

# Results of mBank Group

## Q1 2020

**Still strong business performance.**  
**Conservative approach to provisioning.**

Management Board of mBank S.A.

Investor Presentation

April 30, 2020



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# Agenda



## Summary of Main Trends in Q1 2020

Business Development of Retail and Corporate Segment

Key Financials



## Analysis of the Results after Q1 2020

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 Q1 2020



## Historically high core income of PLN 1,428 M, fuelled by strong business momentum

- Net interest income at PLN 1,065.5 M (+14.5% YoY) on increasing volumes and changing asset mix
- Net fee and commission income at PLN 362.7 M (+23.5% YoY), a rebound anchored in client transactionality

## Efficient management evidenced by normalized Cost/Income ratio of 42.6%<sup>1</sup>

- Upward trajectory of total revenues (+13.3% YoY), costs kept under control (+6.9% YoY, excl. BFG)

## Net profit of PLN 90.9 M depressed by the Resolution Fund and elevated provisions



## Dynamic growth in business volumes, driven by positive trends in both segments

- Gross loans at PLN 114.2 B (+2.8% QoQ, +10.6% YoY, excl. FX effect), higher increase of retail portfolio
- Customer deposits at PLN 129.0 B (+10.5% QoQ, +19.8% YoY), strong inflows to corporate accounts

## Slowdown in lending observed in March barely affected the full quarter

- Good sales of housing loans at PLN 2.23 B (+49% YoY); constant reduction of CHF portfolio (-8.5% YoY)
- New production of non-mortgage loans curbed slightly to PLN 2.36 B (-8% YoY)



## Capital ratios well above regulatory requirements and outstanding liquidity level

- Consolidated Tier 1 Capital Ratio at 16.51% and Total Capital Ratio at 19.38%<sup>2</sup>
- Loan-to-Deposit ratio at 86.0% and LCR at 221% confirming safety; the most diversified funding structure

## Conservative risk management approach reflected in good asset quality

- Cost of risk at 151 bps, driven by proactive provisioning amid the outbreak of COVID-19 pandemic
- Stable NPL ratio at 4.5% and coverage ratio at 60.6% confirming loan portfolio resilience

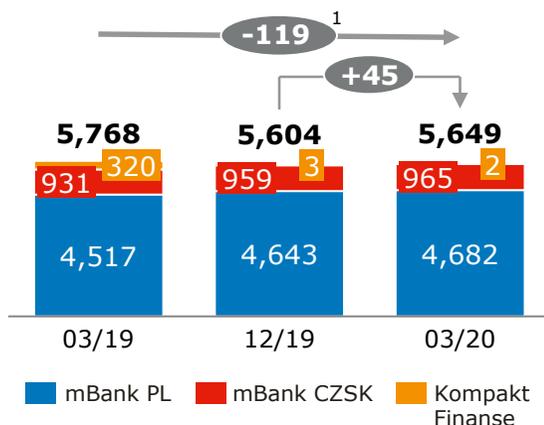
<sup>1</sup> Including ¼ of contribution to the Resolution Fund booked in Q1/20; <sup>2</sup> Stand-alone capital ratios were Tier 1 Capital Ratio of 19.31% and Total Capital Ratio of 22.62%

# Summary of Q1 2020 in mBank Group

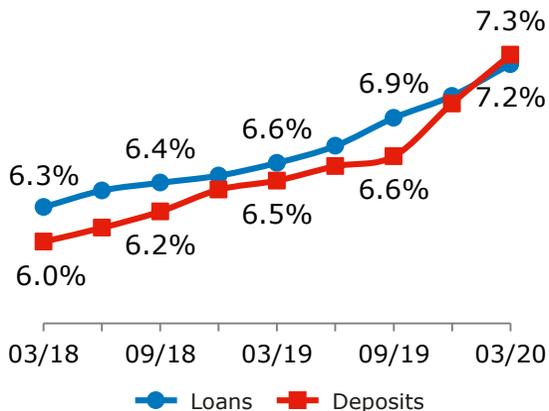
## Business Development of Retail Banking and Corporate Banking

Retail Banking

Number of Retail Clients (thou.)



Market shares - Households

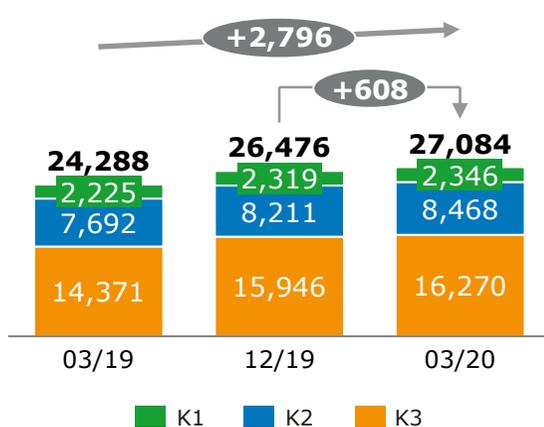


### Innovations and new products

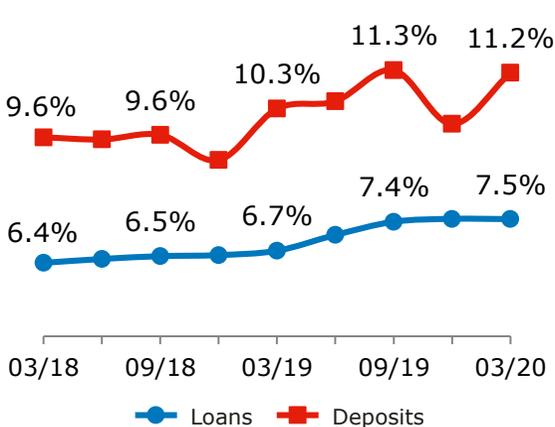
- ✓ Loan repayment moratorium for mBank's individual and business clients, who can apply for deferring the repayment of the capital part of their instalments
- ✓ mBank was the first to provide its clients with a service to request for a money transfer on a telephone number via BLIK mobile payment system
- ✓ Garmin Pay offered to mBank's retail clients, as a free-of-charge service is available for both Mastercard and Visa cards
- ✓ mBank introduced Paynow, the fastest online payment platform designed for e-commerce, based on a panel integrated with mBank's transactional system

Corporate Banking

Number of Corporate Clients



Market shares - Enterprises



<sup>1</sup> A drop in the number of customers due to the cessation of the activity of Kompakt Finanse

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 Q1 2020 in mBank Group

## Key Financials: Profit and Loss Account

PLN million	Q1/19	Q4/19	Q1/20	change QoQ	change YoY
Net interest income	930.3	1,010.5	1,065.5	+5.4%	+14.5%
Net fee and commission income	293.6	344.7	362.7	+5.2%	+23.5%
<b>Total income</b>	<b>1,265.9</b>	<b>1,409.3</b>	<b>1,434.3</b>	<b>+1.8% </b>	<b>+13.3% </b>
<b>Total costs</b> (excluding BFG)	<b>-504.1</b>	<b>-518.9</b>	<b>-539.1</b>	<b>+3.9% </b>	<b>+6.9% </b>
Contributions to the BFG <sup>1</sup>	-211.6	-14.8	-197.2	13,3x	-6.8%
Loan loss provisions and fair value change <sup>2</sup>	-145.6	-174.9	-409.3	+134.1%	+181.0%
Provisions for legal risk related to FX loans	-4.6	-293.5	-12.9	-95.6%	+181.2%
<b>Operating profit</b>	<b>399.9</b>	<b>407.3</b>	<b>275.8</b>	<b>-32.3% </b>	<b>-31.0% </b>
Taxes on the Group balance sheet items	-109.9	-121.4	-131.8	+8.6%	+19.9%
<b>Profit before income tax</b>	<b>290.0</b>	<b>285.9</b>	<b>143.9</b>	<b>-49.7% </b>	<b>-50.4% </b>
<b>Net profit</b>	<b>163.2</b>	<b>116.3</b>	<b>90.9</b>	<b>-21.8% </b>	<b>-44.3% </b>
Net Interest Margin	2.60%	2.60%	2.63%	+0.03 p.p.	+0.03 p.p.
Cost/Income ratio	56.5%	37.9%	51.3%	+13.4 p.p.	-5.2 p.p.
Cost of Risk	0.61%	0.67%	1.51%	+0.84 p.p.	+0.90 p.p.
Return on Equity (ROE)	4.4%	3.0%	2.2%	-0.8 p.p.	-2.2 p.p.
Return on Assets (ROA)	0.44%	0.29%	0.22%	-0.07 p.p.	-0.22 p.p.

<sup>1</sup> Including annual contributions to the Resolution Fund of PLN 197.3 million and PLN 167.0 million in Q1/19 and Q1/20, respectively

<sup>2</sup> 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)

# Summary of Q1 2020 in mBank Group

## Key Financials: Balance Sheet

<i>PLN million</i>	<b>Q1/19</b>	<b>Q4/19</b>	<b>Q1/20</b>	<i>change QoQ</i>	<i>change YoY</i>
<b>Total assets</b>	<b>150,819</b>	<b>158,721</b>	<b>173,823</b>	<b>+9.5%</b> ↑	<b>+15.3%</b> ↑
<b>Gross loans to customers</b>	<b>100,855</b>	<b>108,538</b>	<b>114,245</b>	<b>+5.3%</b> ↑	<b>+13.3%</b> ↑
Retail client loans	54,076	60,361	63,362	+5.0% ↑	+17.2% ↑
Corporate client loans	46,182	47,786	50,494	+5.7% ↑	+9.3% ↑
<b>Customer deposits</b>	<b>107,648</b>	<b>116,661</b>	<b>128,960</b>	<b>+10.5%</b> ↑	<b>+19.8%</b> ↑
Retail client deposits	68,221	77,664	82,919	+6.8% ↑	+21.5% ↑
Corporate client deposits <sup>1</sup>	36,539	37,963	44,283	+16.6% ↑	+21.2% ↑
<b>Total equity</b>	<b>15,267</b>	<b>16,153</b>	<b>16,585</b>	<b>+2.7%</b> ↑	<b>+8.6%</b> ↑
Loan to Deposit ratio	90.8%	90.3%	86.0%	-4.3 p.p.	-4.8 p.p.
NPL ratio	4.8%	4.5%	4.5%	0.0 p.p.	-0.3 p.p.
Coverage ratio	62.4%	60.7%	60.6%	-0.1 p.p.	-1.8 p.p.
Tier 1 Capital Ratio	17.6%	16.5%	16.5%	0.0 p.p.	-1.1 p.p.
Total Capital Ratio	20.6%	19.5%	19.4%	-0.1 p.p.	-1.2 p.p.

<sup>1</sup> Excluding repo / sell-buy-back transactions

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## Macroeconomic Update and Outlook



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Selected Financial Data

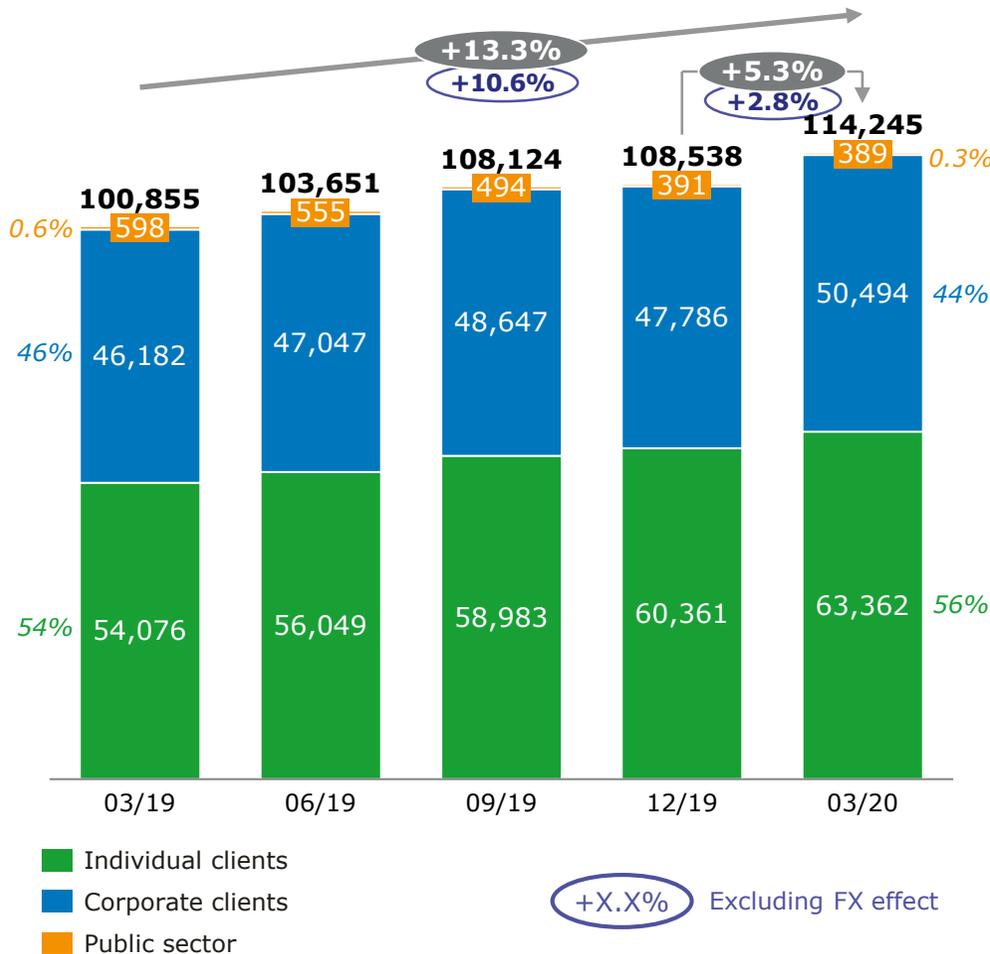
Detailed Results of Business Lines



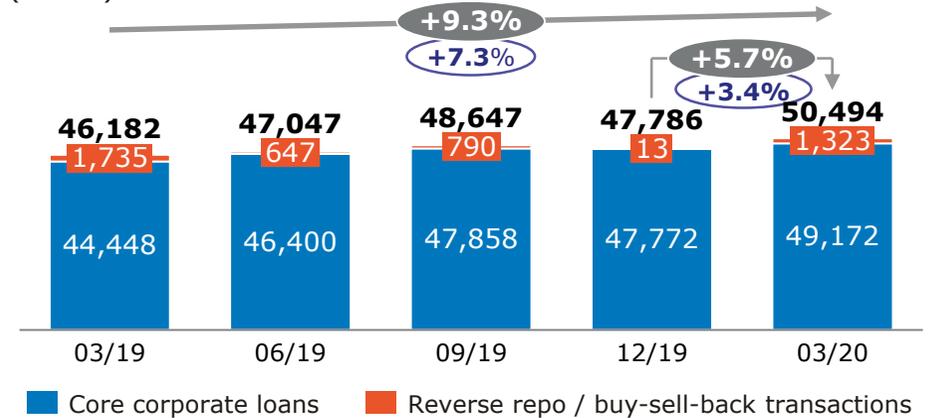
# Results of mBank Group: Loans to customers

Growth of loan portfolio continued, dynamics boosted by PLN depreciation

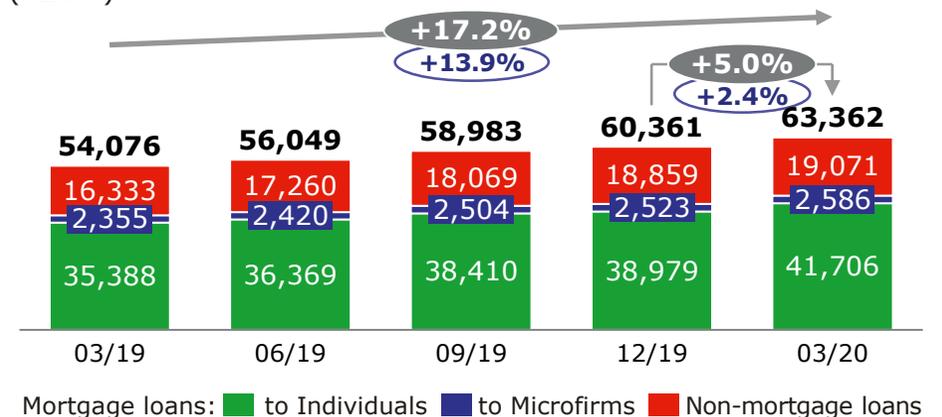
Development of Gross Loans and Advances to Customers (PLN M)



Gross Loans to Corporate Entities (PLN M)



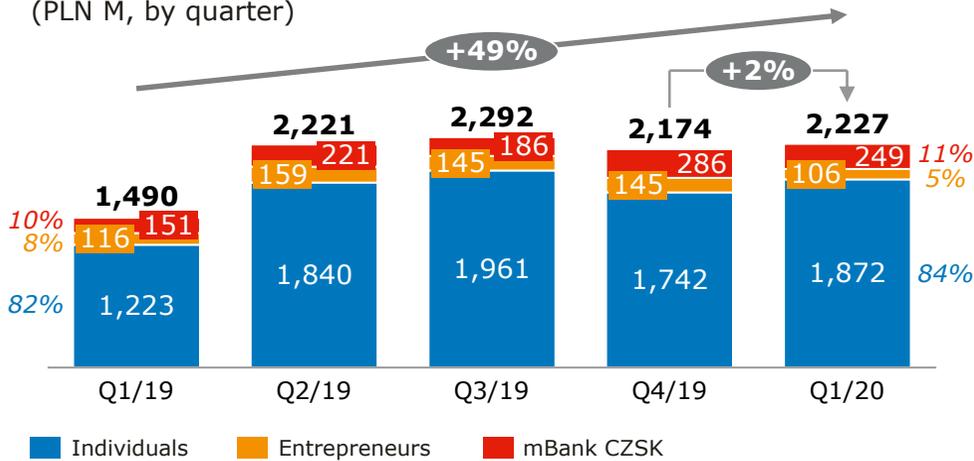
Gross Loans to Retail Customers (PLN M)



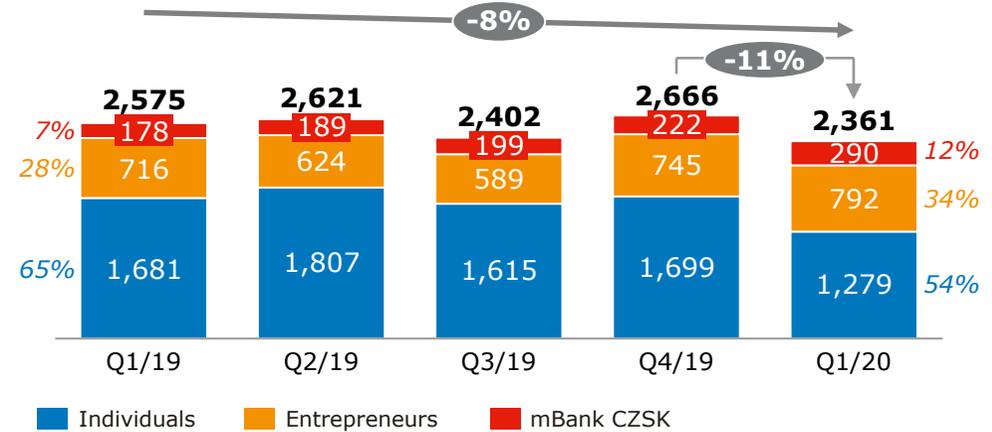
# Results of mBank Group: New lending business

High origination of housing loans, lower non-mortgage lending and leasing due to pandemic

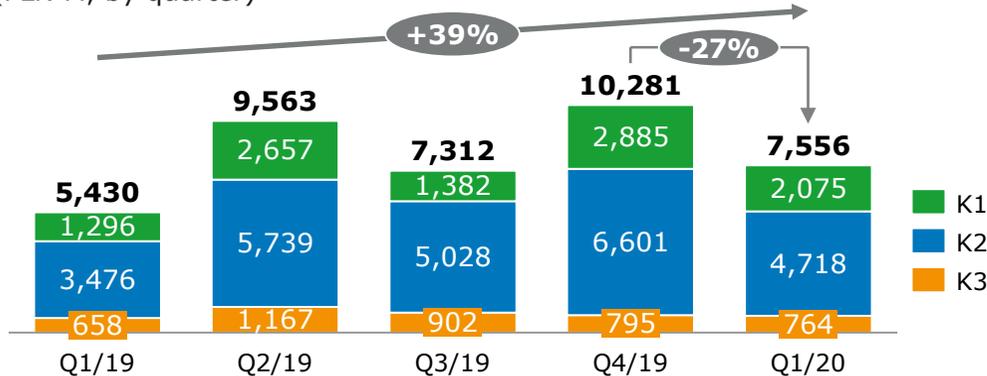
Sales of Mortgage Loans  
(PLN M, by quarter)



