



Covered Bonds Investor Presentation



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 (20 years) track record of covered bond issuance in the Polish capital market with the equivalent of ca. EUR 1.8bln of covered bonds already outstanding placed on local and international market.
- ✓ Mortgage covered bonds - rated „Aa3” by Moody’s Investors Service: 3 notches above the Polish sovereign rating & 5 notches above the issuer rating.
- ✓ The covered bonds will offer a pick-up against Polish EUR Government curve as well as Western European covered bond issuers and regional peers.
- ✓ Covered bonds as a part of mBank Group Green Bonds Framework – refinancing tool for green residential mortgages.
- ✓ The covered bonds from International Programme are expected to feature: ECB eligibility, Level 2A classification for LCR purposes, and English language documentation.

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.

Agenda

mBank Group mBank Hipoteczny

- mBank Group overview and key performance
- mBank Hipoteczny role in mBank Group Strategy
- Financial results and asset and liability structure

Covered bonds

- mBank Hipoteczny issuances track record and Polish Covered Bond Market
- Mortgage Covered Bond Programme

Cover Pool

- Credit risk and other statistics
- Distribution by real estate type, currency, interest rate and geographical

Polish Economy

- Polish economy fundamentals
- Banking sector stability

Real estate market

- Stable and growing residential market in Poland
- Commercial real estate and activity of residential developers

Legislation


- Legal consideration of Polish Covered Bonds

mBank Group in a snapshot

General description

- Poland's 4th largest universal banking group in terms of total assets as of 2019
- Well-capitalised, liquid bank with a strong funding profile
- Among Poland's most efficient banking platform built on the principles of organic growth
- A well balanced business mix with leadership positions in both retail and corporate banking segments attracting continued inflows of new clients
- Credit-rated by Fitch (BBB-/F3) and Standard & Poor's (BBB/A-2)
- Listed on the Warsaw Stock Exchange since 1992 a member of WIG-20 blue chip index since its inception in 1994 and RESPECT index;

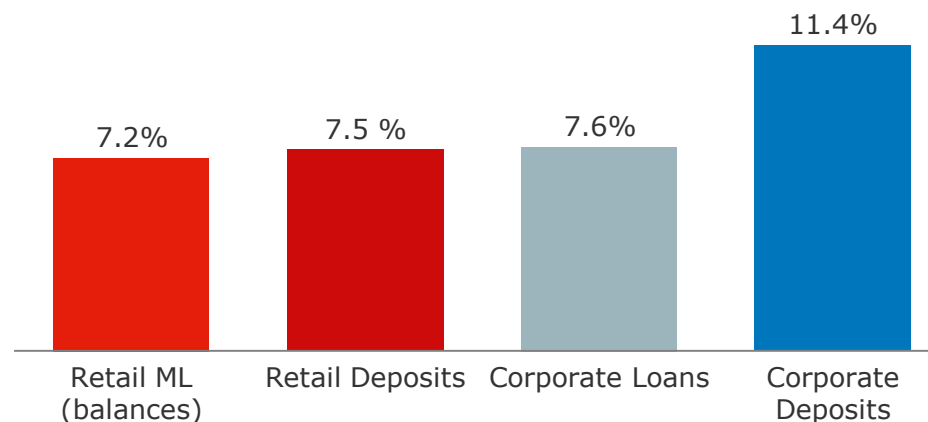
Key product lines as of 2020 H1

Retail Banking	Corporates and Financial Markets
<p>A wide range of modern financial services for mass market, affluent and private banking clients as well as entrepreneurs</p> 	<p>Fully fledged offering:</p> <ul style="list-style-type: none"> Corporate banking Transactional banking Investment banking Brokerage Leasing Factoring
<p>Poland</p> <p>Czech Republic and Slovakia</p>	
5,672 thou. clients	27,725 thou. clients

Key financial mBank Group data (PLN million)

	2017	2018	2019	2019 H1	2020 H1
Total Assets	131,424	145,750	158,720	152,433	182,943
Net loans	84,476	94,723	103,203	100,422	108,773
Deposits	91,496	102,009	116,661	110,341	139,623
Equity	14,292	15,216	16,151	15,681	16,913
Total income	4,454	5,059	5,524	2,591	2,904
Net profit	1,092	1,316	1,010	496	0,178
Cost/Income ratio	45.9%	42.8%	42.2%	48.4%	45.0%
Cost of risk	0.61%	0.78%	0.79%	0.90%	1.28%
Return on Equity (ROE) (net)	8.3%	9.5%	6.6%	6.6%	2.2%
Tier 1 ratio	18.3%	17.5%	16.51%	16.7%	16.4%
Total Capital Ratio	21.0%	20.7%	19.5%	19.7%	19.3%
NPL ratio	5.2%	4.8%	4.5%	4.8%	4.9%
NPL coverage ratio	59.2%	62.8%	60.7%	61.3%	58.8%

Market shares as of 1H 2020



Source: IFRS Consolidated Financial Statements of mBank Group



mGroup

Covered
bonds

Cover Pool

Polish
Economy

Real Estate
Market

Legislation

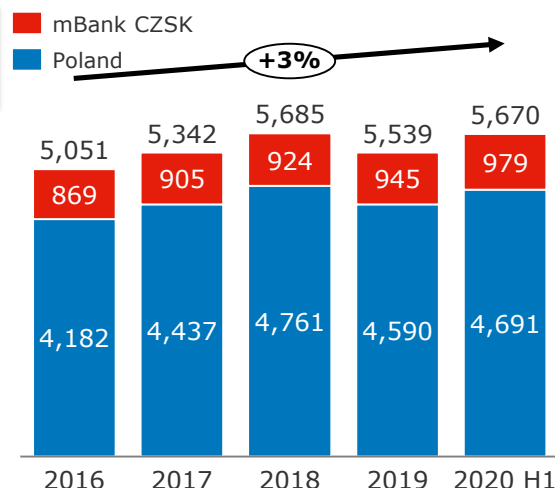
mBank Group's unique story of successful organic growth

Number of retail customers (thou.)

Retail loans: PLN 63.07B
Retail deposits: PLN 89.82B

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

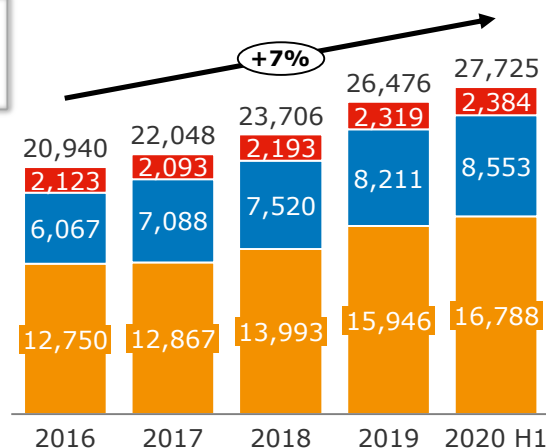


Number of corporate customers (thou.)

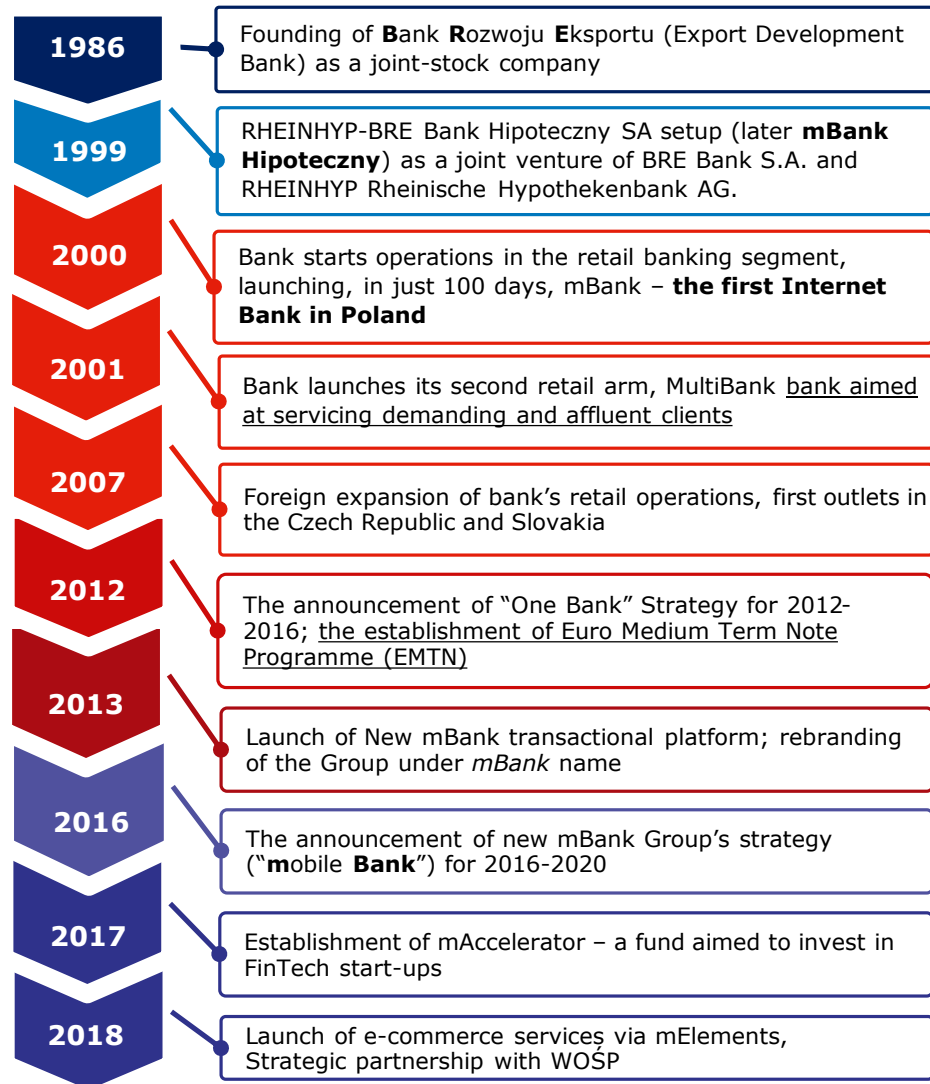
Corporate loans: PLN 29.28B
Corporate deposits: PLN 45.65B

Corporate customers split:

- 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 below 30 M



Brief history



Source: IFRS Consolidated Financial Statements of mBank Group



mGroup

Covered
bonds

Cover Pool

Polish
Economy

Real Estate
Market

Legislation

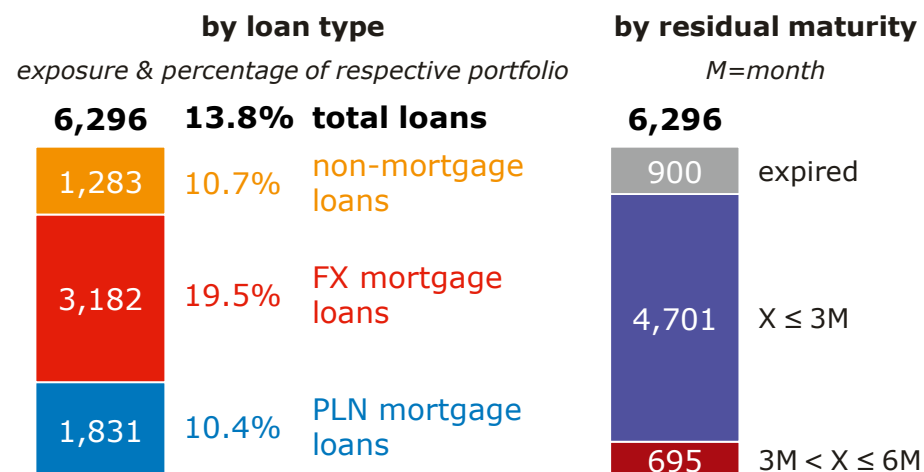
mBank Group support for clients amid COVID-19 pandemic

Solutions and offer for retail clients

Loan moratoria

mBank was the first bank in Poland which offered a loan repayment moratorium to its individual and SME clients on 16.03.2020. Under unified rules within the banking sector, clients can apply for deferring the repayment of the capital part of their instalments or the full instalment up to 6 months, with the simultaneous possibility of extending the loan period by the duration of the moratorium.

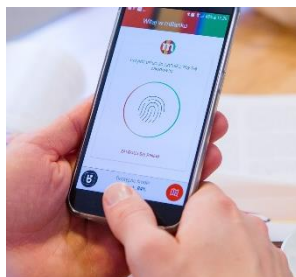
Disbursed suspensions of monthly payments
individual clients as of 30.06.2020 (PLN million)



Legislative moratoria amounted to PLN 1.9 million, equivalent of 0.03% of gross volume of total loan moratoria provided by the Group.

New digital solutions

Opening an individual account via smartphone



A possibility to open an account from home. Neither visit to the branch nor a meeting with a courier who delivers documents are required.

- To complete this fully remote process, retail clients need only a smartphone, ID card and a short video
- Customers can accept the agreement with a text message and an account is active after maximum one day
- Payment card can be used immediately

Online mortgage loan process



mBank introduced a safe online mortgage process with only one visit in the branch needed. All the files are exchanged via special application.

- All the operations are performed from home via the phone and a dedicated application to send the documents
- E-mails to the client are additionally secured with a password sent to the registered phone number
- The customer has to visit the branch only to sign the loan contract

mBank Group support for clients amid COVID-19 pandemic

Solutions and offer for microfirms and corporate clients

Aid package for enterprises

The PFR financial shield

Starting from 29.04.2020, Polish enterprises employing from 1 to 249 people can submit applications for funds from the PFR Financial Shield assistance program through mBank's transactional systems.

Till 30.06.2020, 37,790 of mBank's clients received PLN 5.52 billion of subsidies from the Polish Development Fund, out of PLN 54.80 billion transferred in total to microfirms and SMEs.

Loan moratorium

For large corporations, mBank Group has offered a suspension of the capital part of their instalments for a period of maximum 6 months, with the option of extending the loan period by the duration of the moratorium.

As of 30.06.2020, loan moratoria granted to the Group's corporate customers (including leasing) amounted to PLN 9.55 billion, of which PLN 8.95 billion was active. SME comprised a half of this volume.

Guarantees provided by the BGK

Under the governmental aid package for the firms, mBank provides liquidity loans to micro-, small- and medium-sized enterprises combined with the de minimis guarantee from Bank Gospodarstwa Krajowego (BGK).

In H1 2020, mBank granted PLN 127 million of new financing covered by the public guarantee programs (BGK) aimed at stabilizing the liquidity situation of corporates amid COVID-19 pandemic.

New digital solutions

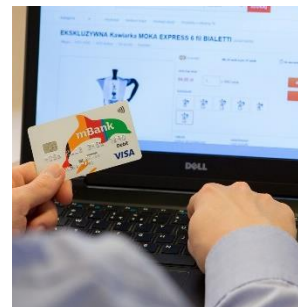
Remote onboarding of corporate clients



Fully digital process includes opening of a bank account and obtaining an access to the advanced transactional system mBank CompanyNet.

- All the necessary documents are signed with the use of the qualified electronic signature by both sides
- No printouts and in-person contact
- On each stage of the process clients are supported by an advisor via e-mail or telephone

Support in e-transformation of the business



mBank facilitates convenient opening of an e-shop for its corporate clients, providing a set of tools helping to start doing business online.

- Building and hosting of an e-shop on popular platforms RedCart or Shoplo
- A free fastest online payment platform Paynow, designed for e-commerce
- Automatic tools supporting sales and client retention prepared by Samito
- A solution for sales in the social media, offered by 1koszyk

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



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.

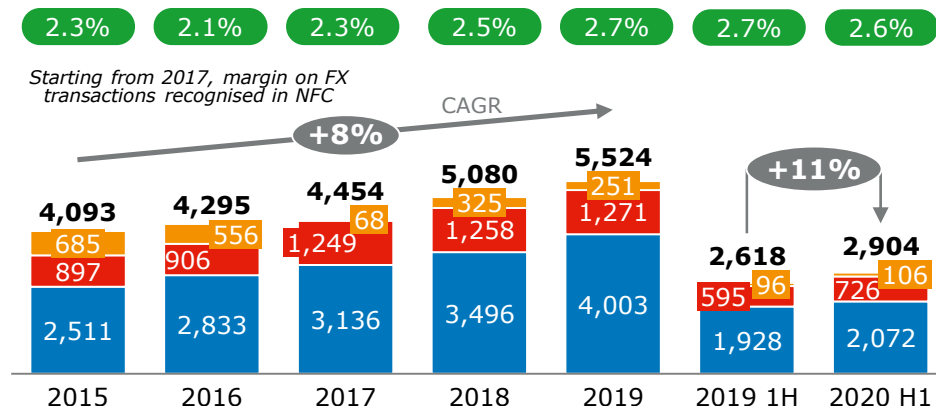
We ensure diversity and equal opportunities.



mBank Group's historical performance: Profit and Loss Account

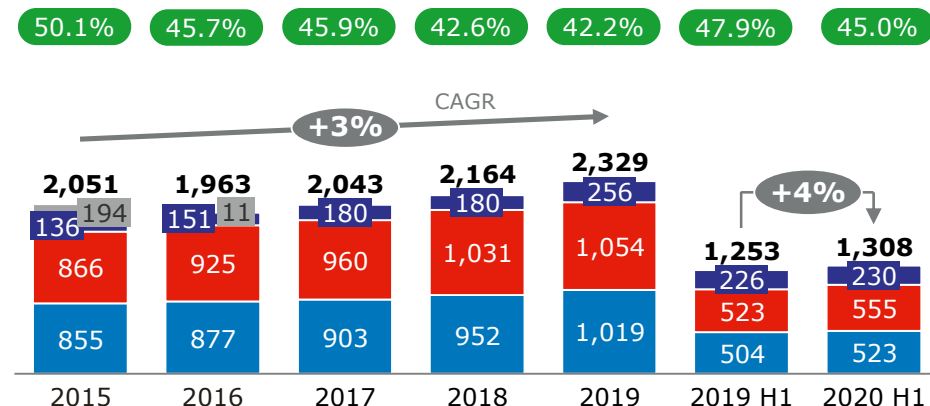
Total Income & Margin
(PLN M)

■ NII ■ NFC ■ Trading and other

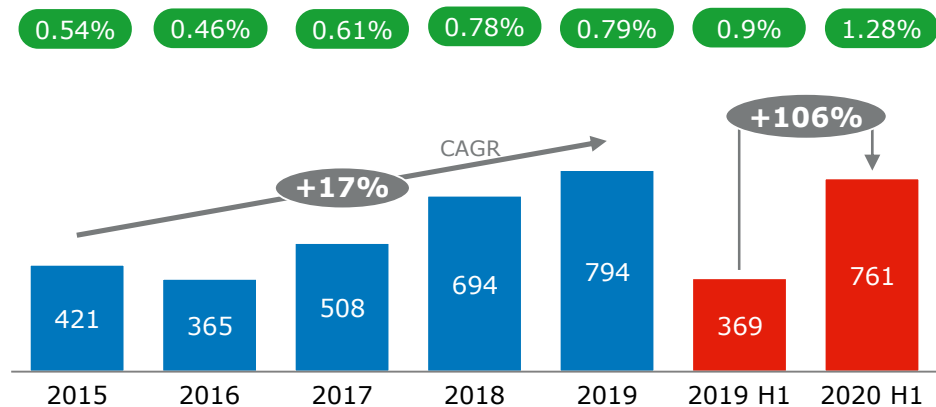


Total Costs & C/I ratio
(PLN M)

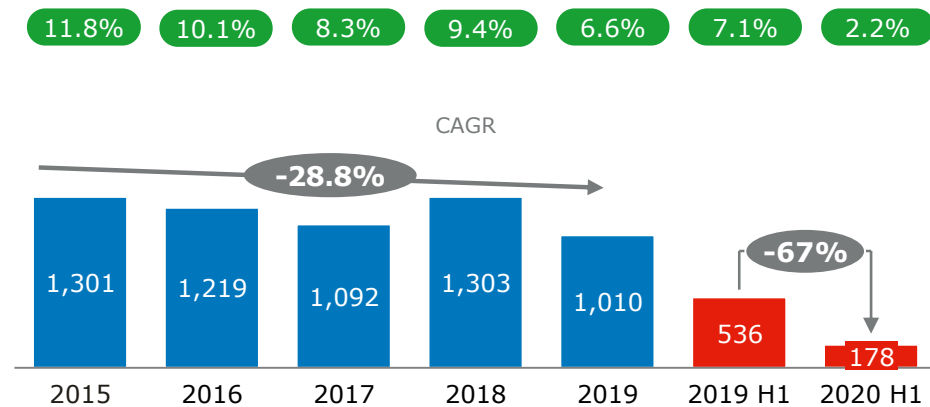
■ Personnel ■ Material and other ■ BFG



Loan Loss Provisions & Cost of Risk
(PLN M)



Net Profit & Return on Equity
(PLN M)

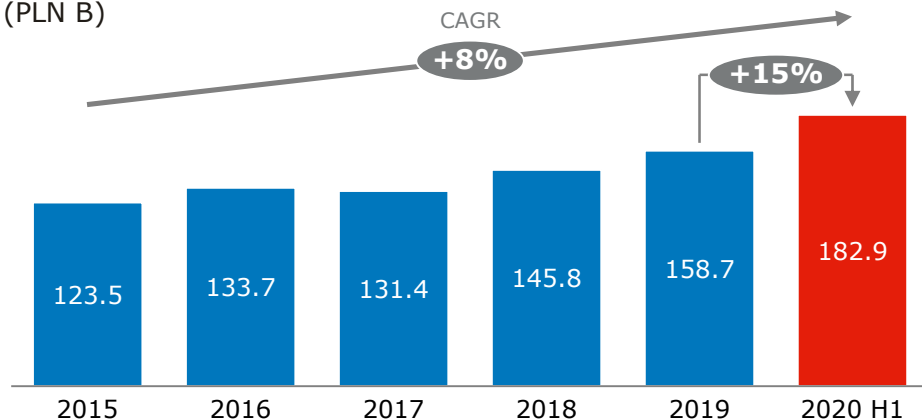


Note: A drop of net profit in 2019 caused by the provisions for legal risk related to the FX mortgage loans of PLN 387.8 million.

