

Covered Bonds Investor Presentation

Successful track record since 1999



Investment Highlights

mBank Group & mBank Hipoteczny

- mBank Group – 4th largest banking group in Poland in terms of assets. Well capitalized & liquid universal bank, recognized domestically and internationally as a mobile banking icon
- mBank Hipoteczny - longest (22 years) track record of covered bond issuance in the Polish capital market with the equivalent of ca. EUR 1.54 bn of covered bonds already outstanding placed on local and international market
- Mortgage covered bonds - rated Aa1 by Moody's Investors Service: equal to 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

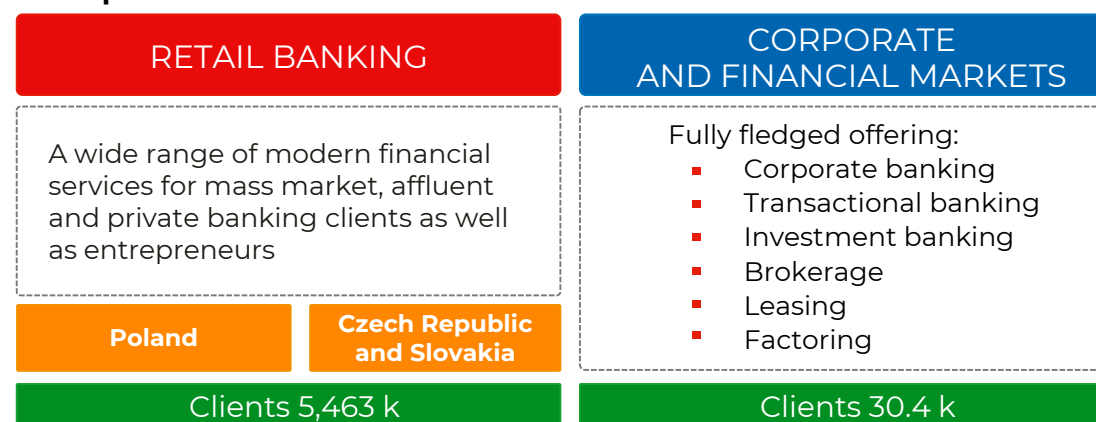
General description

- Set up in 1986, mBank is Poland's fourth largest **universal banking group** in terms of total assets and it keeps the fifth position by net loans and deposits at the end of June 2021.
- Servicing **4.45 million retail clients** and **30.4 thousand corporate clients in Poland** and more than 1.0 million retail clients in Czech Republic and Slovakia.
- The offer includes **retail, SME, corporate and investment banking** as well as other financial services such as leasing, factoring, commercial real estate financing, brokerage, wealth management, distribution of insurance, corporate finance and advisory in the scope of capital markets.
- Profitable and **efficient business model**, operating with C/I ratio at 41.8% in H1 2021. Well-capitalized bank with a strong funding profile and **balanced business mix** between retail and corporate segments. Attractive client base supporting market share development.
- Rated 'BBB' by Standard & Poor's and 'BBB-' by Fitch.
- **Listed on the Warsaw Stock Exchange** since 1992 with a market value of ~EUR 3.0 billion, a member of WIG-30 index.
- A strategic shareholder, Germany's **Commerzbank**, owns **69.28% of mBank's shares**.
- In line with its **ESG strategy**, mBank Group intends to conduct the business in accordance with the principles of sustainable development (we want to educate, take care of the climate and the environment and promote prosperity).

Key financial mBank Group data (PLN mn)

	2018	2019	2020	2020 H1	2021 H1
Total Assets	145,750	158,720	180,136	182,943	198,471
Net loans	94,723	103,203	109,832	108,225	116,241
Deposits	102,009	116,661	137,699	139,623	156,584
Equity	15,216	16,151	16,675	16,913	16,694
Total income	5,059	5,524	5,867	2,904	2,982
Net profit	1,316	1,010	104	178	426
Cost/Income ratio	42.8%	42.2%	41.1%	42.2%	39.6%
Cost of risk	0.78%	0.79%	1.19%	1.41%	0.70%
Return on Equity (ROE) (net)	9.4%	6.6%	0.6%	2.2%	5.1%
Tier 1 ratio	17.5%	16.51%	17.0%	16.4%	15.2%
Total Capital Ratio	20.7%	19.5%	19.9%	19.3%	17.6%
NPL ratio	4.8%	4.5%	4.8%	4.9%	4.4%
NPL coverage ratio	62.8%	60.7%	58.2%	58.8%	58.3%

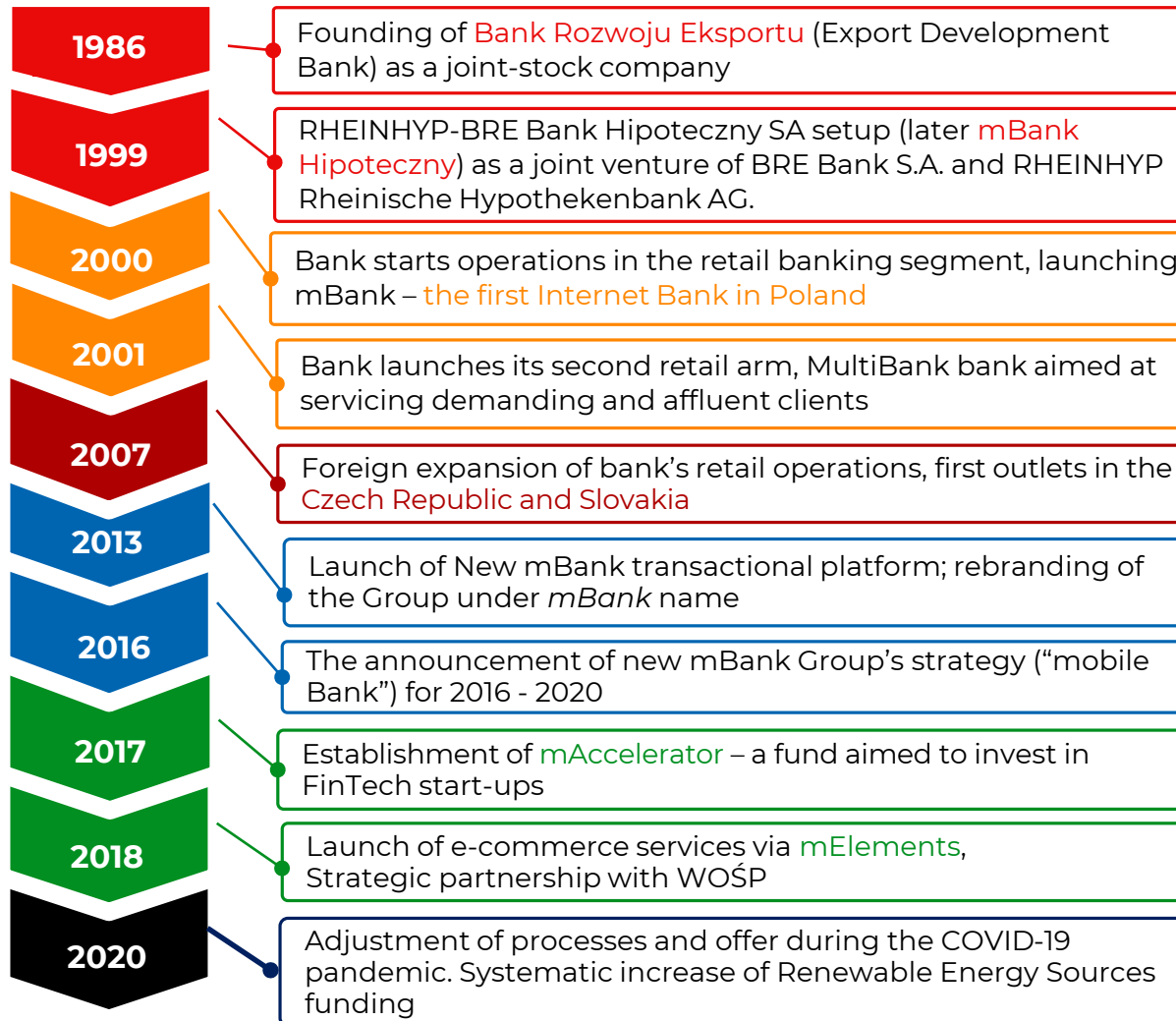
Main product lines



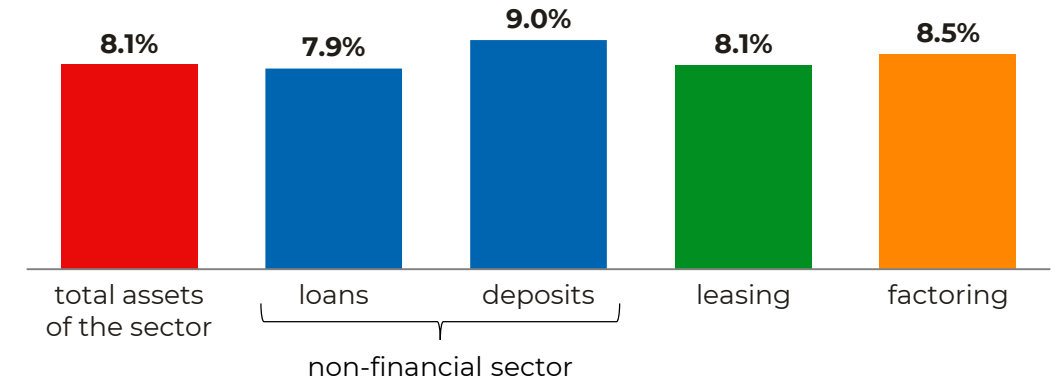
Source: mBank Group Consolidated Financial Statements 2021 H1

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

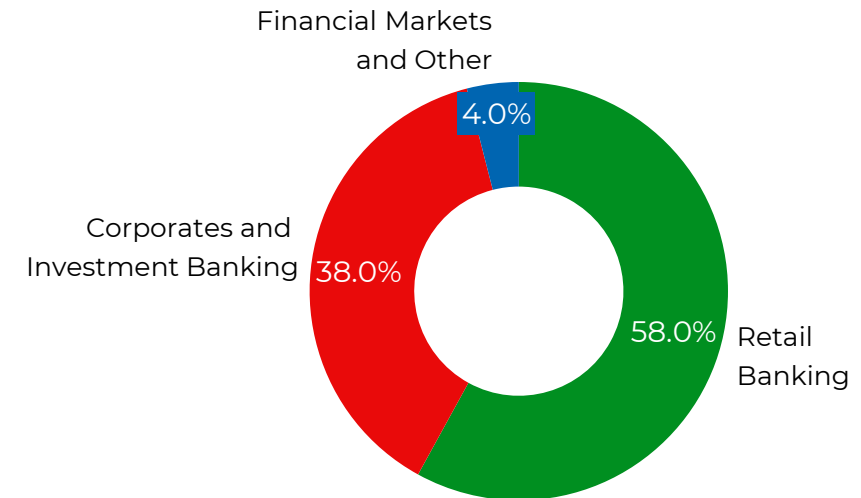
Brief history



Market shares



Composition of mBank Group's total income

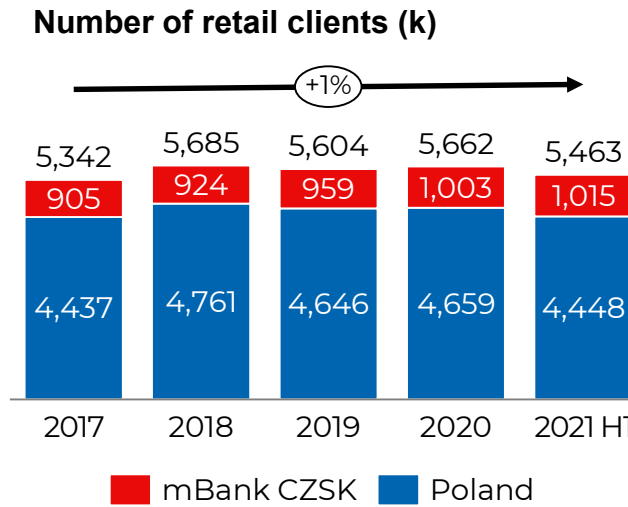


Total income: PLN 2,982 mn in 2021 H1

Client base and market position of retail and corporate banking

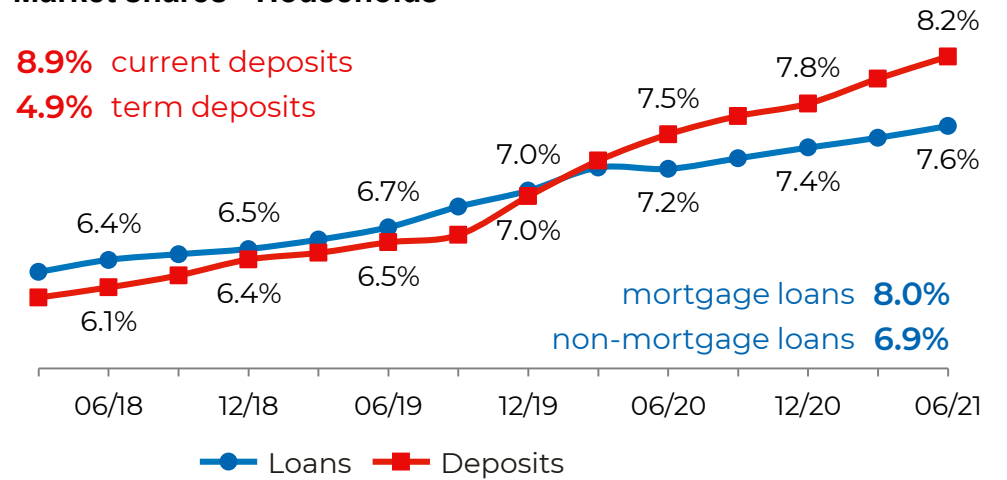


RETAIL BANKING

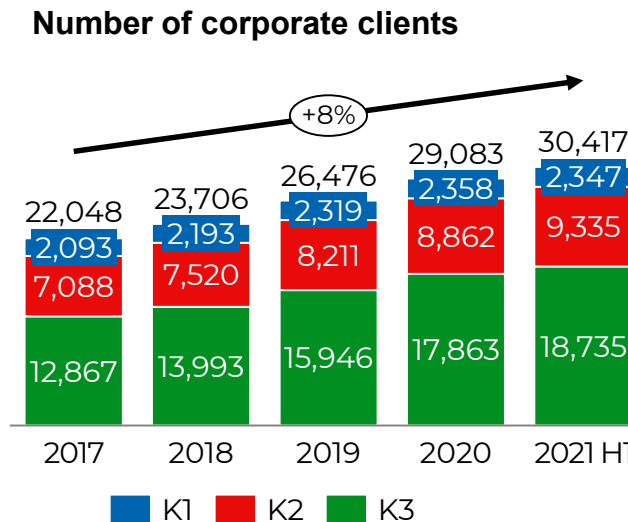


Market shares - Households

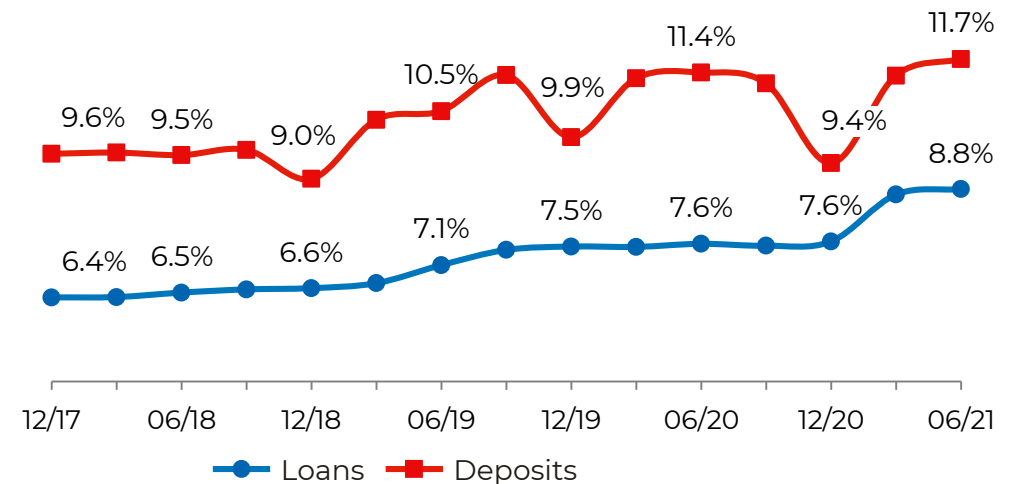
8.9% current deposits
4.9% term deposits



CORPORATE BANKING



Market shares - Enterprises



Note: Corporate clients split: K1 – annual sales over PLN 1 bn and non-banking financial institutions; K2 – annual sales of PLN 50 mn to PLN 1 bn; K3 – annual sales below 50 mn and full accounting.

mBank as a front-runner in mobile banking adoption

Well-designed functionalities for client convenience

mobile application to Junior Account designed for children below 13 years old and suited to their needs

fully remote account opening with a selfie and agreement approved via a text message

logging in with a PIN code, fingerprint or Face ID



contactless payments with Google Pay and Apple Pay



express transfers using telephone numbers and the BLIK system



reminders from Payment Assistant and scanning of data to the transfer form from the invoices

benefits (mDiscounts) for retail buyers and seamless shopping experience with one-click financing options

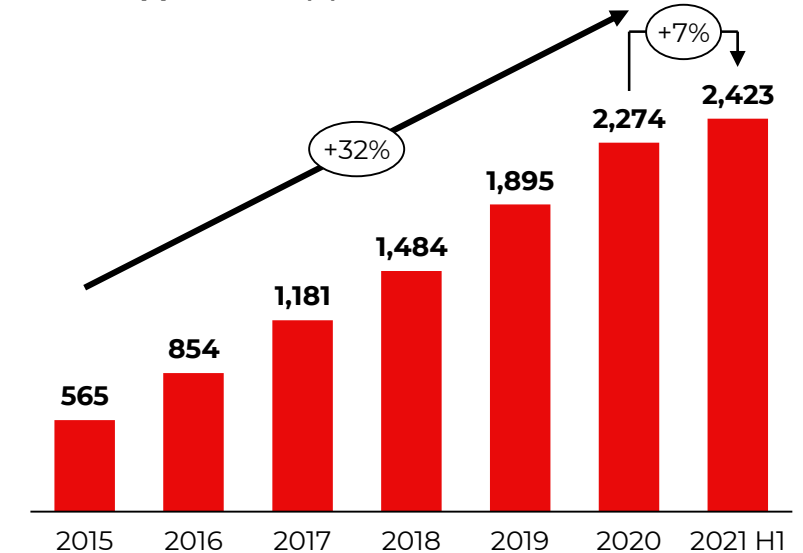
Active Users of mBank's Mobile Application (k)

#1

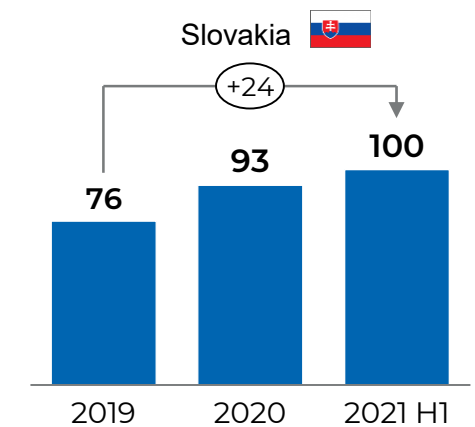
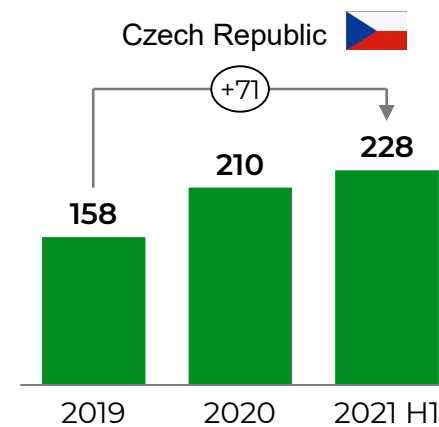
by the share of mobile users in total active customer base

#2

by the number of mobile app users among Polish banks



Active users of mBank's mobile application outside Poland (k)



Development of best digital banking services for corporate clients

First-class digital banking offer for companies

entirely digital onboarding process,
with no in-person contact and printouts required

advanced **mBank CompanyNet** transactional
system, allowing for high level of personalization

remote access and constant control via enhanced **mBank
CompanyMobile** application

Administrator Centre for self-managing user permissions and
authorisation schemes

electronic sending of documents,
signing of agreements

mAuto.pl online platform with an
offer of new and used cars, financed
by leasing or long-term rental

mAuto



mBank was named **“World’s Best
Corporate/Institutional Digital Bank in CEE
2020”** by Global Finance magazine

Development of complete solutions for e-commerce segment

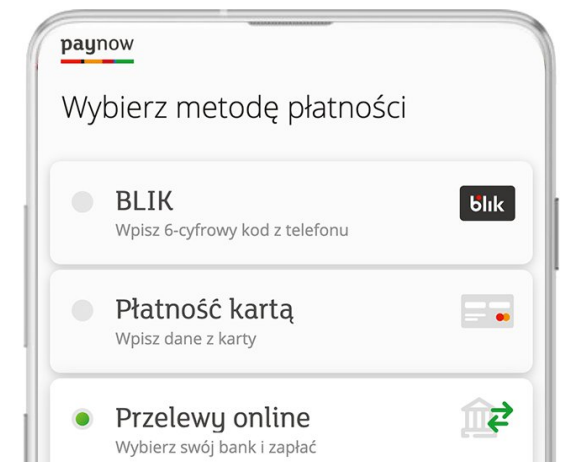
paynow

- online payment processing solution (BLIK, pay-by-link, card)
- and a core of mBank’s offering for e-commerce merchants (SME and corporate clients)



