



9M 2023

Introduction to mBank Group

The most successful organic growth story in Poland

mBank Group in a snapshot

General description

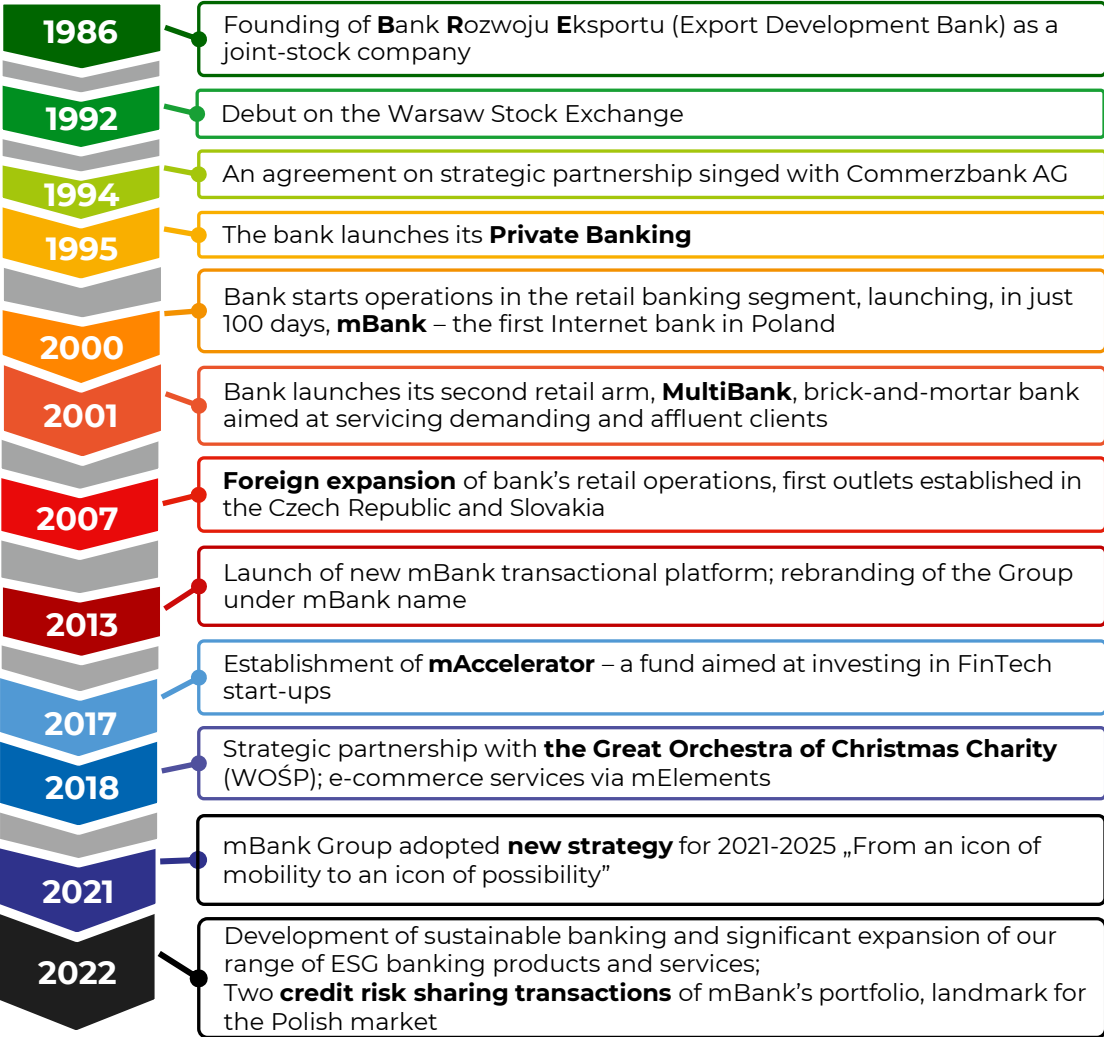
- ✓ Set up in 1986, **mBank** is Poland's fifth largest **universal banking group** in terms of total assets and it keeps the same position by net loans and deposits (as of 30.09.2023).
- ✓ The offer includes **retail, SME, corporate and investment banking as well as other financial products and services** such as leasing, factoring, brokerage, wealth management, investment funds, insurance, payment gateway and corporate finance.
- ✓ Servicing around **5.7 million retail clients** in Poland, Czech Republic and Slovakia and **34 thousand corporate clients**.
- ✓ Profitable and **efficient business model**, operating with low C/I ratio of 28.4% (normalized) for 9M 2023. Adequately-capitalised bank with a strong funding profile and **balanced business mix** between retail and corporate segments.
- ✓ Rated 'BBB' by S&P Global Ratings and 'BBB-' by Fitch.
- ✓ **Listed on the Warsaw Stock Exchange** since 1992 with a market value of ~EUR 5.1 billion, a member of WIG-20 index.
- ✓ A strategic shareholder, Germany's **Commerzbank**, owns **69.1% of mBank's shares**.

Key financial data (PLN M)

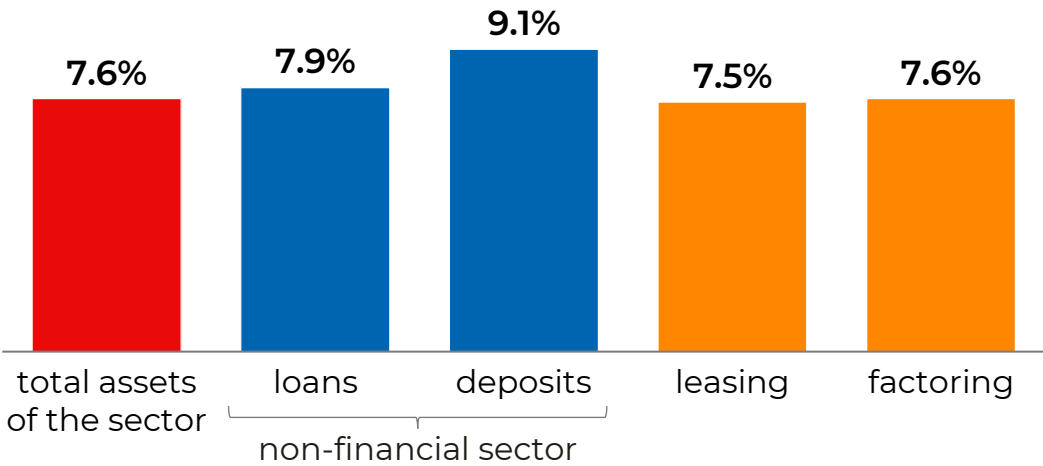
	2019	2020	2021	2022	9M 2023
Total assets	158,353	178,861	198,373	209,892	225,389
Net loans	104,980	108,271	117,677	120,183	117,805
Deposits	113,184	133,672	157,072	174,131	185,109
Equity	16,153	16,675	13,718	12,715	13,690
Net interest income	4,003	4,009	4,126	5,924	6,518
Net fees and commissions	1,271	1,508	1,868	2,120	1,471
Total income	5,524	5,867	6,111	7,857	7,905
Total costs	-2,329	-2,411	-2,457	-3,319	-2,279
Loan loss provisions	-794	-1,293	-879	-849	-629
Net profit / loss	1,010	104	-1,179	-703	44
Net interest margin	2.7%	2.3%	2.2%	3.7%	4.1%
Cost/Income ratio	42.2%	41.1%	40.2%	42.2%	28.8%
Cost of risk	0.79%	1.20%	0.76%	0.69%	0.70%
Return on Equity	6.4%	0.6%	-7.2%	-5.3%	0.4%
Tier 1 capital ratio	16.5%	17.0%	14.2%	13.8%	14.6%
Total Capital Ratio	19.5%	19.9%	16.6%	16.4%	16.9%
NPL ratio	4.5%	4.8%	3.9%	4.0%	4.2%
Coverage ratio	60.7%	58.3%	53.1%	52.2%	54.0%
Retail clients (thou.)	5,601	5,660	5,514	5,642	5,702
Corporate clients	26,476	29,083	31,315	33,025	34,021
Mobile app users (thou.)	2,128	2,577	2,960	3,338	3,560
Employment (FTEs)	6,771	6,688	6,738	7,014	7,218

From a specialized corporate bank to a large universal bank

Brief history

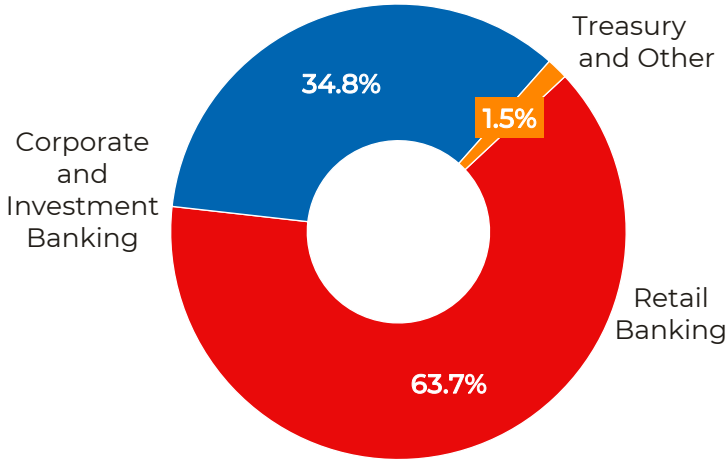


mBank Group's market shares in Poland as of 30.09.2023



Note: Market share for leasing and factoring as of 30.06.2023 due to data availability.

Composition of total income of mBank Group in 9M 2023

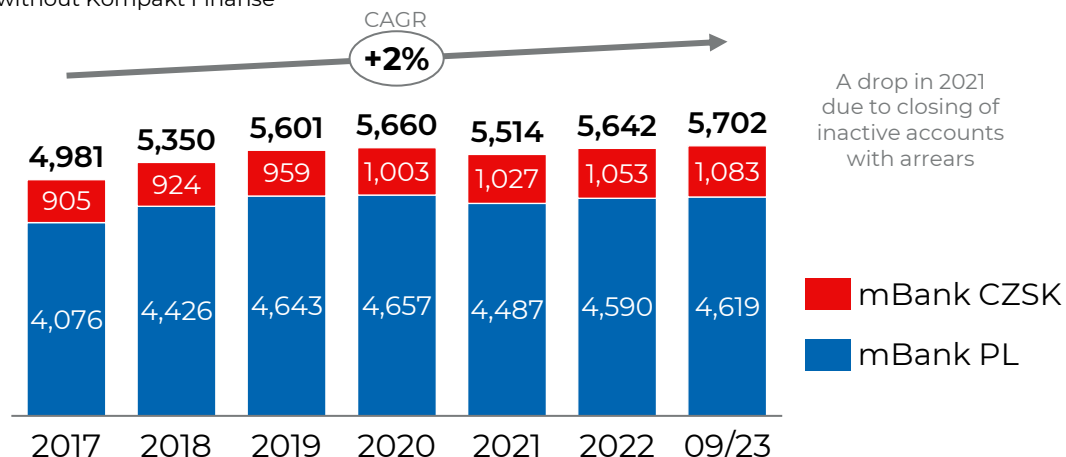


Total income: PLN 7,904.8 M in 9M 2023

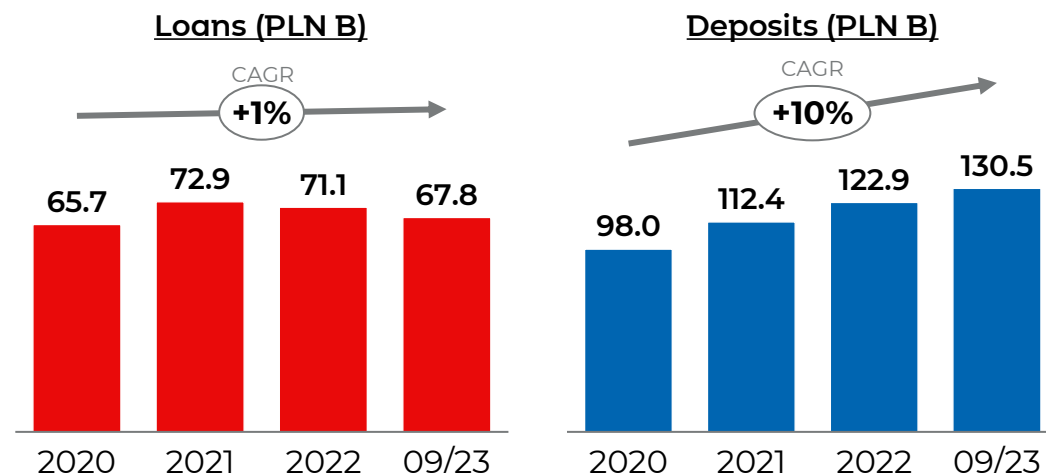
Poland's largest organically developed retail banking franchise

Number of mBank's retail clients (thou.)

