



Integrated Report 2020

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1. About mBank Group

1.1. Letter from the President of the Management Board of mBank S.A.

Dear Madam/Sir,



I am pleased to present to you the latest integrated report of mBank Group containing both financial data and information on sustainable development.

The events affecting the world, Poland, and consequently, also mBank Group in 2020 were mostly related to the Covid-19 pandemic. The business environment as well as daily lives of millions of people changed in a way which would have been unimaginable only a year ago. In February 2020 we appointed a Crisis Command tasked with mitigating the consequences of the pandemic for the bank and its stakeholders. We are securing all processes to ensure that the company has the capability to operate and provide its services

continuously regardless of the circumstances. We also focus on the protection of employees and clients.

At the beginning of the pandemic, we were the first bank in Poland to offer individual, business and corporate clients the possibility of suspending the payment of loan instalments for up to six months and extending the lending period by the suspension period. Another important support measure for enterprises was the aid under the Polish Development Fund's Anti-Crisis Shield, for which companies could conveniently apply via mBank's online banking services.

Despite numerous challenges and unfavourable conditions, the income of mBank Group hit a record high in 2020, exceeding PLN 5.8 billion. However, the heated debate about CHF loans which was accompanied by a wave of lawsuits was the key factor impacting on our profit. In consequence, apart from higher risk costs and a significant earnings pressure, our net profit was determined by provisions for legal risk amounting to more than PLN 1 billion. Our full-year net profit thus totalled PLN 104 million, down by nearly 90% on the previous year.

mBank Group's strategy "Growth Fuelled by our Clients" adopted in December 2019 is based on the acquisition of young people and dynamic companies from developing industries whom we want to accompany through subsequent stages of their lives and development. At the end of 2020, mBank served over 5.6 million retail clients in total. It is also worth noting that mBank's Retail Banking exceeded the threshold of 1 million clients in the Czech Republic and in Slovakia. At the same time, our Corporate Banking portfolio grew to around 29,100 enterprises. The quick growth of our market share is the best proof that the solutions we offer are convenient, secure, tailored to clients' needs and popular with our target groups.

For several years, we have been devoting more and more attention to ESG, i.e. environmental, social and governance issues. We want to be the banking sector's leader in this area. We put special emphasis on our commitments regarding climate and environmental protection. In 2020, we doubled the credit limit for renewable energy financing twice. It now amounts to PLN 4 billion. We also analysed the risk connected with the negative impact of mBank's operations on the climate and vice versa. Additionally, we were preparing for the issue of green bonds and green covered bonds.

We continue to support the Great Orchestra of Christmas Charity (WOŚP). As its strategic partner and sponsor, we provide financial services during the grand finales. Encouraged by our clients' generosity, we also donate additional funds to the charity.

Thanks to its grant programmes, contests and numerous actions, mFoundation fosters the mathematics education of children and teenagers.

In 2020, we established the "P for Painting" fund with a view to supporting Polish contemporary art. We regularly launch campaigns aimed at raising social awareness on cyber security and promoting safe online behaviour.

With the needs of entrepreneurs in mind, we provided companies with a set of tools making it easier to open an online store and start business on the Internet as part of the “Digital Revolutions” initiative.

You can find out more about the above topics as well as other aspects of mBank’s sustainable development in our report. Enjoy the read.

Kind regards,





Cezary Stypułkowski




1.2. About mBank Group

1.2.1. Key information

Since its beginnings, mBank sets a path for changes and innovativeness in the banking sector. We have been the first internet-only bank in Poland. We have been effectively implementing the strategy which allows us to maintain the leading role in mobile banking. We provide customers with the possibility of managing their finances wherever they are.

mBank shares have been listed on the Warsaw Stock Exchange (WSE) since 1992. mBank shares are included in the indexes such as WIG30, WIG-Banks and WIG-ESG.

