

Results of mBank Group Q1-Q4 2019

**Best operational performance in history.
Legacy portfolio hampering results.**

Management Board of mBank S.A.

Investor Presentation

February 6, 2020



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Agenda



Key Highlights of 2019 in mBank Group



Summary of Main Trends in Q4/19

Business Development of Retail and Corporate Segment

Key Financials



Analysis of the Results after Q4/19

Loans and Deposits

Total Income and its Main Components

Total Costs and Efficiency

Loan Loss Provisions and Portfolio Quality

Capital and Liquidity Ratios



Macroeconomic Update and Outlook



Appendix

Selected Financial Data

Detailed Results of Business Lines



Key highlights of 2019 in mBank Group

Revenues	Total income from the current business at record-high level of PLN 5,524 M
Net interest income & margin	NII up by 14.5% YoY to 4,003 M, a further improvement of NIM by 11 bps <ul style="list-style-type: none">▪ Continued upward trend of loan yield fuelled by changing asset mix, with growing share of higher-margin products and declining FX-denominated mortgage loan volume▪ Marginal reduction of funding costs thanks to increasing share of non-interest-bearing transactional accounts
Fees & commissions	NFC down by 1.2% YoY to PLN 965 M, but core business expanded <ul style="list-style-type: none">▪ Fees benefited from new lending acceleration, higher transactionality (cards and transfers), development of trade finance and some adjustments of tariffs of banking fees▪ Lower income from brokerage activity and investment products, higher intermediary expenses
Costs & efficiency	Total costs of PLN 2,329 M kept under control, excellent efficiency <ul style="list-style-type: none">▪ Cost base, excluding elevated contribution to the Bank Guarantee Fund, grew by 4.5% YoY, mainly due to higher personnel expenses and some investments in future growth▪ Best-in-class Cost/Income ratio at 42.2% underpinned by optimal banking platform
LLPs & portfolio quality	Stable cost of risk at 79 bps, accompanied by resilient asset quality <ul style="list-style-type: none">▪ Prudent risk management reflected in NPL ratio of 4.5%, well below the sector average
Profitability	Net profit of PLN 1,010 M under severe negative impact of legacy portfolio <ul style="list-style-type: none">▪ Provisions for legal risk related to FX loans of PLN 388 M and high banking tax of PLN 459 M significantly reduced Return on Equity (ROE) to reported 6.6%

Key highlights of 2019 in mBank Group

Loans

Vibrant growth of loans to PLN 108.5 B, focus on higher-margin products

- Gross portfolio expanded by 11.0% YoY, driven by record-high sales of retail mortgage and consumer loans (at PLN 18.4 B, +36% YoY) and lending acceleration in corporate segment
- Market share in household loans improved to 7.0% and in enterprises loans to 7.5%
- Continued repayment of CHF mortgage portfolio: down by CHF 330 M or 8.5% in 2019

Deposits

Surge of deposits to PLN 116.7 B, favourable term structure transformation

- Total deposit base grew by 14.4% YoY, driven by strong inflows to current and saving accounts, resulting in decreasing share of term deposits
- Market share in household deposits increased to 7.0% and in enterprises deposits to 9.9%

Capital position

High capital ratios well above regulatory requirements

- Consolidated Tier 1 Capital Ratio at 16.5% and Total Capital Ratio at 19.5% safely exceeding required levels of 14.47% and 17.25%, respectively
- Individual capital requirement related to the risk of FX mortgage loans revised slightly down, but O-SII buffer was raised by 25 bps to 0.75%

Funding profile

A well diversified funding structure with ample liquidity levels

- Long-term financing sources strengthened by regular issues of debt securities: CHF 125 M of senior unsecured bonds under EMTN programme and covered bonds by mBank Hipoteczny
- Loan-to-Deposit ratio of 90.3% allowing for comfortable business growth

Strategy

The new Strategy of mBank Group for 2020-2023, focusing on clients, platform, efficiency and employees, was adopted in December 2019

Key product and offer innovations in 2019

At mBank, we are permanently working to provide the best customer experience

We are constantly developing our offer and platform...

- ✓ Introduction of savings goals for young clients aged 13-17; a specified amount is automatically sent to a special purpose account after every transaction
- ✓ Continuing cooperation with AXA, mBank added life and health insurance as well as household insurance to products offered via its mobile application
- ✓ Increasing scope of self-service for corporate customers thanks to new online applications and forms in mBank CompanyNet

...taking into account social responsibility principles...

- ✓ mBank doubled a pool of funds for renewable energy projects to PLN 1 billion as the previous limit has already been used
- ✓ mBank adopted the new rules for financing the mining and energy sector, abandoning the financing of new coal mines and coal-fired power units
- ✓ Investment offer for private banking clients was extended by adding ESG Sustainable Strategy comprising stocks and bonds of environmentally and socially responsible companies

...and supplementing the product palette with related services

- ✓ mLeasing acquired LeaseLink, a fintech company specializing in leasing as a payment method, to strengthen its position in financing to SME segment
- ✓ Factoring available to mBank's clients running their business as sole proprietorship, with decision on granting a limit of up to PLN 50,000 issued online within 5 minutes
- ✓ Designed for convenient usage on mobile devices, new eMakler stock trading platform was made available for the users



Summary of 2019 in mBank Group

Key Financials: Profit and Loss Account

PLN million	2017	2018	2019	change YoY
Net interest income	3,135.7	3,496.5	4,002.8	+14.5%
Net fee and commission income	992.2	975.9	964.6	-1.2%
Trading and other income ¹	325.7	607.2	557.1	-8.3%
Total income	4,453.6	5,079.5	5,524.4	+8.8%
Total costs	-2,043.2	-2,163.9	-2,329.2	+7.6%
Loan loss provisions and fair value change ²	-507.7	-694.4	-793.8	+14.3%
Provisions for legal risk related to FX loans	-	-20.3	-387.8	19.1x
Operating profit	1,902.7	2,200.8	2,013.7	-8.5%
Taxes on the Group balance sheet items	-375.3	-415.4	-458.7	+10.4%
Profit before income tax	1,527.9	1,786.6	1,555.0	-13.0%
Net profit	1,091.5	1,302.8	1,010.4	-22.4%
Net Interest Margin	2.48%	2.58%	2.69%	+0.11 p.p.
Cost/Income ratio	45.9%	42.6%	42.2%	-0.4 p.p.
Cost of Risk	0.61%	0.78%	0.79%	+0.01 p.p.
Return on Equity (ROE)	8.3%	9.4%	6.6%	-2.8 p.p.
Return on Assets (ROA)	0.83%	0.93%	0.66%	-0.27 p.p.

¹ Including a gain on the sale of an organised part of the enterprise of mFinanse (PLN 219.7 M) in 2018;

² From 2018 sum of 'Impairment on financial assets not measured at fair value through profit or loss' and 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss'

Summary of 2019 in mBank Group

Key Financials: Balance Sheet

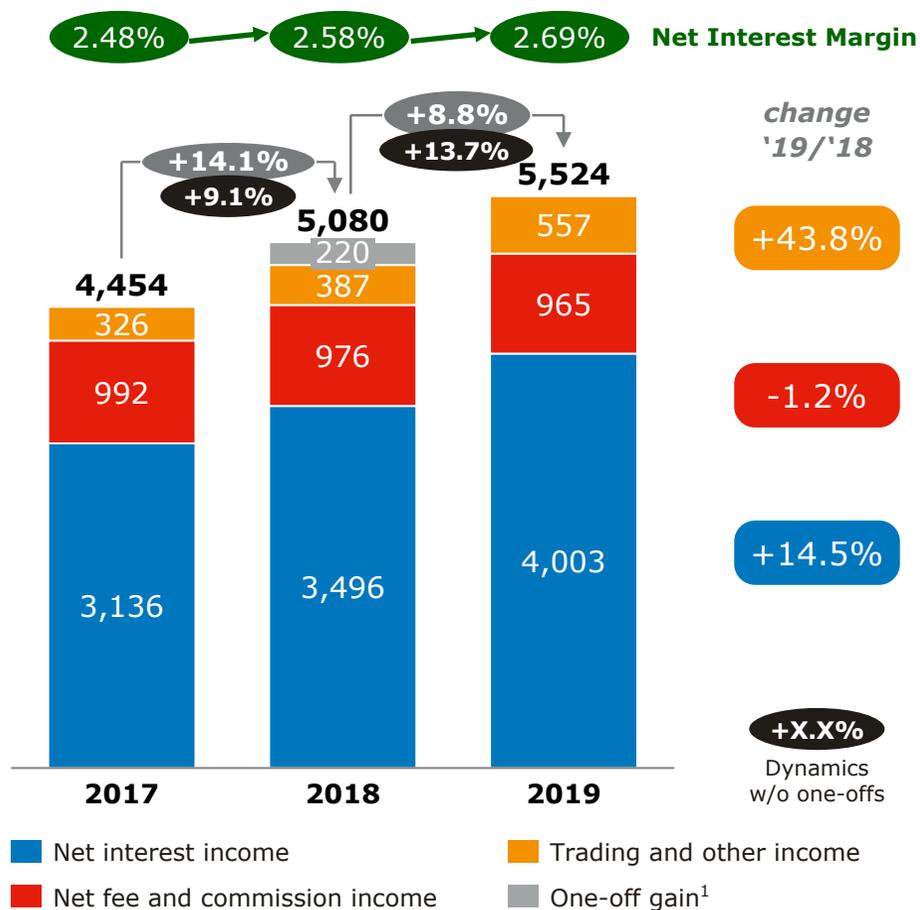
<i>PLN million</i>	2017	2018	2019	<i>change YoY</i>
Total assets	131,424	145,781	158,721	+8.9% ↑
Gross loans to customers	87,388	97,808	108,538	+11.0% ↑
Retail client loans	48,143	52,925	60,361	+14.0% ↑
Corporate client loans	37,942	44,233	47,786	+8.0% ↑
Customer deposits	91,496	102,009	116,661	+14.4% ↑
Retail client deposits	55,694	65,924	77,664	+17.8% ↑
Corporate client deposits ¹	34,150	34,633	37,963	+9.6% ↑
Total equity	14,292	15,171	16,153	+6.5% ↑
Loan to Deposit ratio	92.3%	92.9%	90.3%	-2.6 p.p.
NPL ratio	5.2%	4.8%	4.5%	-0.3 p.p.
Coverage ratio	59.2%	62.5%	60.7%	-1.8 p.p.
Tier 1 Capital Ratio	18.3%	17.5%	16.5%	-1.0 p.p.
Total Capital Ratio	21.0%	20.7%	19.5%	-1.2 p.p.

¹ Excluding repo / sell-buy-back transactions

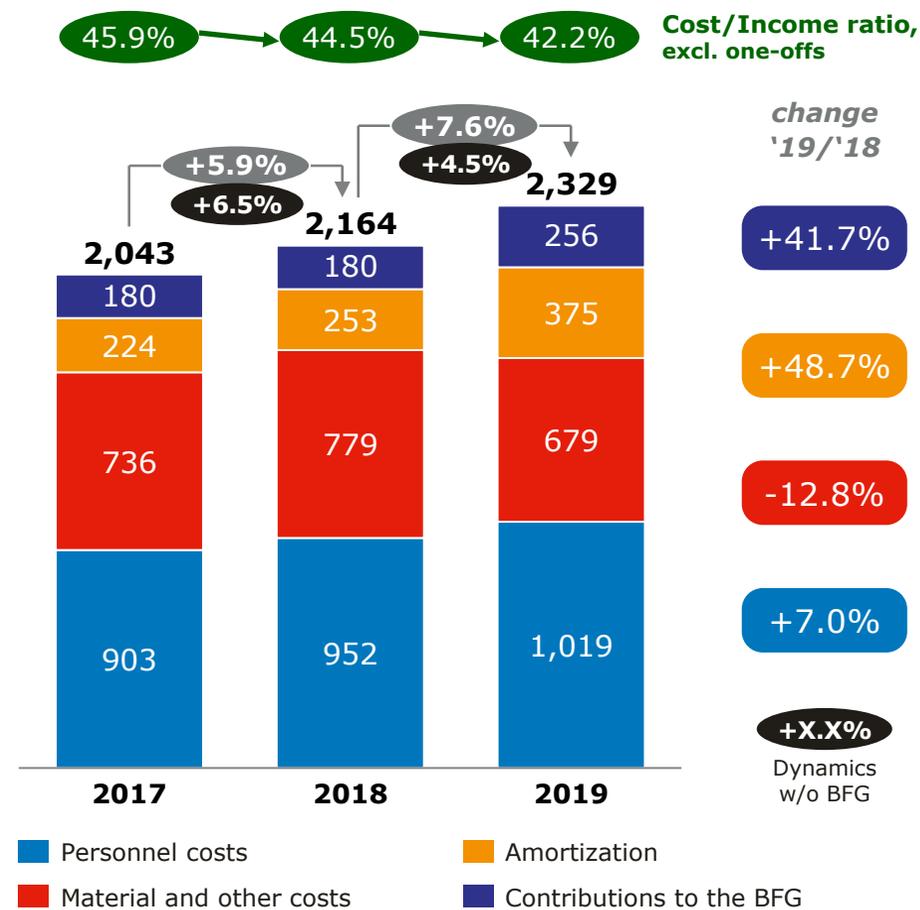
Summary of 2019 in mBank Group

Core income kept on growth trajectory, continued improvement of underlying efficiency

Development of mBank Group's Total Income (PLN M)



Development of mBank Group's Total Costs (PLN M)



¹ Result on the sale of an organised part of the enterprise of mFinance (PLN 219.7 M).
Note: 2018 and 2019 presented without provisions for legal risk related to FX mortgage loans.

Note: Dynamics for material costs and amortization distorted due to implementation of IFRS 16.

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Detailed Results of Business Lines



Key highlights of Q4 2019



Core income of PLN 1,272 M affected by the corrections applied post the CJEU verdict

- Net interest income at PLN 1,010.5 M (+9.4% YoY) on increasing volumes and changing asset mix
- Net fee and commission income at PLN 261.5 M (+19.3% YoY), a rebound helped by client transactionality

Efficient management evidenced by normalized Cost/Income ratio of 41.4%¹

- Upward trajectory of total revenues (+13.0% YoY), costs kept under control (+3.5% YoY, excl. BFG)

Net profit of PLN 116.3 M depressed by legal provisions for FX loans of PLN 293.5 M



Dynamic growth in business volumes, driven by positive trends in core products

- Gross loans at PLN 108.5 B (+0.4% QoQ, +11.0% YoY), continued expansion of retail portfolio
- Customer deposits at PLN 116.7 B (+0.6% QoQ, +14.4% YoY), strong inflows to current accounts

Focus on higher-margin lending reflected in favourably changing asset mix

- New production of non-mortgage loans reached a record level of PLN 2.66 B (+17% YoY)
- Good sales of housing loans at PLN 2.17 B (+70% YoY); constant reduction of CHF portfolio (-8.5% YoY)



Capital ratios well above regulatory requirements and sound liquidity level

- Consolidated Tier 1 Capital Ratio at 16.51% and Total Capital Ratio at 19.46%²
- Loan-to-Deposit ratio at 90.3% allowing for comfortable growth; the most diversified funding structure

Good asset quality supported by conservative risk management approach

- Cost of risk at 67 bps, a decline in retail loan loss provisions after model recalibration in the previous quarter
- Lower NPL ratio at 4.5% and coverage ratio at 60.7% confirming loan portfolio resilience

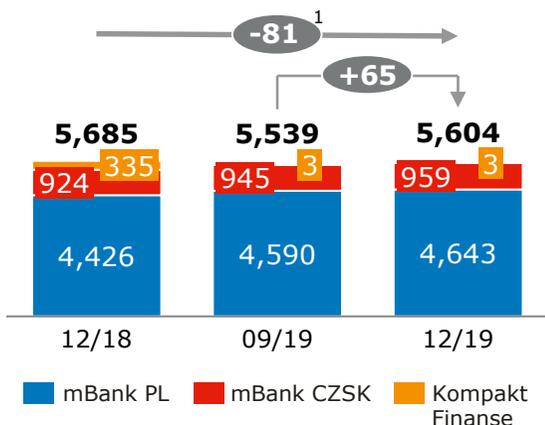
¹ Including ¼ of contribution to the Resolution Fund booked in Q1/19; ² Stand-alone capital ratios were Tier 1 Capital Ratio of 19.42% and Total Capital Ratio of 22.84%

Summary of Q4/19 in mBank Group

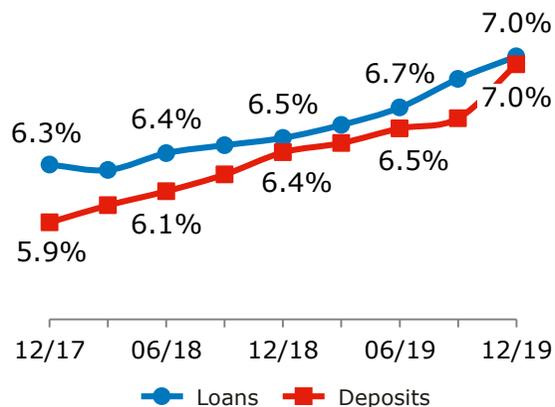
Business Development of Retail Banking and Corporate Banking

Retail Banking

Number of Retail Clients (thou.)



Market shares - Households

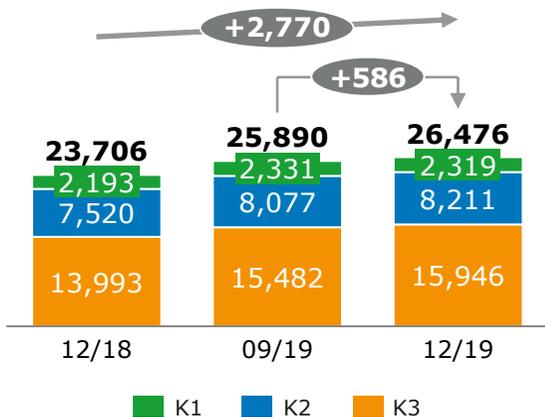


Innovations and new products

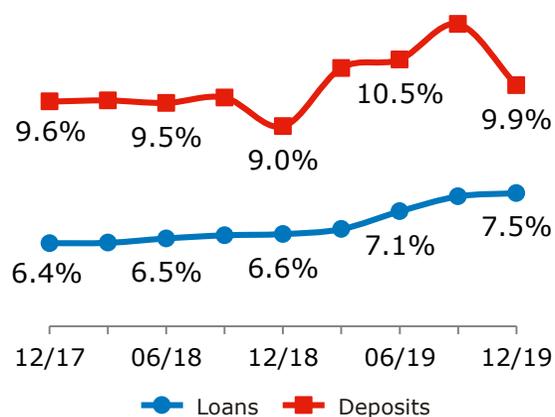
- ✓ New desktop in retail Internet banking system which allows the customers to adjust the elements visible on the screen to their needs and preferences
- ✓ mLeasing started to finance solar panels. The new offer is addressed to SMEs and includes the photovoltaic installations worth up to PLN 250,000 and with a capacity of up to 50kW
- ✓ Thanks to a constant development of Administrator Centre and expanding the scope of self-service, corporate clients can already manage all relevant authorisations and setup for basic modules of mBank CompanyNet system

Corporate Banking

Number of Corporate Clients



Market shares - Enterprises



¹ A drop in the number of customers due to the cessation of the activity of Kompakt Finance

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

Summary of Q4/19 in mBank Group

Key Financials: Profit and Loss Account

PLN million	Q4/18	Q3/19	Q4/19	change QoQ	change YoY
Net interest income	923.3	1,064.2	1,010.5	-5.0% ↓	+9.4% ↑
Net fee and commission income	219.2	248.5	261.5	+5.2% ↑	+19.3% ↑
Trading and other income	104.6	184.1	137.3	-25.4% ↓	+31.3% ↑
Total income	1,247.1	1,496.8	1,409.3	-5.8% ↓	+13.0% ↑
Total costs	-522.8	-542.5	-533.7	-1.6% ↓	+2.1% ↑
Loan loss provisions and fair value change ¹	-170.5	-249.4	-174.9	-29.9% ↓	+2.6% ↑
Provisions for legal risk related to FX loans	-3.0	-66.6	-293.5	4.4x ↑	98.7x ↑
Operating profit	550.9	638.4	407.3	-36.2% ↓	-26.1% ↓
Taxes on the Group balance sheet items	-104.5	-118.4	-121.4	+2.5% ↑	+16.1% ↑
Profit before income tax	446.7	520.0	285.9	-45.0% ↓	-36.0% ↓
Net profit	316.6	358.5	116.3	-67.6% ↓	-63.3% ↓
Net Interest Margin	2.60%	2.81%	2.60%	-0.21 p.p.	0.00 p.p.
Cost/Income ratio	41.9%	36.2%	37.9%	+1.7 p.p.	-4.0 p.p.
Cost of Risk	0.73%	0.97%	0.67%	-0.30 p.p.	-0.06 p.p.
Return on Equity (ROE)	9.1%	9.3%	3.0%	-6.3 p.p.	-6.1 p.p.
Return on Assets (ROA)	0.86%	0.91%	0.29%	-0.62 p.p.	-0.57 p.p.

¹ Sum of 'Impairment on financial assets not measured at fair value through profit or loss' and 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss' (related to loans)
 Note: Results for Q4/18-Q3/19 were restated to reflect retrospectively the reclassification of provisions for legal risk related to FX mortgage loans to the separate line.

Summary of Q4/19 in mBank Group

Key Financials: Balance Sheet

<i>PLN million</i>	Q4/18	Q3/19	Q4/19	<i>change QoQ</i>	<i>change YoY</i>
Total assets	145,781	158,774	158,721	0.0%	+8.9%
Gross loans to customers	97,808	108,124	108,538	+0.4%	+11.0%
Retail client loans	52,925	58,983	60,361	+2.3%	+14.0%
Corporate client loans	44,233	48,647	47,786	-1.8%	+8.0%
Customer deposits	102,009	115,966	116,661	+0.6%	+14.4%
Retail client deposits	65,924	72,127	77,664	+7.7%	+17.8%
Corporate client deposits ¹	34,633	41,812	37,963	-9.2%	+9.6%
Total equity	15,171	16,090	16,153	+0.4%	+6.5%
Loan to Deposit ratio	92.9%	90.3%	90.3%	0.0 p.p.	-2.6 p.p.
NPL ratio	4.8%	4.7%	4.5%	-0.2 p.p.	-0.3 p.p.
Coverage ratio	62.5%	62.5%	60.7%	-1.8 p.p.	-1.8 p.p.
Tier 1 Capital Ratio	17.5%	16.8%	16.5%	-0.3 p.p.	-1.0 p.p.
Total Capital Ratio	20.7%	19.8%	19.5%	-0.3 p.p.	-1.2 p.p.

