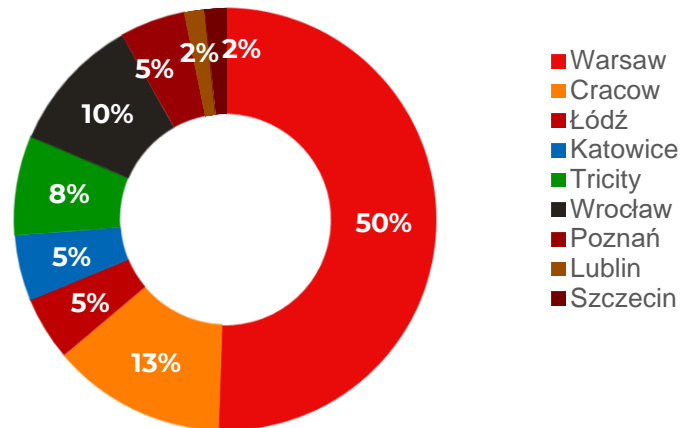
Source: Cresa 2019

Office prime yields



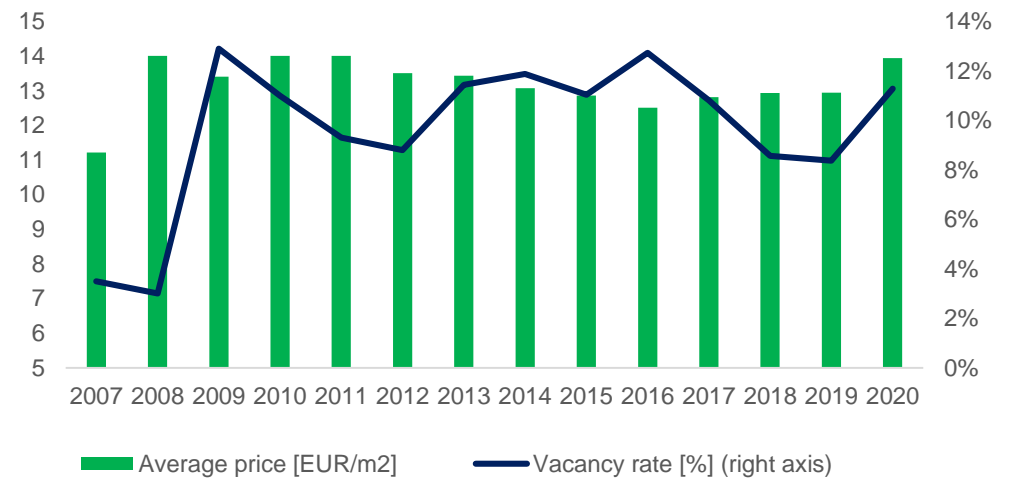
Source: JLL 4Q2020

Office resources by region (%)



Source: Cresa, 2020

Average price (EUR/m2) and Vacancy rate (%)