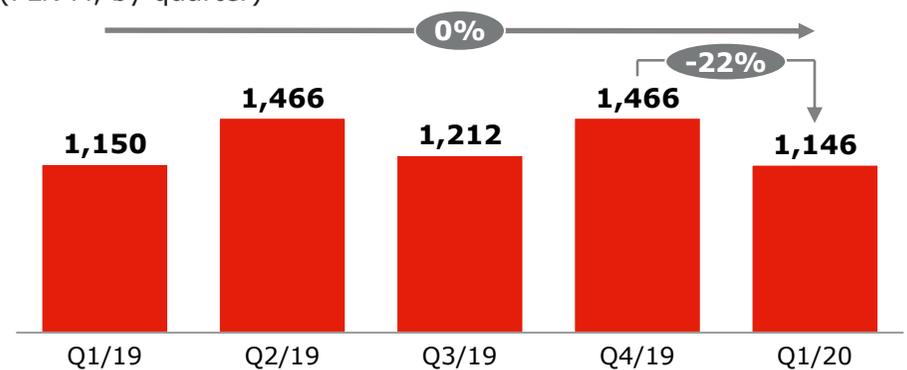
Sales of Non-mortgage Loans  
(PLN M, by quarter)



Sales of Corporate Loans<sup>1</sup>  
(PLN M, by quarter)



New Leasing Contracts  
(PLN M, by quarter)



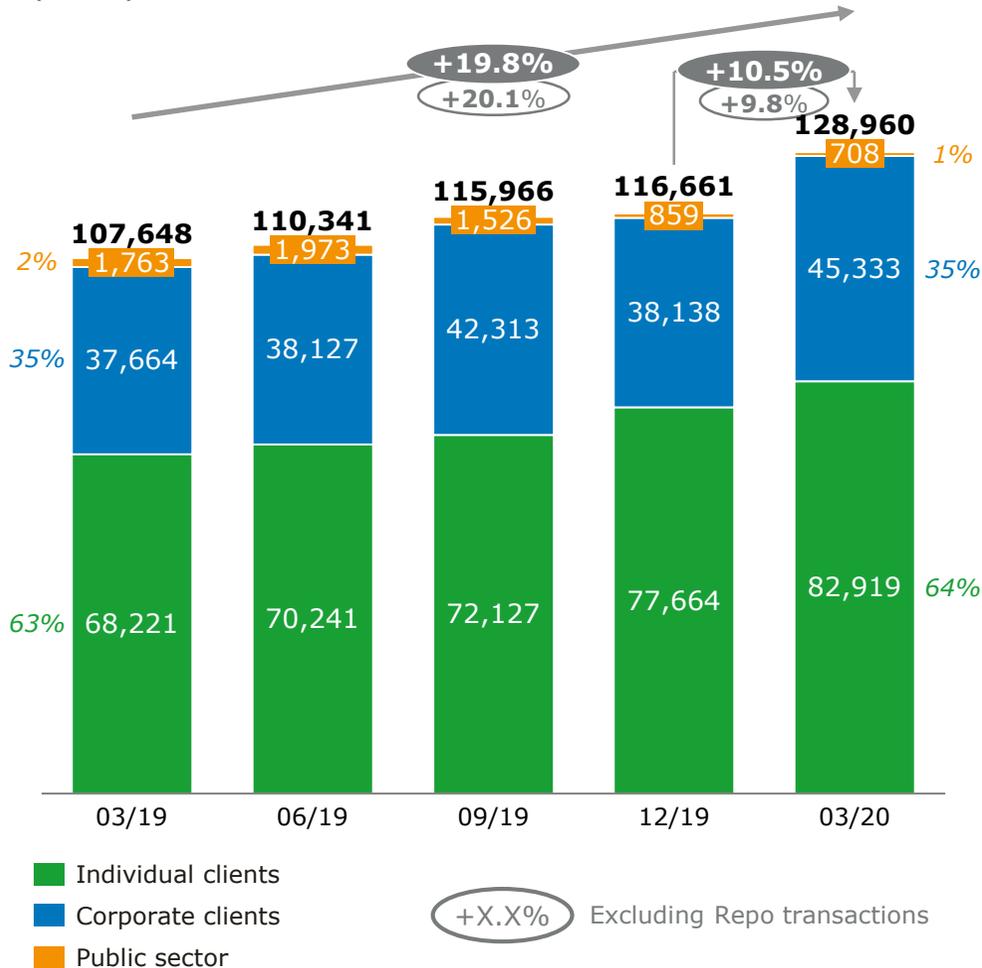
<sup>1</sup> Including new sale, rising and renewal

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.

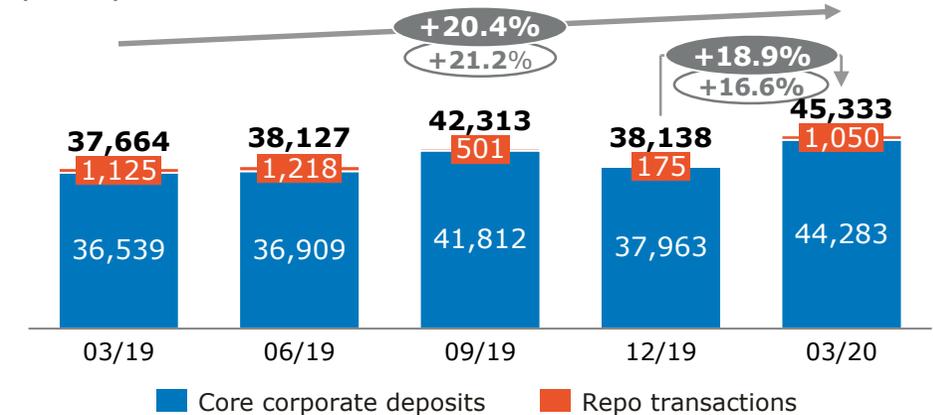
# Results of mBank Group: Customer deposits

Surging deposit base, particularly strong inflows observed in corporate segment

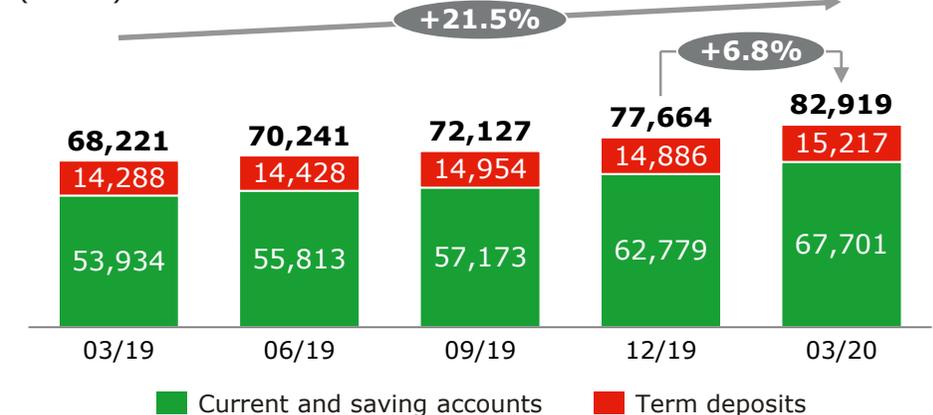
Development of Customer Deposits (PLN M)



Deposits from Corporate Entities (PLN M)



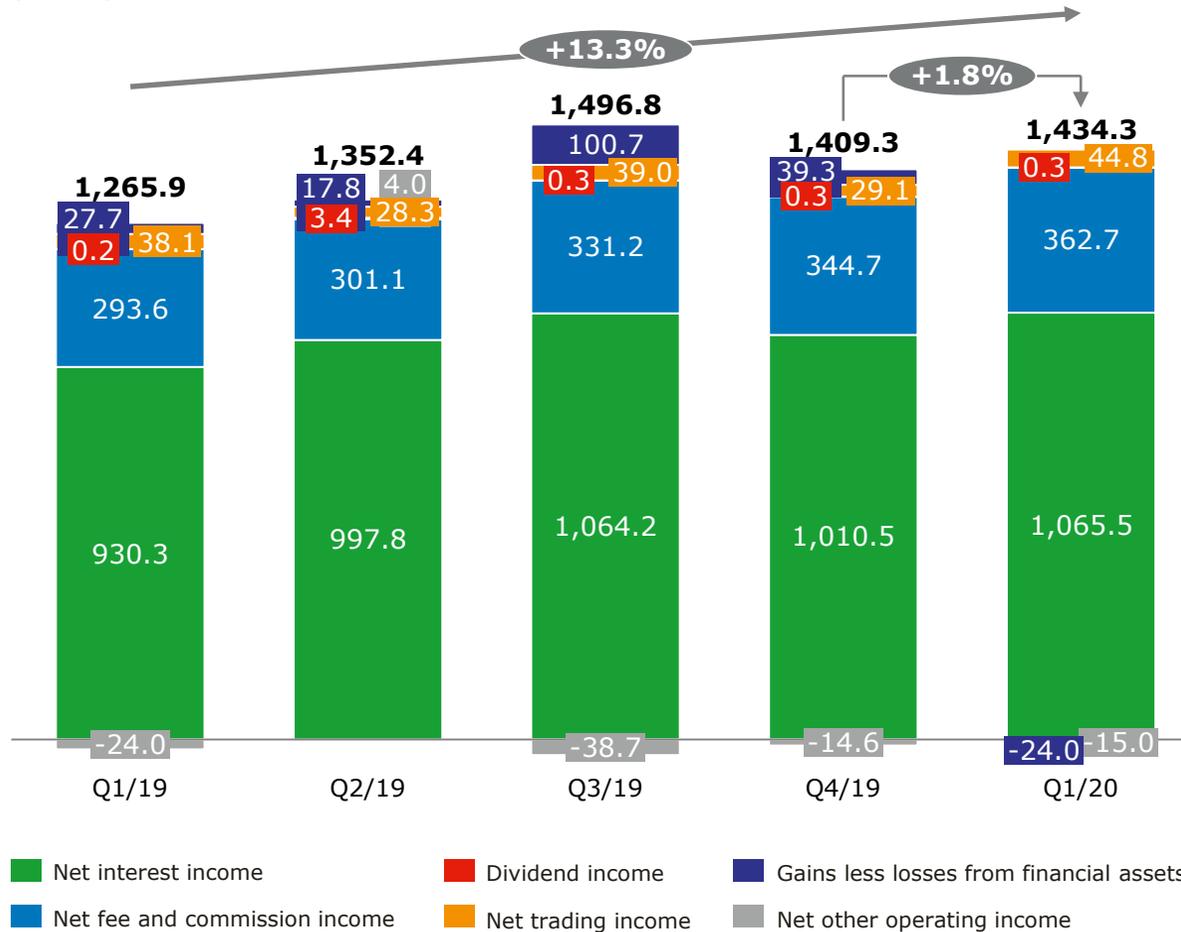
Deposits from Retail Customers (PLN M)



# Results of mBank Group: Total income

Rebound of net interest income after corrections related to 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

+54.0%

+17.5%

+5.2%

+23.5%

+5.4%

+14.5%

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:

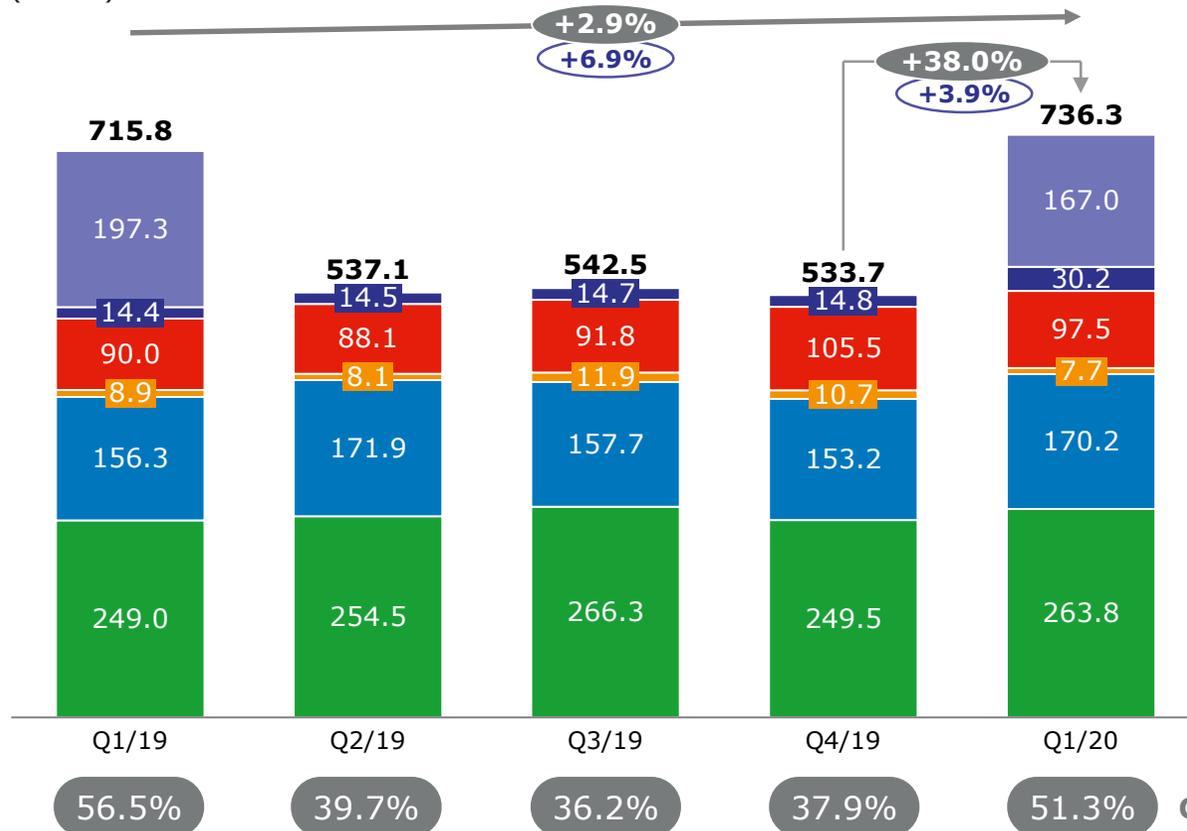
- PLN 68.5 M reduced *net interest income* in Q4/19;
- PLN 24.8 M increased *other operating expenses*, including: PLN 15.2 M in Q3/19 and PLN 9.6 M in Q4/19;

<sup>1</sup> 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 Q1/19-Q4/19 were restated to reflect retrospectively the shift of 'commissions from foreign currencies exchange' from net trading income to net fee and commission income.

# Results of mBank Group: Total costs

Best-in-class underlying efficiency, total costs inflated by contributions to the BFG

Development of mBank Group's Costs (PLN M)



Annual contribution to the Resolution Fund:

- PLN 97.1 million in Q1/18
- PLN 197.3 million in Q1/19
- PLN 167.0 million in Q1/20

+X.X% Excluding contributions to the BFG



**42.6%** Normalized C/I ratio of mBank Group for Q1/20 including ¼ of the contribution to the Resolution Fund and without the provisions for legal risk related to the FX mortgage loans

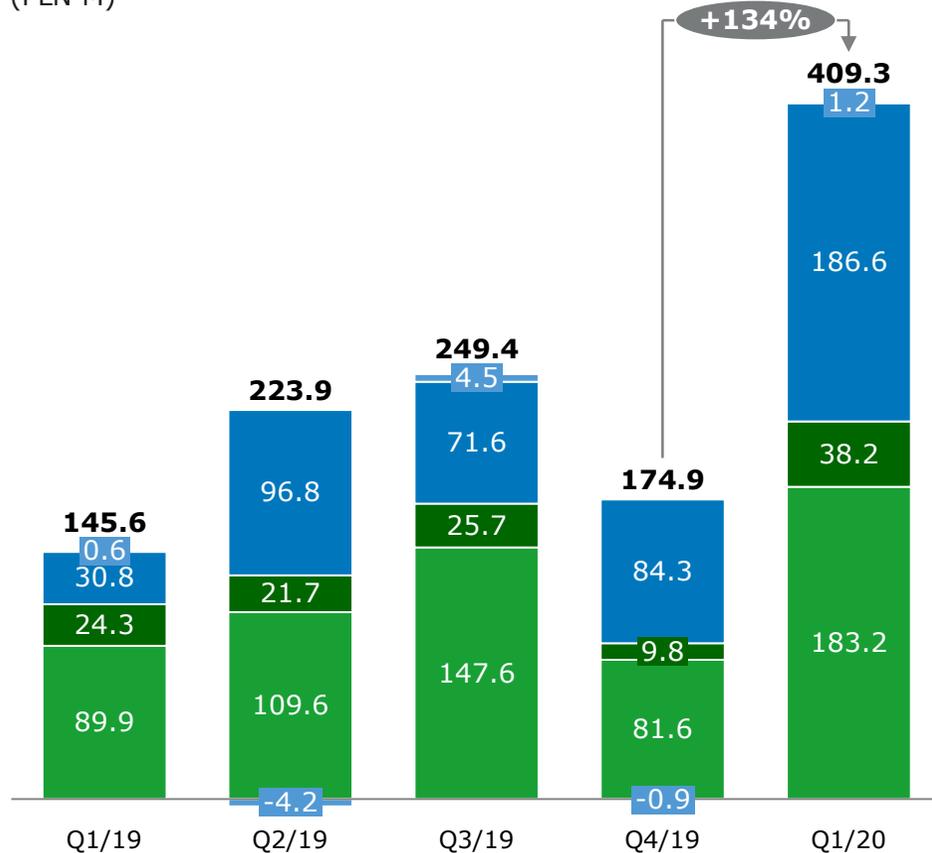
¹ Including taxes and fees, contributions to the Social Benefits Fund

Note: Including the provisions for legal risk related to the FX mortgage loans, C/I ratio of mBank Group in Q1/20 would amount to 51.8%.