Universal financial services			
			
Our clients	Our employees	Mobile application	Transactions
5,662,000 retail clients 29,100 corporate clients	6,688 FTE in mBank Group	2.2 million users	12.1% market share in card transactions (9M 2020)
Mobile banking at its best			
Mobile distribution channel	Clients logging in to the account via mobile devices	Paynow	mAuto
20% of cash loans sold via mobile app	77% of all log-ins comes from mobile application 85% of active clients uses the mobile application	Online payment gateway – platform for e-commerce	Online platform for new and post-lease cars
Key results and indicators			
Revenues	Cost to income ratio	Total assets growth	Total capital ratio
PLN 5,867 million	41.1%	+13.5% year on year	19.9%
Basic facts for investors			

Market capitalisation	Share price	Member of the WSE indices, including:	mBank ratings
PLN 7.6 billion (EUR 1.6 billion)	PLN 179.2 (as at 30.12.2020)	  	Fitch: BBB- Standard & Poor's: BBB Sustainalytics: low risk MSCI: A (ESG rating)

Composition of mBank Group and main areas of its activity

The subsidiaries of mBank Group offer a complex service for the customers and allow for processes optimisation and achieving various business targets. The structure of mBank Group from the perspective of segments and business areas as of end of 2020, is presented below:

Segment	Retail Banking	Corporates and Financial Markets	
		Corporate and Investment Banking	Financial markets
Bank	<ul style="list-style-type: none">■ Retail customers, Private Banking clients and microenterprises■ Affluent retail customers (Private Banking and Wealth Management)	<ul style="list-style-type: none">■ Corporations and non-banking financial institutions (K1)■ Large Companies (K2)■ Small and Medium Enterprises (K3)	<ul style="list-style-type: none">■ Banks■ Corporate clients in scope of trading and sales■ Market and Liquidity Risk Management
Consolidated subsidiaries	<ul style="list-style-type: none">■ mLeasing Sp. z o.o. – Retail■ Asekum Sp. z o.o.¹ – Retail■ LeaseLink Sp. z o.o.¹ – Retail■ mBank Hipoteczny S.A. - Retail■ mFinanse S.A.■ mElements S.A.	<ul style="list-style-type: none">■ mLeasing Sp. z o.o. – Corporate■ Asekum Sp. z o.o.¹ - Corporate■ mBank Hipoteczny S.A. - Corporate■ mFaktoring S.A.■ G-INVEST Sp. z o.o.²■ Tele-Tech Investment Sp. z o.o.	<ul style="list-style-type: none">■ mLeasing Sp. z o.o.– within the scope related to fund raising■ mBank Hipoteczny S.A. – within the scope related to fund raising
	<div>Other subsidiaries</div> <div>■ Future Tech FIZ</div>		

¹mBank owns 100% shares in Asekum Sp. z o.o. and LeaseLink Sp. z o.o. indirectly, through mLeasing Sp. z o.o.

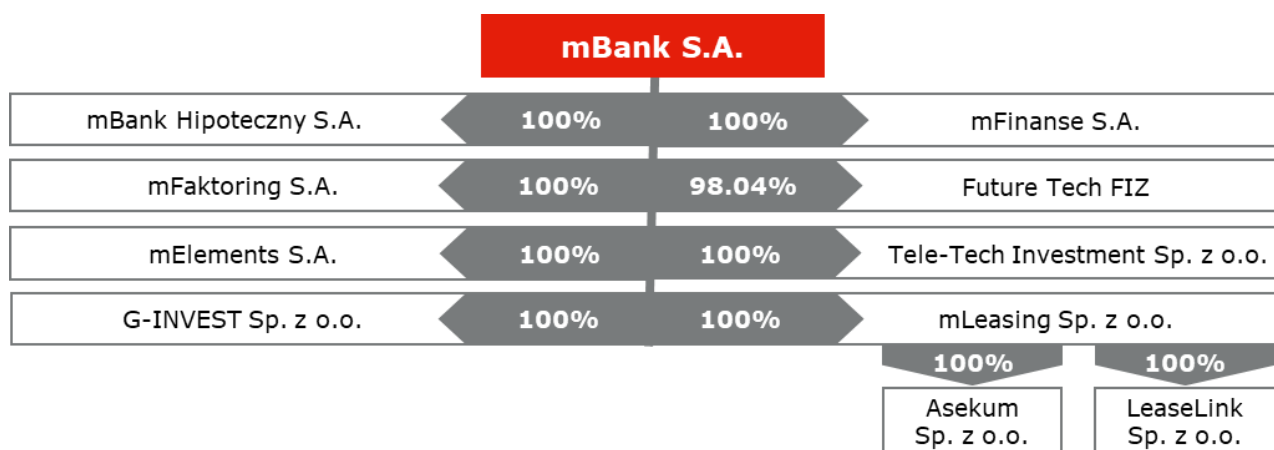
²Previously named Garbary Sp. z o.o.