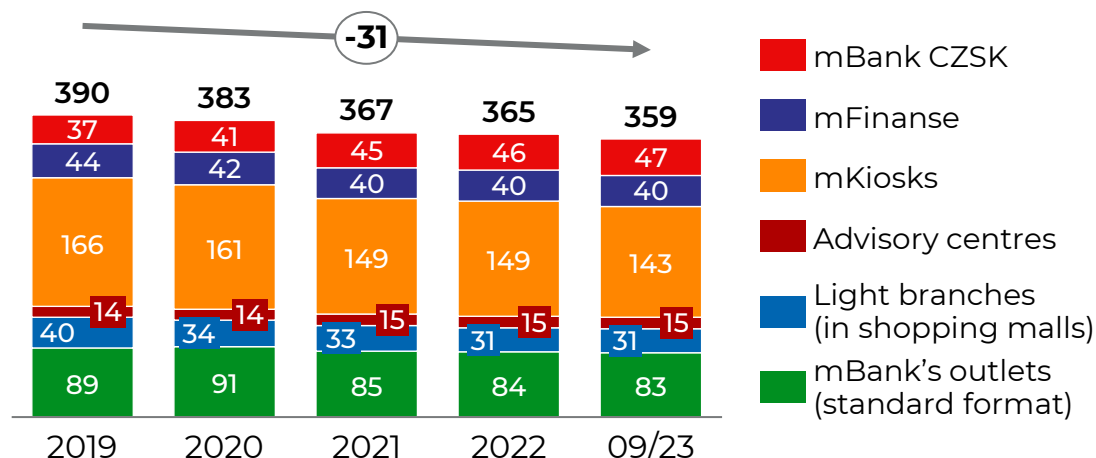
without Kompakt Finanse



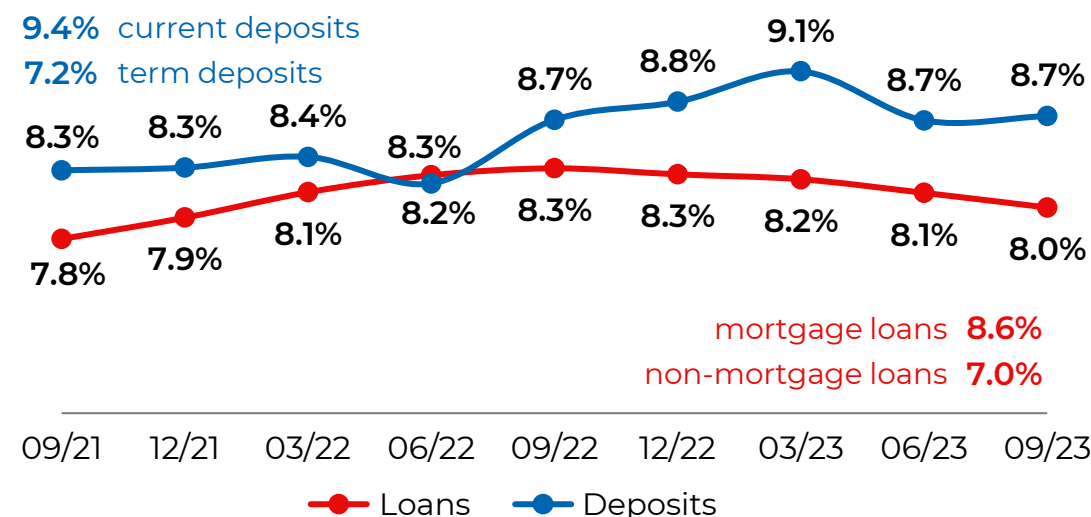
Business volumes of Retail Banking segment



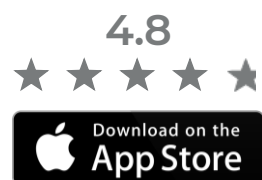
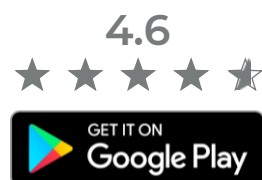
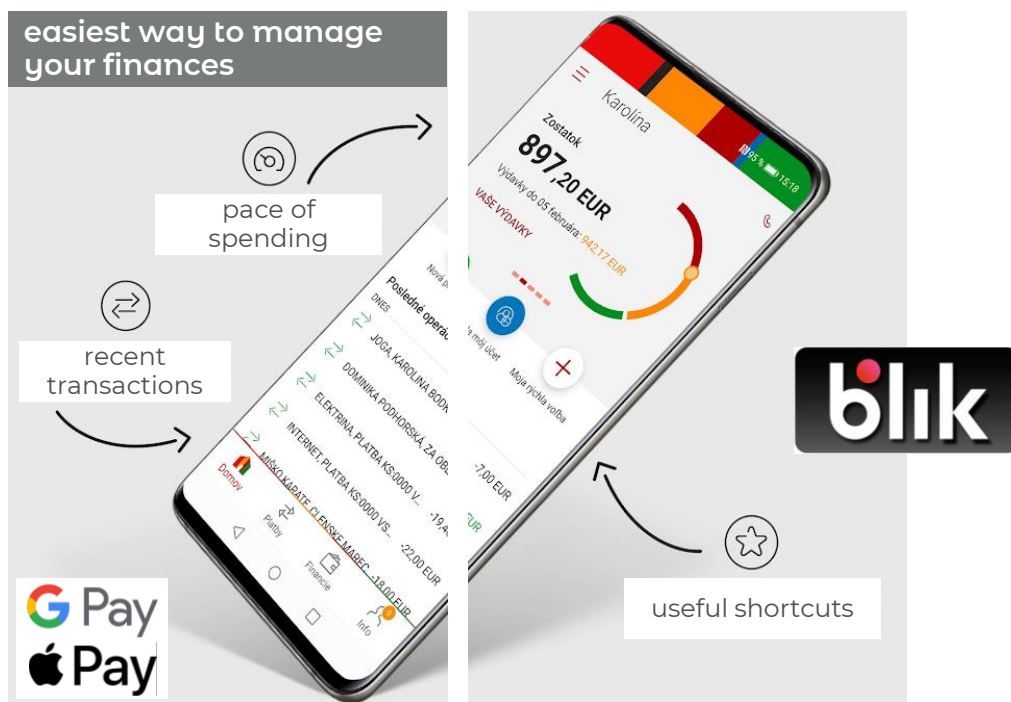
Number of retail service locations



mBank Group's market shares in Poland - Households



A leading mobile banking offer for individual clients



Mobile application to Junior Account

designed for children below 13 years old and suited to their needs



On average, **84%** of new mBank's clients activate mobile application in the first week from opening the account (in Q3/23)

Well-designed functionalities for client convenience



fully remote account opening with e-ID or a selfie and agreement approved via a text message



logging in and confirmation of transactions with a PIN code, fingerprint or Face ID



contactless payments with Google Pay and Apple Pay, express transfers using telephone numbers and BLIK



functionalities of personal financial management (PFM) and value added services



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



benefits (mDiscounts) for retail buyers and seamless shopping experience with one-click financing options (quick cash loan up to pre-approved limit)

mBank remains a front-runner in mobile banking adoption

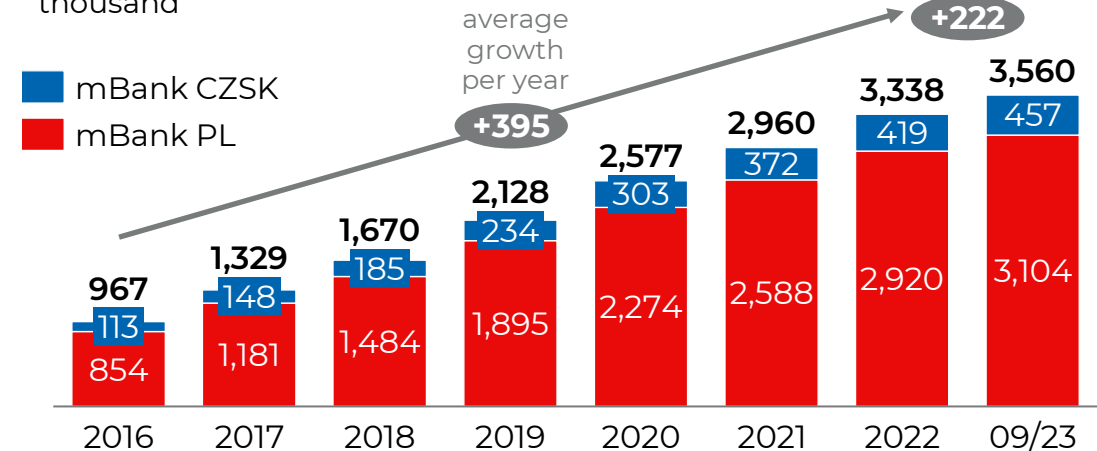


#1 by the share of mobile users in total active customer base

#2 by the number of mobile app users among Polish banks

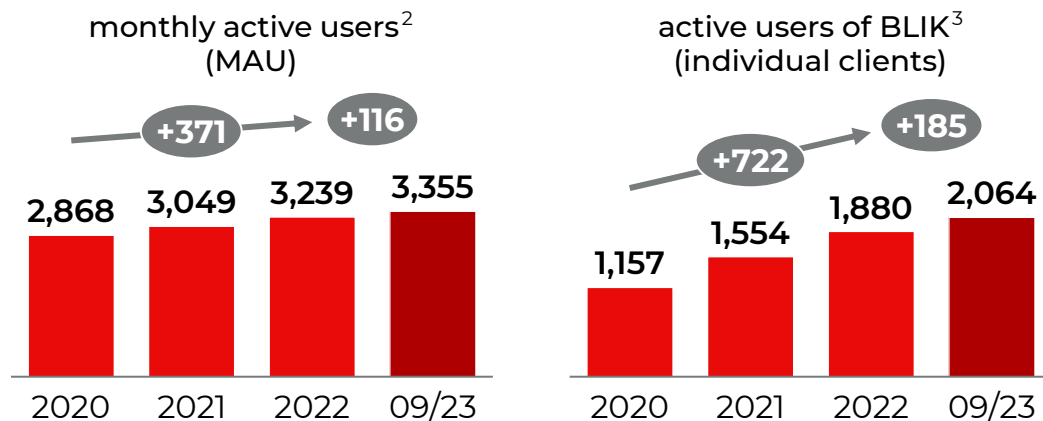
Number of active users of mBank's mobile application¹