# Results of mBank Group: Cost of risk

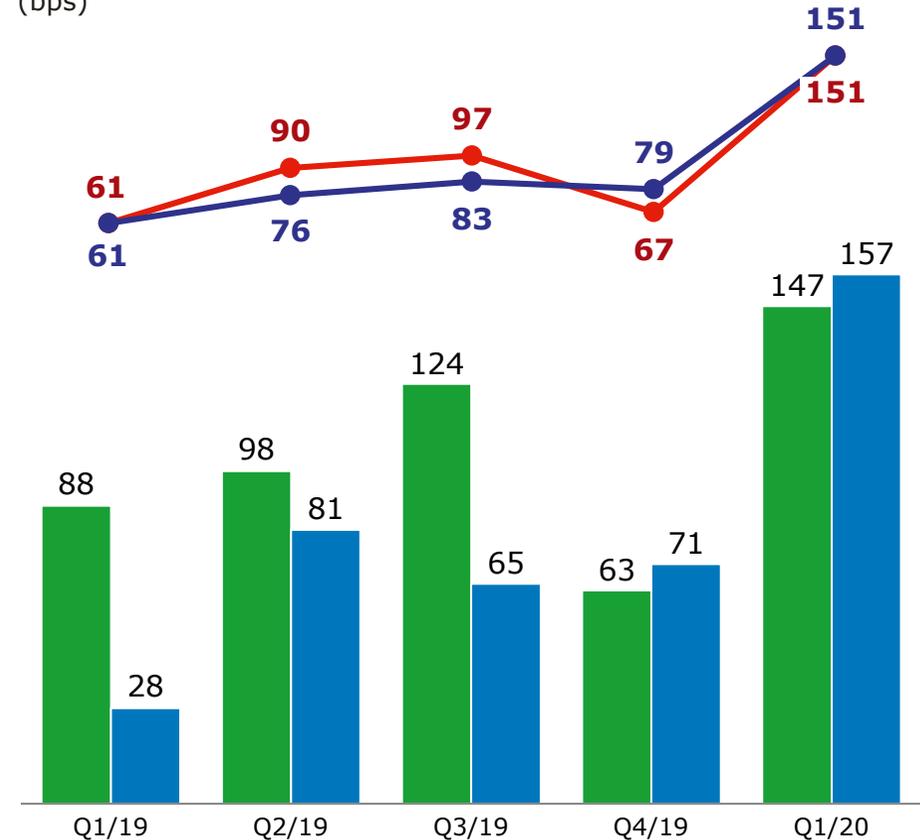
Elevated cost of risk, proactive provisioning amid the outbreak of COVID-19 pandemic

Net Impairment Losses and Fair Value Change on Loans<sup>1</sup>  
(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)



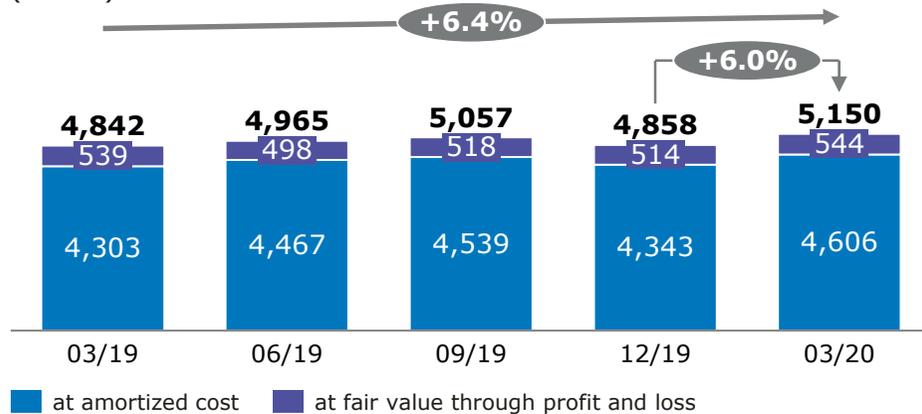
mBank Group's Cost of Risk: ● quarterly ● YtD  
■ Retail Portfolio ■ Corporate Portfolio

<sup>1</sup> 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)

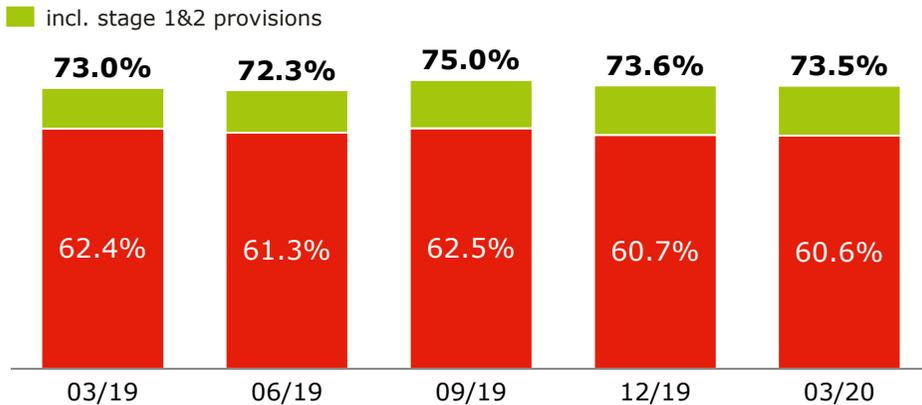
# Results of mBank Group: Loan portfolio quality

Robust quality of loan portfolio evidenced by resilient risk indicators

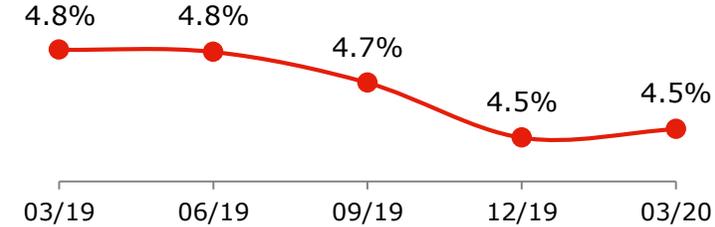
mBank Group's Impaired Loans Portfolio (PLN M)



mBank Group's Coverage Ratio

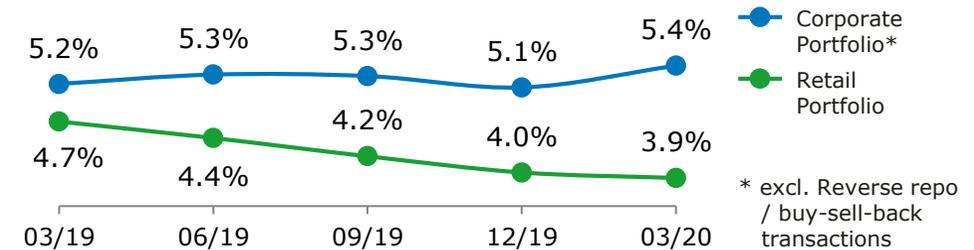


mBank Group's NPL Ratio

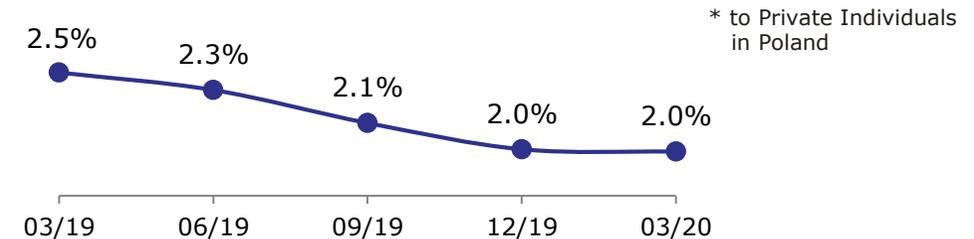


According to EBA definition, consolidated NPL ratio was: **3.9% < 5%** based on guidelines applicable from 30.06.2019

mBank Group's NPL Ratio by segment



NPL Ratio of Mortgage Loan Portfolio\*

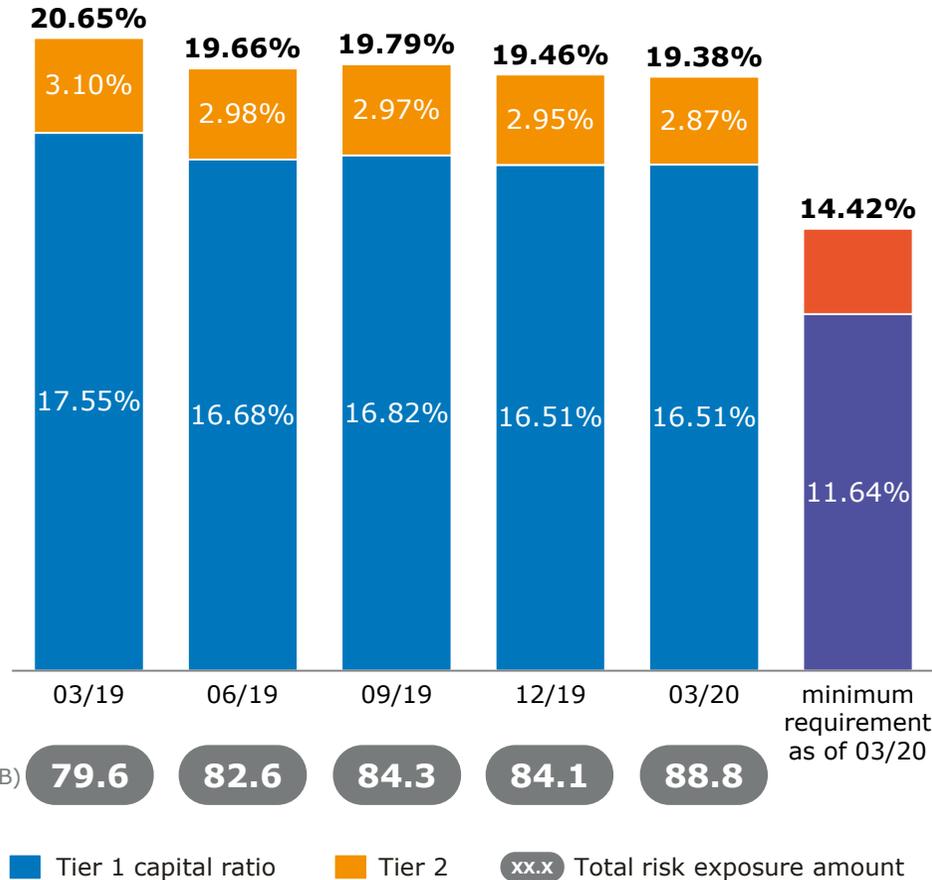


Note: Risk indicators presented for credit portfolio measured both at amortized cost and at fair value through profit or loss. The bank applies a client-oriented approach in its methodology of NPL recognition.

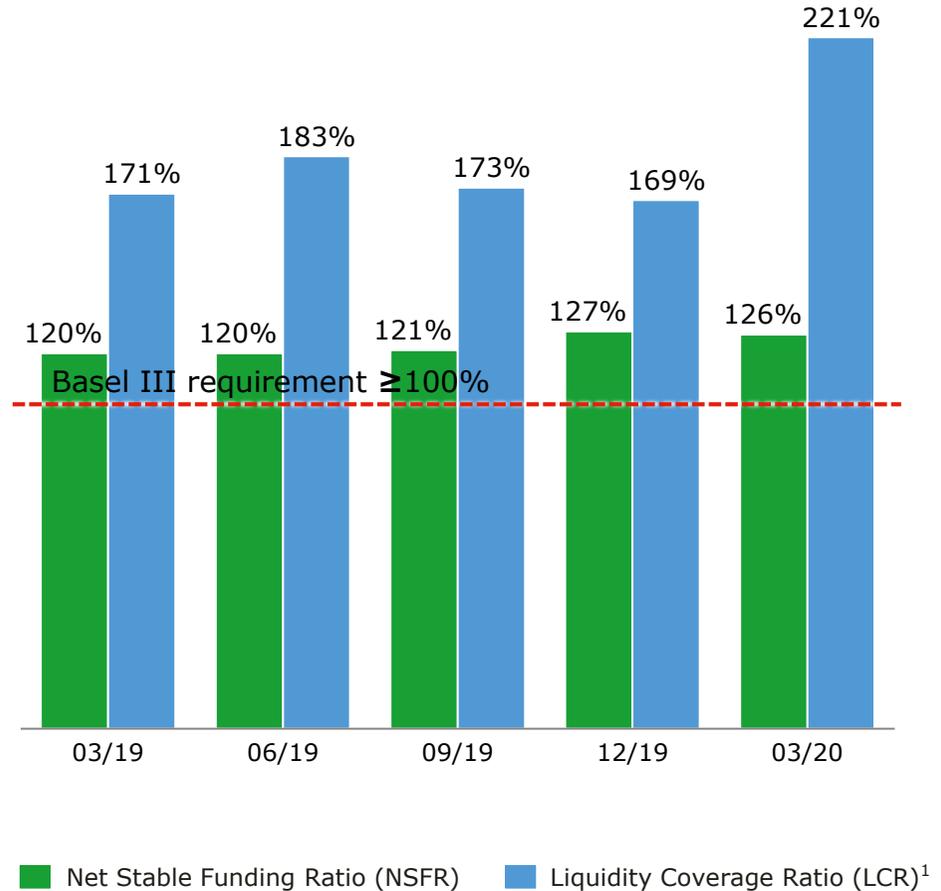
# Results of mBank Group: Key regulatory ratios

Strong capital position and outstanding liquidity securing safety and operational stability

mBank Group's Total Capital Ratio



mBank's NSFR and LCR



<sup>1</sup> LCR for mBank Group was at 249% as of 31.03.2020

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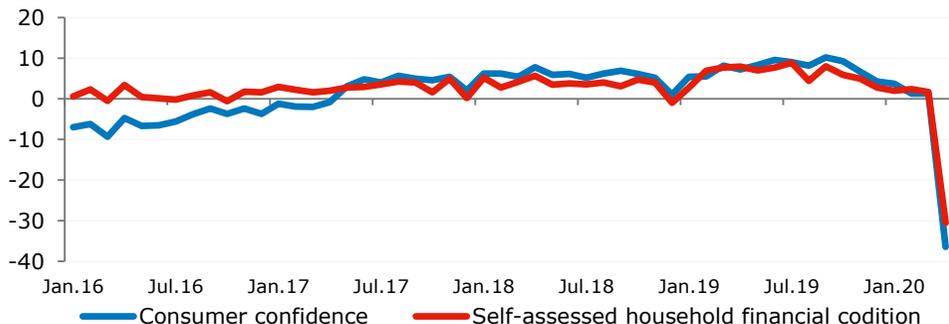
Detailed Results of Business Lines



# Macroeconomic Update (1/2)

## COVID-19 pandemic caused first recession in Poland ever

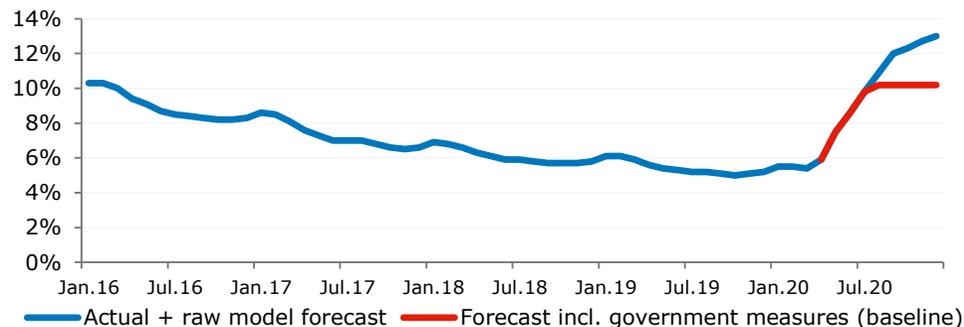
Household consumption tanked (no, the graph is not broken)



- Current data suggests that 20-30% of household consumption evaporated during lockdown. The return to normality will be slow. 2019 consumption levels are unlikely to be reached before 2022/23.

Source: GUS

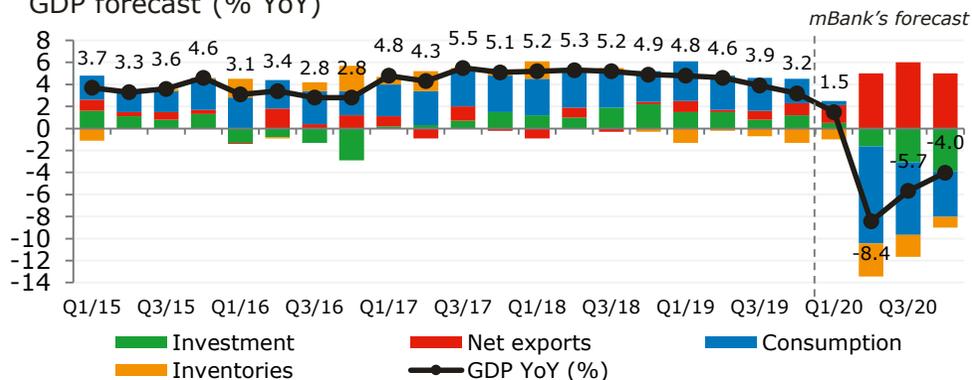
Despite government measures, unemployment is poised to increase



- Government came to the rescue (fiscal package worth ~10% of GDP). It is not a panacea but will help to keep firms and consumers afloat. Some damage has already been done, though.

Source: MoF

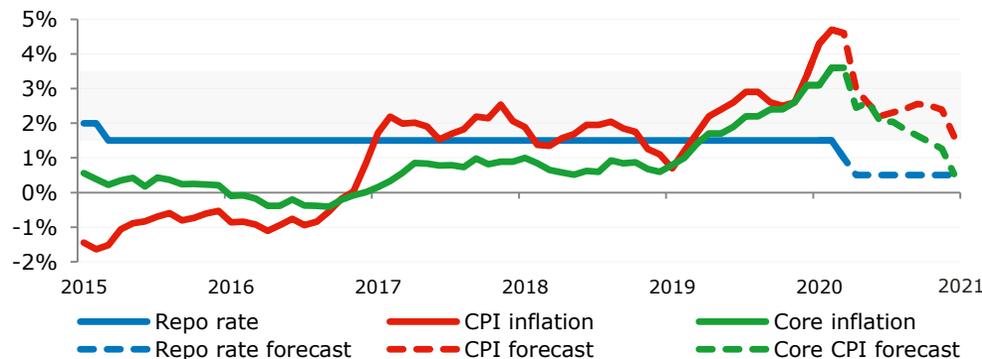
GDP forecast (% YoY)



- A recession of 4.2% in Poland is in the cards. This is the first episode ever with negative growth. The turnaround will be U-shaped as 2021 is expected to bring 3.5% growth.

Source: GUS

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



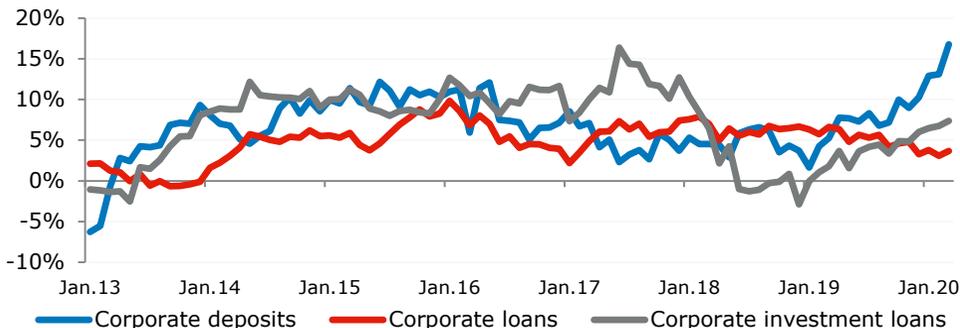
- Inflation peaked in Q1/20. Lower fuel prices and massive output gap that has opened up are set to bring inflation to NBP's target within months. Deflationary pressures kicked in. MPC has already reacted with rate cuts.

Source: NBP, GUS

# Macroeconomic Update (2/2)

## Lower demand for credit and robust deposit base

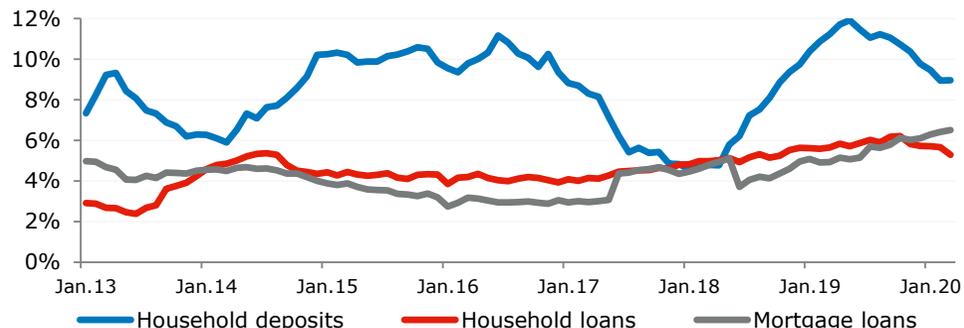
Corporate loans and deposits (% YoY, FX-adjusted)



- Corporates deal with severe demand hit and enacted cost-cutting measures. Government programmes are set to provide them with liquidity. Development of corporate lending is set to stall and reverse.

Source: NBP

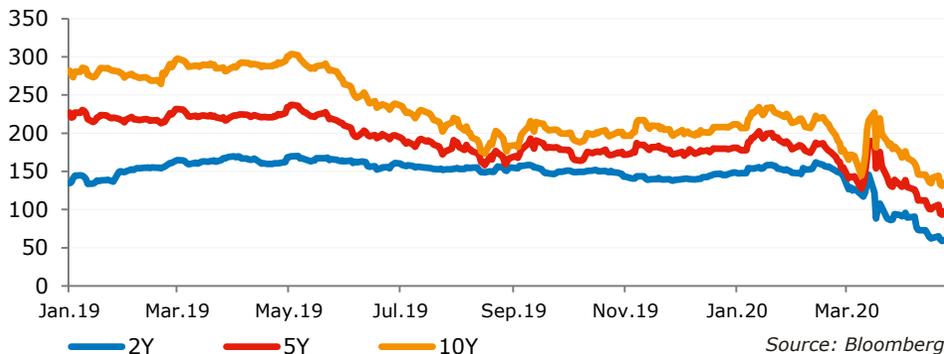
Household loans and deposits (% YoY, FX-adjusted)



- Limited consumption opens up prospects for steady deposit inflow near term. Household lending is set to stall in the next quarters. Mortgage loans are expected to decelerate.

Source: NBP

Government bonds yield dropped (basis points)



- Interest rate cuts along with QE launched by the NBP allowed for a massive drop in government bonds yields. Credit risk – after the initial burst – is slowly settling on lower levels. Interest rates to stay low.

Source: Bloomberg

PLN weakened in Q1/20



- COVID-19 shock made all EM currencies depreciate fast. PLN is set to weaken more before it comes back to better shape as economy slowly re-accelerates and most severe risks wane.