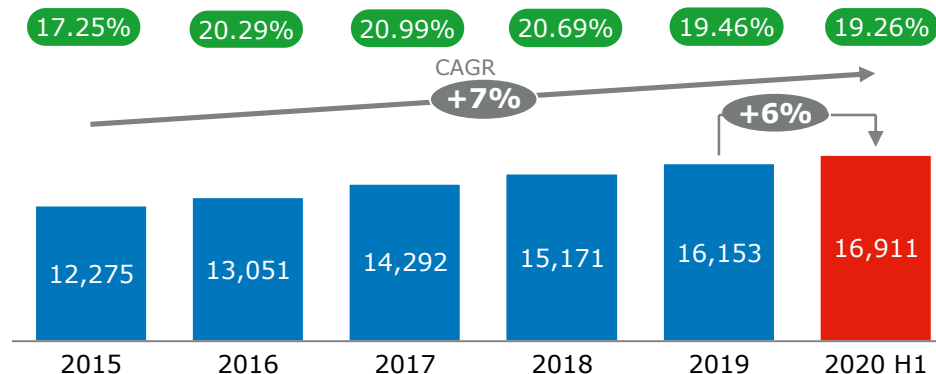


mBank Group's historical performance: Balance Sheet

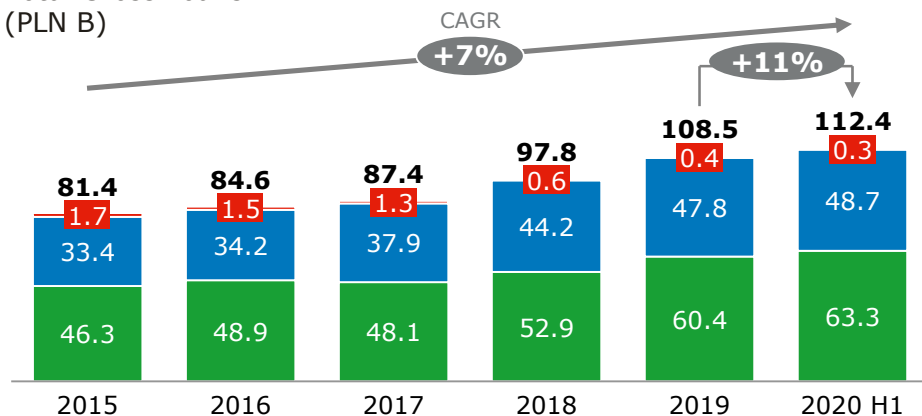
Total Assets
(PLN B)



Equity & Total Capital Ratio
(PLN M)

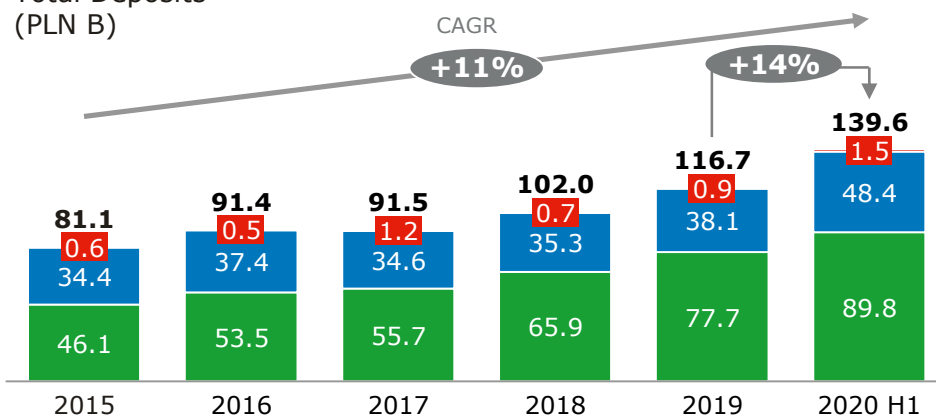


Total Gross Loans
(PLN B)



Individual clients Corporate clients Public sector and other

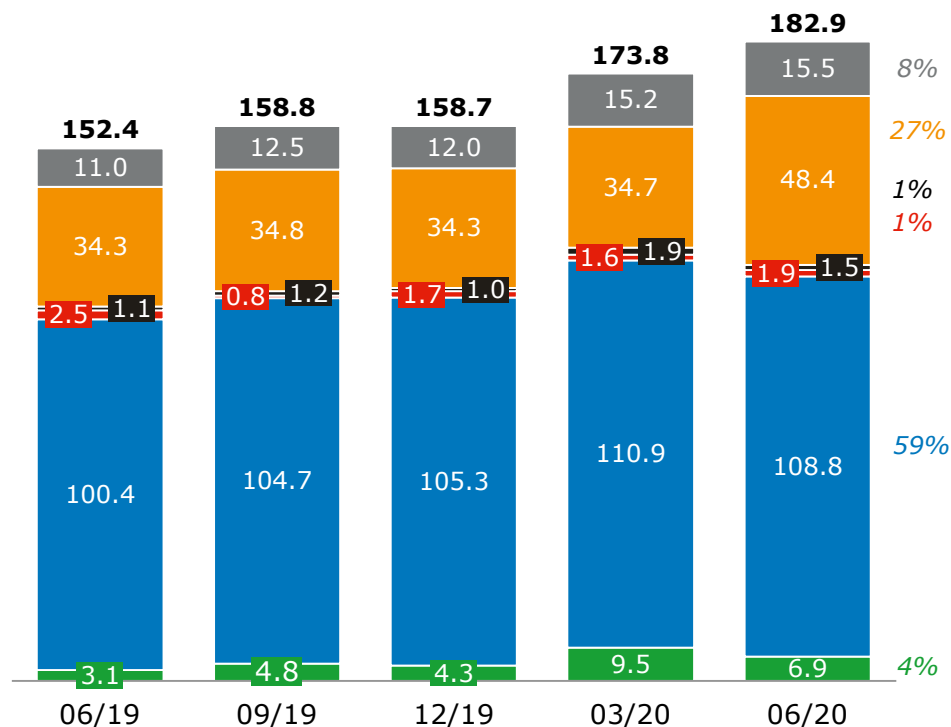
Total Deposits
(PLN B)



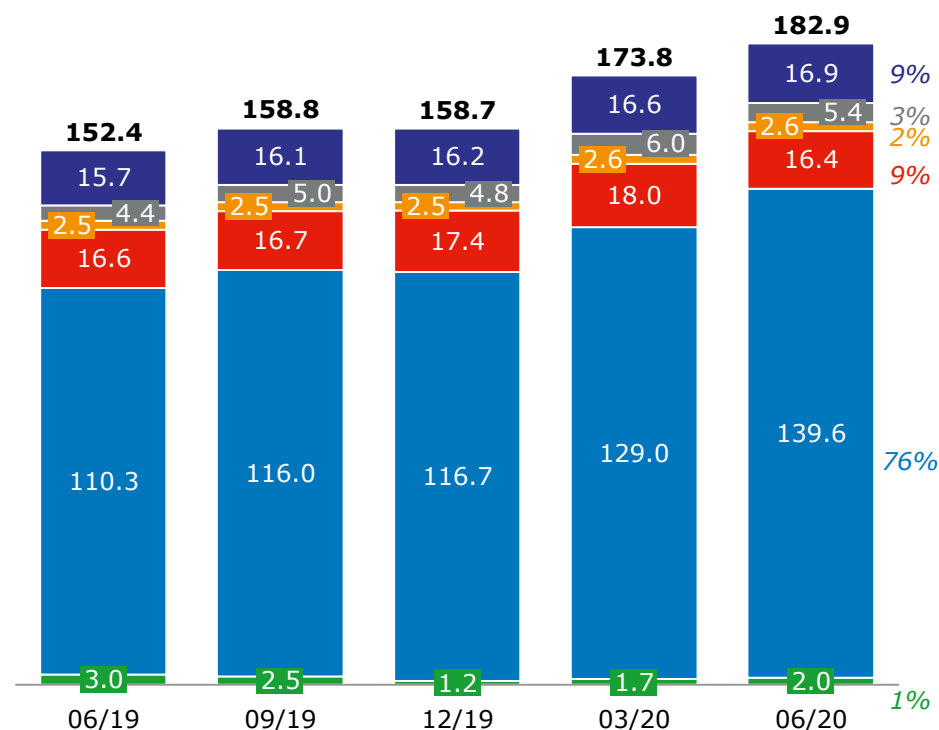
Individual clients Corporate clients Public sector

Balance Sheet Analysis: Assets & Liabilities

Structure of Assets
(PLN B)



Structure of Liabilities and Equity
(PLN B)



■ Amounts due from banks
■ Loans and advances to customers
■ Trading securities

■ Derivative financial instruments
■ Investment securities
■ Other assets

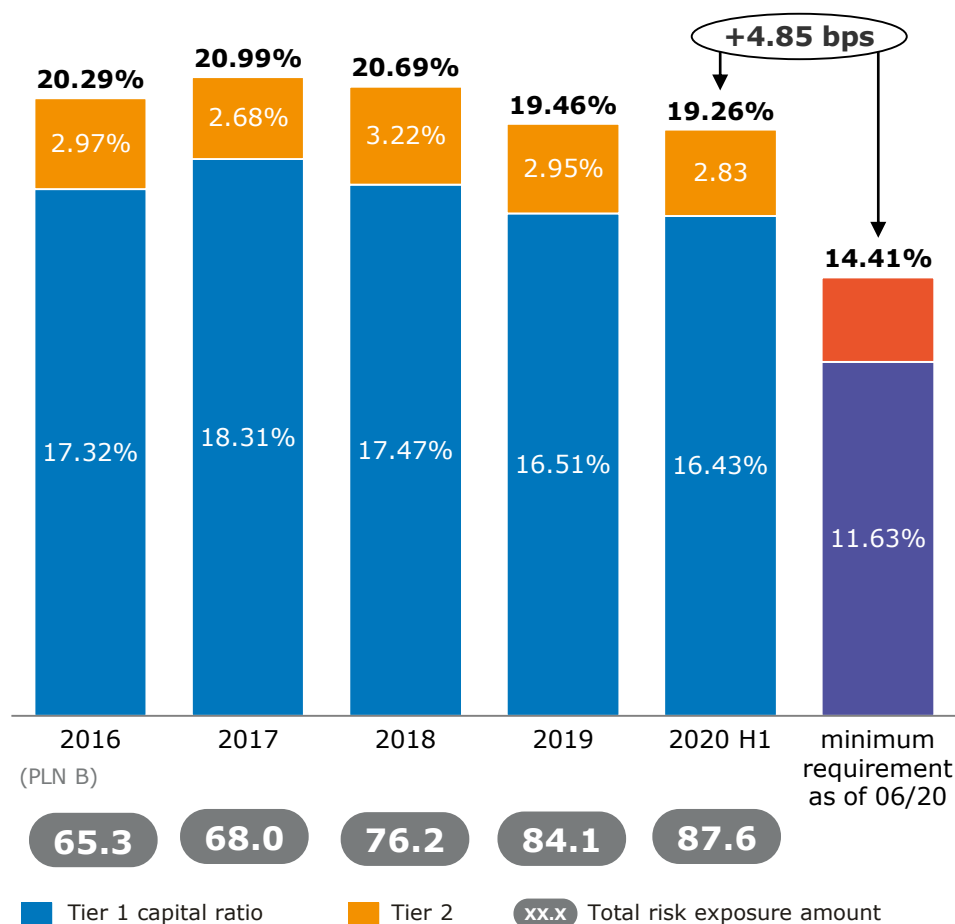
■ Amounts due to other banks
■ Amounts due to customers
■ Debt securities in issue

■ Subordinated liabilities
■ Other liabilities
■ Equity (total)

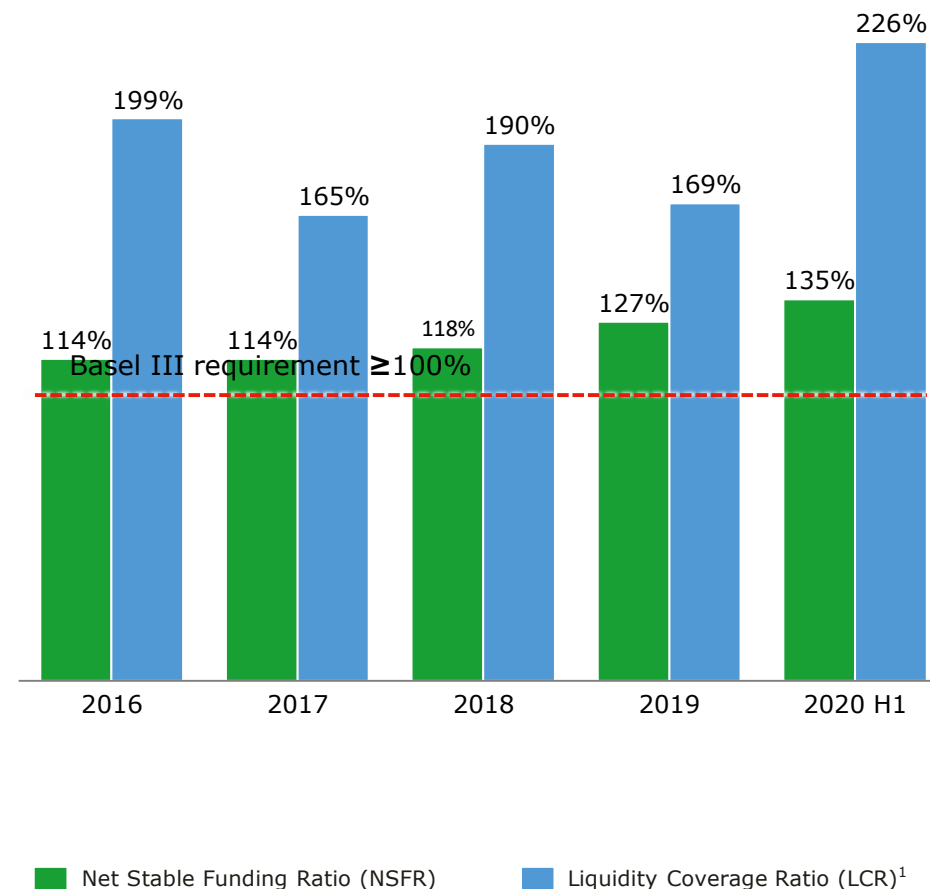
Results of mBank Group: Key regulatory ratios

Strong capital position and outstanding liquidity securing safety and operational stability

mBank Group's Total Capital Ratio



mBank's NSFR and LCR

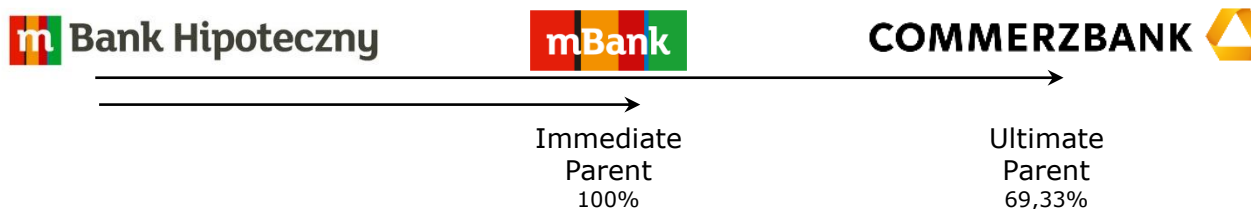


¹ LCR for mBank Group was at 249% as of 31.03.2020

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.

Corporate structure



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 H1 are PLN 8.05 bn, represent 30.3% market share in the covered bond market in Poland.

mBH strategic objectives for 2019–2022 are the following:

1

Covered Bonds

Providing long term funding for mBank Group by issue Covered Bonds to

- Diversify of the funding sources
- Improve long-term liquidity in the Group – adaption to the NSFR requirements

2

Scale of assets

Development of retail mortgages portfolio and CRE loans in close cooperation with mBank, i.e. assuming that origination will be executed by mBank's sales forces both in the retail (since Q2 2017) and commercial real estate (since 2019) area.

3

Cost efficiency

The Bank's strategy assumes that the foundation of its operations will be to obtain long-term in the most cost-effective business model possible.

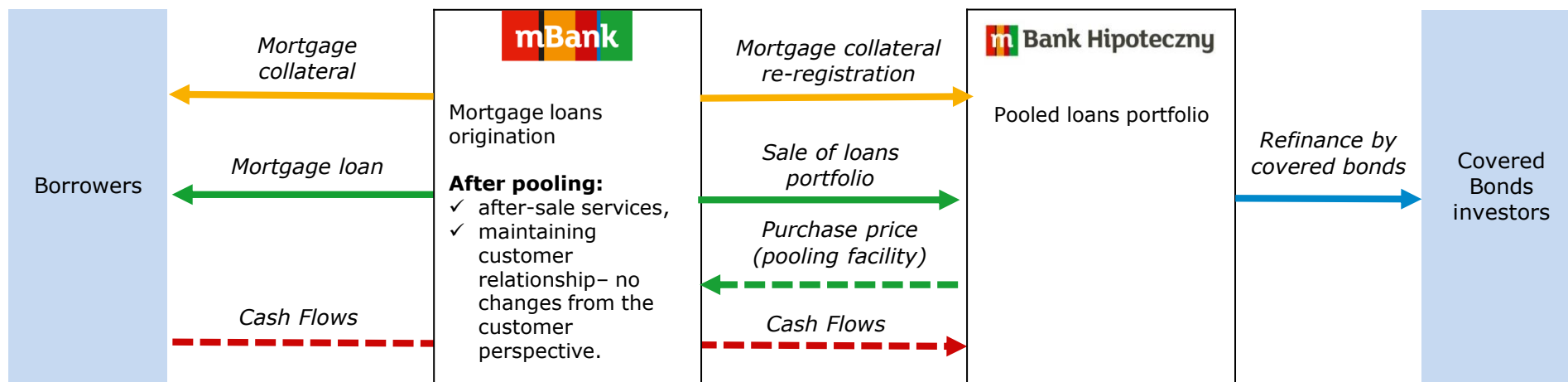
- The Bank is leveraging synergies related to IT systems and processes within the Group

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 - commercial real estate

Origination

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**.

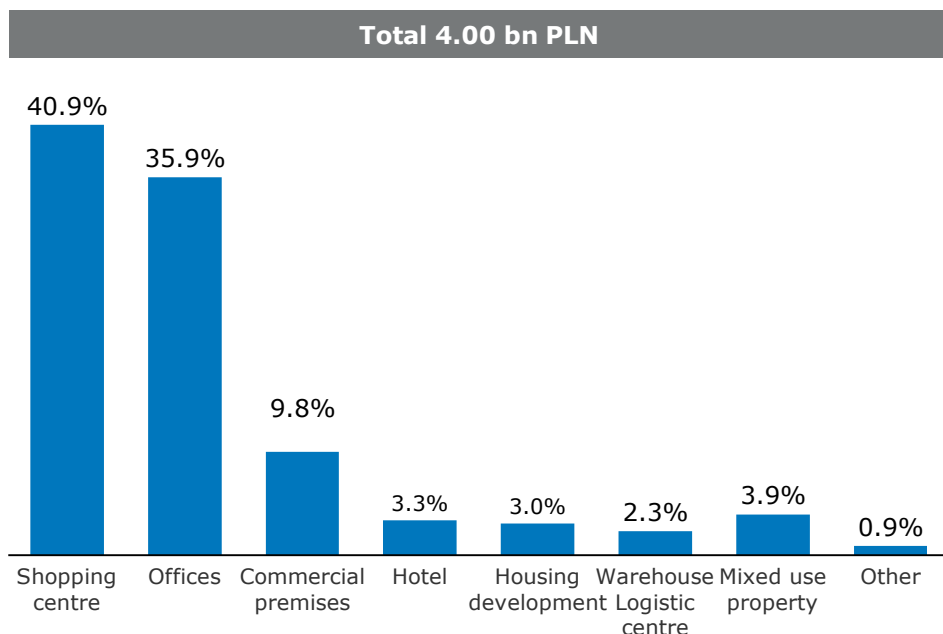
Cover pool eligibility

mBank Hipoteczny acquires via commercial pooling and syndicate model loans for refinancing existing, completed CRE properties. Those loans are directly cover pool.

Risk Management

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.

Financed projects by type (as of 2020 H1)



Source: Management Board Report mBank Hipoteczny

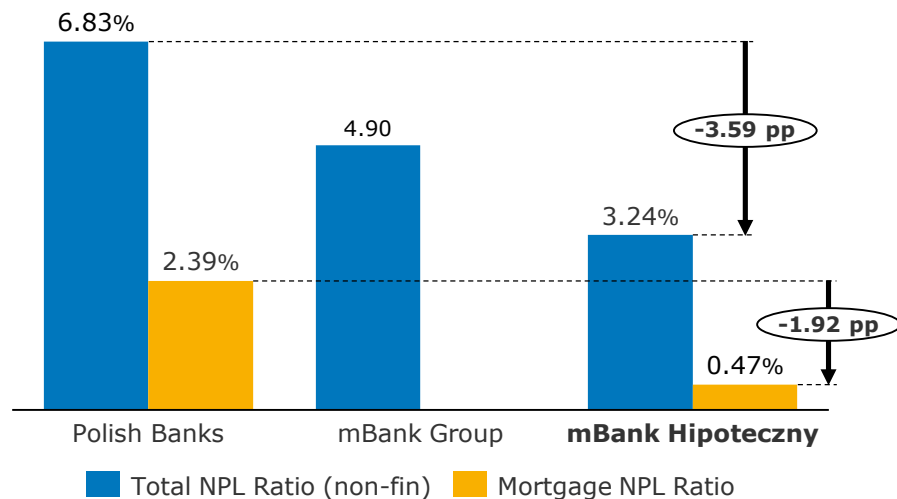


Characteristics of funded projects

- Duration of the loan for commercial real estate is up to **20 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

mBank Hipoteczny quality of the loan portfolio

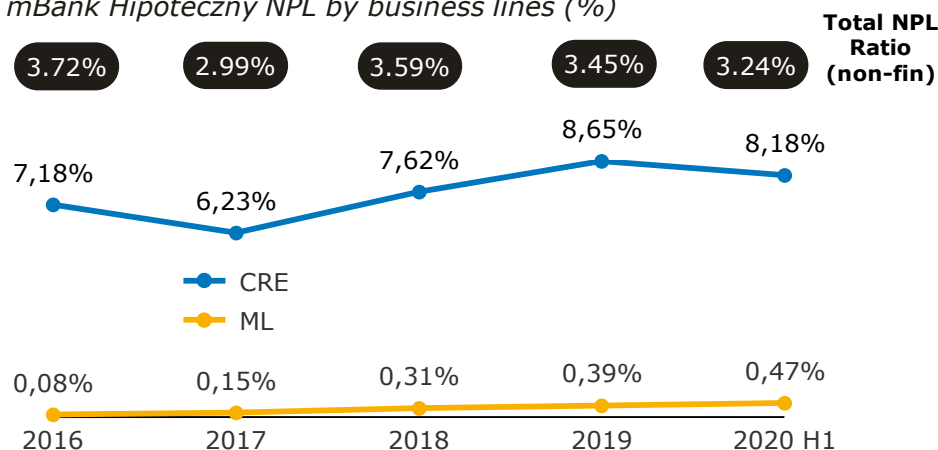
mBank Hipoteczny NPL ratio significantly below the market level
– 2020 H1



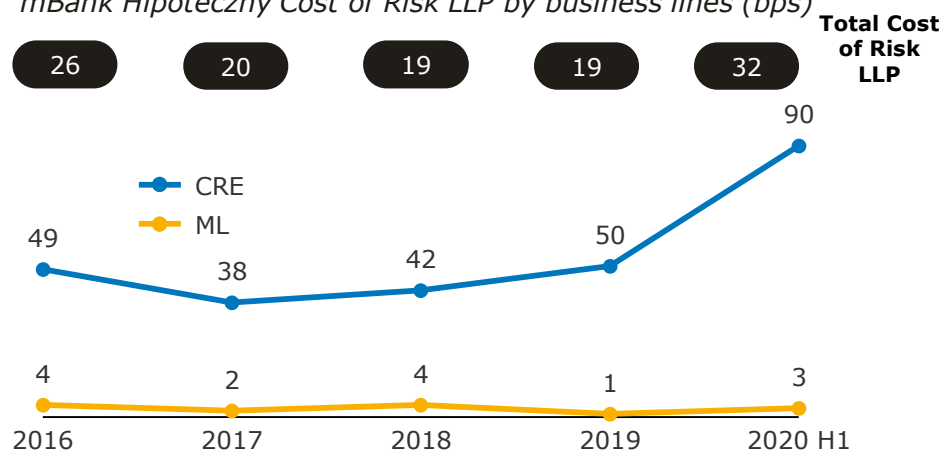
Characteristics of the portfolio eligible for pooling

