

Dear Sir/Madam,

Please find attached the annual financial statements of mBank Hipoteczny S.A. for the year 2018.

The macroeconomic conditions for banks were very good last year and the boom in the residential and commercial properties market helped the Bank in consolidating positive trends in our operations.

The balance sheet total as at the end of 2018 reached PLN 12.39 billion; the loan portfolio closed with PLN 11.23 billion, while the gross profit amounted to PLN 60.69 million.

In 2018, mBank Hipoteczny successfully placed 3 issues of mortgage covered bonds on the market. Their total nominal value amounted to PLN 1.58 billion.

It is worth mentioning that the Bank inaugurated its presence in the international market with the largest issue in the history of mBH, standing at EUR 300 million. The final valuation was 42 base points above MidSwap, and the coupon was 1.073%. From the perspective of the mBank Group, this has been the longest and most favourably placed debt issue on the international market to date.

Declaration forms for purchase of covered bonds from this series for a total amount of over EUR 800 million (2.7x the value of the issue placed) were submitted by more than 60 investors. The issue is listed on the Luxembourg Stock Exchange.

The Bank conducted also 2 issues in PLN. An issue of PLN 300 million was conducted following a distribution model taking account of domestic and foreign institutional investors. Declaration forms for purchase of covered bonds from this series for a total amount of over EUR 577 million, i.e. over 1.9x the value of the offer, were submitted by more than 23 investors. 17% of the issue was bought by investors from outside Poland.

An issue of PLN 10 million was conducted for the purpose of assimilation with the issue of PLN 300 million from June 2018. The scope of powers of covered bond holders is the same for the two combined series as upon assimilation they are listed under the same ISIN code on the Parallel Market of the WSE and Bondspot. This was the first assimilation of two series of covered bonds in the history of the Polish capital market.

The net value of the entire loan portfolio, including off-balance sheet exposure, increased as at the end of 2018 by 2.41% as compared to the end of 2017, reaching PLN 12.6 billion.

In 2018, the Bank reported very good sales of commercial loans at the level of PLN 1,824 million, including PLN 679 million attributable to residential developers.

In the retail area, in line with the mBank Group's strategy, the Bank recorded an increase in the portfolio of mortgage loans for retail customers by PLN 324 million, i.e. 5.53%. In 2018, the Bank's activities in the area of retail loans focused on acquiring retail loans exclusively in the pooling model. In 2018, 6 pooling transactions were conducted.

In 2018, the Bank actively cooperated with mBank to develop the product and maximise sales of newly granted retail loans on the part of mBank, meeting the requirements of transfer to the Bank.

The Bank primarily financed office buildings and commercial facilities. The Bank focuses on lending for purchases or refinancing of completed facilities of an appropriate standard and financing of the construction process, which is followed by conversion of the construction loan into a long-term mortgage loan.

In mid-2018, the Bank's new strategy was approved and the issuing of covered bonds for the mBank Group based on the loan assets acquired from mBank was defined as the main goal. According to

the assumptions of the new strategy, the sale of loans financing commercial real estate was also to be transferred to mBank. Because of that, the relevant organisational and process changes were prepared in the second half of the year. They were then implemented at the end of the year.

Considering the economic growth forecasts and the development of the real properties market, we hope that 2019 will enable us to further implement our plans, to place subsequent issues of covered bonds as well as to improve the Bank's efficiency by strengthening cooperation within the mBank Group.

In presenting these financial statements, I would like to thank all our Clients and Investors for the trust they put in us during the past year.

Yours faithfully,

Piotr Cyburt