Source: Bloomberg

# Economic forecasts and impact on mBank Group

## Macroeconomic environment and challenges for the banking sector

### Key economic indicators

	2019	2020F	2021F
GDP growth (YoY)	4.1%	-4.2%	3.5%
Domestic demand (YoY)	3.5%	-8.6%	5.3%
Private consumption (YoY)	3.9%	-10.6%	5.3%
Investment (YoY)	6.9%	-9.4%	4.9%
Inflation (eop)	3.4%	1.8%	1.2%
MPC rate (eop)	1.50%	0.50%	0.50%
CHF/PLN (eop)	3.92	4.30	4.05
EUR/PLN (eop)	4.25	4.60	4.40

### Banking sector – monetary aggregates YoY

	2019	2020F	2021F
Corporate loans	3.0%	-20.5%	-7.5%
Household loans	6.1%	-0.8%	-7.5%
Mortgage loans	6.7%	3.3%	-1.4%
Non-mortgage loans	5.1%	-7.3%	-18.3%
Corporate deposits	10.0%	-18.6%	9.3%
Household deposits	9.7%	6.0%	-1.4%

Source: mBank's estimates as of 02.04.2020.

### Short-term outlook for mBank

Net interest income & NIM (Negative) ↓

- Reduction of interest rates by 100 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) ↓

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

Total costs (Slightly negative) ↓

- Disciplined management of operating expenses
- Rising amortisation due to ongoing investments in IT
- Higher annual contribution to the Bank Guarantee Fund

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

# Agenda



## Summary of Main Trends in Q1 2020

Business Development of Retail and Corporate Segment

Key Financials



## Analysis of the Results after Q1 2020

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



# Appendix

## Selected Financial Data: Consolidated Profit and Loss Account

Summary
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Historical view

Quarterly results (PLN thou.)	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20
Net interest income	930,253	997,780	1,064,238	1,010,501	1,065,464
Net fee and commission income	293,586	301,051	331,232	344,748	362,676
Dividend income	223	3,428	298	271	300
Net trading income	38,142	28,276	38,995	29,103	44,805
Gains less losses from financial assets <sup>1</sup>	27,716	17,785	100,718	39,319	-24,007
Net other operating income	-23,978	4,039	-38,664	-14,632	-14,955
<b>Total income</b>	<b>1,265,942</b>	<b>1,352,359</b>	<b>1,496,817</b>	<b>1,409,310</b>	<b>1,434,283</b>
<b>Total operating costs</b>	<b>-715,782</b>	<b>-537,120</b>	<b>-542,527</b>	<b>-533,726</b>	<b>-736,323</b>
<i>Overhead costs</i>	<i>-625,744</i>	<i>-448,980</i>	<i>-450,694</i>	<i>-428,239</i>	<i>-638,813</i>
<i>Amortisation</i>	<i>-90,038</i>	<i>-88,140</i>	<i>-91,833</i>	<i>-105,487</i>	<i>-97,510</i>
Loan loss provisions and fair value change <sup>2</sup>	-145,634	-223,930	-249,357	-174,863	-409,279
Provisions for legal risk related to FX loans	-4,592	-23,182	-66,559	-293,453	-12,911
<b>Operating profit</b>	<b>399,934</b>	<b>568,127</b>	<b>638,374</b>	<b>407,268</b>	<b>275,770</b>
Taxes on the Group balance sheet items	-109,932	-108,954	-118,392	-121,380	-131,830
<b>Profit before income tax</b>	<b>290,002</b>	<b>459,173</b>	<b>519,982</b>	<b>285,888</b>	<b>143,940</b>
<b>Net profit attributable to owners of mBank</b>	<b>163,173</b>	<b>372,413</b>	<b>358,512</b>	<b>116,252</b>	<b>90,917</b>

<sup>1</sup> 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)

<sup>2</sup> 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 Q1/19-Q4/19 were restated to reflect retrospectively the shift of 'commissions from foreign currencies exchange' from net trading income to net fee and commission income.

# Appendix

## Selected Financial Data: Consolidated Statement of Financial Position

Summary
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<b>Assets (PLN thou.)</b>	<b>Q1/19</b>	<b>Q2/19</b>	<b>Q3/19</b>	<b>Q4/19</b>	<b>Q1/20</b>
Cash and balances with Central Bank	5,553,368	6,689,767	8,454,457	7,897,010	10,823,272
Loans and advances to banks	4,020,545	3,079,814	4,792,282	4,341,758	9,513,378
Trading securities	3,504,045	2,529,666	789,833	1,733,569	1,638,764
Derivative financial instruments	991,096	1,139,940	1,180,589	959,776	1,894,511
<b>Loans and advances to customers</b>	<b>97,722,784</b>	<b>100,421,485</b>	<b>104,725,600</b>	<b>105,347,475</b>	<b>110,871,784</b>
Investment securities	34,672,335	34,293,826	34,756,064	34,305,184	34,748,278
Intangible assets	814,898	822,131	876,595	955,440	968,233
Tangible fixed assets	1,324,958	1,304,153	1,268,686	1,262,397	1,234,334
Other assets	2,214,630	2,152,431	1,929,939	1,917,974	2,130,707
<b>Total assets</b>	<b>150,818,659</b>	<b>152,433,213</b>	<b>158,774,045</b>	<b>158,720,583</b>	<b>173,823,261</b>
<b>Liabilities (PLN thou.)</b>	<b>Q1/19</b>	<b>Q2/19</b>	<b>Q3/19</b>	<b>Q4/19</b>	<b>Q1/20</b>
Amounts due to banks	2,473,528	2,974,908	2,458,291	1,166,871	1,702,131
Derivative financial instruments	981,254	1,082,915	1,051,119	948,764	1,687,534
<b>Customer deposits</b>	<b>107,648,204</b>	<b>110,341,075</b>	<b>115,965,629</b>	<b>116,661,138</b>	<b>128,960,426</b>
Debt securities in issue	18,441,265	16,563,922	16,716,850	17,435,143	18,000,321
Subordinated liabilities	2,482,086	2,477,664	2,526,217	2,500,217	2,594,304
Other liabilities	3,524,918	3,316,460	3,965,573	3,855,145	4,293,251
<b>Total liabilities</b>	<b>135,551,255</b>	<b>136,756,944</b>	<b>142,683,679</b>	<b>142,567,278</b>	<b>157,237,967</b>
<b>Total equity</b>	<b>15,267,404</b>	<b>15,676,269</b>	<b>16,090,366</b>	<b>16,153,305</b>	<b>16,585,294</b>
<b>Total liabilities and equity</b>	<b>150,818,659</b>	<b>152,433,213</b>	<b>158,774,045</b>	<b>158,720,583</b>	<b>173,823,261</b>

# Appendix

## Selected Financial Data: mBank Group's Ratios

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

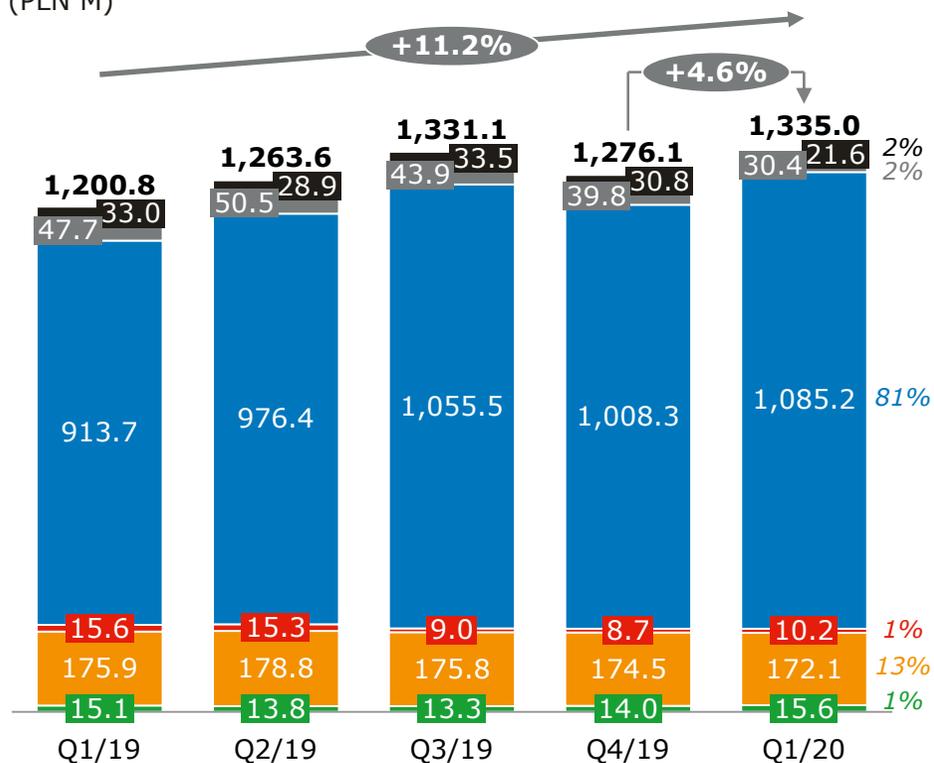
Financial Ratios	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20
Net Interest Margin ( <i>quarterly</i> )	2.60%	2.75%	2.81%	2.60%	2.63%
Net Interest Margin YtD	2.60%	2.68%	2.72%	2.69%	2.63%
Net Interest Margin YtD (excl. CHF portfolio)	2.85%	2.94%	2.98%	2.94%	2.85%
Cost/Income Ratio ( <i>quarterly</i> )	56.5%	39.7%	36.2%	37.9%	51.3%
Cost/Income Ratio YtD	56.5%	47.9%	43.6%	42.2%	51.3%
Cost of Risk ( <i>quarterly</i> )	0.61%	0.90%	0.97%	0.67%	1.51%
Cost of Risk YtD	0.61%	0.76%	0.83%	0.79%	1.51%
ROE net ( <i>quarterly</i> )	4.36%	9.86%	9.33%	3.03%	2.24%
ROE net YtD	4.36%	7.13%	7.87%	6.65%	2.24%
ROA net ( <i>quarterly</i> )	0.44%	0.99%	0.91%	0.29%	0.22%
ROA net YtD	0.44%	0.72%	0.78%	0.66%	0.22%
Loan-to-Deposit Ratio	90.8%	91.0%	90.3%	90.3%	86.0%
Total Capital Ratio	20.65%	19.66%	19.79%	19.46%	19.38%
Tier 1 Capital Ratio	17.55%	16.68%	16.82%	16.51%	16.51%
Equity / Assets	10.1%	10.3%	10.1%	10.2%	9.5%
TREA / Assets	52.8%	54.2%	53.1%	53.0%	51.0%
NPL ratio	4.8%	4.8%	4.7%	4.5%	4.5%
NPL coverage ratio	62.4%	61.3%	62.5%	60.7%	60.6%
NPL coverage ratio incl. stage 1&2 provisions	73.0%	72.3%	75.0%	73.6%	73.5%

# Appendix

## Selected Financial Data Profit and Loss Account: Net Interest Income

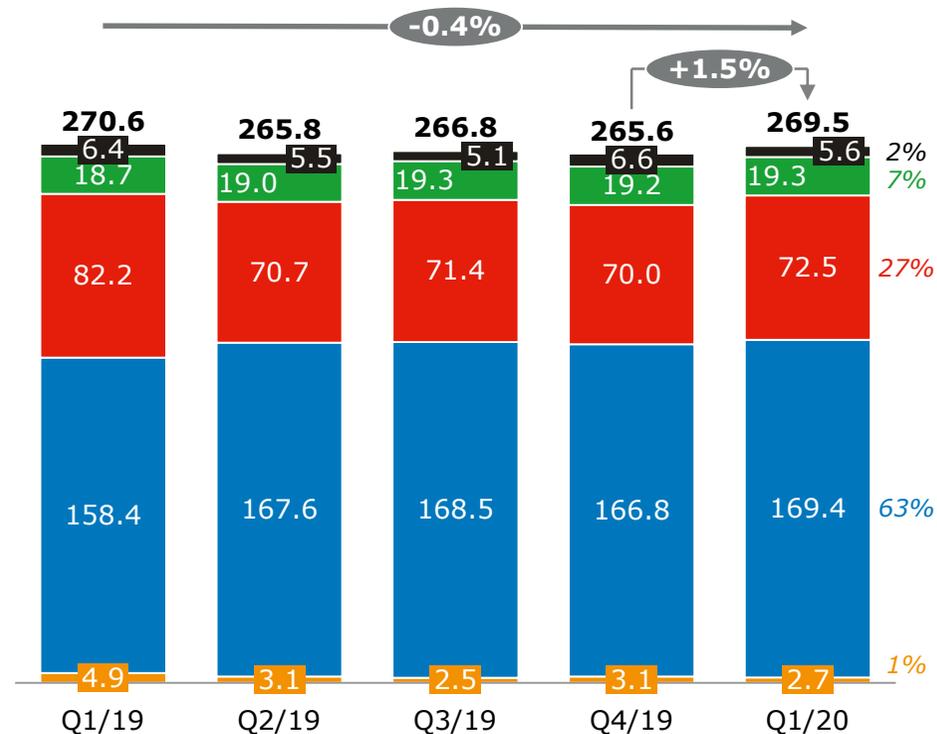
Summary
<b>Profit &amp; Loss</b>
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Interest Income Structure  
(PLN M)



- 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

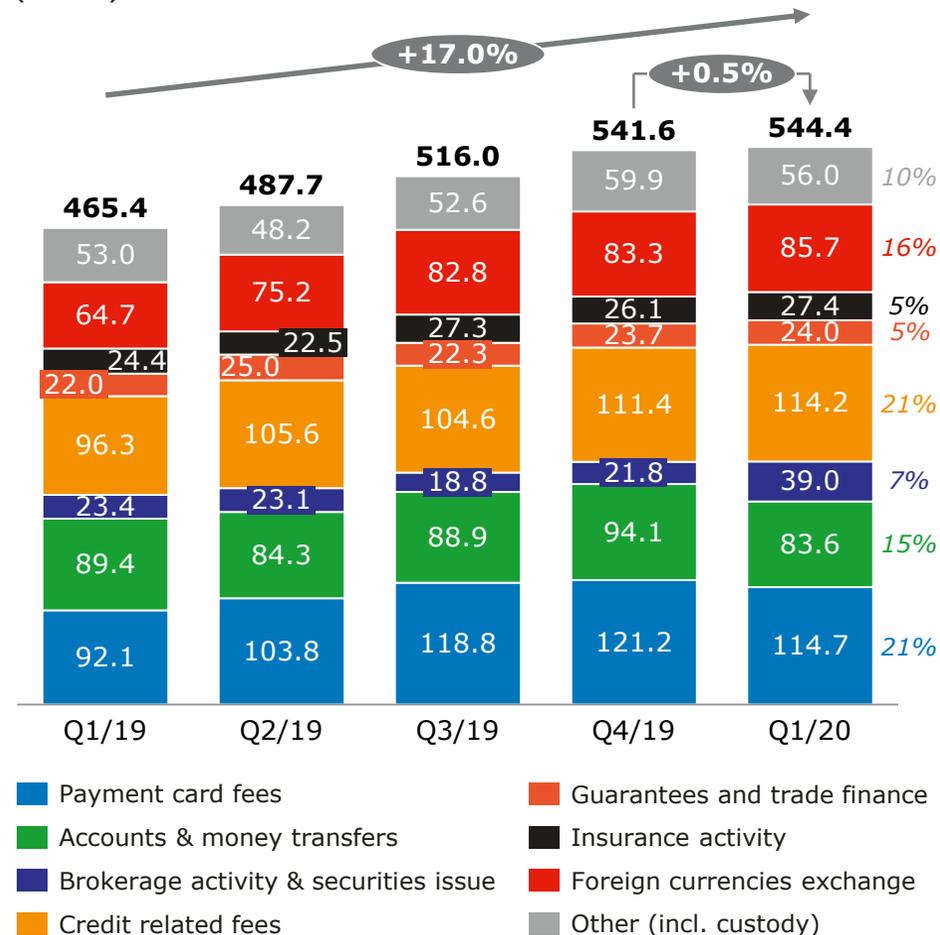
# Appendix

## Selected Financial Data

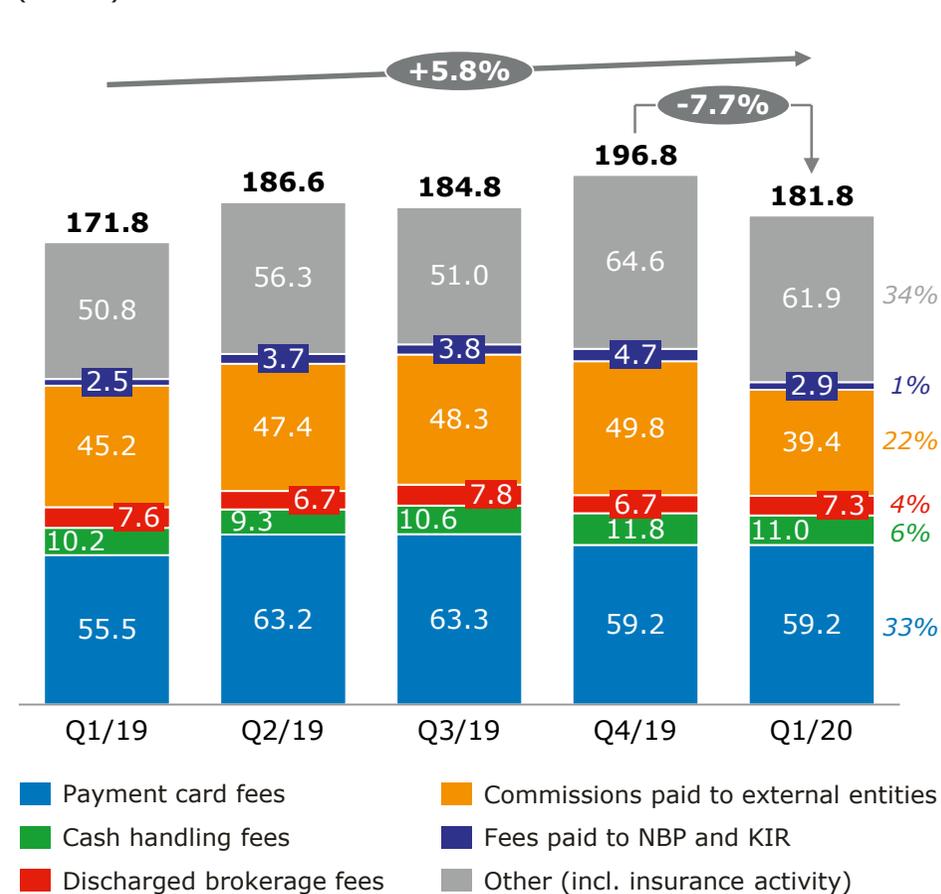
### Profit and Loss Account: Net Fee and Commission Income

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Fee and Commission Income Structure (PLN M)



Fee and Commission Expense Structure (PLN M)