- Financing the purchase of real estate,
- **LtV** (loan to mortgage lending value) at the transfer date does not exceed **100%**,
- First rank joint contractual ordinary mortgage on all property pledged as collateral,
- Property located in Poland,
- 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)



Source: Management Board Report mBank Hipoteczny



mBank
Hipoteczny

Covered
bonds

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Polish
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mBank Hipoteczny key financials

Summary of Key Financials: Profit and Loss Accounts

<i>in PLN M</i>	2016	2017	2018	2019	2019 H1	2020 H1	
NII - Net Interest Income	130.1	156.0	176.3	186.1	91.7	83.3	Decrease in NII due to interest rate policy of NBP
NFC - Net Fee & Commission Income	1.5	(5,7)	(2.5)	(8.2)	(3.4)	(3.5)	
Total income ¹⁾	134.1	146.9	171.7	180.8	92.4	80.0	
Total costs ²⁾	(65.7)	(67.5)	(63.6)	(67.89)	(39.6)	(37.5)	
Cost/Income Ratio	48.96%	45.99%	36.78%	36.81%	43.83%	49.45%	Increase in LPP as a consequence of COVID-19
LLP - Loan Loss Provisions	(21.6)	(20.2)	(16.71)	(20.0)	(8.34)	(17.57)	
Operating result	46.9	59.2	88.3	91.3	43.0	19.9	
Taxes on the balance sheet	(16.7)	(24.4)	(27.6)	(32.2)	(16.1)	(15.5)	
Profit before income tax	30.2	34.7	60.7	59.1	26.8	4.4	Net profits impacted by LPP, balance sheet tax and lower NII
Net profit	23.4	27.8	41.2	37.1	17.2	1.2	
Net Interest Margin (NIM)	1.37%	1.36%	1.44%	1.40%	1.38%	1.24%	Increased capitalisation due to larger share of residential low risk loans
TCR	14.54%	15.79%	16.25%	18.23%	17.43%	18.52%	
Cost of Risk LLP	0.26%	0.20%	0.19%	0.19%	0.13%	0.32%	
ROE - Return on Equity (gross)	3.62%	3.46%	5.85%	4.95%	4.66%	0.70%	
ROA - Return on Assets (gross)	0.31%	0.30%	0.49%	0.44%	0.41%	0.07%	

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)

Source: IFRS Financial Statements of mBank Hipoteczny



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
- 7 borrowers were granted Forborne status with total exposure 84.35 m PLN

Retail banking



- For instruments granted between 13 March and 30 September
- Exposures in the 31+ DPD delay bands, on which the Bank agreed to grant aid, will be classified as Forborne
- customers can 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



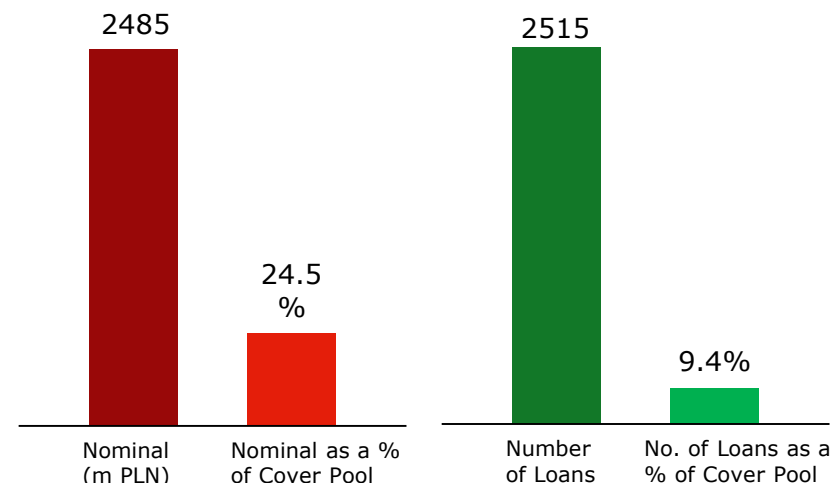
- corporate clients can suspend the repayment of the capital part of instalments for a maximum period of 6 months
- possibility to suspend the repayment of entire capital and interest instalments for up to 3 months for medium-sized companies

Retail banking

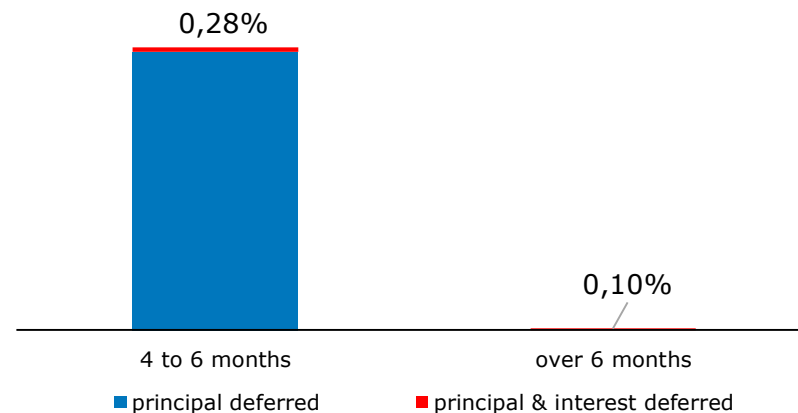


- suspension for up to 3 months the loan repayment without charging interest during the suspension period for customers who lost main source of income after 13 March

Share of Cover Pool assets affected by payment holidays

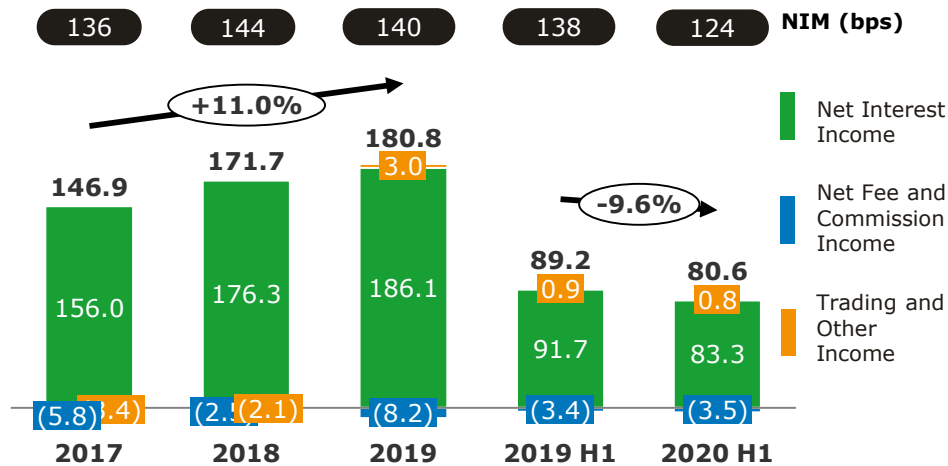


Types of granted payment holiday as % of Cover Pool



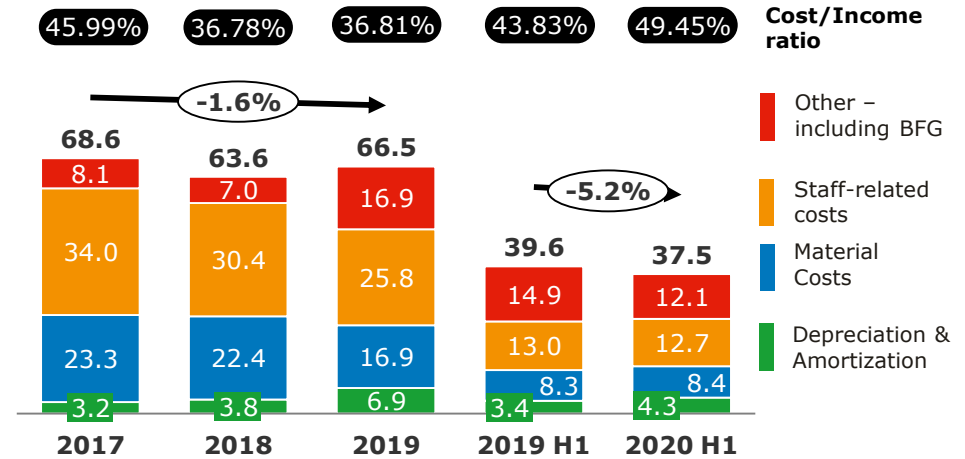
Development of Revenues and Costs

Development of Total Income (PLN M)



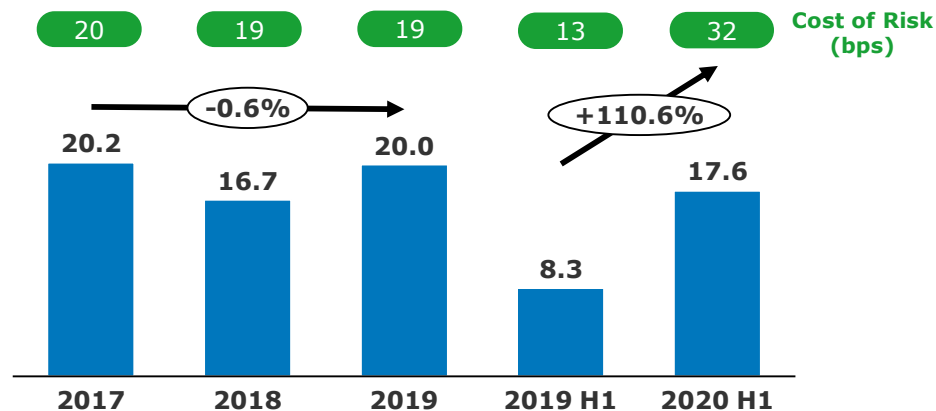
Core income rising twice as fast as the balance sheet size but put under pressure in 2020 H1 due to NBP monetary policy.

Development of Total Costs (PLN M)

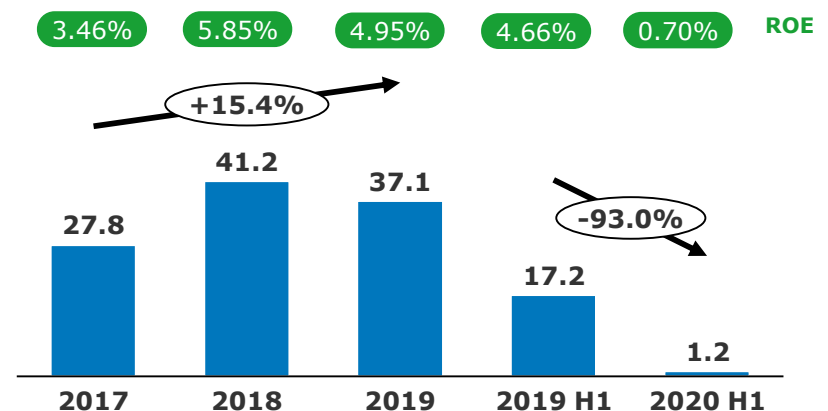


2020 H1 vs 2019 H1 lower cost due to decrease in BFG contribution.

Loan Loss Provisions (PLN M) & Cost of Risk



Net Profit (PLN M) & Return on Equity (ROE) gross



Source: IFRS Financial Statements of mBank Hipoteczny



mBank
Hipoteczny

Covered
bonds

Cover Pool

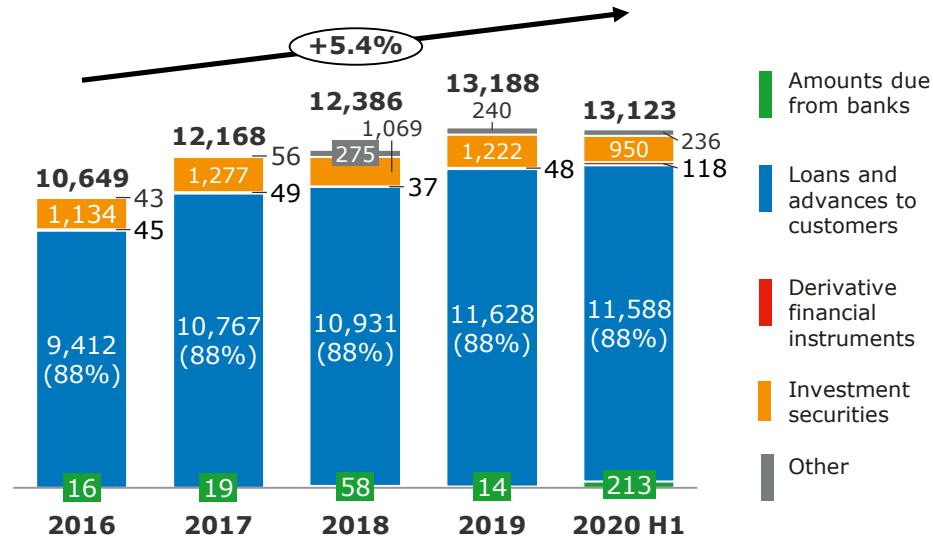
Polish
Economy

Real Estate
Market

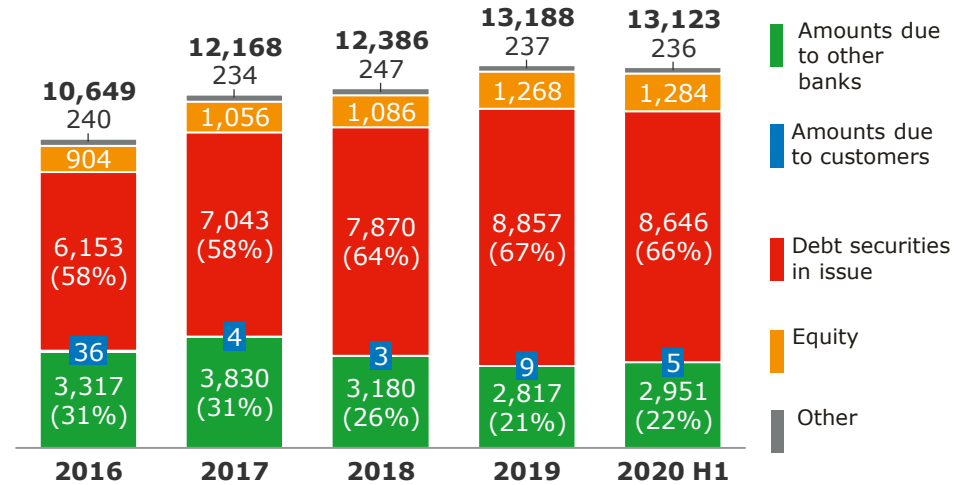
Legislation

Assets & Liabilities growth

Structure of Assets (PLN M)

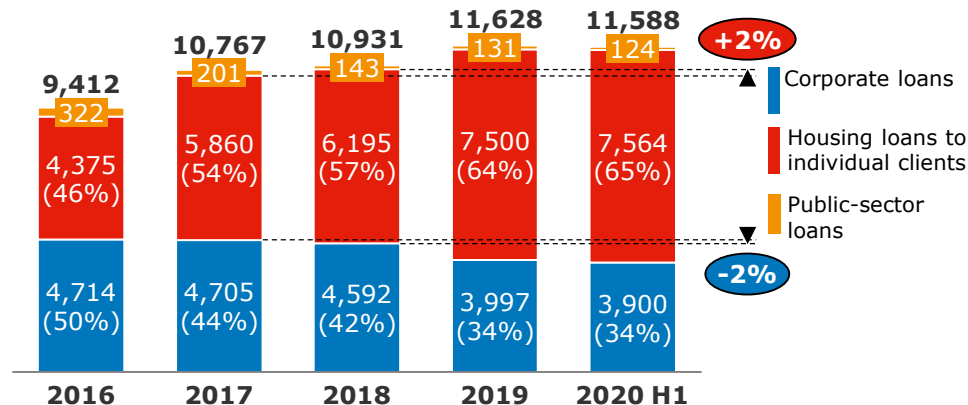


Structure of Liabilities (PLN M)



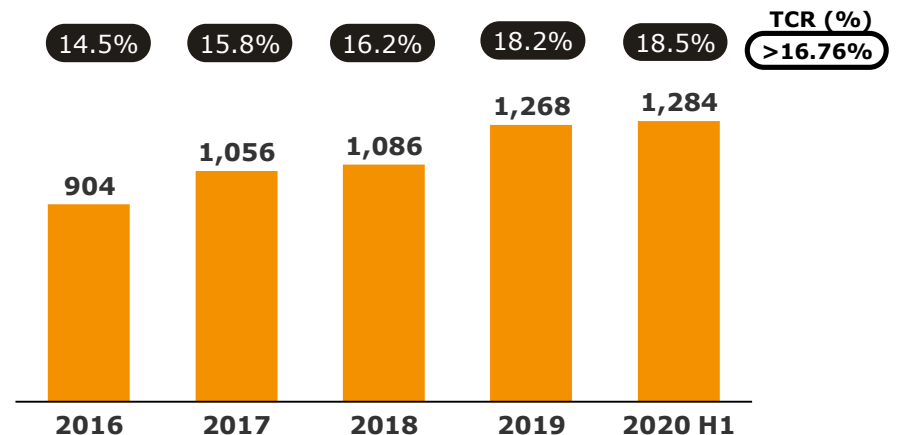
Total Gross Loans (PLN M)

Balance sheet value (carrying value)

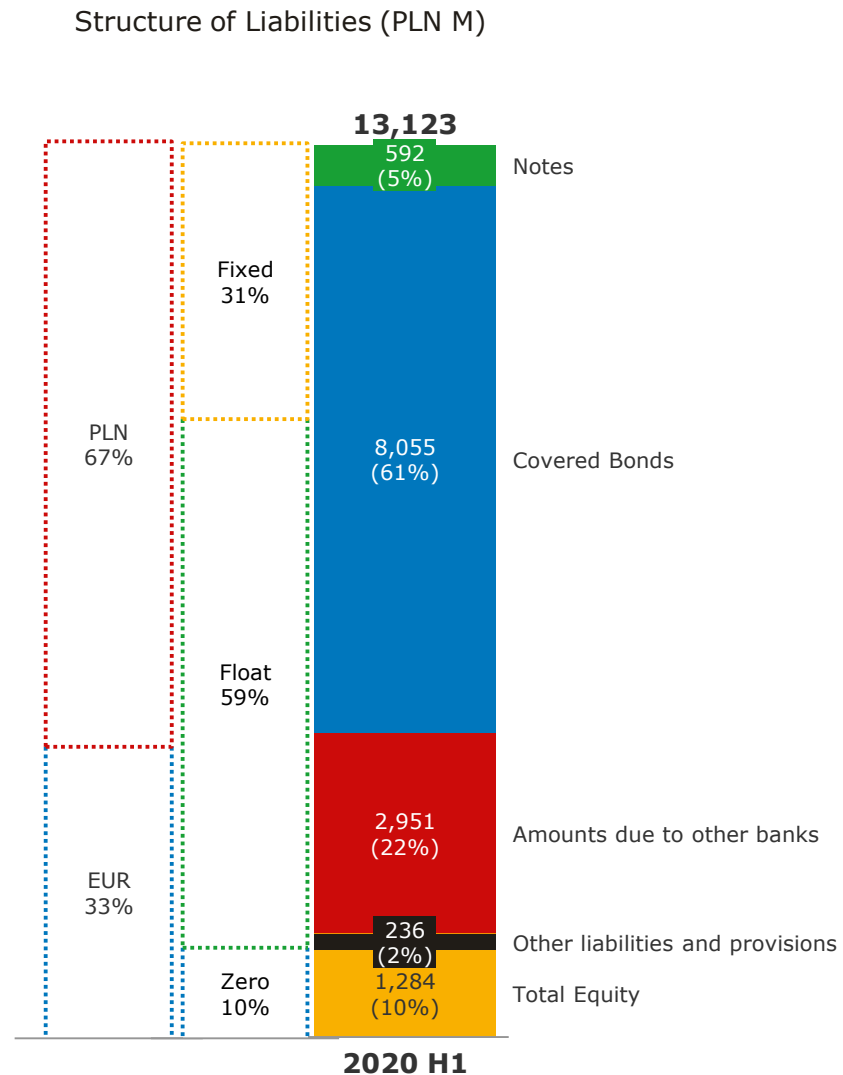
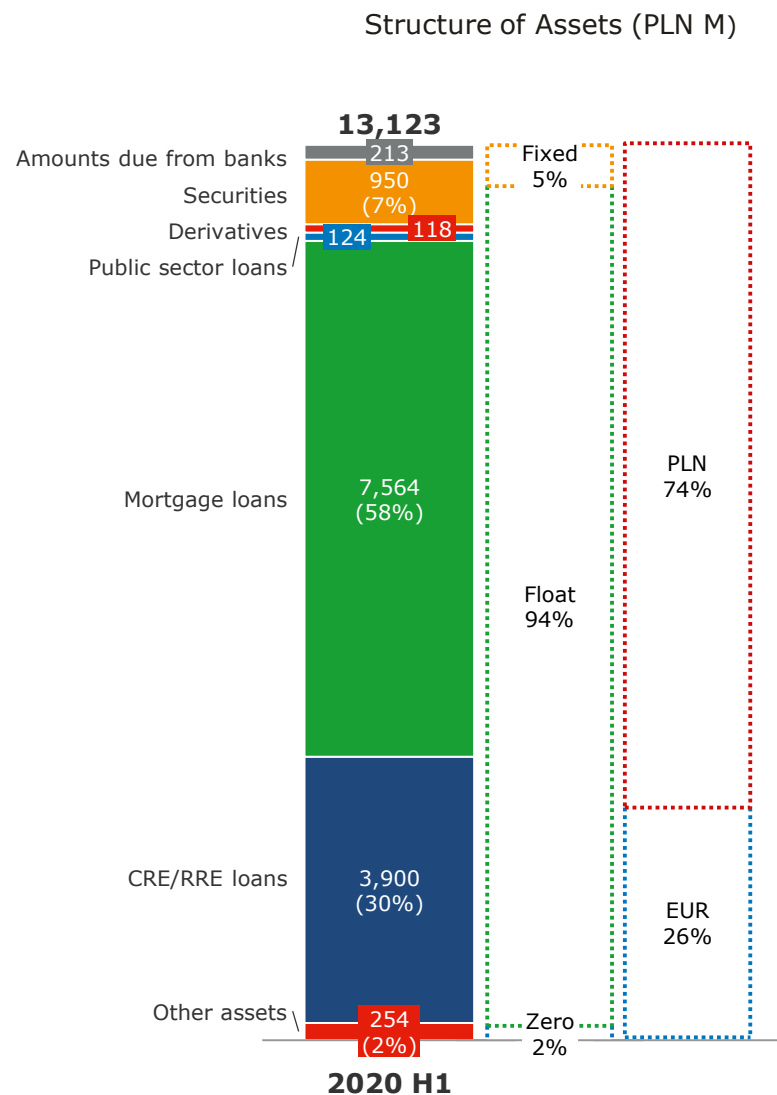


Source: IFRS Financial Statements of mBank Hipoteczny

Equity (PLN M)



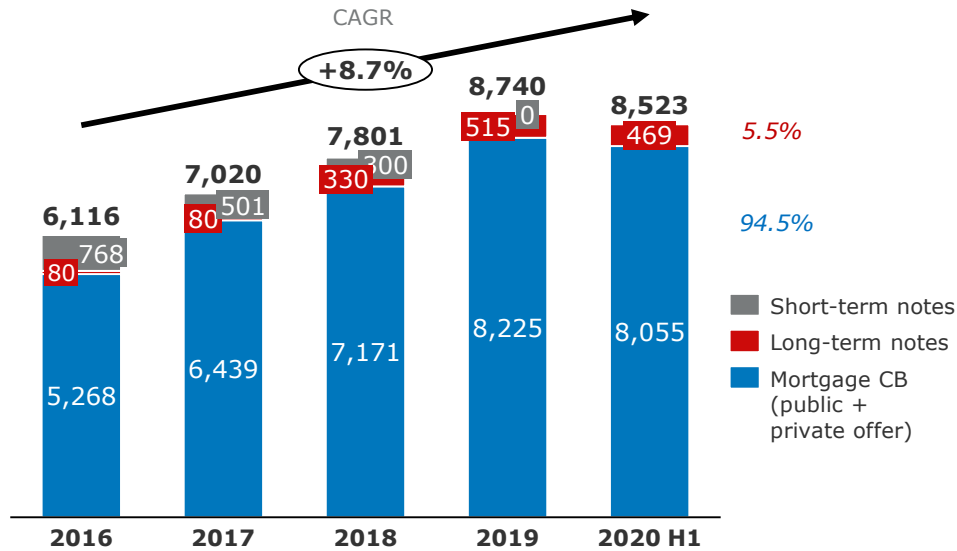
Well diversified and stable balance sheet



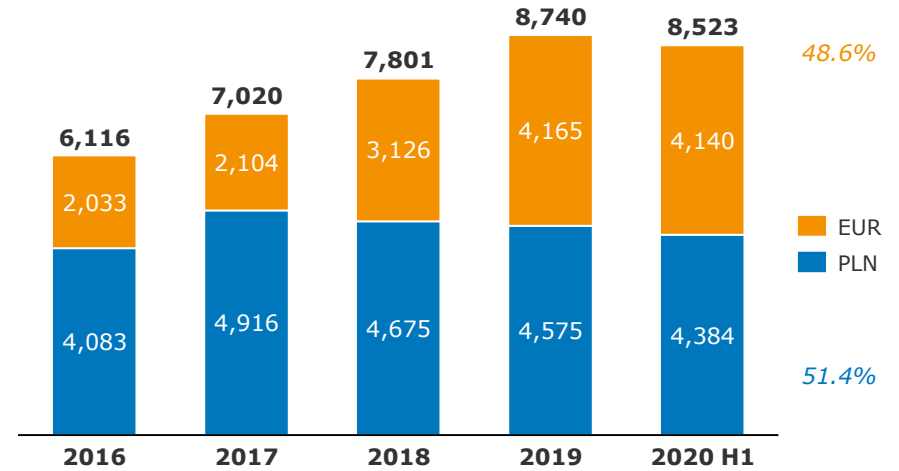
Source: Based on mBank Hipoteczny IFRS Financial Statement as of 2020 H1.