thousand



Number of active users of mBank's services in Poland

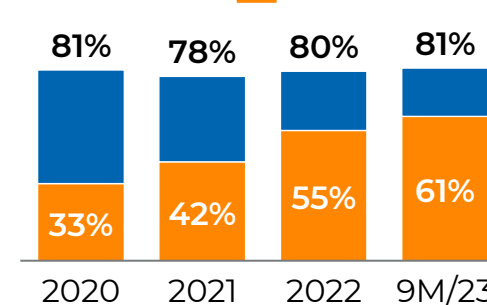
thousand



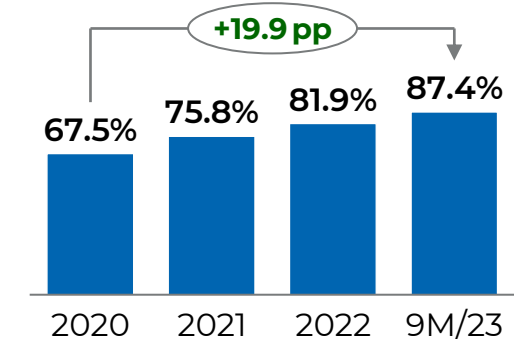
Growing importance of digital channel in daily banking

share of digital channel in the sale of non-mortgage loans (by number of pieces)

of which: ■ mobile



share of processes in retail banking area initiated by the clients in digital channels



¹ An "active user of mBank's mobile application" is a client who in a given month logged in at least once into the mobile application

² An "active user of mBank's services in Poland" is a client who in a given month performed at least one of the following actions: (i) logged into the mobile application, internet banking or trusted profile (ePUAP), (ii) initiated a transfer or card transaction

³ An "active user of BLIK" is a client who in a given month performed at least one of the following actions: (i) paid with BLIK in e-commerce or POS, (ii) withdrew money with BLIK, or (iii) made or received a transfer using BLIK

Premier transactional bank with digital DNA



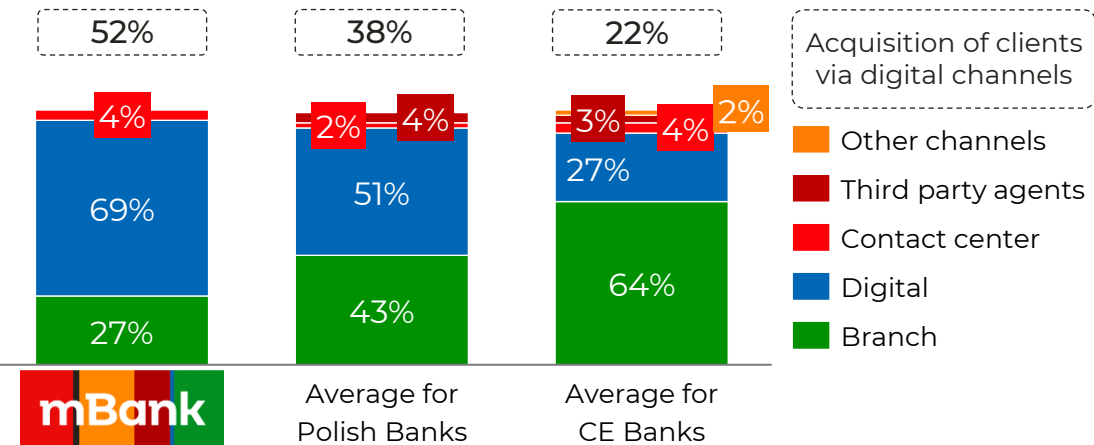
mBank's market share in the number of non-cash card transactions as of 2022

12.4%

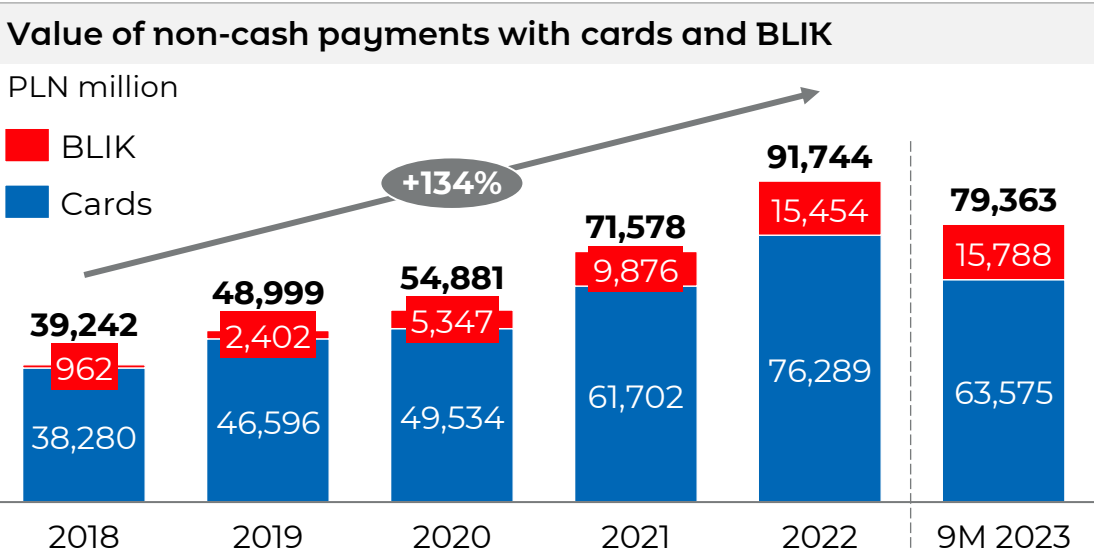
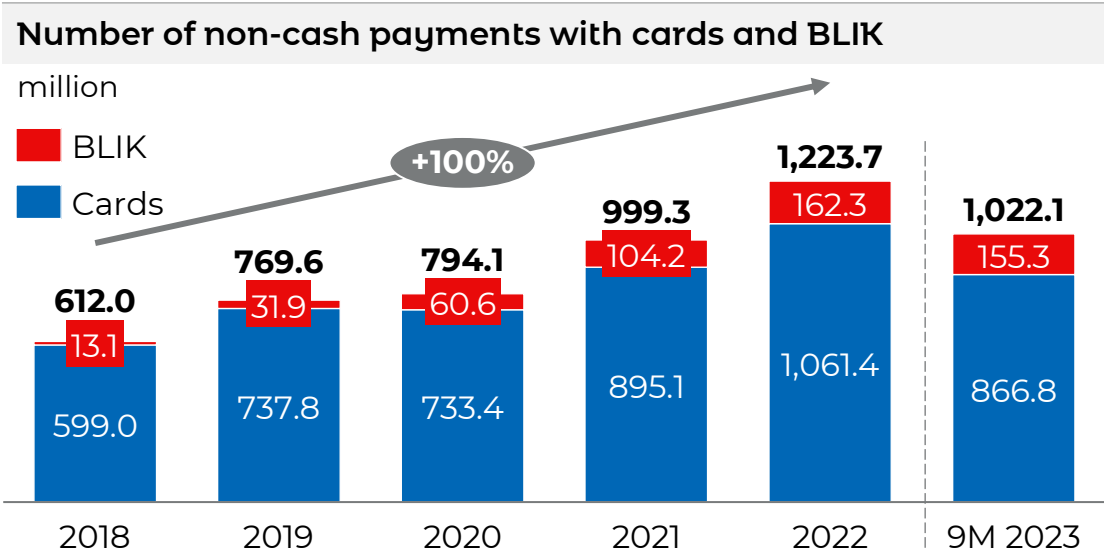
mBank's market share in the value of non-cash card transactions as of 2022

12.5%

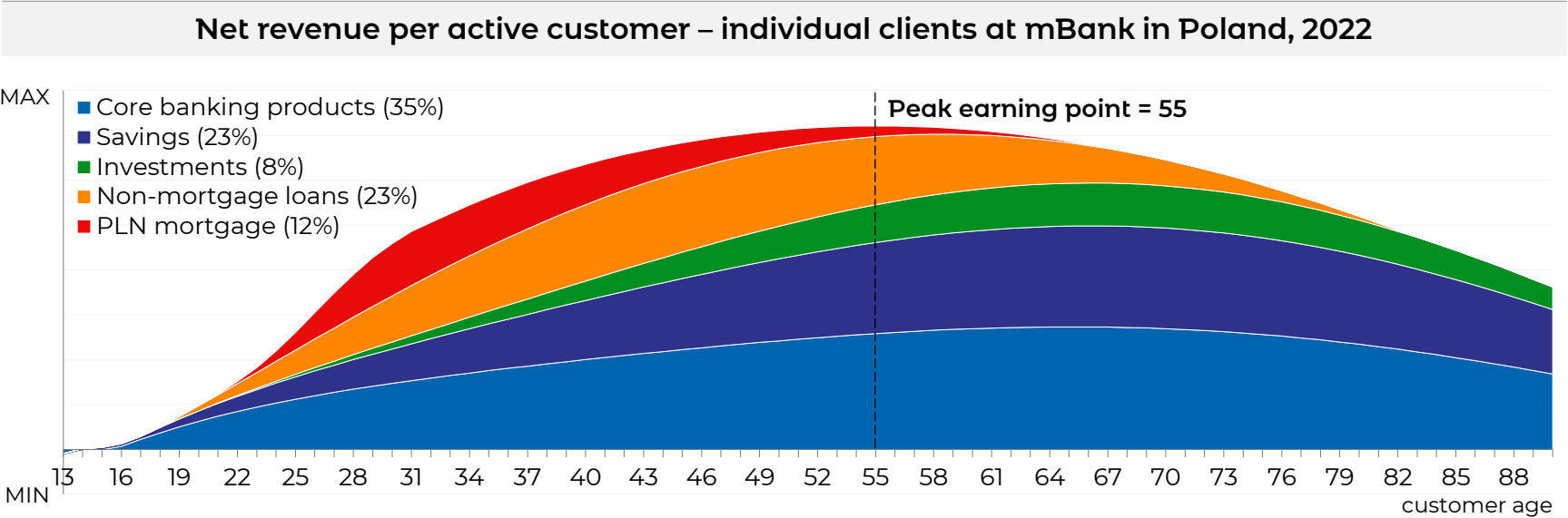
Significant role of digital channels in mBank's product sales