In line with the resolution of the Supervisory Board of the bank from June 25, 2020, we reorganised the business areas of the bank in order to increase efficiency of organizational structure and processes. Since January 1, 2021, the financial markets area has been incorporated within other business areas of the bank.




On December 22, 2020 the Management Board decided to establish its own investment fund company by way of founding a company under the name of mTowarzystwo Funduszy Inwestycyjnych Spółka Akcyjna (mTFI S.A.). mTFI S.A. will be a wholly owned subsidiary of the bank. The bank has started a formal, legal and regulatory process aimed at registration of mTFI S.A. in the National Court Register and applying for a consent of Polish Financial Supervision Authority to conduct operations of an investment funds management company. The investment fund company will complement the

existing investment fund supermarket, currently offering over 250 funds. Running an investment fund allows for a faster reaction to the clients' needs, especially in a current, fast changing environment. We will also be able to better tailor the offer to the ESG standards.

mBank Group (including consolidated subsidiaries) as at the end of 2020 was composed as presented on the diagram below.



Key Subsidiaries of mBank Group from the perspective of client offer

 Bank Hipoteczny	<ul style="list-style-type: none"> the longest track record of issuing covered bonds on the Polish capital market ensuring the stable, long-term and safe funding of the Group with the use of pooling model in co-operation with mBank improving stability and diversification of mBank Group funding through raising long-term funding in form of mortgage covered bonds in PLN and FX analysis and advisory services addressed to investors and entities active on the commercial real property market rating of Moody's Investor Services: Aa2 – an increase of the rating from Aa3 resulting from an update of the agency's methodology presented in the "Country Ceilings Methodology"
 Leasing	<ul style="list-style-type: none"> offer including leasing, loans, car fleet rental and management for both corporate clients and individuals various leasing products in corporate segment, including lease of private and commercial cars, heavy transport vehicles, car fleet management, lease of machines and equipment, real property lease leasing as a payment method for e-commerce offered by LeaseLink online car sales by mAuto.pl portal. The offer comprises new and used cars, financed by leasing or long-term rental, provided in e-commerce mode, including home delivery or possibility of return
 Faktoring	<ul style="list-style-type: none"> fifth position on the Polish factoring market among the members of the Polish Factors Association – position maintained at the level from 2019 financing of ongoing business operations, receivables management, credit protection, maintenance of debtors' settlement accounts and enforcement of receivables; the offer includes also domestic and export factoring with recourse and credit protection, as well as import guarantees mFaktoring's offer available in all mBank branches providing services to SMEs and corporations in Poland



- intermediary operations as an open platform for selling financial products of various institutions, including mBank
- the offer includes loans, accounts, insurances for both individuals and companies
- offer of 13 financial entities in more than 210 outlets across Poland

mBank's Authorities

Supervisory Board of mBank

As of December 31, 2020, the Supervisory Board of mBank S.A. was composed as follows:

1. Agnieszka Słomka-Gołębiowska – Chairwoman of the Supervisory Board
2. Jörg Hessenmüller – Deputy Chairman of the Supervisory Board
3. Tomasz Bieske – Member of the Supervisory Board
4. Marcus Chromik – Member of the Supervisory Board
5. Mirosław Godlewski – Member of the Supervisory Board
6. Aleksandra Gren – Member of the Supervisory Board
7. Sabine Schmittroth – Member of the Supervisory Board
8. Bettina Orlopp – Member of the Supervisory Board

There are four independent members in the Supervisory Board:

1. Agnieszka Słomka-Gołębiowska
2. Aleksandra Gren
3. Mirosław Godlewski
4. Tomasz Bieske

Four committees operate within the Supervisory Board: the Executive and Nomination Committee, the Risk Committee, the Audit Committee and the Remuneration Committee. In addition, the IT Working Group meets regularly. More information: ["Statement of mBank on application of corporate governance principles in 2020"](#).

Management Board of mBank

As of December 31, 2020, the Management Board of mBank was composed as follows:

1. Cezary Stypułkowski - President of the Management Board, Chief Executive Officer
2. Frank Bock - Vice-President of the Management Board, Head of Financial Markets
3. Andreas Böger – Vice-President of the Management Board, Chief Financial Officer
4. Krzysztof Dąbrowski - Vice-President of the Management Board, Head of Operations and Information Technology
5. Cezary Kocik - Vice-President of the Management Board, Head of Retail Banking
6. Marek Lusztyń - Vice-President of the Management Board, since the date of consent of the Polish Financial Supervision Authority: Vice-President of the Management Board, Chief Risk Officer
7. Adam Pers - Vice-President of the Management Board, Head of Corporate and Investment Banking

For more information on changes in the Management Board and Supervisory Board of mBank, see chapter [4.2.4. Diversity](#) and [5.1.1. Application of corporate governance principles](#).

Detailed résumés of all members of mBank Supervisory Board and Management Board are available on our website: <https://www.mbank.pl/en/about-us/bank-authorities>

Geographical presence of mBank Group's distribution channels

mBank offers its services not only in Poland, but also in the Czech Republic and Slovakia. The leading role of mobile and internet banking provider is supplemented by comprehensive service in the branches. Retail branches network covers 342 various outlets whereas corporate network comprises 46 points of service, additionally supplemented by branches of mBank Group subsidiaries. In 2020 the number of branches in Poland decreased by 11. At the same time we opened one new branch and one mKiosk in Czech Republic as well as 2 mKiosks in Slovakia. When contacting the consultants in the branches, clients can not only use products and services of mBank Group, but also install and learn to use mobile and internet banking.

Retail network in Poland:

- 83 mBank branches
- 42 light branches
- 14 advisory centres
- 161 mKiosks
- 42 Financial centres and agency service points of mFinanse

Czech Republic

- 12 financial centres and light branches
- 18 mKiosks

Slovakia:

- 4 financial centres and light branches
- 7 mKiosks

Corporate branches:

- 30 corporate branches
- 16 corporate offices

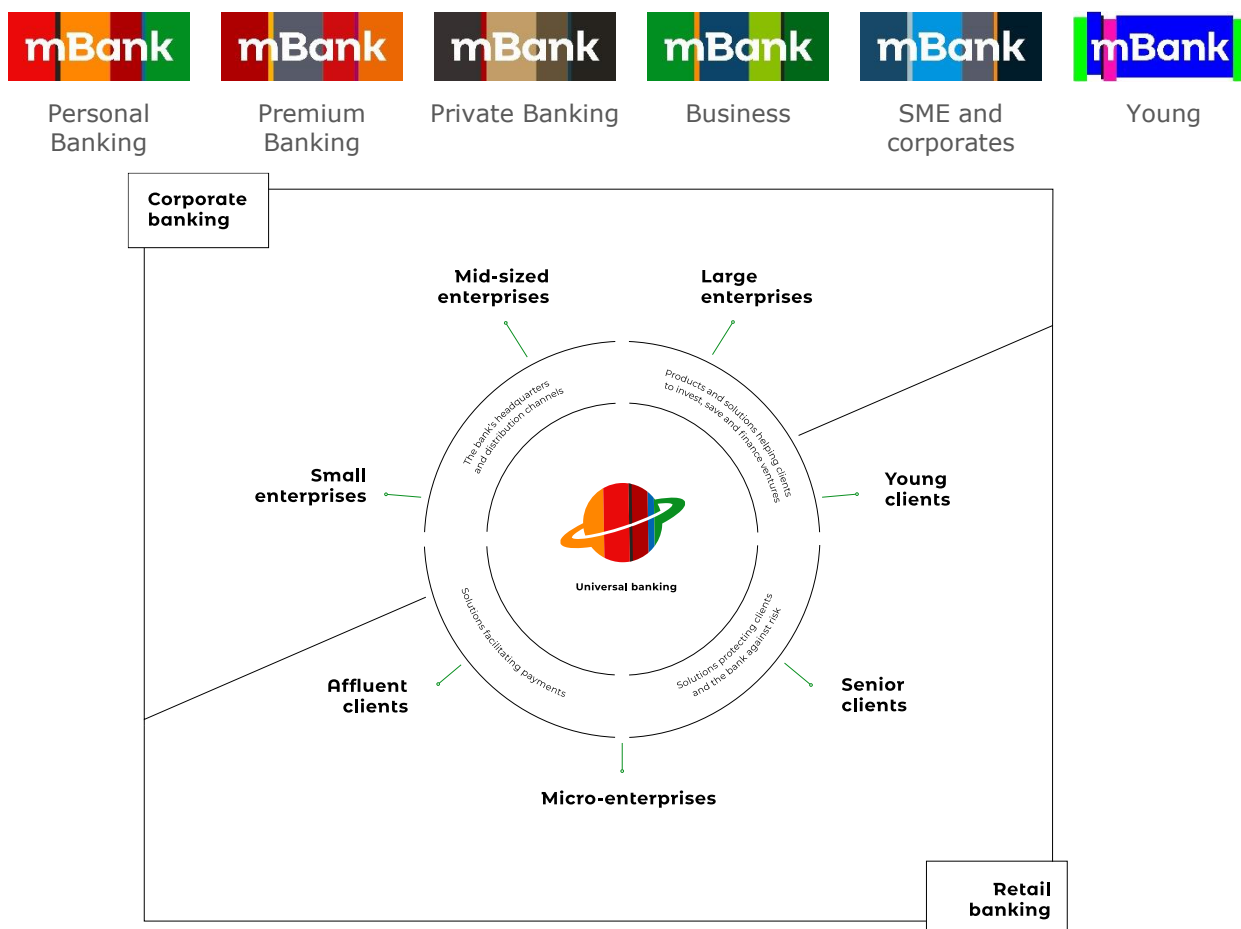
Depending on their needs, our clients can take advantage of full product offering and cash services in traditional mBank's branches. Comprehensive portfolio of more sophisticated financial products, such as mortgage loans and corporate funding, is available also in financial centres and agency service points of mFinanse. In the advisory centres, both individual and corporate clients are served, who can also use the services of mBank Group's subsidiaries, including Wealth Management. The light branches are dedicated to distribute basic financial products and provide clients with cash services up to defined limits. mKiosks, located in the shopping malls, allow clients to familiarize with mBank's offer, open an account and draw non-mortgage loan.

In 2020, during the COVID-19 pandemic, we have been strongly encouraging our clients to use internet and mobile banking. More information on the facilitations we offered and availability of our branches under the sanitary regime is described in chapter [2.2.6 Activities for clients](#).