¹ Excluding repo / sell-buy-back transactions

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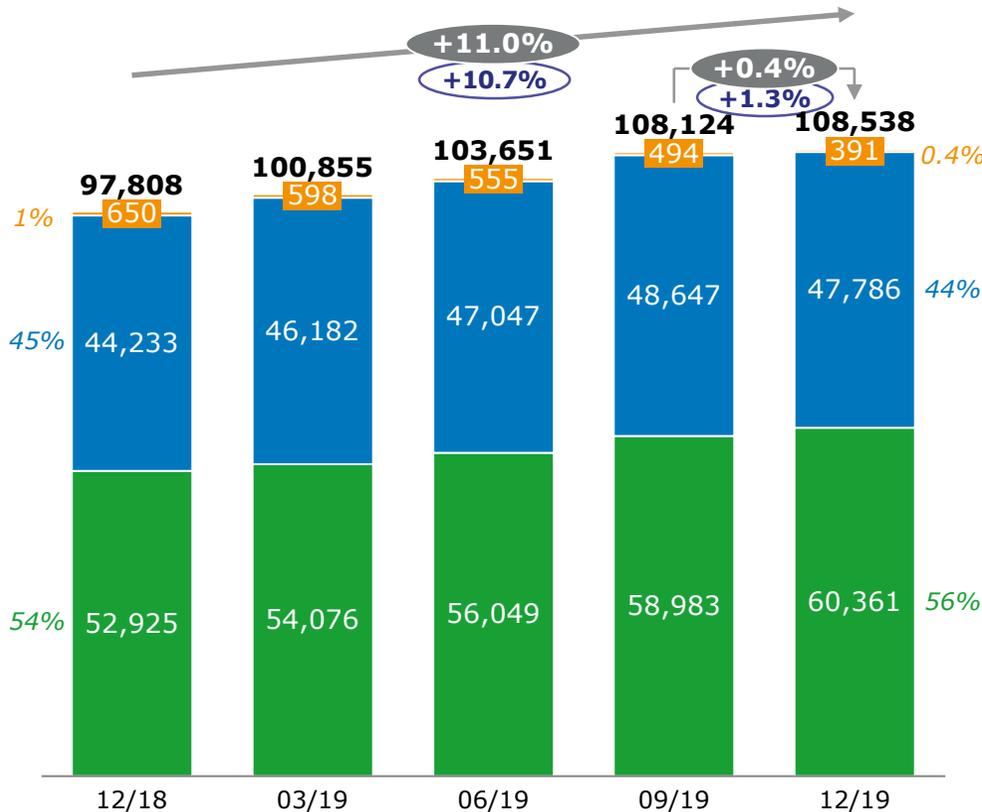
Detailed Results of Business Lines



Results of mBank Group: Loans to customers

Upward trend in retail loans continued, year-end repayments in corporate segment

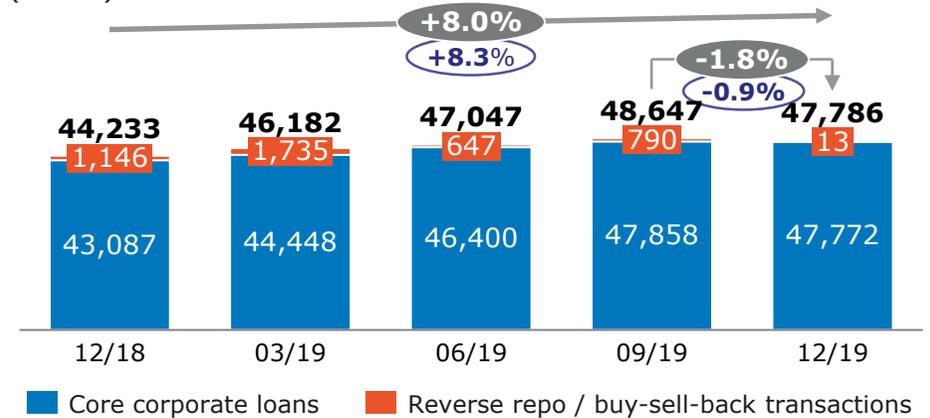
Development of Gross Loans and Advances to Customers (PLN M)



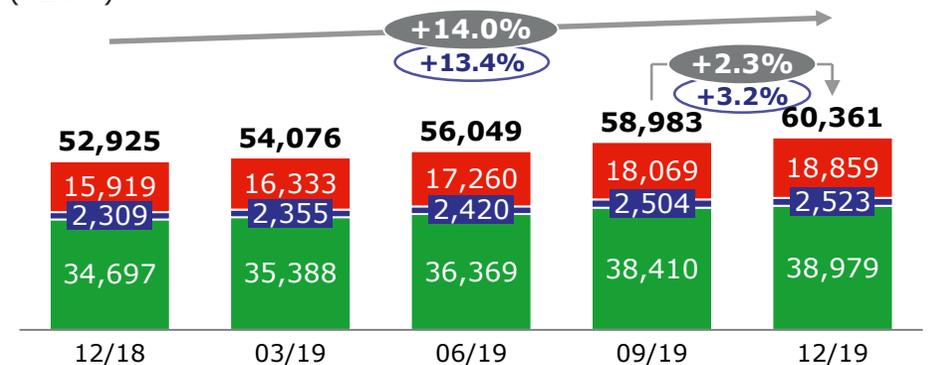
- Individual clients
- Corporate clients
- Public sector & Other receivables

+X.X% Excluding FX effect

Gross Loans to Corporate Entities (PLN M)



Gross Loans to Retail Customers (PLN M)

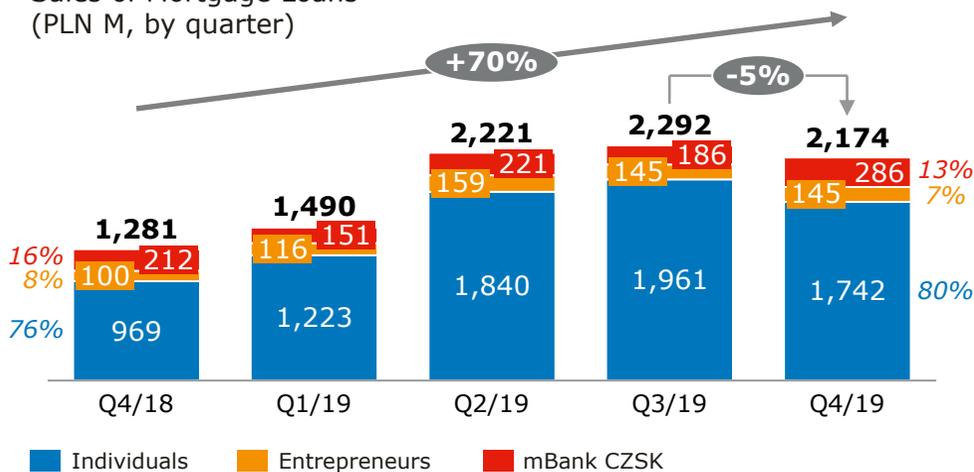


Mortgage loans: to Individuals to Microfirms Non-mortgage loans

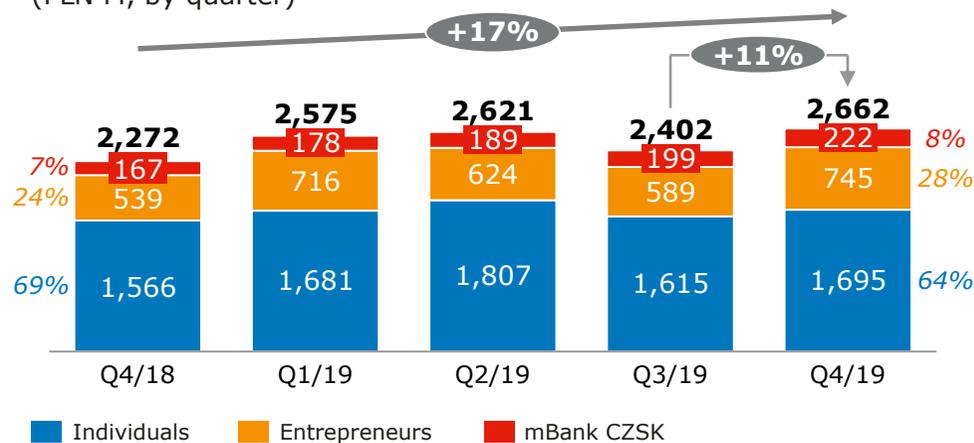
Results of mBank Group: New lending business

High loan origination across the board, market share in new housing loans above 10%

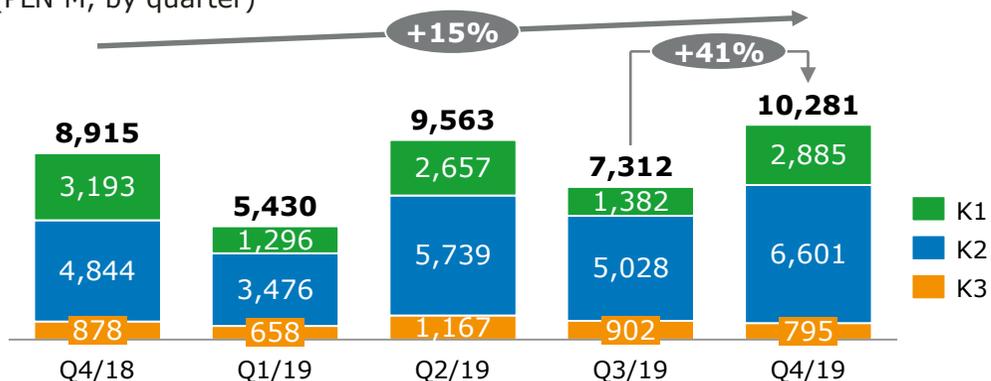
Sales of Mortgage Loans
(PLN M, by quarter)



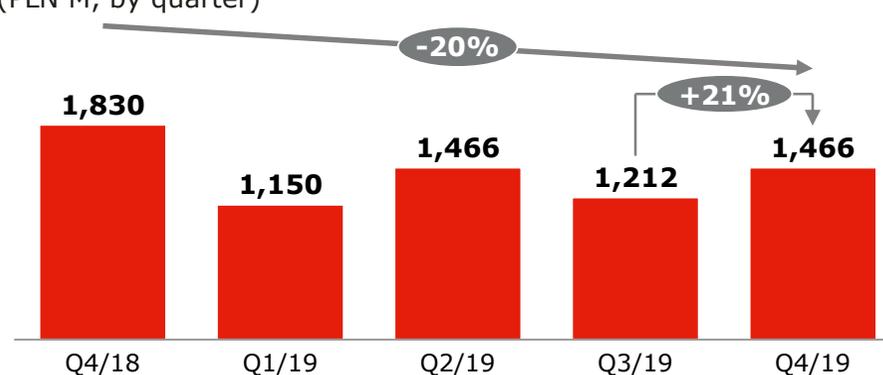
Sales of Non-mortgage Loans
(PLN M, by quarter)



Sales of Corporate Loans¹
(PLN M, by quarter)



New Leasing Contracts
(PLN M, by quarter)



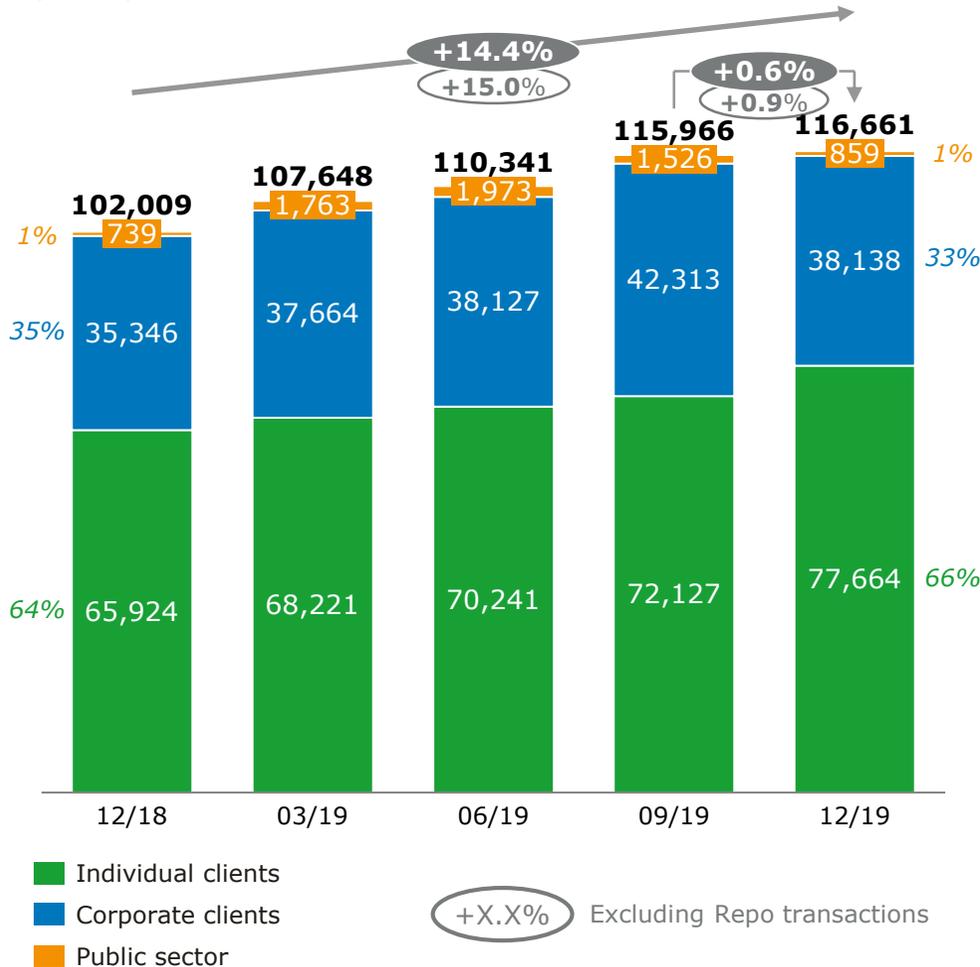
¹ Including new sale, rising and renewal

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

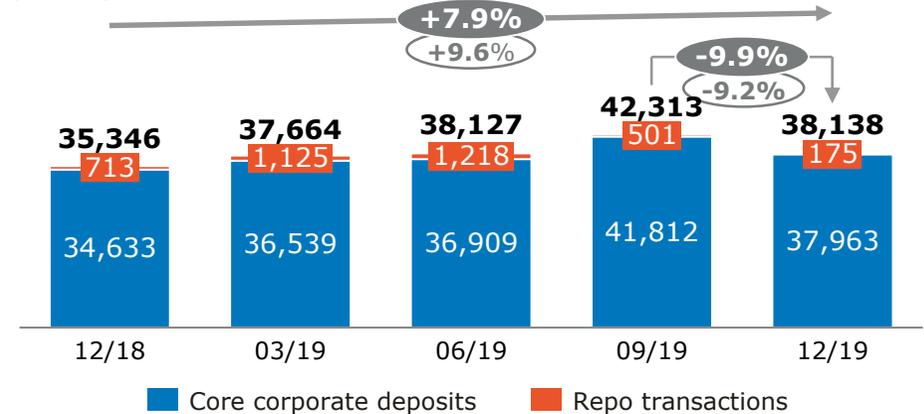
Results of mBank Group: Customer deposits

Strong inflows to current accounts, intentional reduction of corporate term deposits

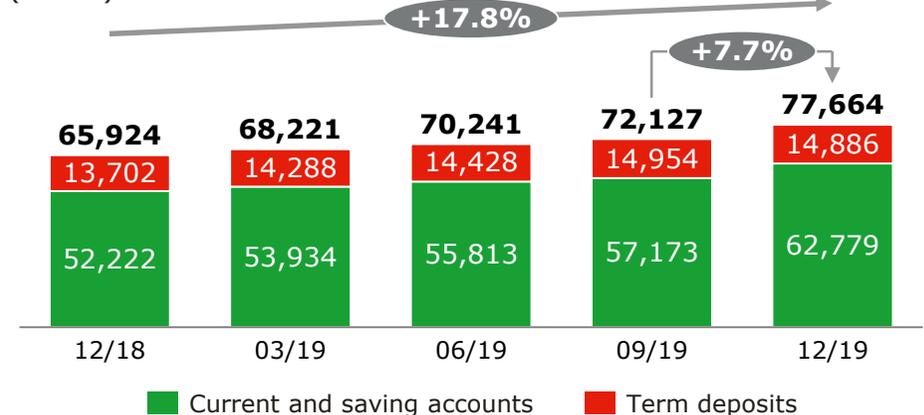
Development of Customer Deposits (PLN M)



Deposits from Corporate Entities (PLN M)



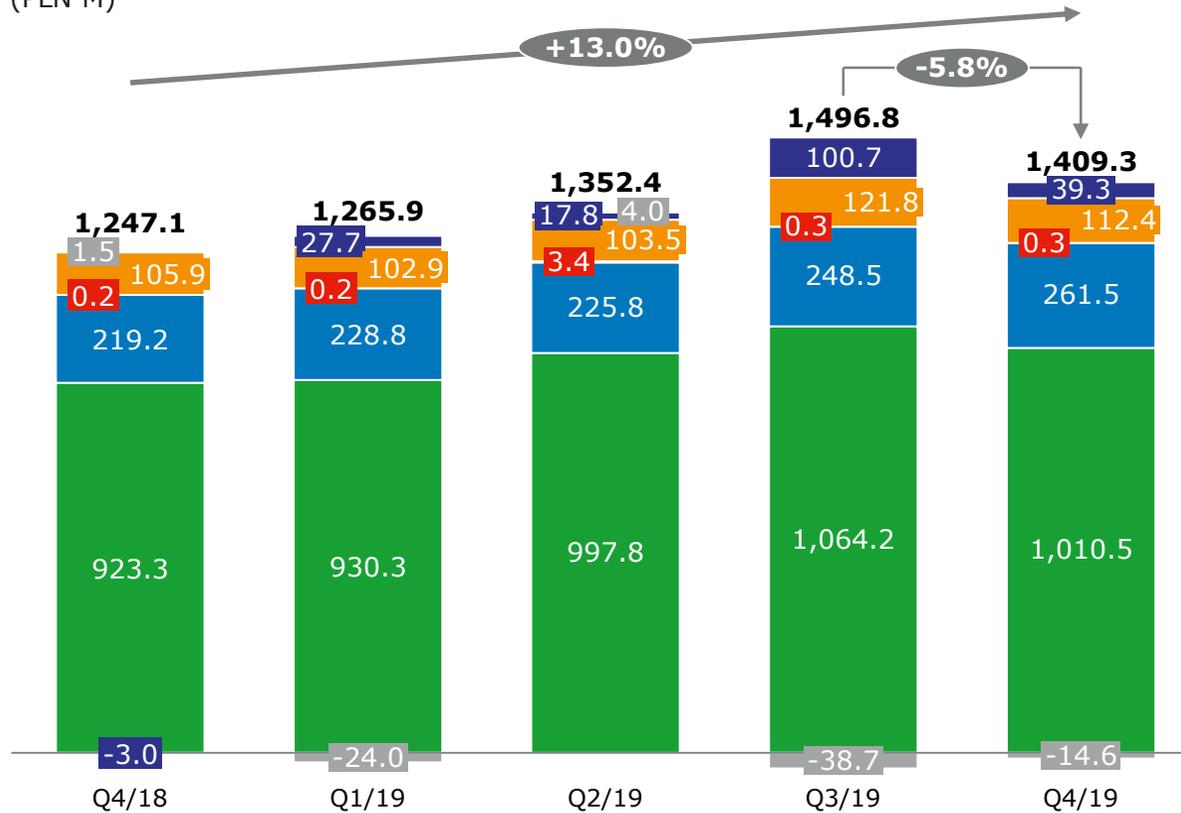
Deposits from Retail Customers (PLN M)



Results of mBank Group: Total income

Lower net interest income due to corrections post CJEU verdict, strong net fees

Development of mBank Group's Total Income (PLN M)



Q3/19 was positively impacted by:

- valuation adjustment of PSP (operator of BLIK) due to transaction with Mastercard Inc. of PLN 45.1 M;
- revaluation of Visa Inc. series C preferred shares due to periodical assessment of related risks of PLN 48.4 M;

QoQ

YoY

-7.7%

+6.1%

+5.2%

+19.3%

-5.0%

+9.4%

The negative impact of the CJEU verdict regarding the consumer's right to reduce the cost of loan in the event of early repayment amounted to PLN 93.3 million in H2/19, of which:

- PLN 68.5 M reduced *net interest income*;
- PLN 24.8 M increased *other operating expenses*, including: PLN 15.2 M in Q3/19 and PLN 9.6 M in Q4/19;

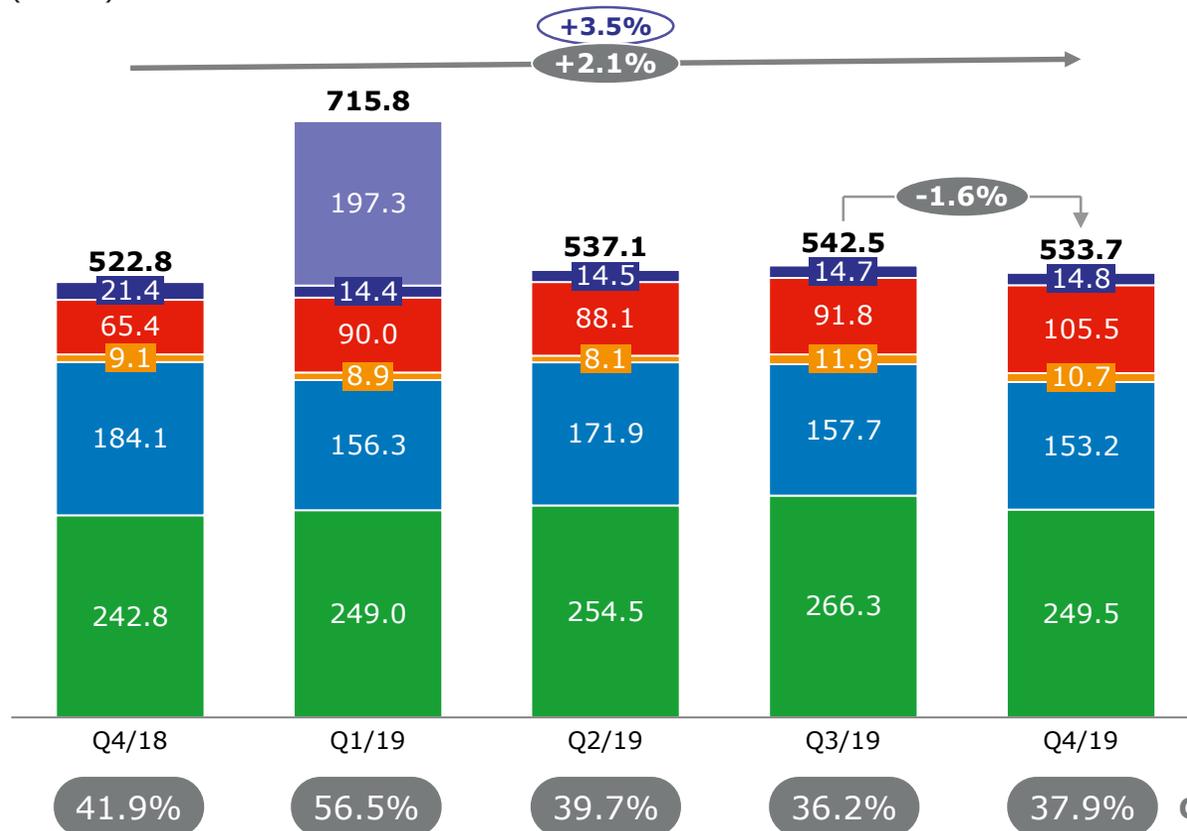
■ Net interest income
 ■ Dividend income
 ■ Gains less losses from financial assets and liabilities¹
■ Net fee and commission income
 ■ Net trading income
 ■ Net other operating income

¹ Including a part of 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss' related to equity instruments and debt securities (without related to loans and advances)
 Note: Results for Q4/18-Q3/19 were restated to reflect retrospectively the reclassification of provisions for legal risk related to FX mortgage loans to the separate line.

Results of mBank Group: Total costs

Good cost management confirmed by best-in-class efficiency

Development of mBank Group's Costs (PLN M)



■ Personnel costs
 ■ Other costs¹
 ■ Contributions to the BFG
■ Material costs
 ■ Amortization

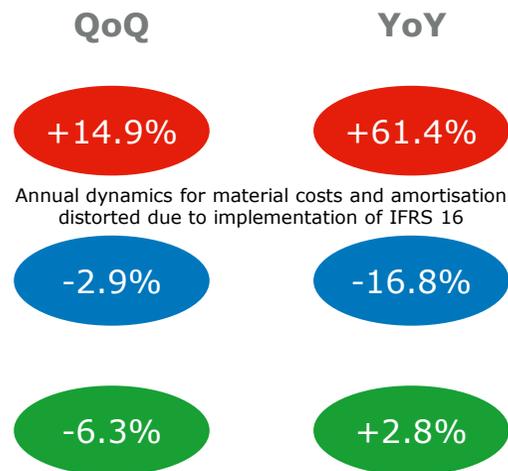
¹ Including taxes and fees, contributions to the Social Benefits Fund

Note: Including the provisions for legal risk related to the FX mortgage loans, C/I ratio of mBank Group in 2019 would amount to 45.3%.