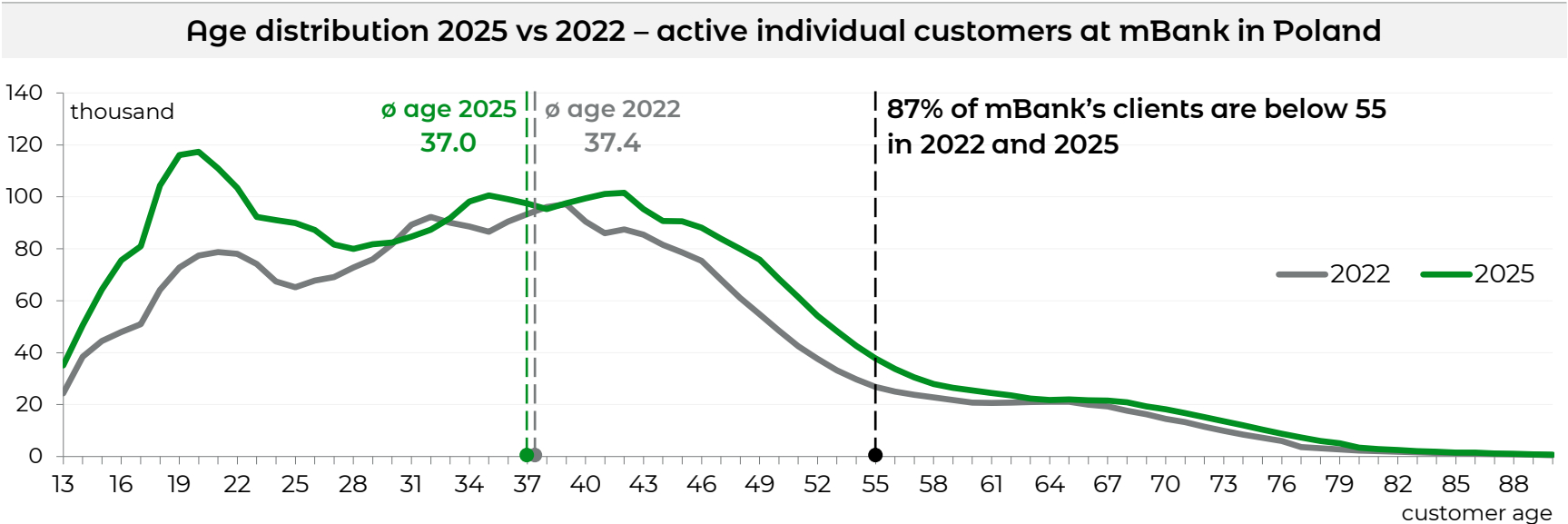
Note: Acquisition of clients understood as the number of opened current accounts.
Source: mBank's internal data and comparison based on external benchmarking study, 2021.



Supportive demographic profile of mBank's retail client base

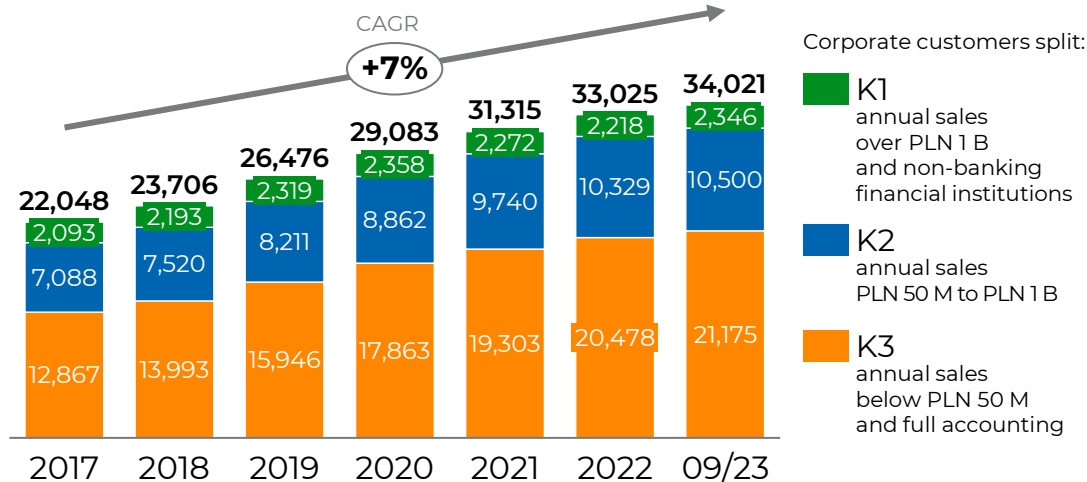


- mBank's current customer demographic profile is a consequence of our digital operating model, value proposition, and brand positioning since the start of retail operations.
- The age structure is a strong ally in driving up our business volumes and, as a result, the revenues.
- mBank will experience significant growth of average profitability per customer. The average age of our clients is currently 37. This is well below the age at which the bank's revenue per client reaches its maximum level (age of 55). This demographic effect will naturally contribute to multiplication of mBank's value in the coming years.

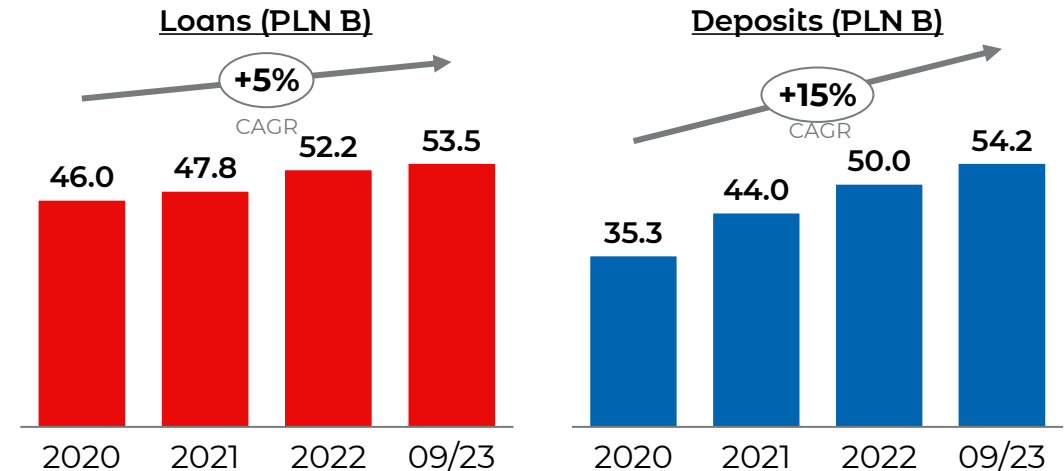


Strong presence and leading expertise in corporate banking

Number of mBank's corporate clients



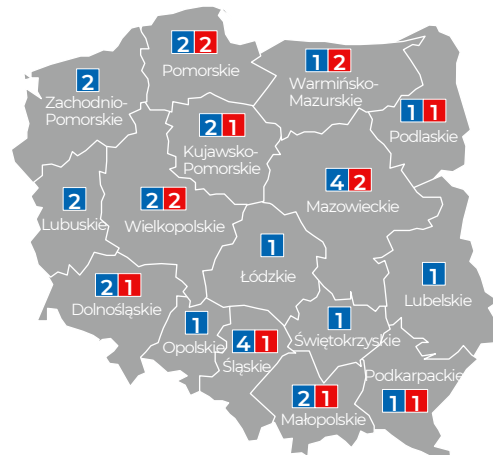
Business volumes of Corporate & Investment Banking segment



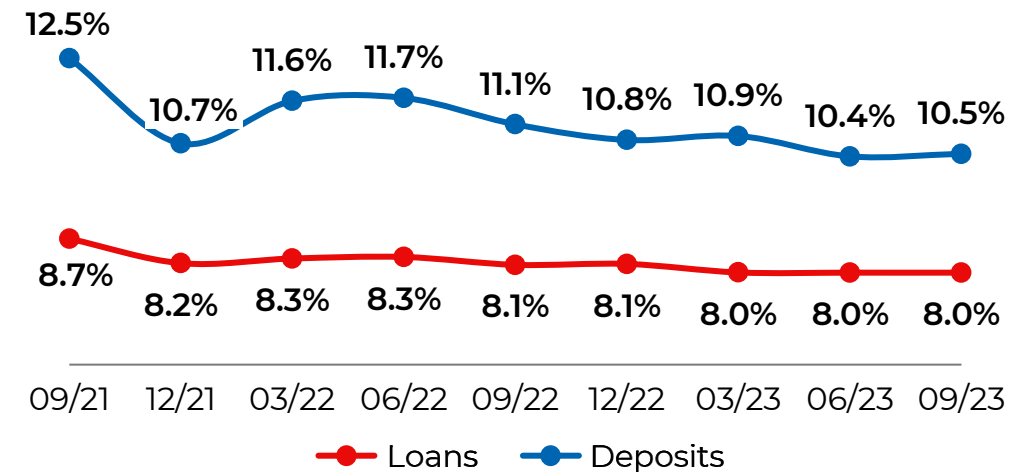
Number of corporate service locations as of 30.09.2023

29 mBank's branches, incl. 13 advisory centres

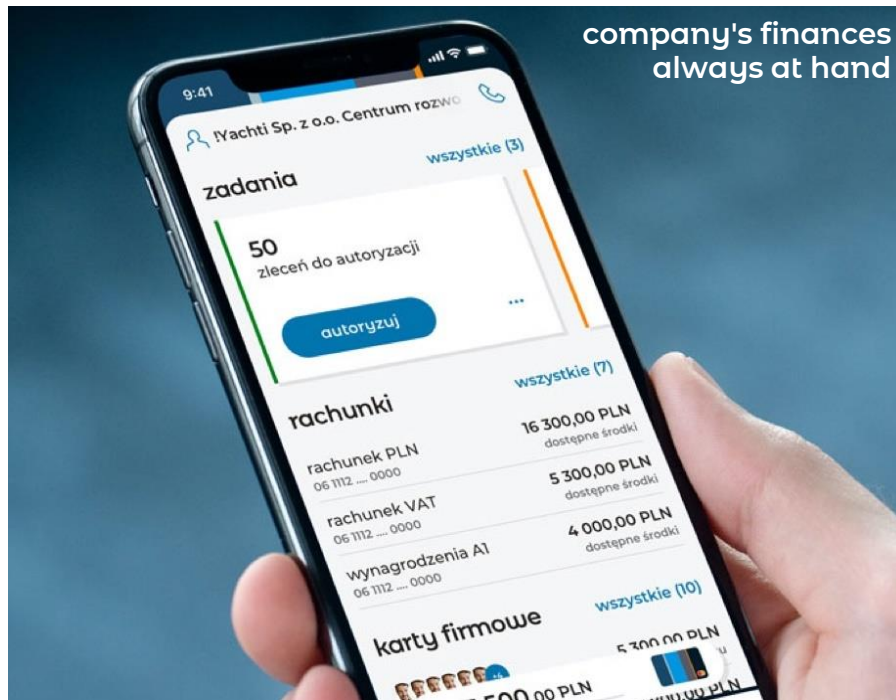
14 mBank's offices



mBank Group's market shares in Poland - Enterprises



Best digital banking services for corporate clients



company's finances
always at hand



CompanyMobile
CompanyNet



94.5% of corporate customers have
at least one user logging in to mBank's mobile
application every month (in Q3/23)

First-class digital banking offer for companies



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



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



remote access and constant control via enhanced
mBank CompanyMobile application



Administrator Centre for self-managing user
permissions and authorisation schemes



electronic sending of documents,
signing of agreements



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



Complete solutions for e-commerce segment

mBank's unique payment gateway

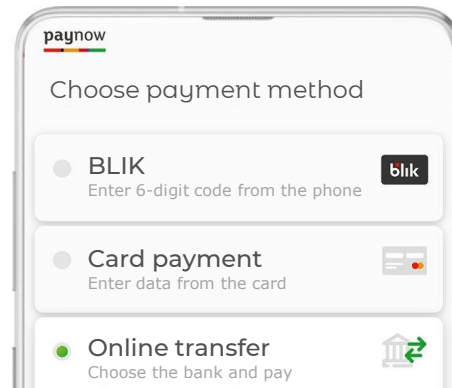
paynow

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



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

- quick and easy integration with merchant's online shop
- high processing capacity, especially for peaks in payment volumes (up to 200 transactions per second)
- convenient management through mBank's transactional service or panel adapted to mobile devices
- extended for new services, e.g. recent Mass Collect for corporate clients



Processed payments volume has been constantly growing: PLN 501 M in Q3/23, +110% YoY



Comprehensive value proposition for e-merchants



3 editions of special campaign and contest "Digital Revolutions" to support microfirms and SMEs in e-commerce expansion

- tools for opening and running an e-shop in cooperation with Sky-Shop (incl. an option to set up an online store for a 14-day free trial period)
- free-of-charge accounting helpline for e-commerce
- dedicated webinars, articles and blog for firms starting sales and already operating in Internet
- mOrganizer to handle invoices



At the end of Q3/23, mBank serviced 553.2 thousand microfirms in Poland, -1.3 thousand YoY.



