

Letter from the President of the Management Board

Warsaw, March 2, 2018

Dear Sirs,

Please find attached the annual financial statements of mBank Hipoteczny S.A. for the year 2017.

The very good macroeconomic conditions prevailing in 2017, including the boom in the residential and commercial properties market, favoured the consolidation of positive trends in our operations.

The balance sheet total as of the end of 2017 reached PLN 12.7 billion; the loan portfolio closed with PLN 10.88 billion, while gross profit amounted to PLN 34.77 million. In 2017, mBank Hipoteczny placed on the market six issues of mortgage covered bonds with a total nominal value of approximately PLN 2.73 billion as at 31 December 2017. The value of four issues in the domestic currency amounted to PLN 2.2 billion. The value of two issues denominated in EUR amounted to EUR 124.9 million.

It should be pointed out that the issue of a nominal value of PLN 1 billion placed on the national market in October 2017 was the largest issue not only in the history of the Bank, but also in the history of modern Polish mortgage banking. Within the scope of debt restructuring in 2017, the Bank repurchased on the secondary market 3 series of mortgage covered bonds of private issue with a total nominal value of PLN 700 million and EUR 70 million. The value of all mortgage covered bonds of the Bank in organised trade as of the end of 2017 amounted to approximately PLN 6.06 billion, which the Bank estimates to be approximately 37.2% of the market for such bonds in Poland. At the end of 2017, the Bank did not have any liabilities by virtue of issuing public covered bonds. mBank Hipoteczny S.A. covered bonds are instruments that carry low investment risk, resulting from the statutory requirement of multi-tiered security of their issue and trade. This is confirmed by the ratings granted by Fitch Ratings Ltd. to the mortgage covered bonds issued by the Bank. On 23 June 2017 the rating of mortgage covered bonds was confirmed at level A.

In 2017 the Bank developed its operations in the area of loans for business entities as well as retail credits. Sales value amounted to PLN 3,668 million and was 8.1% lower than the value of agreements signed in 2016. This was due to the lower increase in the retail part, related to the transfer as of 22 July 2017 of the sales process to mBank S.A. From 22 July 2017 all mortgage loans for individuals were processed and extended by mBank S.A. Net balance sheet exposure to business entities as 31 December 2017 amounted to PLN 4,699 million. The vast majority (88.7%) is attributed to the refinancing of completed commercial facilities; exposure

to residential projects reached 4.8%, whereas loans to finance the construction of commercial facilities was 6.5%. As of the end of December 2017, the Bank primarily financed office buildings and commercial facilities.

The purchase by mBank Hipoteczny S.A. from mBank S.A. of the portfolios of mortgage loan receivables for refinancing through the issue of mortgage bonds will continue to be an important element in the pursuit of strategic objectives.

We are also pleased to announce that mBank Hipoteczny, as the second Bank in Poland and Eastern Europe, joined 16 February this year to The Covered Bond Label, a group of issuers who, through statutory safety and the information transparency, maintain the highest quality of mortgage bonds offered. Decision on the accession of the mBank Hipoteczny to The Covered Bond Label strengthens the long build relationship with the international investors as well as confirms the full readiness to meet the standards of transparency by implementation the Harmonised Transparency Template most recent version (HTT).

Considering the economic growth forecasts and the development of the real properties market, we hope that 2018 will enable us to achieve our plans to increase loan assets and place subsequent covered bonds issues, as well as to improve the Bank's efficiency by strengthening cooperation within the mBank Group.

In presenting these financial statements, I would like to thank all our clients and investors for the trust they have placed in us during the past year.

Yours faithfully,

Piotr Cyburt