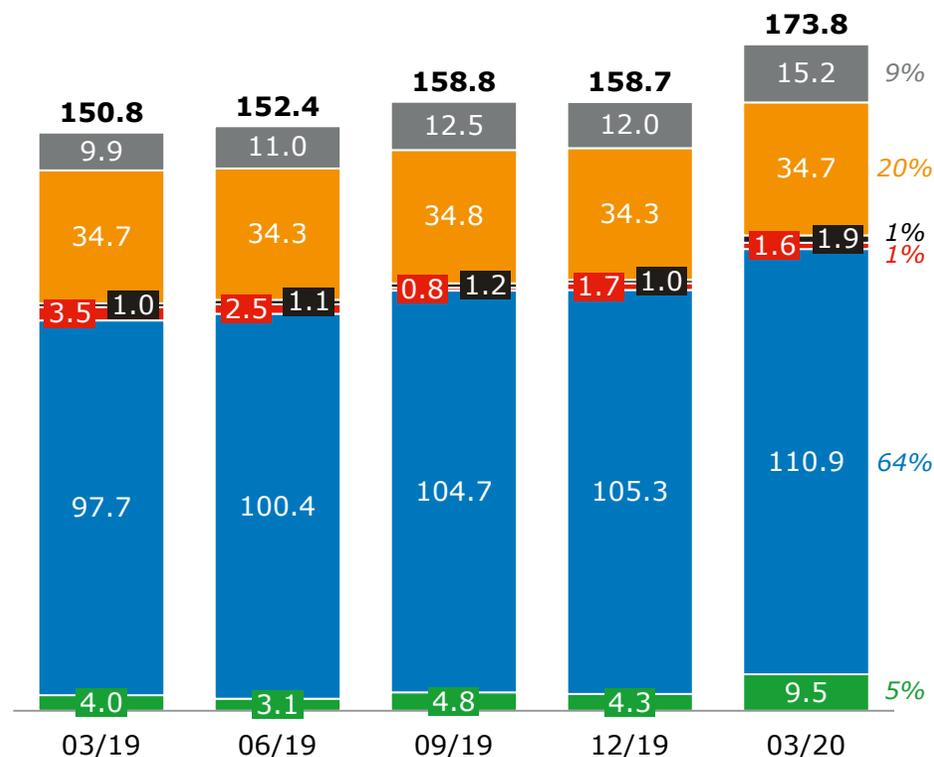


# Appendix

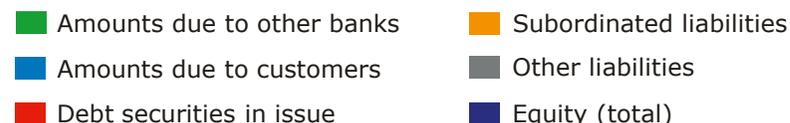
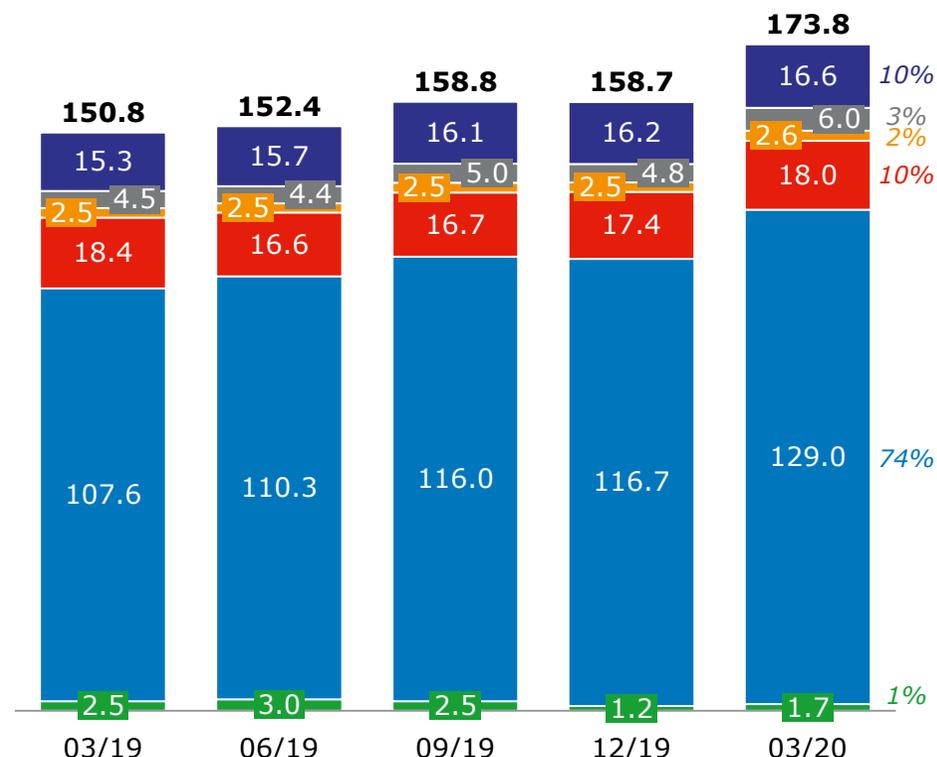
## Selected Financial Data Balance Sheet Analysis: Assets & Liabilities

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<b>Balance Sheet</b>
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Historical view

Structure of Assets  
(PLN B)



Structure of Liabilities and Equity  
(PLN B)



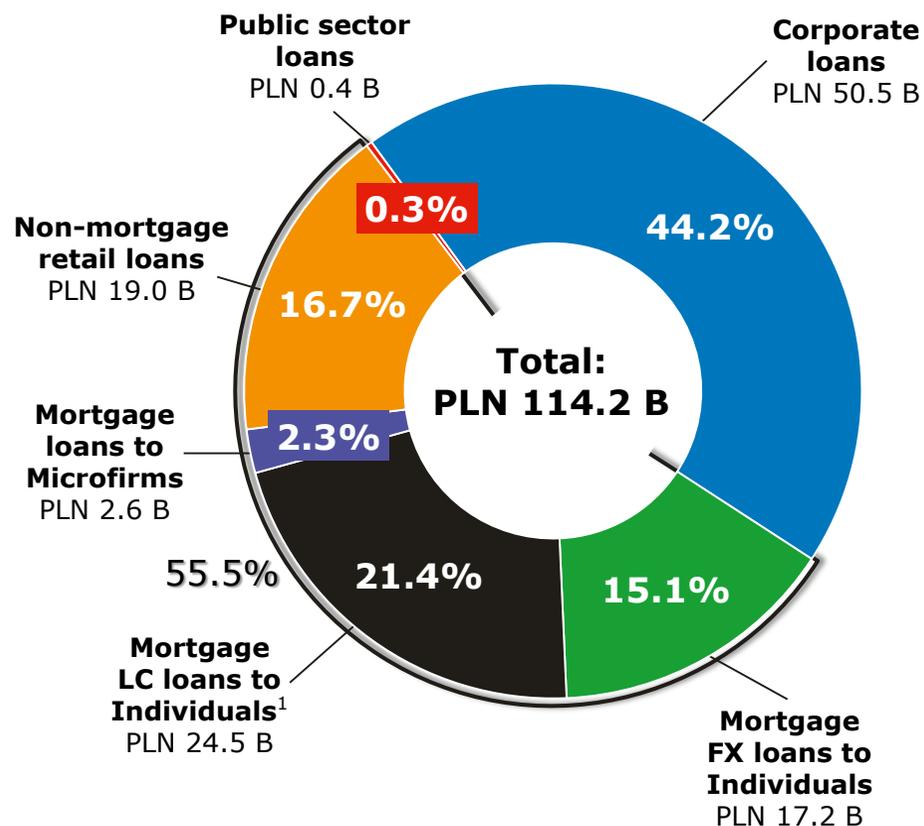
# Appendix

## Selected Financial Data

### Balance Sheet Analysis: Structure of Loans and Deposits

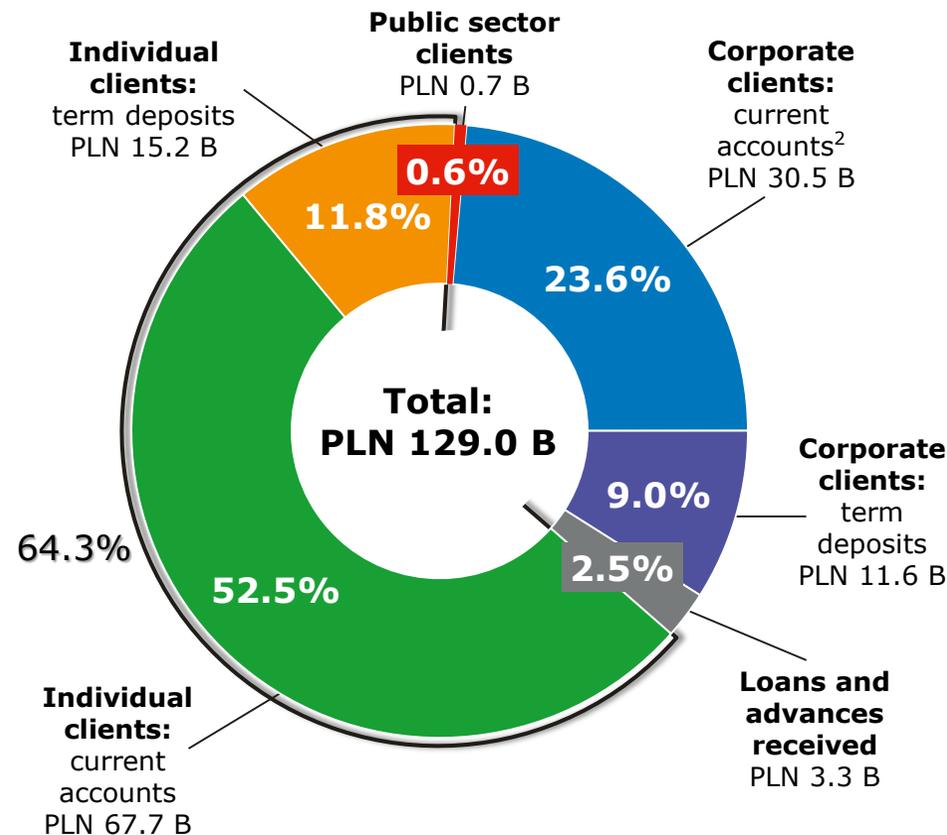
Summary
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<b>Balance Sheet</b>
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Structure of mBank Group's gross loans and advances to customers as of 31.03.2020



<sup>1</sup> Including local currency mortgage loans granted in Poland, the Czech Republic and Slovakia

Structure of mBank Group's amounts due to customers as of 31.03.2020

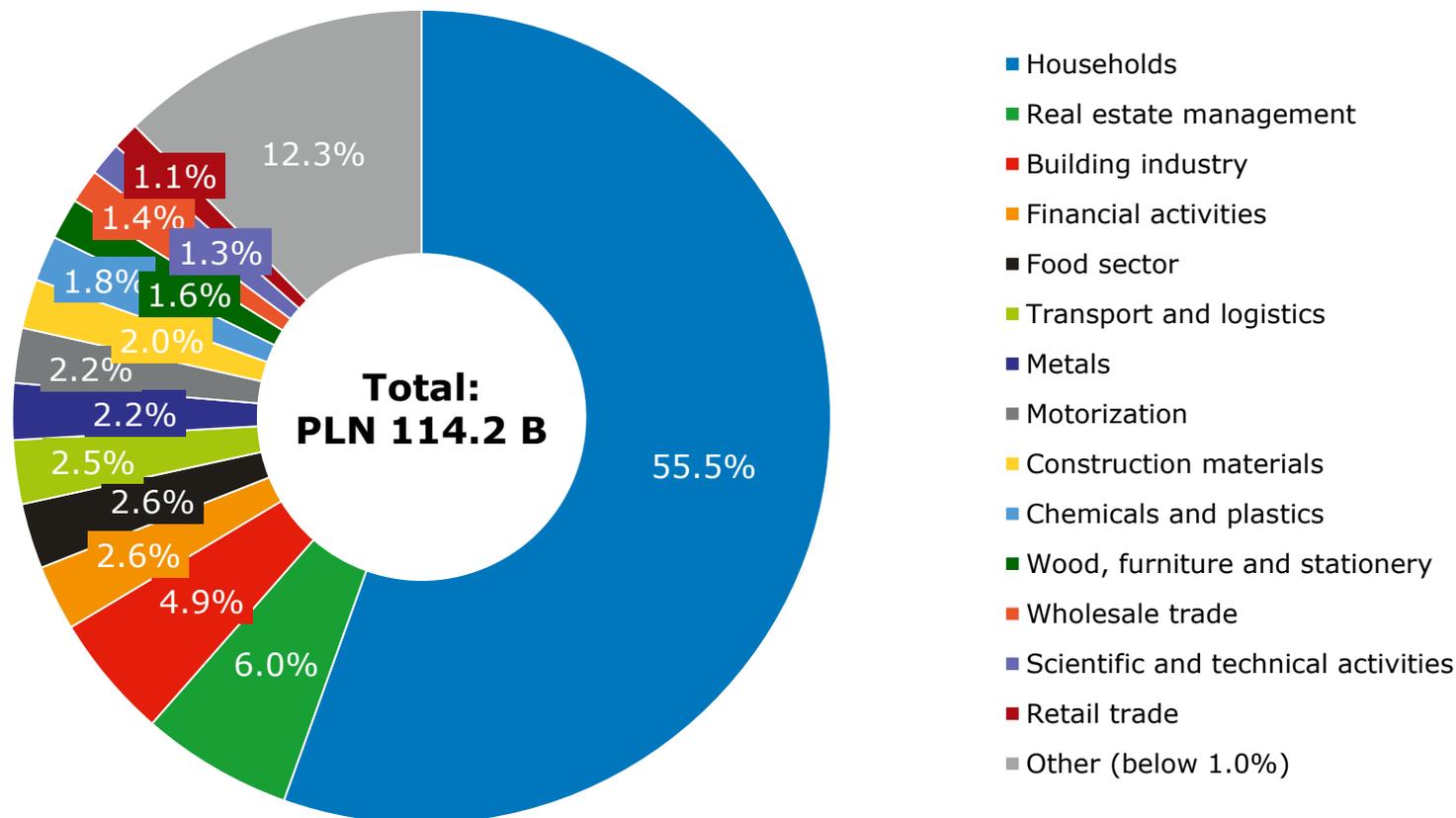


<sup>2</sup> Including repo transactions

# Appendix

## Selected Financial Data Balance Sheet Analysis: Loan Portfolio Structure

mBank Group's Sector Exposure by Industry  
as of 31.03.2020



**A well diversified loan portfolio with granular structure**

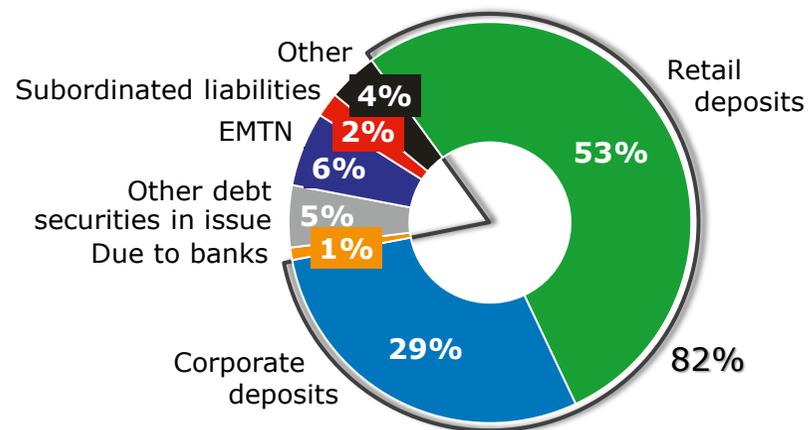
# Appendix

## Selected Financial Data

### Balance Sheet Analysis: Funding Structure and Liquidity Levels

Summary
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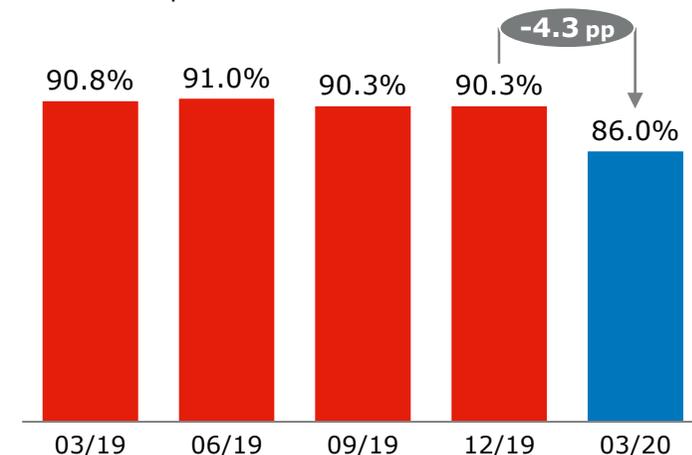
mBank Group's Funding Structure as of 31.03.2020



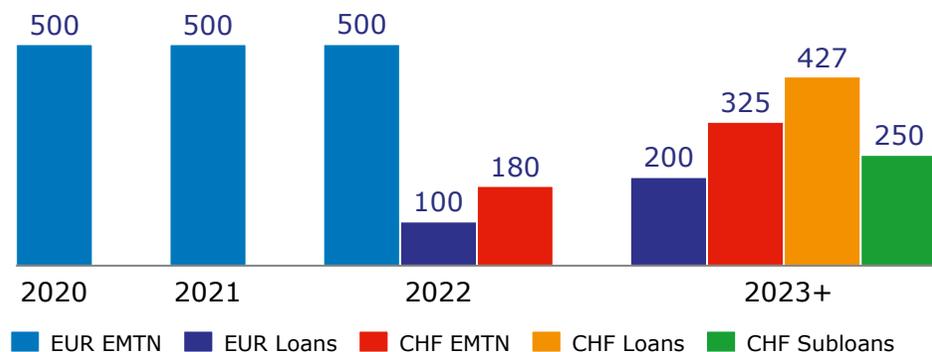
mBank's ratings

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

Loan-to-Deposit Ratio



Maturity of long-term funding instruments in original currencies as of 31.03.2020 (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%

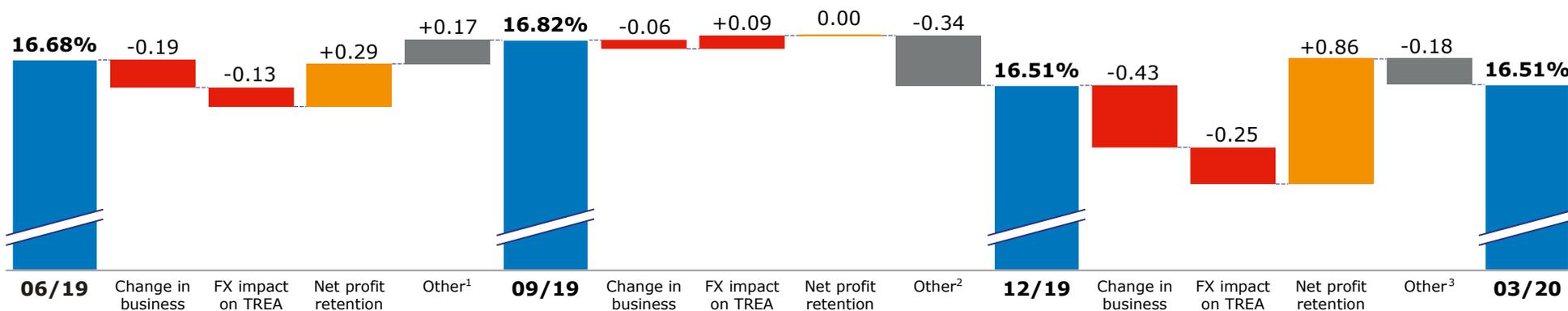
# Appendix

## Selected Financial Data

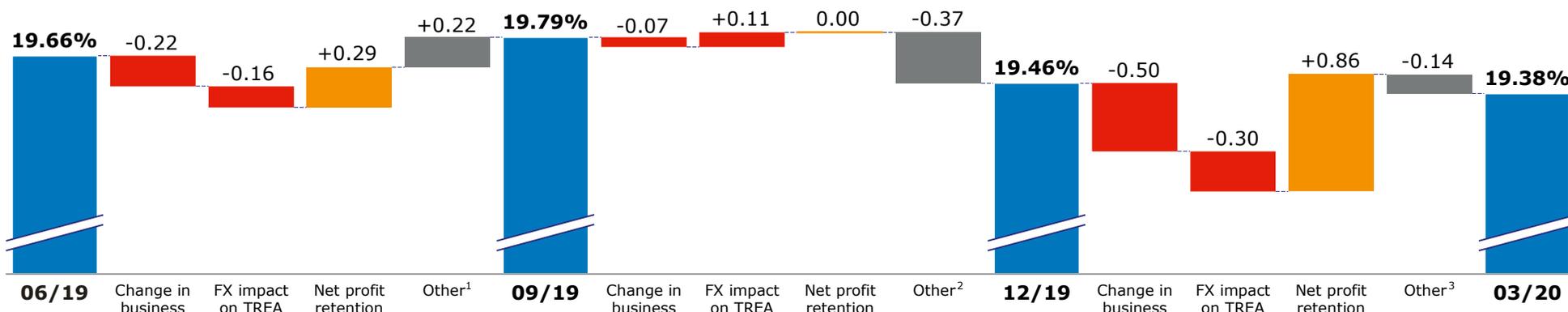
### Balance Sheet Analysis: Detailed Development of Capital Ratios

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mBank Group's Tier 1 Capital Ratio



mBank Group's Total Capital Ratio



<sup>1</sup> 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

<sup>2</sup> 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)

<sup>3</sup> Negative impact on capital ratios from annual update of operational risk that added PLN 0.8 billion to TREA

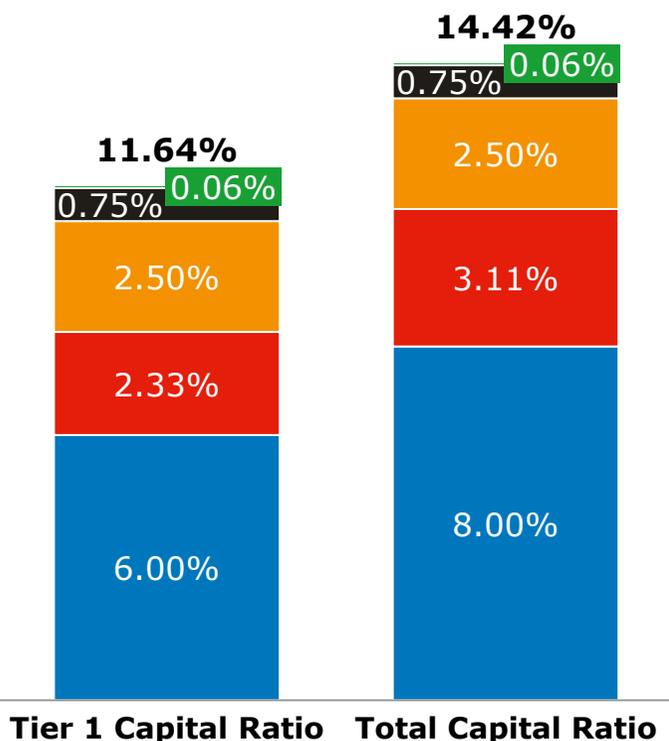
# Appendix

## Selected Financial Data

### Balance Sheet Analysis: Details of Capital Requirements

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Regulatory capital requirements for mBank Group as of 31.03.2020



- **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)**, originally set at 3.0% in Poland, was reduced to 0% starting from 19.03.2020; 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 01.01.2024.