1.2.2. Business model and value model of mBank Group

mBank Group conducts business based on the universal banking model, specialising in servicing all client groups. It offers retail, corporate and investment banking as well as other financial services such as leasing, factoring, financing of commercial real property, brokerage operations, wealth

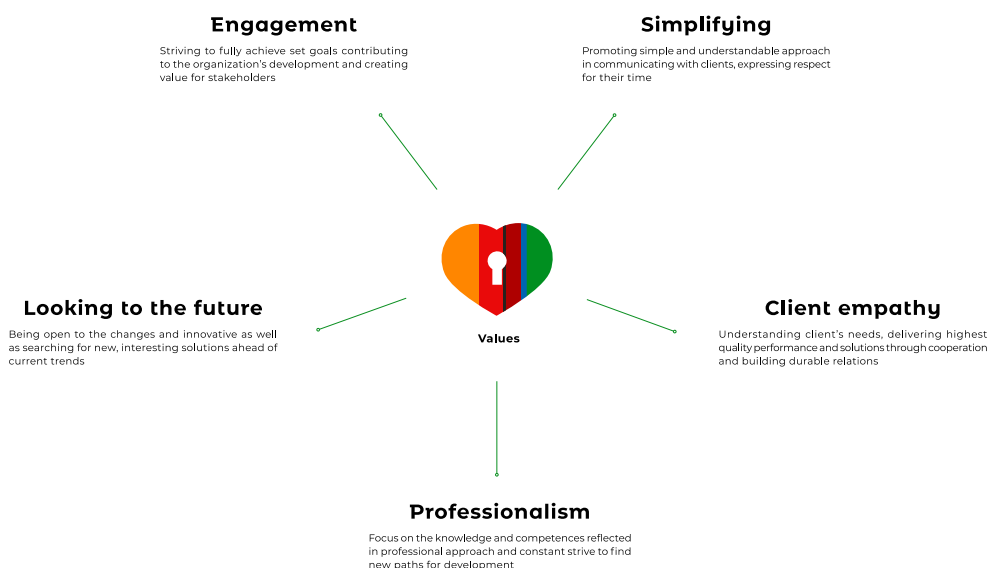
management, corporate finance and advisory in the scope of capital markets. Services provided under mBank logo are marked with different colours, depending on the target group of the offer.



Our way of thinking about banking is shaped by digital DNA, that is in the centre of mBank's business model. It affects all internal processes, product development and the tools through which customers use our services. Digital DNA is directly related to intellectual capital – we observe the development of technology by adapting the latest developments and moderating innovations within the Bank.

mBank Group value model

mBank Group activity is based on a **value creation model** oriented for the benefits for customers, shareholders, employees and other stakeholders. We identify actual needs and implement adequate solutions, responding to current and prospect requirements.



Innovations

mBank's widely recognised operational excellence is based on the state-of-the-art user interface for online banking, next-generation mobile application, video banking, as well as real-time, event-driven customer relationship management (CRM) based on client behaviour patterns. The whole product offer is centred around the current account with a broad spectrum of financial services accessible in just "one click". This way, we implement the strategic aim of mBank to be the most convenient transactional bank on the market. Our internet platform available to clients is modern, convenient, easy-to-access and user-friendly. We have also been systematically expanding our mobile application to provide customers with the possibility of managing their finances wherever they are.

An offer adjusted to all stages of customers' private and professional development

Giving priority to users' comfort, mBank regularly improves its offer and thus remains at the forefront of institutions introducing new solutions, such as **BLIK**, **Google Pay** and **Apple Pay** payments. mBank has been accompanying its customers in their everyday lives for 19 years now, providing a wide range of additional services based on online or mobile banking. These involve, among others, the possibility to create a free-of-charge **trusted profile** in mBank's transactional platform in order to handle administrative matters online in the public administration services, and the possibility to submit an application for the "**Family 500+**" benefit online, as well as **mOkazje** (mDiscounts).

mBank's offer includes loans, savings, investment and insurance products as well as other solutions dedicated to enterprises. The comprehensive offer makes it possible to more effectively address specific requirements of particular groups of customers. At the same time, the coherent business model in all of the mentioned areas enables clients' to easily move between segments, which allows mBank to support their professional and personal development at all stages.