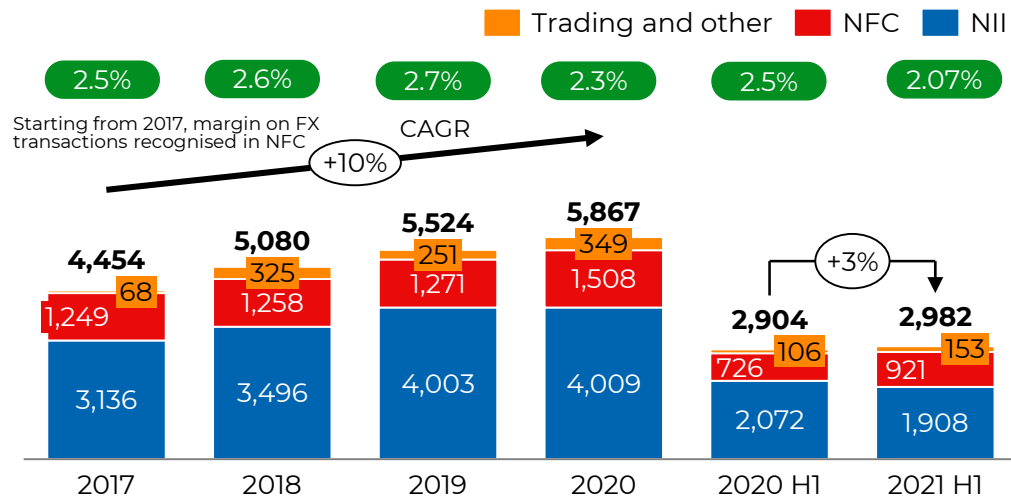
Developed to provide a delightful digital shopping experience for the customer and the merchant

- quick and easy integration with merchant’s online shop
- high processing capacity, especially for peaks in payment volumes (up to 200 transactions per second)
- convenient management through mBank’s transactional service or panel adapted to mobile devices
- no fee for activation and attractive pricing thereafter

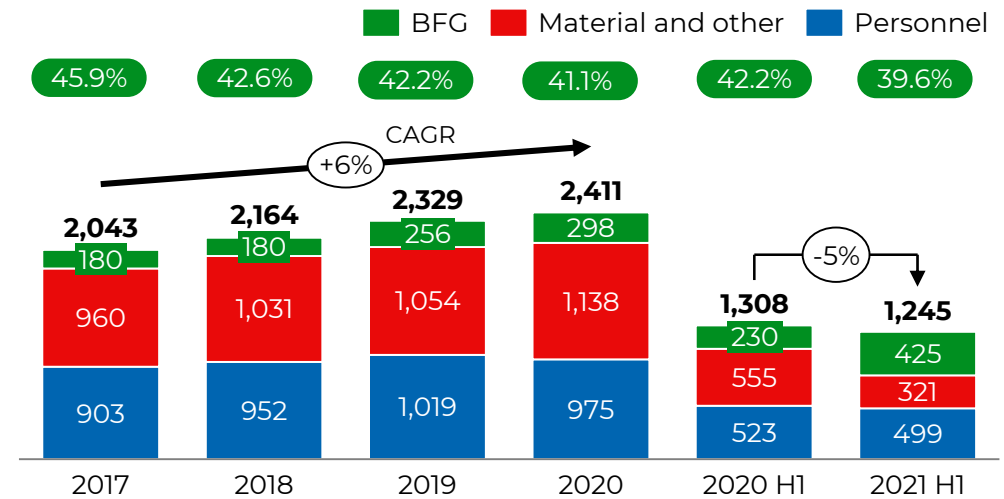


mBank Group's historical performance: Profit and Loss Account

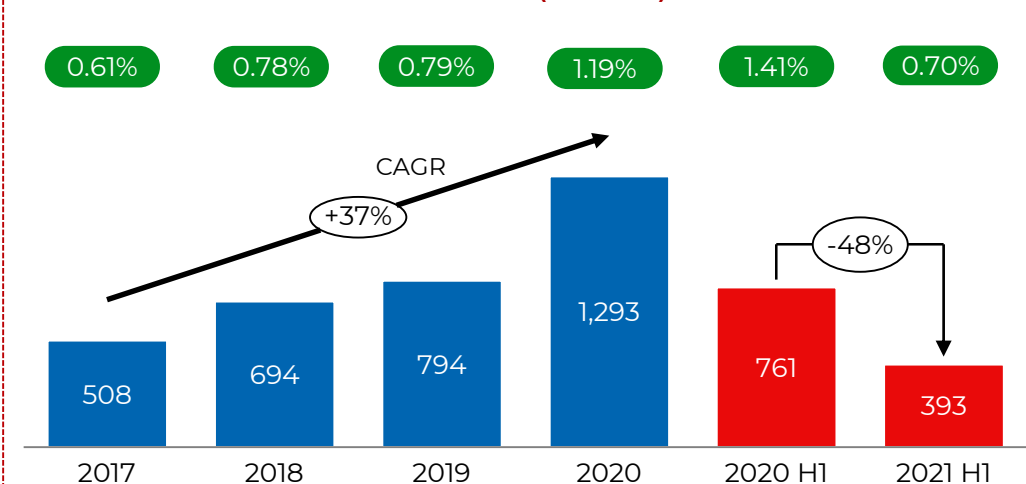
Total Income & Margin (PLN mn)



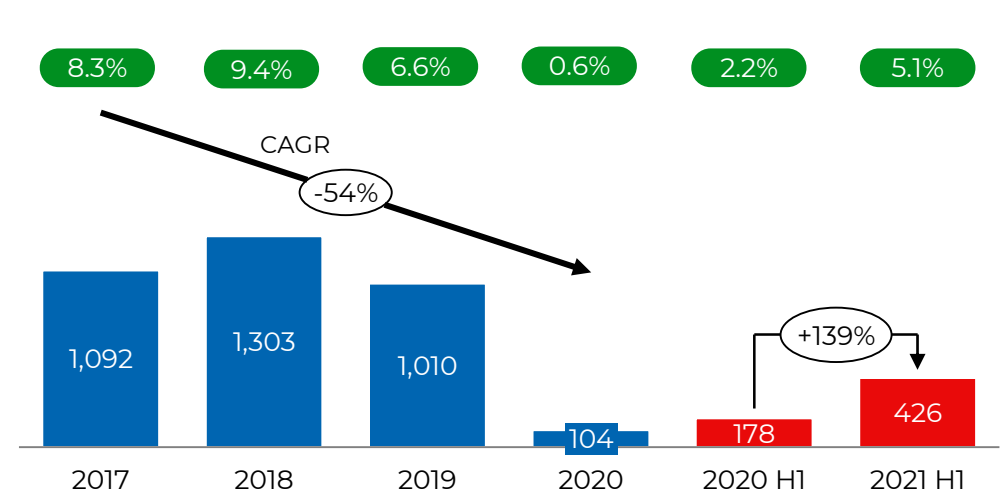
Total Costs & C/I ratio (PLN mn)



Loan Loss Provisions & Cost of Risk (PLN mn)



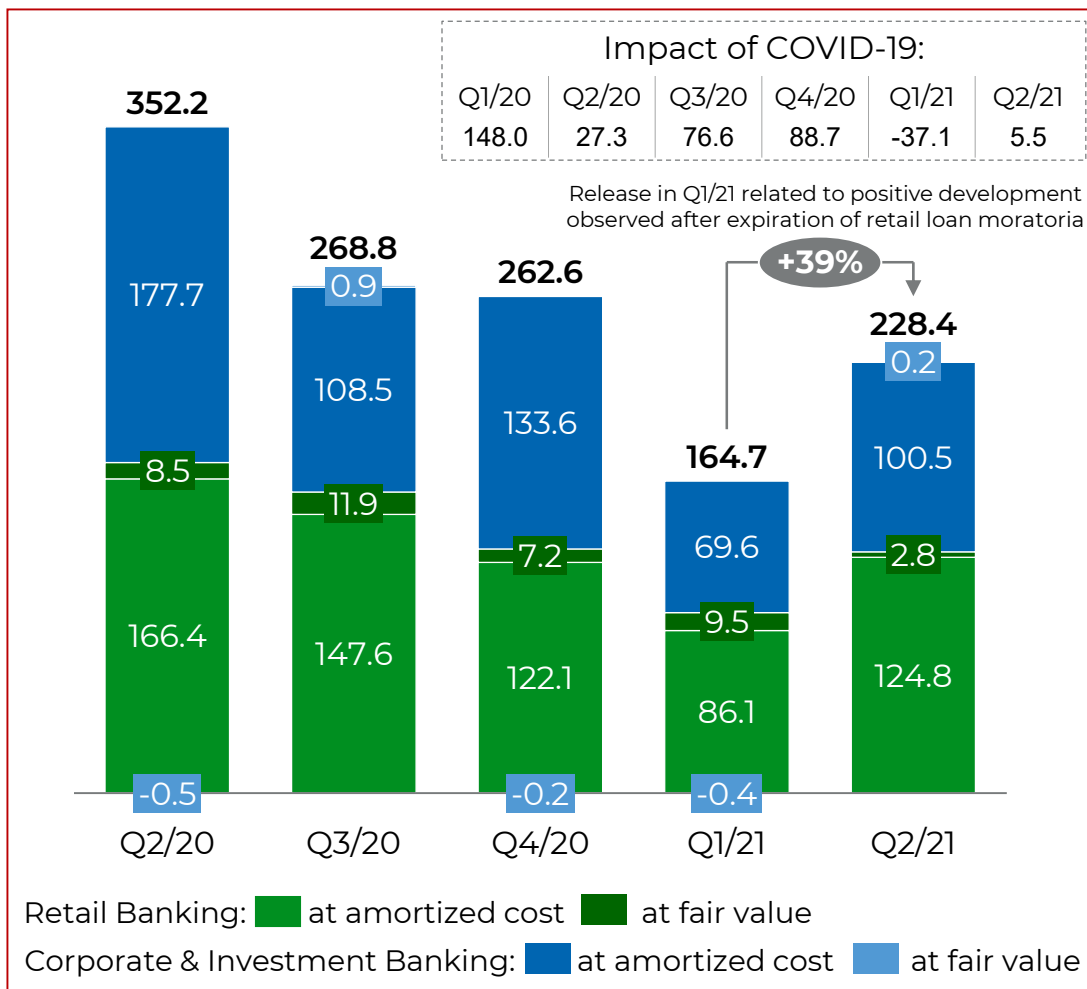
Net Profit & Return on Equity (PLN mn)



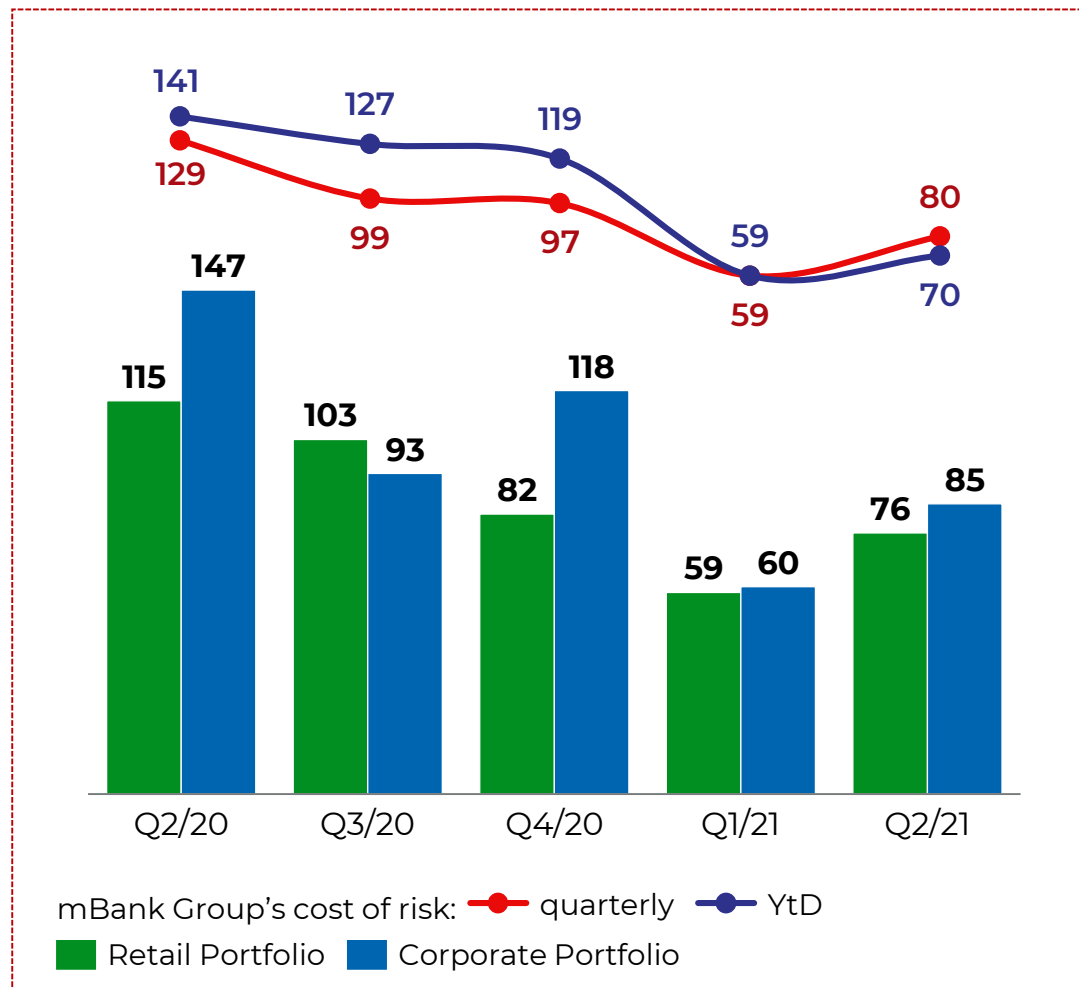
Note: A drop of net profit in 2019 and 2020 caused by the provisions for legal risk related to the FX mortgage loans.

mBank Group's historical performance: Cost of Risk

Net impairment losses and fair value change on loans (PLN mn)

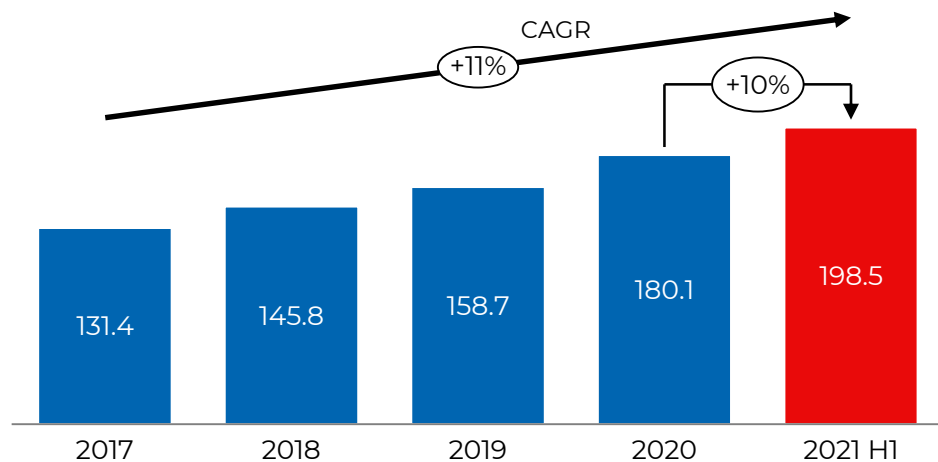


mBank Group's cost of risk, by segment (bps)

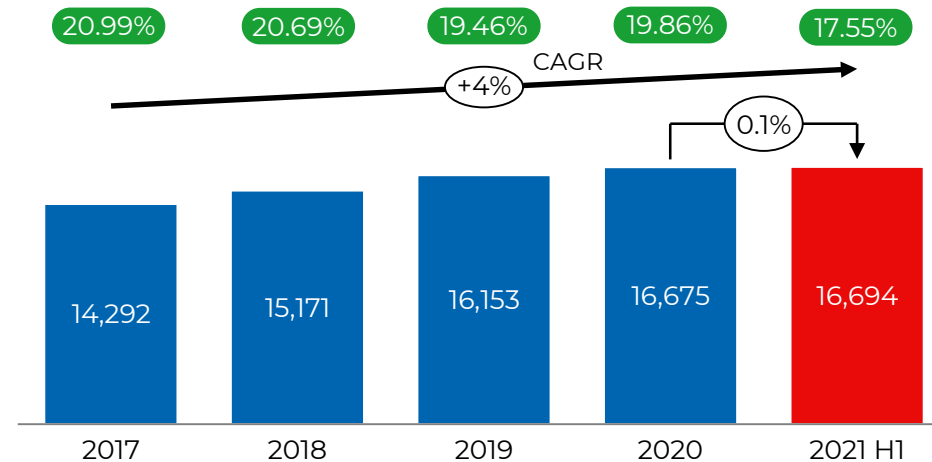


mBank Group's historical performance: Balance Sheet

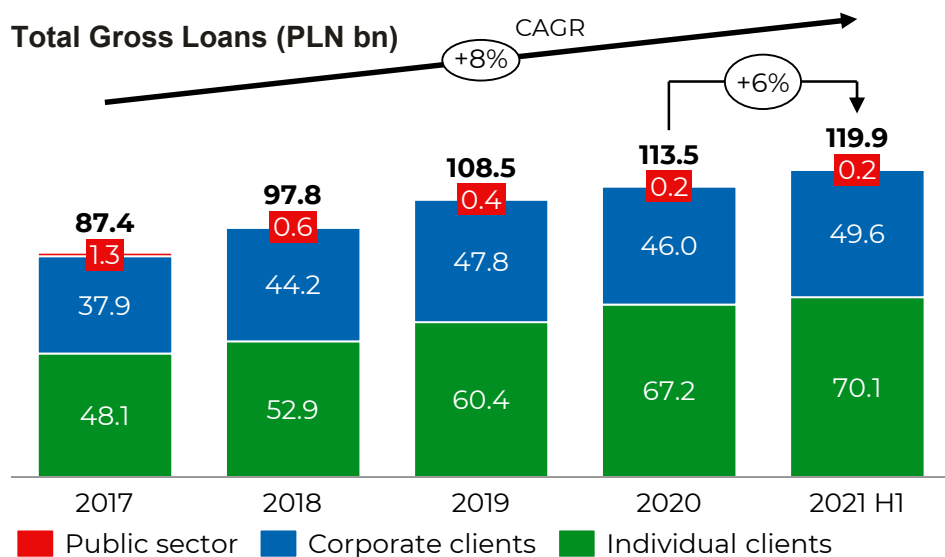
Total Assets (PLN bn)



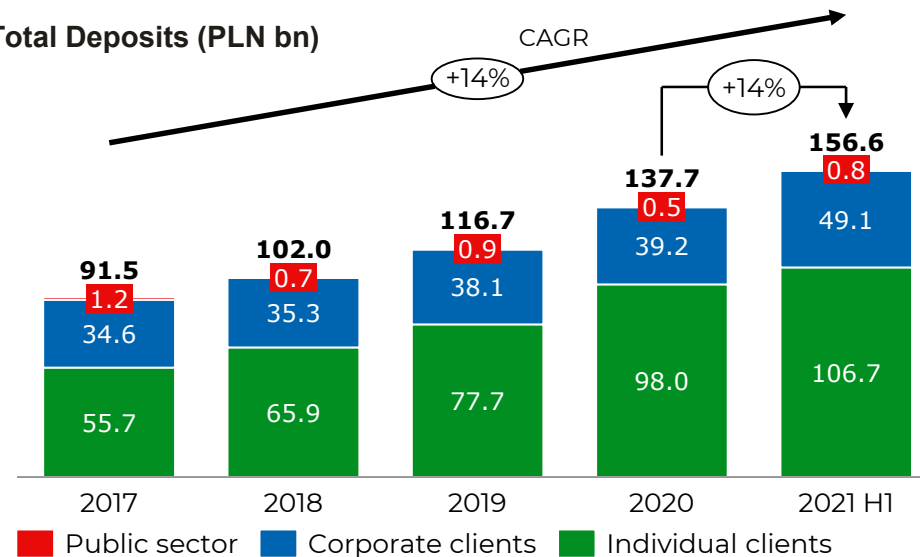
Equity & Total Capital Ratio (PLN mn)



Total Gross Loans (PLN bn)

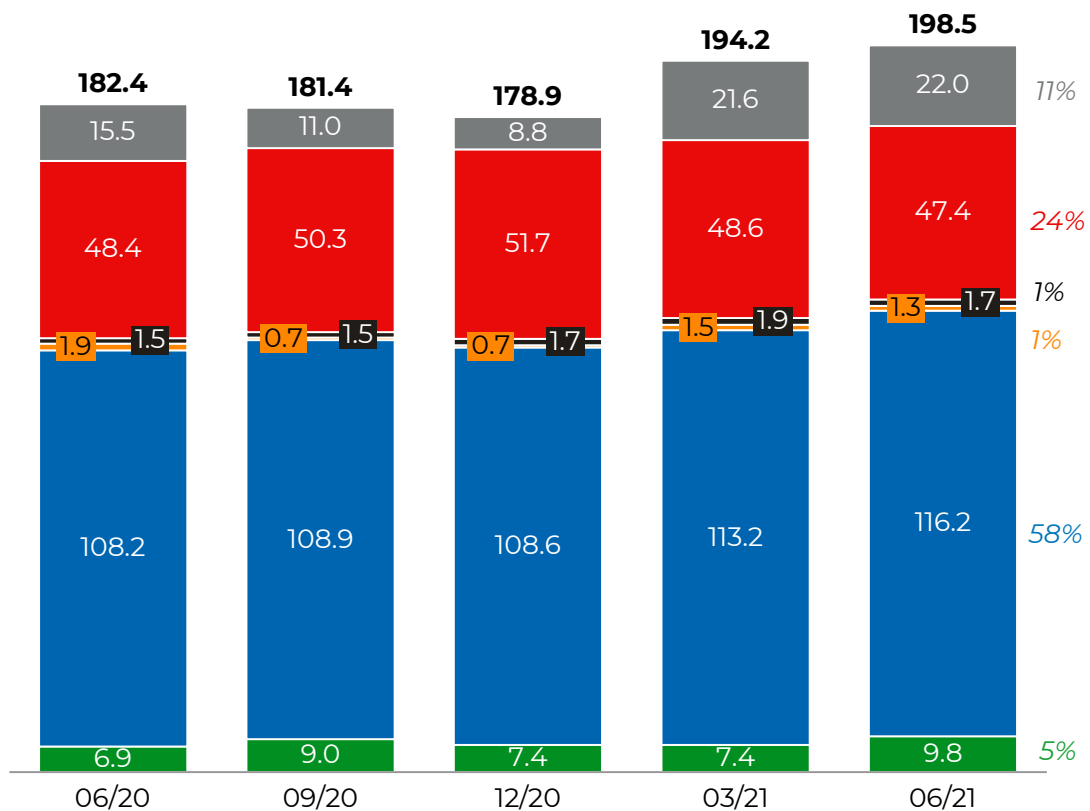


Total Deposits (PLN bn)