ESG is well embedded in mBank Group's strategy

ESG aspects play a crucial role in the way we manage our company

Responsibility for climate



By 2030 we will reach climate neutrality in scope 1 and 2.
By 2050 we will become a fully climate-neutral bank.

Our goal is to **reduce own environmental footprint of mBank Group** and to **be a leading bank supporting energy transition of our clients** by:

- using clean energy, developing data aggregation system for direct emissions, replacing mBank's fleet with low-emission vehicles, eliminating paper
- providing funds for RES segment, issuing green bonds, granting eco-mortgage loans in Poland, promoting investment products compliant with ESG guidelines

Responsibility for being an organization in line with ESG values



We walk the talk. We first accomplish and then communicate. We build corporate culture based on values and incorporate ESG into our daily life.

Our goal is to **introduce ESG factors into business and employee processes** by:

- setting 10% of top managers' objectives related to ESG
- preserving a gender diversity in the recruitment
- implementing respective regulations; cooperating with partners and suppliers fulfilling ESG standards

Responsibility for financial health of our clients



We support customers in safe and convenient banking as well as making conscious financial decisions.

Our goal is to **take care of good financial standing and future of our clients** by:

- developing the personal finance management (PFM) functionalities to give clients the control over their budgets and support in preparation for life events
- continuing educational campaigns on cybersecurity
- conducting responsible sale, transparently presenting the risks associated with specific financial products

Responsibility for society



We will contribute to social well-being. We will be a responsible corporate citizen. We will take care of our employees and their families.

Our goal is to **act for the financial and non-financial benefit of the society** by:

- supporting mathematical education in Poland
- cooperating with the Great Orchestra of Christmas Charity (WOŚP) and being its sponsor
- creating a collection of paintings by young artists



As the first Polish bank, we have independently signed **the Principles for Responsible Banking**.

ESG Risk Rating
by Sustainalytics
13.0 (low risk)

as of 16.06.2023

MSCI ESG Rating¹

A

as of 26.10.2023

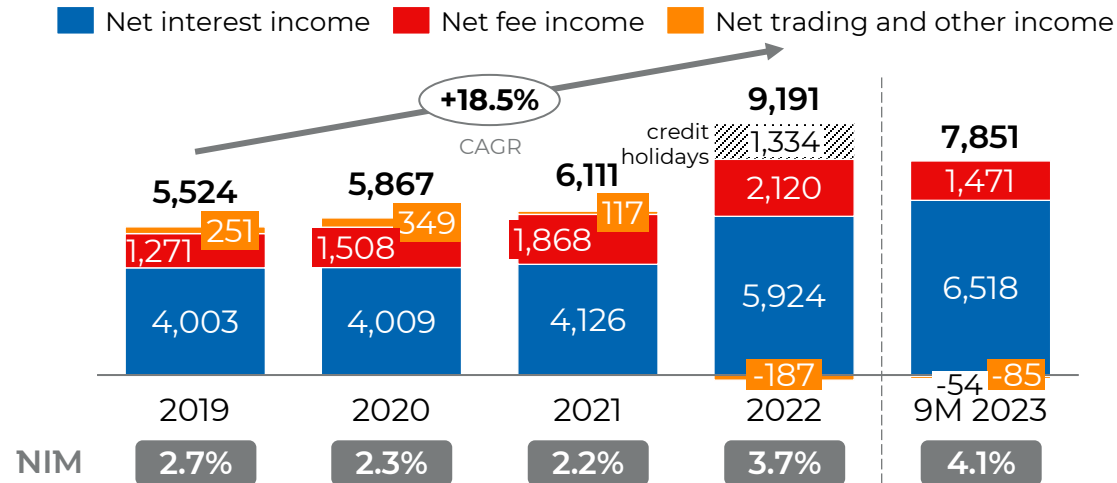
Bloomberg GEI
Gender-Equality Index

WIG-ESG index
on WSE in Poland

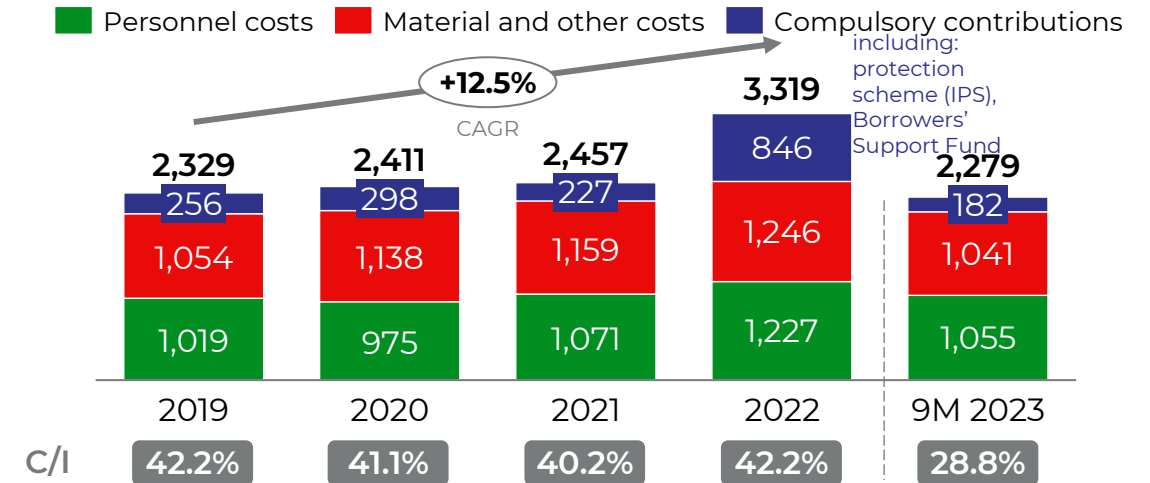
¹ please see [the webpage](#) for disclaimer statement

Highly efficient platform underpinning solid financial results

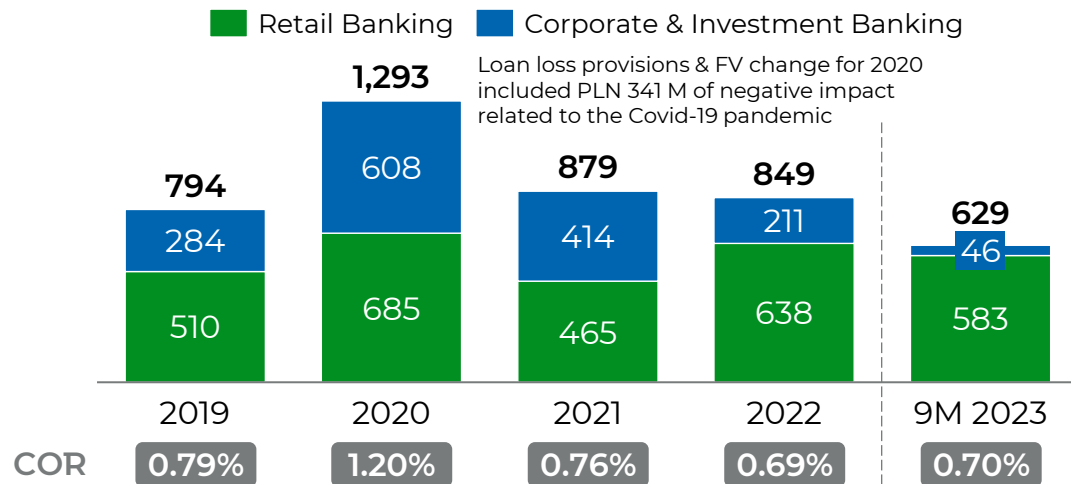
Total income (PLN M) & net interest margin (NIM)



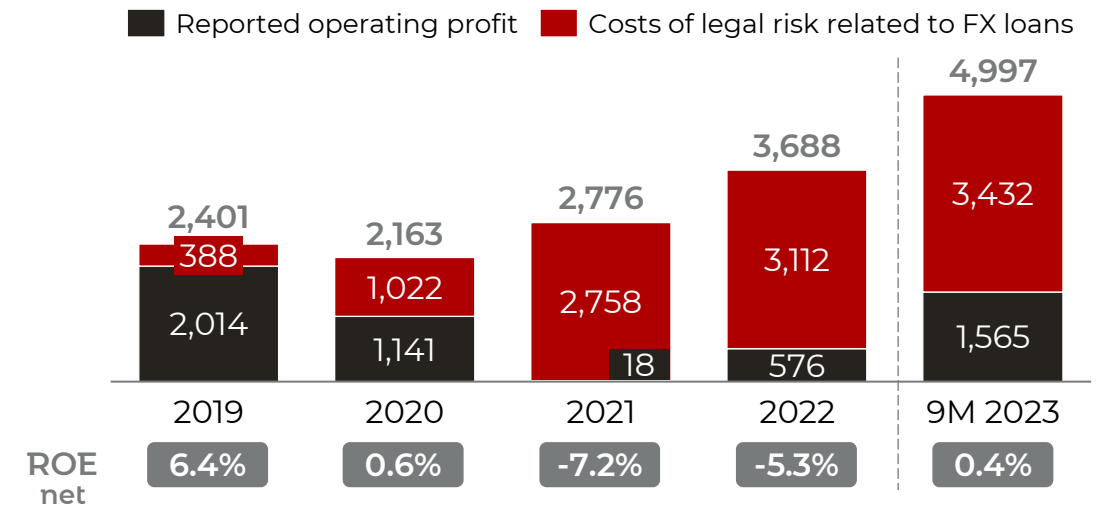
Total operating expenses (PLN M) & Cost/Income ratio (C/I)



Loan loss provisions (PLN M) & cost of risk (COR)

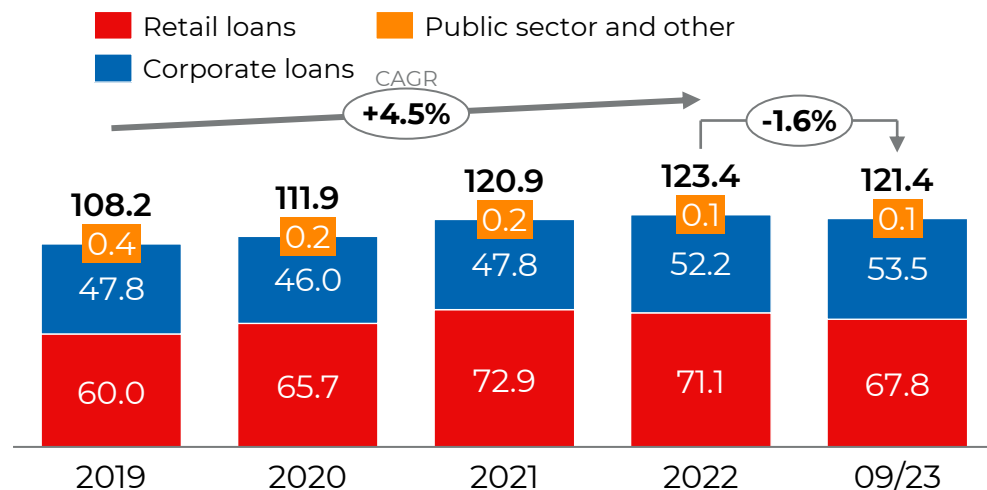


Operating profit (PLN M) & return on equity (ROE)