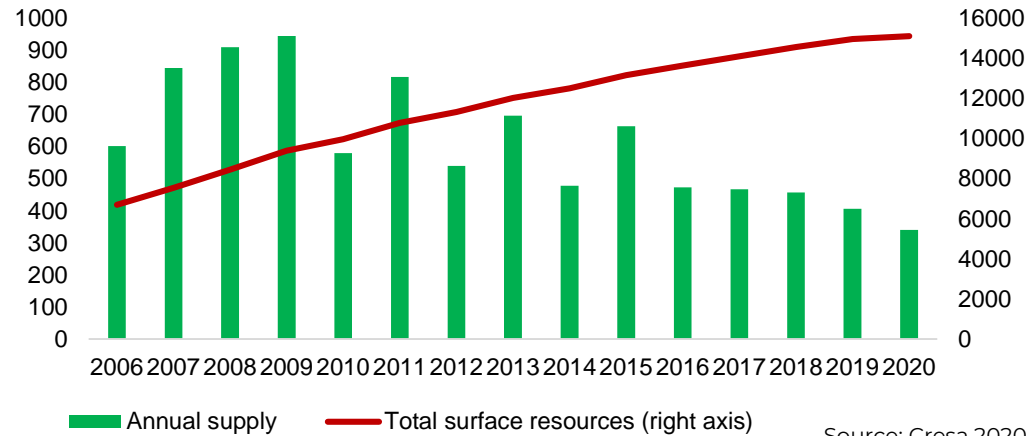


Source: Cresa 2020

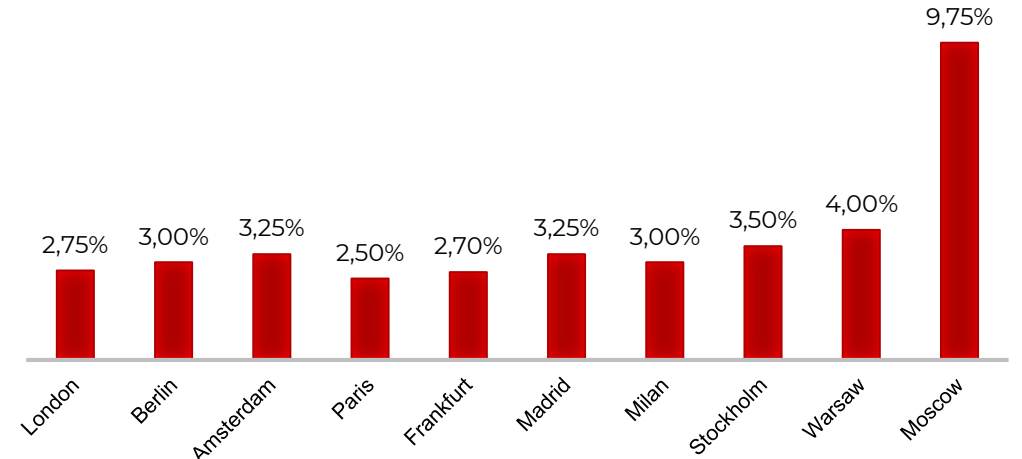
- In Poland prime yield is the highest in Europe (4.5%).
- In Poland, the average rate per m²/EUR of office space is constantly growing, despite the high supply, the vacancy rate is rising.

Commercial Real Estate – Retail

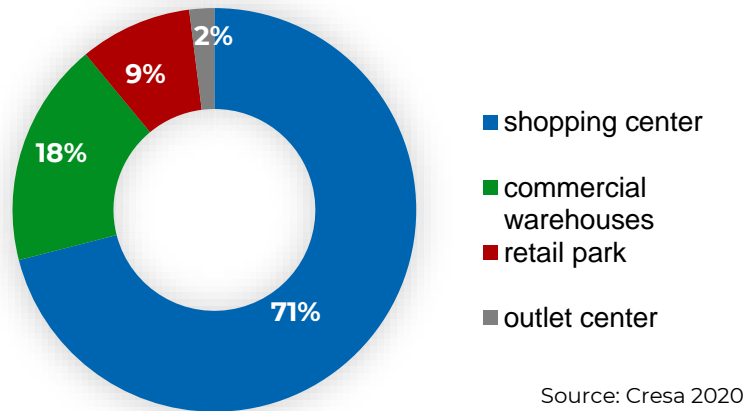
Retail resources (ths. square meters)