Annual contribution to the Resolution Fund:

- PLN 116.8 million in Q1/17
- PLN 97.1 million in Q1/18
- PLN 197.3 million in Q1/19

+X.X% Excluding contributions to the BFG

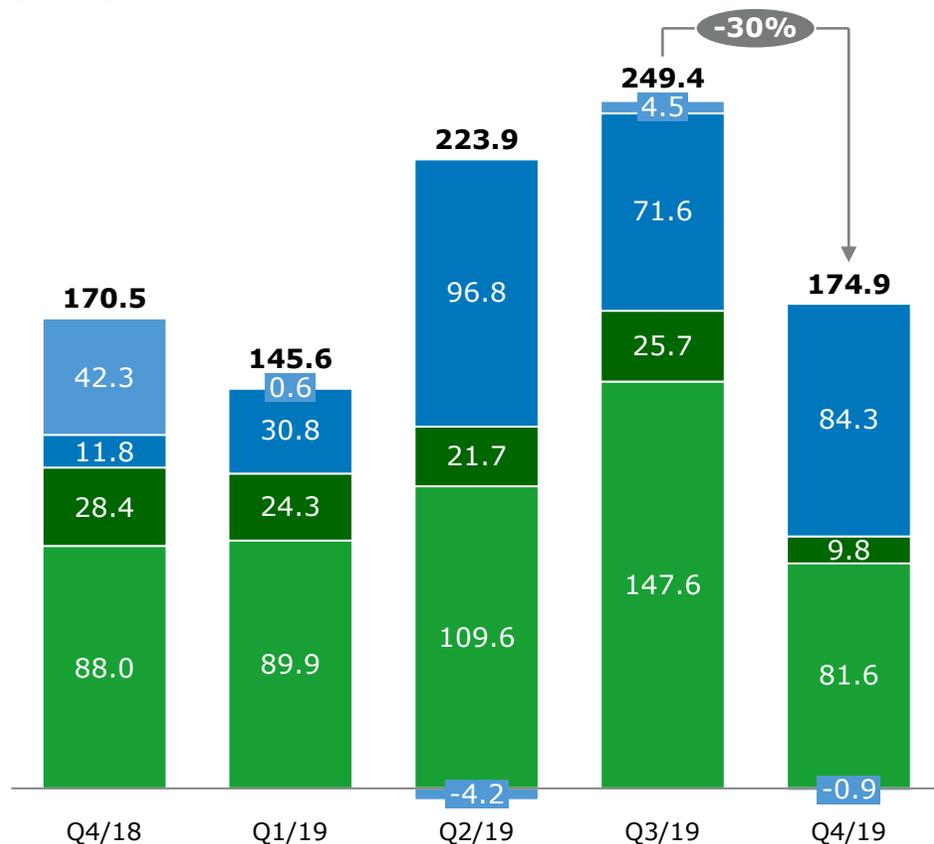


42.2% **Normalized C/I ratio of mBank Group for 2019**
 excluding the provisions for legal risk related to the FX mortgage loans of PLN 387.8 million

Results of mBank Group: Cost of risk

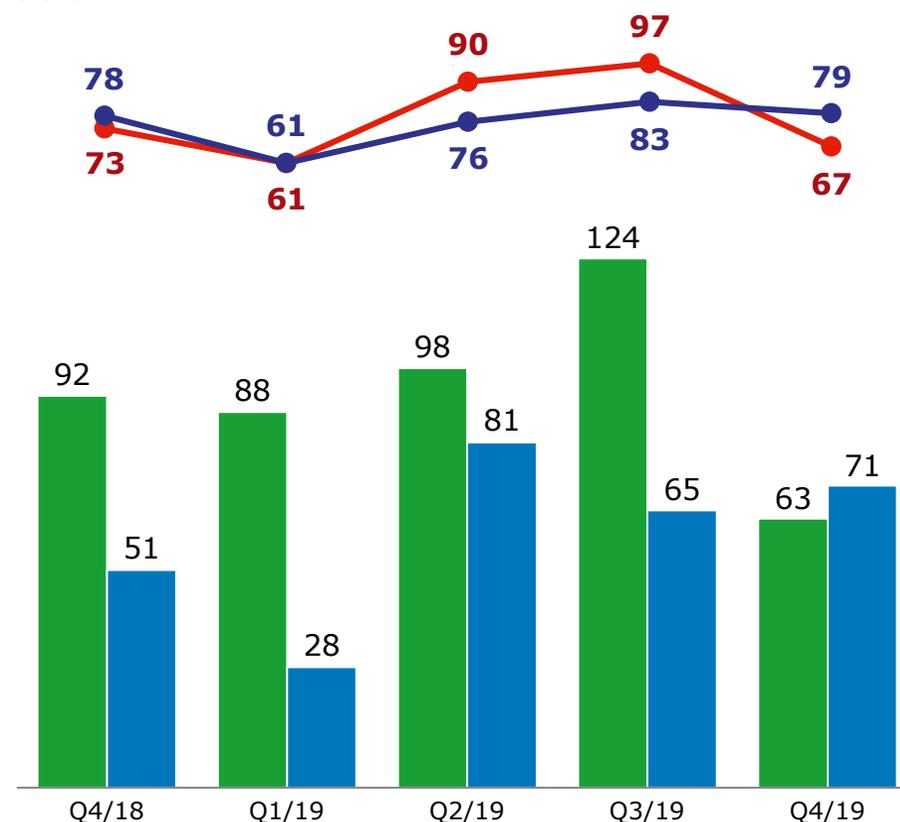
Lower cost of risk in the final quarter, full-year level in line with the guidance

Net Impairment Losses and Fair Value Change on Loans¹
(PLN M)



Retail Banking: ■ at amortized cost ■ at fair value
Corporates and Financial Markets: ■ at amortized cost ■ at fair value

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



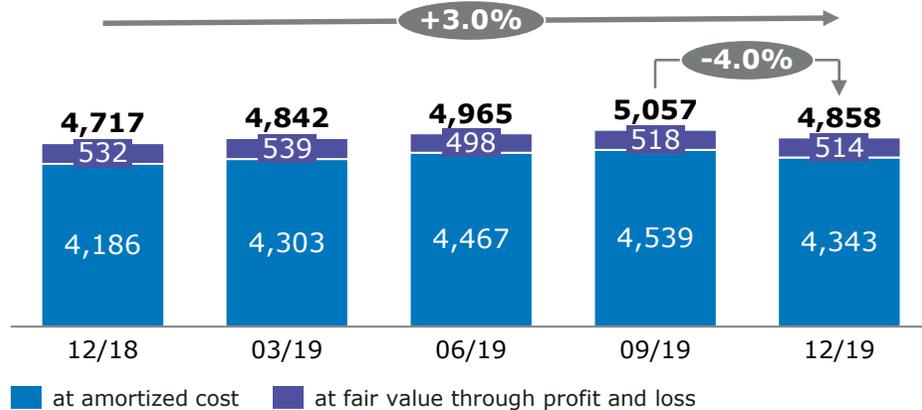
mBank Group's Cost of Risk: ● quarterly ● YtD
■ Retail Portfolio ■ Corporate Portfolio

¹ Sum of 'Impairment on financial assets not measured at fair value through profit or loss' and 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss' (related to loans)

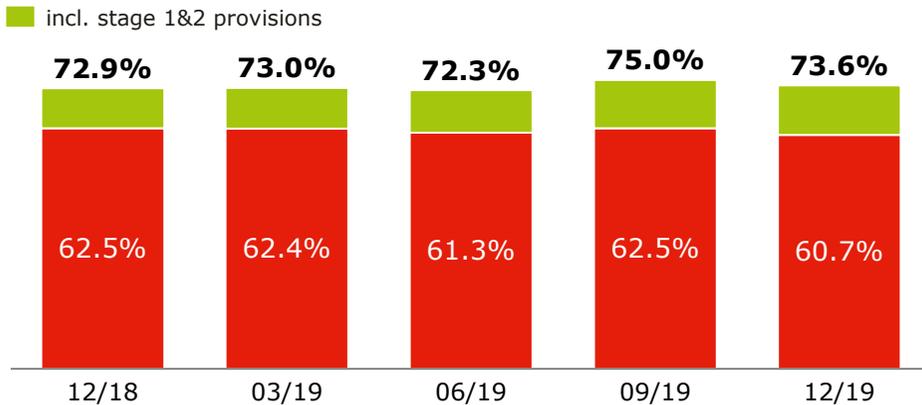
Results of mBank Group: Loan portfolio quality

Robust quality of loan portfolio evidenced by resilient risk indicators

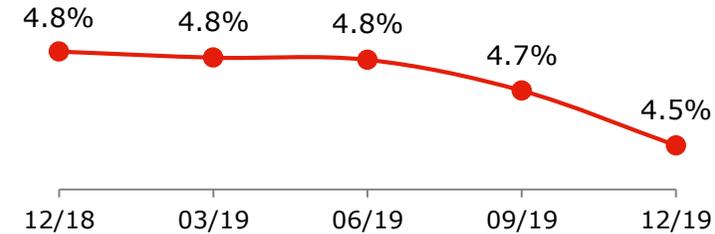
mBank Group's Impaired Loans Portfolio (PLN M)



mBank Group's Coverage Ratio

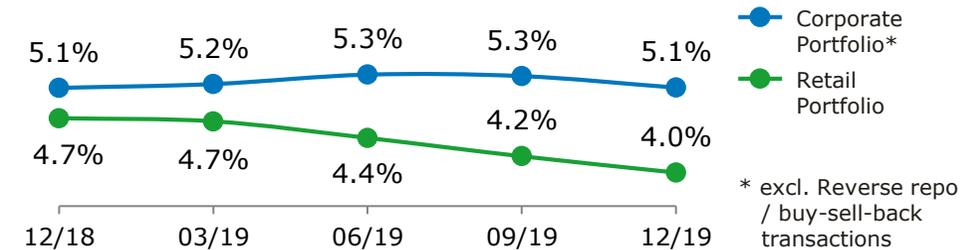


mBank Group's NPL Ratio

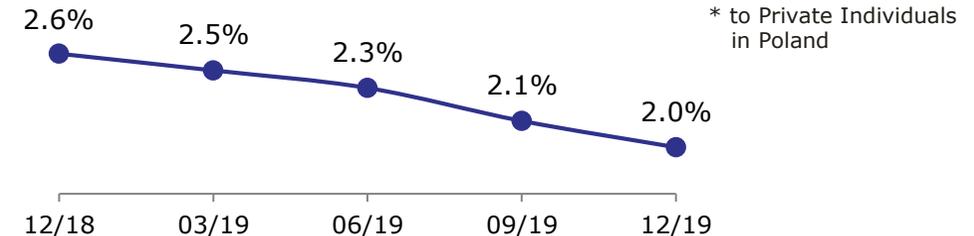


According to EBA definition, consolidated NPL ratio was: **4.03% < 5%** based on guidelines applicable from 30.06.2019

mBank Group's NPL Ratio by segment



NPL Ratio of Mortgage Loan Portfolio*

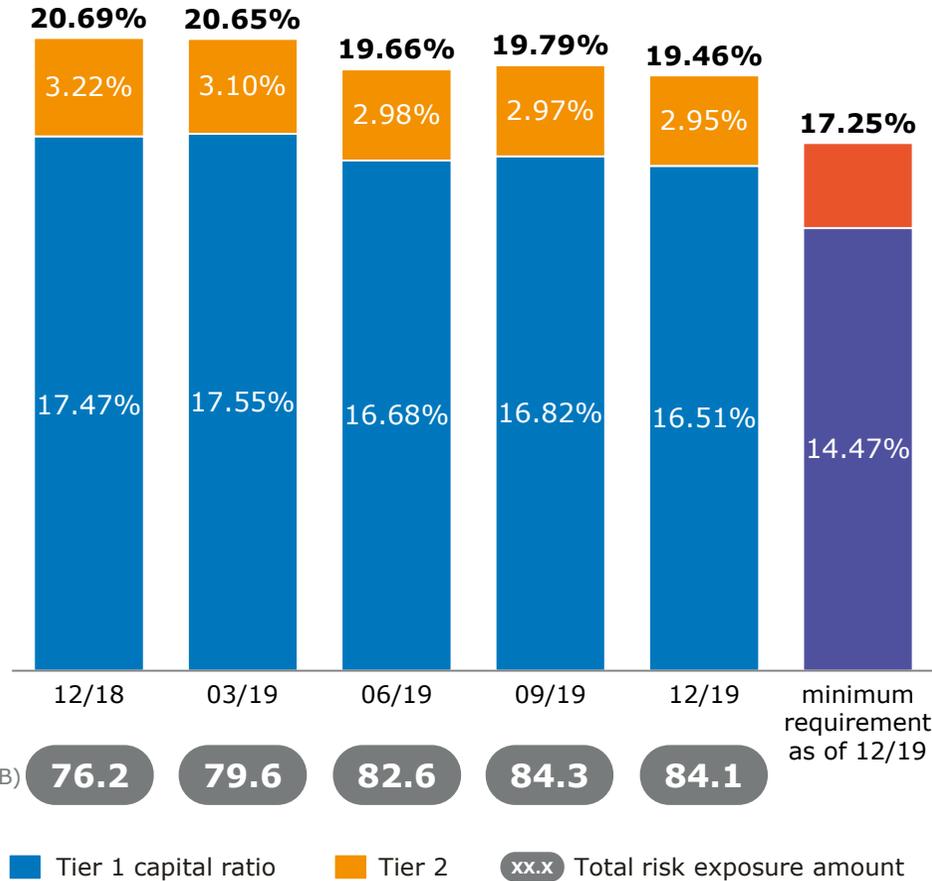


Note: Risk indicators presented for credit portfolio measured both at amortized cost and at fair value through profit or loss. The bank applies a client-oriented approach in its methodology of NPL recognition.

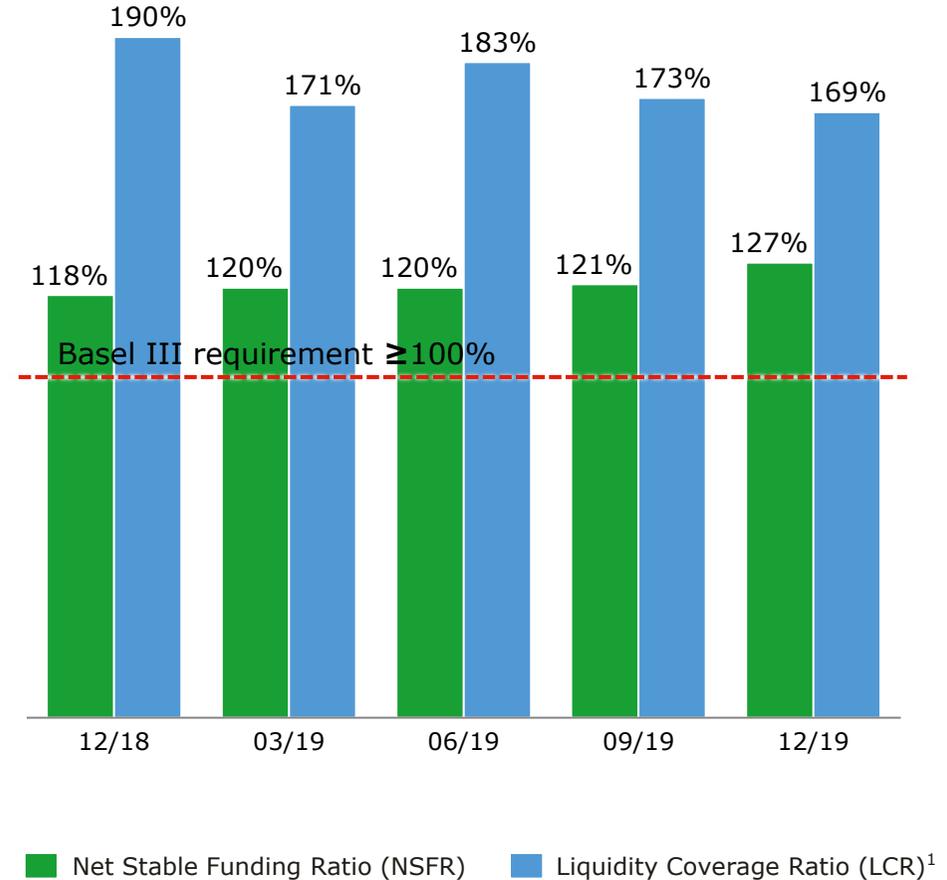
Results of mBank Group: Key regulatory ratios

Strong capital and liquidity position allowing for further business expansion

mBank Group's Total Capital Ratio



mBank's NSFR and LCR



¹ LCR for mBank Group was at 190% as of 31.12.2019

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✓ Key Highlights of 2019 in mBank Group

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Total Income and its Main Components

Total Costs and Efficiency

Loan Loss Provisions and Portfolio Quality

Capital and Liquidity Ratios

✓ Macroeconomic Update and Outlook

✓ Appendix

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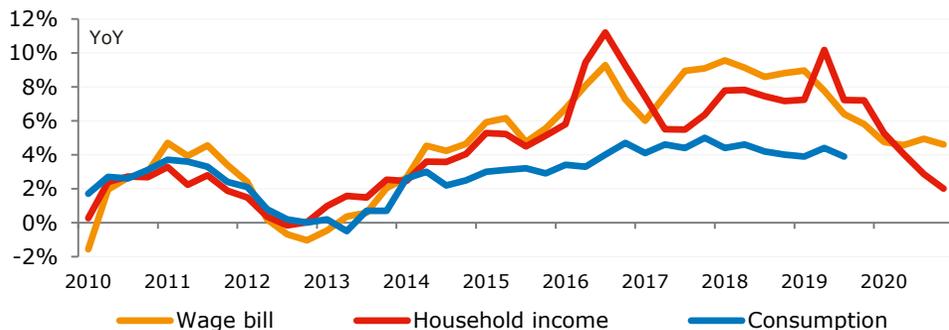
Detailed Results of Business Lines



Macroeconomic Update (1/2)

Polish economy set to slow down visibly in 2020

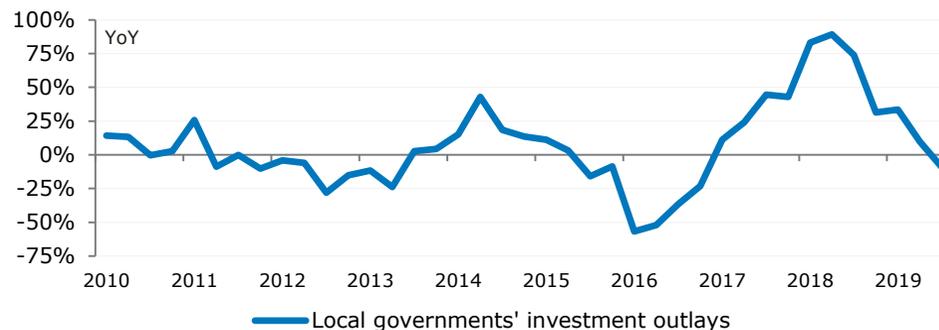
Consumption growth to slow down this year as stimulus fades



- Household consumption will remain the key driver of economic growth. However, cooling labour market, cost-push inflation and fading effects of fiscal stimulus will dampen spending growth this year.

Source: GUS

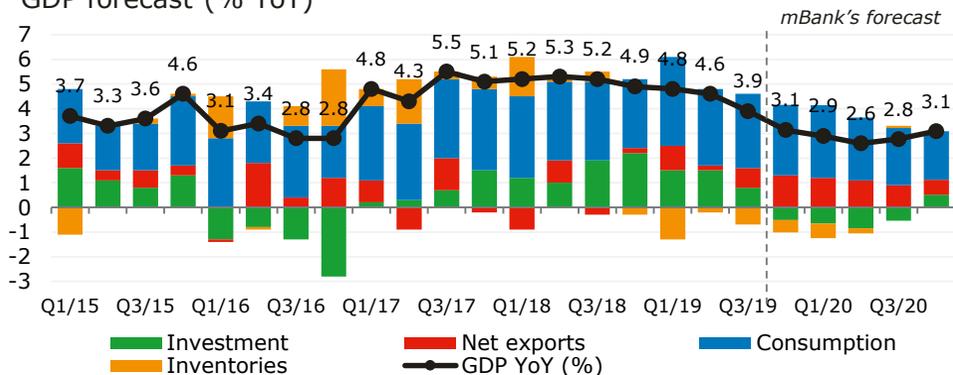
Public investment going into reverse



- Local governments are already cutting investment spending, with other public entities moving in lockstep. Current plans point to a small decline in local government spending this year, with H1/20 marking the bottom.

Source: MoF

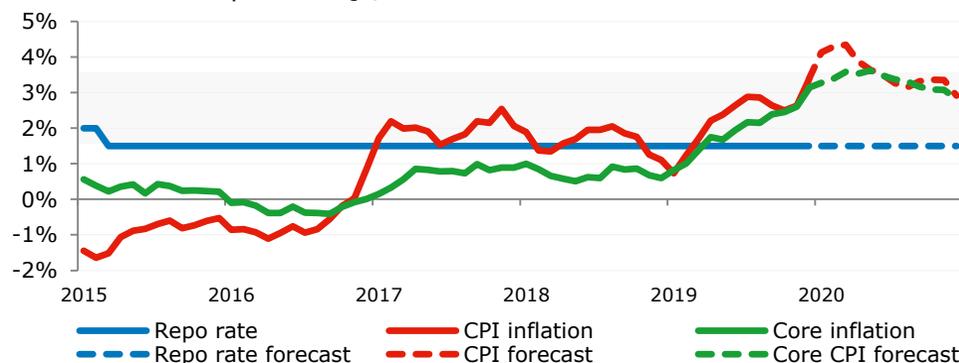
GDP forecast (% YoY)



- With slower consumption growth and public investment going into reverse, mBank's analysts expect lower growth this year. GDP dynamic of 2.8% on average seen in 2020.

Source: GUS

Inflation set to peak in Q1/20 and then come off

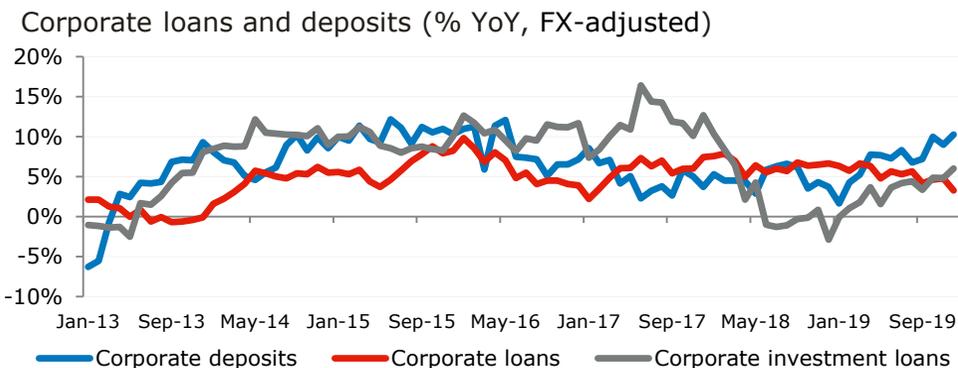


- Inflation will peak in Q1/20 at 4.3-4.4% YoY due to high food and energy prices, and administered prices hikes. Core inflation to remain high. CPI is expected to drift down afterwards, to 3% at year end.