Debt securities issued

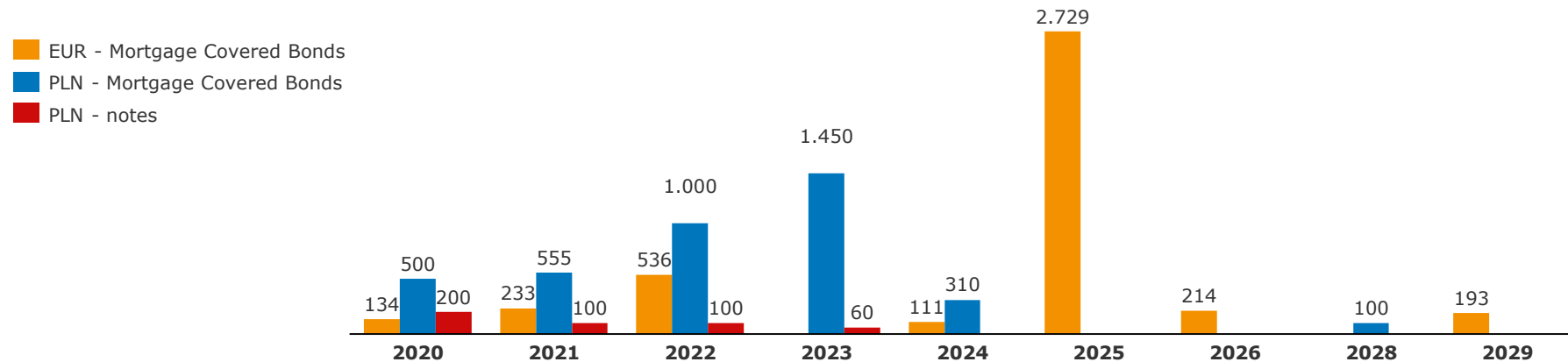
Debt financial instruments by type (nominal value, PLN M)



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



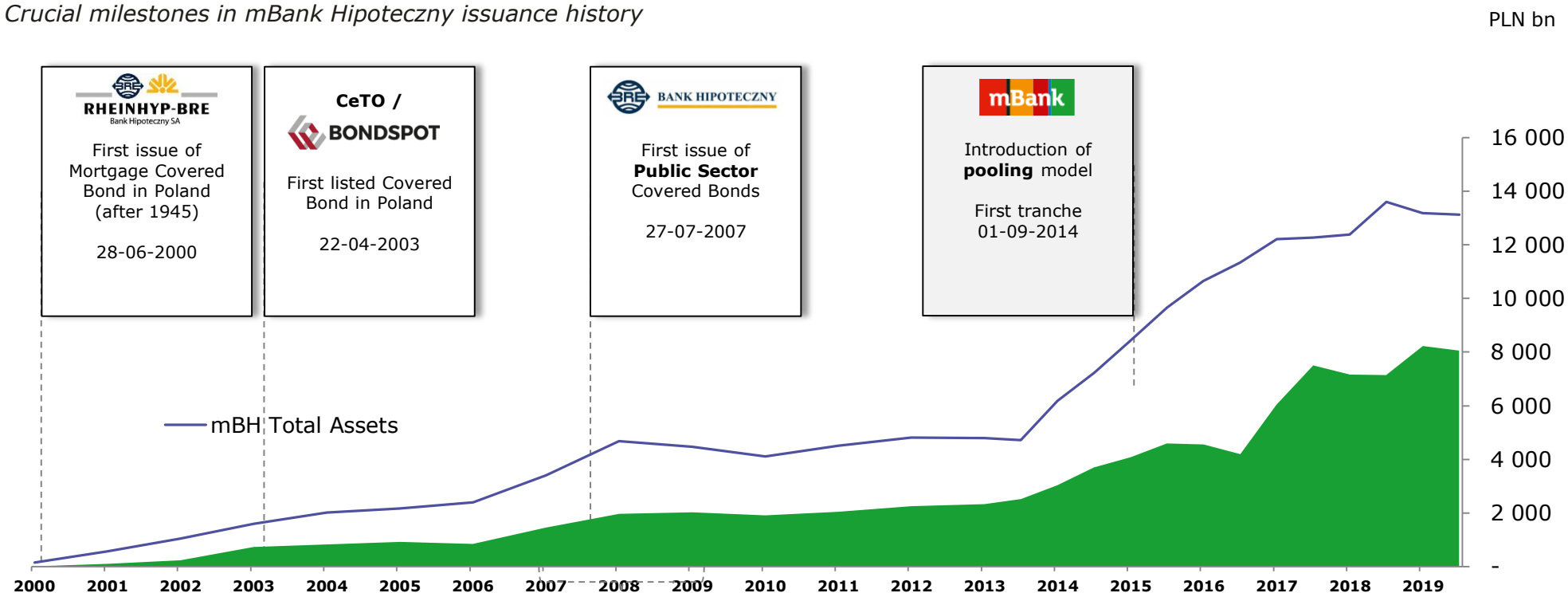
Maturity of debt financial instruments by type (nominal value, PLN M)



Source: IFRS Financial Statements of mBank Hipoteczny; EUR/PLN NBP rate

mBank Hipoteczny – issuer track record

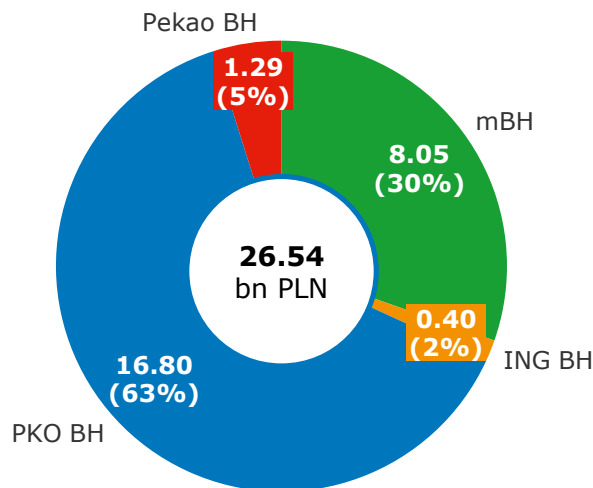
Crucial milestones in mBank Hipoteczny issuance history



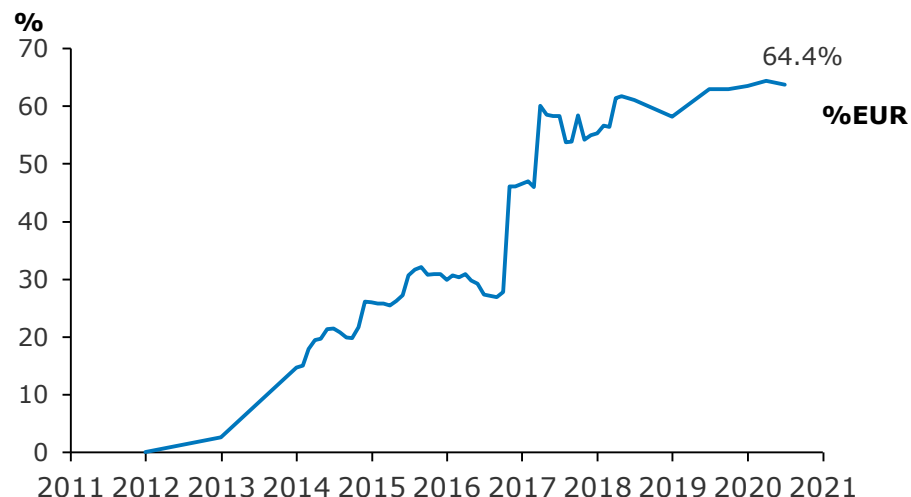
<p>EBRD invests in 3 series in USD – 15 USD 2 series in EUR – 20 EUR M</p> <p>2002-2004</p>	<p>EIB invests in 2 series in PLN – 300 PLN M</p> <p>2007-2008</p>	<p>15Y-Covered Bonds longest maturity in Polish market history</p> <p>02/05-2014</p>	<p>First fixed-rate Covered Bond in PLN in Polish market history</p> <p>28-04-2016</p>	<p>1 bn PLN biggest Covered Bonds issue in Polish market history</p> <p>11-10-2017</p>	<p>300 m EUR inaugural issue of Covered Bonds under International Programme</p> <p>26-04-2018</p>	<p>300 m EUR second issue of Covered Bonds under International Programme</p> <p>12-11-2019</p>
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Covered Bond Market in Poland

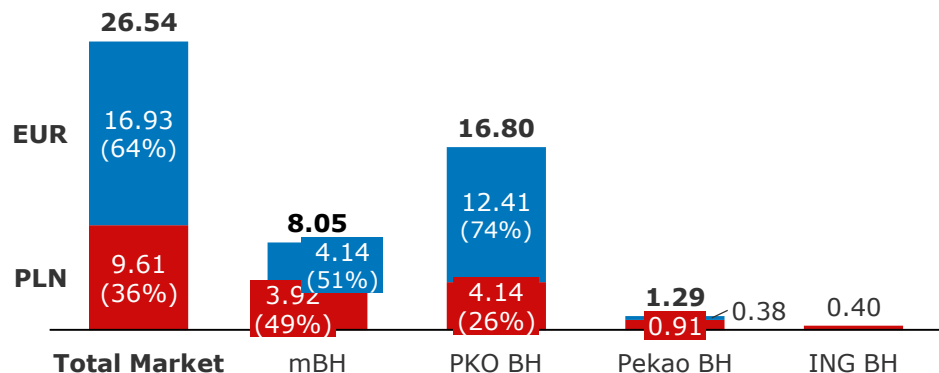
Polish Covered Bond Market by issuer– public issuances outstanding (PLN bn)- as of 2020 H1



Increasing share of EUR Polish Covered Bond issuers



Outstanding Polish mortgage covered bonds currency split by issuer



- Starting from 2012 mBH is active in the primary market's EUR debt segment which is reflected in the currency structure of its issues,
- Issuer of 15-year mortgage covered bonds which are one of the longest maturity instruments issued by Polish commercial enterprises in history,
- mBH issued first PLN fixed rate Covered Bonds,
- mBH issued biggest 1 bn PLN Covered Bond on Polish capital markets.
- First assimilation of Covered Bonds on Polish capital market

Data based on NBP fx rate as of 30.06.2020. Data source: Press releases / Financial statements of ING Bank Hipoteczny, mBank Hipoteczny, Pekao Bank Hipoteczny, PKO Bank Hipoteczny

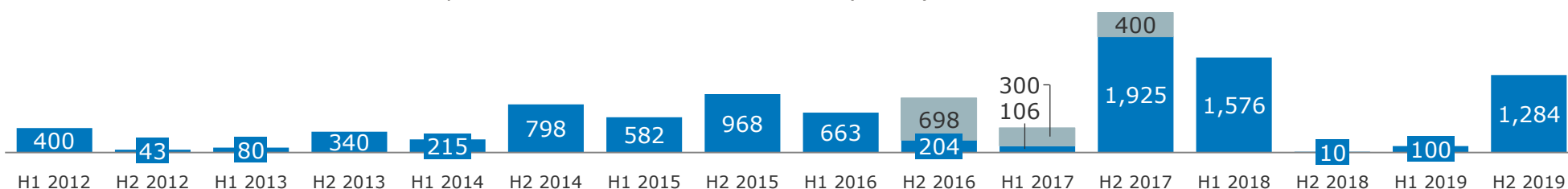
Issuance activity - details

Summary of Mortgage Covered Bonds public issued in 2015-2020. Data as of 2020 H1.

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%) MS7+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
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
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	WIBOR3M + 75bps
1,000.0 M	PLN	2017-10-11	2023-09-15	5.9	WIBOR3M + 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	WIBOR3M + 58bps
10.0 M	PLN	2018-10-11	2024-06-10	5.7	WIBOR3M + 58bps
100.0 M	PLN	2019-02-22	2028-12-20	9.8	WIBOR3M + 80bps
300. M	EUR	2019-11-12	2025-09-15	5.9	Fixed (0.242%)

■ issued covered bonds ■ Private placement 2016: EUR 70m and PLN 400m; 2017 PLN 300m + 400m PLN

Covered Bonds Issuance – mBH is a frequent issuer on EUR and PLN market (PLN M)



Data as of 2020 H1
Based on EUR/PLN
NBP rate

mGroup

Covered
bonds

Cover Pool

Polish Economy

Real Estate
Market

Legislation

EUR 300mn short 7Y Covered Bond

Terms and Conditions

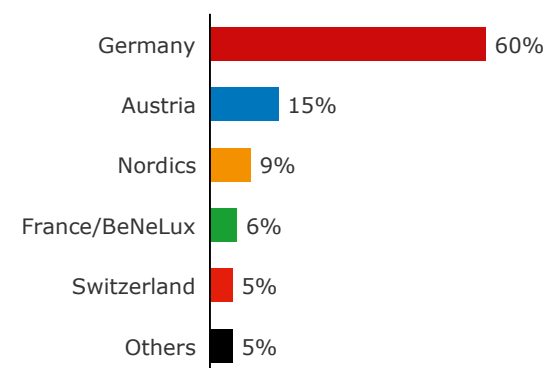
Security Type	Mortgage Covered Bond, backed by Polish PLN and EUR-denominated mortgage loans
Issue Type	Fixed Rate, Soft Bullet / Conditional Pass-Through Covered Bonds
Rating	A / Positive Outlook (Fitch Ratings)
Size	EUR 300mn
Price & Launch	19th April 2018
Settlement	26th April 2018
Maturity	5th March 2025
Tenor	Short 7 years
Re-offer Spread	MS +42bps
Coupon	1.073% Fixed, Annual, Act/Act ICMA
Law	Polish Law
Listing	Luxembourg Stock Exchange
Denomination	EUR 100k
ISIN	XS1812878889
Bookrunners	Commerzbank (B&D), Erste Group, J.P. Morgan, LBBW, SG CIB
Final order book	Above EUR 800mn (excluding JLM interest)
Oversubscription	2.7x
Number of accounts	60

mBank Hipoteczny successfully priced its inaugural covered bond *sub-benchmark* transaction with a EUR 300mn size (no grow). The deal was well prepared with an expedited three day pan-European roadshow in Frankfurt, Munich/Stuttgart, Vienna/Zurich, Amsterdam, Paris, London and Copenhagen/Helsinki.

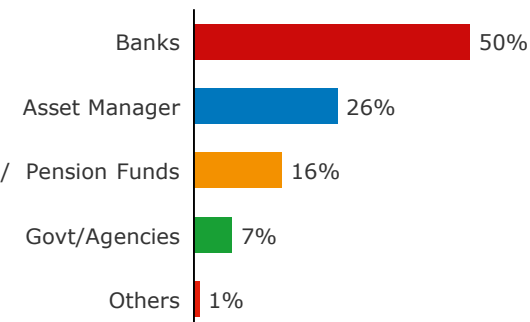
Main Highlights

- The recent confirmation of the withholding tax treatment for covered bonds in Poland has enabled mBank Hipoteczny to access the EUR-denominated covered market in syndicated format for the first time,
- Books opened with guidance of ms+high 40s area,
- Strong order book momentum enabled the Issuer to revise the guidance to ms+45bps area (+/- 3bps) two hours later,
- Final pricing was at ms+42bps,
- The final orderbook was characterized by a granularity of 60 investors ordering over EUR 800mn resulting in a 2.7x oversubscribed book,
- The pricing implies a small new issue premium in the high single digit area which results from the theoretical fair value derived from the outstanding bonds of their closest comparables,
- The transaction provides a natural hedge for mBank Hipoteczny mortgage portfolio which is partially denominated in EUR.

Allocation by Region



Allocation by Investor Type

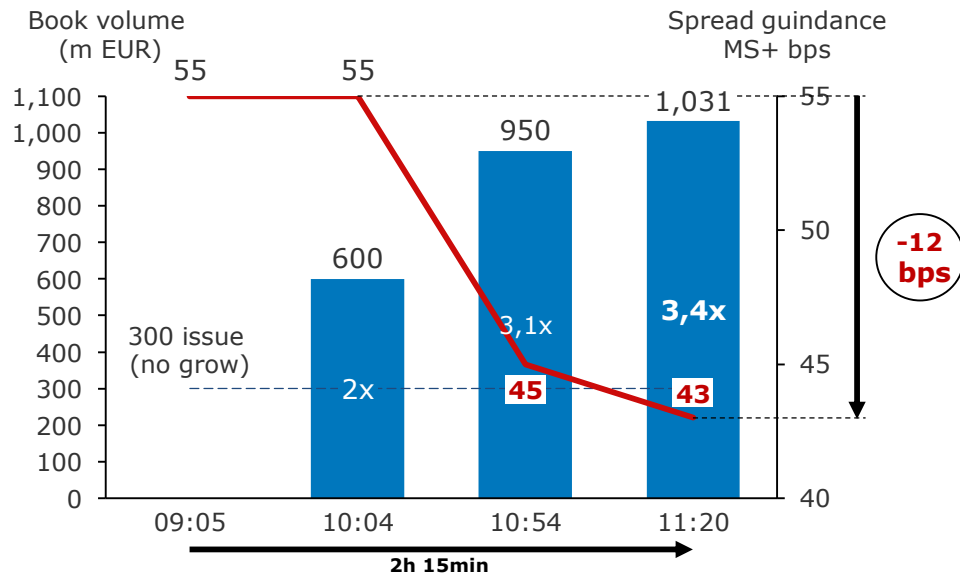


EUR 300mn long 5Y Covered Bond

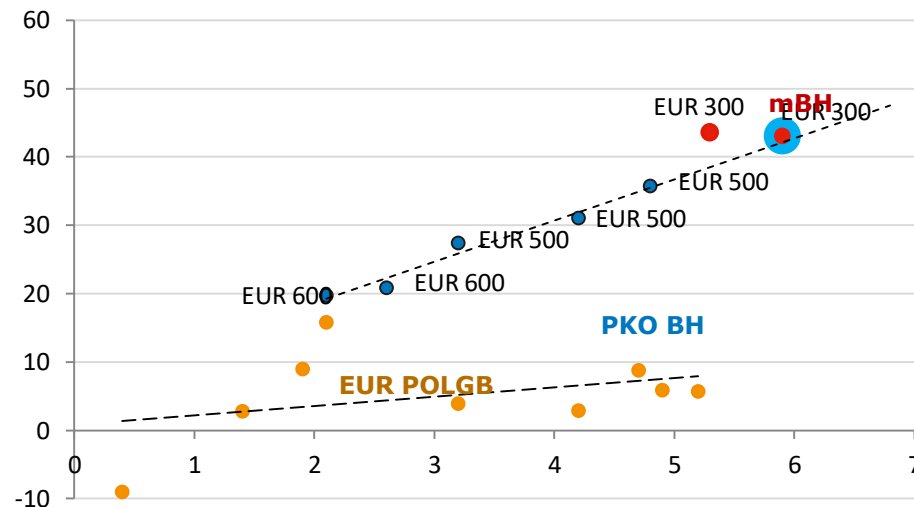
Day of execution

- ✓ mBank Hipoteczny S.A successfully returned to the syndicated covered market with a EUR 300mn long 5-year mortgage covered transaction
- ✓ The final orderbook in excess of EUR 1bn was characterized by a high degree of granularity with over 70 real money investors participating. The final re-offer spread of +43bps lies inside the estimated fair value level and thus implies a negative new issue concession of around -2bps

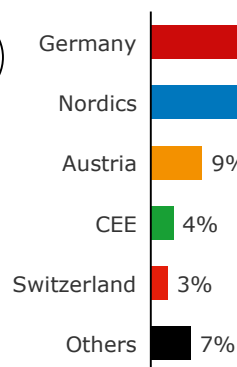
Day of execution



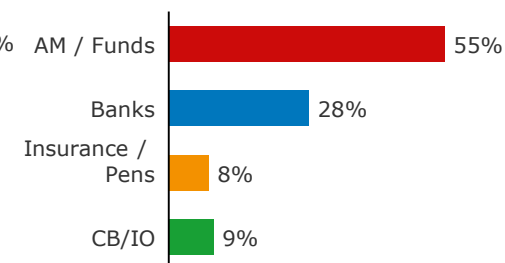
EUR polish issuers covered bond and POLB 2019-11-06



Allocation by Region



Allocation by Investor Type

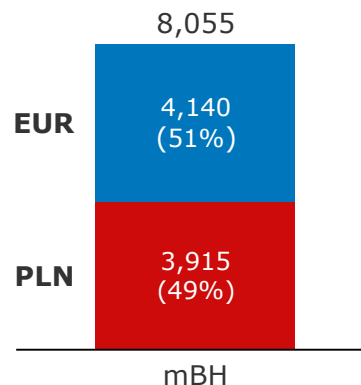


Outstanding Covered Bonds

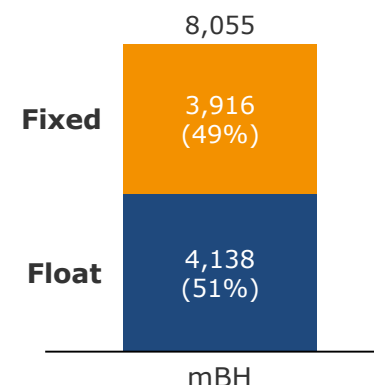
Data as of 2020 H1 (PLN M)