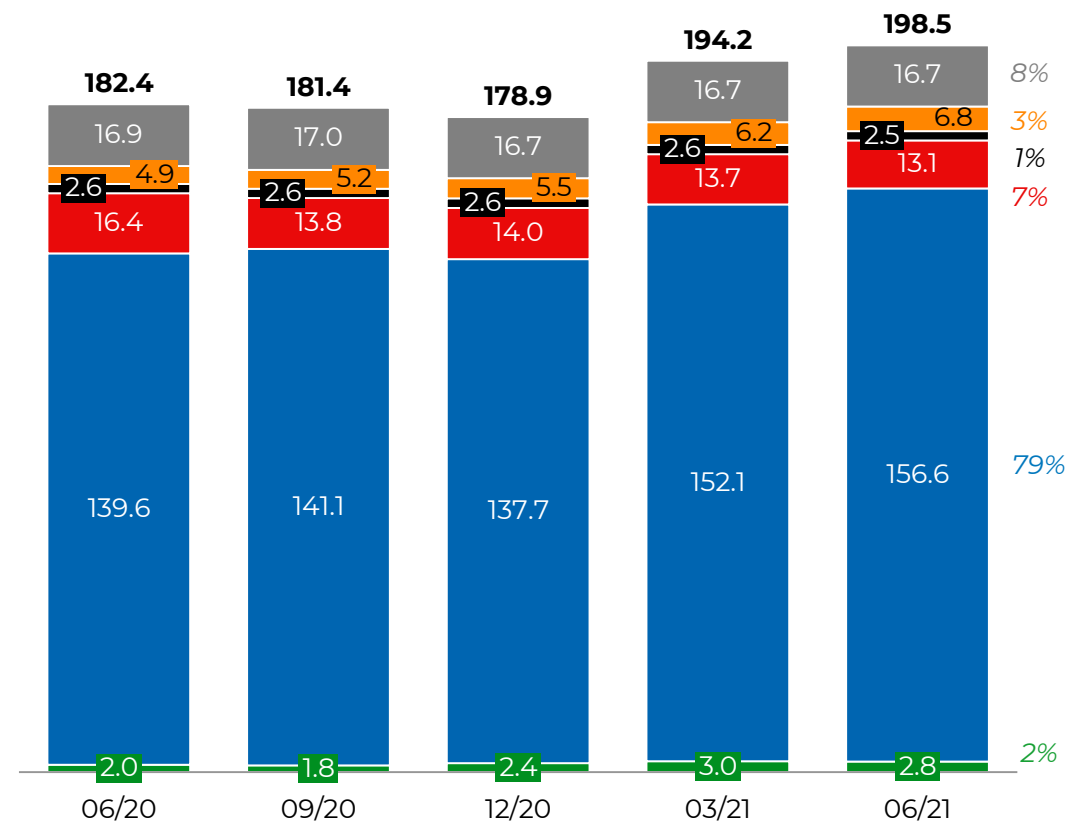


mBank Group's historical performance: Balance Sheet

Structure of Assets (PLN bn)



Structure of Liabilities and Equity (PLN bn)

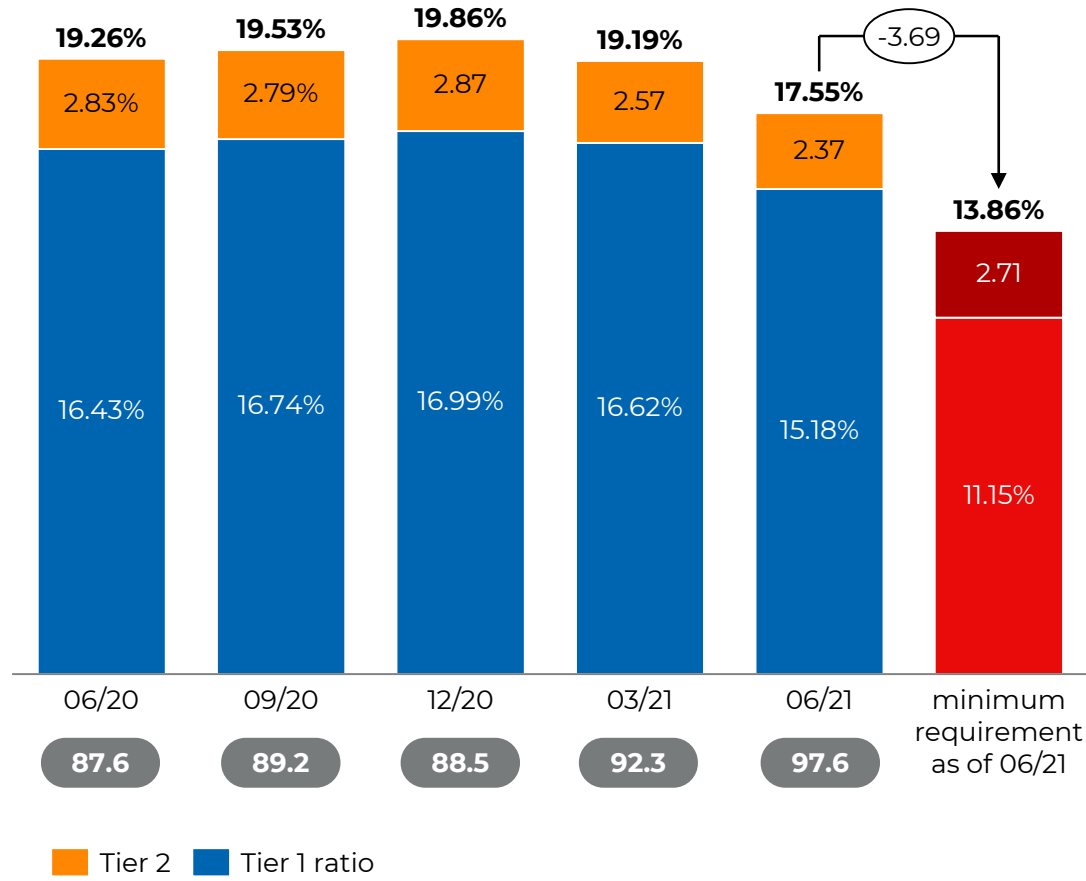


- Other
- Investment securities
- Derivative financial instruments
- Trading securities
- Loans and advances to customers
- Amounts due from banks

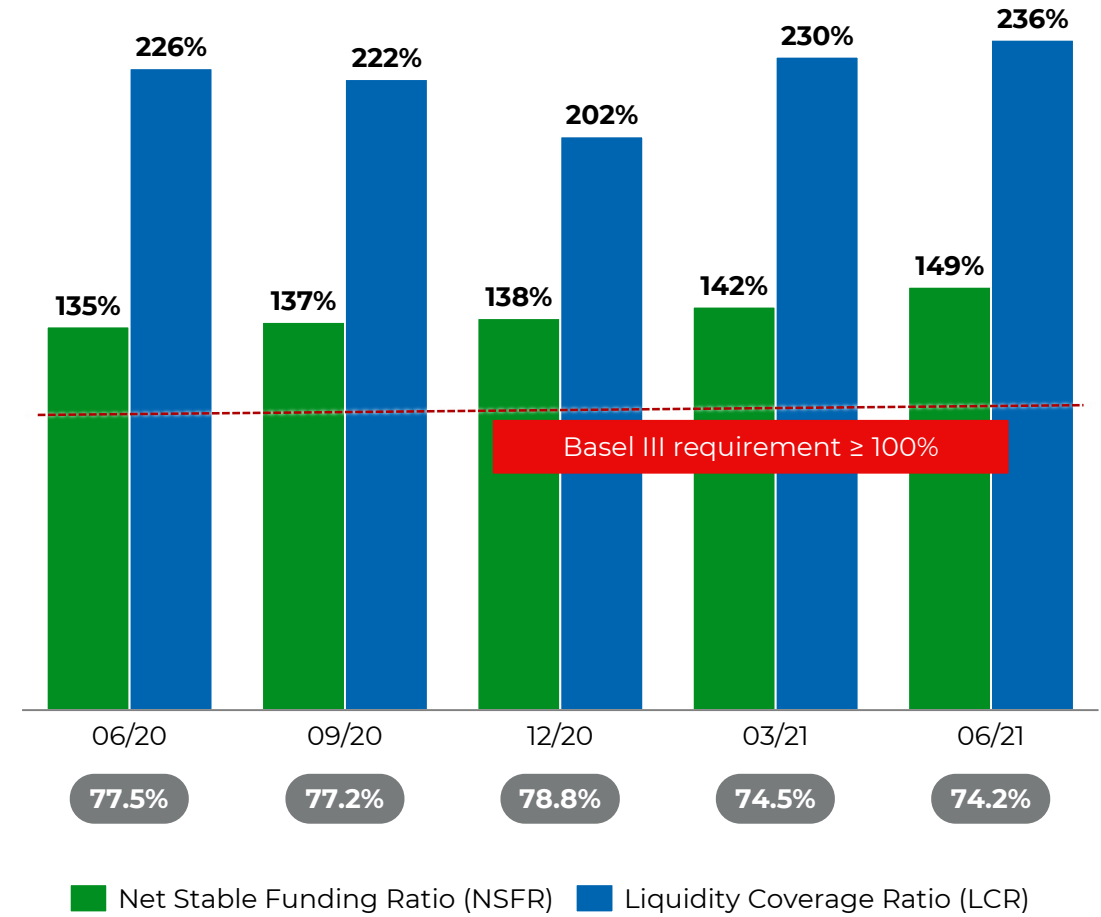
- Equity (total)
- Other
- Subordinated liabilities
- Debt securities in issue
- Liabilities to customers
- Liabilities to other banks

mBank Group's historical performance: Balance Sheet

mBank Group's Total Capital Ratio



mBank's NSFR and LCR



XX.X Total risk exposure amount

XX.X% Loan-to-deposit ratio of mBank Group

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

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

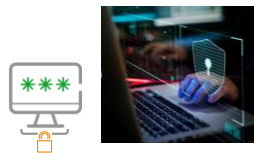
- mBank supports the development of mathematical education and equalizes educational opportunities for young people.

national competitions and grant programmes



- mBank teaches how to use online and mobile banking safely. mBank makes customers more sensitive to cybercrime threats in the banking area.

social (educational) campaigns



mBank cares about the climate and the environment

- mBank limits its indirect impact.

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



mBank in the ESG Index (GPW)

- mBank limits its direct impact.

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



mBank promotes prosperity

- mBank supports organisations that work for social welfare.

cooperation with WOŚP



- mBank is accessible to clients with disabilities (inclusive banking).

- mBank acts ethically.

Code of Conduct 2.0



- mBank communicates with its customers in a fair, clear and transparent way.

- mBank ensures diversity and equal opportunities.

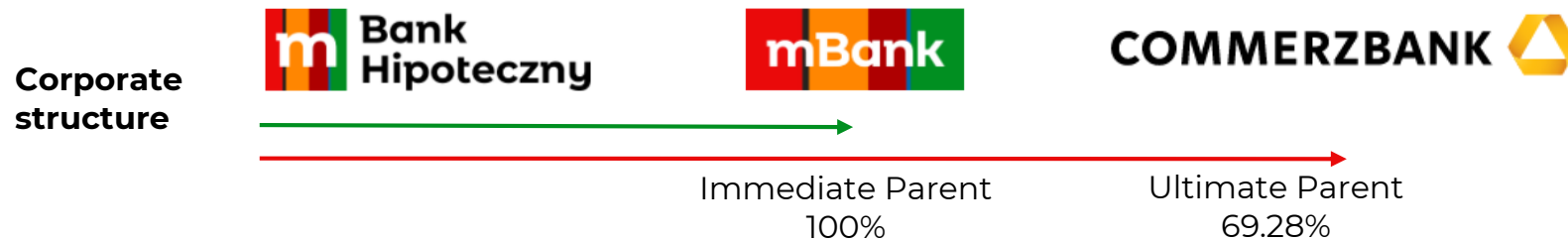


mBank Hipoteczny overview

- Key performance
- COVID-19 impact on mBank Hipoteczny

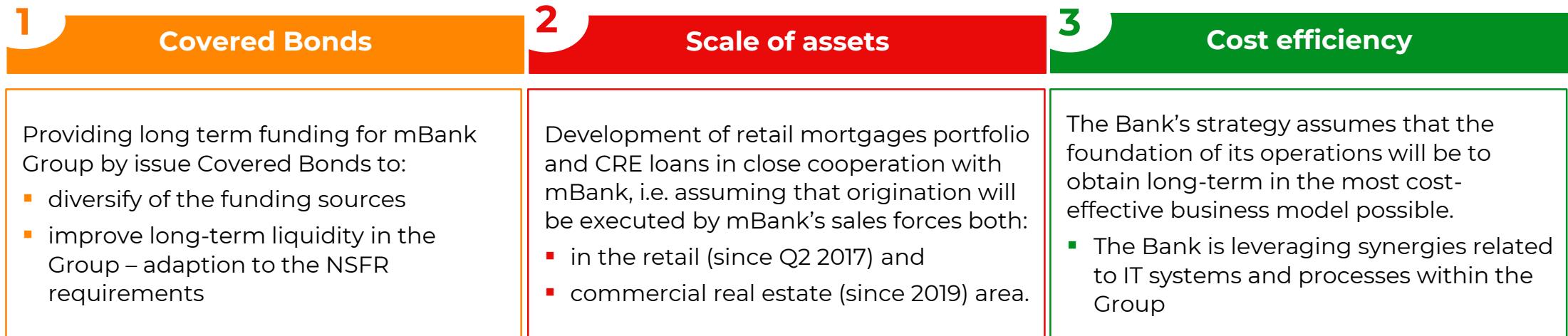
mBank Hipoteczny overview and role in Group strategy

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



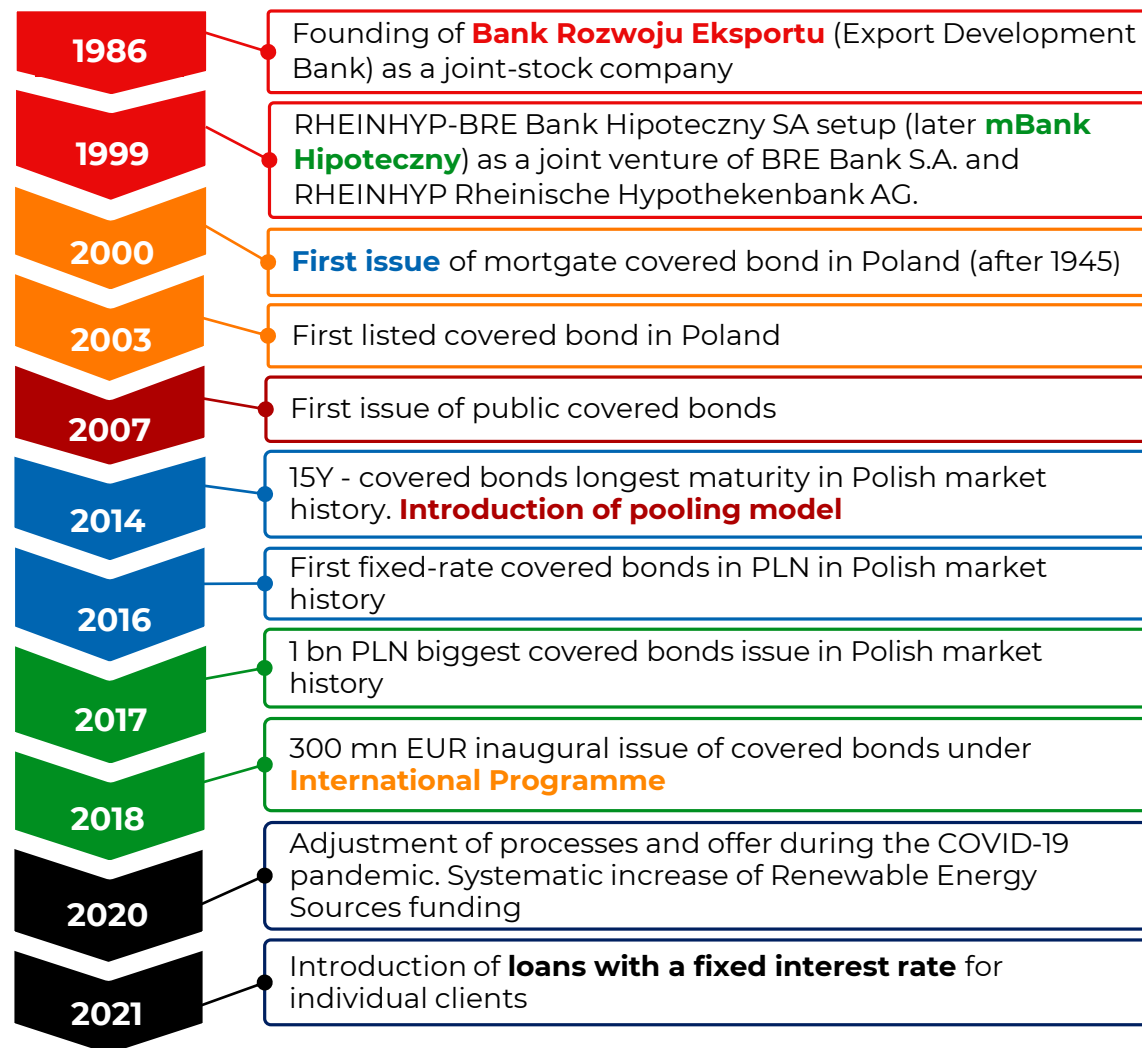
mBank Hipoteczny has been issuing covered bonds since 2000, when it was the first bank to introduce mortgage covered bonds to the post-war Polish capital market, restoring their importance and place after 50 years of absence. Outstanding publicly traded covered bonds issued by the Bank as of 2021 H1 are PLN 6.94 bn, represent 28.1% market share in the covered bond market in Poland.

mBH strategic objectives for 2019–2022 are the following:

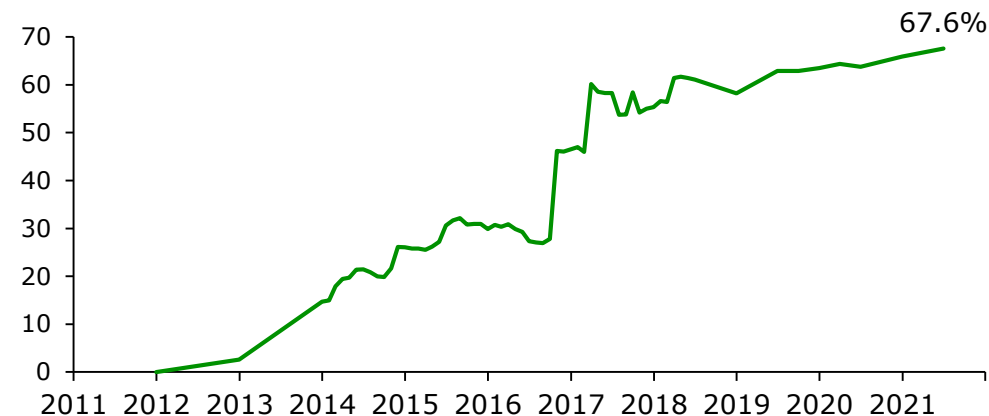


mBank Hipoteczny - specialised credit institution

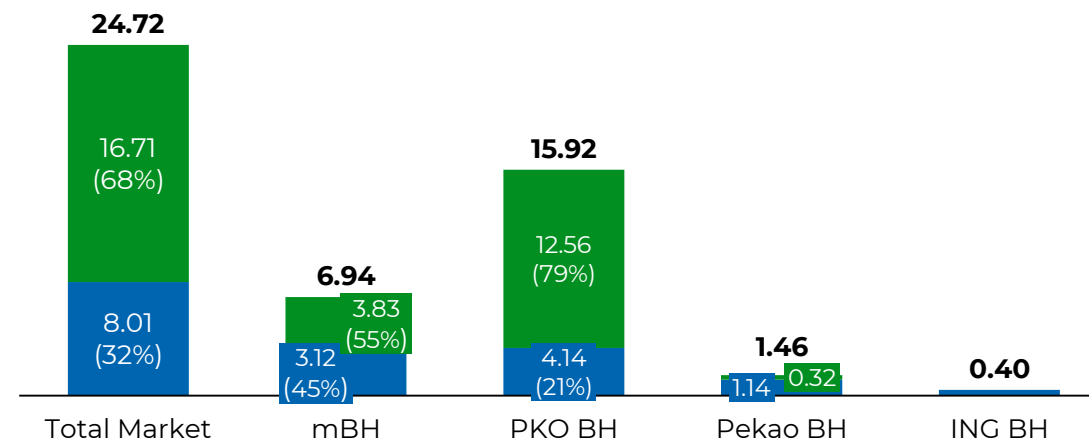
Brief history



Increasing share of EUR Polish Covered Bond issuers (all Polish issuers)



Outstanding Polish mortgage covered bonds currency (PLN mn)



Data based on NBP fx rate as of 30.06.2021.