Source: GUS

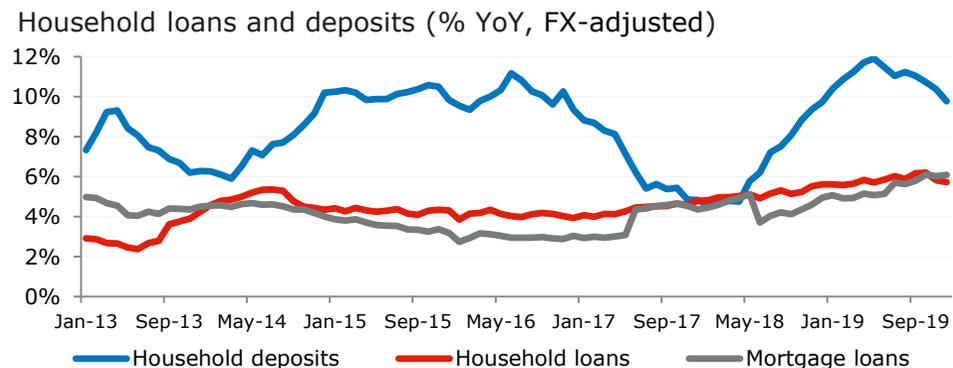
Macroeconomic Update (2/2)

Robust credit growth, deposit dynamics slowing down somewhat



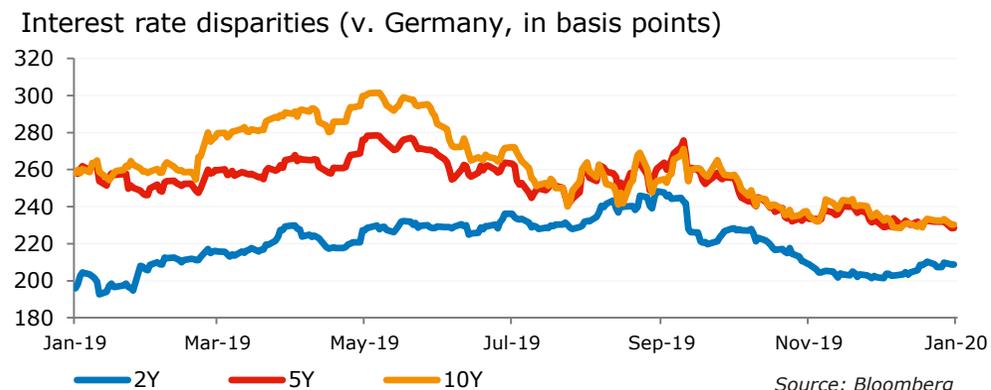
- Corporate deposits rebounded due to smaller pressure on profit margins, waning effects of anti-tax-avoidance measures and slower labour cost growth. Corporate lending will likely follow GDP growth.

Source: NBP



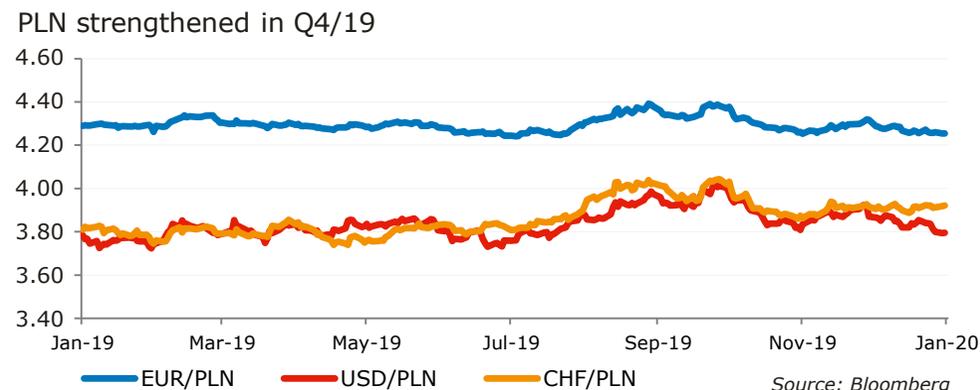
- Household deposits decelerated visibly as the effects of fiscal stimulus wane and demand for new homes and flats remains high. Record sales of new mortgage loans in 2019, but will cool down.

Source: NBP



Source: Bloomberg

- As tail risks in the global economy were pushed away from investors minds and bets on higher global growth took hold, Polish yields continued to decline relative to Germany.



Source: Bloomberg

- Monetary stimulus globally, more favourable sentiment for risky assets and lack of local risks have all led to stronger PLN at the end of 2019. Mid-term perspective is one of the weaker currency due to very low real interest rates.

Economic forecasts and impact on mBank Group

Macroeconomic environment and challenges for the banking sector

Key economic indicators

	2018	2019	2020F
GDP growth (YoY)	5.1%	4.0%	2.8%
Domestic demand (YoY)	5.3%	3.8%	2.8%
Private consumption (YoY)	4.3%	3.9%	3.3%
Investment (YoY)	8.9%	7.8%	-2.8%
Inflation (eop)	1.1%	3.4%	3.0%
MPC rate (eop)	1.50	1.50	1.50
CHF/PLN (eop)	3.82	3.92	4.06
EUR/PLN (eop)	4.30	4.25	4.40

Banking sector – monetary aggregates YoY

	2018	2019	2020F
Corporate loans	7.5%	3.0%	5.9%
Household loans	6.8%	6.1%	7.4%
Mortgage loans	6.8%	6.7%	9.0%
Non-mortgage loans	6.8%	5.1%	4.9%
Corporate deposits	4.3%	10.0%	6.8%
Household deposits	10.1%	9.7%	6.2%

Source: mBank's estimates as of 03.02.2020.

Short-term outlook for mBank

Net interest income & NIM (Slightly positive) 

- Continued gradual increase of margin driven by changing structure of loan portfolio (more higher-yielding products)
- Very limited room for further reduction of funding costs

Net Fee & Commission income (Slightly positive) 

- Constantly rising transactionality and strong client acquisition
- Selective adjustment of tariff of fees and commissions

Total costs (Slightly negative) 

- Underlying expenses to be kept under control
- Rising amortisation due to ongoing investments in IT
- Potential higher contribution to the Bank Guarantee Fund

Loan Loss Provisions (Slightly negative) 

- Some downside risk due to changing loan book mix
- Resilient asset quality supported by good financial standing of both retail and corporate customers
- Expected slowdown in the Polish economy

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Detailed Results of Business Lines



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Selected Financial Data: Consolidated Profit and Loss Account

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Quarterly results (PLN thou.)	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19
Net interest income	923,329	930,253	997,780	1,064,238	1,010,501
Net fee and commission income	219,246	228,846	225,812	248,462	261,483
Dividend income	222	223	3,428	298	271
Net trading income	105,874	102,882	103,515	121,765	112,368
Gains less losses from financial assets ¹	-3,036	27,716	17,785	100,718	39,319
Net other operating income	1,509	-23,978	4,039	-38,664	-14,632
Total income	1,247,144	1,265,942	1,352,359	1,496,817	1,409,310
Total operating costs	-522,757	-715,782	-537,120	-542,527	-533,726
<i>Overhead costs</i>	-457,380	-625,744	-448,980	-450,694	-428,239
<i>Amortisation</i>	-65,377	-90,038	-88,140	-91,833	-105,487
Loan loss provisions and fair value change ²	-170,514	-145,634	-223,930	-249,357	-174,863
Provisions for legal risk related to FX loans	-2,974	-4,592	-23,182	-66,559	-293,453
Operating profit	550,899	399,934	568,127	638,374	407,268
Taxes on the Group balance sheet items	-104,510	-109,932	-108,954	-118,392	-121,380
Result on entities under the equity method	344	0	0	0	0
Profit before income tax	446,733	290,002	459,173	519,982	285,888
Net profit attributable to owners of mBank	316,625	163,173	372,413	358,512	116,252

¹ Including a part of 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss' related to equity instruments and debt securities (without related to loans and advances)

² Sum of 'Impairment on financial assets not measured at fair value through profit or loss' and 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss' (related to loans)

Note: Results for Q4/18-Q3/19 were restated to reflect retrospectively the reclassification of provisions for legal risk related to FX mortgage loans to the separate line.

Appendix

Selected Financial Data: Consolidated Statement of Financial Position

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Assets (PLN thou.)	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19
Cash and balances with Central Bank	9,199,264	5,553,368	6,689,767	8,454,457	7,897,010
Loans and advances to banks	2,546,346	4,020,545	3,079,814	4,792,282	4,341,758
Trading securities	1,085,496	3,504,045	2,529,666	789,833	1,733,569
Derivative financial instruments	1,006,079	991,096	1,139,940	1,180,589	959,776
Loans and advances to customers	94,765,753	97,722,784	100,421,485	104,725,600	105,347,475
Investment securities	33,469,728	34,672,335	34,293,826	34,756,064	34,305,184
Intangible assets	776,175	814,898	822,131	876,595	955,440
Tangible fixed assets	785,026	1,324,958	1,304,153	1,268,686	1,262,397
Other assets	2,146,691	2,214,630	2,152,431	1,929,939	1,917,974
Total assets	145,780,558	150,818,659	152,433,213	158,774,045	158,720,583
Liabilities (PLN thou.)	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19
Amounts due to banks	3,108,826	2,473,528	2,974,908	2,458,291	1,166,871
Derivative financial instruments	981,117	981,254	1,082,915	1,051,119	948,764
Customer deposits	102,009,062	107,648,204	110,341,075	115,965,629	116,661,138
Debt securities in issue	18,049,583	18,441,265	16,563,922	16,716,850	17,435,143
Subordinated liabilities	2,474,163	2,482,086	2,477,664	2,526,217	2,500,217
Other liabilities	3,986,600	3,524,918	3,316,460	3,965,573	3,855,145
Total liabilities	130,609,351	135,551,255	136,756,944	142,683,679	142,567,278
Total equity	15,171,207	15,267,404	15,676,269	16,090,366	16,153,305
Total liabilities and equity	145,780,558	150,818,659	152,433,213	158,774,045	158,720,583

Appendix

Selected Financial Data: mBank Group's Ratios

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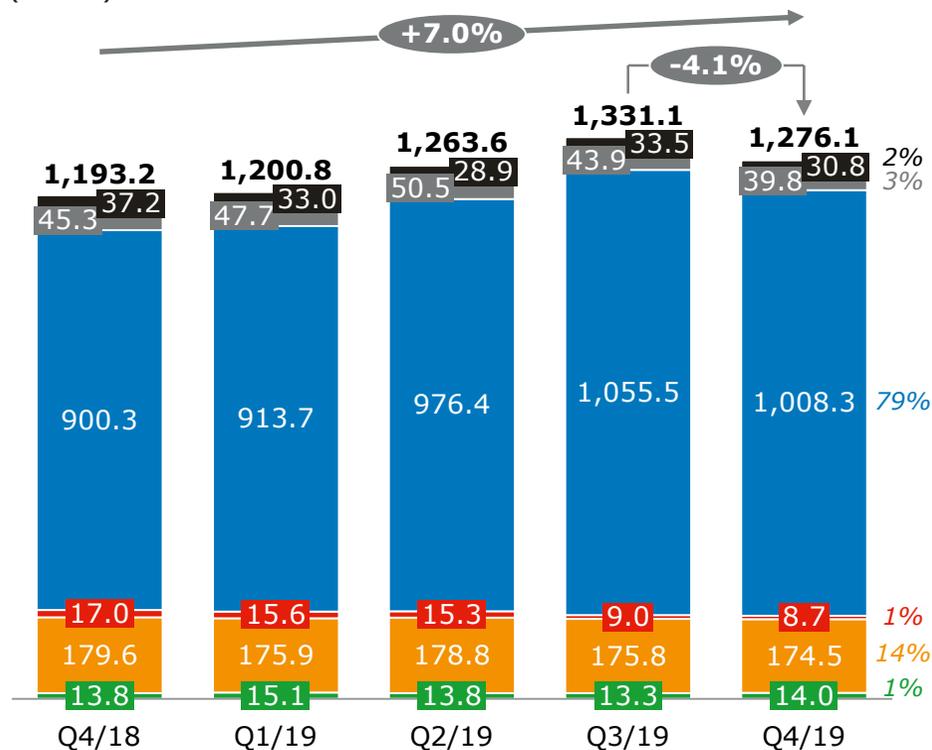
Financial Ratios	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19
Net Interest Margin (<i>quarterly</i>)	2.60%	2.60%	2.75%	2.81%	2.60%
Net Interest Margin YtD	2.58%	2.60%	2.68%	2.72%	2.69%
Net Interest Margin YtD (excl. CHF portfolio)	2.86%	2.85%	2.94%	2.98%	2.94%
Cost/Income Ratio (<i>quarterly</i>)	41.9%	56.5%	39.7%	36.2%	37.9%
Cost/Income Ratio YtD	42.6%	56.5%	47.9%	43.6%	42.2%
Cost of Risk (<i>quarterly</i>)	0.73%	0.61%	0.90%	0.97%	0.67%
Cost of Risk YtD	0.78%	0.61%	0.76%	0.83%	0.79%
ROE net (<i>quarterly</i>)	9.07%	4.36%	9.86%	9.33%	3.03%
ROE net YtD	9.39%	4.36%	7.13%	7.87%	6.65%
ROA net (<i>quarterly</i>)	0.86%	0.44%	0.99%	0.91%	0.29%
ROA net YtD	0.93%	0.44%	0.72%	0.78%	0.66%
Loan-to-Deposit Ratio	92.9%	90.7%	91.0%	90.3%	90.3%
Total Capital Ratio	20.69%	20.65%	19.66%	19.79%	19.46%
Tier 1 Capital Ratio	17.47%	17.55%	16.68%	16.82%	16.51%
Equity / Assets	10.4%	10.1%	10.3%	10.1%	10.2%
TREA / Assets	52.3%	52.8%	54.2%	53.1%	53.0%
NPL ratio	4.8%	4.8%	4.8%	4.7%	4.5%
NPL coverage ratio	62.5%	62.4%	61.3%	62.5%	60.7%
NPL coverage ratio incl. stage 1&2 provisions	72.9%	73.0%	72.3%	75.0%	73.6%

Appendix

Selected Financial Data Profit and Loss Account: Net Interest Income

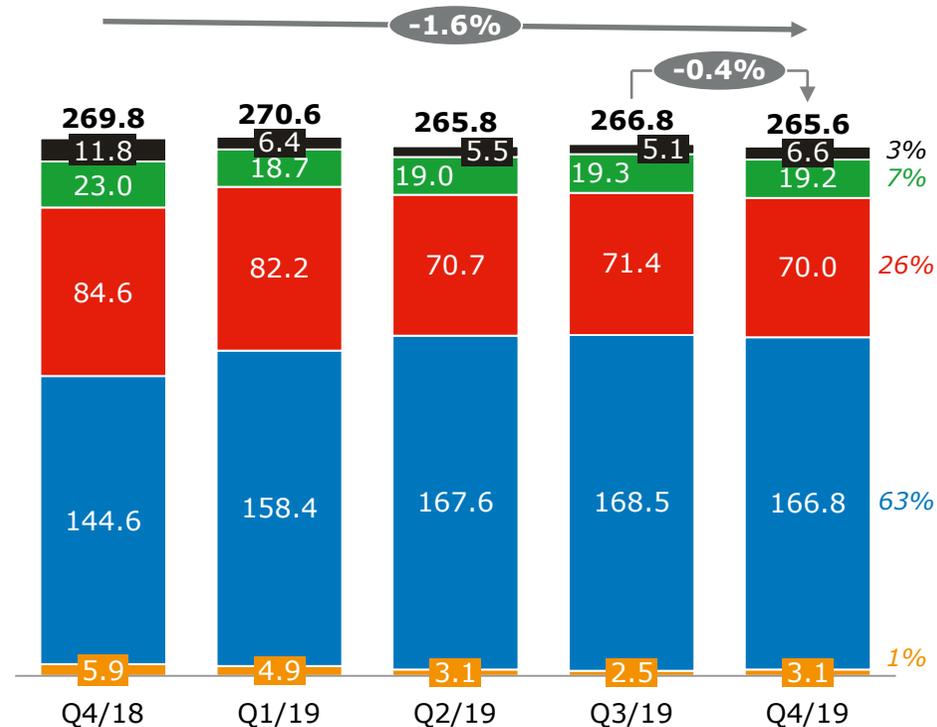
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Interest Income Structure
(PLN M)



- Cash and short-term deposits
- Loans and advances
- Investment securities
- Derivatives classified into banking book
- Debt securities held for trading
- Other

Interest Expense Structure
(PLN M)



- Loans received
- Deposits (incl. from banks)
- Issue of debt securities
- Subordinated liabilities
- Other

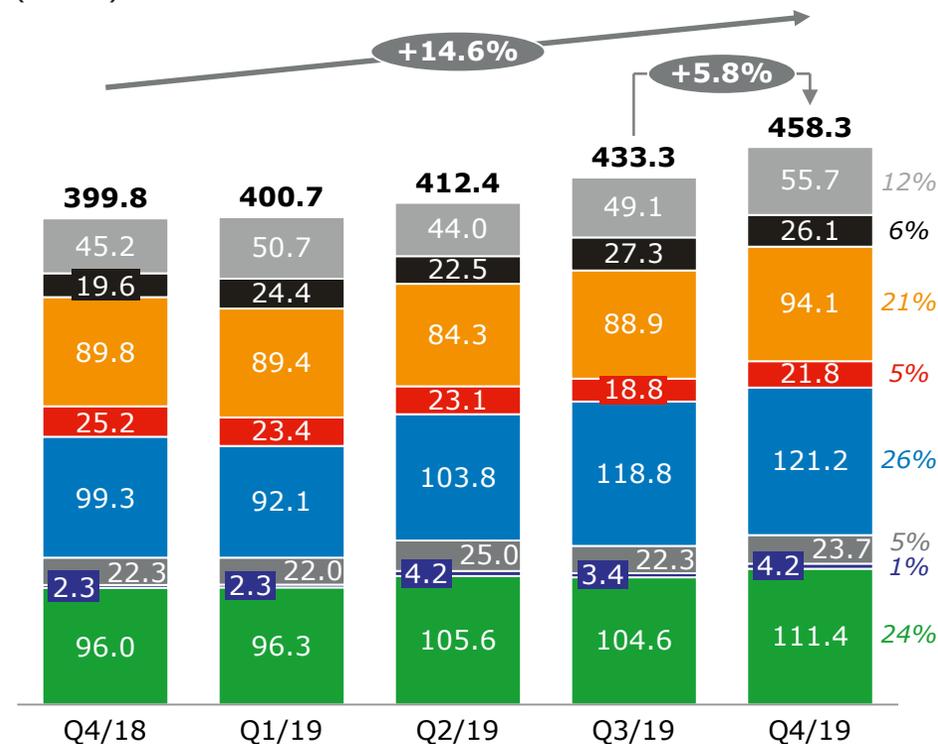
Appendix

Selected Financial Data

Profit and Loss Account: Net Fee and Commission Income

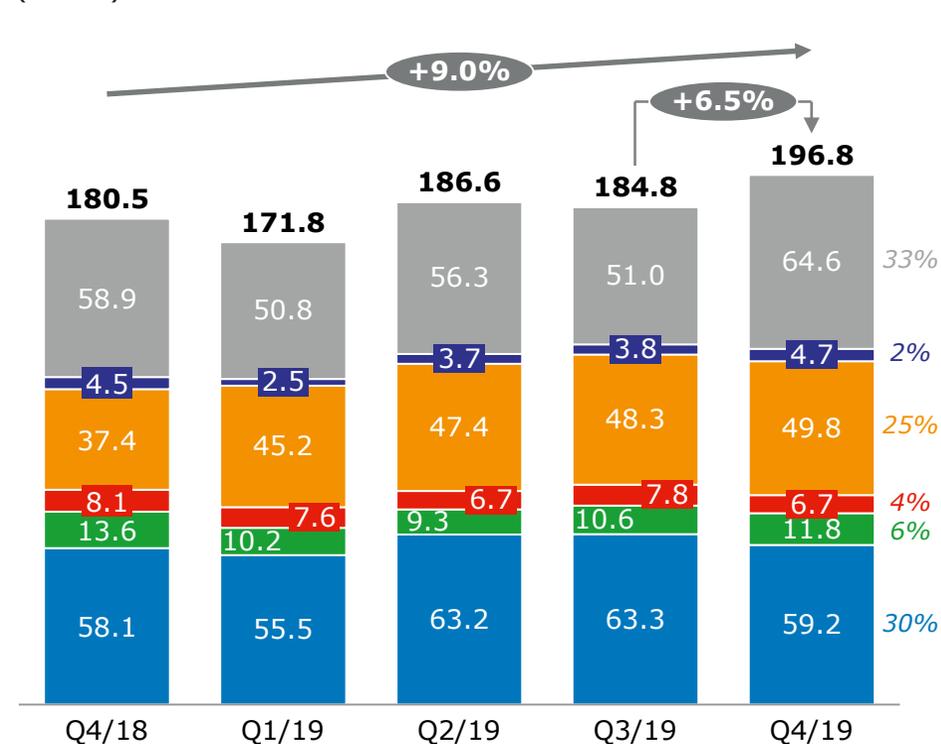
Summary
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Fee and Commission Income Structure (PLN M)



- Credit related fees
- Portfolio management
- Guarantees and trade finance
- Payment card fees
- Brokerage activity & securities issue
- Accounts & money transfers
- Insurance activity
- Other (incl. custody)

Fee and Commission Expense Structure (PLN M)



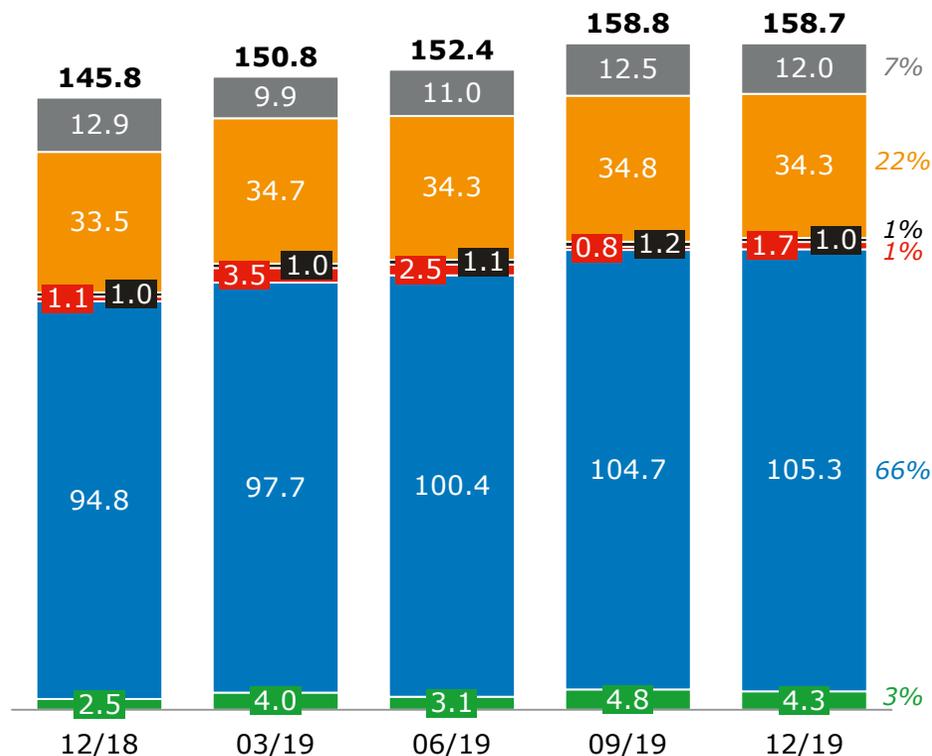
- Payment card fees
- Cash handling fees
- Discharged brokerage fees
- Commissions paid to external entities
- Fees paid to NBP and KIR
- Other (incl. insurance activity)