Mortgage covered bonds	
	All issues
Mortgage CBs	8,055
PLN-denominated	3,915
EUR-denominated	4,140
WA Time to maturity	3.46 years
PLN-denominated	2.41 years
EUR-denominated	4.45 years

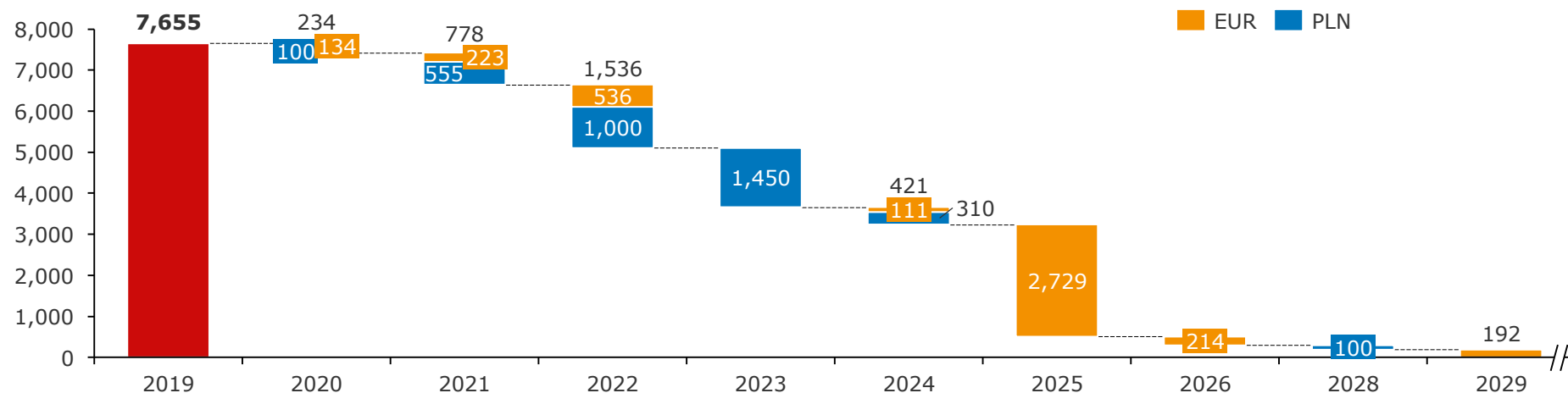
Distribution by currency
(all issues)



Distribution by interest rate
(all issues)



Mortgage covered bonds maturity profile broken down by currency (all issues PLN m)



Data as of: 2020 H1
Based on EUR/PLN NBP rate



mGroup

Covered
bonds

Cover Pool

Polish Economy

Real Estate
Market

Legislation

mBank Hipoteczny International Covered Bonds Programme

Mortgage Covered Bond Programme by mBank Hipoteczny

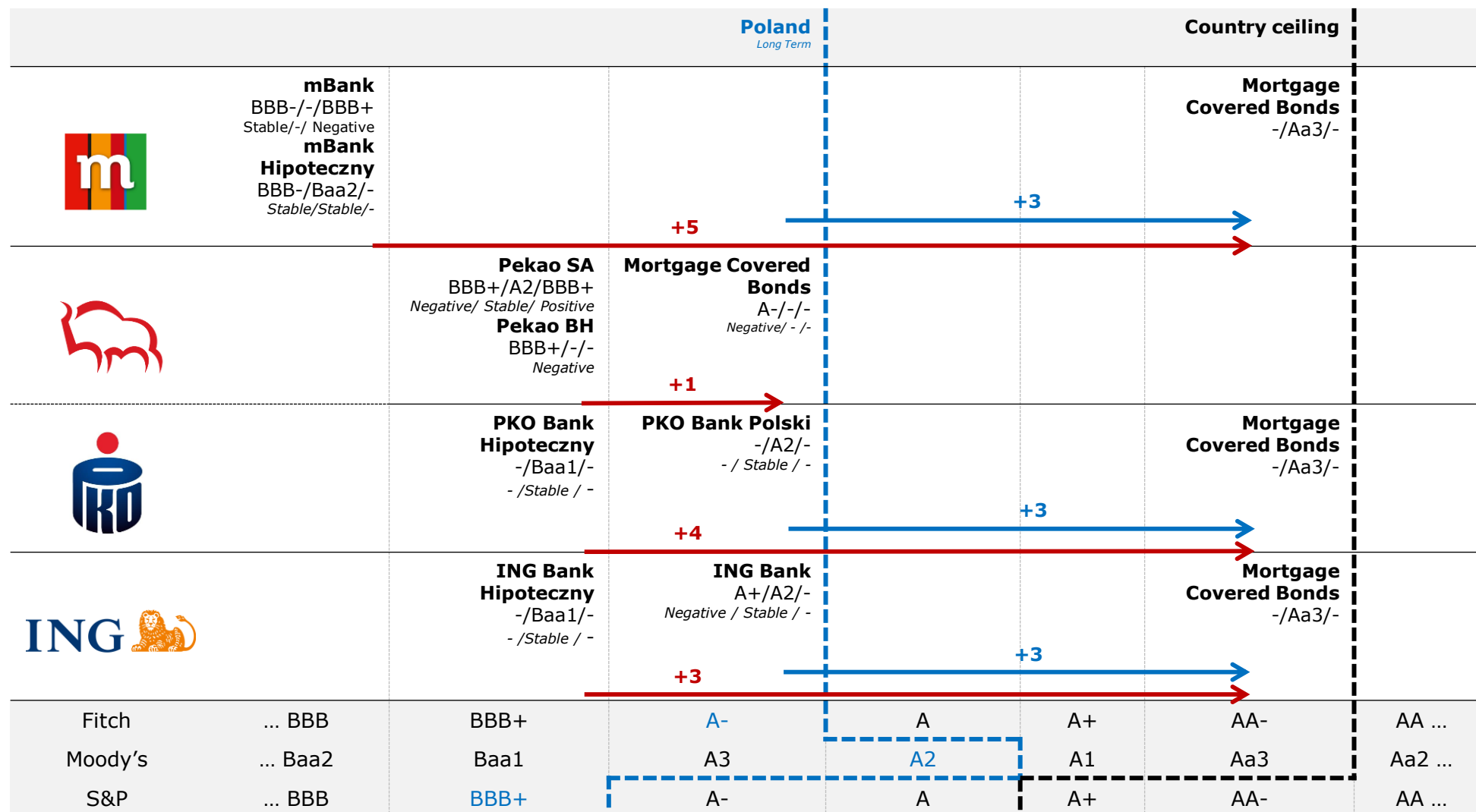
Covered Bond Recognition	The Mortgage Covered Bonds shall comply with (i) the requirements of Article 52(4) of the UCITS Directive, (ii) Art. 129 of the CRR and (iii) the Polish Covered Bond legislation.
Law & Jurisdiction	T&C`s: Polish Law and Polish Courts, English language legally binding Programme Agreement, Paying Agency Agreement: English Law and English Courts, English language legally binding
Prospectus date	11th July 2019 - Supplemented 5th September, 4th October and 28th October 2019
Size	EUR 3.0 bn
Form	New Global Note - ECB repo eligible
Base Prospectus approval Authority	Commission de Surveillance du Secteur Financier, Luxembourg (CSSF)
Clearing System	Clearstream Luxemburg
Listing	Luxembourg Stock Exchange
Expected Covered Bonds Rating	Moody's Investors Service Ltd – „Aa3”
Maturity	Up to 30 years
Interest rate	Fixed, floating
Currency	Multi currency
Denomination of Covered Bonds	Minimum denomination of each Covered Bond will exceed EUR 100,000 or its equivalent amount in other currency

Involved Parties

Issuer	mBank Hipoteczny
Arranger:	Commerzbank Aktiengesellschaft
Issuer`s Counsel	Clifford Chance LLP as to Polish and English law
Dealers Counsel:	White & Case LLP as to Polish and English law
Fiscal and Paying Agent:	Deutsche Bank Aktiengesellschaft
Luxembourg Listing Agent:	Deutsche Bank Luxembourg S.A.
Appointed Dealers	Commerzbank Aktiengesellschaft

Covered Bonds rating among Polish issuers

Fitch / Moody's / S&P Ratings as of 07.08.2020 → relation to sovereign rating → relation to issuer rating



Source: Rating Agencies press releases



Cover Pool – highlights

2020-06-30 – HTT report

- ✓ Strong overcollateralisation

Cover pool
receivables + substitute assets

10,309 M PLN

Covered bonds
outstanding all issues

8,055 M PLN

Overcollateralisation
Actual, non-committed.

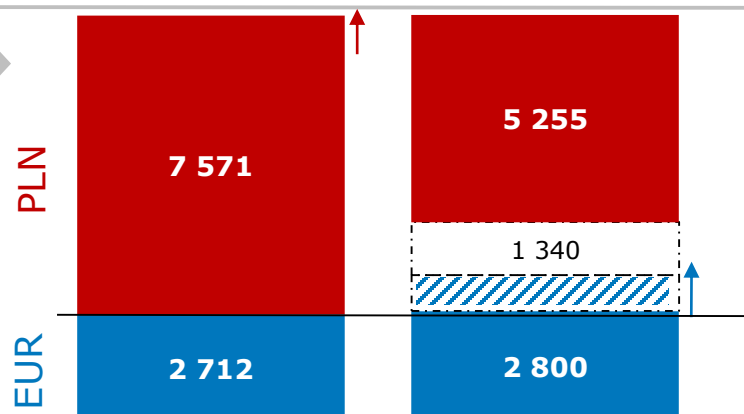
28.0%

Regulatory minimum at 10%

OC
after the sub-
benchmark size issue

19.0 - 22.0%

- ✓ mBH strategy for the following years is to be EUR issuer. Covered by significant increase of residential PLN denominated mortgages. Which results in the necessity of hedge ccy risk by covered bond swap.



Covered bond swap characteristics:

- Swap to be included into the cover pool,
- Swap surviving the issuer default,
- Swap counterparty meets all Moody's criteria for Aa3 + 3 notches leeway rating.

- ✓ Well diversified mixed high-quality cover pool

Moody's Rating „Aa3“

0% NPL

100% Poland located properties

100% Floating rate type

65.81% - Residential ML

WA LtMLV - 76.0%

Number of loans 26,538

Average size 0.25 m PLN

34.19% - CRE loans

WA LtMLV – 68.1%

Number of loans 257

Average size 13.50 m PLN

- ✓ The best market transparency standards

mBH disclosures are compliant with the **ECBC Covered Bond Label Convention** - Harmonised Transparency Template (HTT) and are being published via:

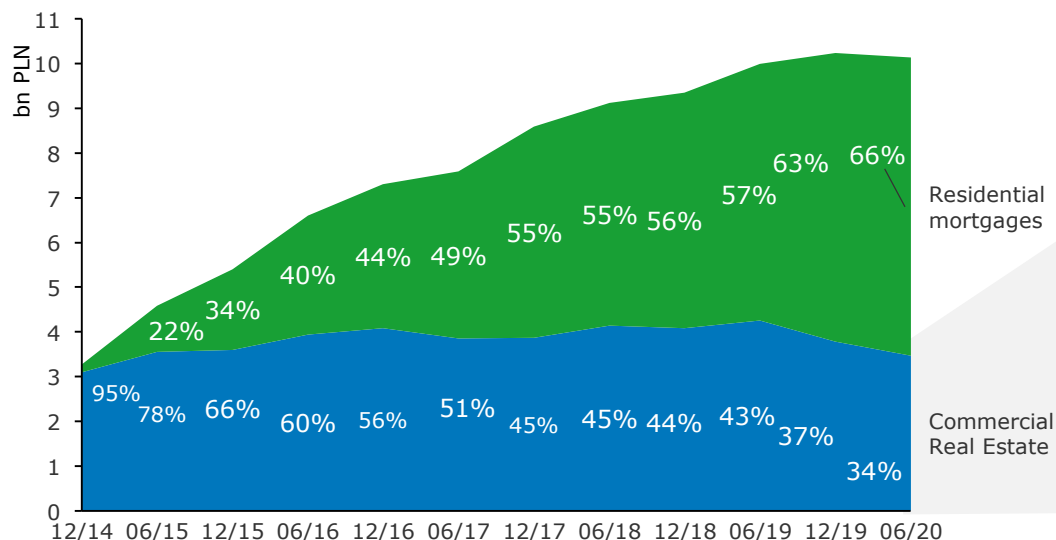
<https://www.mhipoteczny.pl/en/investor-relations/cover-pool-information/>



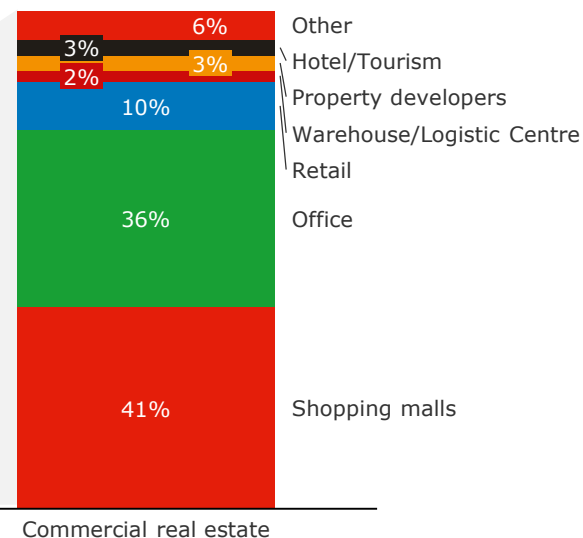
COVERED BOND
LABEL
HTT

Cover Pool – currency and mortgage type split

Increasing share of residential mortgages in cover pool

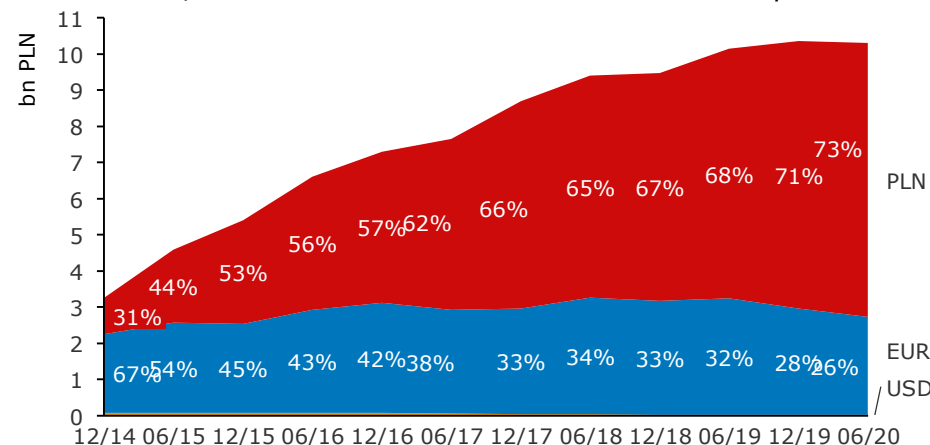


CRE/REE by the type of property



- ✓ 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.
- ✓ **Historically mBH never granted loans denominated in CHF. Hence, there is no CHF-denominated loans in cover pool.**

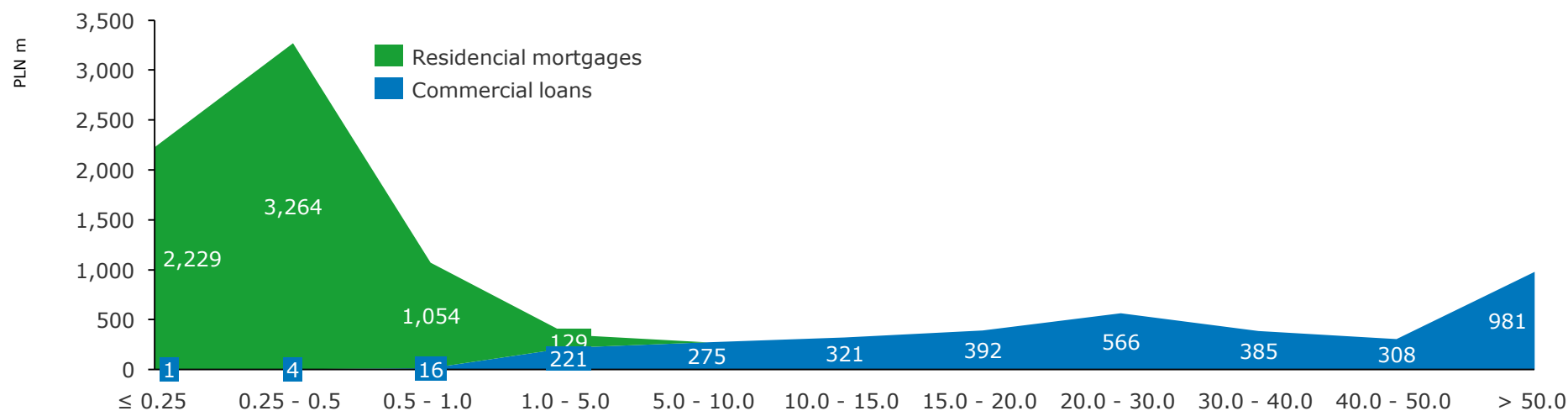
Share of EUR, USD and PLN-denominated loans in cover pool



Cover Pool - by loans value

2020-06-30 – HTT report

Value (in PLN m)	Residential mortgages		Commercial loans		Total	
	Value	% share	Value	% share	Value	% share in cover pool
≤ 0.25	2,229.4	33.4%	0.9	0.03%	2,230.26	22.0%
0.25 - 0.5	3,263.6	48.9%	3.6	0.1%	3,267.18	32.2%
0.5 - 1.0	1,053.8	15.8%	16.1	0.5%	1,069.83	10.5%
1.0 - 5.0	128.9	1.9%	221.3	6.4%	363.18	3.5%
5.0 - 10.0	-	-	275.2	7.9%	275.2	2.7%
10.0 - 15.0	-	-	320.6	9.2%	320.6	3.2%
15.0 - 20.0	-	-	392.5	11.3%	392.5	3.9%
20.0 - 30.0	-	-	565.7	16.3%	565.7	5.6%
30.0 - 40.0	-	-	384.6	11.1%	384.6	3.8%
40.0 - 50.0	-	-	307.6	8.9%	307.6	3.0%
> 50.0	-	-	980.7	28.3%	980.7	9.7%
TOTAL	6,675.6	100%	3,468.7	100%	10,144.4	100%

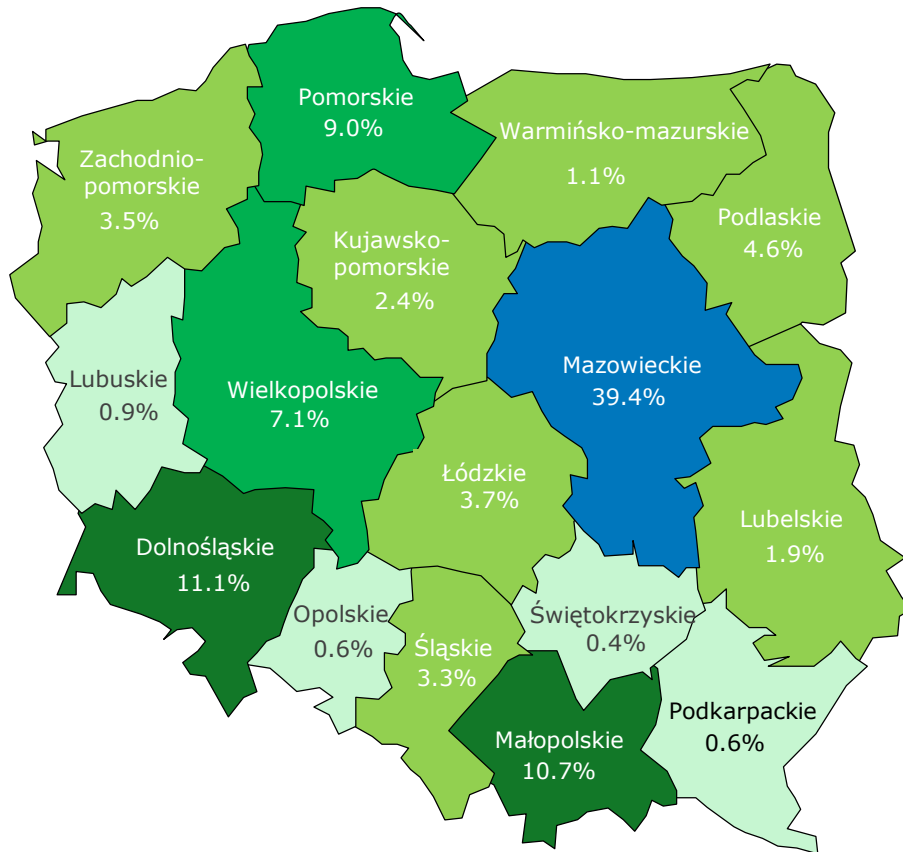
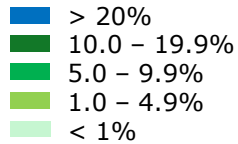


Based on mBH HTT report - 2020-06-30

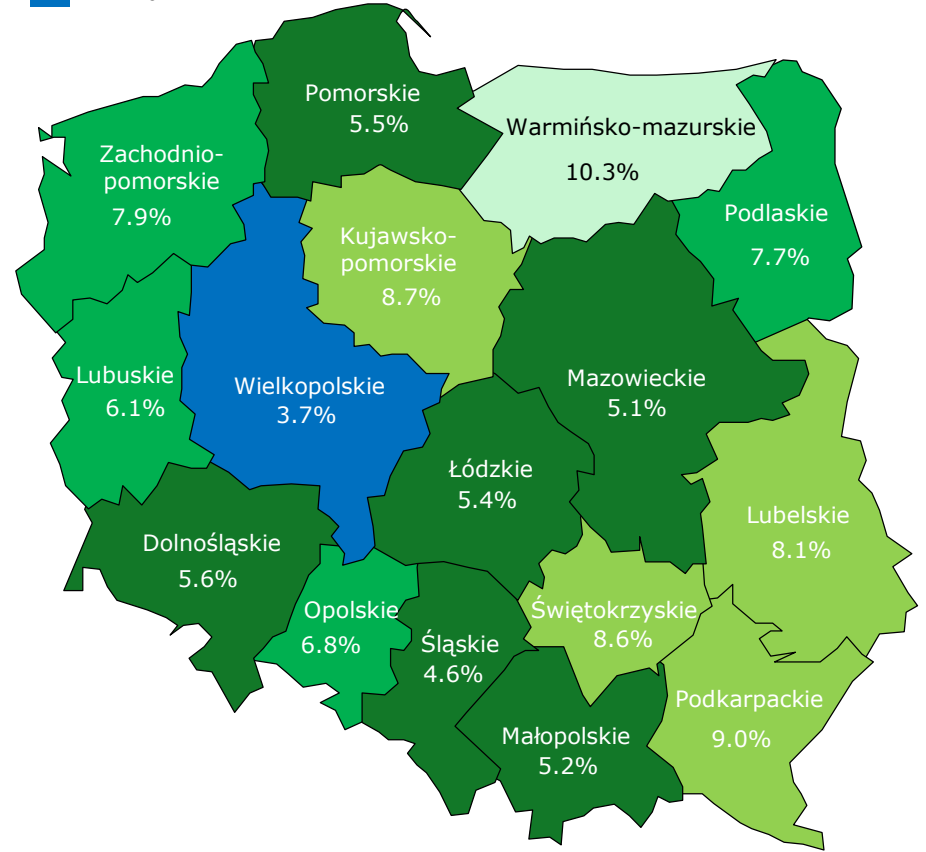
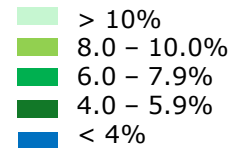
Cover Pool – residential ML regional distribution