Data source: Financial statements of ING Bank Hipoteczny, mBank Hipoteczny, Pekao Bank Hipoteczny, PKO Bank Hipoteczny 2021 H1

mBank Hipoteczny: Key financials

Summary of Key Financials: Profit and Loss Accounts (PLN mn)

in PLN M	2018	2019	2020	2020 H1	2021 H1	
NII - Net Interest Income	176.3	186.1	167.6	83.3	70.5	Decrease in NII due to low interest rates environment
NFC - Net Fee & Commission Income	(2.5)	(8.2)	(6.4)	(3.5)	(3.5)	
Total income¹⁾	168.6	177.8	158.6	75.0	66.7	
Total costs ²⁾	(63.6)	(66.5)	(62.6)	(37.5)	(36.5)	
Cost/Income Ratio	36.78%	36.81%	38.94%	49.45%	55.42%	The Bank applies an individual approach to all exposures
LLP - Loan Loss Provisions	(16.71)	(20.0)	(42.32)	(17.57)	(0.54)	
Operating result	88.3	91.3	53.7	19.9	29.6	
Taxes on the balance sheet	(27.6)	(32.2)	(31.3)	(15.5)	(15.3)	
Profit before income tax	60.7	59.1	22.3	4.4	14.3	Net profits impacted by LLP, balance sheet tax and lower NII
Net profit	41.2	37.1	4.9	1.2	7.8	
Net Interest Margin (NIM)	1.44%	1.40%	1.27%	1.24%	1.10%	Increased capitalisation due to larger share of residential low risk loans
TCR	16.25%	18.23%	19.22%	18.52%	18.63%	
Cost of Risk LLP	0.19%	0.19%	0.38%	0.32%	0.17%	
ROE - Return on Equity (gross)	5.85%	4.95%	1.77%	0.70%	2.26%	
ROA - Return on Assets (gross)	0.49%	0.44%	0.17%	0.07%	0.22%	

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

Retail banking

- Decisions are made on the basis of the mBH internal regulations
- Customers expecting difficulties with repayment 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)

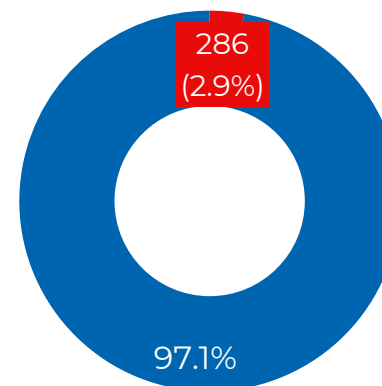
CRE

- Decisions are now made on the basis of the mBH internal regulations
- Corporate clients could suspend the repayment of the capital or capital and interest payments of part of instalments for a maximum period of 6 months

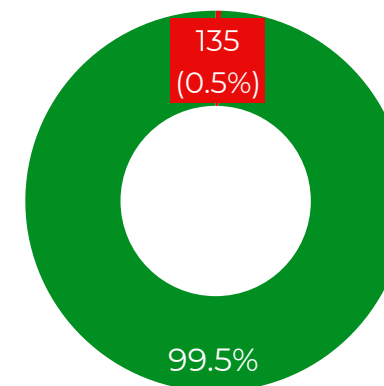
Retail banking

- 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 2020

Share of Cover Pool assets affected by payment holidays



■ % Nominal (PLN mn) to total cover pool

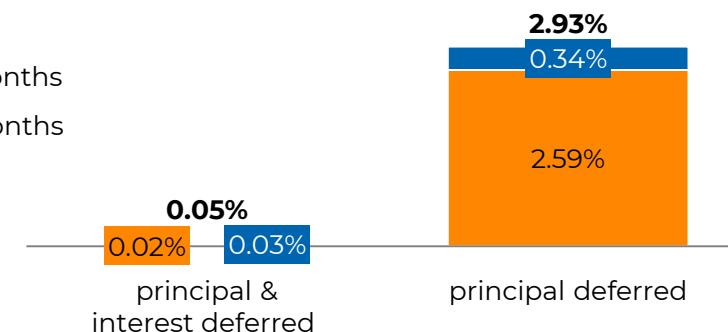


■ % No. of Loans to total cover pool

Types of granted payment holiday in % to Cover Pool

■ 0-3 months

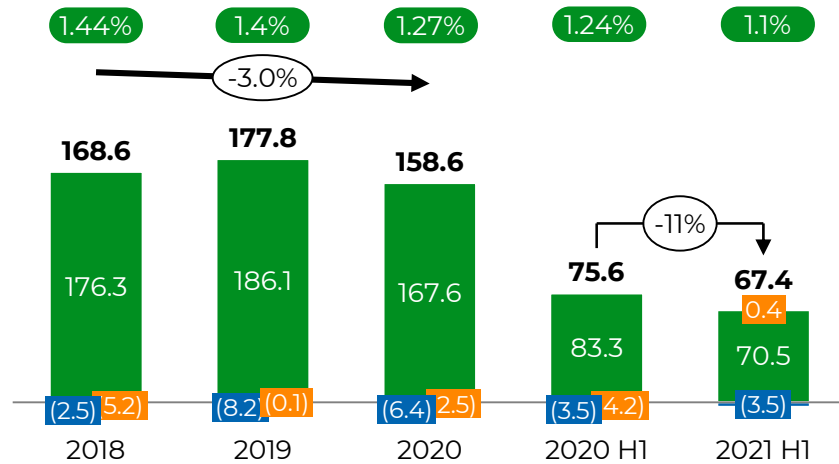
■ 4-6 months



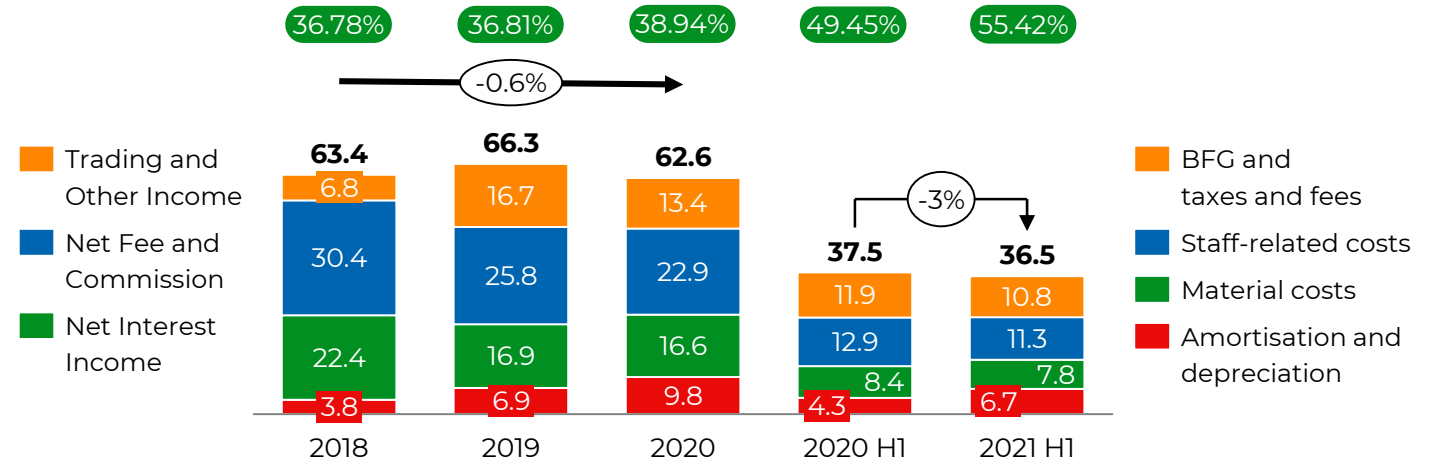
Based on mBH HTT report - 2021-06-30

mBank Hipoteczny performance: Profit and Loss Account

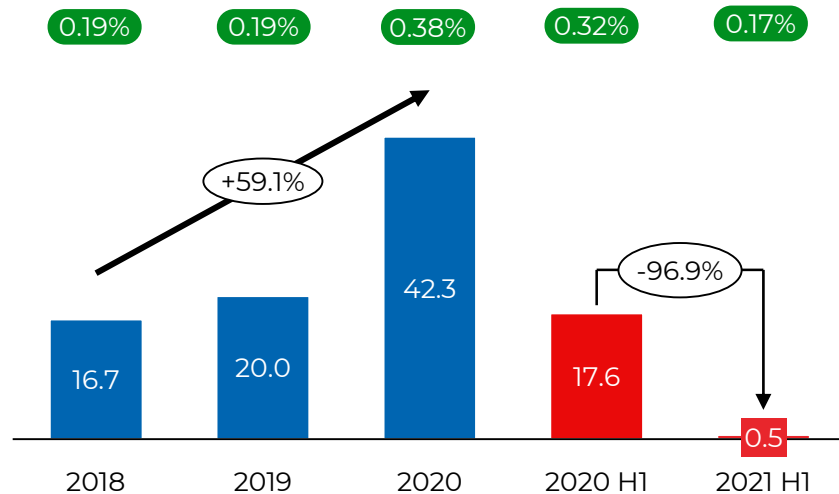
Development of Total Income (PLN mn) & Net Interest Margin



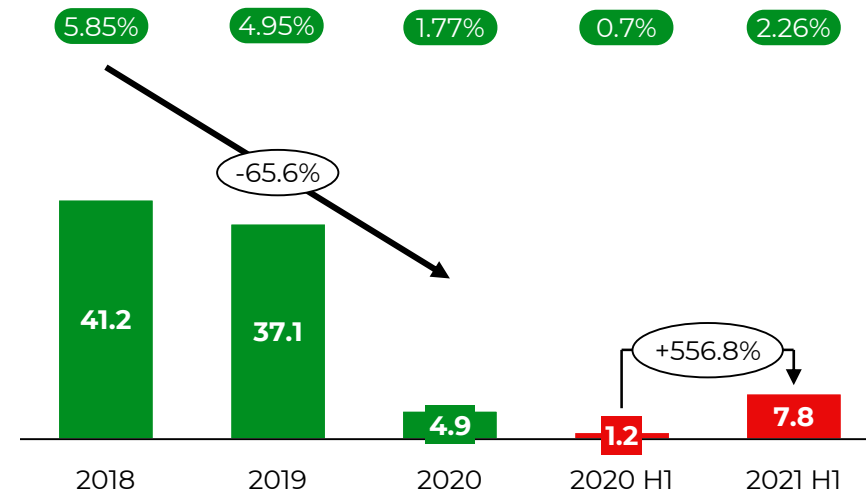
Development of Total Costs (PLN mn) & C/I ratio



Loan Loss Provisions (PLN mn) & Cost of Risk

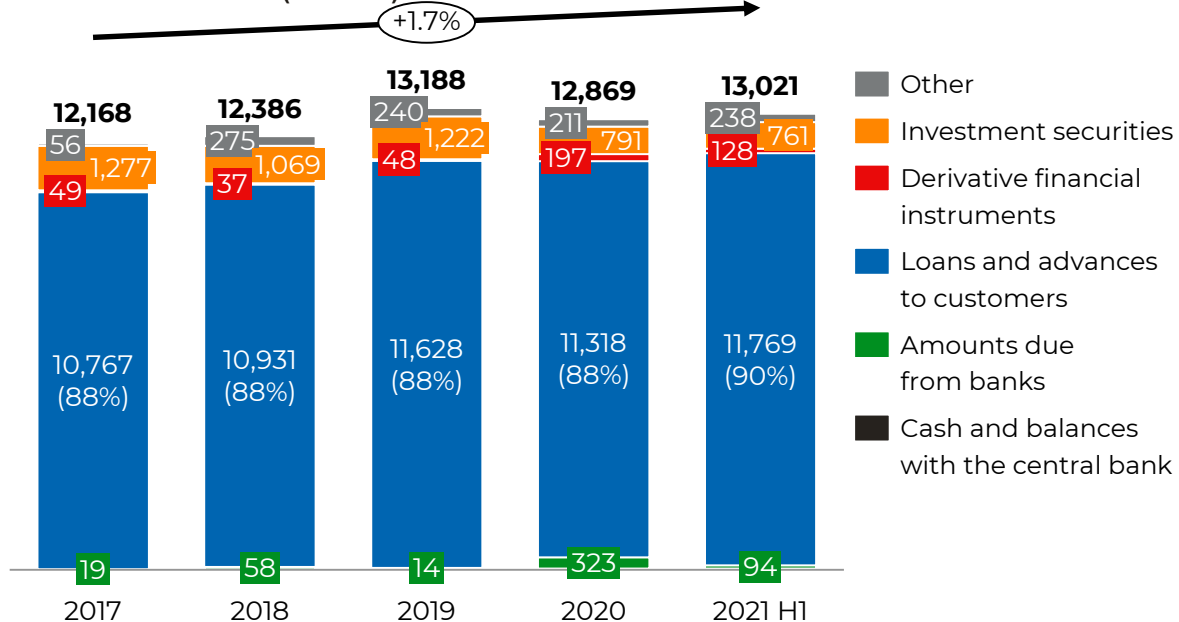


Net Profit (PLN mn) & Return on Equity

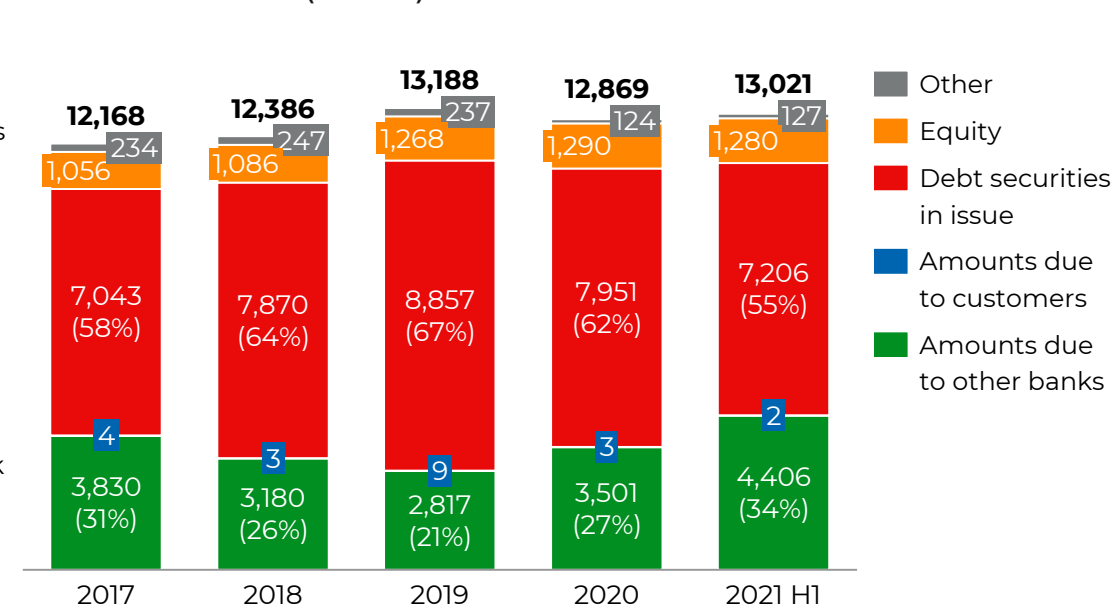


mBank Hipoteczny performance: Assets & Liabilities

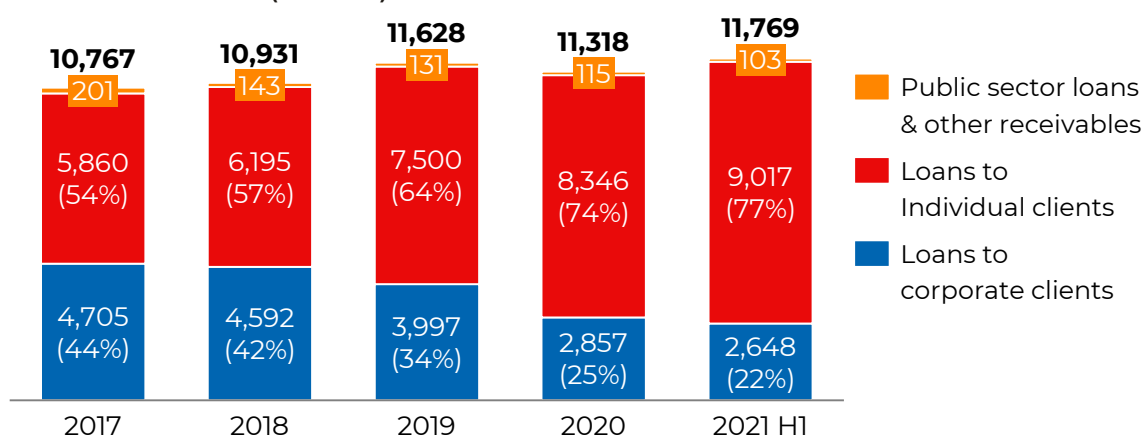
Structure of Assets (PLN mn)



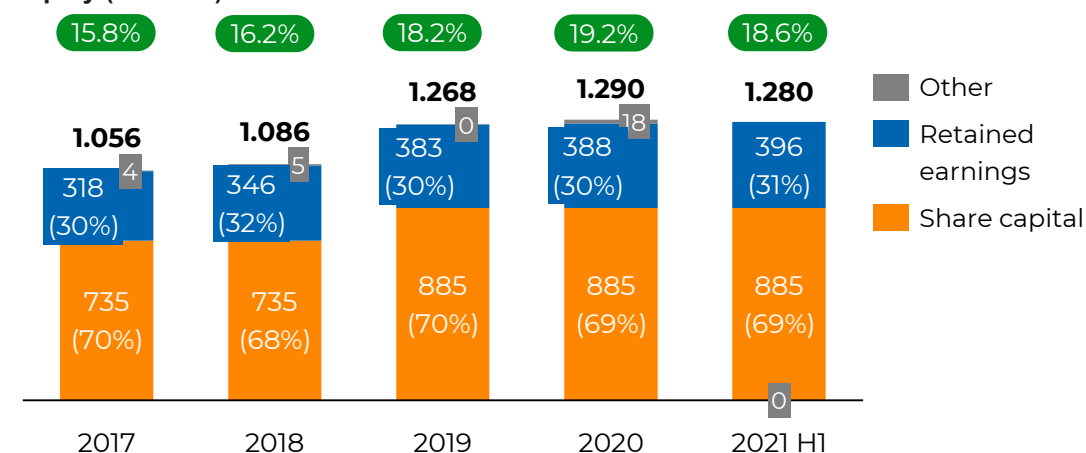
Structure of Liabilities (PLN mn)



Total Gross Loans (PLN mn)