Appendix

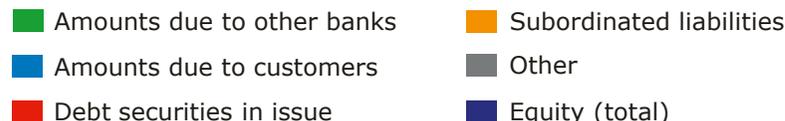
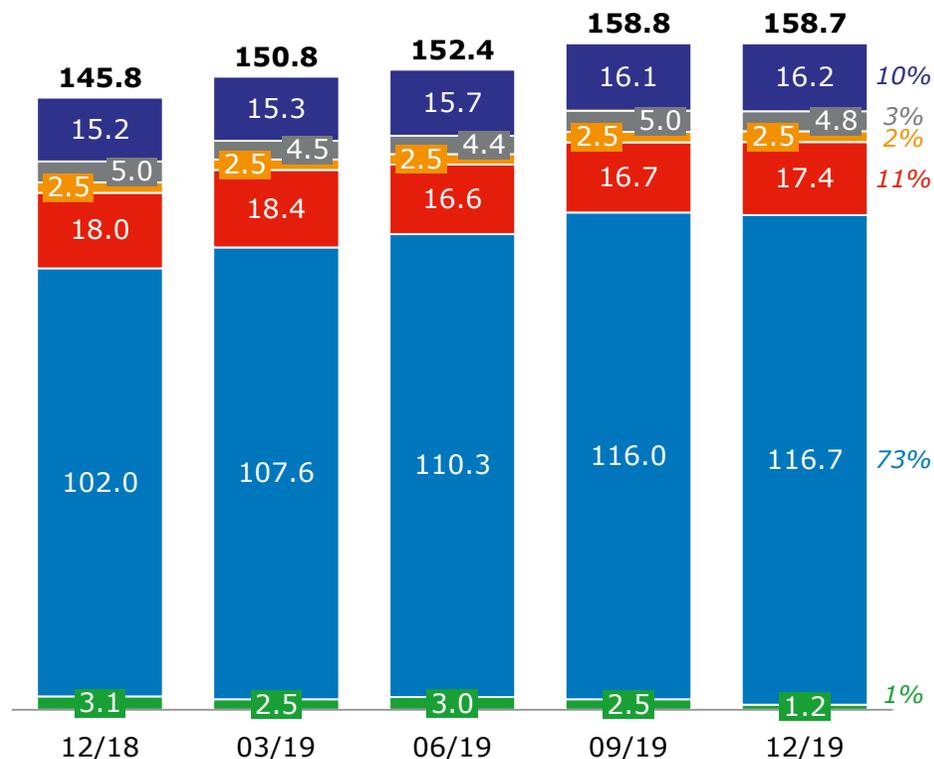
Selected Financial Data Balance Sheet Analysis: Assets & Liabilities

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Structure of Assets
(PLN B)



Structure of Liabilities and Equity
(PLN B)



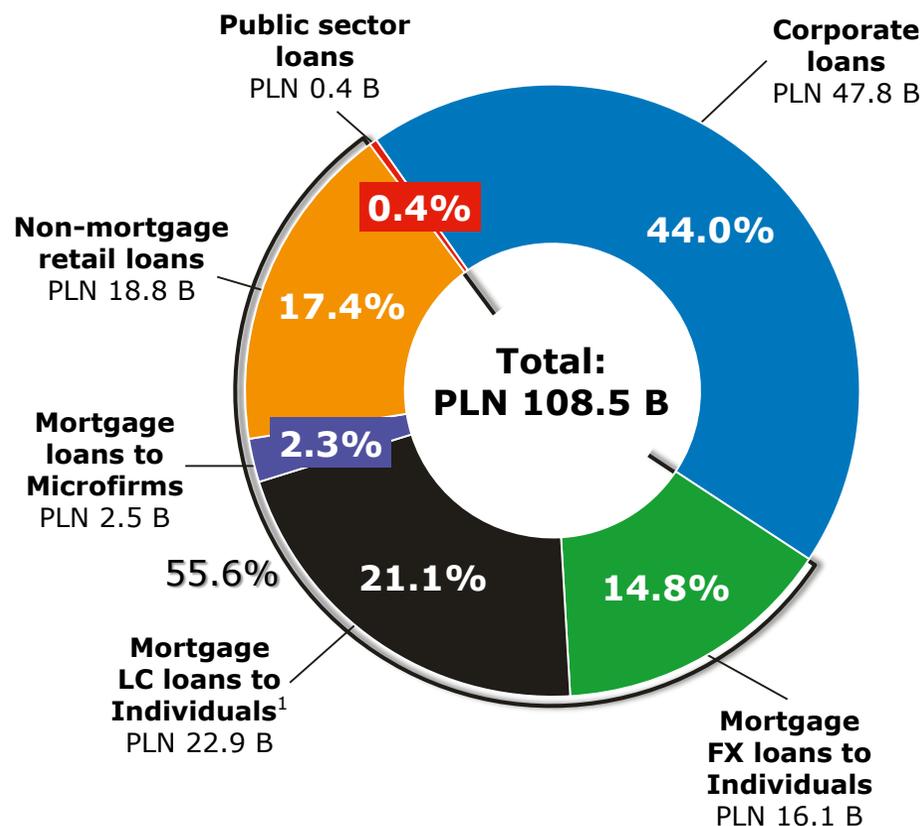
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Balance Sheet Analysis: Structure of Loans and Deposits

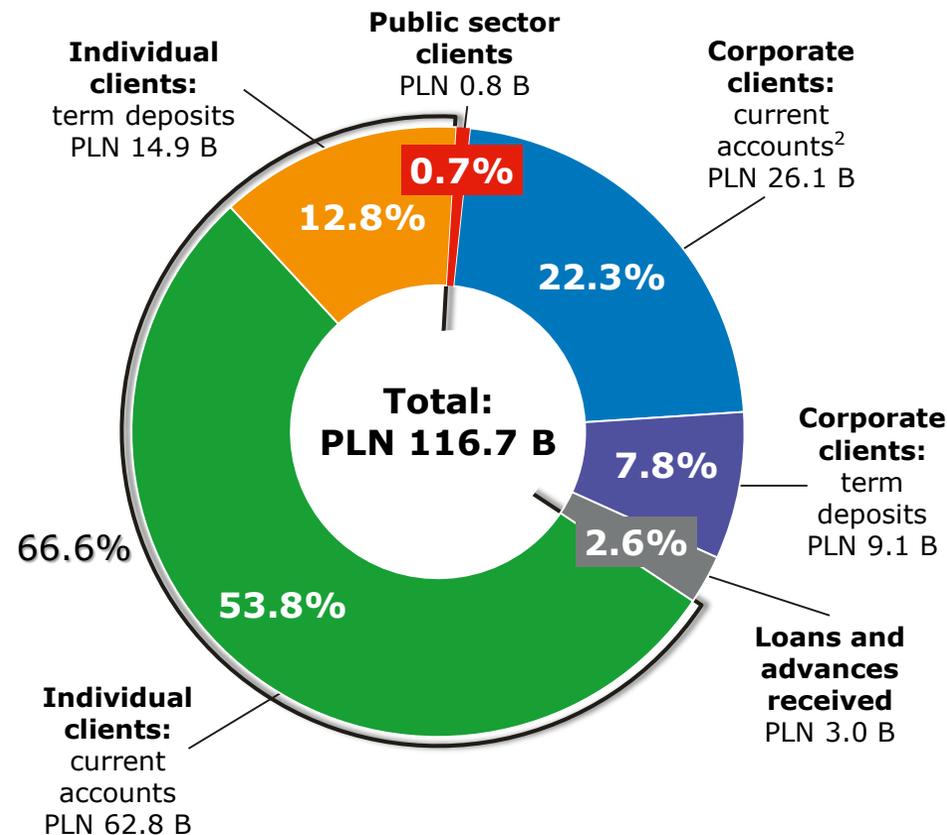
Summary
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Structure of mBank Group's gross loans and advances to customers as of 31.12.2019



¹ Including local currency mortgage loans granted in Poland, the Czech Republic and Slovakia

Structure of mBank Group's amounts due to customers as of 31.12.2019

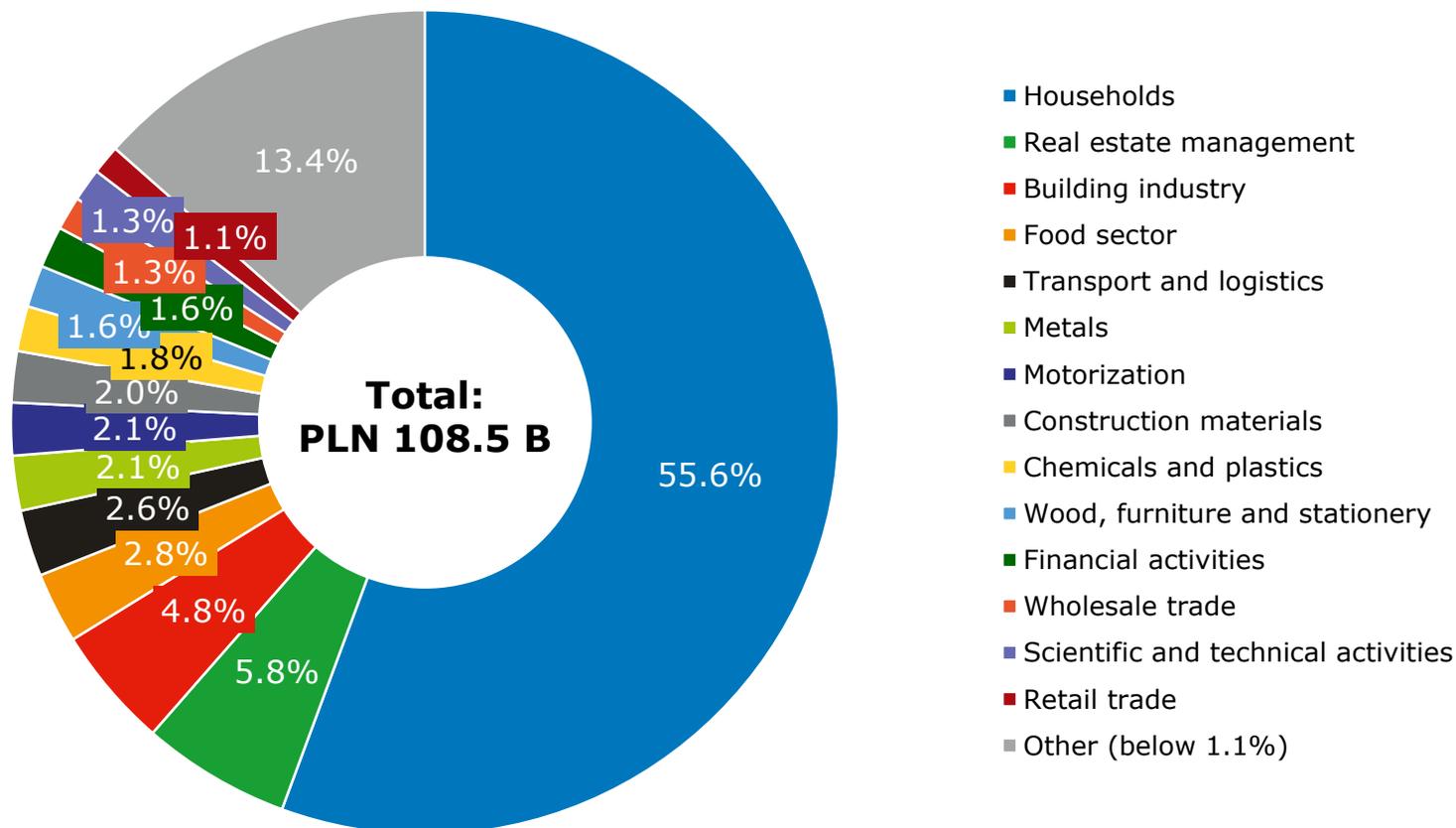


² Including repo transactions

Appendix

Selected Financial Data Balance Sheet Analysis: Loan Portfolio Structure

mBank Group's Sector Exposure by Industry
as of 31.12.2019



A well diversified loan portfolio with granular structure

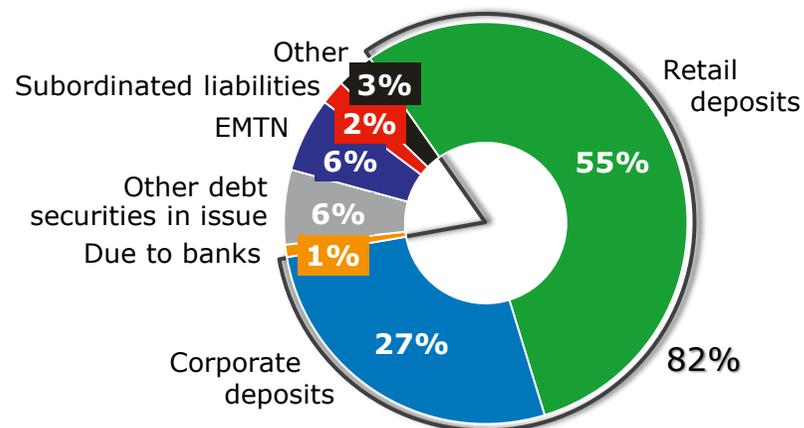
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Balance Sheet Analysis: Funding Structure and Liquidity Levels

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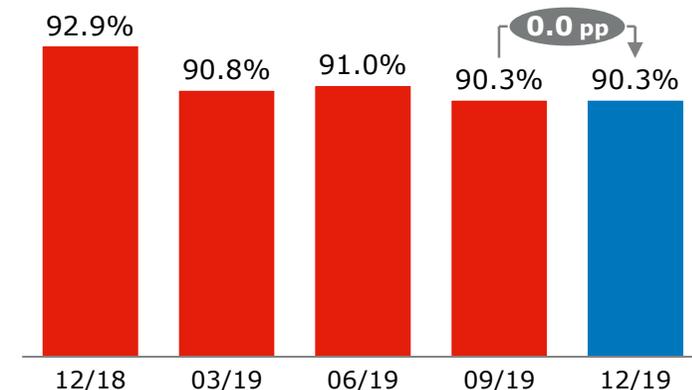
mBank Group's Funding Structure as of 31.12.2019



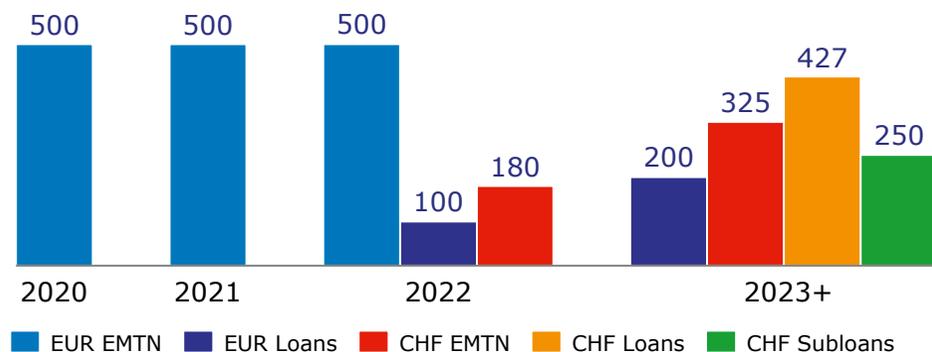
mBank's ratings

Fitch	
Long-term rating	BBB-
Short-term rating	F3
Standard & Poor's	
Long-term credit rating	BBB
Short-term credit rating	A-2

Loan-to-Deposit Ratio



Maturity of long-term funding instruments in original currencies as of 31.12.2019 (LC in million)



Summary of Issues under Euro Medium Term Note (EMTN) Programme

Issue size	Issue date	Maturity date	Tenor	Coupon
EUR 500 M	26-11-2014	26-11-2021	7.0 Y	2.000%
EUR 500 M	26-09-2016	26-09-2020	4.0 Y	1.398%
CHF 200 M	28-03-2017	28-03-2023	6.0 Y	1.005%
CHF 180 M	07-06-2018	07-06-2022	4.0 Y	0.565%
EUR 500 M	05-09-2018	05-09-2022	4.0 Y	1.058%
CHF 125 M	05-04-2019	04-10-2024	5.5 Y	1.0183%

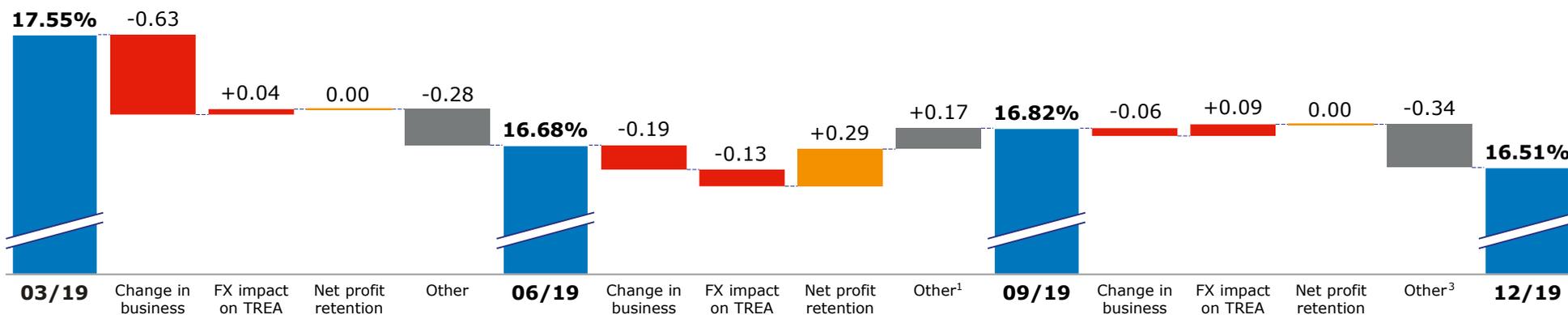
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Selected Financial Data

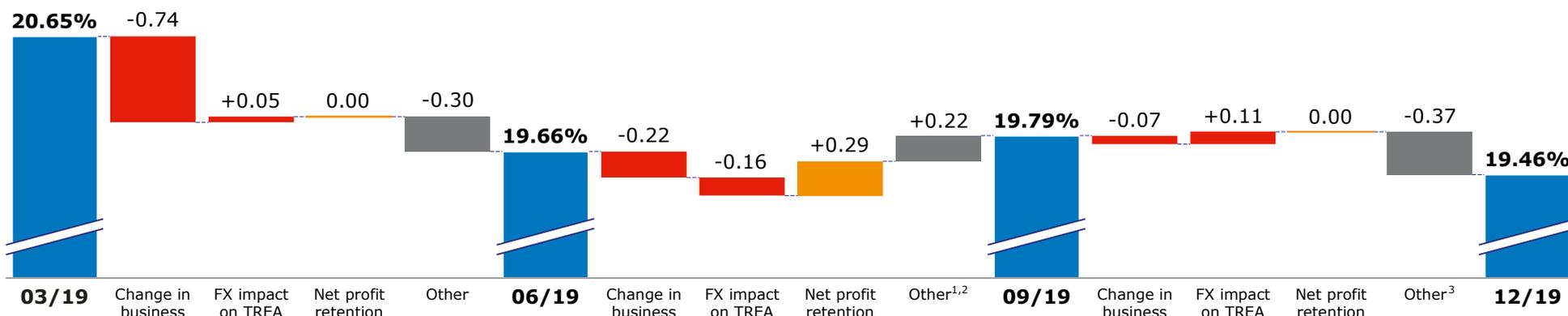
Balance Sheet Analysis: Detailed Development of Capital Ratios

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mBank Group's Tier 1 Capital Ratio



mBank Group's Total Capital Ratio



¹ Lower CET 1 capital deductions mainly due to a decrease of loan loss provisions related to the inclusion of net profit for 1H'19 with positive impact on capital ratios of 13 bps QoQ

² Increase of the value of Tier 2 eligible subordinated loan (CHF 250 M) due to PLN depreciation with positive impact on TCR of 6 bps QoQ

³ Higher CET 1 capital deductions mainly due to taking into account loan loss provisions for Q4/19 (impact of -20 bps QoQ) and an increase in intangible assets (impact of -9 bps QoQ)

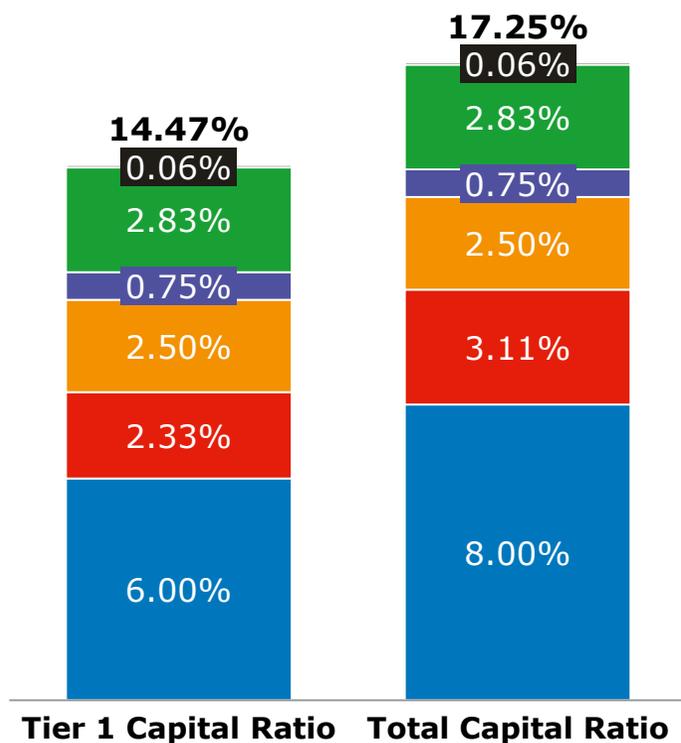
Appendix

Selected Financial Data

Balance Sheet Analysis: Details of Capital Requirements

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Regulatory capital requirements for mBank Group as of 31.12.2019



- Countercyclical Capital Buffer (CCyB)** is calculated as the weighted average of the countercyclical buffer rates that apply in the countries where the relevant credit exposures of the Group are located.
- Systemic Risk Buffer (SRB)** determined at 3.0% in Poland entering into force from 01.01.2018; for mBank it applies only to domestic exposures.
- Other Systemically Important Institution (O-SII) Buffer** imposed by an administrative decision of the PFSA, in which mBank has been identified as other systemically important institution; its level is reviewed annually.
- Conservation Capital Buffer (CCB)** is equal for all banks in Poland as introduced by the Act on Macroprudential Supervision Over the Financial System and Crisis Management in the Financial System; it was implemented gradually and raised from 1.25% to 2.5% starting from 01.01.2019.
- Individual additional Pillar 2 capital requirement for risk related to FX retail mortgage loans (FXP2)** imposed as a result of risk assessment carried out by the PFSA within the supervisory review and evaluation process ("SREP"); its level is reviewed annually.
- CRR Regulation minimum level (CRR)** based on Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

The MREL requirement on mBank's sub-consolidated basis communicated by the BFG on 05.02.2020 amounts to 14.54% of the total liabilities and own funds which corresponds to 27.515% of total risk exposure and should be met by 01.01.2023.