Geographical distribution negatively correlated with unemployment – strong client base portfolio

% of mBH's Mortgage Cover Pool – 2020-06-310



Unemployment rate – EOY2019 Data Source: GUS - Central Statistical Office

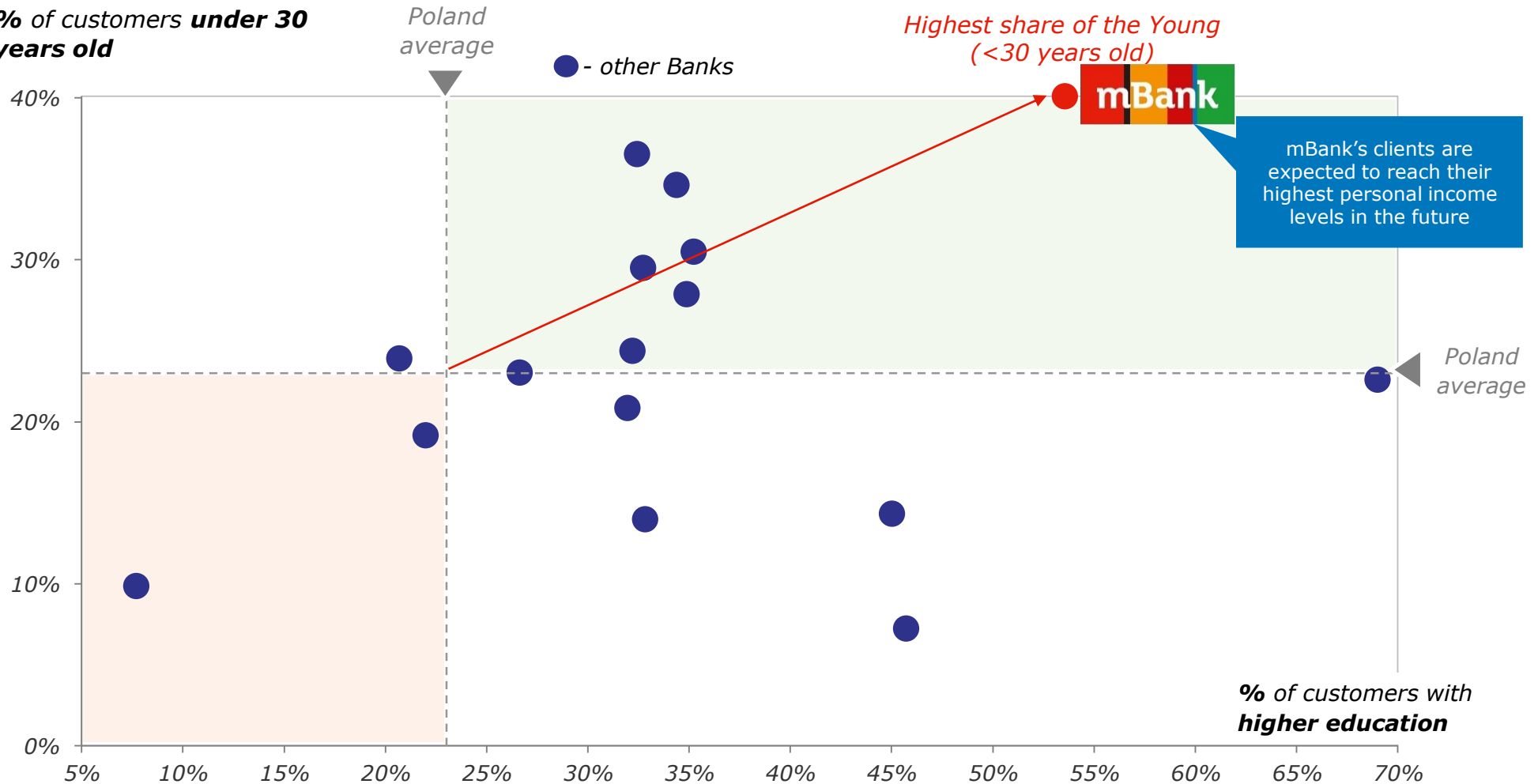


Based on mBH HTT report - 2020-06-30

Supportive demographic profile of mBank's retail client base

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

% of customers **under 30 years old**

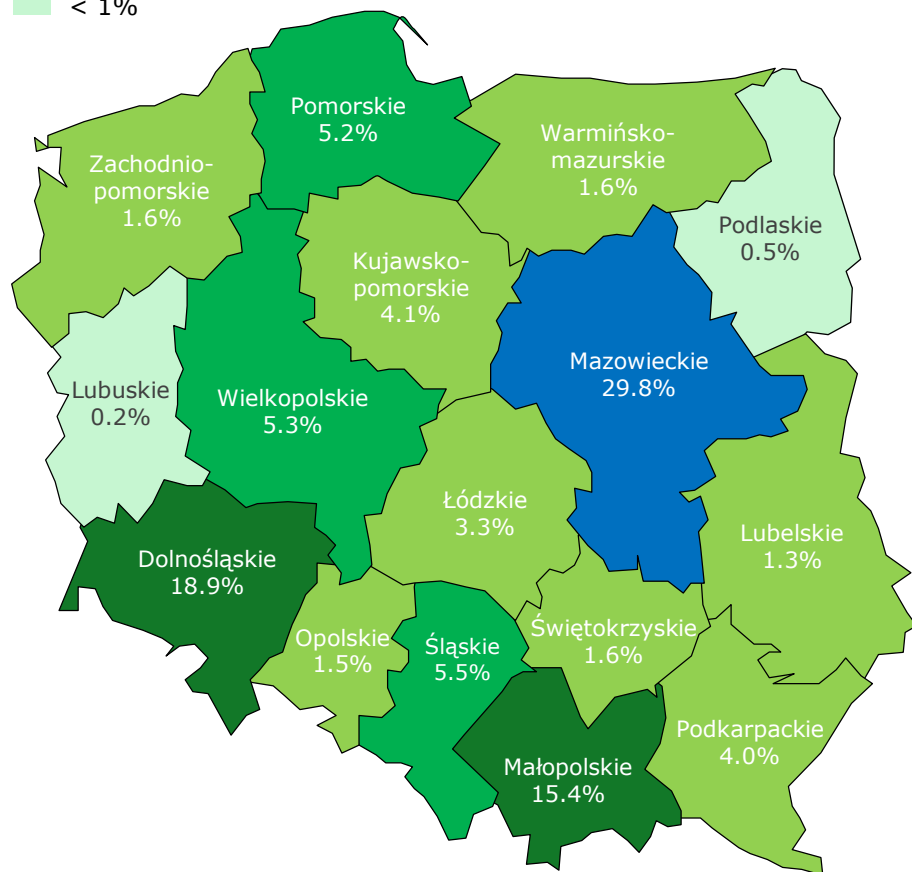
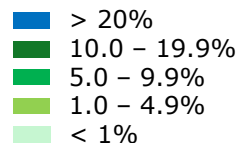


Source: mBank based on declarative answers from the syndicate survey Zoom Finance 4Q'16 by TNS, n=8.6k customers.

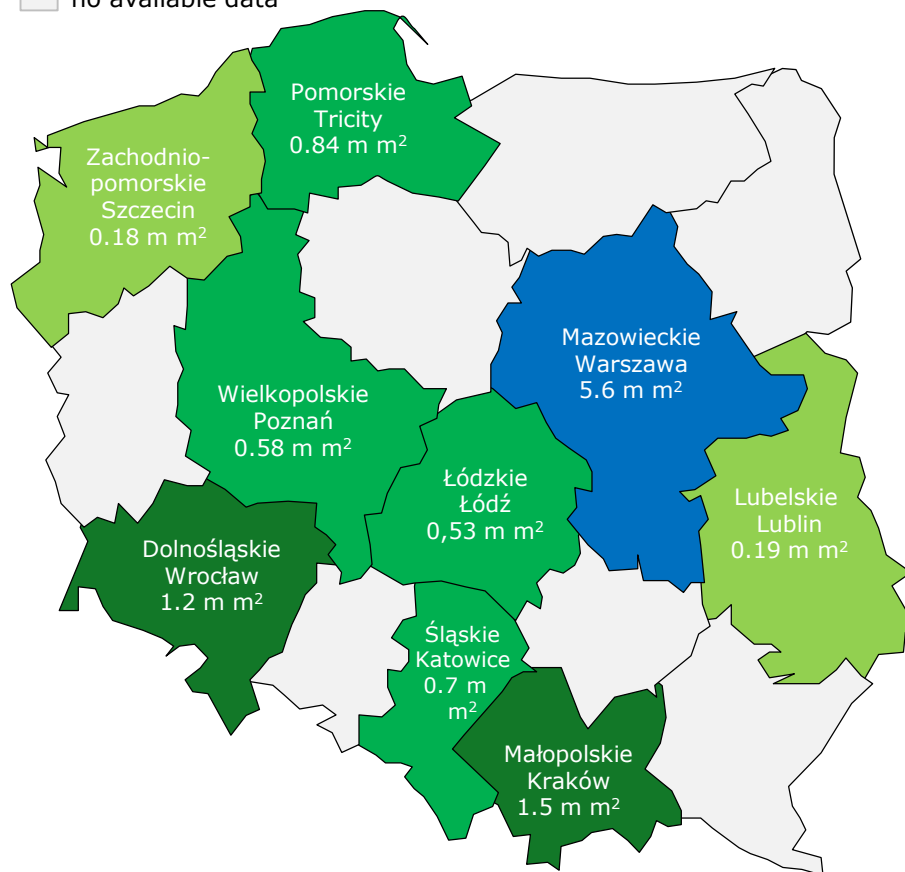
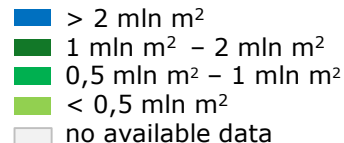
Cover Pool – CRE/RRE regional distribution

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

% of CRE/RRE regional distribution in Mortgage Cover Pool – 2020-06-30



Total office stock – Q1 2020; Data source: Knight Frank



Based on mBH HTT report - 2020-06-30

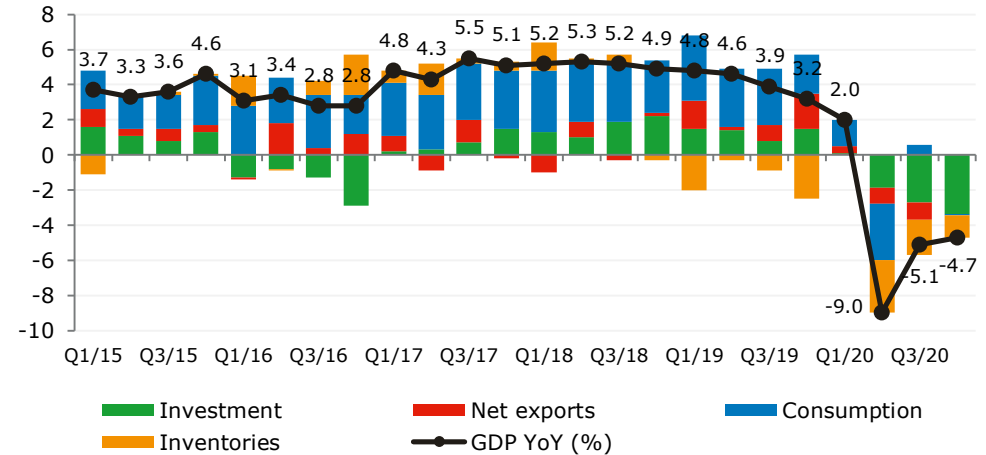
Poland – one of EU's most resilient economies

Strengths

- The largest economy in Central and Eastern Europe (CEE) with more than 40% of the region's gross domestic product¹
- Track record of steady growth despite prolonged turmoil experienced by the international financial markets
- Growth supported by expansionary policy-mix, solid influx of EU funds under 2014-2020 framework, high cost competitiveness and key location within the huge EU market
- Economic expansion began in 2013 and GDP growth continued to remain solid in the next quarters

Share of 2020 Q1 Nominal GDP of CEE region defined as: Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia

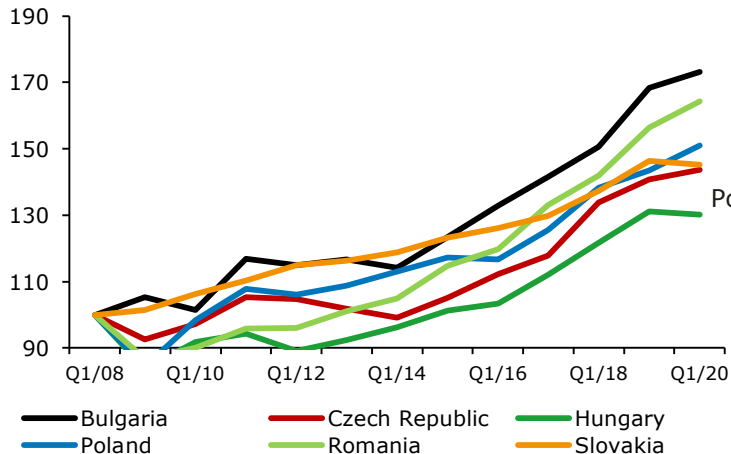
Contributions to GDP growth



Source: Central Statistical Office of Poland

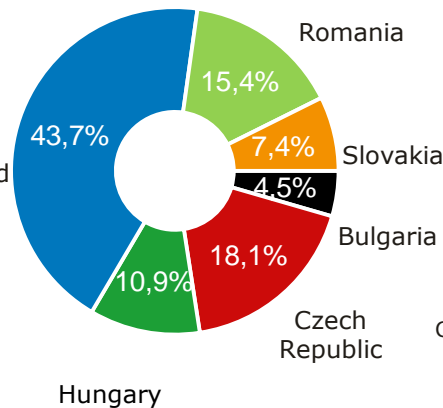
Poland – one of the fastest growing economies in the region

GDP index (Q1 2008=100)

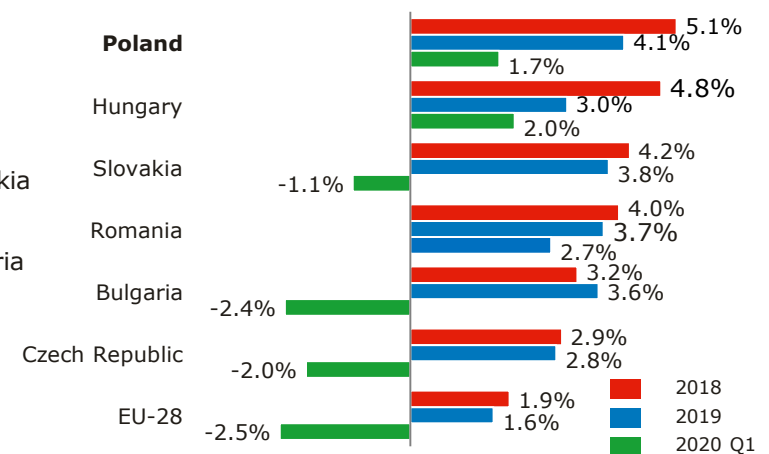


Source: Eurostat

2020 Q1 Nominal GDP share



Real GDP growth



mGroup

Covered
bonds

Cover
Pool

Polish
Economy

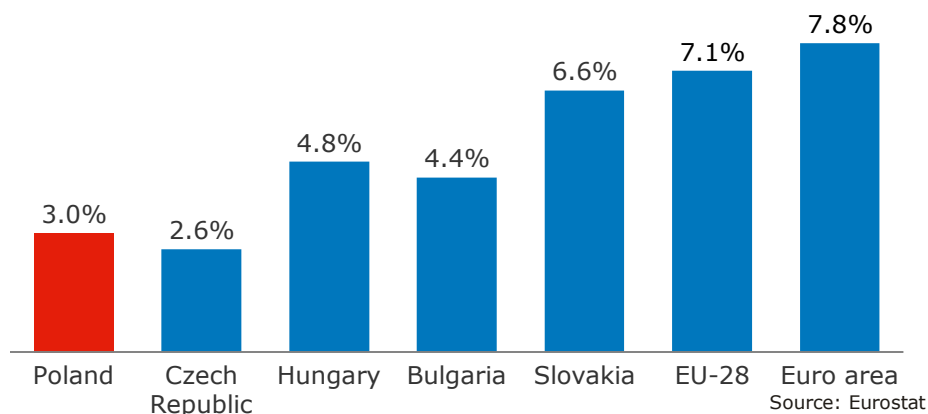
Real Estate
Market

Legislation

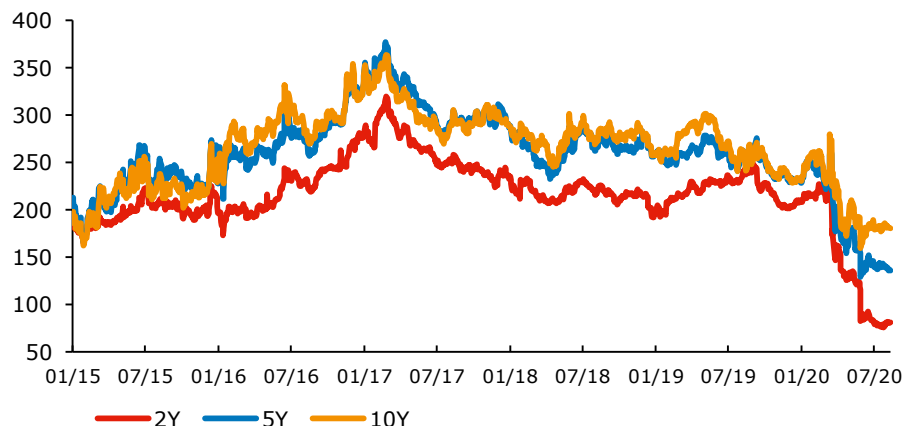
Sound fundamentals for the banking business

Relatively strong labour market

Unemployment rate – 2020 H1



Interest rate disparities (v. Germany, in basis points) are narrower

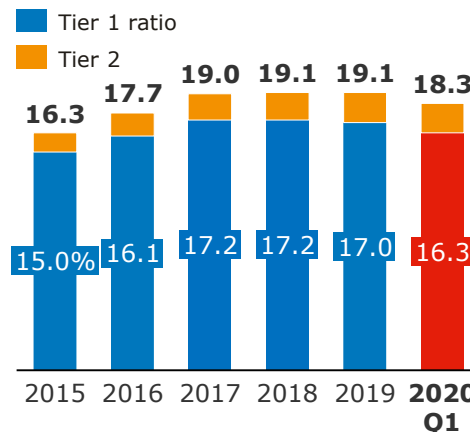


Interest rate cuts along with QE launched by the NBP allowed for a massive drop in government bonds yields. Credit risk settled on lower levels (as expected). Interest rates to stay low for some time..

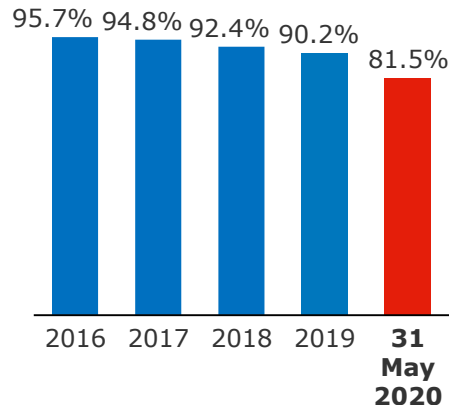
Source: Bloomberg

Capitalisation and Funding – the Polish banking sector

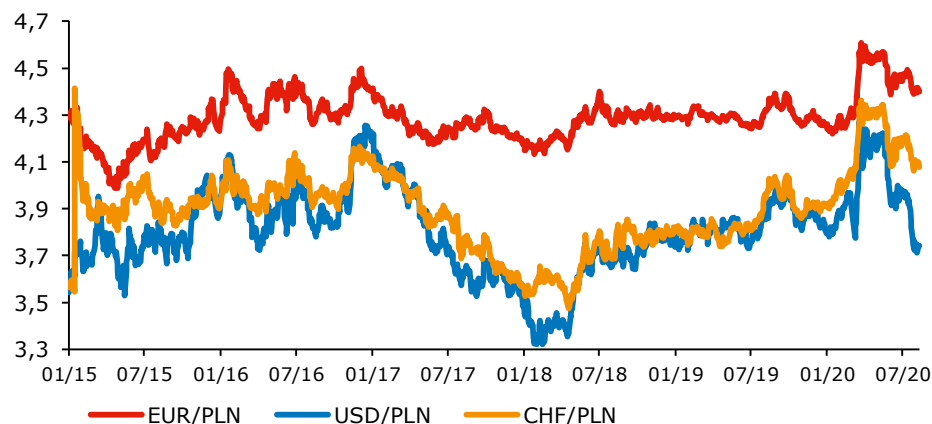
TCR & Tier 1 ratio



Loan-to-deposit ratio



PLN: the worst is over

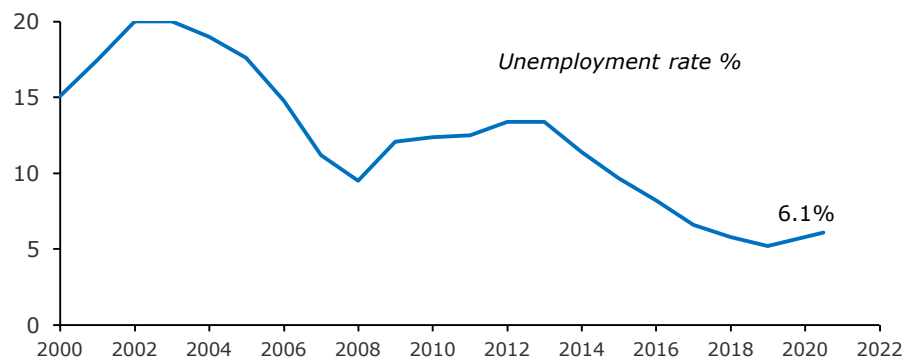


COVID-19 shock triggered fast depreciation of all EM currencies. After the initial increase EUR/PLN settled on lower levels. Return to growth will be beneficial for PLN, along with Next Generation EU transfers.

Source: Bloomberg

Stable growth impacted by COVID-19

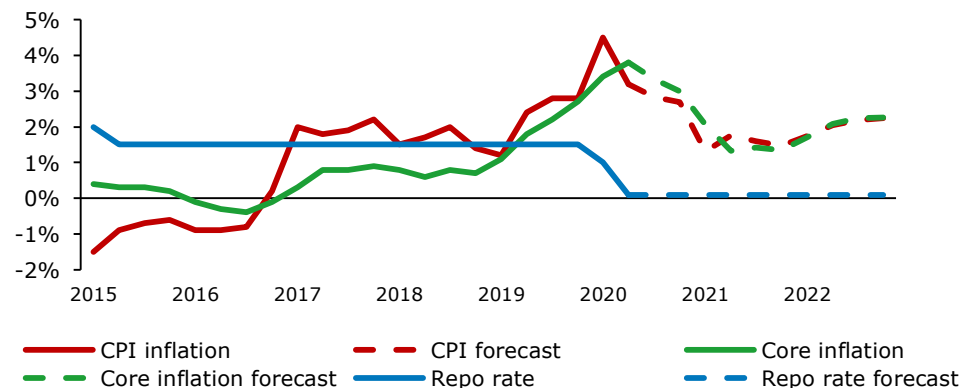
Labour market is affected by COVID-19



Polish unemployment rate (5,5%) in 2019 was at its lowest since early 1990s and among the lowest in Europe. Global COVID-19 pandemic had impact on labour market and the unemployment rate reached 6.1% in 2020 H1.