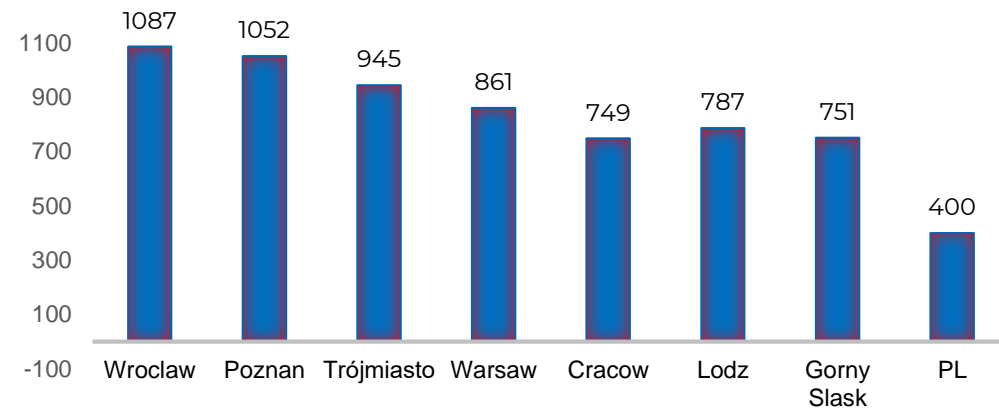
Retail – Prime Yield



The structure of commercial space in Poland



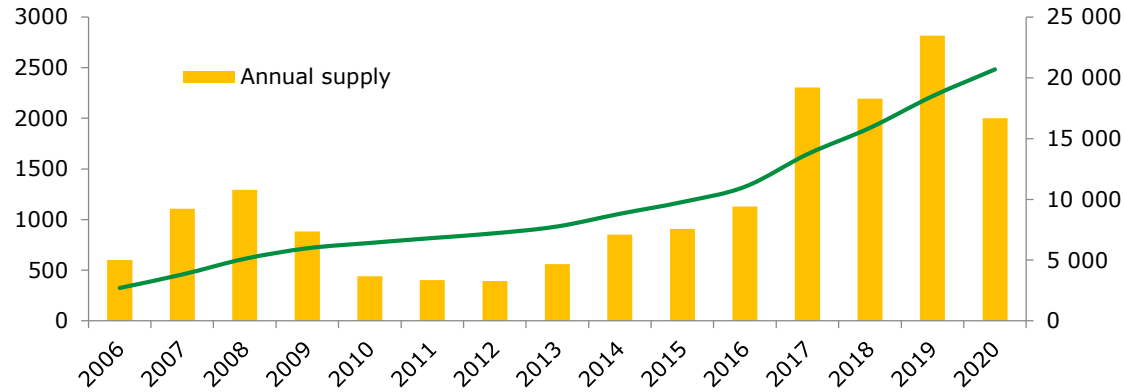
Average density per 1,000 inhabitants



- In Poland prime yield is the highest in Europe – 4.00%
- We have stable and growing retail commercial market in Poland mostly are shopping 71%, Commercial warehouses is 18%. Retail park and outlet center are less popular – 9%

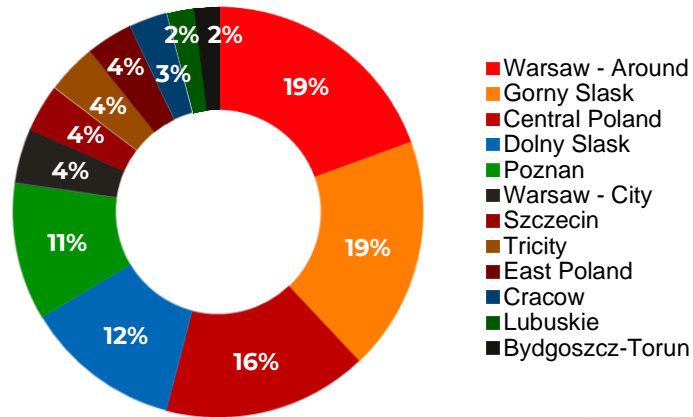
Commercial Real Estate – Warehouses

Warehouses resources (thous. m2)



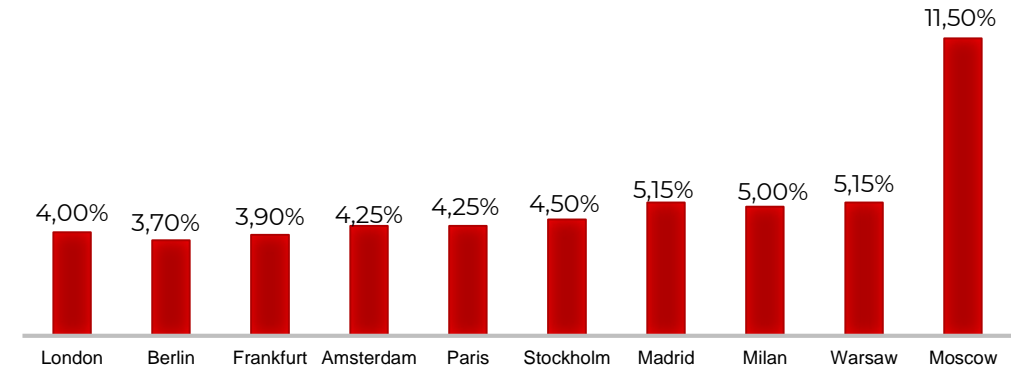
Source: Cresa 2020

Warehouses resources by region (%)