Detailed Results of the Business Lines in Q4/19

Retail Banking

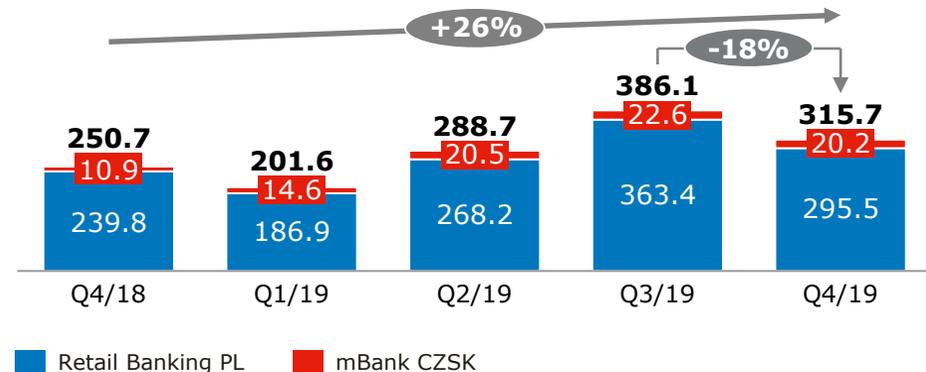
Appendix

Retail Banking Summary of Q4/19: Financial and Business Results

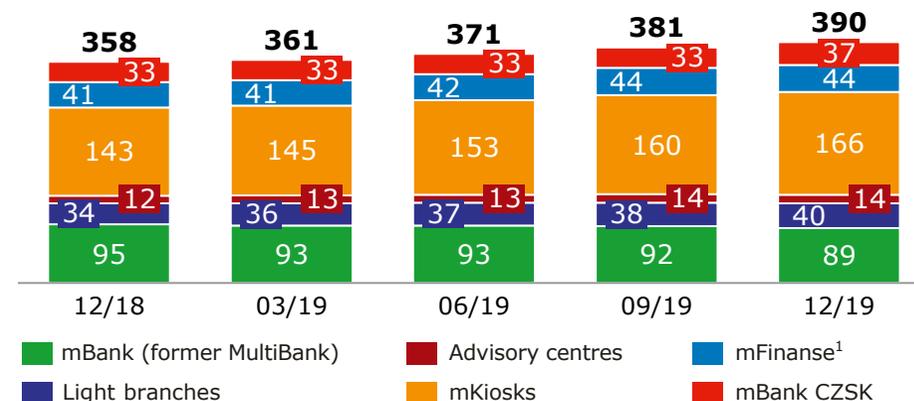
Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

Profit before Tax of the Segment
(PLN M, by quarter)

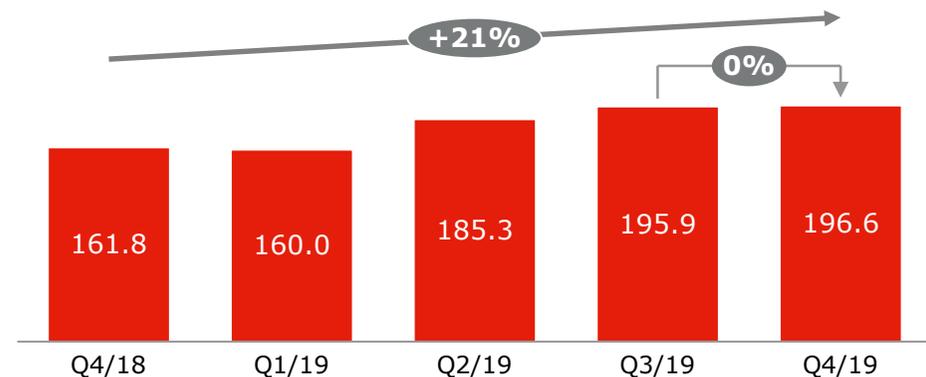
Presented without provisions for legal risk related to FX mortgage loans



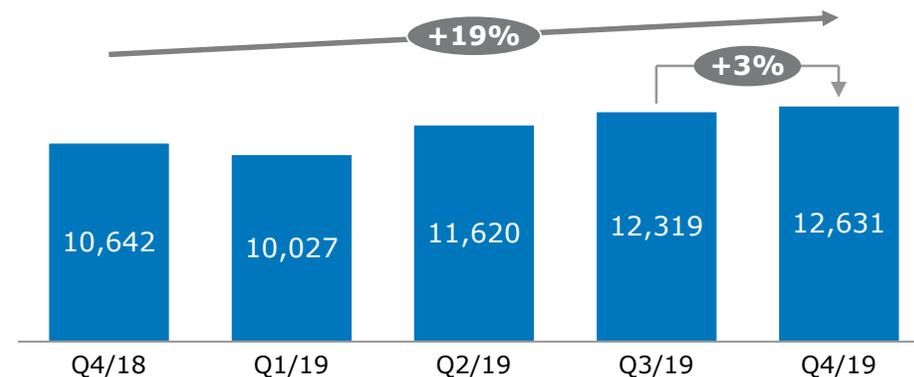
Number of Retail Service Locations



Number of non-cash transactions with payment cards
(M, by quarter)



Value of non-cash transactions with payment cards
(PLN M, by quarter)



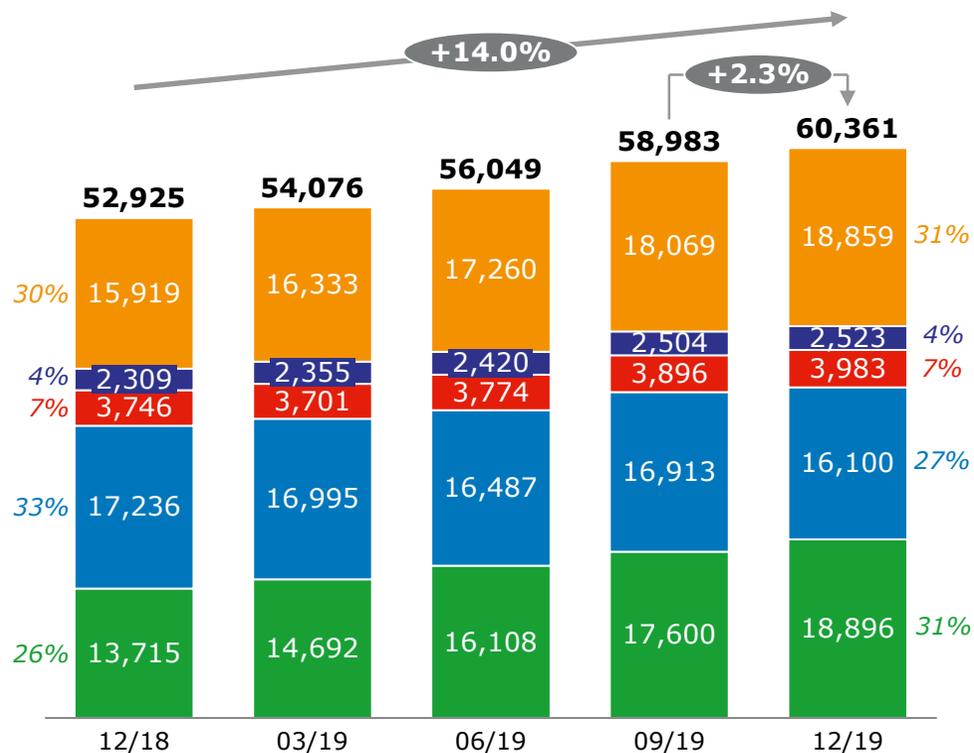
¹ Including financial centres and agency service points

Appendix

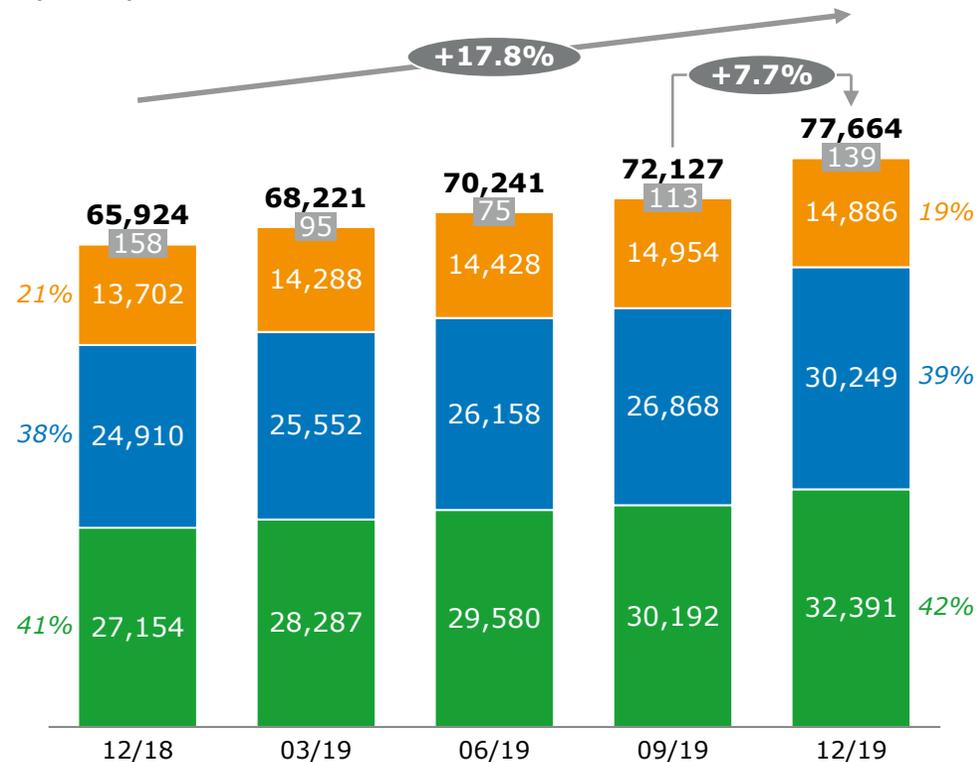
Retail Banking Summary of Q4/19: Loans and Deposits

Summary
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Business Lines
Subsidiaries
Historical view

Gross Loans to Retail Banking Clients¹
(PLN M)



Deposits from Retail Banking Clients
(PLN M)



- PLN mortgage loans to Individuals
- FX mortgage loans to Individuals granted in PL
- Mortgage loans granted in CZSK
- Mortgage loans to Microfirms
- Non-mortgage loans

- Current accounts
- Saving accounts
- Term deposits
- Other

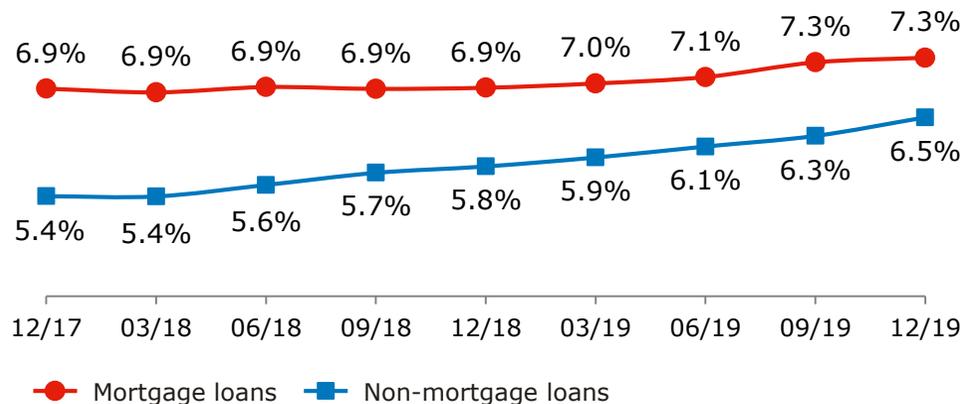
¹ Currency and geographical breakdown based on management information

Appendix

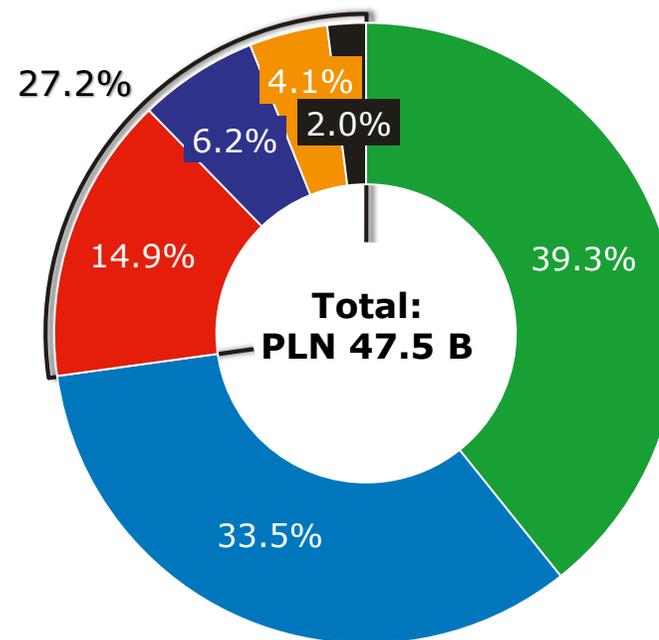
Retail Banking Loan Portfolio Structure of mBank Group in Poland

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

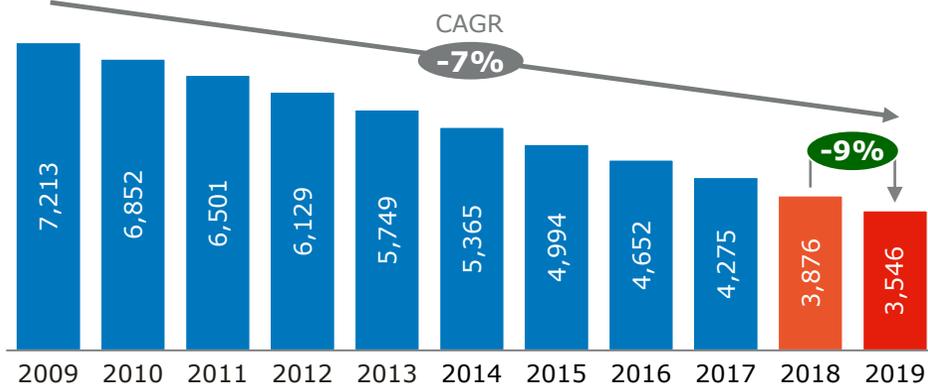
Market Shares in Household Loans in Poland



Product Structure of Retail Banking Loan Portfolio in Poland as of 31.12.2019



mBank's Gross CHF Loan Portfolio to Retail Clients (CHF M)



- PLN Mortgage loans
- Cash loans
- Credit cards
- FX Mortgage loans
- Credit lines
- Other

Appendix

Retail Banking mBank's Mobile Application: Functionalities and Users

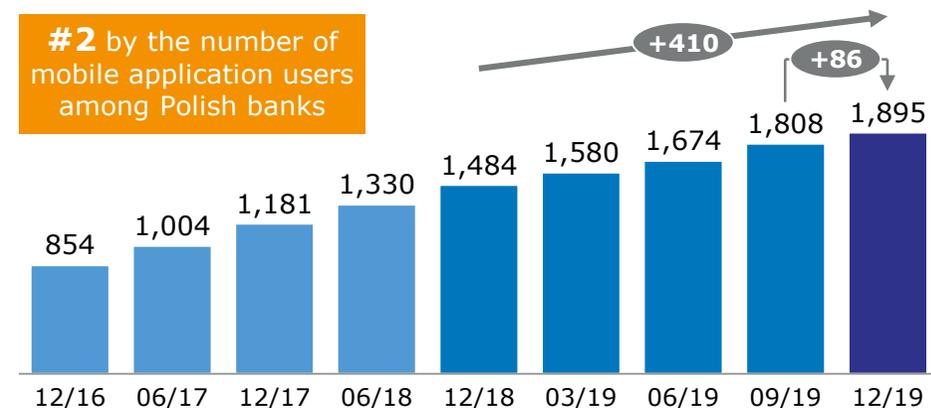
Summary
Profit & Loss
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Subsidiaries
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Focus on client convenience through well-designed functionalities

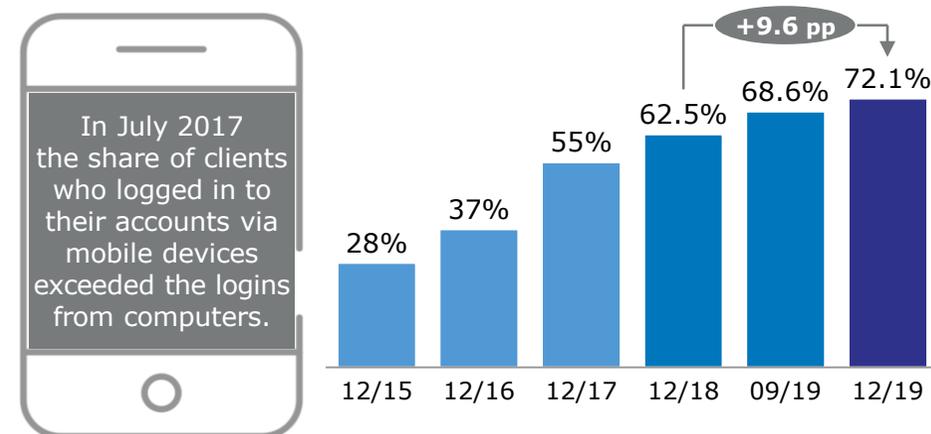
- ✓ **Google Pay** and **Apple Pay** (for Visa and MasterCard holders) for contactless payments with a phone in POS
- ✓ The possibility of **logging in with a PIN code, fingerprint or Face ID**
- ✓ A display with **a pace of the client's spending** to help the users control their budget
- ✓ **Mobile authorisation** – confirmation of operations made in the transaction system via the mobile application (instead of entering the code received in text message)
- ✓ **Payment Assistant** – reminders of regular payments, allowing the users to quickly settle invoices
- ✓ **mLine in a click** – connection with consultants directly from the application, without the need of ID and telecode
- ✓ **Quick cash loan** with a decision in 1 minute from request submission, based on pre-approved limit determined for the client
- ✓ **Express transfers** using telephone numbers within the BLIK system
- ✓ **Scanning of data to the transfer form** from both paper or electronic invoices instead of manual filling



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



Share of clients who log in to their accounts via mobile devices

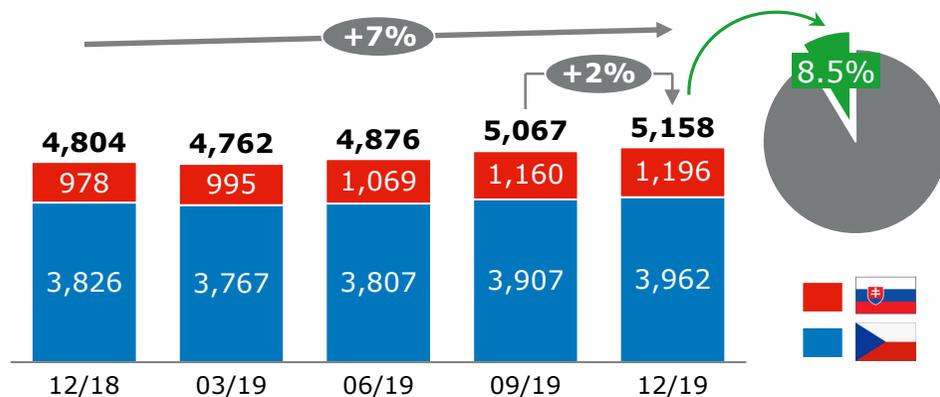


Appendix

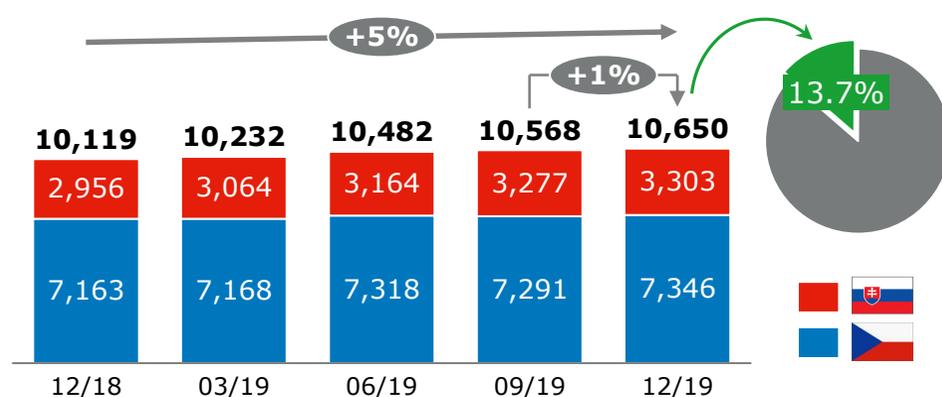
Retail Banking mBank in the Czech Republic and Slovakia

- Summary
- Profit & Loss
- Balance Sheet
- Business Lines**
- Subsidiaries
- Historical view

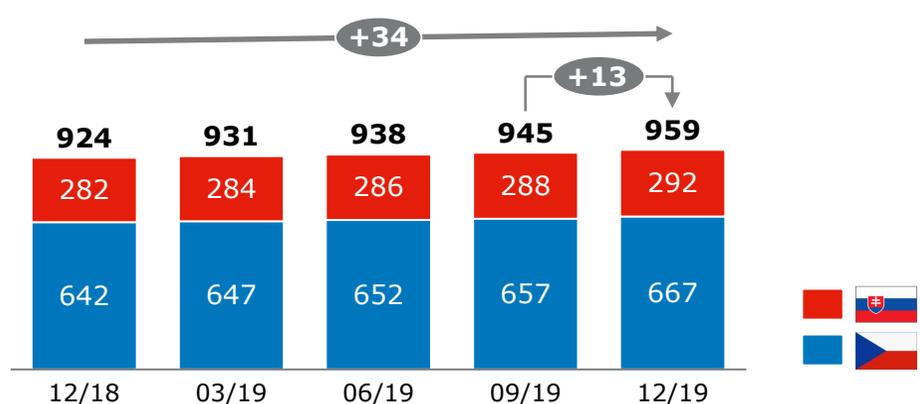
Gross Loans (PLN M) and Share in Total mBank's retail volume



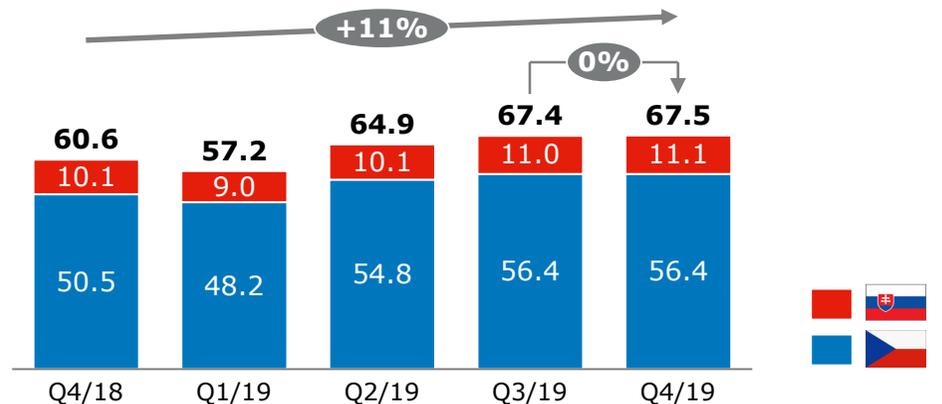
Deposits (PLN M) and Share in Total mBank's retail volume



Number of clients (thou.)



Total revenues (PLN M)



Note: Volumes based on management information.

Appendix

Retail Banking mBank in the Czech Republic and Slovakia

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

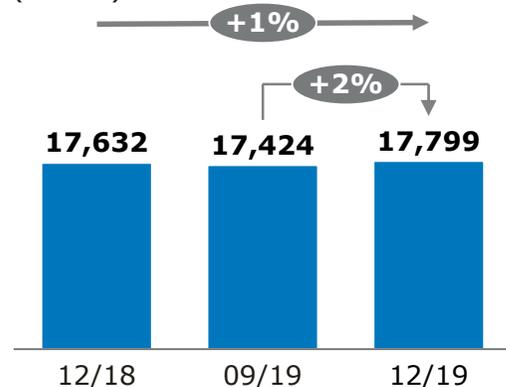


Czech Republic

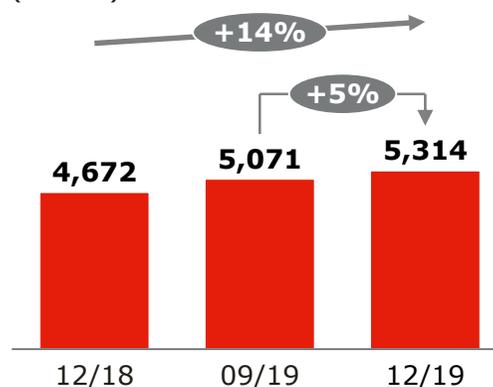
Clients:
667.0 thou.