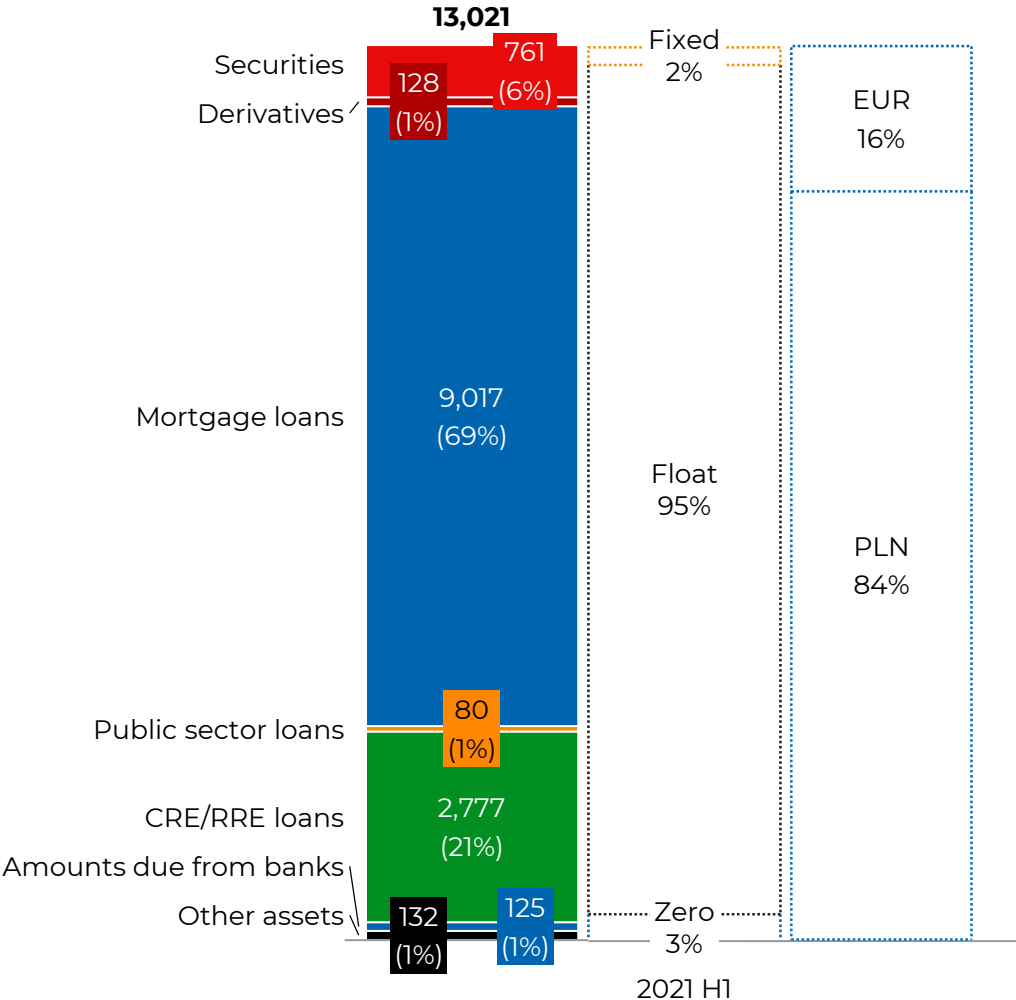


Equity (PLN mn) and TCR

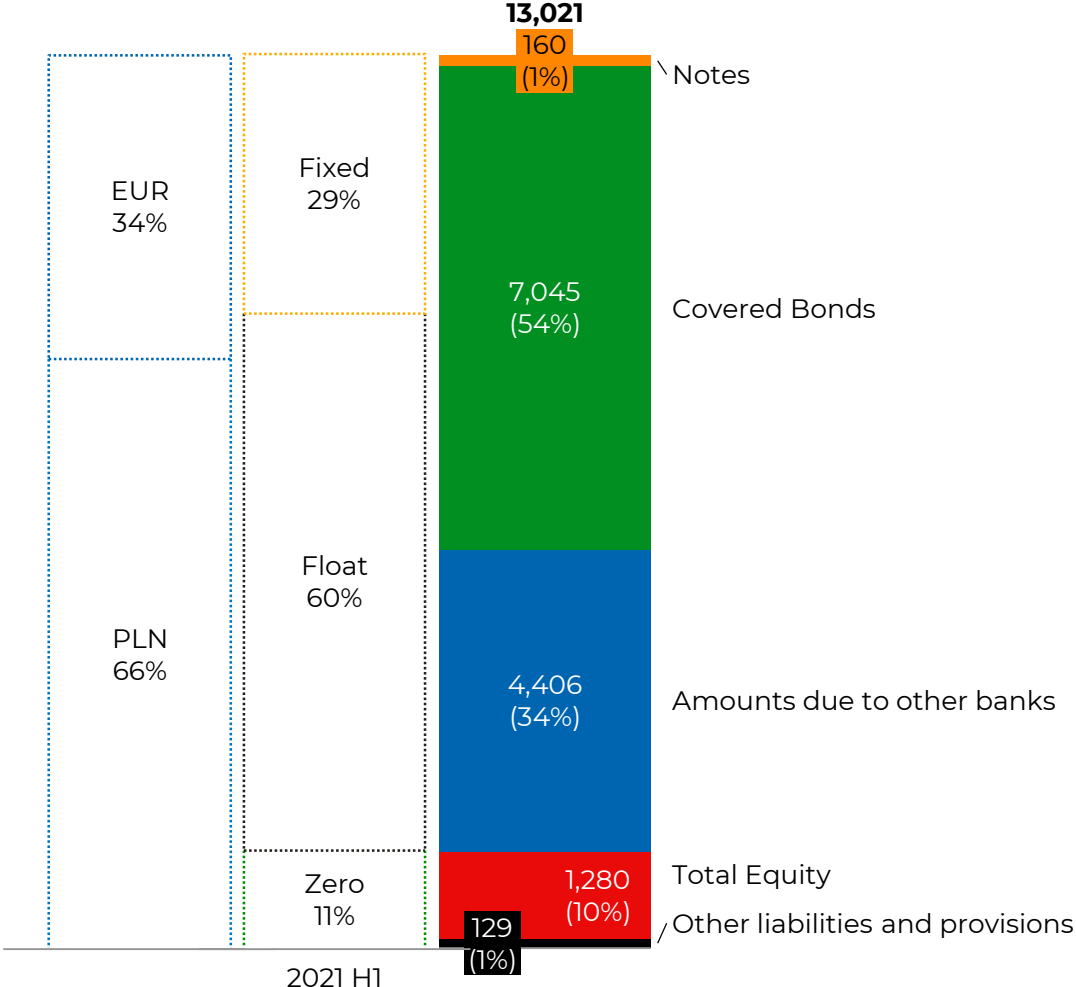


Well diversified and stable balance sheet

Structure of Assets (PLN mn)

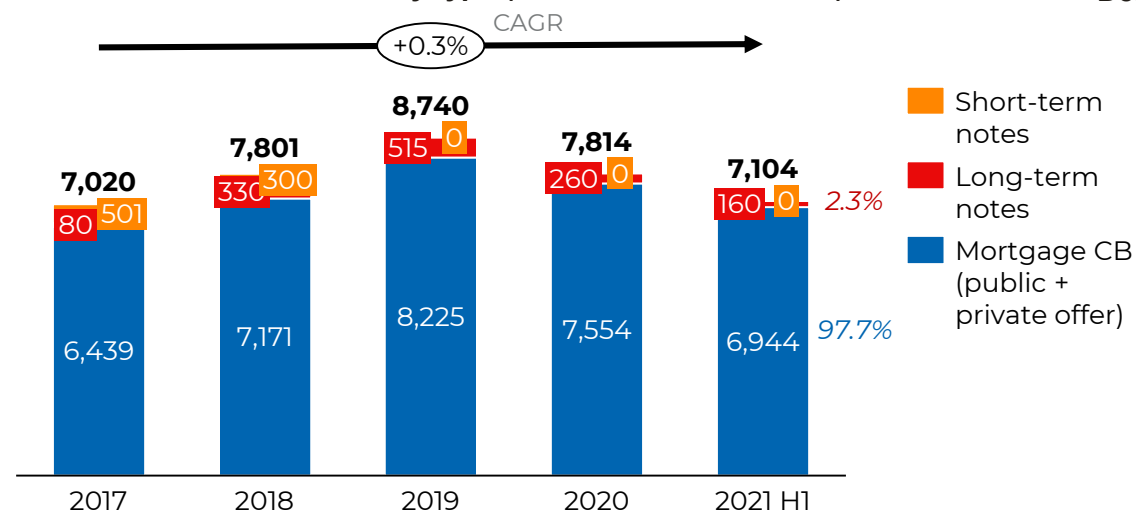


Structure of Liabilities (PLN mn)

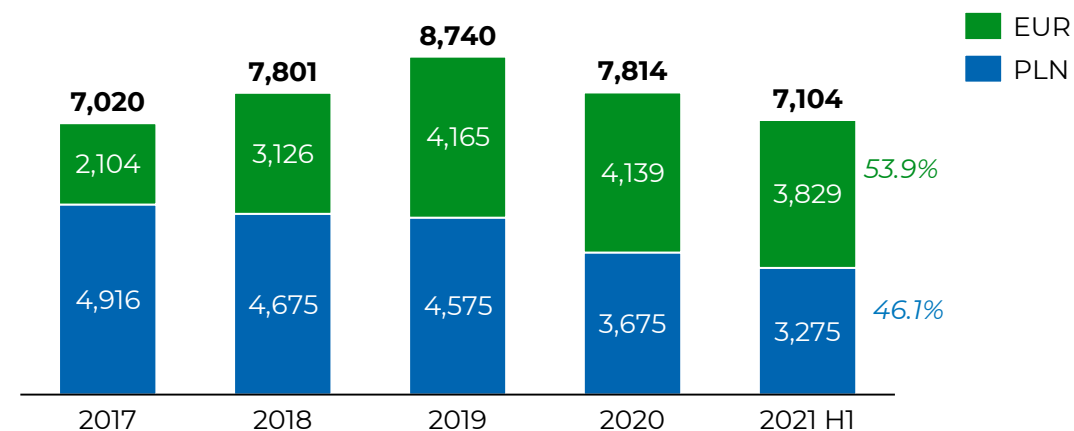


Debt securities issued

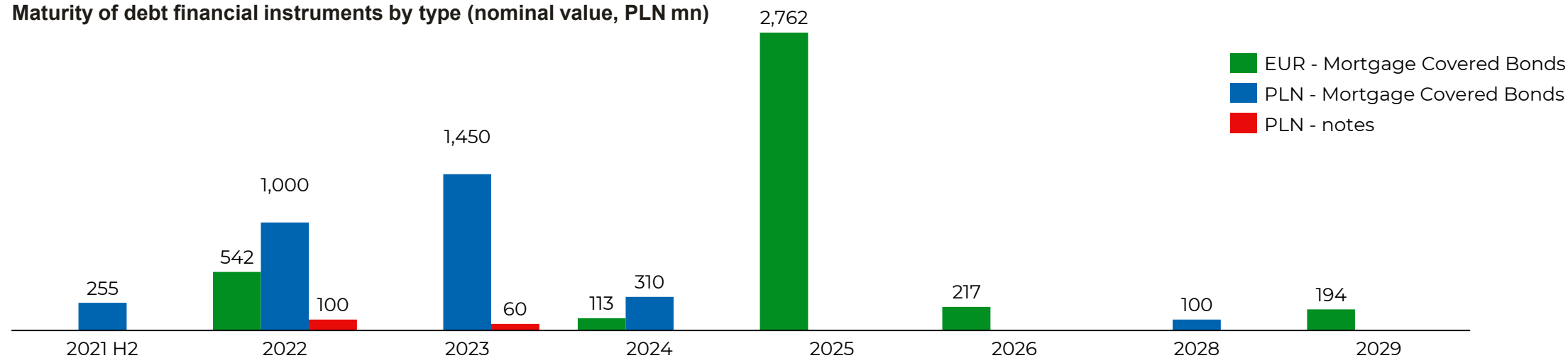
Debt financial instruments by type (nominal value, PLN mn)



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



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



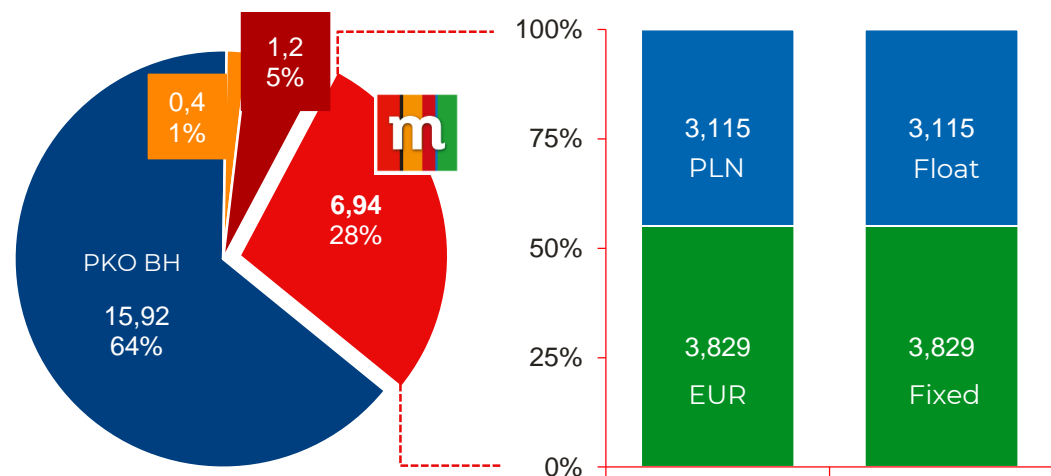


Covered bonds

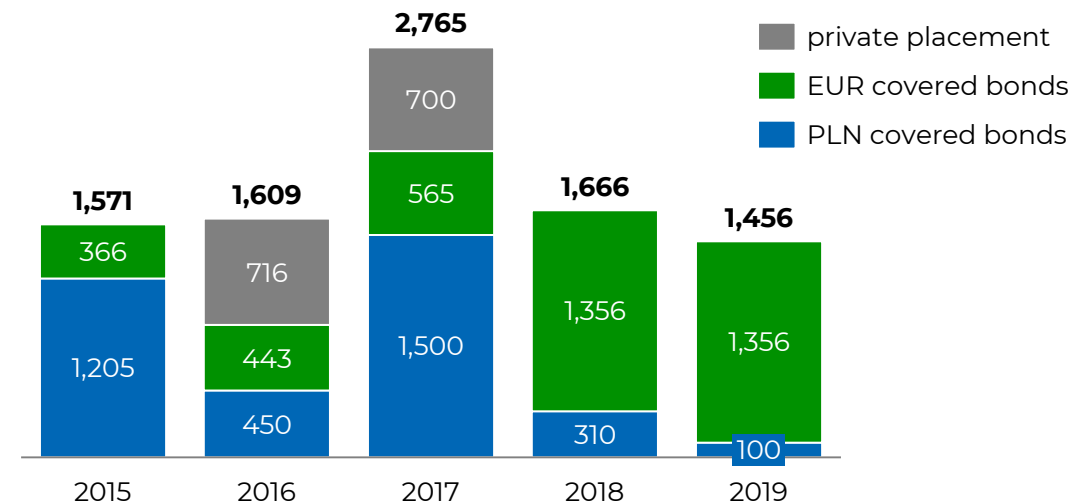
- mBank Hipoteczny issuances track record
- Ratings

mBank Hipoteczny on Covered Bond Market

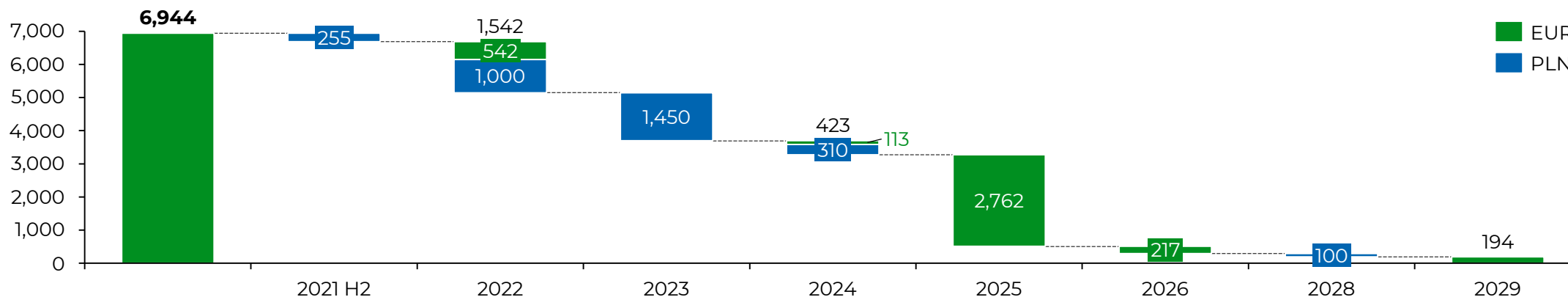
Outstanding covered bonds by issuer and mBH distribution (PLN mn, by currency and interest rate) – as of 2021 H1



mBH issuance of private and public covered bonds 2015 – 2019 (PLN mn, by year) – as of 2021 H1



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



Data based on NBP fx rate as of 30.06.2021. Data source: Financial statements of ING Bank Hipoteczny, mBank Hipoteczny, Pekao Bank Hipoteczny, PKO Bank Hipoteczny 2021 H1

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

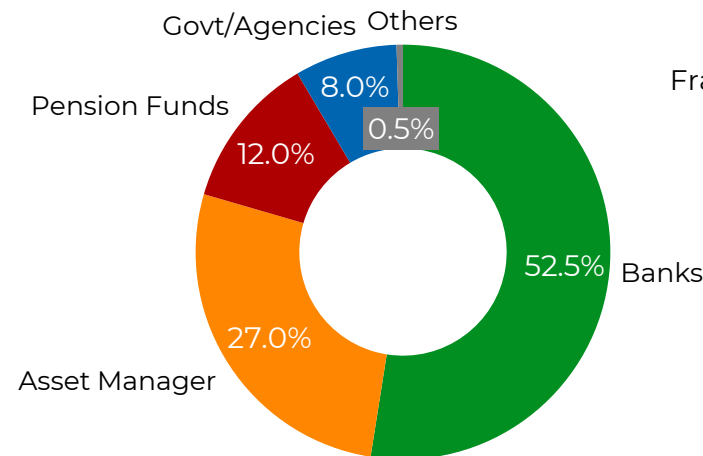
26 April 2018 - inaugural covered bond sub-benchmark transaction with a EUR 300 mn

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

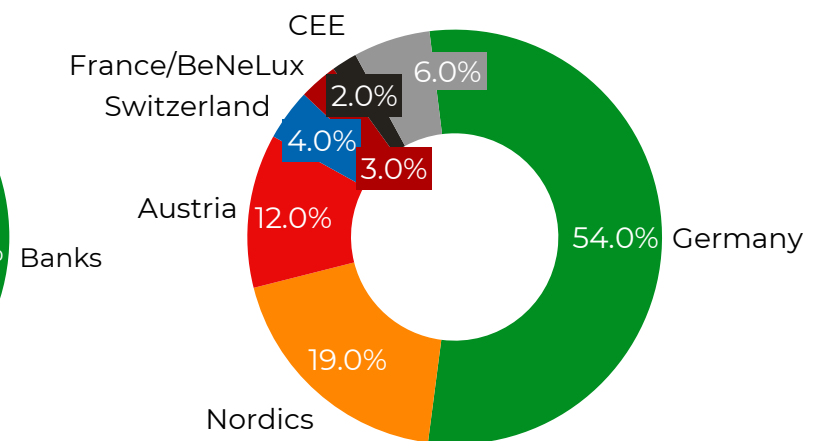
12 November 2019 - successfully returned to the syndicated covered market again with a EUR 300 mn

- 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 2015-2019. Data as of 2021 H1.

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

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

Covered Bonds rating among Polish issuers

Moody's / Fitch / S&P Ratings as of 30.08.2021 → relation to sovereign rating → relation to issuer rating

		Poland Long Term			Country ceiling			
	mBank -/BBB-/BBB -/RWN/Negative	mBank Hipoteczny Baa1/-/ Stable/-/	+6		+5		Mortgage Covered Bonds Aa1/-/-	
	Pekao SA A2/BBB+/BBB+ Stable/Negative/Stable Pekao BH -/BBB+/- -/Negative/-	Mortgage Covered Bonds -/A-/- -/Negative/-	+1					
		PKO Bank Polski A3/-/ Stable/-/ PKO Bank Hipoteczny A3/-/ Stable/-/		+5	+5		Mortgage Covered Bonds Aa1/-/-	
		ING Bank Hipoteczny A3/-/ Stable/-/					Mortgage Covered Bonds Aa1/-/-	
Moody's ... Baa2 Fitch ... BBB S&P ... BBB	Baa1 BBB+ BBB+	A3 A- A-	A2 A A	A1 A+ A+	Aa3 AA- AA-	Aa2 AA AA	Aa1 AA+ AA+	

Note: RWN - Rating Watch Negative

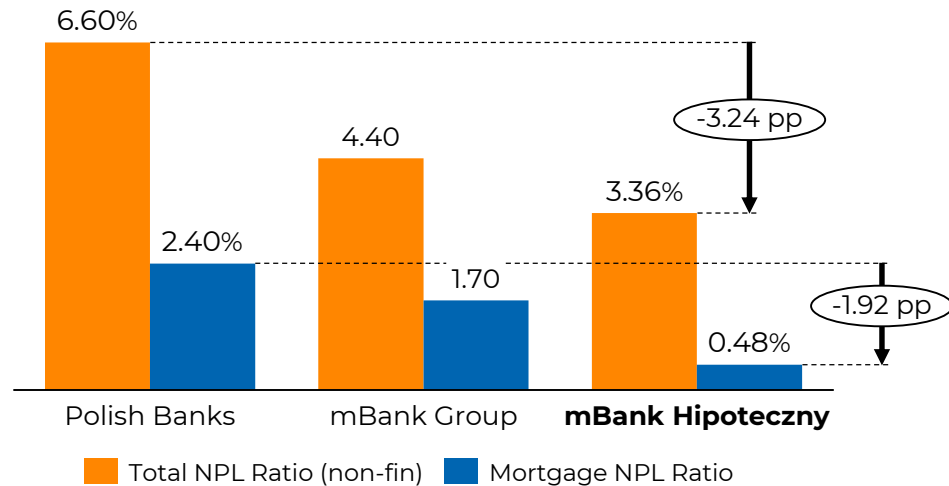


Cover pool

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

mBank Hipoteczny quality of the loan portfolio

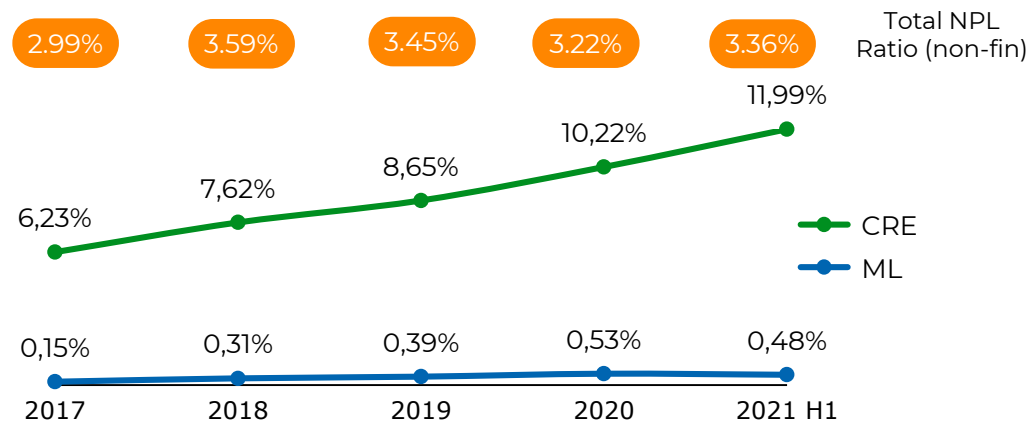
mBank Hipoteczny NPL ratio significantly below the market level