## Detailed Results of the Business Lines in Q1 2020

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### Retail Banking

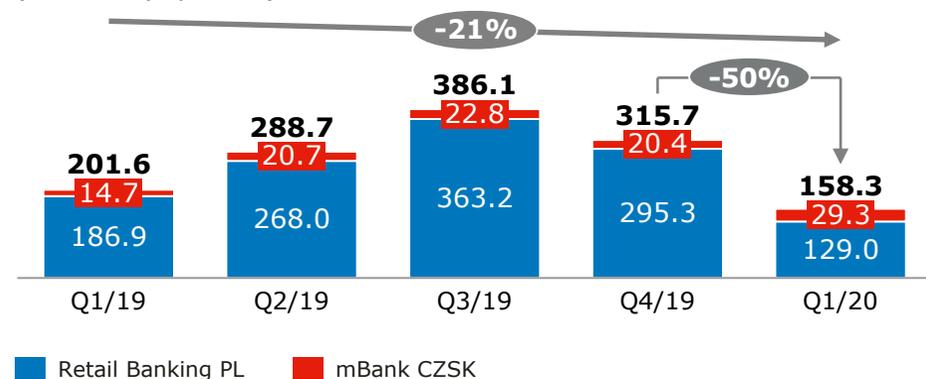
# Appendix

## Retail Banking Summary of Q1/20: Financial and Business Results

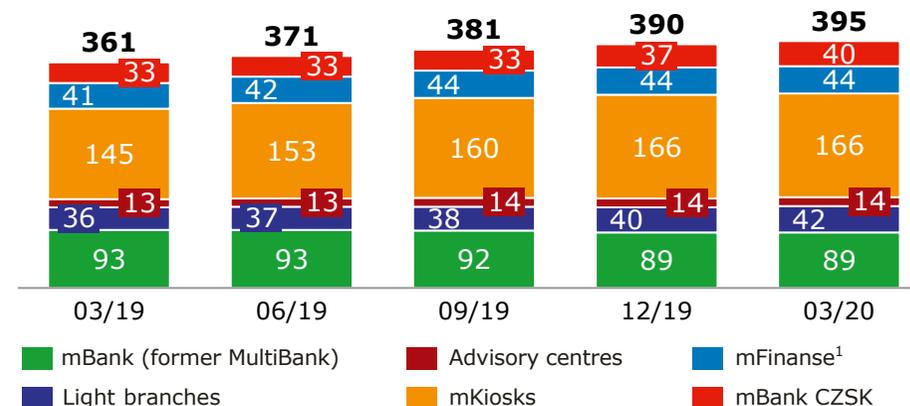
Summary
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Profit before Tax of the Segment  
(PLN M, by quarter)

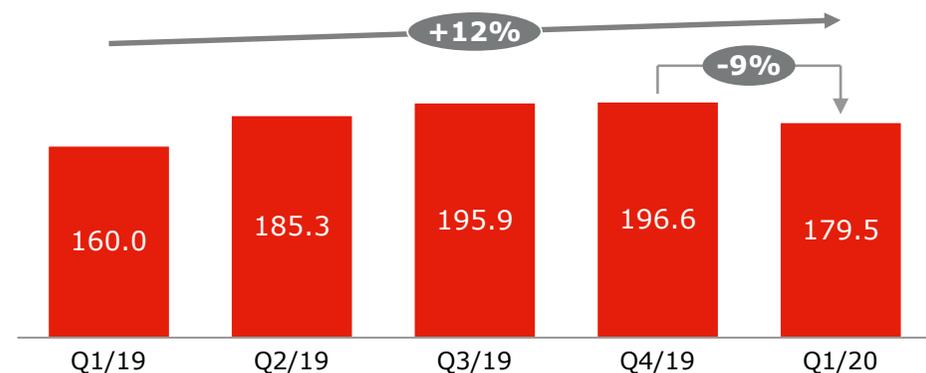
*Presented without provisions for legal risk related to FX mortgage loans*



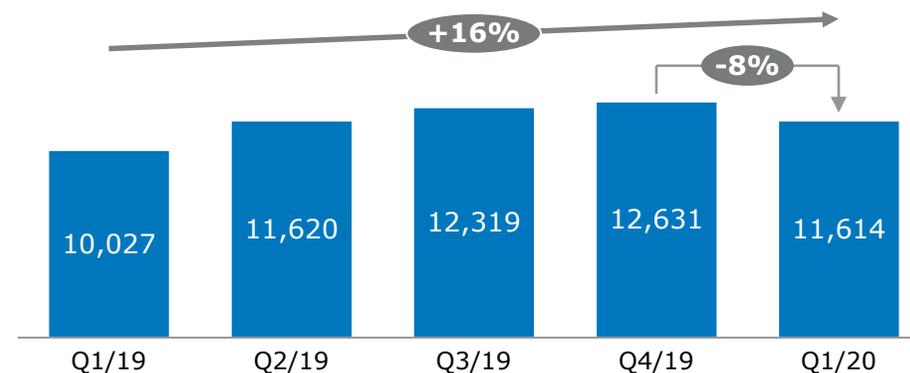
Number of Retail Service Locations



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



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



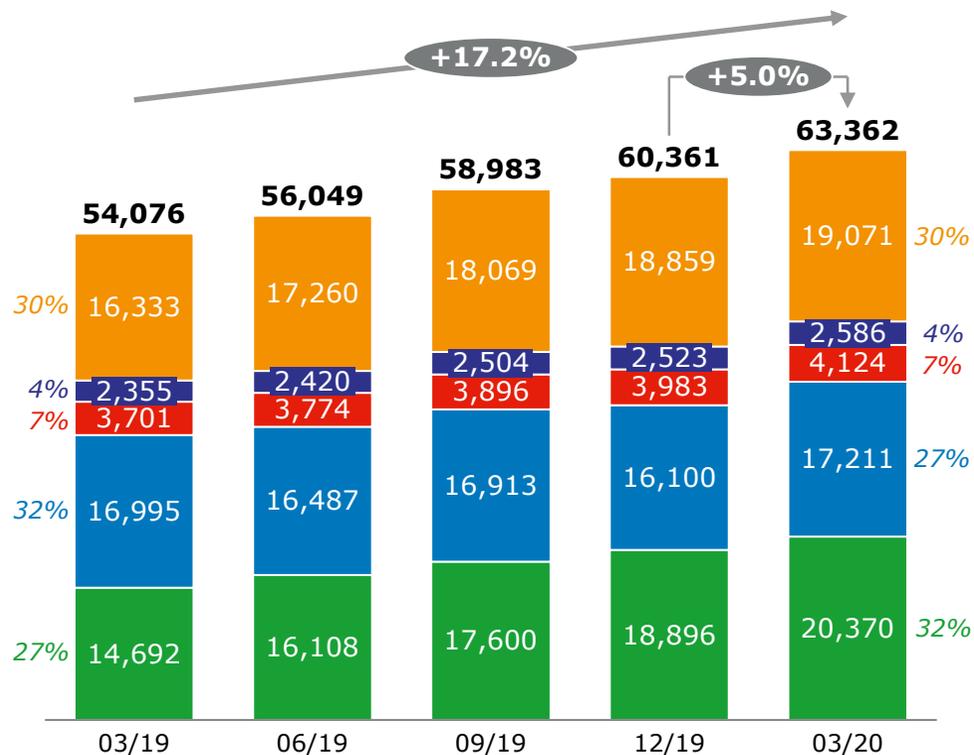
<sup>1</sup> Including financial centres and agency service points

# Appendix

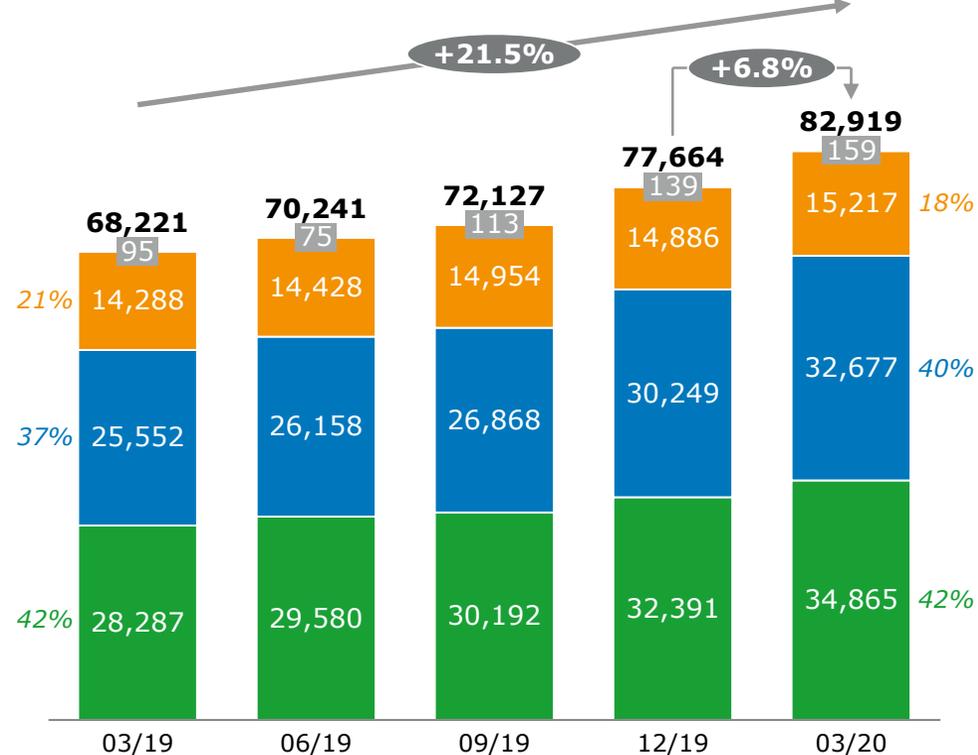
## Retail Banking Summary of Q1/20: Loans and Deposits

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Gross Loans to Retail Banking Clients<sup>1</sup>  
(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

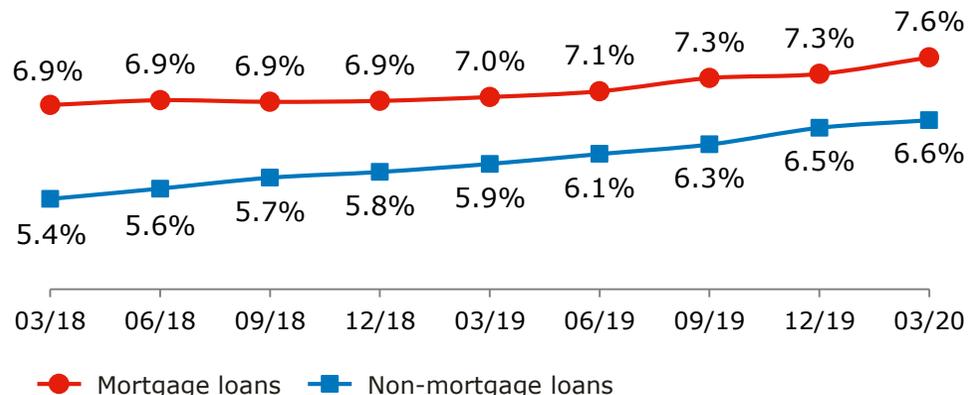
<sup>1</sup> Currency and geographical breakdown based on management information

# Appendix

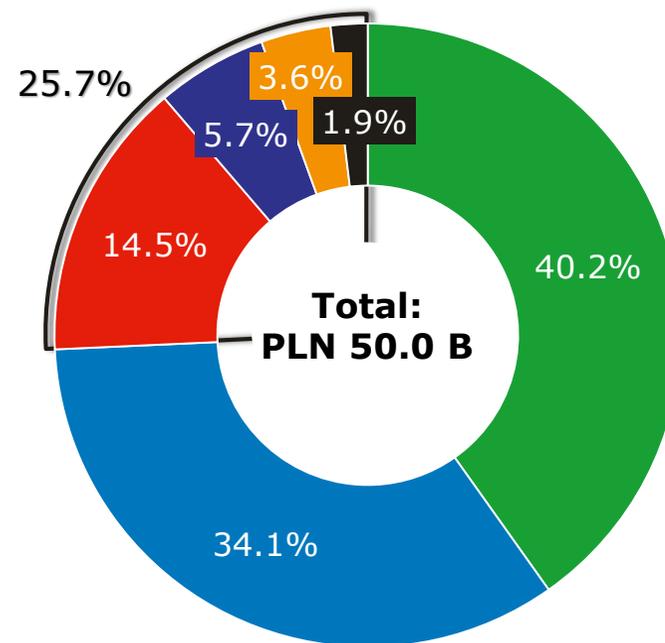
## Retail Banking Loan Portfolio Structure of mBank Group in Poland

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

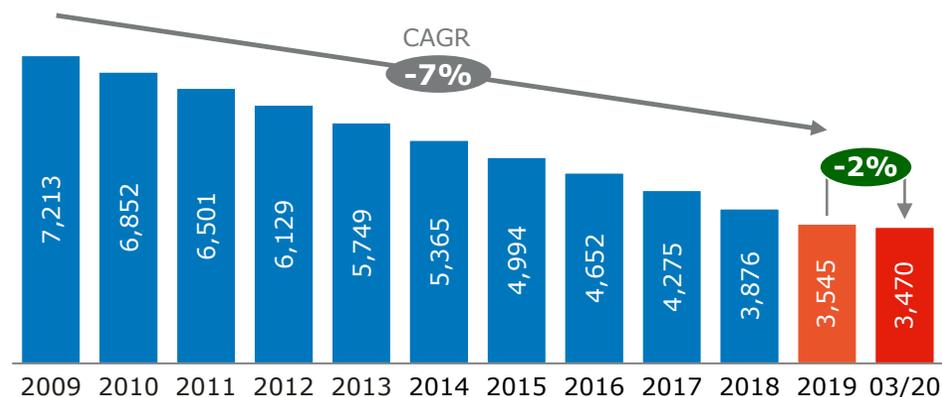
Market Shares in Household Loans in Poland



Product Structure of Retail Banking Loan Portfolio in Poland as of 31.03.2020



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

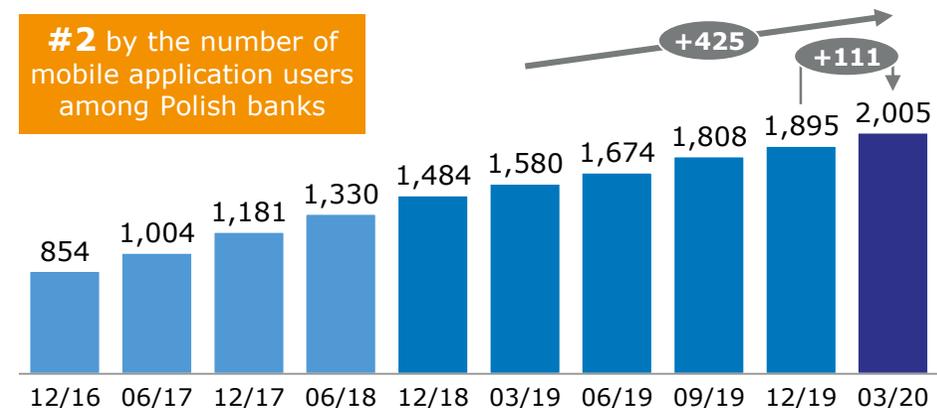
Summary
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Focus on client convenience through well-designed functionalities

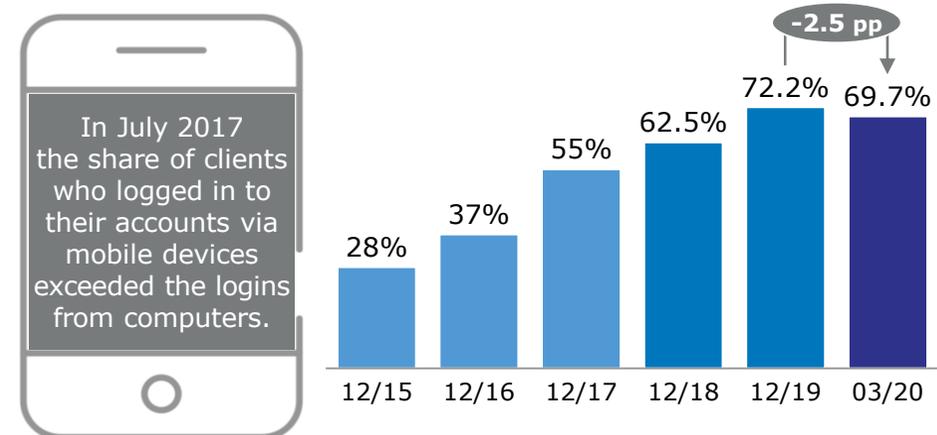
- ✓ **Google Pay** and **Apple Pay** (for Visa and MasterCard holders) for contactless payments with a phone in POS
- ✓ The possibility of **logging in with a PIN code, fingerprint or Face ID**
- ✓ A display with **a pace of the client's spending** to help the users control their budget
- ✓ **Mobile 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

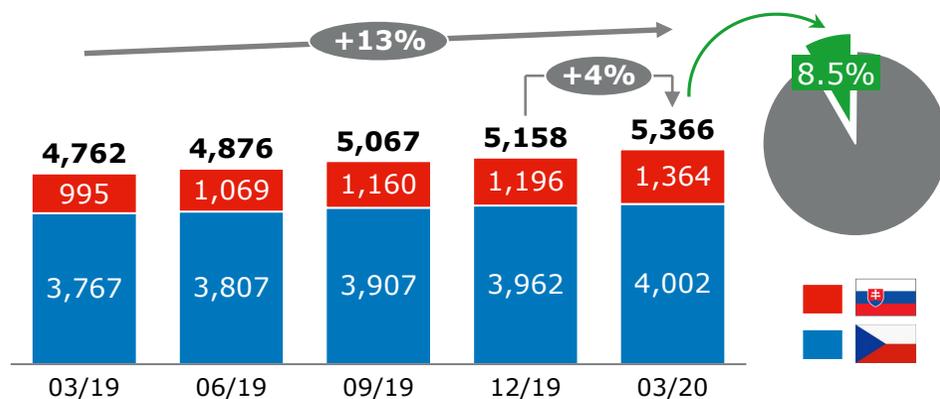


# Appendix

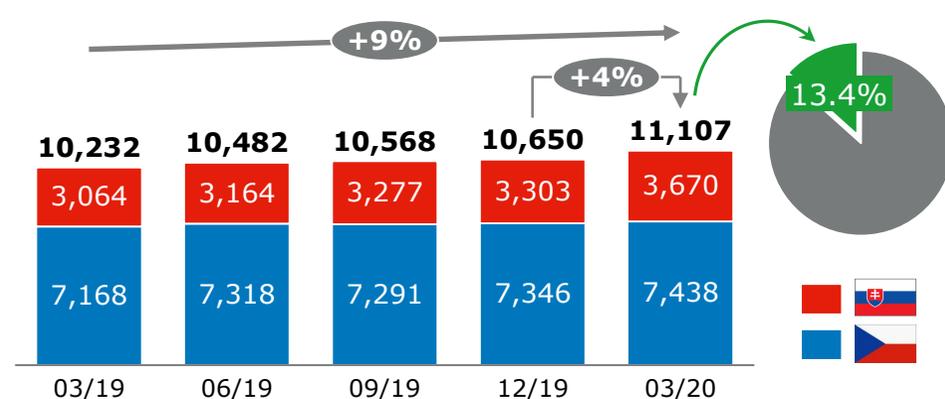
## Retail Banking mBank in the Czech Republic and Slovakia