5 light branches,
6 financial centres &
17 mKiosks

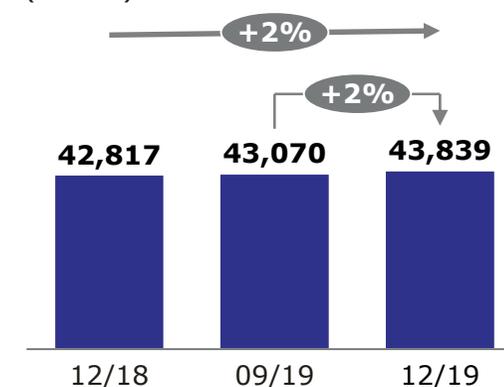
Mortgage Loans
(CZK M)



Non-mortgage Loans
(CZK M)



Customer deposits
(CZK M)

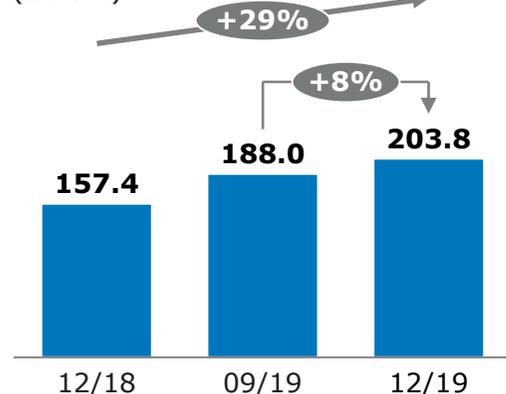


Slovakia

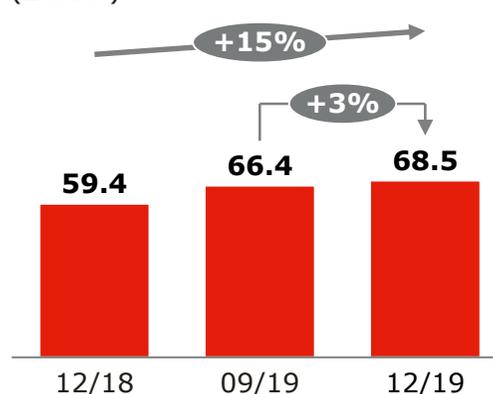
Clients:
291.5 thou.

2 light branches,
2 financial centres &
5 mKiosks

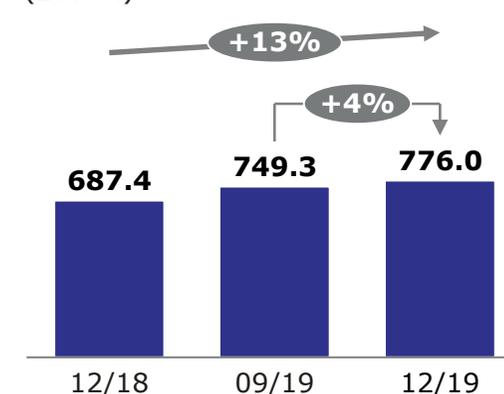
Mortgage Loans
(EUR M)



Non-mortgage Loans
(EUR M)



Customer deposits
(EUR M)



Note: Volumes based on management information.

Detailed Results of the Business Lines in Q4/19

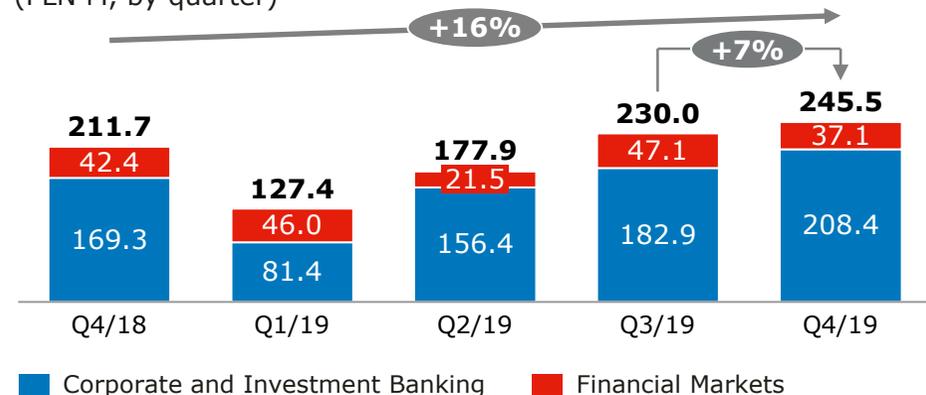
Corporates & Financial Markets

Appendix

Corporates and Financial Markets Summary of Q4/19: Financial and Business Results

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

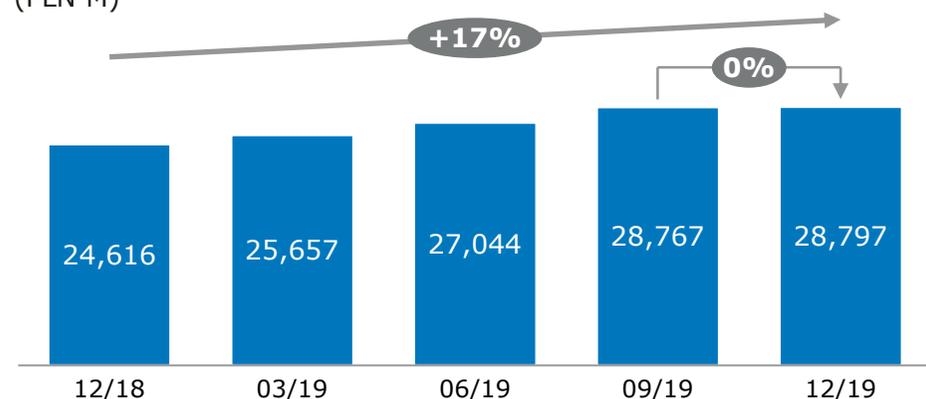
Profit before Tax of the Segment
(PLN M, by quarter)



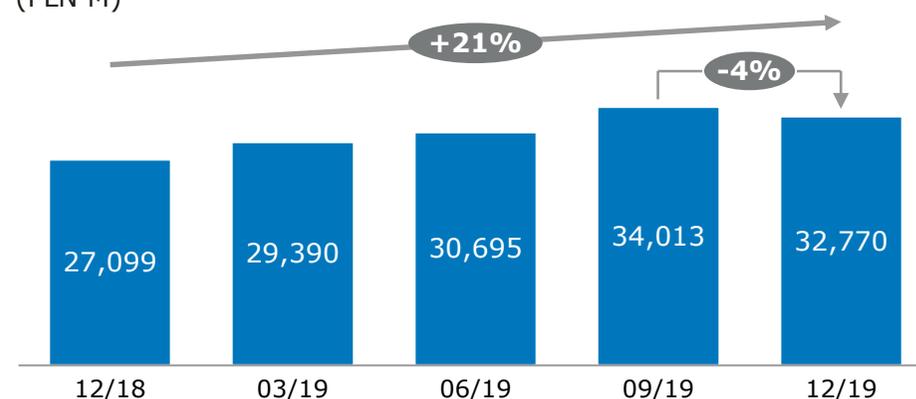
Number of Corporate Service Locations



Loans to enterprises¹
(PLN M)



Deposits of enterprises¹
(PLN M)



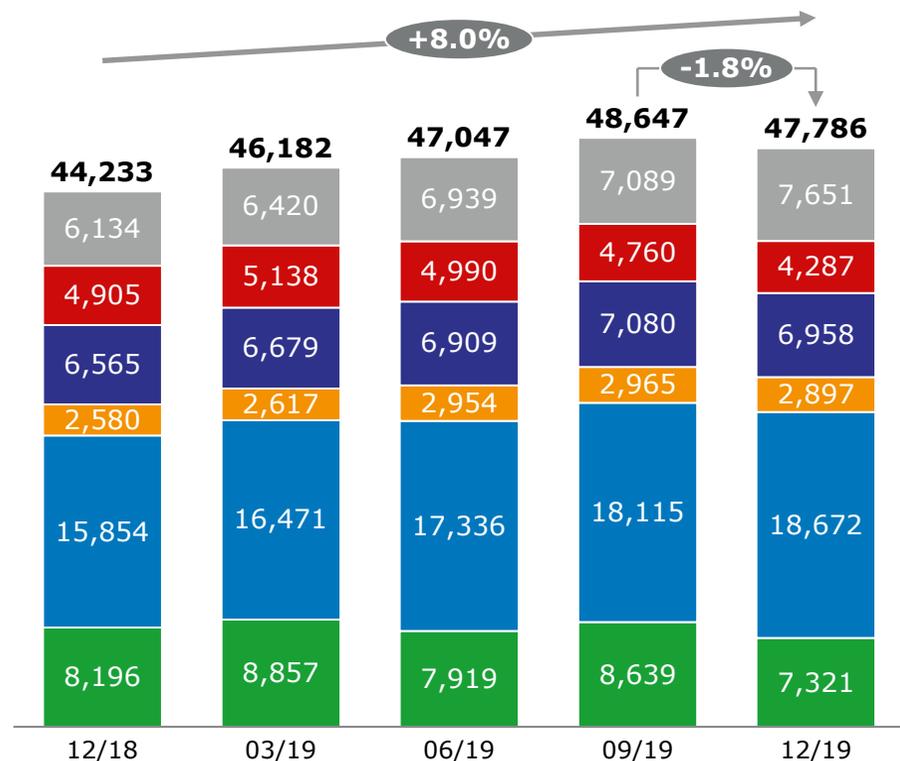
¹ Corporate loan and deposit volumes (for mBank only) according to NBP rules (monetary reporting system – MONREP)

Appendix

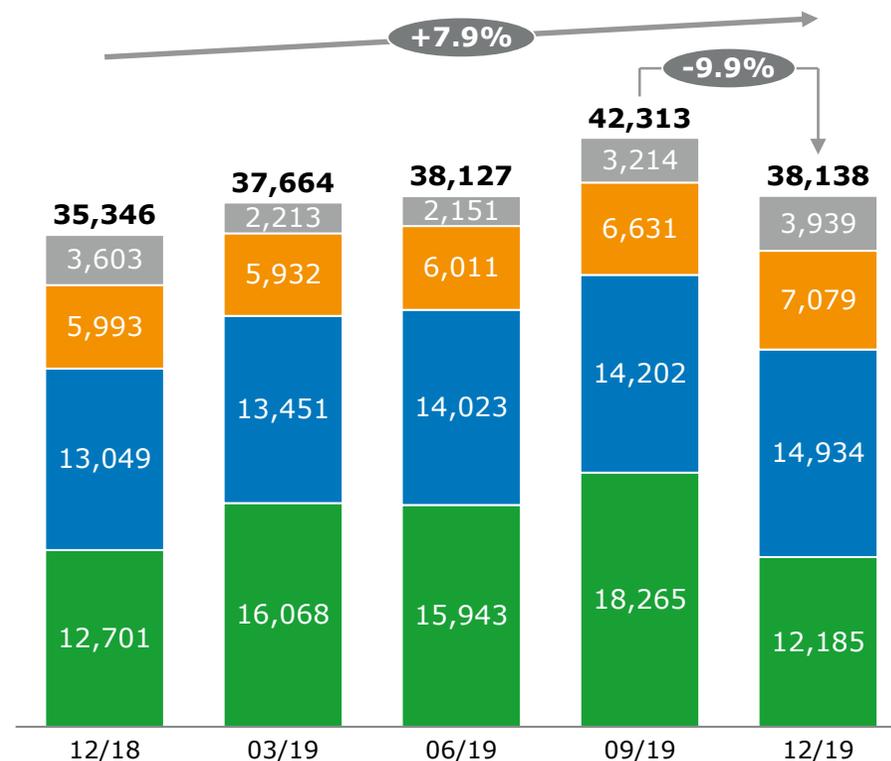
Corporates and Financial Markets Summary of Q4/19: Loans and Deposits

Summary
Profit & Loss
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Subsidiaries
Historical view

Gross Loans to Corporate Entities
(PLN M)



Deposits from Corporate Customers
(PLN M)



■ K1
 ■ K2
 ■ K3
 ■ mLeasing
 ■ mBank Hipoteczny
 ■ Other

■ K1
 ■ K2
 ■ K3
 ■ Other

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

Detailed Results of mBank Group's major companies in Q4/19

Subsidiaries

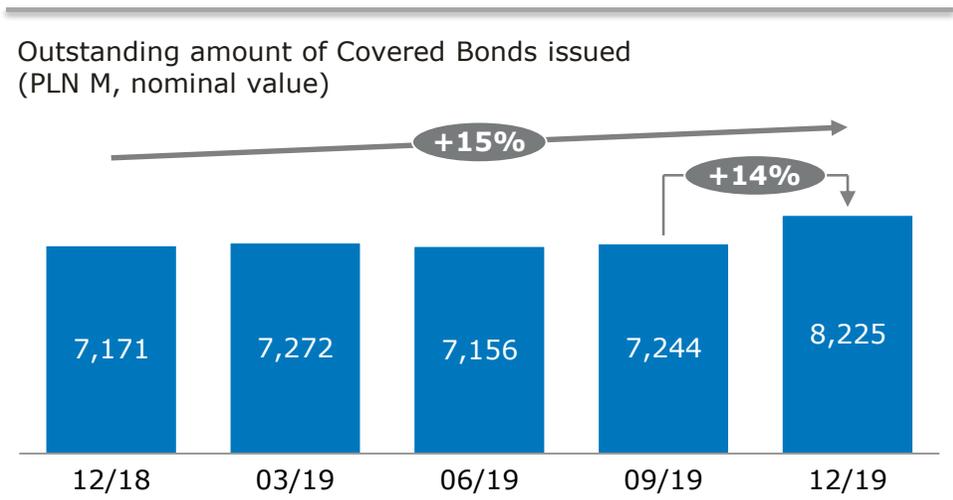
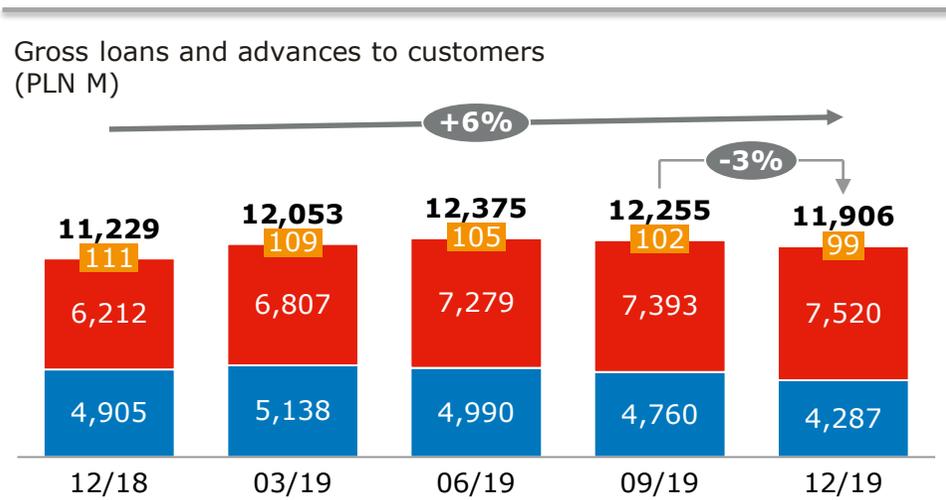
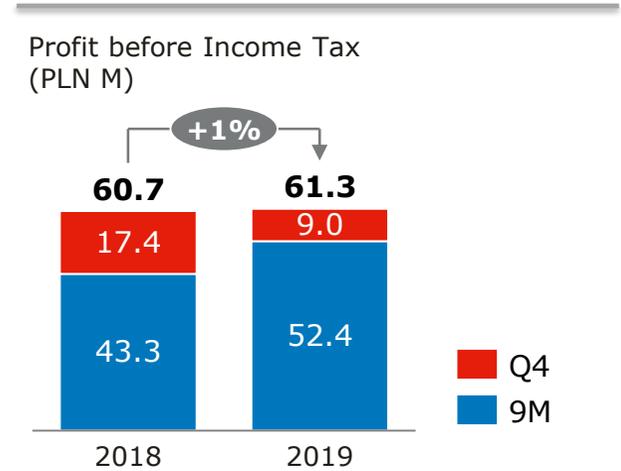
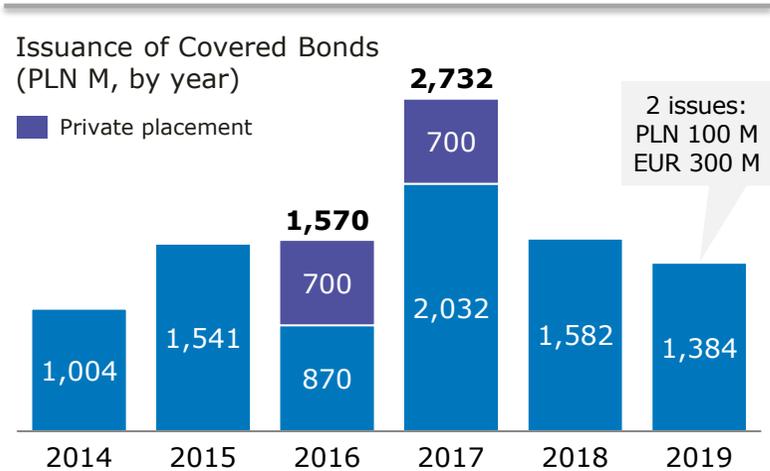
Appendix

mBank Group's Subsidiaries mBank Hipoteczny (mBH)

Summary
Profit & Loss
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Historical view

m Bank Hipoteczny
established in 1999
specialised mortgage bank and active issuer of covered bonds in the Polish market

- Public sector loans and other receivables
- Housing loans to individual customers (incl. new sales and pooling transactions)
- Commercial loans



Appendix

mBank Group's Subsidiaries

mBank Hipoteczny (mBH): Issuance Activity on the Covered Bonds Market

[Summary](#)
[Profit & Loss](#)
[Balance Sheet](#)
[Business Lines](#)
[Subsidiaries](#)
[Historical view](#)

Summary of Mortgage Covered Bonds issued in 2014-2019 (public issues)

Amount	Currency	Issue date	Maturity date	Tenor (years)	Coupon
8.0 M	EUR	28-02-2014	28-02-2029	15.0	Fixed (3.50%)
15.0 M	EUR	17-03-2014	15-03-2029	15.0	Fixed (3.50%)
20.0 M	EUR	30-05-2014	30-05-2029	15.0	Fixed (3.20%)
300.0 M	PLN	28-07-2014	28-07-2022	8.0	WIBOR 6M + 93bps
200.0 M	PLN	04-08-2014	20-02-2023	8.5	WIBOR 6M + 93bps
200.0 M	PLN	20-02-2015	28-04-2022	7.2	WIBOR 6M + 78bps
20.0 M	EUR	25-02-2015	25-02-2022	7.0	Fixed (1.135%)
250.0 M	PLN	15-04-2015	16-10-2023	8.5	WIBOR 6M + 87bps
11.0 M	EUR	24-04-2015	24-04-2025	10.0	Fixed (1.285%)
50.0 M	EUR	24-06-2015	24-06-2020	5.0	EURIBOR 3M + 69bps
500.0 M	PLN	17-09-2015	10-09-2020	5.0	WIBOR 3M + 110bps
255.0 M	PLN	02-12-2015	20-09-2021	5.8	WIBOR 3M + 115bps
300.0 M	PLN	09-03-2016	05-03-2021	5.0	WIBOR 3M + 120bps
50.0 M	EUR	23-03-2016	21-06-2021	5.2	EURIBOR 3M + 87bps
50.0 M	PLN	28-04-2016	28-04-2020	4.0	Fixed (2.91%)
100.0 M	PLN	11-05-2016	28-04-2020	4.0	Fixed (2.91%)
13.0 M	EUR	28-09-2016	20-09-2026	10.0	Fixed (1.18%)
35.0 M	EUR	26-10-2016	20-09-2026	9.9	Fixed (1.183%)
24.9 M	EUR	01-02-2017	01-02-2024	7.0	Fixed (0.94%)
500.0 M	PLN	29-09-2017	10-09-2022	5.0	WIBOR 3M + 75bps
1,000.0 M	PLN	11-10-2017	15-09-2023	5.9	WIBOR 3M + 82bps
100.0 M	EUR	30-10-2017	22-06-2022	4.6	Fixed (0.612%)
300.0 M	EUR	26-04-2018	05-03-2025	6.9	Fixed (1.073%)
310.0 M	PLN	22-06-2018	10-06-2024	6.0	WIBOR 3M + 58bps
100.0 M	PLN	22-02-2019	20-12-2028	9.8	WIBOR 3M + 80bps
300.0 M	EUR	12-11-2019	15-09-2025	5.8	Fixed (0.242%)

Appendix

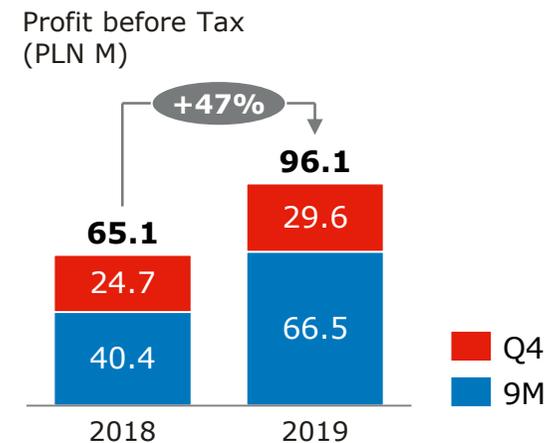
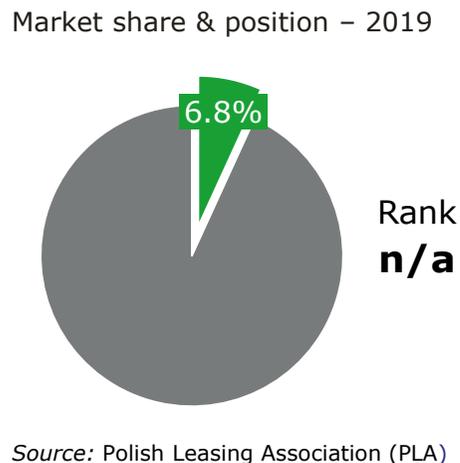
mBank Group's Subsidiaries Leasing and Factoring