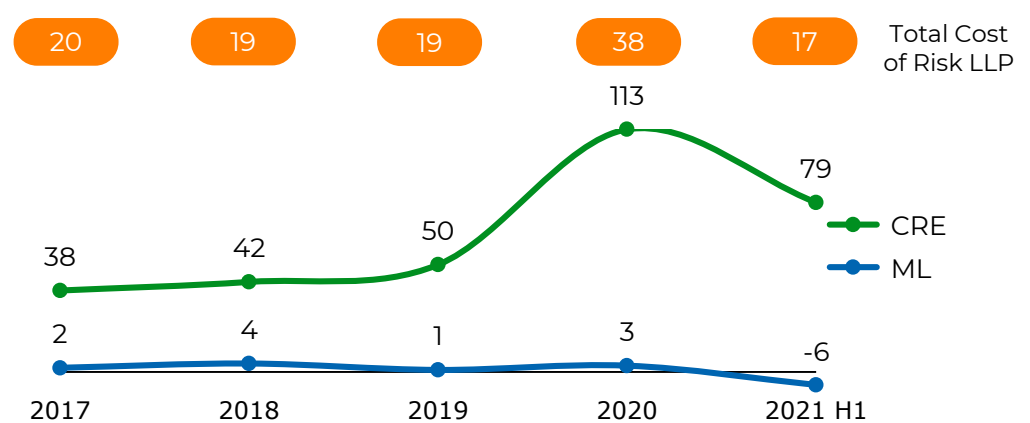
Characteristics of the retail portfolio eligible for pooling

- 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)

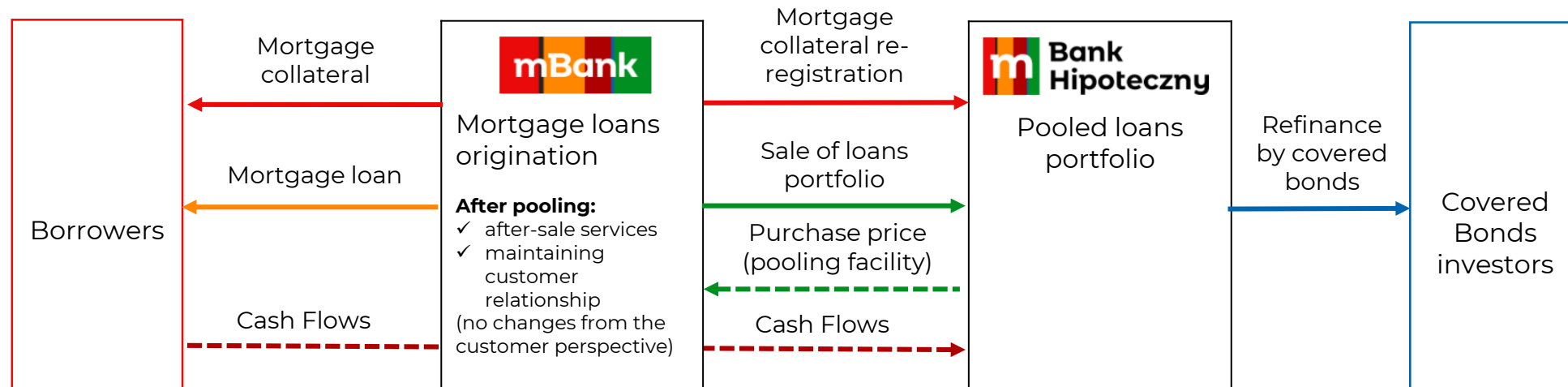


mBank Hipoteczny assets origination – retail mortgages

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:



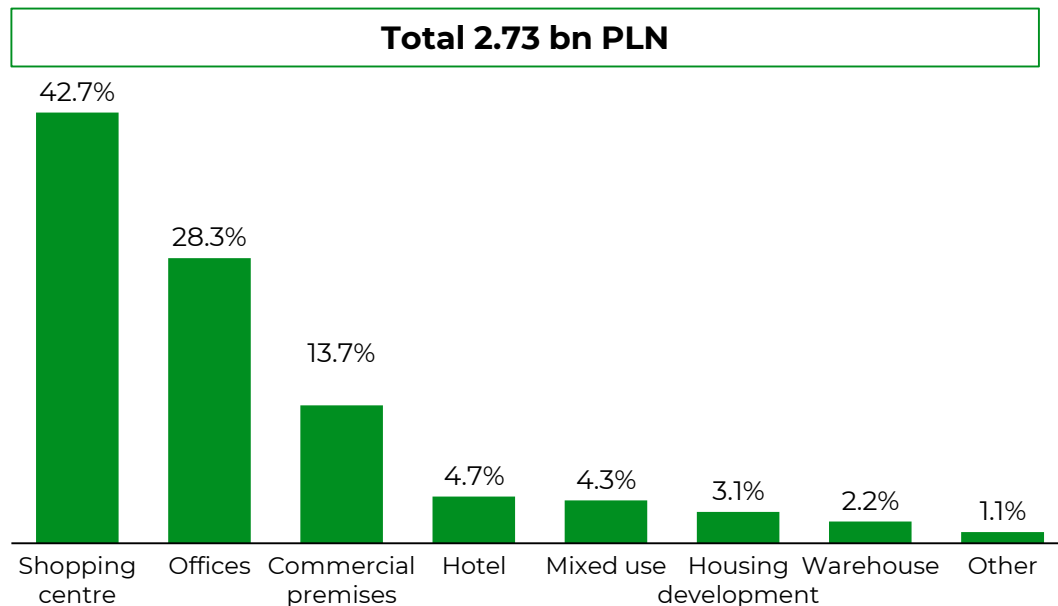
The target level of the newly originated portfolio of residential assets at mBank S.A. meeting the pooling criteria is to amount to over 90%. The inclusion of both primary and secondary market transactions in the transfer process with its cyclical nature is aimed at a systematic increase in the value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

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

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



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 2021 H1

Well diversified mixed high-quality cover pool

Cover pool assets
residential and CRE mortgages

9,563



77% - Residential ML

WA LtMLV - 74.8%

Number of loans 29,496

Average size PLN 0,25 mn

10 largest exposures – 0.3%

NPLs – 0.02%

23% - CRE loans

WA LtMLV – 64.7%

Number of loans 218

Average size PLN 10,11 mn

10 largest exposures – 22%

NPLs – 0.00%

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

9,739



Covered bonds
outstanding all issues +
overcollateralisation

9,739



Overcollateralisation

Actual, non-committed

39.1%

Regulatory minimum at 10%

Covered bonds potential PLN 1,525 mn

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.

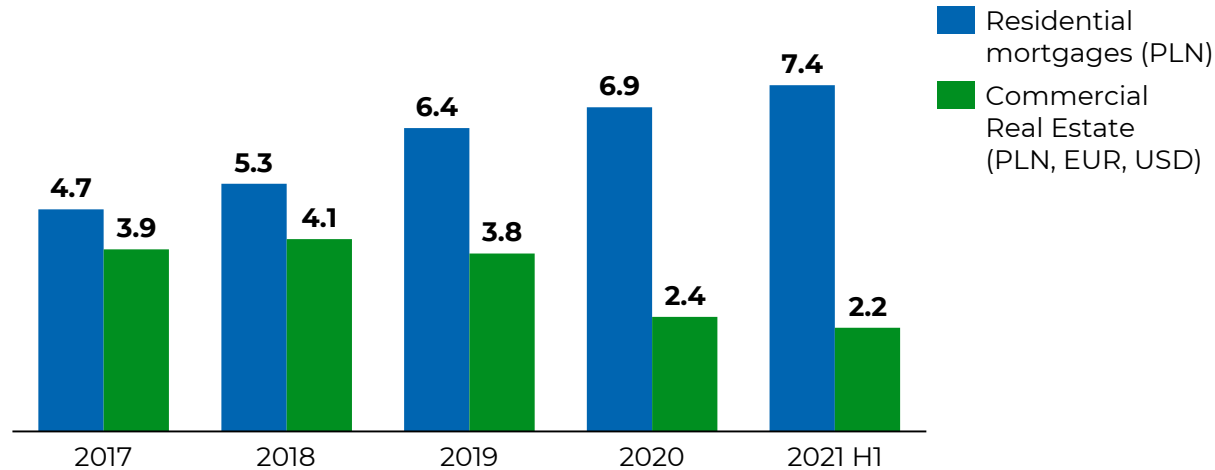


COVERED BOND LABEL
HTT

Based on mBH HTT report - 2021-06-30

Cover Pool – currency and mortgage type split

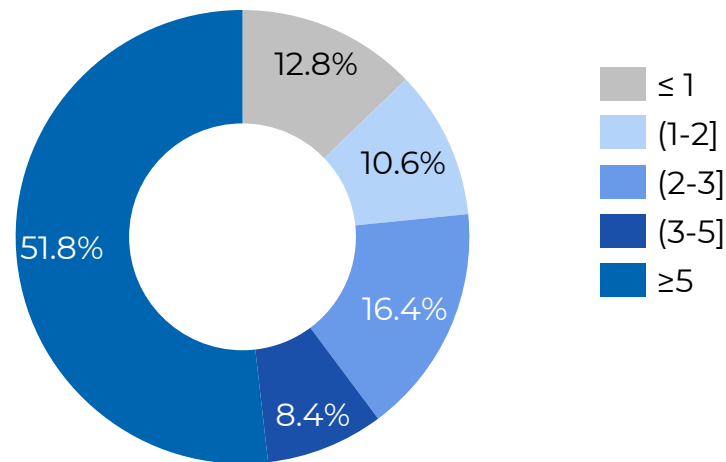
Increasing share of residential mortgages in cover pool (nominal value, PLN bn)



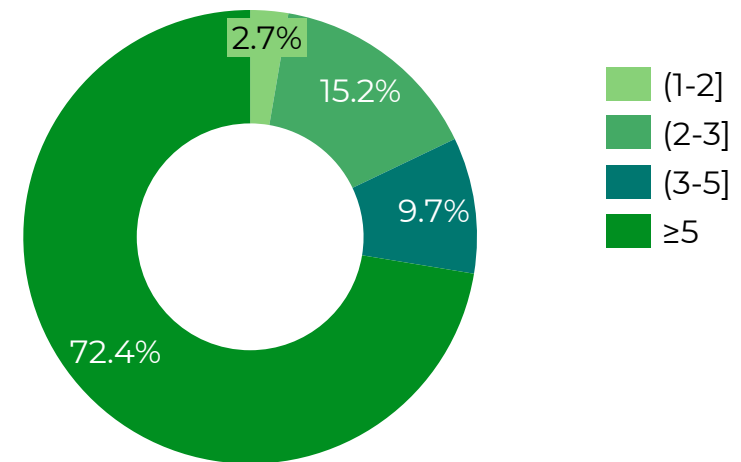
Characteristics of the portfolio in the future

- 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 – residential mortgages (year)

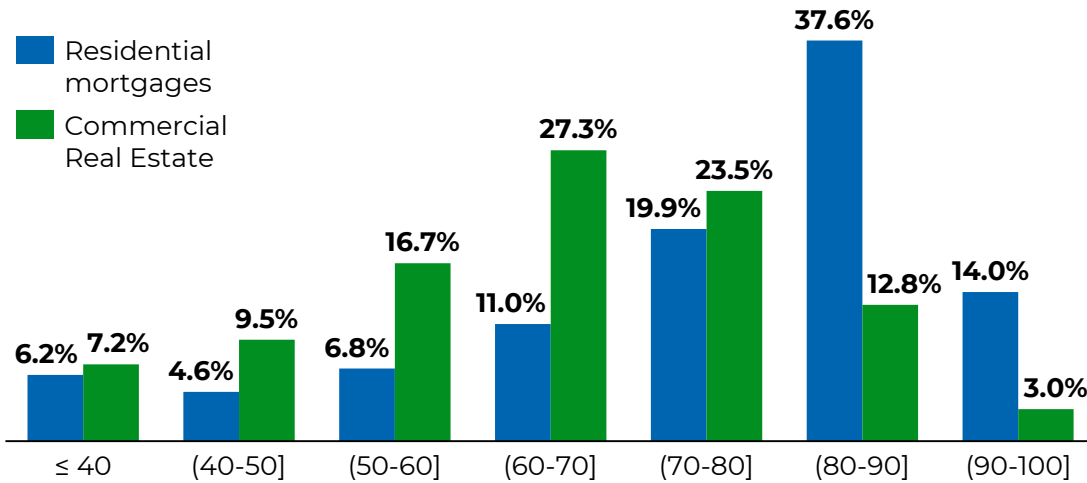


Loan seasoning - commercial loans (year)

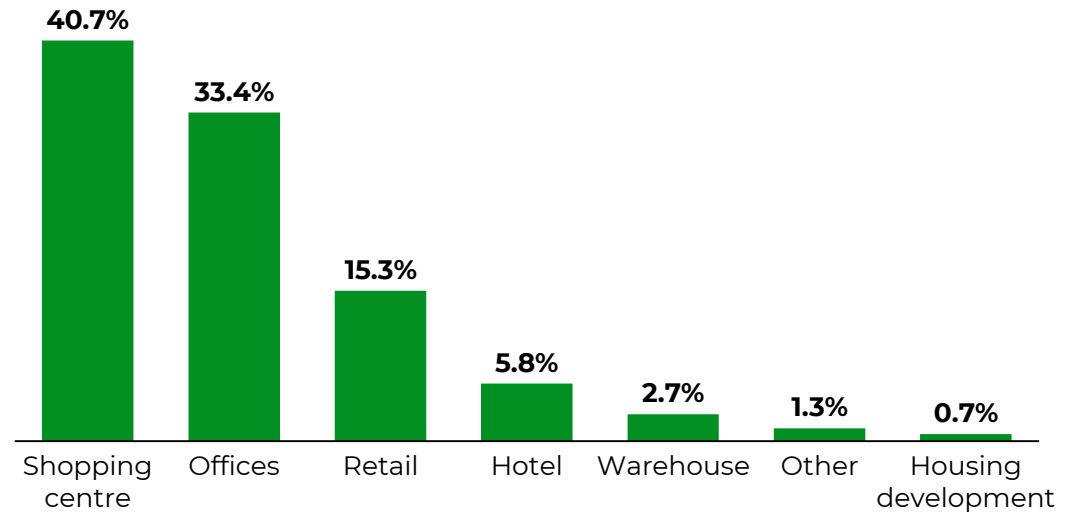


Cover Pool - loans value

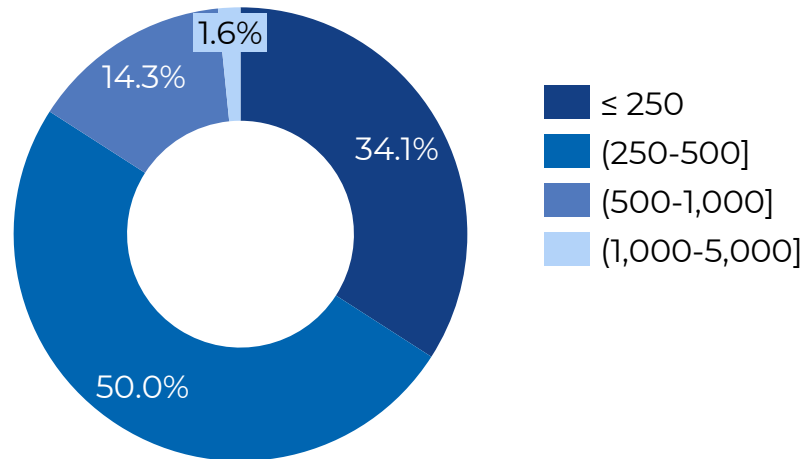
LtV – residential mortgages and commercial loans in cover pool



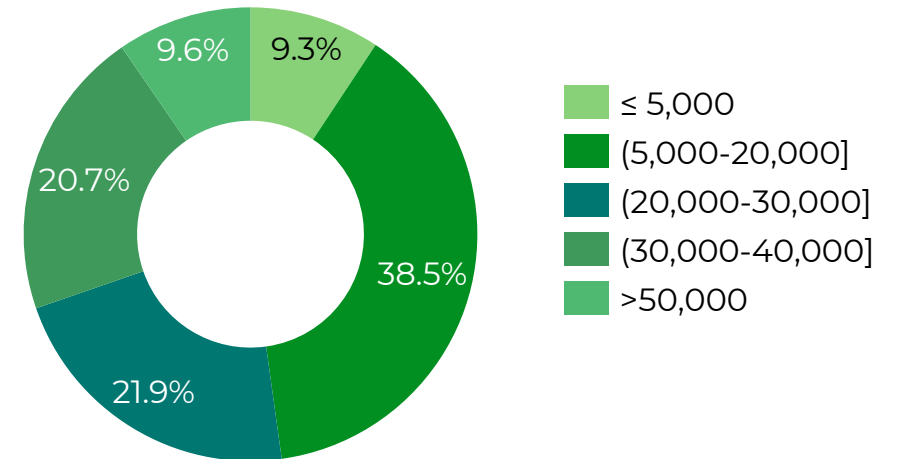
Type of commercial loans in cover pool



Average residential mortgage size (PLN mn)



Average commercial loans size (PLN mn)



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%





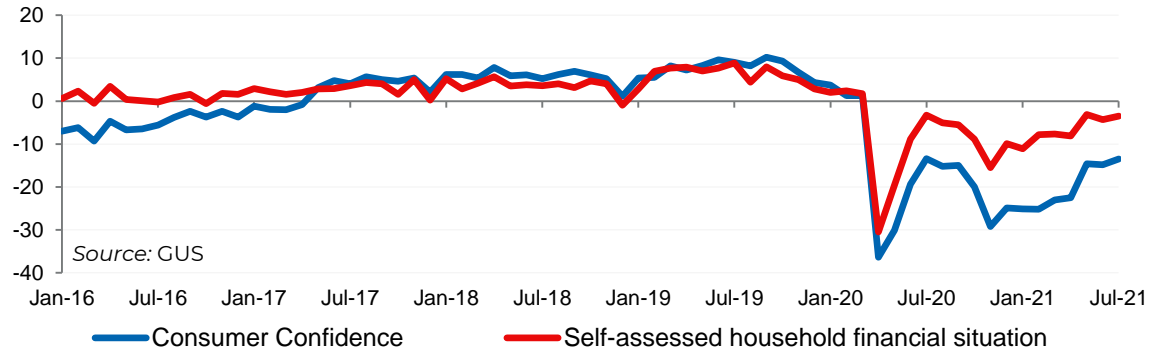
Polish economy

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

Macroeconomic situation and outlook

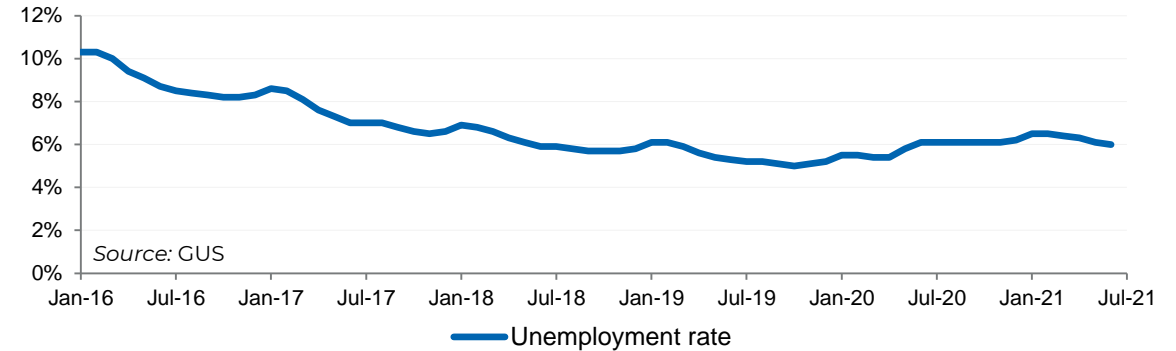
Grand reopening meets recurring (albeit every time smaller) Covid-19 risks

Consumers feeling better



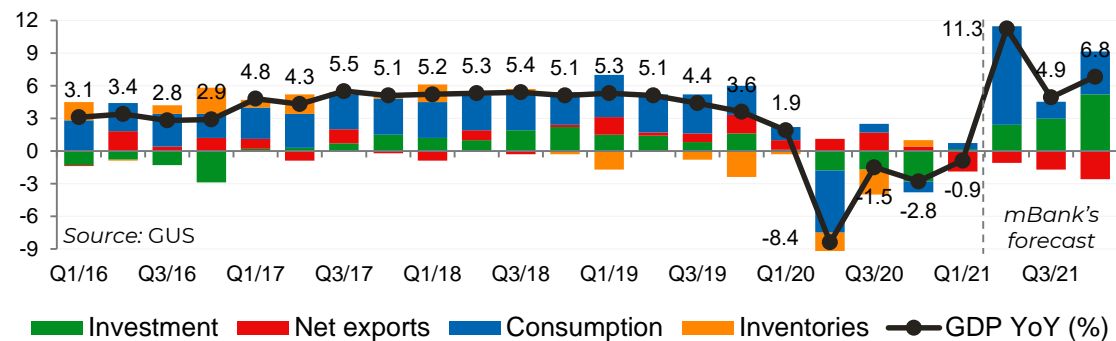
As economic restrictions are lifted, consumer spirits follow. Strong balance sheets allow for release of pent-up demand. The structure of consumption will be skewed more for services for some time.

Unemployment rate expected to decline



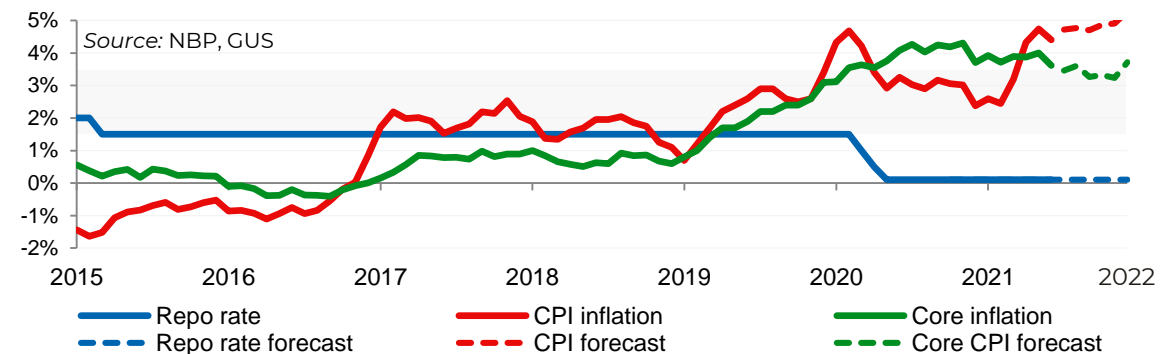
Start of the year did not reveal any (so far) hidden, structural problem in the Polish labour market. Therefore, we stick to the view that cyclicality is going to carry labour market to the stronger side and unemployment rate will lower.