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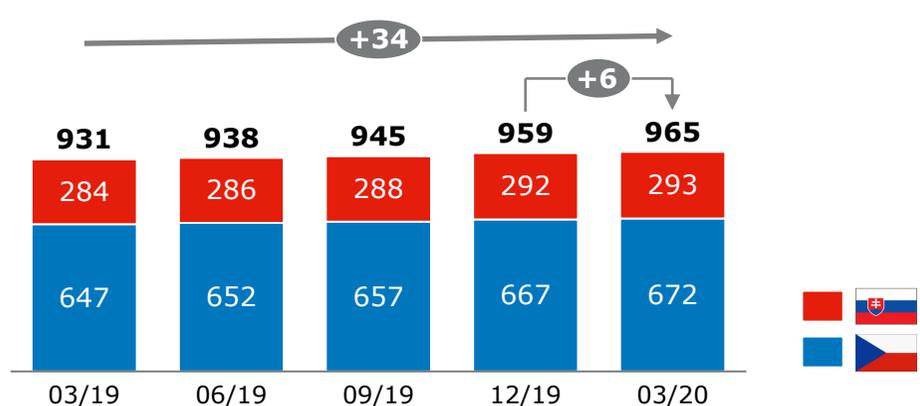
Gross Loans (PLN M) and Share in Total mBank's retail volume



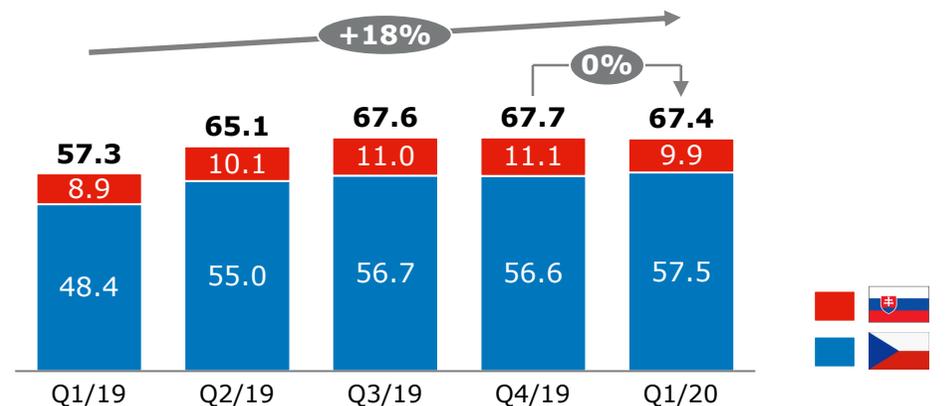
Deposits (PLN M) and Share in Total mBank's retail volume



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
<b>Business Lines</b>
Subsidiaries
Historical view

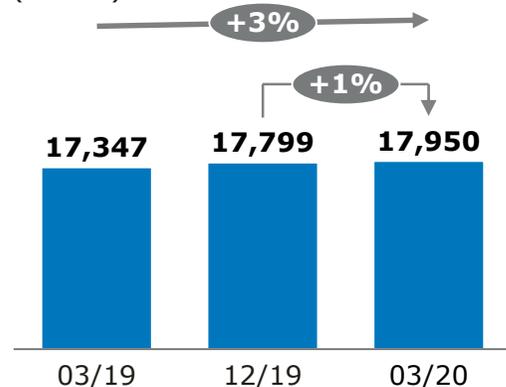


### Czech Republic

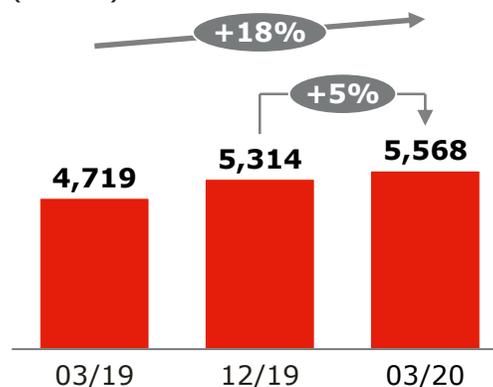
Clients:  
**671.6 thou.**

**6** light branches,  
**6** financial centres &  
**17** mKiosks

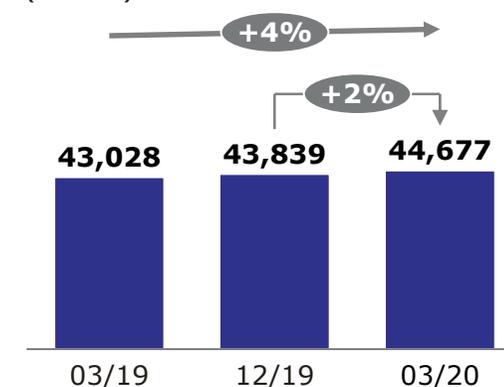
Mortgage Loans  
(CZK M)



Non-mortgage Loans  
(CZK M)



Customer deposits  
(CZK M)

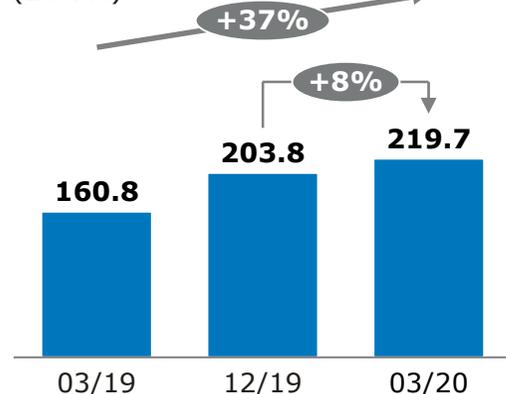


### Slovakia

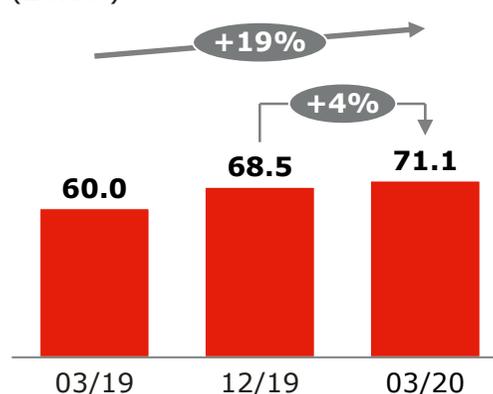
Clients:  
**293.1 thou.**

**2** light branches,  
**2** financial centres &  
**7** mKiosks

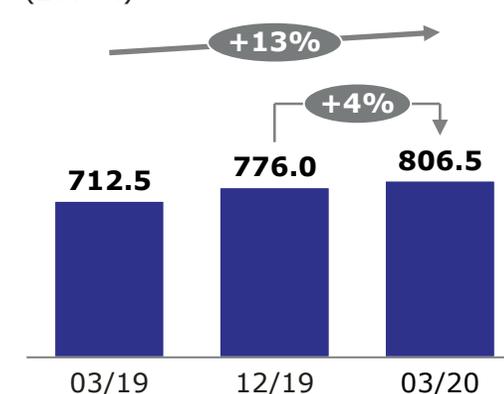
Mortgage Loans  
(EUR M)



Non-mortgage Loans  
(EUR M)



Customer deposits  
(EUR M)



Note: Volumes based on management information.

## Detailed Results of the Business Lines in Q1 2020

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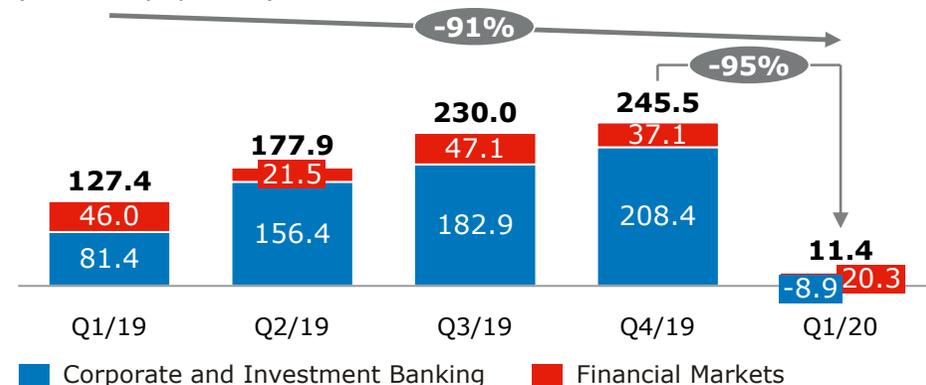
# Corporates & Financial Markets

# Appendix

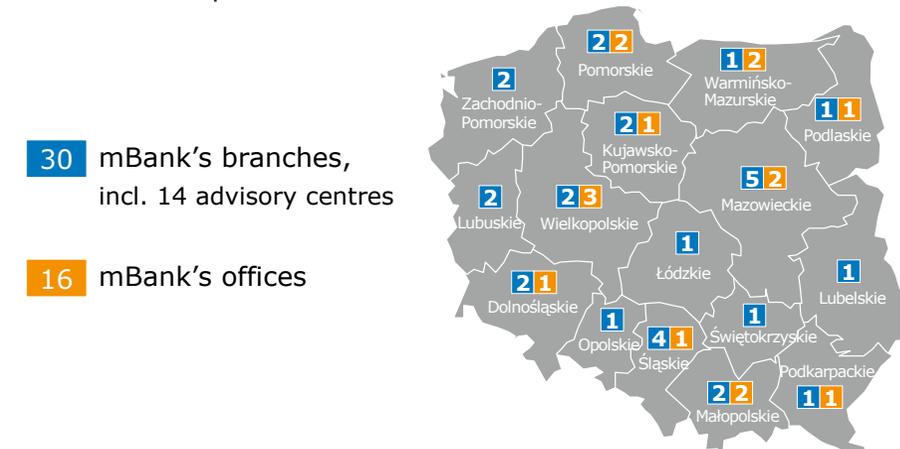
## Corporates and Financial Markets Summary of Q1/20: Financial and Business Results

Summary
Profit & Loss
Balance Sheet
<b>Business Lines</b>
Subsidiaries
Historical view

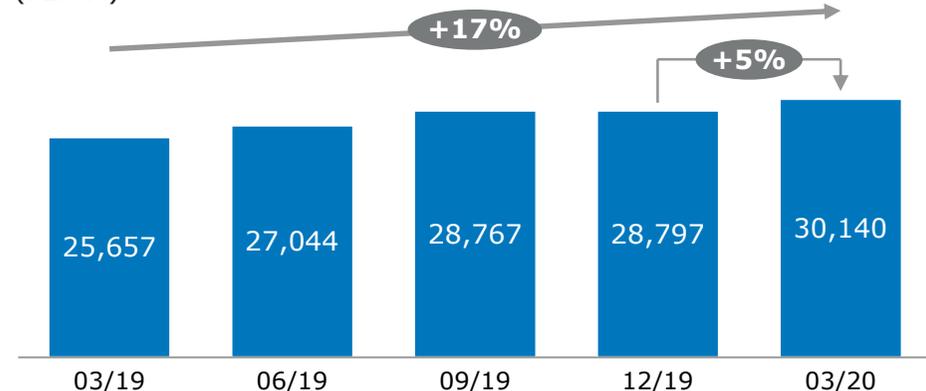
Profit before Tax of the Segment  
(PLN M, by quarter)



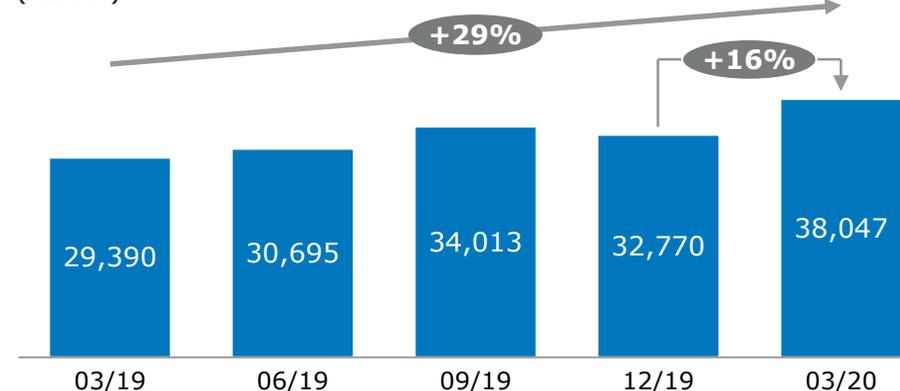
Number of Corporate Service Locations



Loans to enterprises<sup>1</sup>  
(PLN M)



Deposits of enterprises<sup>1</sup>  
(PLN M)



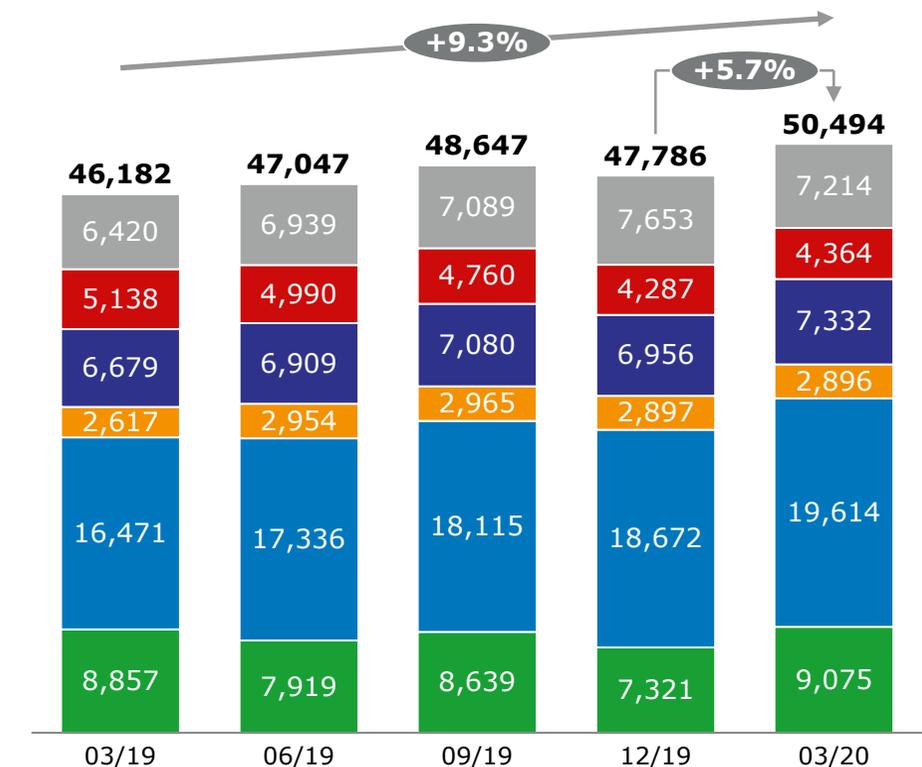
<sup>1</sup> Corporate loan and deposit volumes (for mBank only) according to NBP rules (monetary reporting system – MONREP)

# Appendix

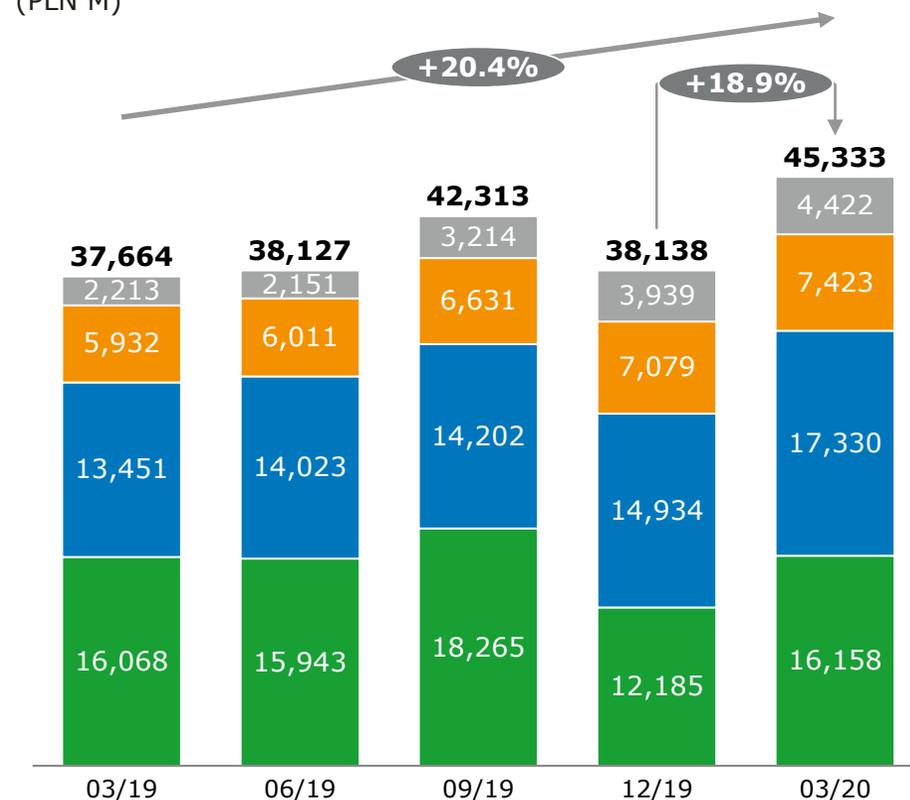
## Corporates and Financial Markets Summary of Q1/20: Loans and Deposits

Summary
Profit & Loss
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Subsidiaries
Historical view

Gross Loans to Corporate Customers  
(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 Q1 2020

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# Subsidiaries

# Appendix

## mBank Group's Subsidiaries mBank Hipoteczny (mBH)

Summary
Profit & Loss
Balance Sheet
Business Lines
<b>Subsidiaries</b>
Historical view

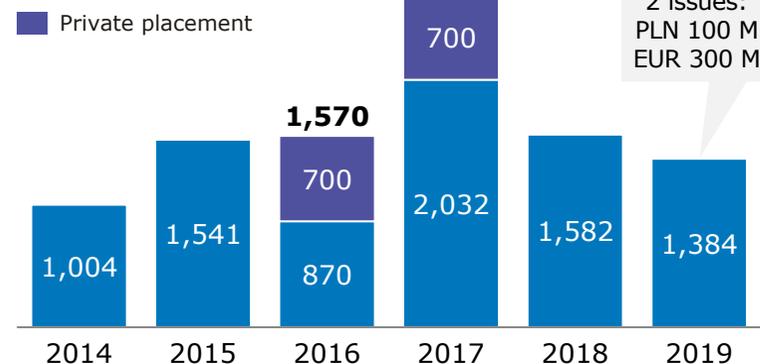
### m Bank Hipoteczny

established in 1999

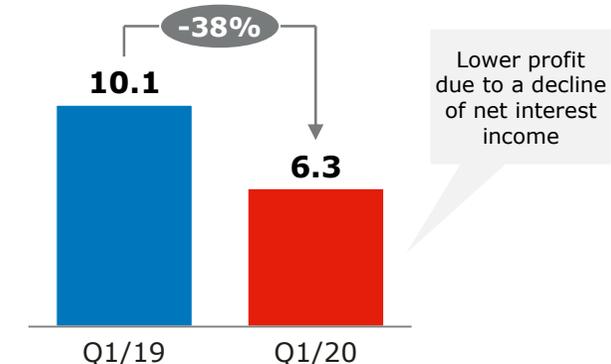
specialised mortgage bank and active issuer of covered bonds in the Polish market

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

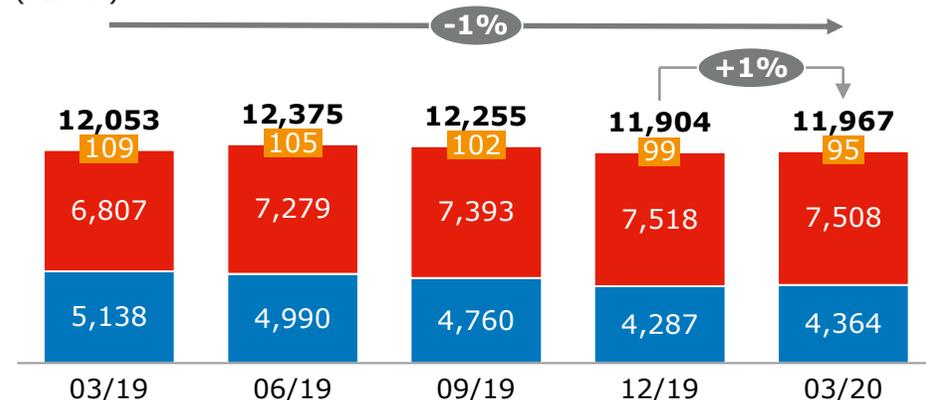
Issuance of Covered Bonds (PLN M, by year)