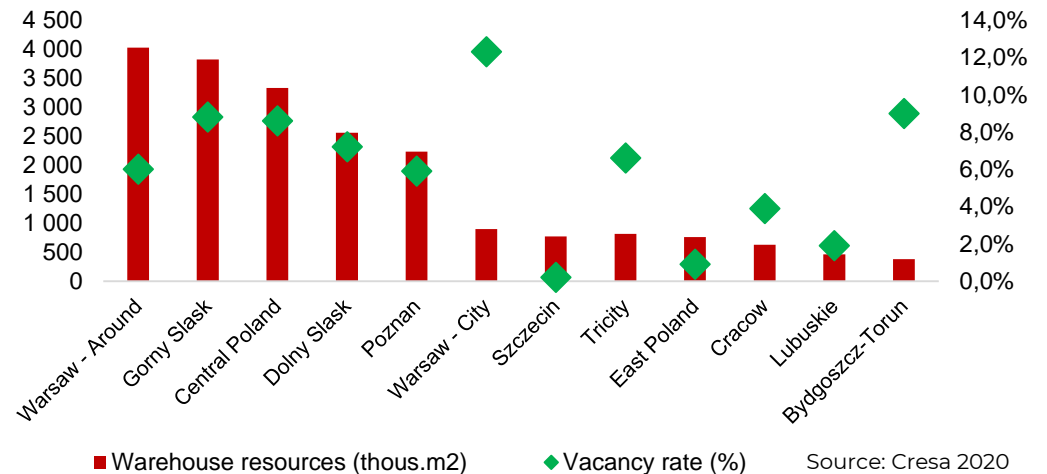
Source: Cresa 2020

Warehouses – Prime Yield



Source: Savills 42 2019

Warehouses space resources and vacancy rate



Source: Cresa 2020

- In Poland prime yield is the highest in Europe (5.15%)
- Warehouse resources are constantly growing. Structure of warehouses by regions over 50% for Warsaw - Around, Gorny Slask and Central Poland.
- Vacancy ratio on low level differentiate by region.



Legislation

- Legal consideration of Polish Covered Bonds

Positive changes in Polish Covered Bonds Law

Legal framework for Polish Covered Bonds

- The Act on Covered Bonds and Mortgage Banks (Ustawa o listach zastawnych i bankach hipotecznych) of August 29, 1997 as amended
- The Bankruptcy Law (Prawo upadłościowe) of February 28, 2003, Bankruptcy proceedings for mortgage banks, Article 442–450a

Mortgage Bank

- Specialised bank (mortgage bank) with the supervision of Polish Financial Supervision Authority (KNF)
- Mortgage bank is a joint stock company with a legal personality (not a branch) with several licences e.a.: banking licence and a consent to start operating activity, both granted by the KNF
- A covered bond issuer may issue mortgage or public covered bond
- Specific license for each covered bond type is required before the issuer may start to issue covered bonds

Fundamental changes in 2016 revision of the Act on Covered Bonds and Mortgage Banks

- in line with the best market practices and with recommendations of the European Central Bank (ECB) and credit rating agencies

Improvements:

- | | |
|---|--|
| <ul style="list-style-type: none"> ✓ Increase of credibility and safety of covered bonds | <ul style="list-style-type: none"> • soft bullet / pass-through - maturity of the covered bonds obligations extended automatically by 12 months and if asset coverage or liquidity test were negative - pass through - in case of mortgage bank's insolvency (details on the next slide) • mandatory liquidity reserve covering at least 6 months of interest due on the covered bonds outstanding • minimum legal overcollateralization requirement (OC) – 10% |
| <ul style="list-style-type: none"> ✓ Extension of covered bond supply | <ul style="list-style-type: none"> • increase refinancing limit for mortgage covered bonds for residential mortgage loans to 80% from 60% |
| <ul style="list-style-type: none"> ✓ Extension of demand for covered bonds | <ul style="list-style-type: none"> • introduce investment limit for Pension Funds 5% of portfolio per issuer of covered bonds • income from interest or discounts on the covered bonds earned by foreign investors is exempt from withholding tax (WHT) |

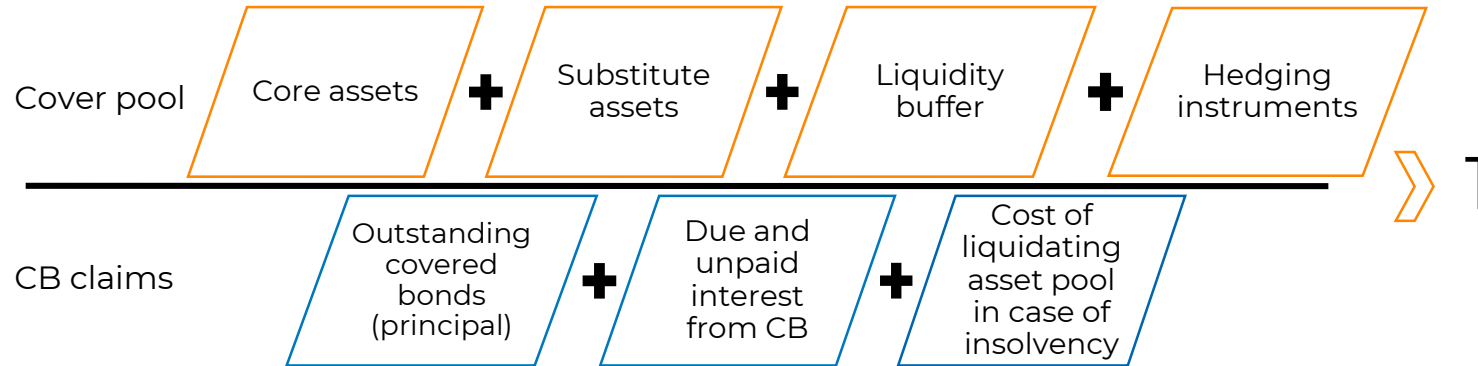
Regulatory status - Compliance with:

	Covered Bonds Programme	
	Domestic	International
CRR art 129	✓	✓
UCITS 52 (4)	✓	✓
BRRD	✓	✓
Credit quality step	2	2
LCR Delegated Act (HQLA)	✗	✓
ECB Repo	✗	✓
		Expected category III
NBP Repo	✓	✗
CBPP / LTRO	✗	✗

Obligatory cover pool tests

Coverage Test

Verifies at the day of test **whether** the value of the assets in the cover pool allows for outstanding covered bonds claims.



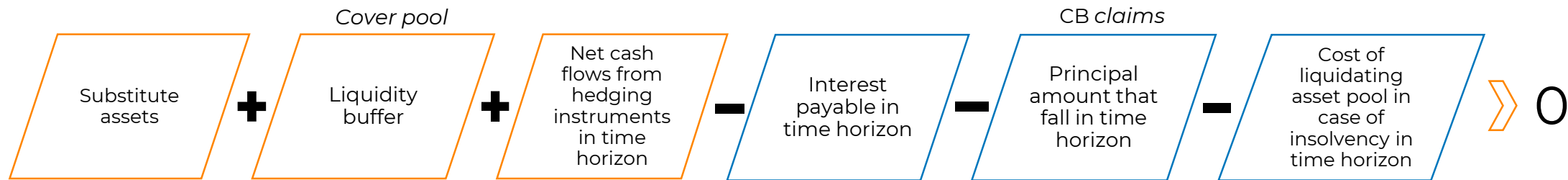
Test calculated also under stressed conditions:

- +/- 20% FX rate or highest year change in previous 12 M

Tests performed min. once a 6M

Liquidity Test

Verifies at the day of test whether the value of the assets in the cover pool allows for outstanding covered bonds claims even in extended maturity in case of issuer insolvency. Separately for 6M and 12M horizon



Additionally for **12 M** horizon:

- ➕ Interest under receivables in the cover pool for the next 12 months
- ➖ Obligations towards holders (principal + interest) that became due but were not paid before the date of hypothetical insolvency

Test calculated also under stressed conditions:

- +/- 20% FX rate or highest year change in previous 12 M
- +/- 400bps shift of interest rate curves

Tests performed min. once a 3M

Polish Covered Bonds Law vs German Pfandbriefe Law

Requirements	Poland Hipoteczne Listy Zastawne	Germany Mortgages Pfandbriefe
Special Covered Bonds Law	YES	YES
Special bank principle	YES	NO
Mortgage Valuation concept	Mortgage lending value	Mortgage lending value
Loan to Value (LtV) cap	100%	NO
Mortgage value refinancing limit (consider as OC)	Residential: 80% Commercial: 60%	60% of mortgage lending value
Geographical scope for mortgage assets	PL	EEA, CH, US, CA, JP, AU, NZ, SG
Repayment structure	Soft-bullet and CPT	Hard Bullet
Legal framework for bankruptcy	Specific legal framework superseding the general insolvency law	Specific legal framework superseding the general insolvency law
Bankruptcy remoteness	Preferential claim by law Specific cover pool administration	Preferential claim by law Specific cover pool administration
Recourse upon cover pool default	Yes, pari passu with unsecured creditors	Yes, pari passu with unsecured creditors
Minimum Mandatory Overcollateralization	10%	2%
CRR, UCITS compliant	YES	YES

Source: European Covered Bond Council

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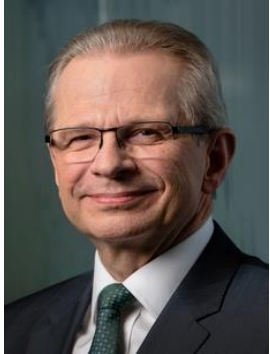
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