Summary
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m Leasing

established in 1991

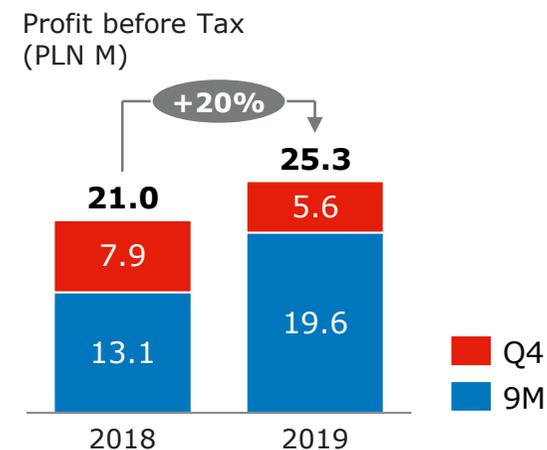
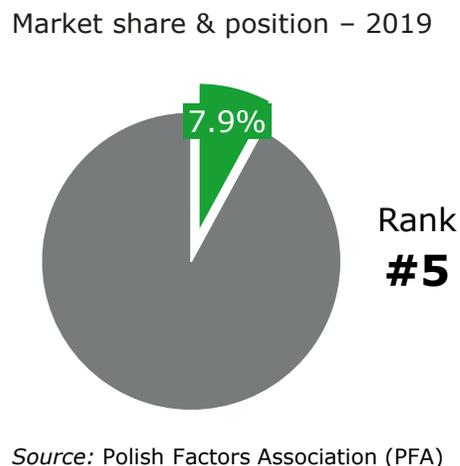
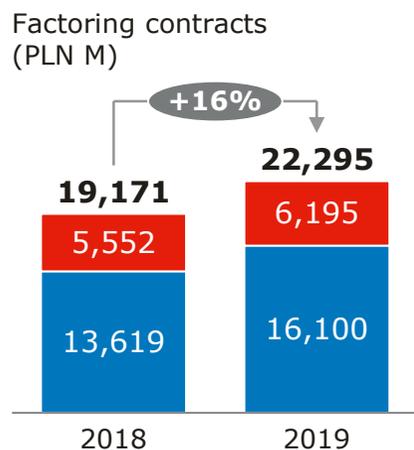
provides financial and operating leasing of cars, trucks, machinery and real estate



m Faktoring

established in 1995

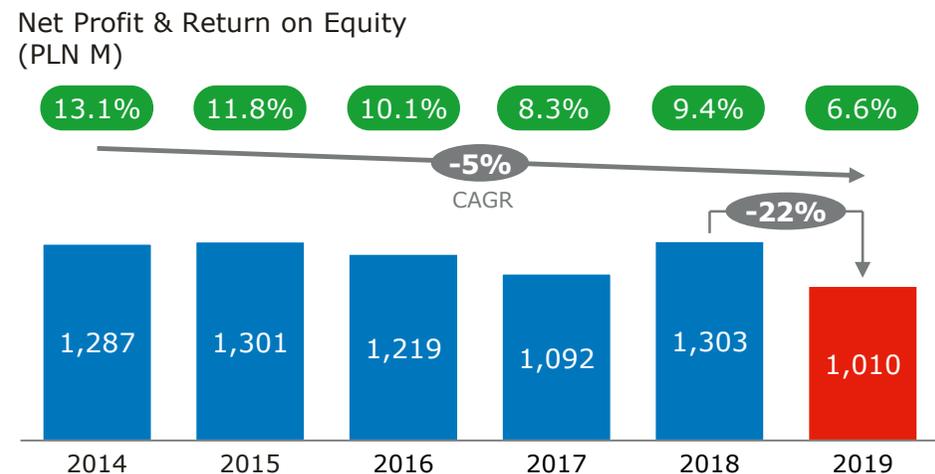
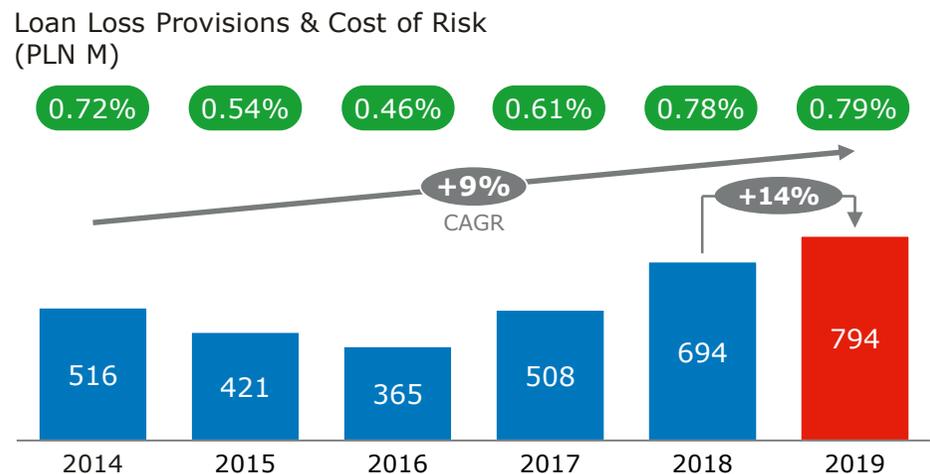
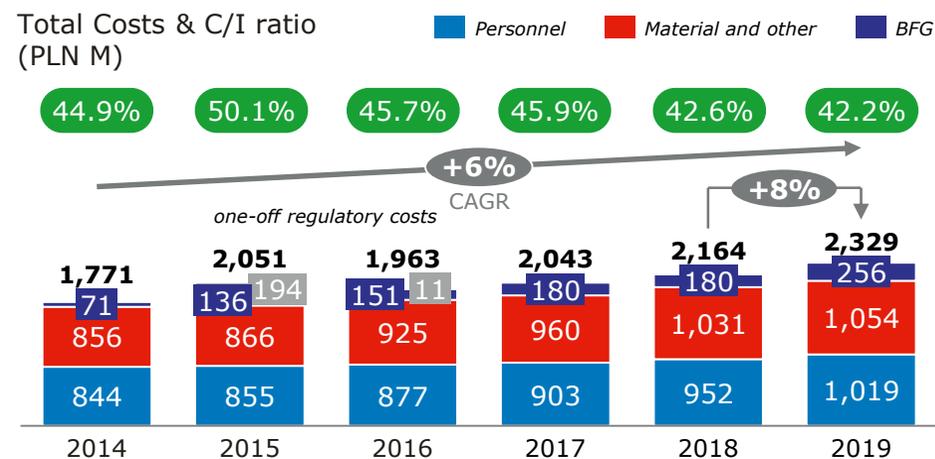
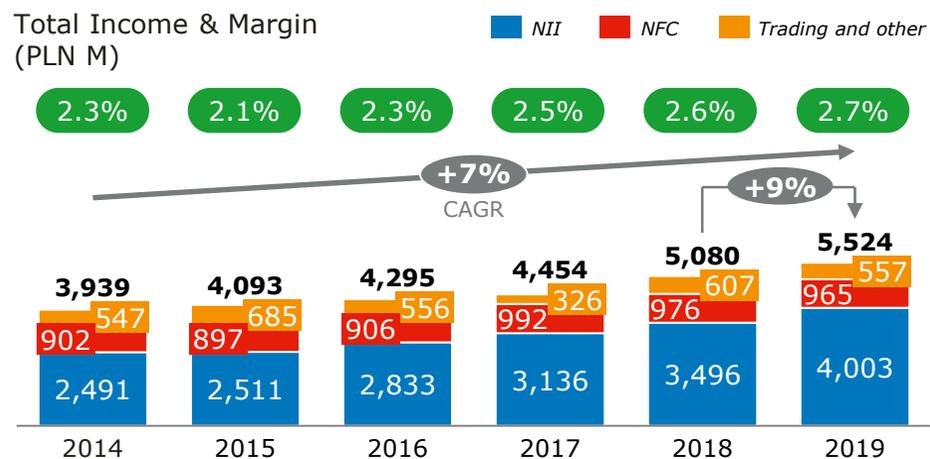
offers factoring services, incl. domestic and export recourse and non-recourse factoring and import guarantees



Appendix

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Profit & Loss
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mBank Group's historical performance: Profit and Loss Account



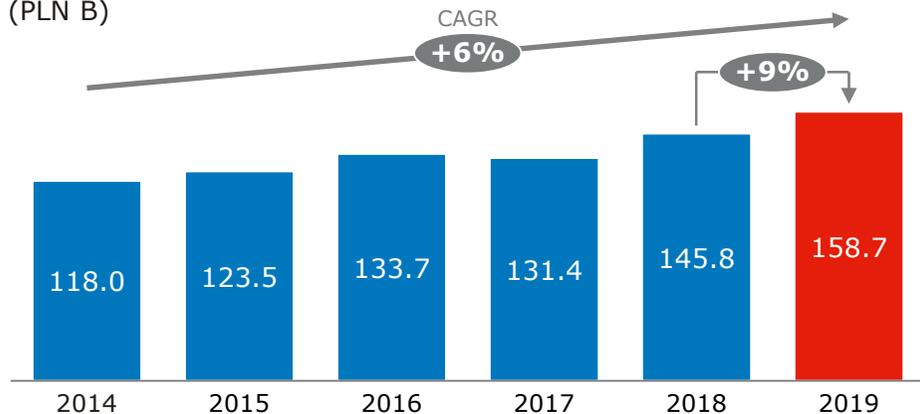
Note: A drop of net profit in 2019 caused by the provisions for legal risk related to the FX mortgage loans of PLN 387.8 million.

Appendix

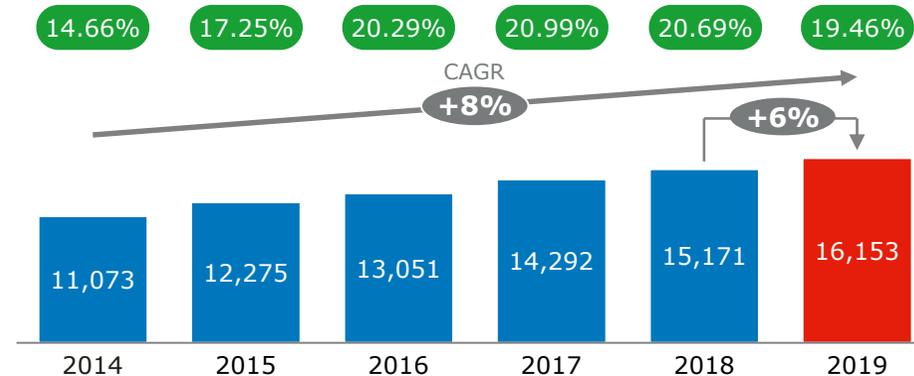
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mBank Group's historical performance: Balance Sheet

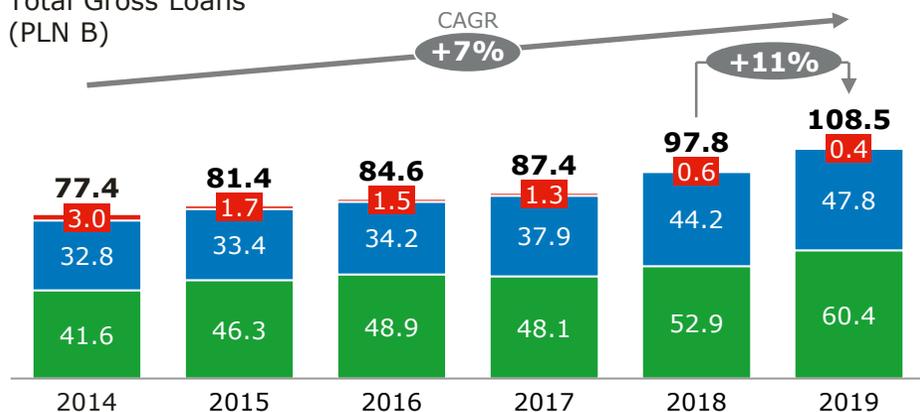
Total Assets
(PLN B)



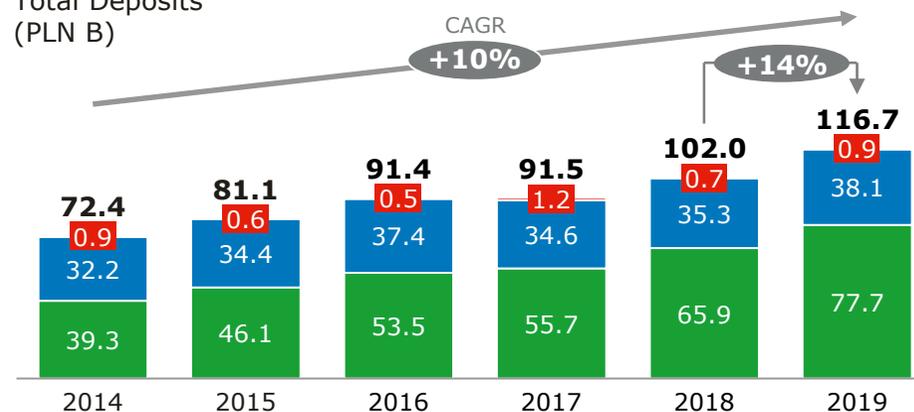
Equity & Total Capital Ratio
(PLN M)



Total Gross Loans
(PLN B)



Total Deposits
(PLN B)



■ Individual clients
 ■ Corporate clients
 ■ Public sector and other

■ Individual clients
 ■ Corporate clients
 ■ Public sector

mBank's share price performance

mBank's stock price regained after the announcement of its potential sale

mBank's index membership and weights*

WIG-30	WIG30	2.299%
WIG-20	WIG20	2.479%
WIG	WIG	1.780%
WIG-Banks	WIGbanki	6.714%
WIG-Poland	WIGPoland	1.814%

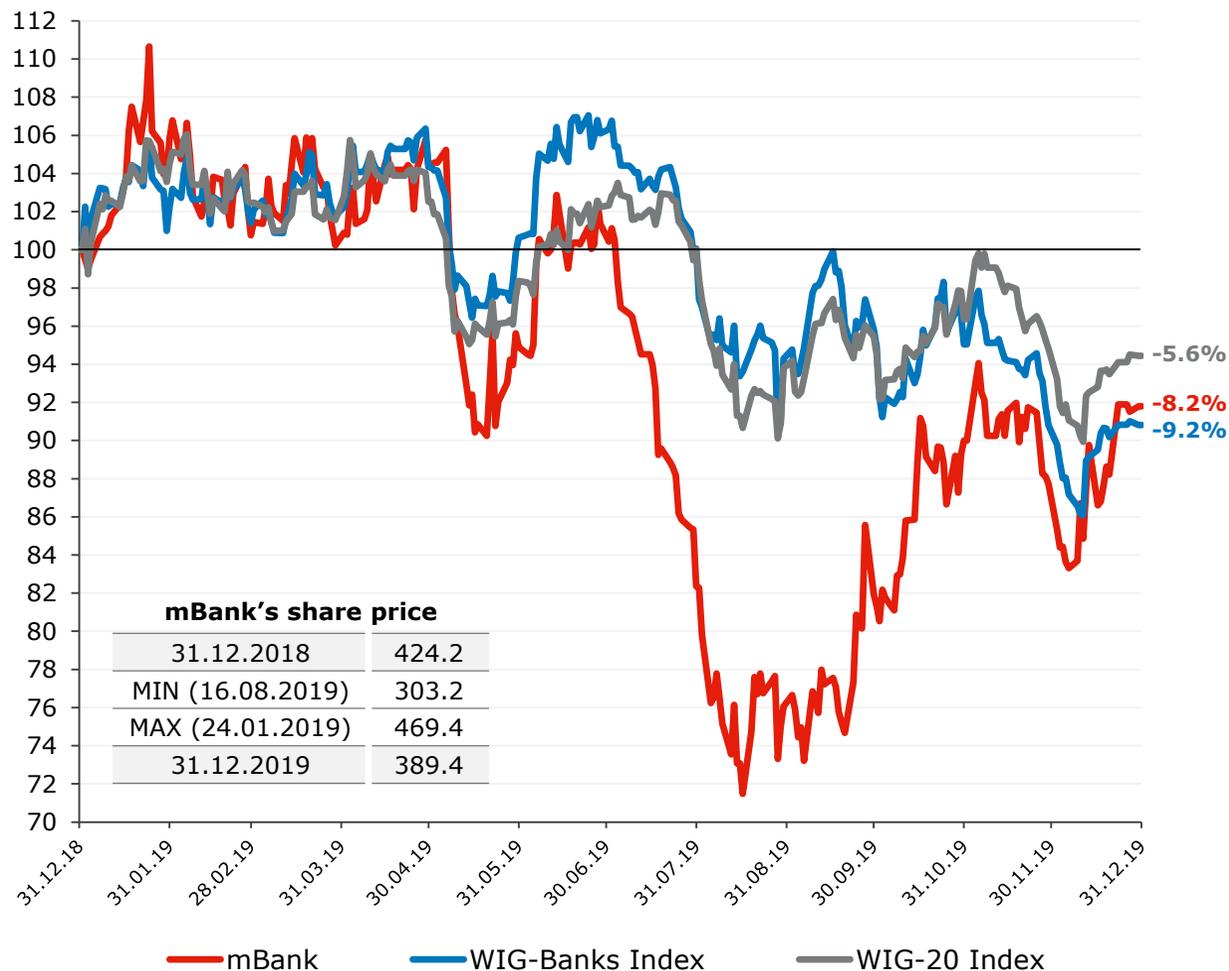
* Share in index as of 02.01.2020

- Listed on the Warsaw Stock Exchange since October 1992
- The only share belonging to WIG-20 blue chip index since its inception in April 1994
- A strategic shareholder, Germany's Commerzbank, owns 69.31% of shares

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 350 367

Source: WSE, Bloomberg (data as of 31.12.2019).

mBank's share performance v. main indices (rebased to 100) – last 12 months



Strategy of mBank Group for 2020-2023

Growth fuelled by our clients



Summary of strategic pillars and financial targets

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

Client

Acquisition &
long-term relations

Platform

Ecosystem &
user experience

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

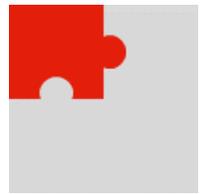
Employees

& organisation culture

Efficiency

Operational advantage

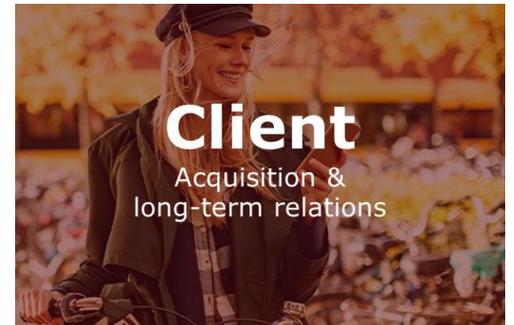
mBank Group's Strategy for 2020-2023



Client (acquisition and development of long-term relationships)

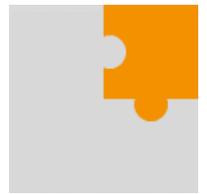
We will...

- grow organically through the continuous acquisition of new customers. We will strengthen our position in the most profitable age group of 30-45.
focus on: young people, mid-sized cities, family banking, professionals, firms
- improve customer retention and loyalty throughout their life cycle.
anchor products: mortgage loans, savings and investment offer
- create a platform for cooperation with corporate clients based on partnership, convenience and professionalism.
- shape the portfolio of corporate clients anticipating trends and changes in the environment (support and promote responsible companies).
deep industry knowledge, adequate policies and product palette
preferred industries: e-commerce, renewable energy sources, new technologies
- extend our knowledge about the customers in both segments.
better understanding of the clients and products suited to their needs
- increase the likelihood of recommending mBank's services by our clients.
eliminate waiting and unnecessary efforts of the customer, appreciate loyalty
- pursue the principles of empathy in contacts with customers (simple communication, transparency of the offer and pricing policy).



mBank Group's Strategy for 2020-2023

Platform (ecosystem & user experience)



We will...

- continuously improve remote bank access channels using the digital first (mobile first) approach.

*leading role of mobile application, with the same scope of functionality as the Internet banking service, while contact center and branches in a supportive role
focus on: digital assistance, e-commerce UX, API model*

distribution model transformation: 80% of sales in own digital channels & API and 50% in mobile mode in 4 years

- develop mBank's retail platform by complementing it with additional products and services, including non-financial ones, in order to ensure complete customer service.

savings, investments and retirement-oriented products thanks to partnerships

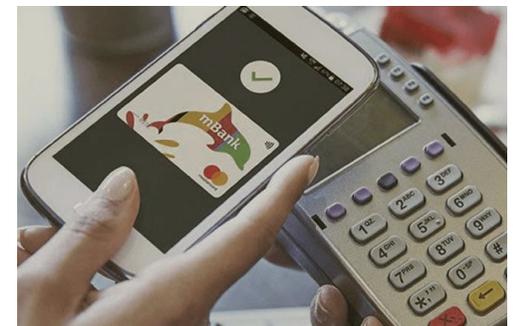
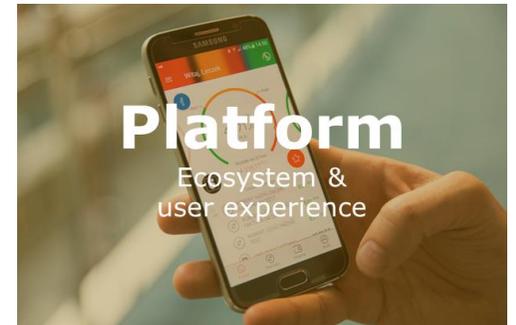
innovative lending: use of the transaction-related moments for distribution of consumer loans through mobile channels as well as the most convenient and fast mortgage loan process on the market

cooperation with mAccelerator

- build the best digital banking offer for corporations in Poland.

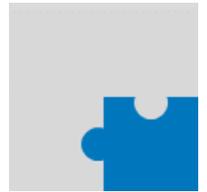
simplified sales and credit processes, enhanced customer contact channels, growing digitalisation and customer self-service

focused on providing convenience, ease and speed of use



mBank Group's Strategy for 2020-2023

Efficiency (operational advantage)



We will...

- maintain our technological advantage in the financial sector. We will optimise our IT architecture using leading solutions.

interdisciplinary teams delivering end-to-end solution, agile approach, migration of key applications to a modern technological pile based on micro-services

- increase the scope of customer digital self-service. We will optimise our sales network.

emphasized service design with advanced tests and customer involvement, adaptive user interface, improved customer experience in omniservice, automatic text and voice assistants in contact centre, number of branches at the 2020 level

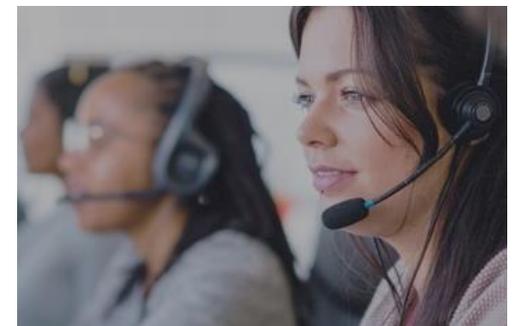
- improve the operational efficiency of the bank by implementing automation on a large scale and simplifying processes.

centralisation of operational processes (takeover by specialised units), simplification of internal processes, unified methodology for managing operations

- provide highest cyber security standards.

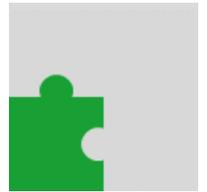
focus on the latest technologies, including machine learning, artificial intelligence, biometrics and other

- shorten the time of issuing opinions and internal consultations in implementing new solutions, while maintaining full alignment with regulations and compliance requirements.



mBank Group's Strategy for 2020-2023

Employees and organisation culture



We will...

People

- coach smart managers who know how to inspire development, bring out value from diversity and encourage to care about clients through strategic thinking, innovation and willingness to take up challenges.
- encourage employees to experiment, be open to technologies, automate processes and look for new solutions.



Technology

- increase work efficiency by providing employees with the best applications, software and IT equipment.
- automate simple and repetitive tasks and focus on value-adding activities.
- implement RegTech solutions to help employees comply with procedures and regulatory requirements.



Culture of cooperation

- apply feedback to all HR processes throughout the employee's life cycle.
- use tools supporting mobility and agile methods.
- increase the diversity of characters, personalities, experiences, gender and age.



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)

WIG ESG



- 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 Strategy for 2020-2023

Financial targets of mBank Group for 2020-2023

Measure	Target level	Current level
Profitability	in 2023	2019 (recurrent)
Net interest margin (NIM)	~ 3.0%	2.7%
Cost/Income ratio (C/I)	~ 40%	42.2%
Return on equity (ROE net)	~ 10.5%	9.2%
Stability	every year	31.12.2019
Loans/Deposits ratio	in a range of 92-94%	90.3%
Capital ratios	year-end level min 1.5 p.p. above PFSA requirements	2.1 p.p. higher for Tier 1 ratio, 2.2 p.p. for Total Capital Ratio
Growth	CAGR 2019-2023	CAGR 2016-2019
Dynamics of loans	~ 6%	8.7%
Dynamics of deposits	~ 6%	8.5%
Dynamics of total revenues	~ 8%	10.9%
Dynamics of total costs	~ 5%	6.1%

Our goal is to pay 50% of net profit as a dividend.

Note: Data for 2019 presented excluding the provisions for legal risk related to the FX mortgage loans of PLN 387.8 million (which lowered the reported ROE to 6.6%). For the calculation of CAGRs of revenues and costs, data excluding one-off events were used.

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