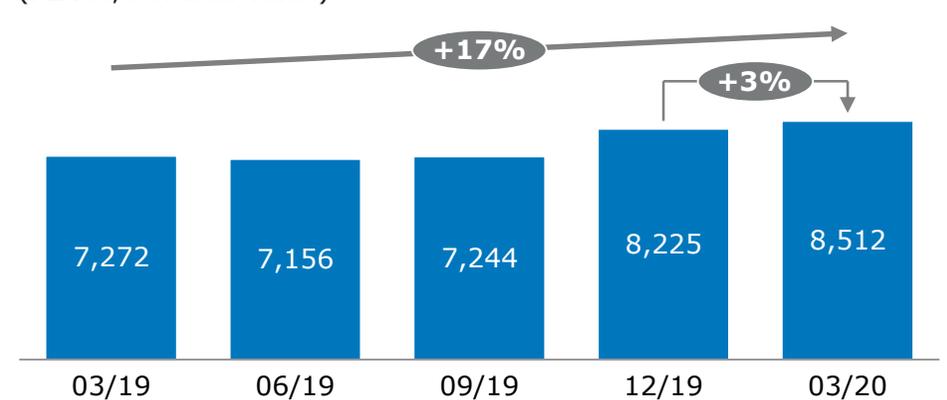
Profit before Income Tax (PLN M)



Gross loans and advances to customers (PLN M)



Outstanding amount of Covered Bonds issued (PLN M, nominal value)



# 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 2014-2020 (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

Profit & Loss

Balance Sheet

Business Lines

**Subsidiaries**

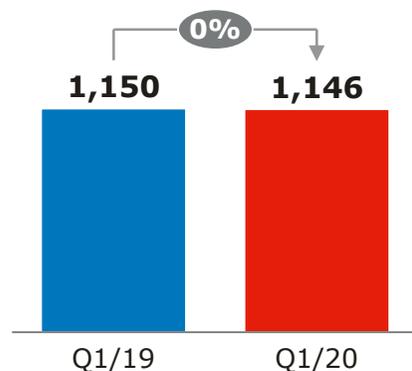
Historical view



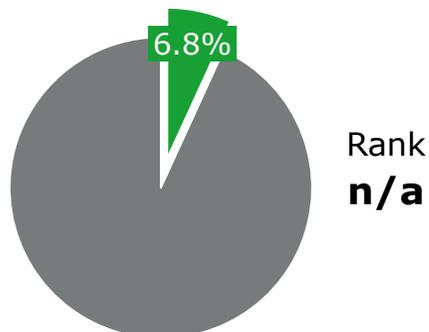
established  
in 1991

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

Leasing contracts  
(PLN M)

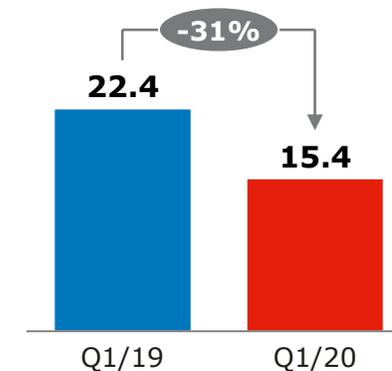


Market share & position – 2019  
[the latest available data]



Source: Polish Leasing Association (PLA)

Profit before Tax  
(PLN M)



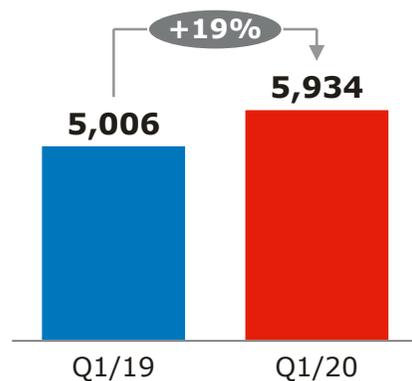
Lower profit  
due to high  
impairment on  
financial assets



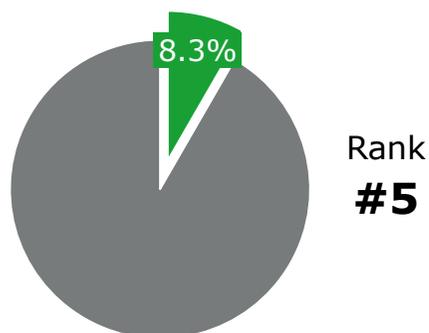
established  
in 1995

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

Factoring contracts  
(PLN M)

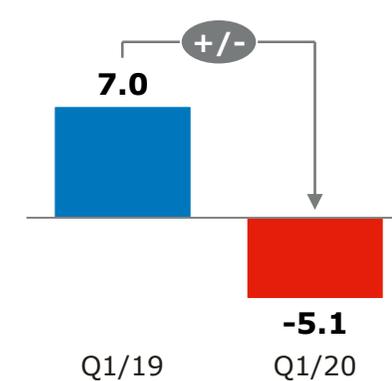


Market share & position – Q1 2020



Source: Polish Factors Association (PFA)

Profit before Tax  
(PLN M)

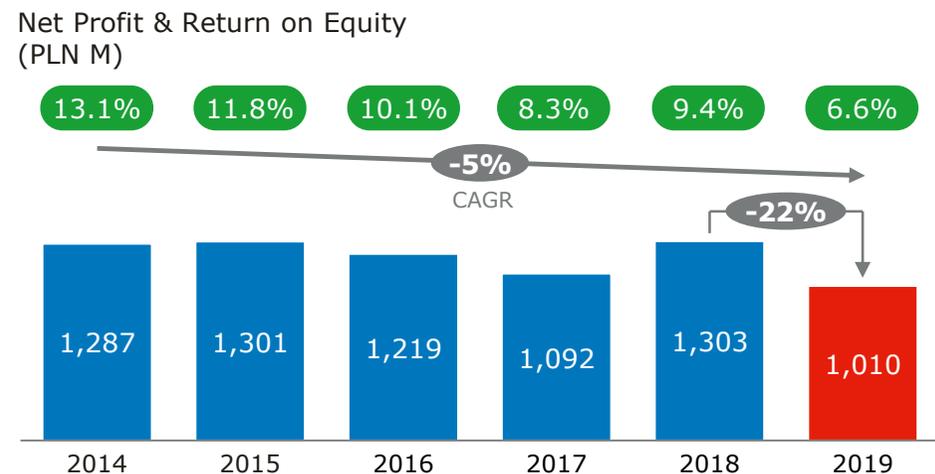
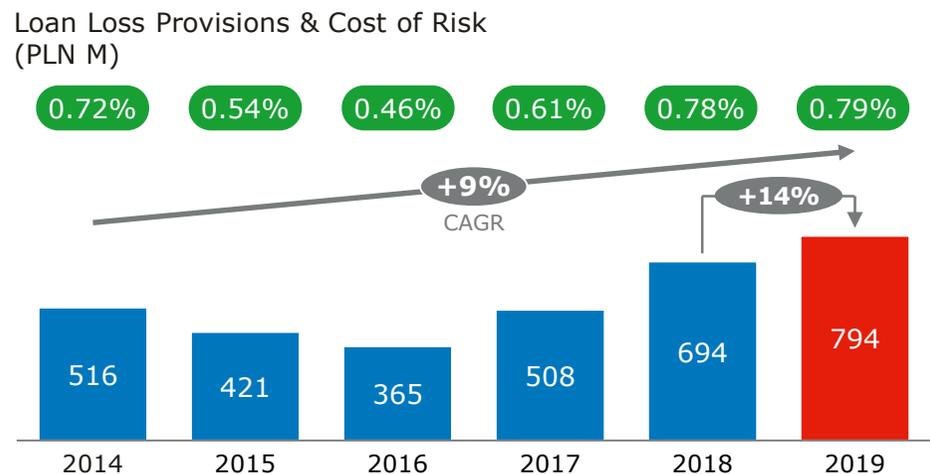
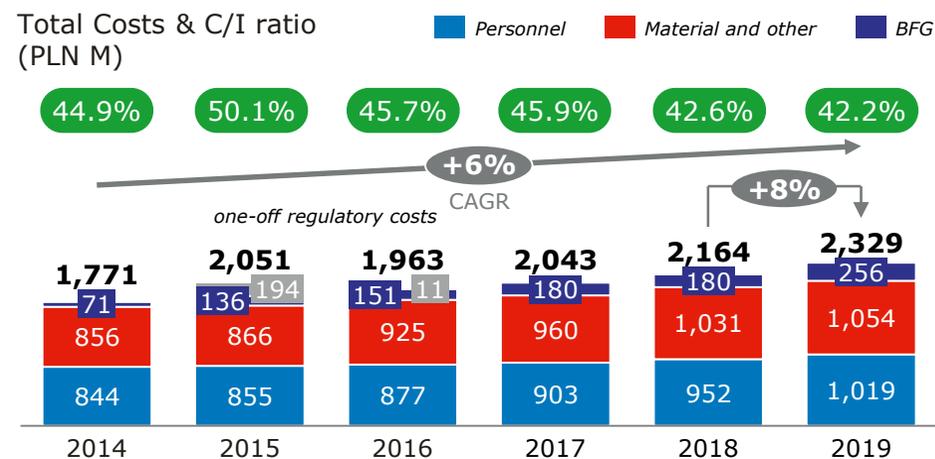
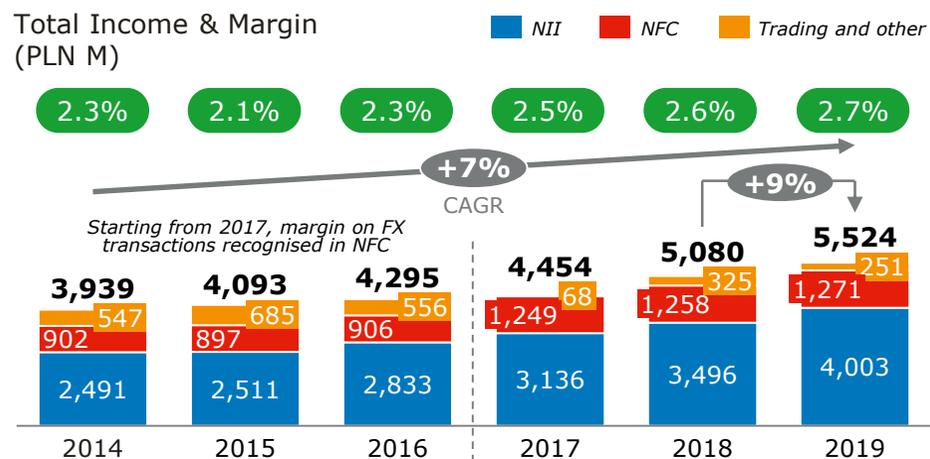


Quarterly loss  
due to high  
impairment on  
financial assets

# Appendix

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
<b>Historical view</b>

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



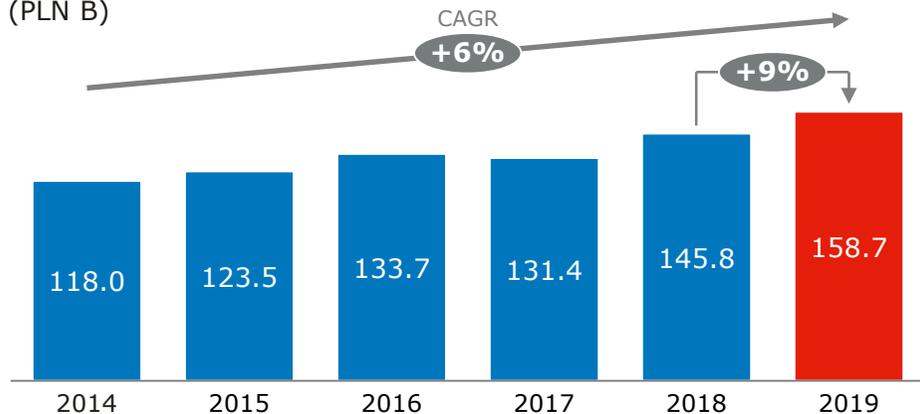
Note: A drop of net profit in 2019 caused by the provisions for legal risk related to the FX mortgage loans of PLN 387.8 million.

# Appendix

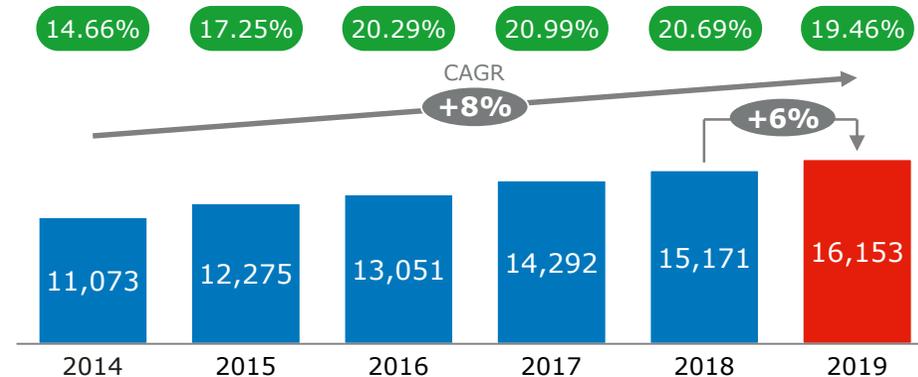
Summary
Profit & Loss
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<b>Historical view</b>

## mBank Group's historical performance: Balance Sheet

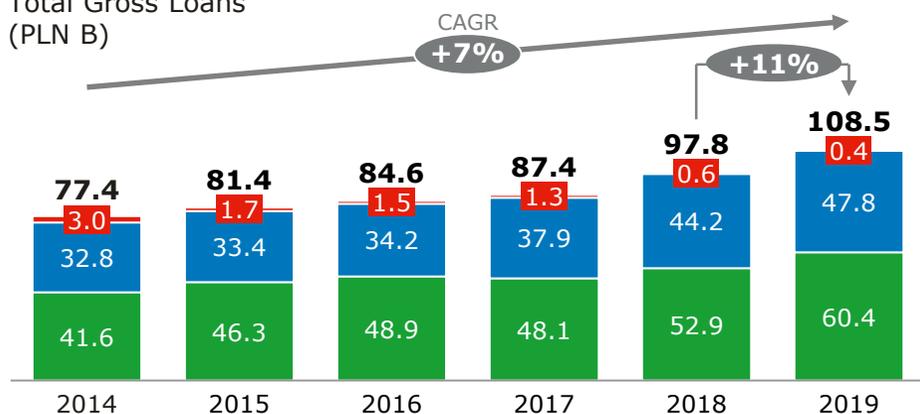
Total Assets  
(PLN B)



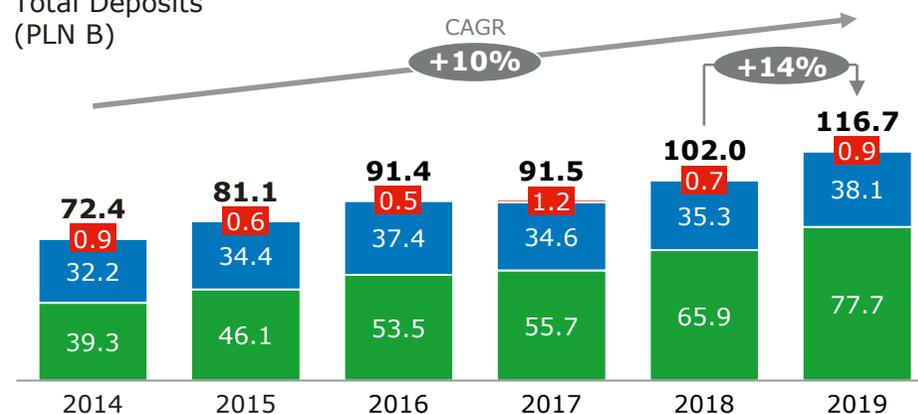
Equity & Total Capital Ratio  
(PLN M)



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 dropped due to the spread of COVID-19 pandemic

mBank's index membership and weights\*

WIG-30	<b>WIG30</b>	1.828%
WIG-20	<b>WIG20</b>	1.992%
WIG	<b>WIG</b>	1.420%
WIG-Banks	<b>WIGbanki</b>	6.171%
WIG-Poland	<b>WIGPoland</b>	1.449%

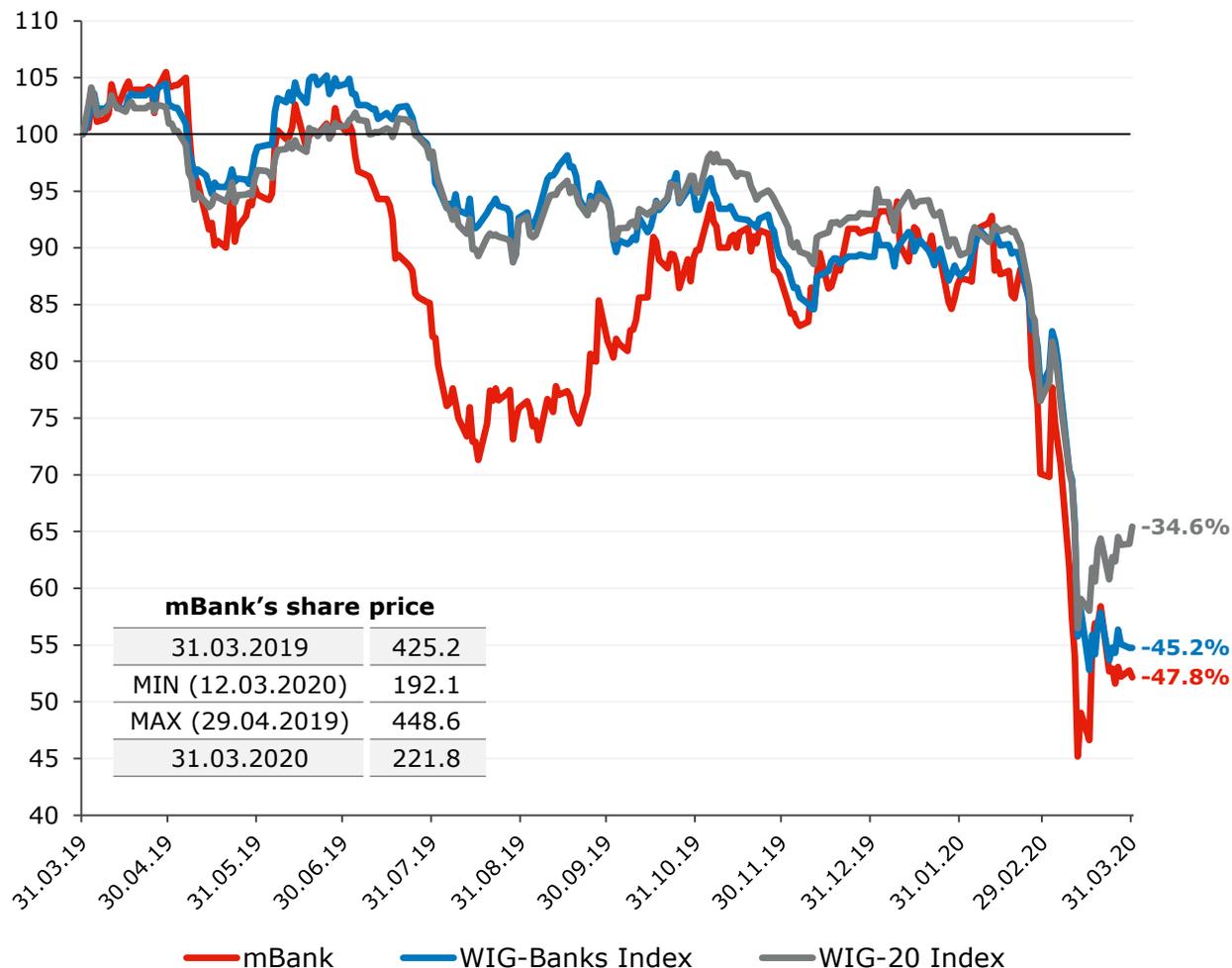
\* Share in index as of 31.03.2020

- 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 31.03.2020).

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



# 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

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 Strategy for 2020-2023

## Financial targets of mBank Group for 2020-2023

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

# Contact details

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