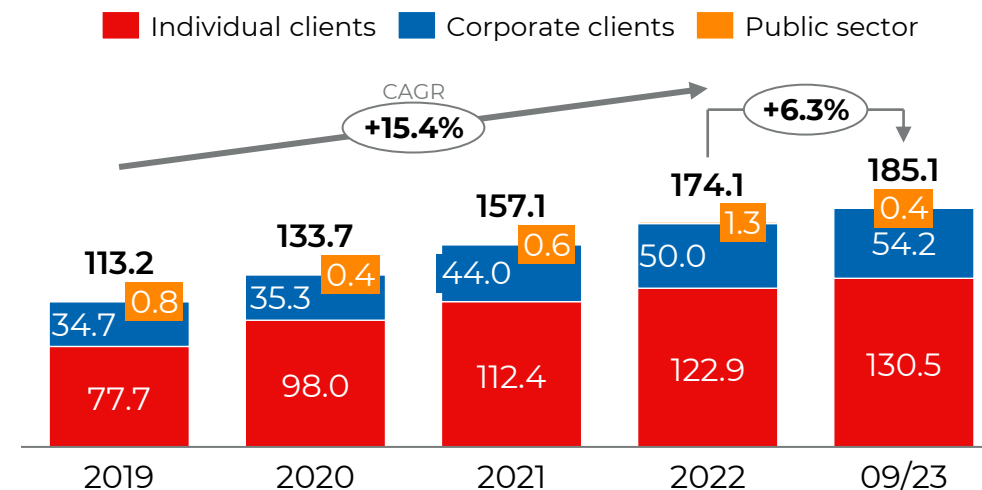


Well-balanced growth of business volumes, strong capital position

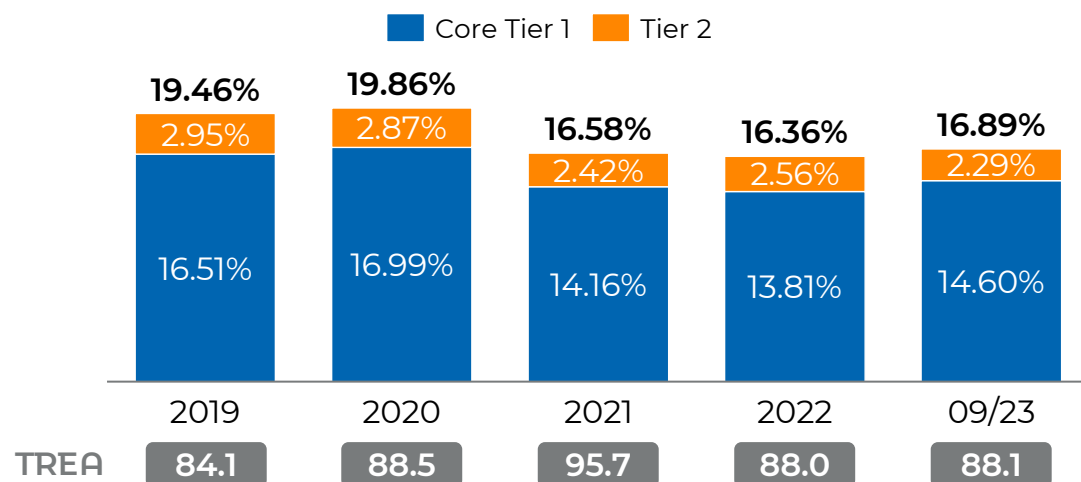
Total gross loans (PLN B)



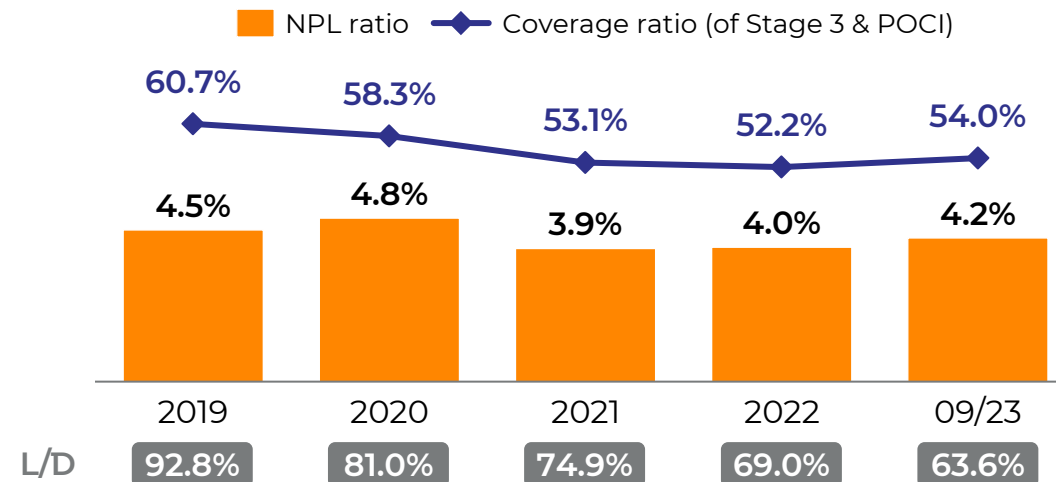
Total customer deposits (PLN B)



Total capital ratio & Total risk exposure amount (PLN B)



Asset quality metrics & loan-to-deposit ratio (L/D)



Excellent performance of the core business demonstrated in 9M 2023

Summary of financial results for mBank's core activity and run-off portfolio in 9M/23

PLN million	Core Business	Non-core ¹	mBank Group
Net interest income	6,502.9	15.5	6,518.4
Net fee, trading and other income	1,446.9	-60.5	1,386.4
Total income	7,949.8	-44.9	7,904.8
Total costs	-2,246.1	-32.4	-2,278.5
Loan loss provisions and fair value change ²	-651.6	22.5	-629.1
Costs of legal risk related to FX loans	0.0	-3,432.2	-3,432.2
Operating profit	5,052.1	-3,487.1	1,565.0
Taxes on the Group balance sheet items	-537.1	-20.3	-557.4
Profit or loss before income tax	4,515.0	-3,507.4	1,007.6
Net profit or loss	3,551.7	-3,507.4	44.3
Total assets	220,500	4,889	225,389
Net interest margin	4.26%		4.14%
Cost/Income ratio	28.3%		28.8%
Cost of risk	0.77%		0.70%
Return on equity (ROE)	38.0%		0.4%

¹ Equivalent of "FX Mortgage Loans segment" in the financial statement

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

Separation of FX mortgage loan portfolio

- In order to present the genuine and undistorted performance of mBank Group, the non-core part, comprising of foreign currency mortgage loans, is shown separately from the total business.
- **Non-core assets** are defined as all residential mortgage loans granted to individual customers in Poland that at any point in time were in another currency than PLN. In addition to the FX mortgage loan portfolio, associated provisions for legal risk arising from these contracts are also allocated to the segment.

The capital allocated to the non-core unit amounted to PLN 932 M as of 30.09.2023.

It is calculated primarily based on:

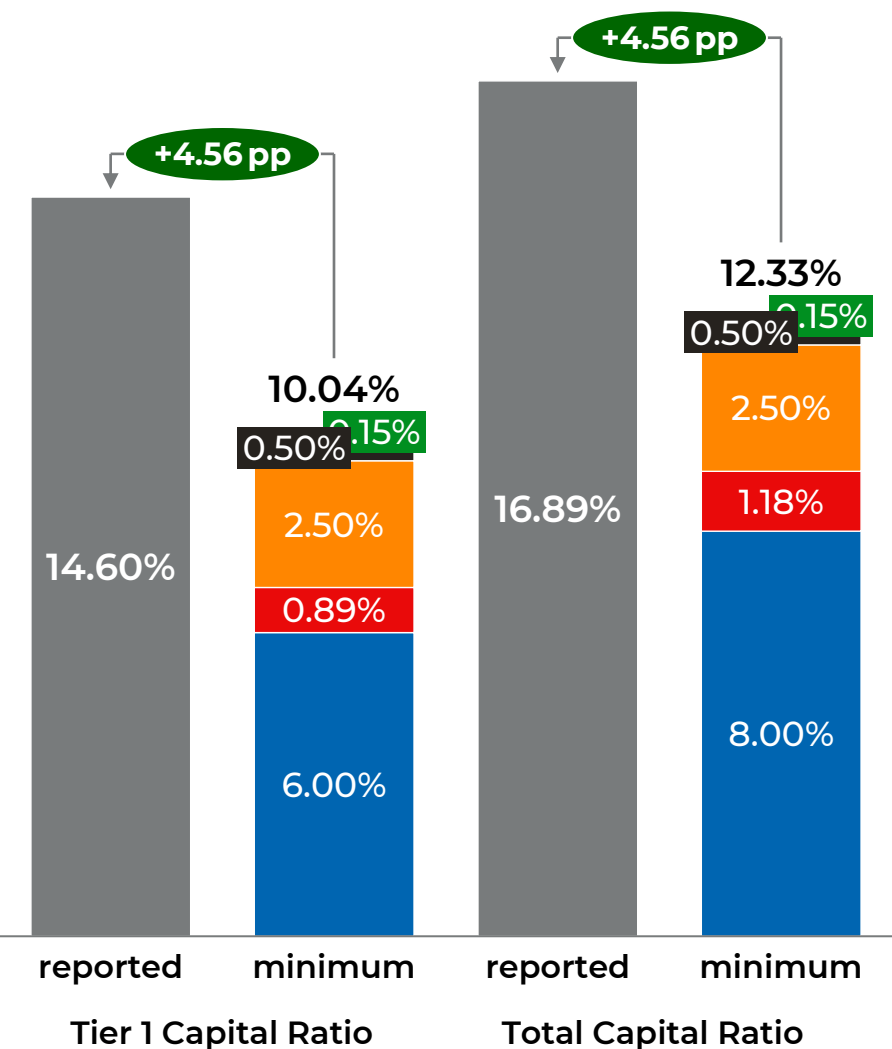
- risk weight of the portfolio under AIRB method;
- individual FX ML add-on imposed on mBank Group (actual or expected level);

From the managerial perspective, growth of mBank's core business is effectively based on lower capital due to its portion being set aside for FX Mortgage Loans segment.

Capital ratios above the regulatory requirements

Regulatory capital requirements for mBank Group

as of 30.09.2023



- Countercyclical Capital Buffer (CCyB)**, calculated as the weighted average of the CCyB rates that apply in the countries where the relevant credit exposures are located.
- Systemic Risk Buffer (SRB)**, originally set at 3.0% in Poland, 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; its level is reviewed annually.
- Conservation Capital Buffer (CCB)**, 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.
- 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.
- CRR Regulation minimum level (CRR)** based on the applicable EU Regulation.