GDP path and forecast for Poland (% YoY)



GDP growth is expected to speed up to 5.7% in 2021. Start of the year surprised to the upside with investment activity. Coronavirus risks present but more manageable than during previous waves due to vaccination progress.

Inflation: off 2.5% NBP target, central bank expected to react

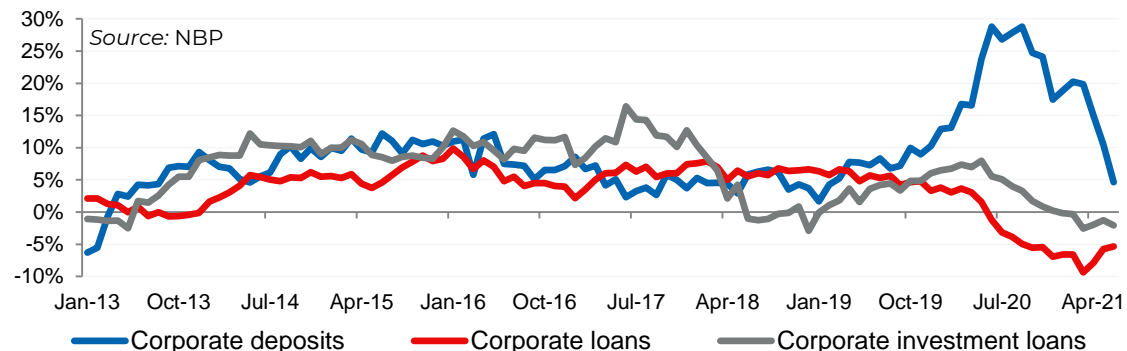


As expected, Q1/21 marked the trough in annual inflation readings for 2021. Substantial acceleration is in the pipeline (4.2% on average for 2021) and NBP is expected to react in early 2022 and hike interest rates.

Macroeconomic situation and outlook

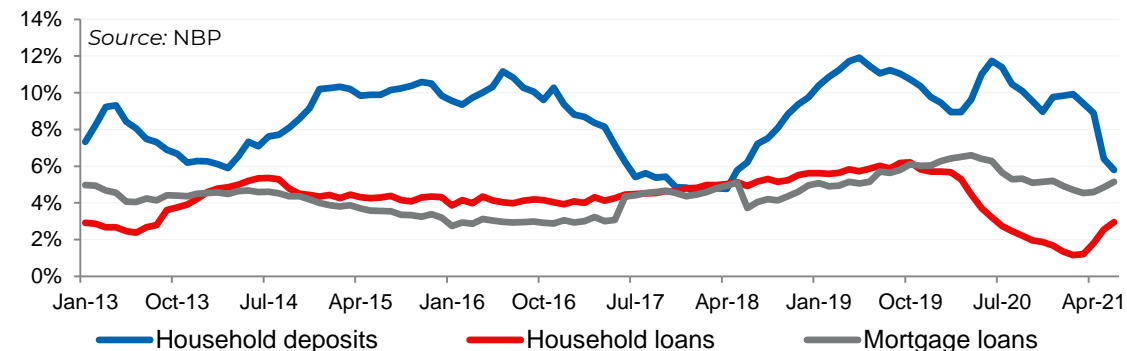
Demand for credit expected to pick up

Corporate loans and deposits (YoY, FX-adjusted)



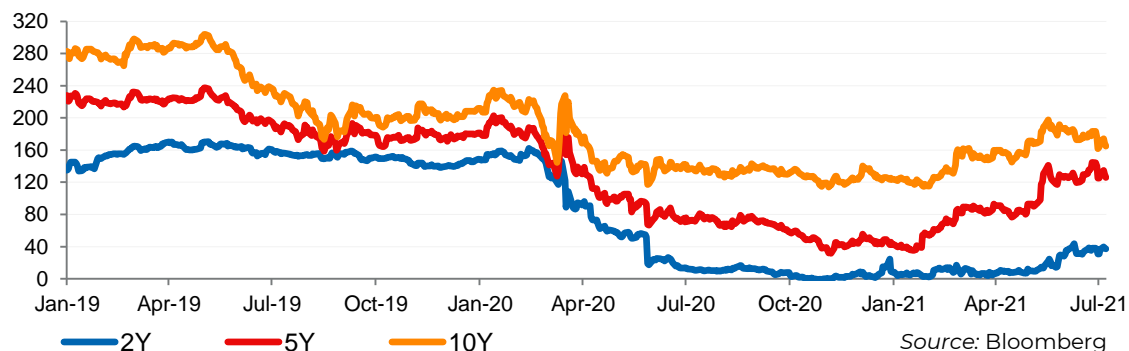
Deposit base is high and unlikely to be reversed. Growth rates of outstanding credits are negative. Yet, the inflection point is visible. Overall volumes set to return to positive growth territory by the end of the year.

Household loans and deposits (YoY, FX-adjusted)



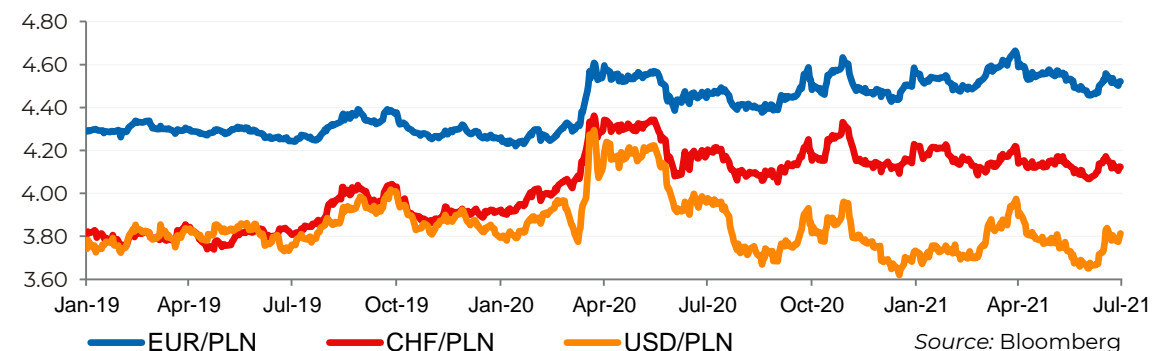
Consumers acquired substantial liquidity buffers (also in cash). Growth rates of outstanding credits are clearly turning higher. It applies both to mortgage and consumer loans (both see strong demand).

Government bonds yields begin to rise (bps)



H1/21 was marked by an increase in both long- and short-term yields. NBP's activity allowed the longer term yields to stay substantially below swap rates. Monetary policy normalization is coming closer and markets believe in it.

PLN: weak for the most part of 2021



Zloty stayed weaker after NBP's interventions. New tops (4.6800) were made. Negative real, NBP interest rates and CHF legal risks are weighing on the PLN. The outlook brightens only a bit along with improving GDP growth.

Macroeconomic forecasts and outlook for mBank Group

Operating environment for banks remains challenging due to low rates and high tax burdens

Key economic indicators for Poland

	2019	2020	2021F	2022F
GDP growth (YoY)	4.5%	-2.7%	5.7%	5.3%
Domestic demand (YoY)	3.5%	-3.8%	7.4%	6.4%
Private consumption (YoY)	4.0%	-3.0%	5.8%	6.2%
Investment (YoY)	7.2%	-8.4%	13.0%	8.8%
Inflation (eop)	3.4%	2.4%	5.2%	4.0%
MPC rate (eop)	1.50%	0.10%	0.10%	1.00%
CHF/PLN (eop)	3.92	4.22	4.04	3.87
EUR/PLN (eop)	4.25	4.56	4.45	4.30

Polish banking sector – monetary aggregates YoY

	2019	2020	2021F	2022F
Corporate loans	3.0%	-4.8%	4.7%	9.5%
Household loans	6.0%	3.0%	4.6%	6.9%
Mortgage loans	6.6%	7.3%	4.5%	5.6%
Mortgage loans in PLN	12.1%	9.7%	10.0%	10.7%
Non-mortgage loans	5.1%	-3.8%	4.8%	9.1%
Corporate deposits	10.0%	19.0%	9.7%	5.7%
Household deposits	9.7%	10.7%	5.6%	5.2%

Short-term prospects for mBank (compared to 2020)

Net interest income & NIM

negative



- Interest rate cuts to the historically lowest level translating into weaker interest income and strong pressure on margin
- Exhausted space for deposit repricing and reducing funding costs

Net fee and commission income

positive



- Reviving customer activity and transactionality along with gradual relaxation of pandemic restrictions and economic rebound
- Selective adjustments of tariff of fees and commissions

Total costs

slightly negative



- Reasonable management of operating costs amid growing GDP
- Rising amortisation due to ongoing investments in IT
- Announced lower contribution to the Bank Guarantee Fund

Loan loss provisions & FV change

slightly positive



- Despite expiration of loan moratoria and anti-crisis aid package, the overall asset quality should not deteriorate materially
- The financial standing of corporate and retail borrowers to be supported by progressing recovery of the Polish economy

Source: mBank's estimates as of 23.07.2021.

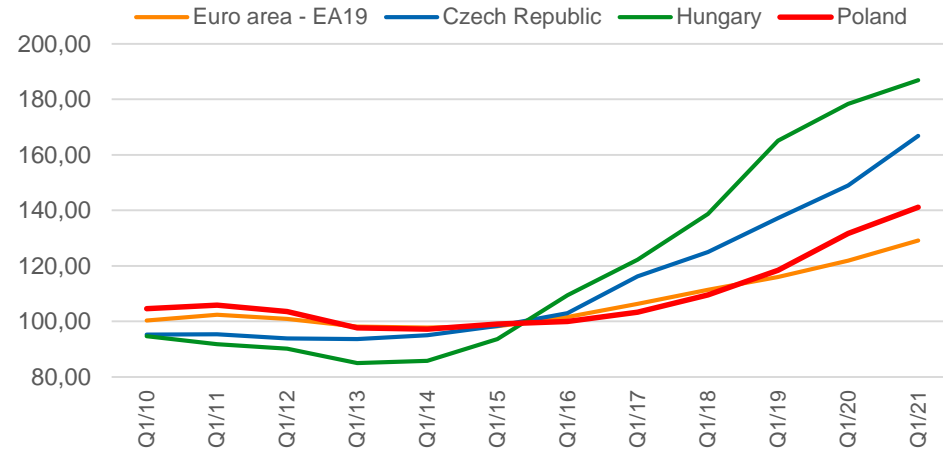


Real estate market

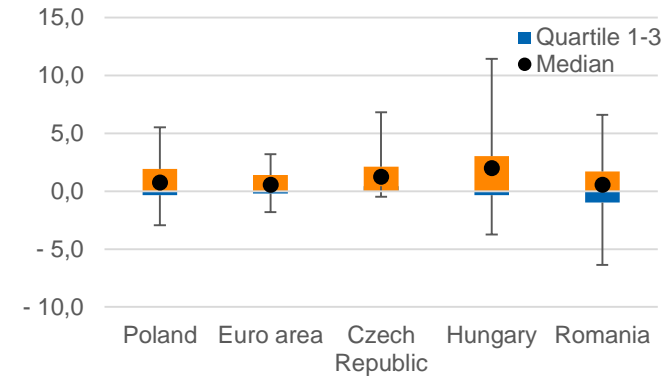
- Stable residential market in Poland
- Commercial real estate outlook

Stable and growing residential market in Poland

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



index, 2015=100;

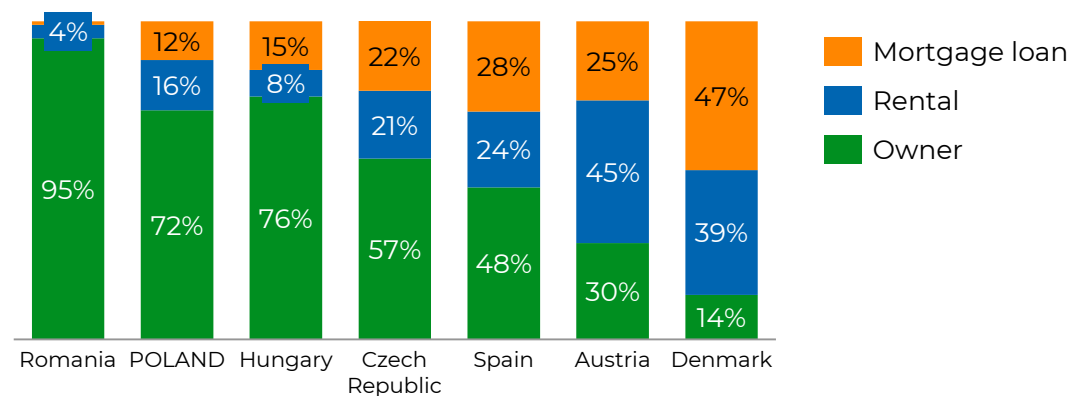


Residential prices on primary and secondary market in Poland remains stable through the years.

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

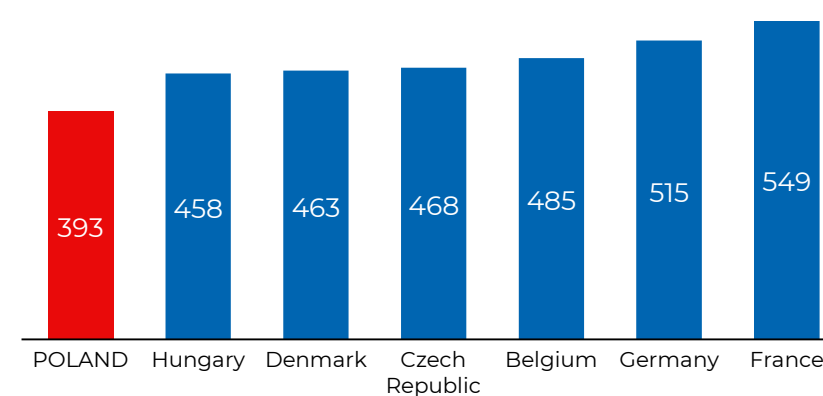
Source: Eurostat

Distribution of population by tenure status in selected countries



Source: Eurostat

Dwellings per 1,000 citizens

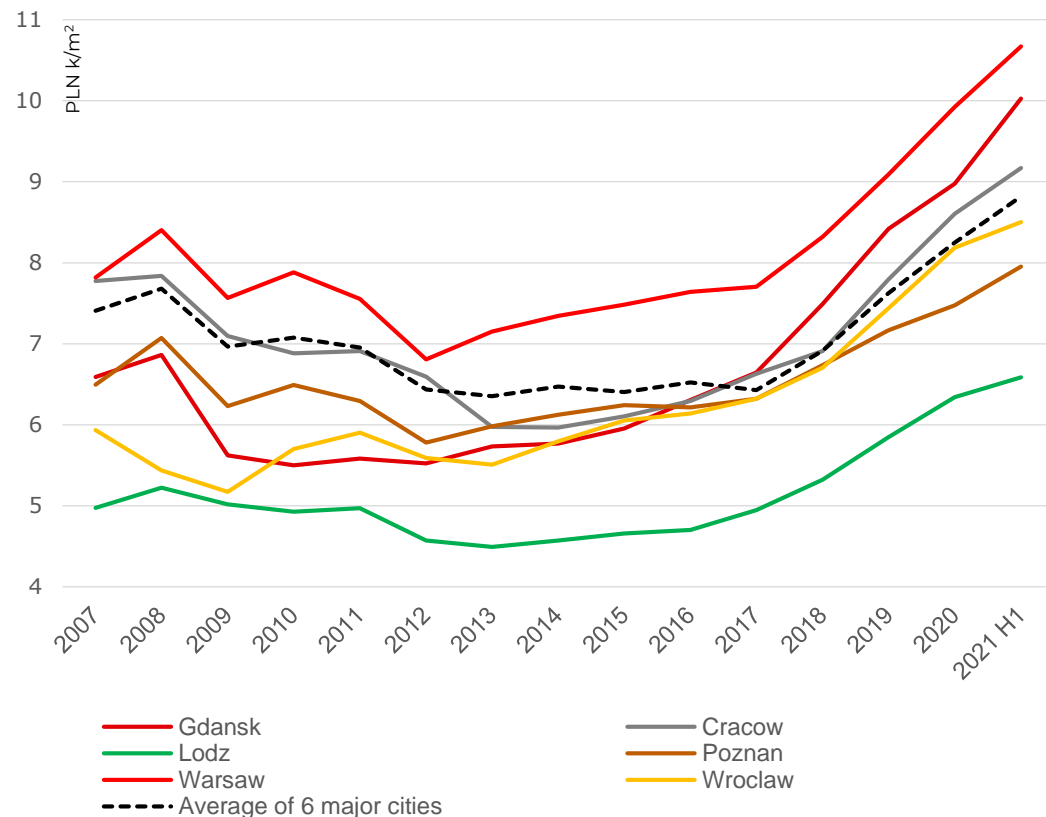


Mortgage penetration in Poland remains low while home ownership rates are among the highest in Europe.

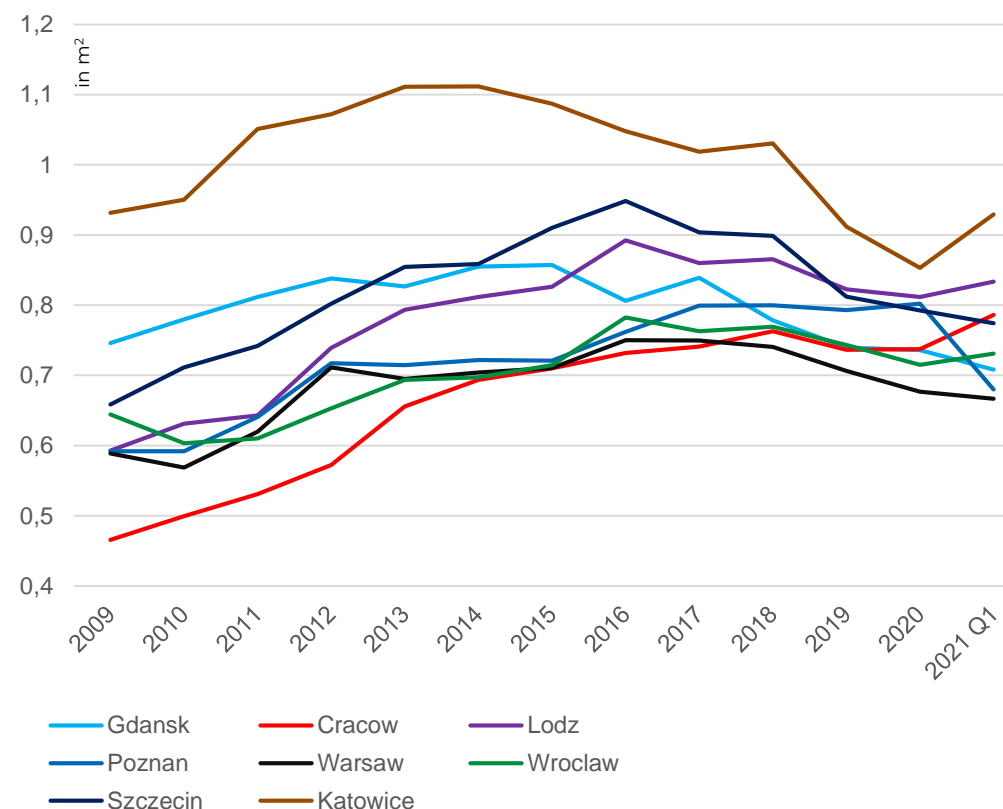
Source: Deloitte Property Index 2021

Residential market in Poland - stable demand

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



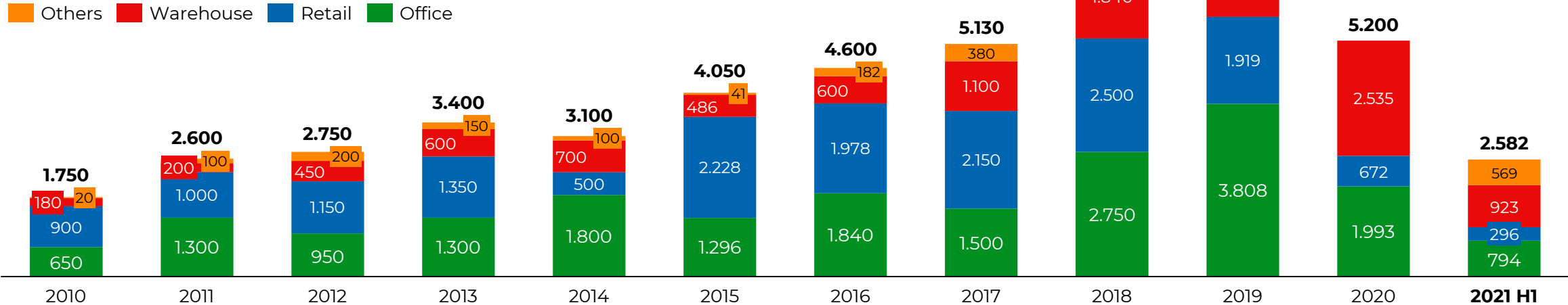
Average house price per square meter vs. average monthly wages by major Polish cities



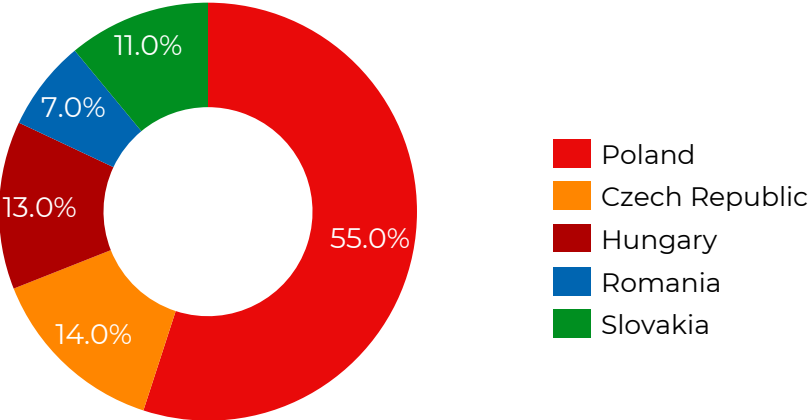
Average house prices remain stable trough the years. Increase since 2013 was offset by significant increase of average wages. Houses purchasing power almost doubled during last 10 years.