Source: GUS, NBP

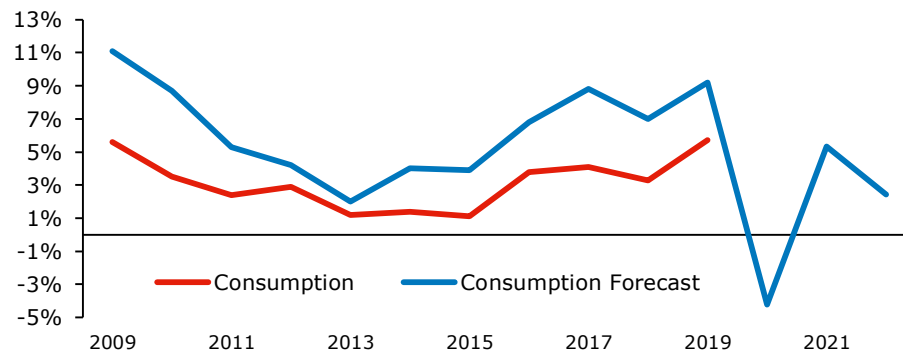
Inflation rate (YoY) and the path of interest rates



Inflation peaked in Q1/20. Some cost adjustments were recently passed onto consumers increasing core inflation. However, it is unlikely to last and 2021 inflation will be much lower than today.

Source: GUS

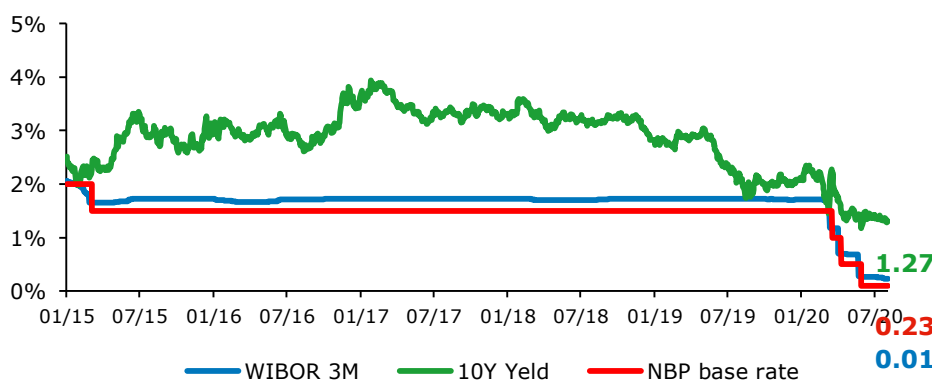
Consumption is expected to decrease



Consumption will be further supported by fiscal package (personal tax cuts, social transfers including the extended child subsidy programme) but on the other hand, it will be challenged by tendency to save in the time of uncertainty.

Source: GUS, NBP

Key Polish interest rates

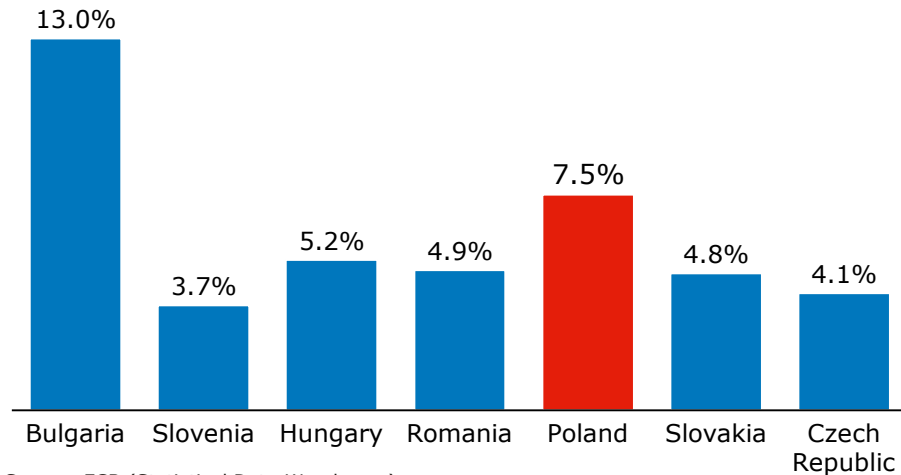


The lowest in history interest rates should stimulate consumption but put pressure on net interest margin. Conventional monetary policy tools are ending and may not work in the future.

Source: Bloomberg

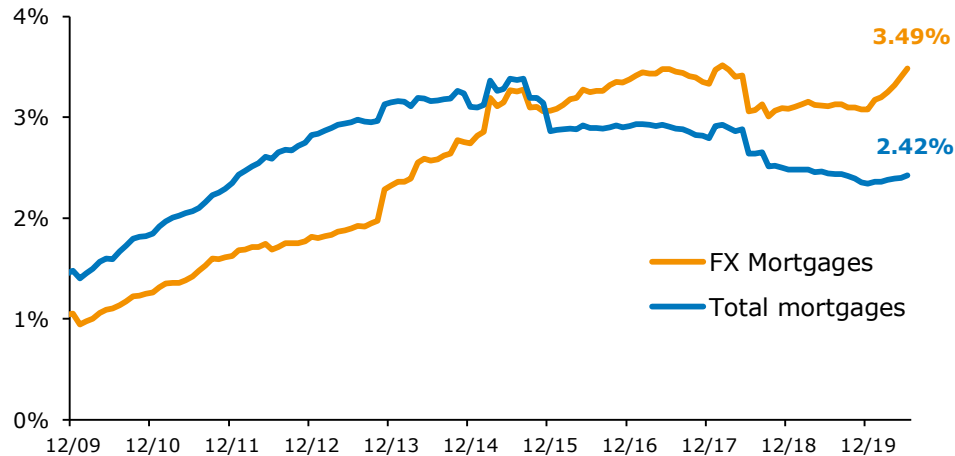
Asset quality trends in Poland

Comparison of NPL ratios for CEE countries – 2019



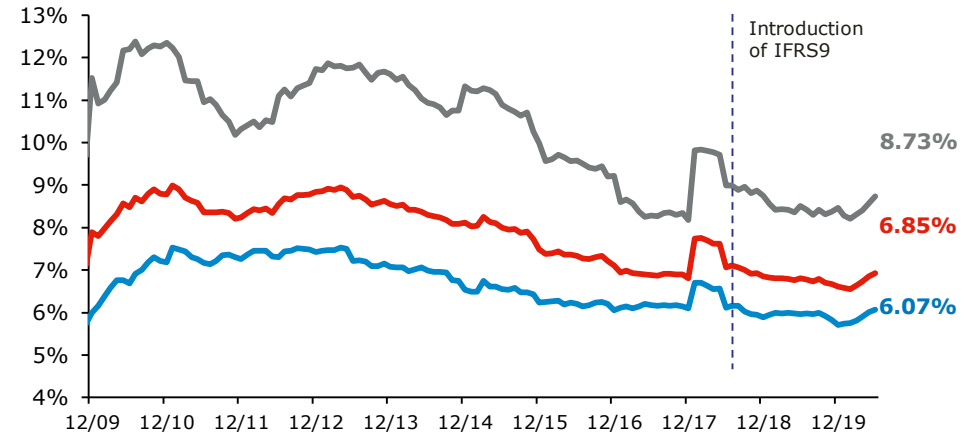
Source: ECB (Statistical Data Warehouse)

Mortgage NPL ratio evolution in Poland



Source: Polish FSA

Improving risk indicators in Poland – NPL ratios by sector



Source: Polish FSA

A conservative regulatory environment

Recommendation S

- Introduction of a limitation on LtV: to 90%, if part of the loan exceeding the 80% limit was insured or backed by high quality collateral, and to 80% in other cases; a gradual reduction to the target levels in 2017
- Recommended to retail customers repayment period no longer than 25 years for retail customers
- Foreign-currency mortgage loans as a niche product offered only to borrowers earning permanent income in the loan currency

Recommendation T

- Assessment of the client's standing based on certificates of income, external databases, e.g. the Credit Information Bureau (BIK)
- Maximum Debt-to-Income ratio determined by the bank's management board and approved by the supervisory board

Economic forecast and impact on mBank Group

Impact of COVID-19 pandemic materializes in volumes, revenues and provisions


Key economic indicators

	2019	2020F	2021F
GDP growth (YoY)	4.1%	-4.2%	4.6%
Domestic demand (YoY)	3.5%	-3.8%	4.3%
Private consumption (YoY)	3.9%	-2.6%	4.4%
Investment (YoY)	6.9%	-9.5%	5.3%
Inflation (eop)	3.4%	2.2%	1.8%
MPC rate (eop)	1.50%	0.10%	0.10%
CHF/PLN (eop)	3.92	4.11	3.95
EUR/PLN (eop)	4.25	4.40	4.30

Banking sector – monetary aggregates YoY

	2019	2020F	2021F
Corporate loans	3.0%	-6.7%	6.4%
Household loans	6.1%	2.4%	-0.8%
Mortgage loans	6.7%	2.7%	-0.9%
Non-mortgage loans	5.1%	2.0%	-0.5%
Corporate deposits	10.0%	17.7%	8.3%
Household deposits	9.7%	5.6%	-1.7%


Short-term outlook for mBank

Net interest income & NIM (Negative) 


- Reduction of interest rates by 140 bps in total will translate into lower interest income and strong pressure on margin
- Insufficient space for deposit repricing equivalently to rate cuts

Net Fee & Commission income (Slightly negative) 

- Lower sales of banking products, curbed new loan production
- A decrease in customer activity, rise of price sensitivity

Total costs (Neutral) 

- Strictly-disciplined management of operating expenses
- Rising amortisation due to ongoing investments in IT
- Higher contribution to the Deposit Guarantee Scheme

Loan Loss Provisions (Negative) 

- The financial standing of corporate and retail borrowers can worsen in the coming quarters due to the expected deterioration of the macroeconomic situation
- The anti-crisis stimulus package may limit the negative impact of the recession on the asset quality

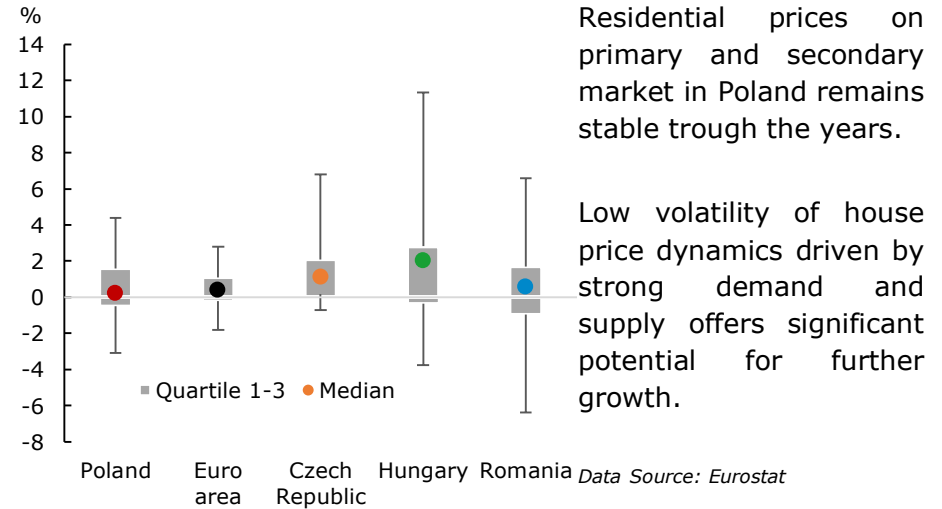
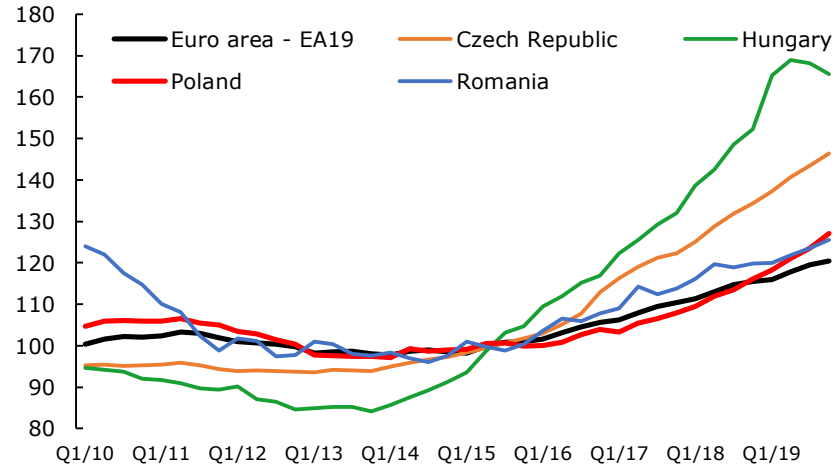
Source: mBank's estimates as of 03.07.2020.



Stable and growing residential market in Poland

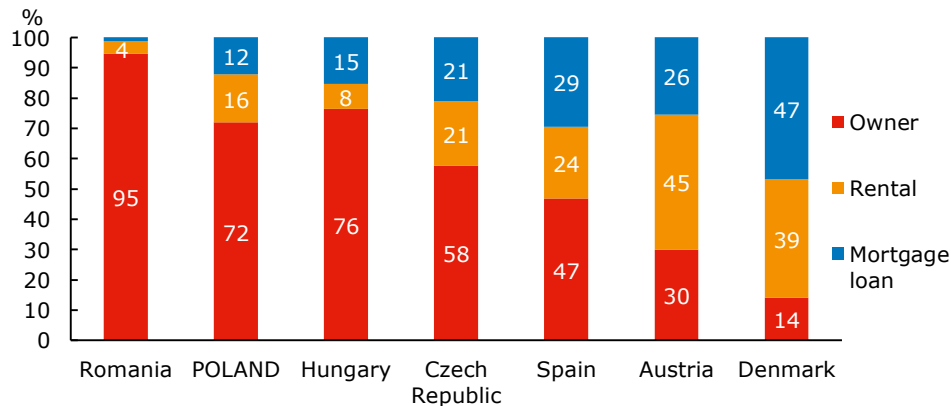
House price dynamics in the CEE – very low volatility in Poland

index, 2015=100;



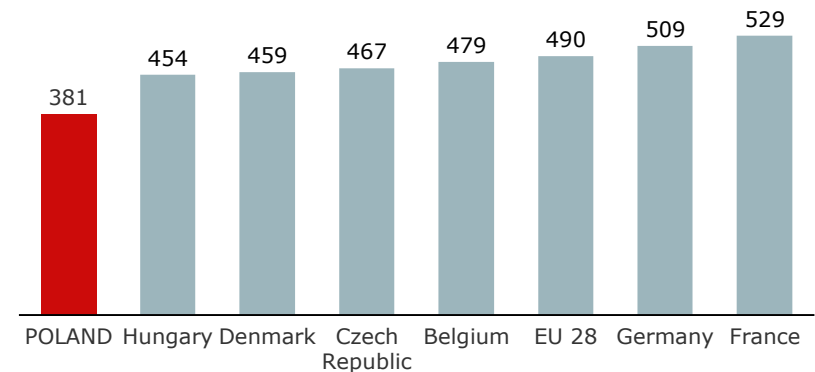
Mortgage penetration in Poland remains low while home ownership rates are among the highest in Europe

Distribution of population by tenure status in selected countries (data for 2018, in %)



Source: Eurostat

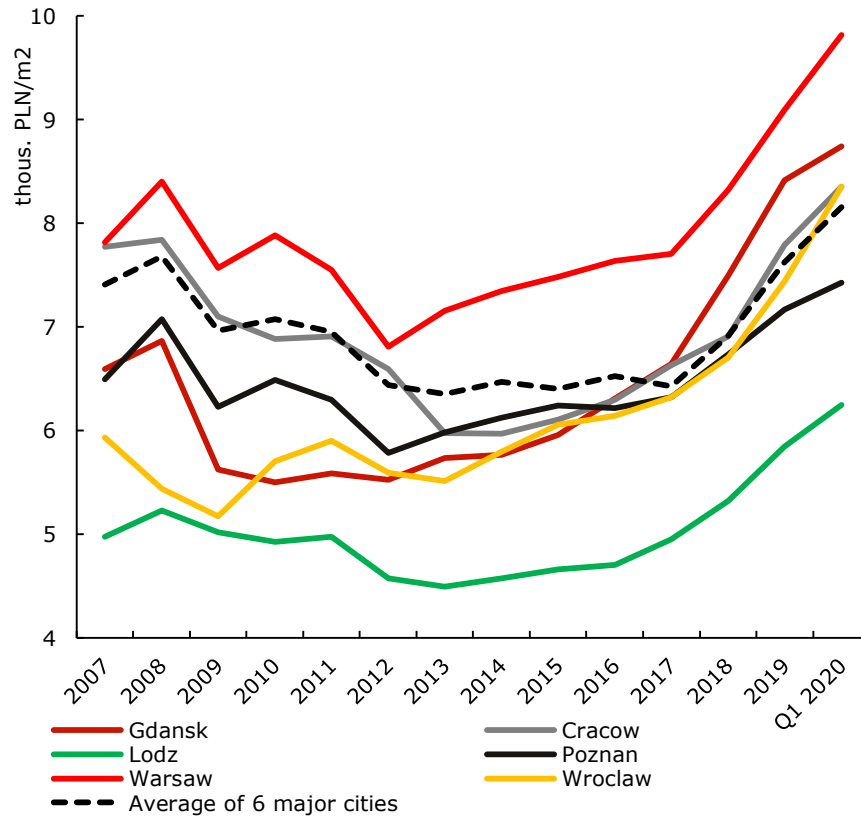
Dwellings per 1 000 citizens



Source: Deloitte Property Index 2018

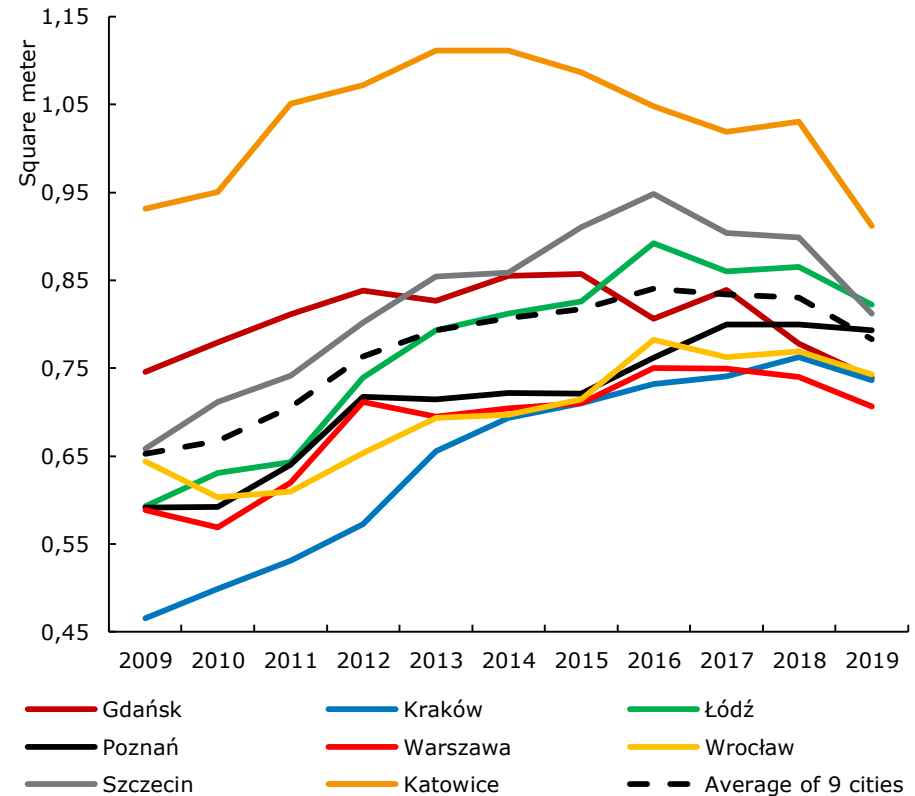
Residential market in Poland - stable demand

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



Source: GUS - Central Statistical Office; NBP

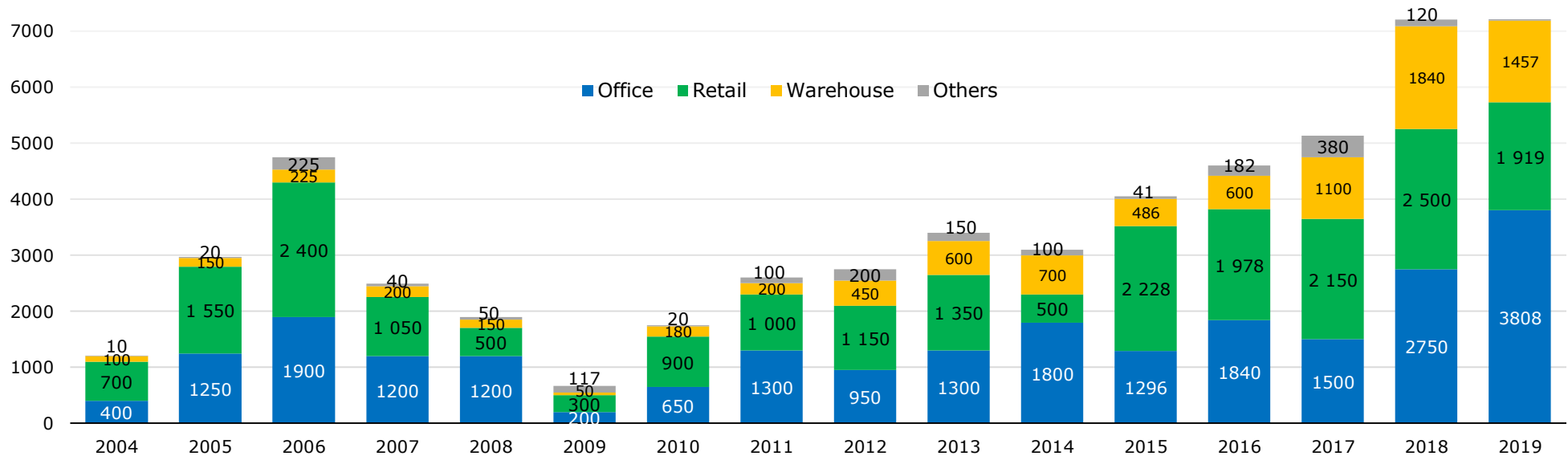
Average house price per square meter vs. **average monthly wages** by major Polish cities.



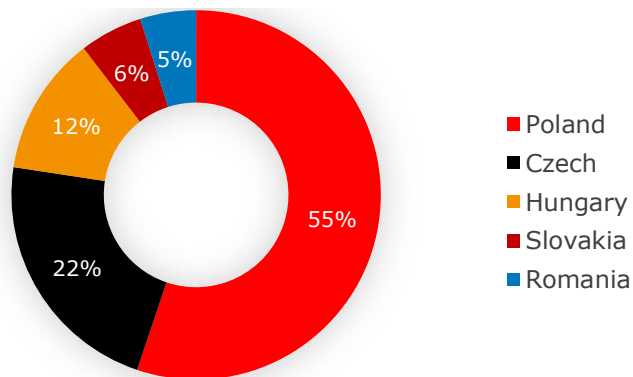
Average house prices remain stable trough the years. Increase since 2013 was offset by significant increase of average wages. - Houses purchasing power almost doubled during last 10 years.