- Based on the MREL decision dated 11.04.2023, the fully-fledged MREL requirement to be set for mBank at the consolidated level, excluding mBank Hipoteczny, amounts to **18.57%** of the total risk exposure amount (TREA) and **5.91%** of the total exposure measure (TEM) and should be reached by 31.12.2023. Interim MREL_{TREA} and MREL_{TEM} limits were set at **14.16%** and **4.64%** from the date of decision's communication. The bank also needs to keep the Combined Buffer Requirement (CBR) on top of the MREL requirement.
- On 28.08.2023, the bank received a letter from the BFG with the estimated revised MREL_{TREA} calculated based on the reduced FXP2, which will become binding after the joint decision of the BFG and SRB is delivered to mBank. The new revised requirements are lower, with the fully-fledged MREL_{TREA} binding from 31.12.2023 set at **17.52%**, including for own funds and subordinated eligible liabilities at **16.00%**.
- The BFG also stated that until the decision with revised MREL requirements is delivered to mBank, a potential breach of the CBR applied on the top MREL requirements communicated in the decision from 11.04.2023, will not result in negative consequences for the bank.

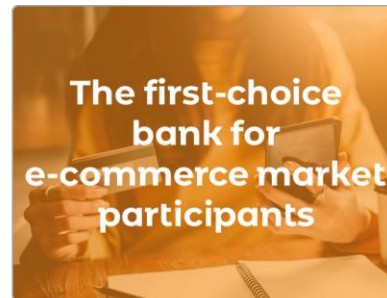
Pillars of new mBank Group's strategy for 2021-2025

Our business activities and initiatives are focused on 5 areas

Retail Banking area will be organized around demographic segments to develop the complete offer and value proposition precisely responding to the needs arising at different phases of the customer life cycle.

Corporate and Investment Banking area will cooperate with companies from prospective industries and the fast growing sectors of the economy (e.g. RES, modern businesses, healthcare, EU funds beneficiaries).

- organic growth through the continuous acquisition of new clients (especially young) and monetization of existing base
- focus on mortgage loans as an anchor product, comprehensive investment offering (via own TFI), personal financial management (PFM) and ecosystem of non-banking services (e-government, commercial services, bancassurance)
- strict mobile-first approach; contact channels aligned to a supremacy of remote access and digital sales
- providing customers with high quality, availability and security of solutions, platforms and services offered by mBank
- continuous development of a multi-layer cybersecurity defence model for both on-premise and cloud solutions
- the highest possible protection of our mobile application and the most secure and client-friendly identity confirmation process in all digital channels
- expansion of Paynow as the first Polish payment integrator in the cloud, enabling superior processing capabilities
- entry into e-commerce sphere, including a launch of marketplace platform integrating mBank's online buyers and sellers
- optimization of exposures and relationships with a focus on profitability and capital-efficient business, which fulfils minimum AROR level
- improved customer experience thanks to advanced multidimensional digital transformation, including onboarding and other process as well as boosting mobile banking penetration
- new well-designed credit process for corporates supporting business development at adequate level of risk costs
- development of best-in-class hybrid work environment with leaders skilled in managing distributed teams and top collaboration technology
- strengths-based approach to leverage on individual talents and skills of employees
- amendment of remuneration scheme to make it attractive from the employee perspective and supporting company objectives



Vision for mBank Group and guiding principles for the organisation

We will anchor the future of mBank on seven pillars



understanding of customer needs in their life cycle and calibrating products adequately to support them in most effective way



banking secrecy and firm promise to protect customer information, personal data and financial profile of their activities



mobile access being the core medium/channel for interaction with the client



security of clients' payments and assets placed with mBank



offering a premier experience for our clients in the e-commerce universe



executing ESG agenda focused on our responsibility for climate, society and financial health of our clients



helping clients to keep their finances in order by providing them with advanced financial management capabilities



Financial targets of mBank Group for 2021-2025

The activities of mBank Group are focused on achieving the following strategic financial targets

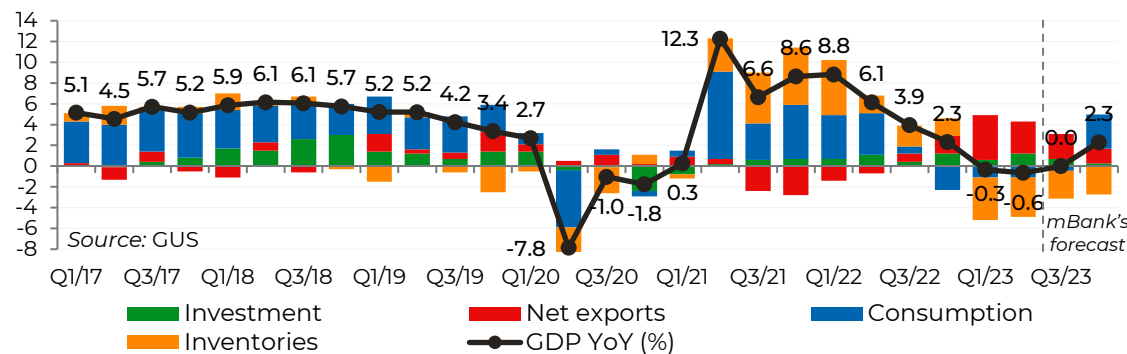
Efficiency	Cost/Income ratio (C/I)	below 40%
Stability	Tier 1 capital ratio	year-end level min 2.5 p.p. above the PFSA requirement
	Cost of risk (COR)	~0.80%
Growth	Loans	average 2022-2025: ~3%
	Deposits	average 2022-2025: ~6%
	Total revenues	average 2022-2025: 4-5% ¹
Profitability	Net interest margin (NIM)	above 3.0%
	Return on equity (ROE)	~14%

mBank Group's transition from best-in-class efficiency to satisfying profitability

¹ the growth pace calculated against the level of revenues adjusted for the negative impact of "credit holidays" at PLN 9,191 million

Macroeconomic situation and outlook: GDP, inflation, rates, currency

GDP path and forecast for Poland (% YoY)



GDP dynamics probably reached a trough in Q2/23. Starting from Q3/23, a gradual recovery supported by the expected rate cuts is forecasted. Inventories should be the major factor restraining growth through the rest of the year.

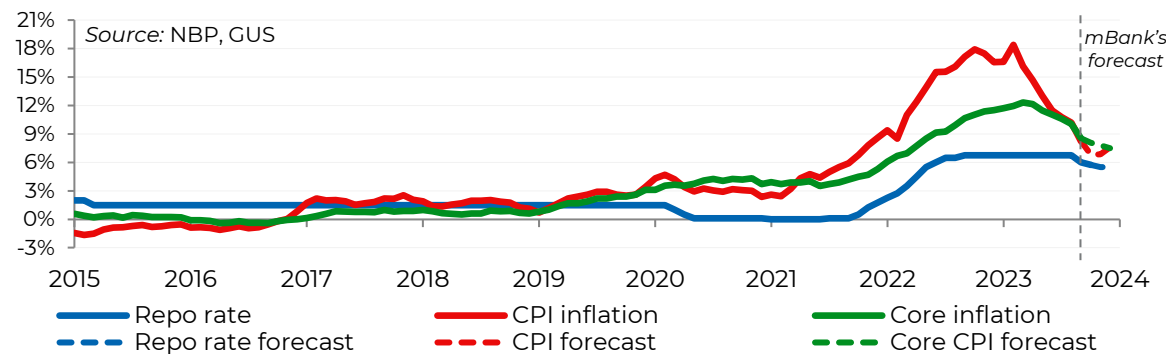
Key economic indicators for Poland

	2021	2022	2023F	2024F
GDP growth (YoY)	6.9%	5.1%	0.4%	2.7%
Domestic demand (YoY)	8.5%	5.1%	-3.0%	3.6%
Private consumption (YoY)	6.2%	3.3%	-0.9%	4.4%
Investment (YoY)	1.2%	5.0%	7.7%	2.8%
Inflation (eop)	8.6%	16.6%	7.1%	7.5%
MPC rate (eop)	1.75%	6.75%	5.75%	5.75%
CHF/PLN (eop)	4.42	4.73	4.58	4.43
EUR/PLN (eop)	4.59	4.69	4.40	4.30

Source: GUS, NBP, Bloomberg, mBank's estimates as of 9.11.2023.

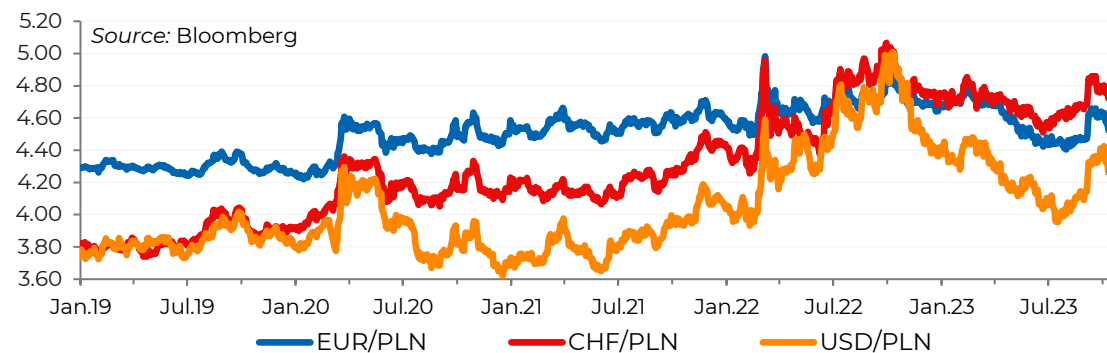
Introduction to mBank Group

NBP has been cutting rates on the back of declining inflation



Inflation passed the peak. The recent slowdown has been caused mainly due to statistical base effects and goods prices. However, core prices are also losing momentum.

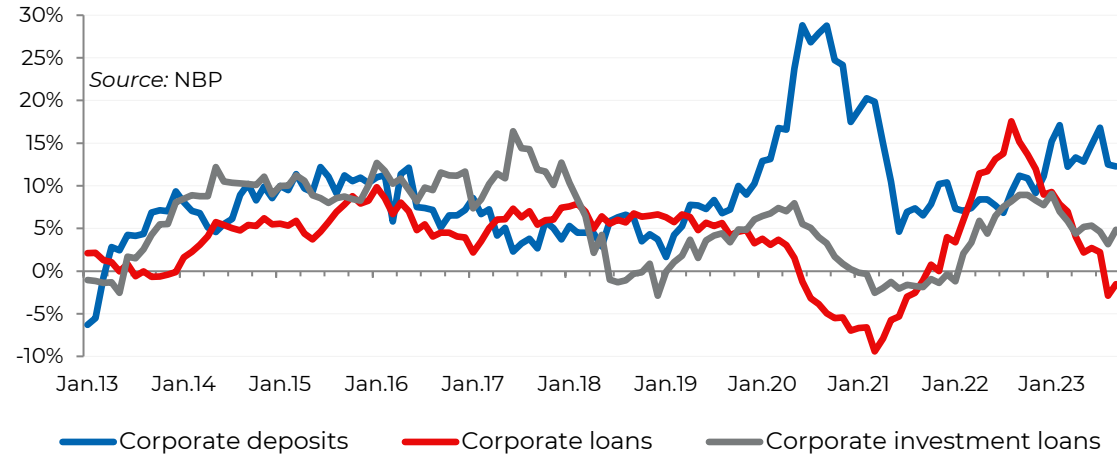
NBP rate cuts and election drove up FX volatility



The unexpectedly large interest rate cut by the central bank weakened the zloty. However, the Polish currency gained after the announcement of the parliamentary election results. Room for further appreciation is limited.