Commercial Real Estate – investment volume

Investment volume in Poland by sector (EUR mn)



Poland - CEE leader in CRE investment volumes (%)



Poland - CEE leader in CRE investment (55%)

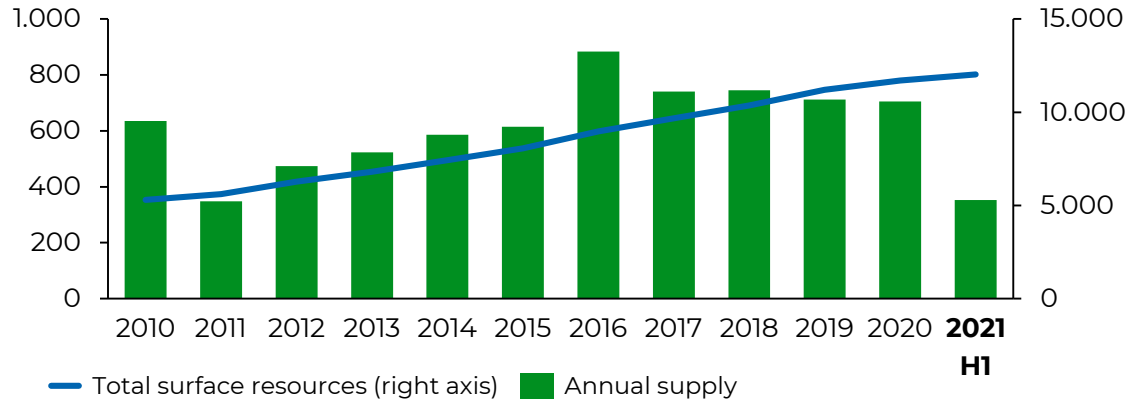
The volume of transactions concluded in the first half of 2021 on the commercial real property market in Poland amounted to approx. EUR 2.58 bn.

The share of the commercial real estate market in the first half of 2021 is approx. 31% for offices market, approx. 11% for market retail and approx. 36% for warehouse.

Source: JLL 2021 H1

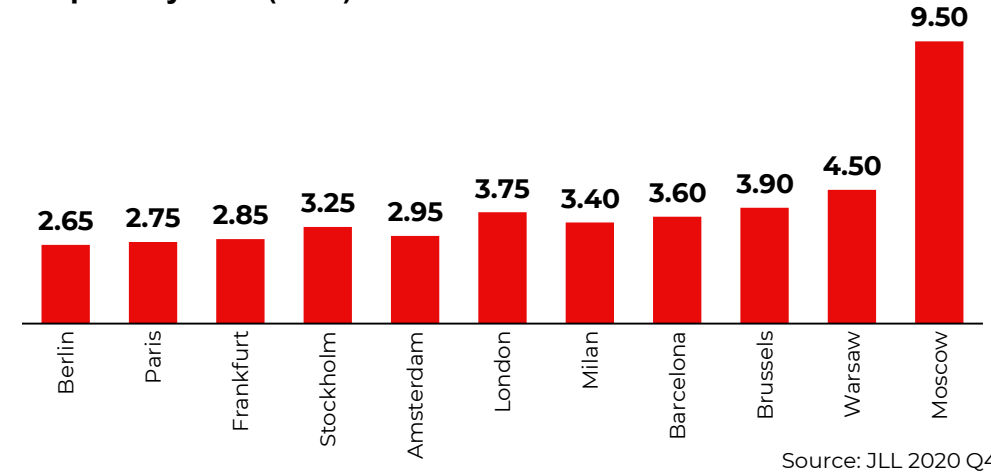
Commercial Real Estate – Offices

Office resources (k m²)



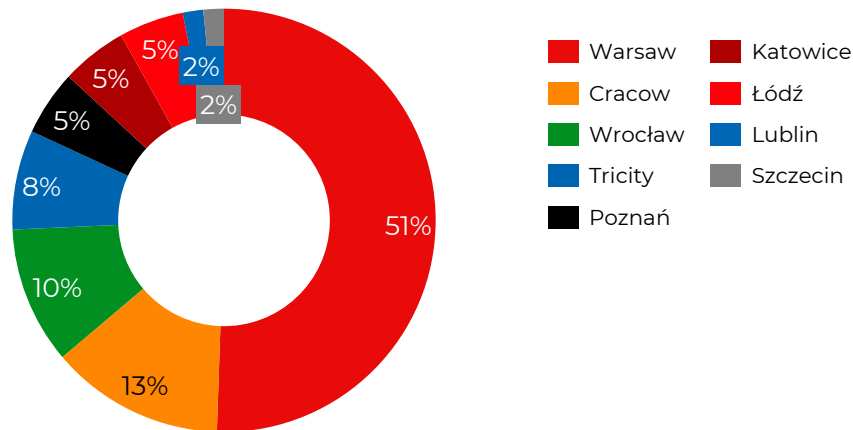
Source: Cresa 2021

Office prime yields (in %)



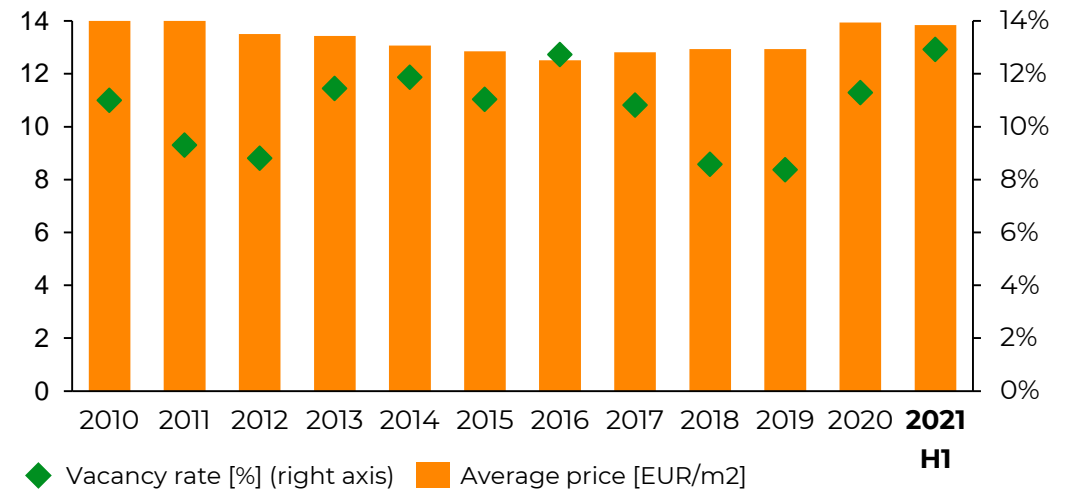
Source: JLL 2020 Q4

Office resources by region (%)



Source: Cresa, 2021

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

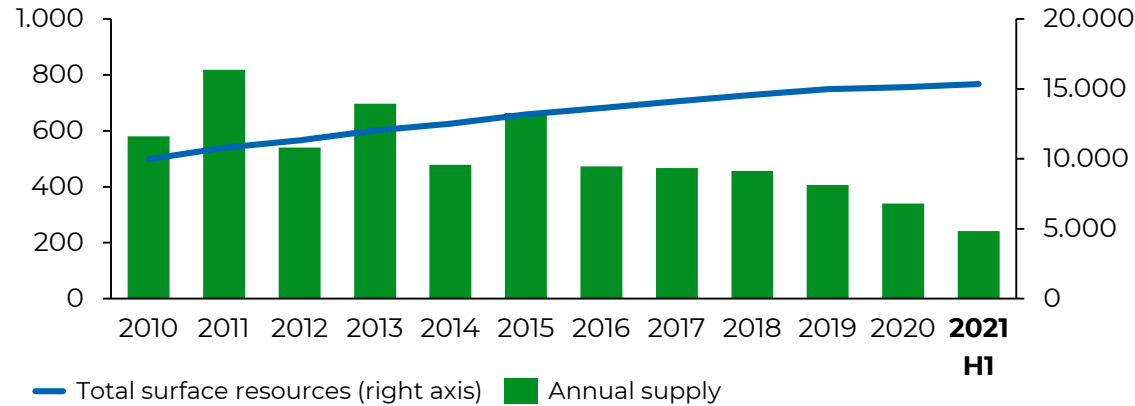


Source: Cresa 2021

- 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.

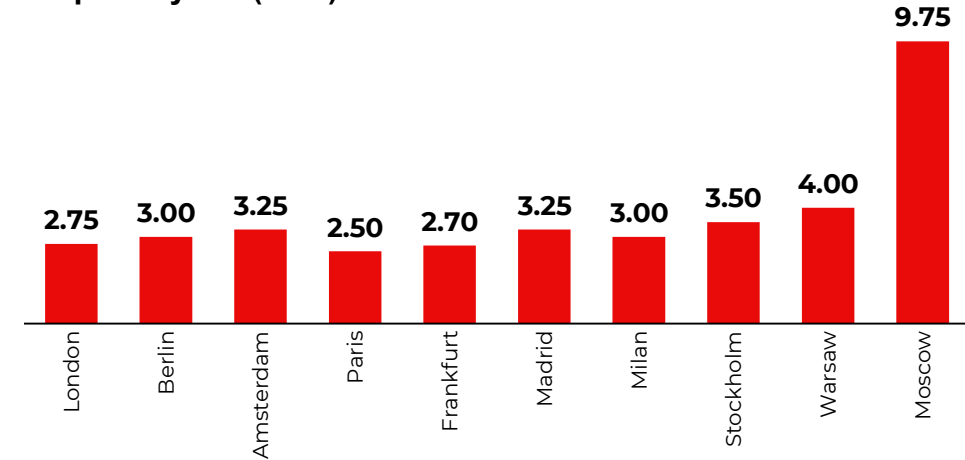
Commercial Real Estate – Retail

Retail resources (k m²)



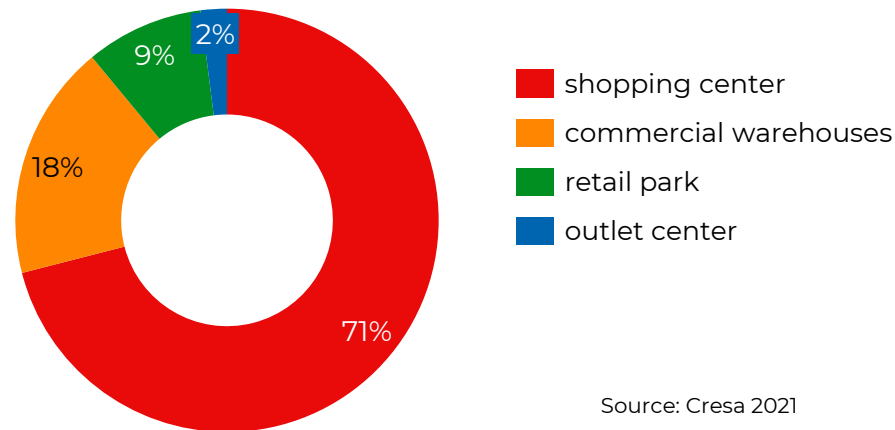
Source: JLL 2021 H1

Retail prime yield (in %)



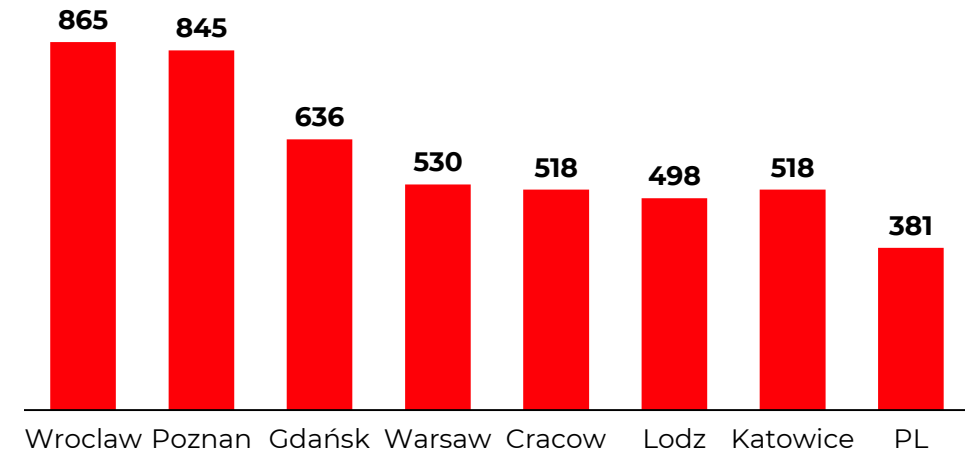
Source: Slavis 2019 Q3

The structure of commercial space in Poland



Source: Cresa 2021

Average density per 1,000 inhabitants

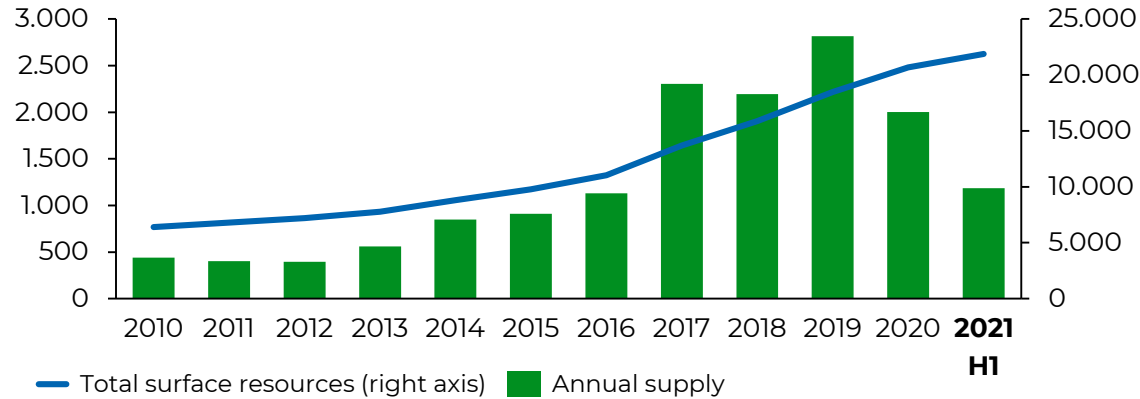


Source: Cushman & Wakefield 2021

- 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%

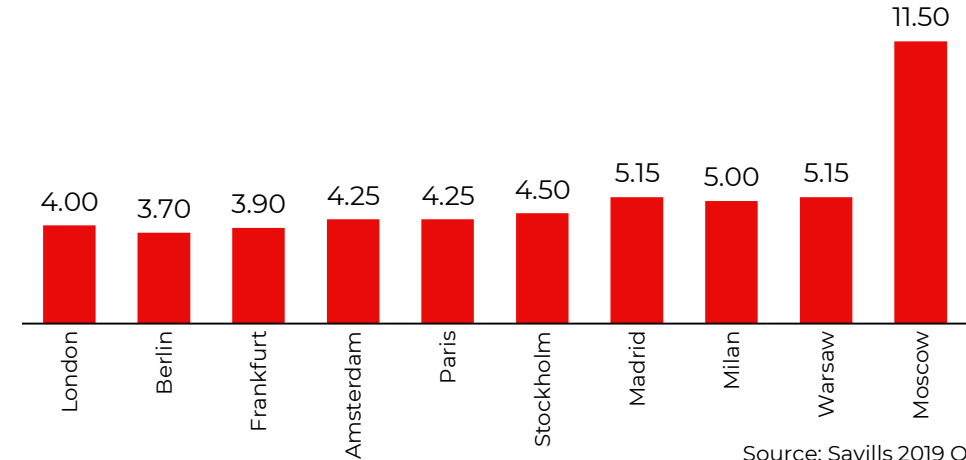
Commercial Real Estate – Warehouses

Warehouses resources (k m²)



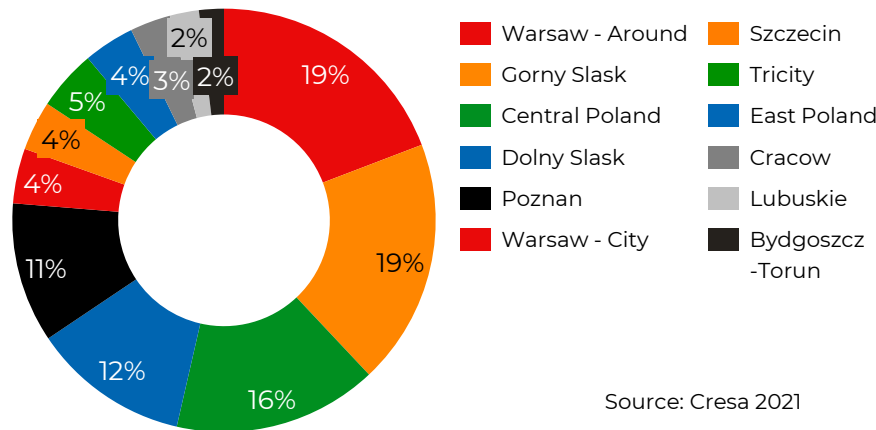
Source: Cresa 2021

Warehouses prime yield (in %)



Source: Savills 2019 Q4

Warehouses resources by region (%)



Source: Cresa 2021

Warehouses space resources and vacancy rate (%)



Source: Cresa 2021

- 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) |

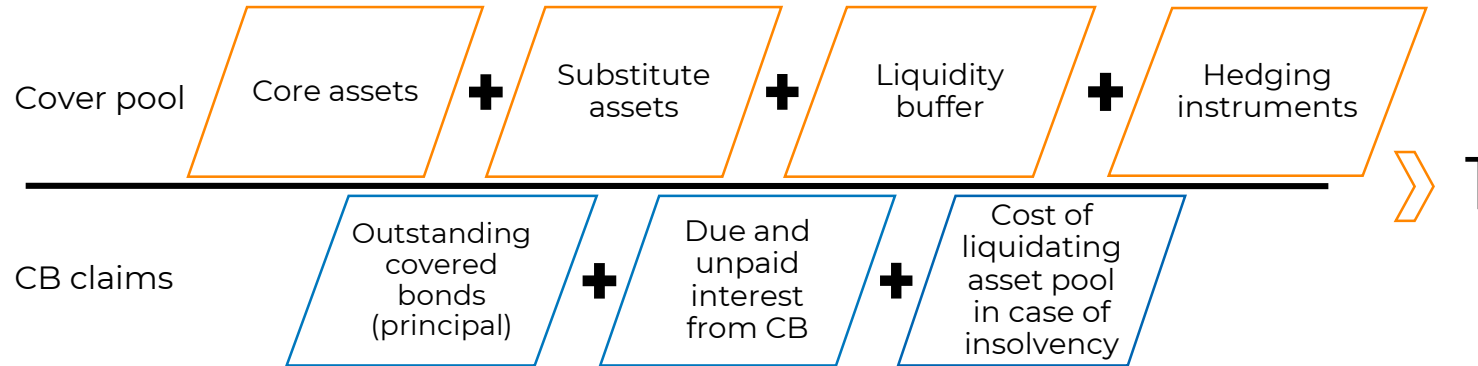
Regulatory status - Compliance with:

	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.



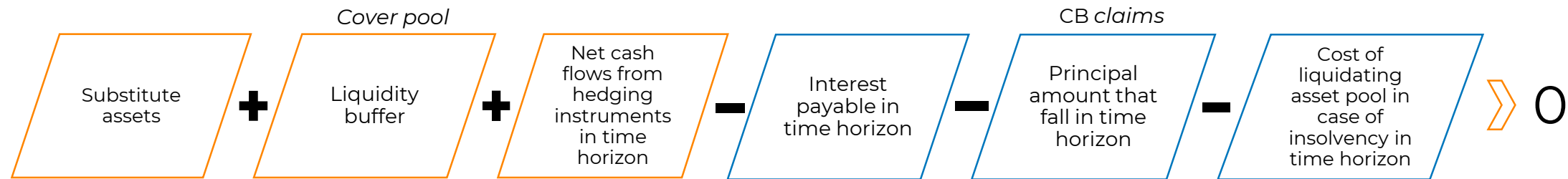
Test calculated also under stressed conditions:

- +/- 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 3 M

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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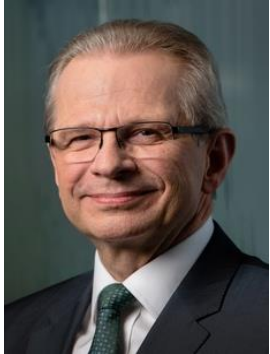
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Contact details



Piotr Cyburt

President of the Management Board,
mBank Hipoteczny

Direct dial: +48 604 158 720
e-mail: Piotr.Cyburt@mhipoteczny.pl



Karol Prażmo

Head of Group Treasury,
mBank

Direct dial: +48 607 424 464
e-mail: Karol.Prazmo@mbank.pl



Krzysztof Dubejko

Member of the Management Board,
Head of Financial Markets,
mBank Hipoteczny

Direct dial: +48 517 583 676
e-mail: Krzysztof.Dubejko@mhipoteczny.pl



Wojciech Zdunkiewicz

Head of Treasury,
mBank Hipoteczny

Direct dial: +48 515 163 187
e-mail: Wojciech.Zdunkiewicz@mhipoteczny.pl