Commercial Real Estate – investment volume

Investment volume in Poland by sector m EUR



Poland - CEE leader in CRE investment volumes (%)



Poland - CEE leader in CRE investment (55%).

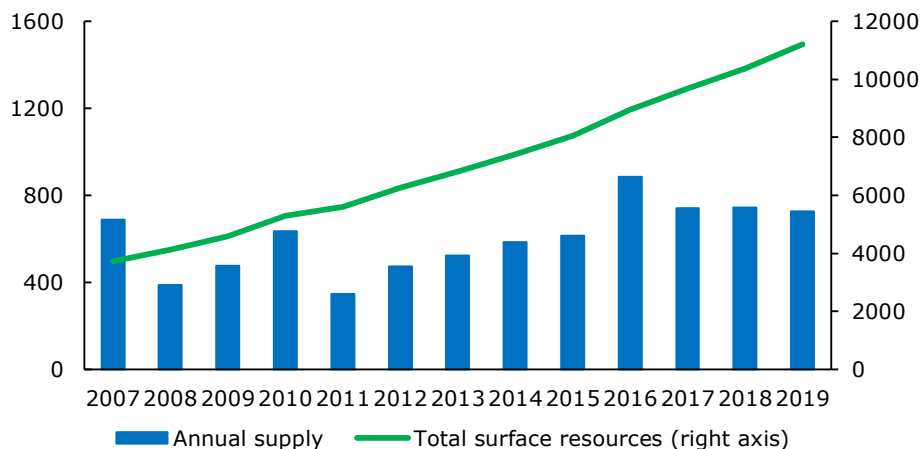
The volume of transactions concluded in 2019 on the commercial real property market amounted to approx. EUR 7.56 bn and the result was higher with that in 2018 (EUR 7.21 bn).

The share of the commercial real estate market in 2019 is approx. 50% for offices market, approx. 25% for market retail and approx. 19% for warehouse.

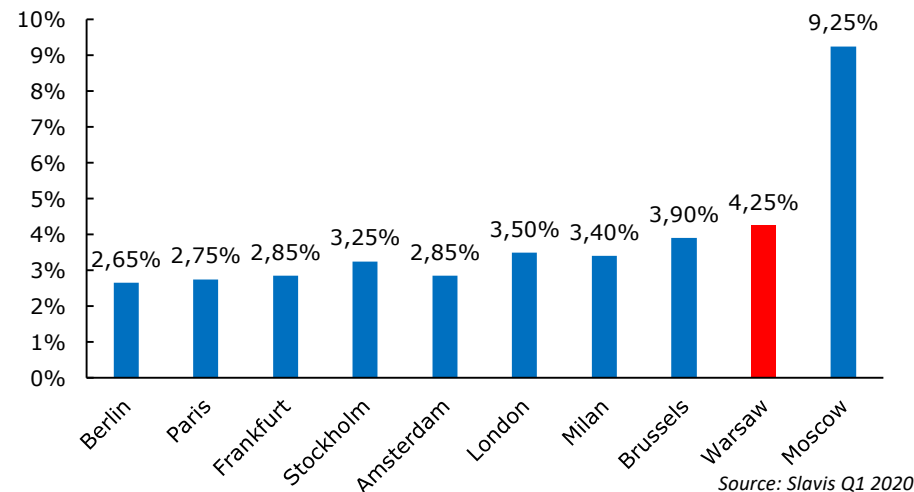
Data Source for the slide: Cushman&Wakefield Report

Commercial Real Estate – Offices

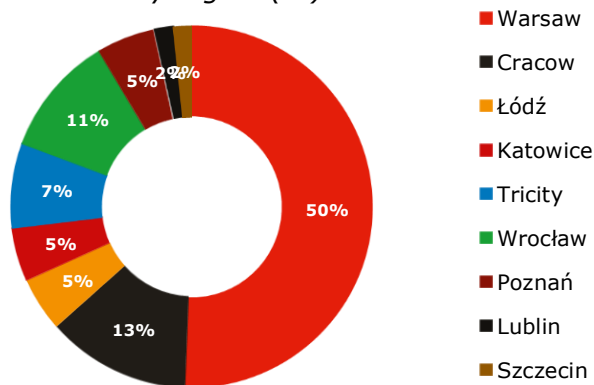
Office resources (ths. square meters)



Office prime yields

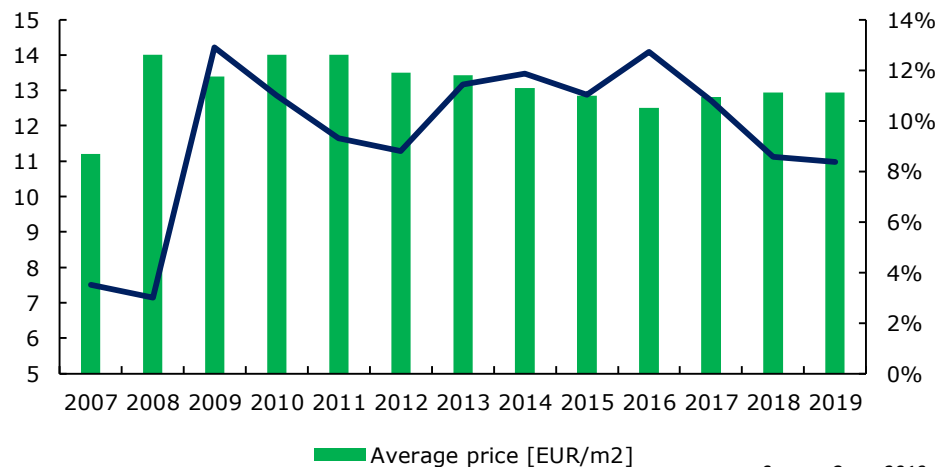


Office resources by region (%)



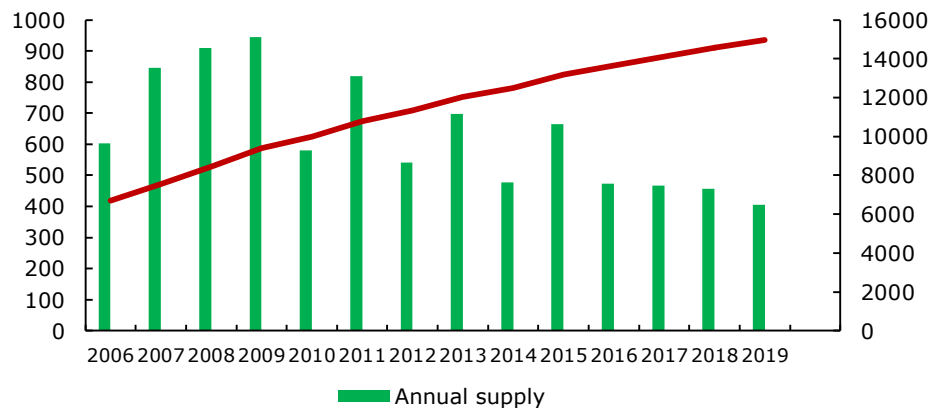
- In Poland prime yield is the highest in Europe (4,75%).
- In Poland, the average rate per m²/EUR of office space is constantly growing, despite the high supply, the vacancy rate is dropping.

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

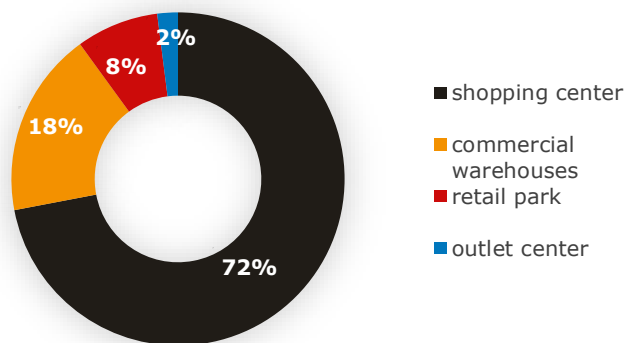


Commercial Real Estate – Retail

Retail resources (ths. square meters)



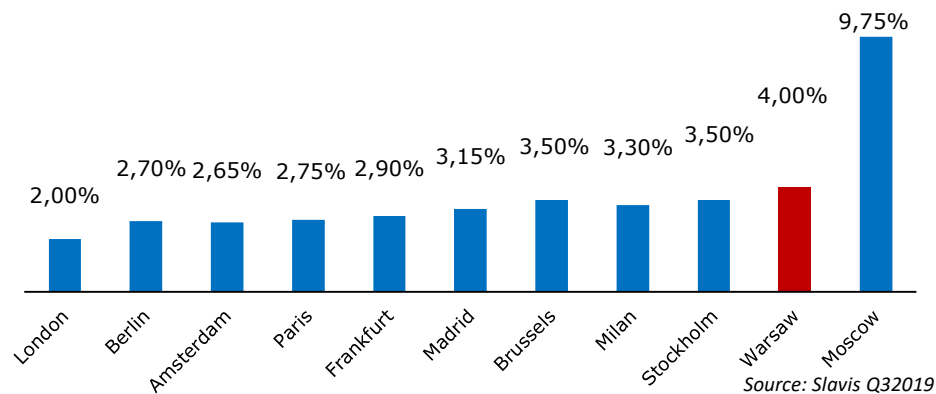
The structure of commercial space in Poland



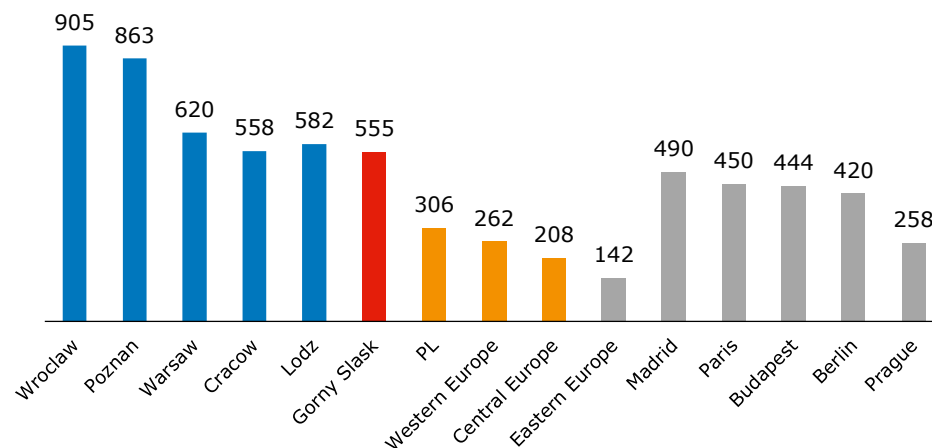
- In Poland prime yield is the highest in Europe – 4,00%
- We have stable and growing retail commercial market in Poland mostly are shopping 72%, Commercial warehouses is 18%. Retail park and outlet center are less popular

Source: Cresa 2019

Retail - Prime Yield



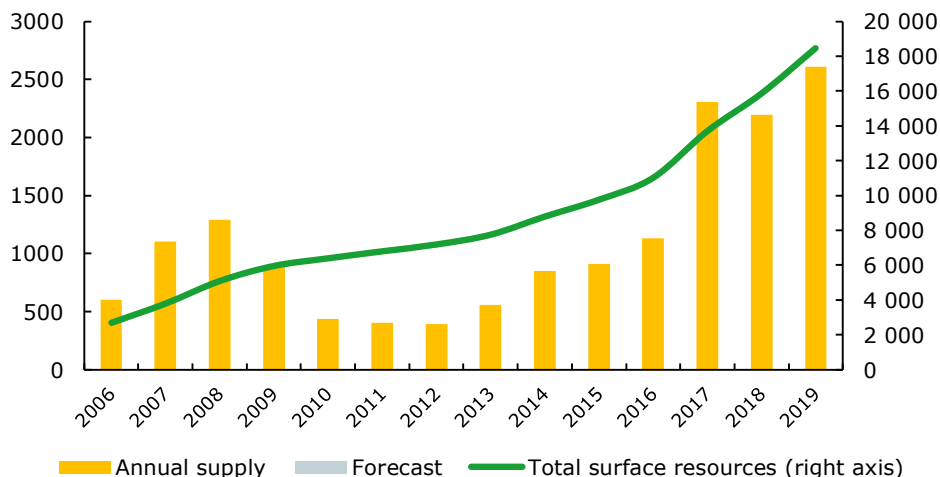
Average density per 1,000 inhabitants



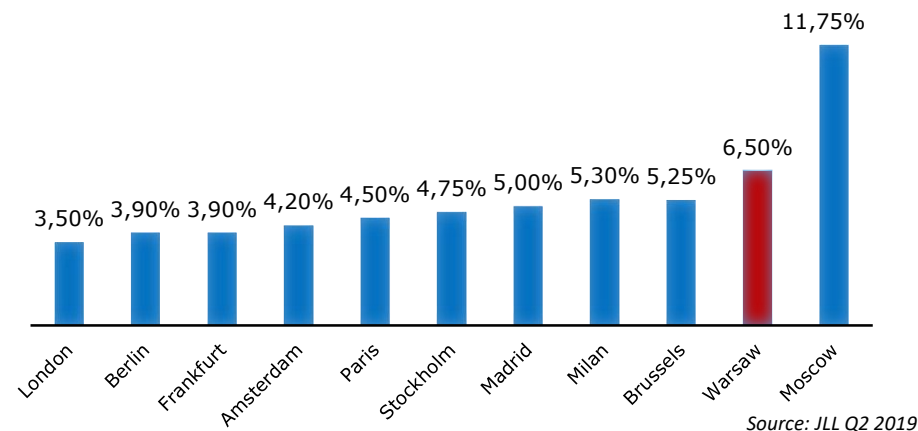
Source: Cresa, H1 2018

Commercial Real Estate – Warehouses

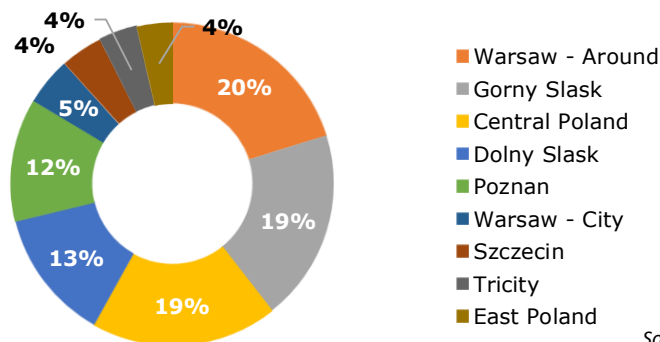
Warehouse resources (thous. m2)



Warehouses - Prime Yield



Warehouses resources by region (%)



- In Poland prime yield is the highest in Europe (6,50%)
- Warehouse resources are constantly growing. Structure of warehouses by regions over 50% for Warsaw - Around, Gorny Slask and Poznan.
- Vacancy ratio on low level differentiate by region.

Warehouse space resources and vacancy rate



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

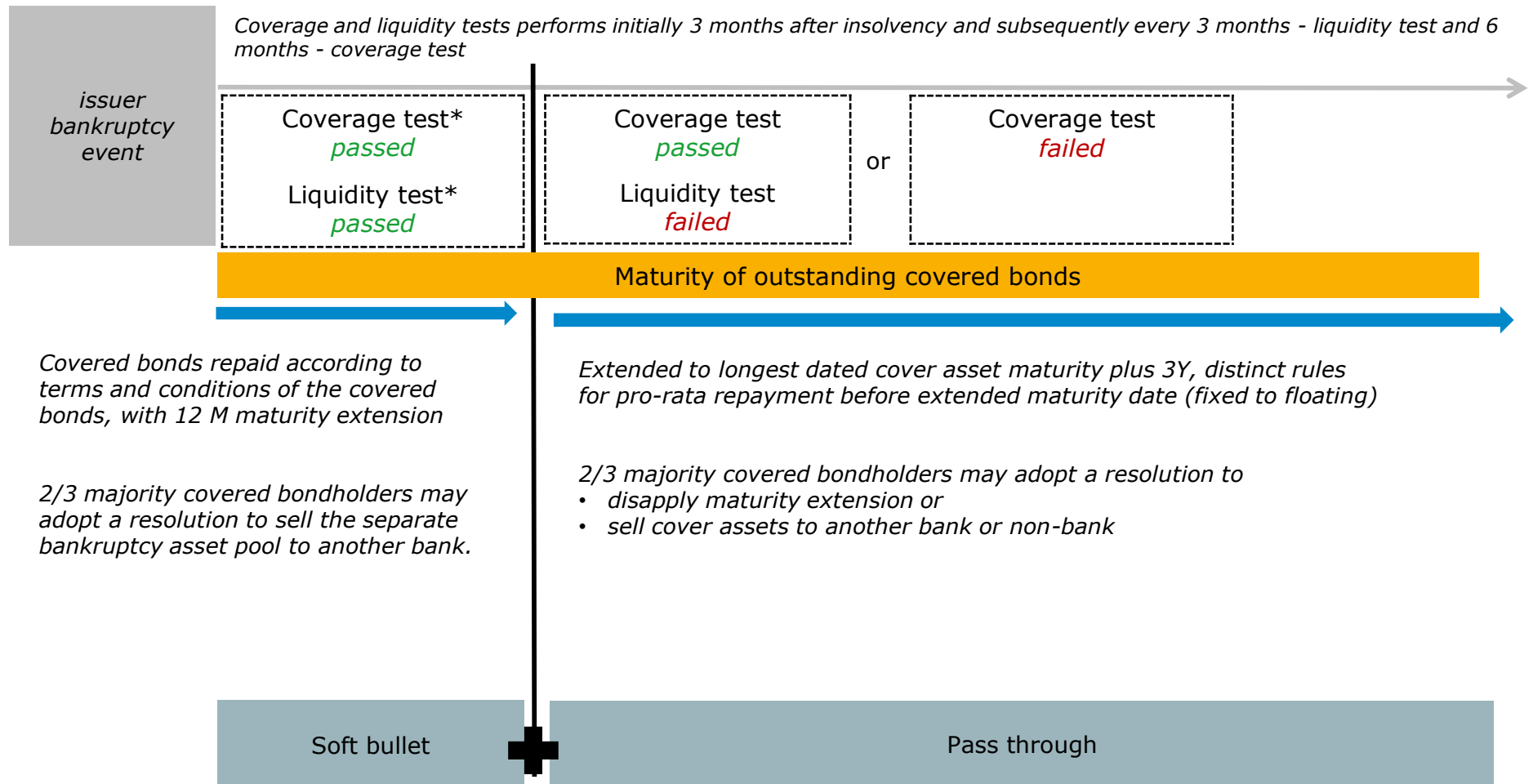
Fundamental changes in 2016 revision of the Act on Covered Bonds and Mortgage Banks

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

Improvements:

Improvements:		Regulatory status - Compliance with:		
✓ <i>Increase of credibility and safety of covered bonds</i>	<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 (<i>details on the next slide</i>)• mandatory liquidity reserve covering at least 6 months of interest due on the covered bonds outstanding• minimum legal overcollateralization requirement (OC) – 10%		Covered Bonds Programme	
			Domestic	International
		CRR art 129	✓	✓
		UCITS 52 (4)	✓	✓
		BRRD	✓	✓
Credit quality step	2	2		
✓ <i>Extension of covered bond supply</i>	<ul style="list-style-type: none">• increase refinancing limit for mortgage covered bonds for residential mortgage loans to 80% from 60%	LCR Delegated Act (HQLA)	✗	✓
		ECB Repo	✗	✓ Expected category III
✓ <i>Extension of demand for covered bonds</i>	<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)	NBP Repo	✓	✗
		CBPP / LTRO	✗	✗

Covered Bonds repayment in case of issuer bankruptcy

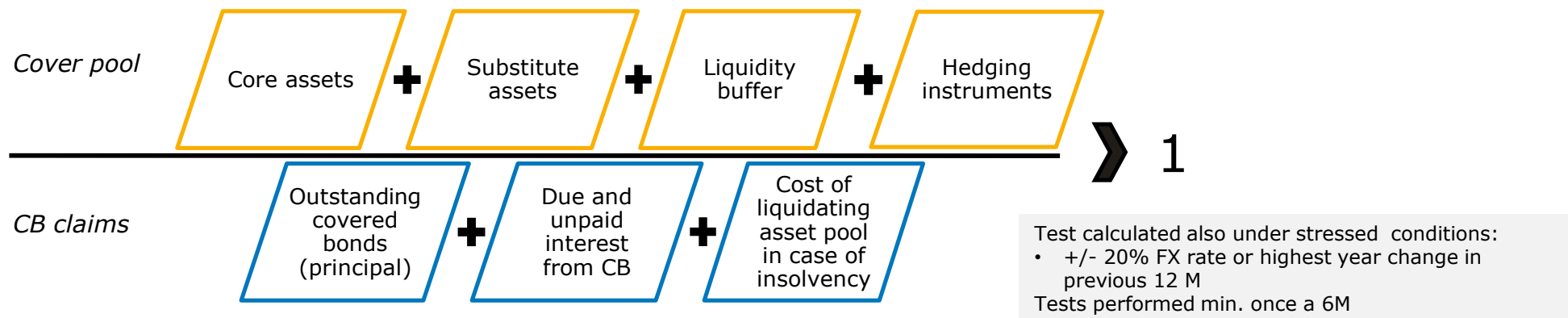


*details on the next slides

Obligatory cover pool tests

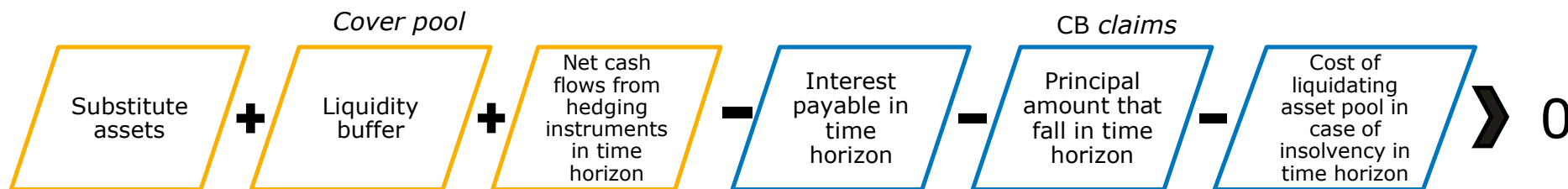
Coverage Test

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



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

	Poland Hipoteczne Listy Zastawne (HLZ)	Germany Mortgages Pfandbriefe (Hypfe)
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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Contact details

Frank Bock

Vice-President of the Management Board, mBank
Chairman of Supervisory Board, mBank Hipoteczny

Direct dial:

+48 22 829 01 16

e-mail:

Frank.Bock@mbank.pl

Piotr Cyburt

President of the Management Board, mBank Hipoteczny

Direct dial:

+48 22 579 74 02

e-mail:

Piotr.Cyburt@mhipoteczny.pl

Karol Prażmo

Head of mBank Group Treasury

Direct dial:

+48 22 829 17 12

e-mail:

Karol.Prazmo@mbank.pl

Krzysztof Dubejko

Board Member, Head of Financial Markets mBH

Direct dial:

+48 22 579 74 97

e-mail:

Krzysztof.Dubejko@mhipoteczny.pl

Wojciech Zdunkiewicz

Head of mBH Treasury

Direct dial:

+48 22 579 75 90

e-mail:

Wojciech.Zdunkiewicz@mhipoteczny.pl