Macroeconomic situation and outlook: monetary aggregates

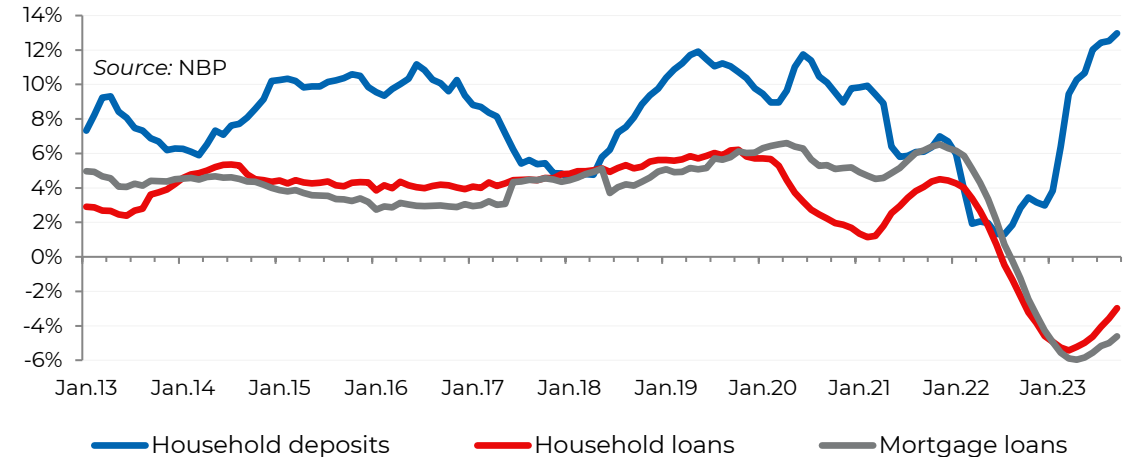
Corporate loans and deposits (YoY, FX-adjusted)



The dynamics of deposits in the corporate sector has stabilized. Credit growth may have already reached its bottom, more expansionary monetary policy should support the demand.

Segment volumes YoY	2021	2022	2023F	2024F
Corporate loans	3.9%	9.6%	-0.6%	2.8%
Corporate deposits	10.4%	11.6%	11.0%	6.5%

Household loans and deposits (YoY, FX-adjusted)



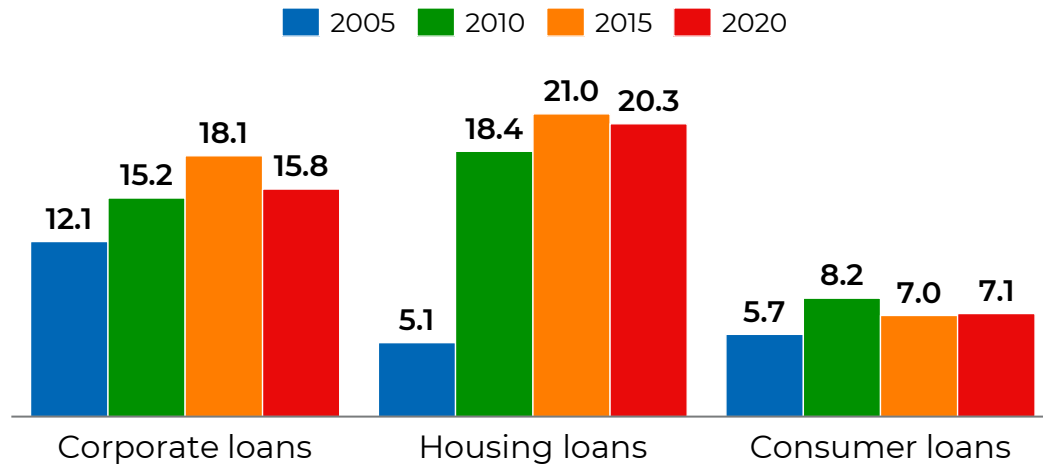
The strong labour market and expansionary fiscal policy support deposit accumulation. Credit growth is beginning to rebound. Lower rates coupled with „2% safe mortgage program" will work towards its revival.

Segment volumes YoY	2021	2022	2023F	2024F
Household loans	4.9%	-3.8%	0.1%	5.8%
Mortgage loans	7.1%	-3.2%	-1.8%	5.2%
Mortgage loans in PLN	12.0%	-1.8%	2.3%	9.7%
Non-mortgage loans	1.1%	-5.1%	3.9%	6.9%
Household deposits	6.7%	3.3%	9.7%	7.7%

Source: NBP, mBank's estimates as of 09.11.2023.

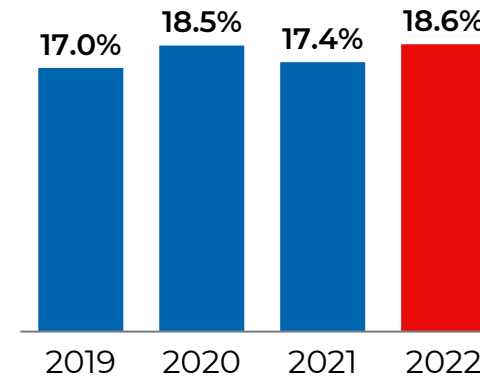
Banking sector in Poland is stable and operationally efficient

Loan penetration in Poland: key credit categories to GDP (%)

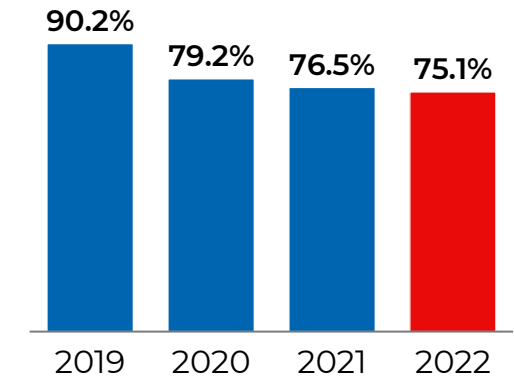


Capital adequacy and funding: capital and L/D ratios

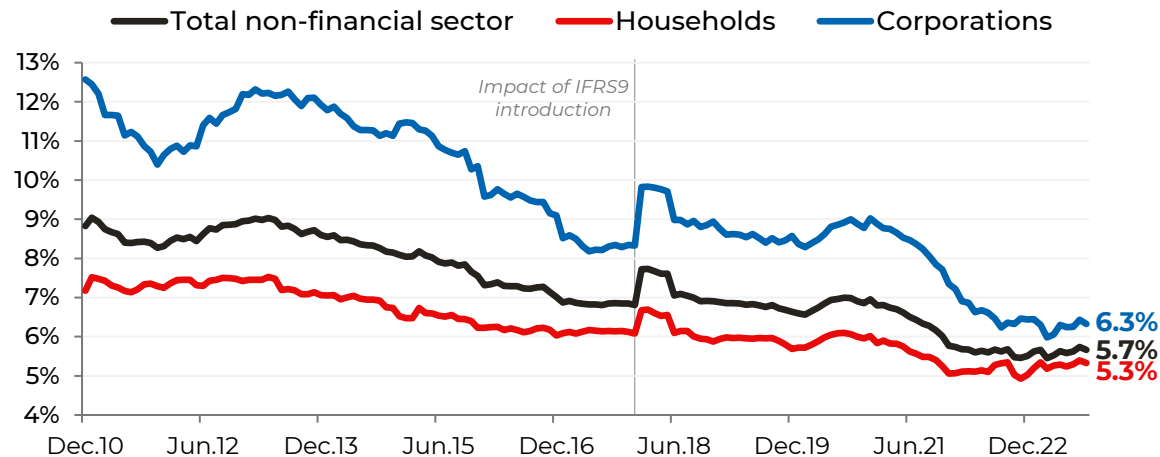
Tier 1 capital ratio



Loan-to-Deposit ratio



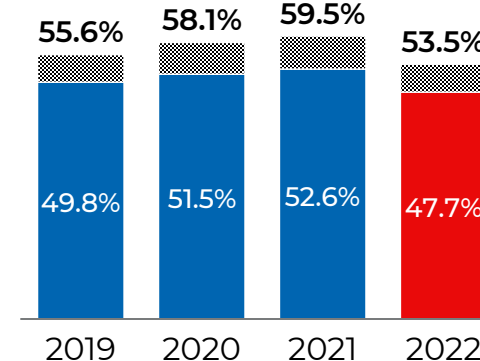
Asset quality: development of NPL ratios by segment



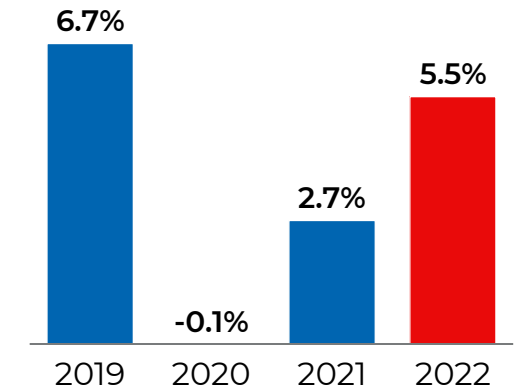
Efficiency and profitability: C/I ratio and ROE

Cost-to-Income ratio

incl. banking tax



Return on equity



Source: mBank's calculations based on data published by the Polish FSA, National Bank of Poland.

Introduction to mBank Group

Note: 2020 ROE depressed by an additional write-off for settlements with CHF borrowers done by PKO BP.

Challenges in operating environment have increased for Polish banks

Key factors affecting operations and profitability of Polish banks

fiscal and tax burdens, sector contributions

- Starting from February 2016, **a special asset-based tax on banks** and certain other financial institutions was imposed. With the tax **rate set at 0.44% annually**, the levy is **one of the highest in Europe**.
- Due to many non-tax deductible costs (legal provisions related to CHF portfolio, banking tax, resolution fund), **effective tax rate (ETR) for banks is much higher** than the statutory one for companies (19%). **In 2022, it reached 41%.**
- **Contribution to the protection scheme (IPS)** to support the Bank Guarantee Fund in conducting the resolution of Getin Noble Bank in 2022. The aid fund formed of the **payments made by 8 largest Polish banks** translated into the cost for the sector **of PLN 3.47 billion**.

regulatory and government interventions

- In July 2022, the act introducing **three pillars of support for borrowers** came into force. They comprised:
 - so-called **“credit holidays”**, entitling for the suspension of the repayment of 8 mortgage loan instalments regardless of the financial situation of the client, **the total impact of which for the largest banks reached ca. PLN 13 billion**
 - increasing the **Borrowers' Support Fund** through an **additional contribution of PLN 1.4 billion**
 - benchmark reform aimed at **replacing WIBOR** with new WIRON rate
- **Excessive customer protection** and scrutiny with respect to the price list adjustments, undermining business model of retail banking

unresolved issue of CHF mortgage loans

- The **first judgement by the Court of Justice of European Union (CJEU)** in the case related to Polish FX mortgage loans (*Dziubak case*) was made in October 2019. Since then, **the legal cases against banks have been rising rapidly**.
- **Increasingly negative line of jurisprudence** observed in Polish courts has resulted in **very high CHF-related legal provisions** at banks. It is estimated that these costs **exceeded PLN 43 billion**.
- Although there are divergences in the case law to date, the **verdicts have been predominantly unfavourable to banks**.
- **No systemic solution** of this issue is currently discussed in Poland. Most **banks offer voluntary conversion of FX loans into PLN** based on the proposal of the PFSA Chairman.