Corporate clients

mBank Group aims to build a partnership with corporate customers, which is based on high quality relations, comprehensive advisory and a good understanding of the specifics of the business of recipients of our products. We support entrepreneurs from the very beginning of their professional path, enabling them to launch their business with mBank online or in the bank's branch and offering them a package of kick-off services such as **financing, accounting and currency services or**

terminals. Big enterprises and international corporations successfully use the integrated range of commercial banking solutions, with particular focus on the advanced platform of **transactional banking**. This comprehensive product offer is complemented by **investment banking** services, such as equity capital management (ECM), debt capital management (DCM) and mergers & acquisitions (M&A) advisory services.

Distribution channels

mBank's distribution concept combines the most technologically advanced solutions, which meet the market challenges and set new trends in the Polish banking sector. Internet and mobile-based tools as well as the extensive network of distribution outlets and call centre build a comprehensive contact platform for mBank's customers. The IT platform architecture allows the bank to develop and introduce new products, services and sales channels efficiently and with a low operational risk. Thanks to such a flexible infrastructure, mBank is able to effectively manage its business expansion strategy.

1.2.3. History

1986	Establishment of Bank Rozwoju Eksportu as a joint-stock company
1992	Listing of BRE Bank on the Warsaw Stock Exchange
1994	Signing of a strategic partnership agreement with Commerzbank AG
1998	Acquisition and merger with Polski Bank Rozwoju SA
2000	Establishment of mBank – the first internet-only bank in Poland – completed in just one hundred days
2001	Launch of Multibank, the second retail arm of BRE Bank, targeting affluent customers
2007	Foreign expansion of retail operations, the first branches of mBank are set up in the Czech Republic and Slovakia
2013	Rebranding – Replacing of three existing brands by one: mBank New mBank transactional platform is launched
2016	„mobile Bank” Strategy for 2016-2020 is announced
2017	Start of mAccelerator - fund aimed at the development and commercialisation of technology for financial institutions
2018	Strategic partnership with WOŚP, launch of e-commerce services via mElements
2019	New strategy for 2020-2023
2020	Adjustment of internal processes and client offer during the COVID-19 pandemic Systematic increase of Renewable Energy Sources funding

1.3. Growth fuelled by our clients – strategy for 2020-2023

In 2020 we have been realizing the **Strategy of mBank Group for 2020-2023 titled "Growth fuelled by our clients"**. It has been adopted in December 2019. We have developed it as our response to the changes in the market and regulatory environment and the expected trends in the future. We took into account, among others, economic prospects, technological progress, evolution of consumer behaviour and expectations, local constraints as well as internal conditions. Building upon the experience gathered during the implementation of the previous strategy, we confirmed that mBank Group's mission and values continue to be valid under the new plan.

In the strategy for 2020-2023, we focus on **4 areas, corresponding to the key components of our business model**:

- **Client (acquisition and long-term relationships):** As a bank, we will be growing organically by constantly attracting new clients (especially young and firms) and strengthening our position in the 30-45 age group. We will improve the retention of individual customers by developing products that anchor them in the bank at particular stages of their life cycle. In the corporate segment, we will shape our customer portfolio by anticipating trends and changes in the market environment, while maintaining a high diversification of exposures. We will expand our knowledge of customers in order to more precisely identify and satisfy their needs by constructing a personalised offer. In pursuance of the assumptions of empathy, we will communicate with our clients in an understandable way and distinguish ourselves by the transparency of the offer, including our pricing policy.
- **Platform (ecosystem and user experience):** We will be constantly improving remote bank access channels and promote digital self-service. We will give the leading role to the mobile application, which will have the same scope of functionality as the Internet banking service, while contact center and outlets will play a supportive role. We will be developing the retail platform by supplementing it with value-added services and the offer of selected partners, including non-financial ones. Focused on providing convenience, ease and speed of use, we will build the best digital banking for corporations in Poland.
- **Efficiency (operational advantage):** We will maintain the technological advantage in the financial sector. We will rely on agile interdisciplinary teams to design and deliver end-to-end solutions. We will modify IT architecture using industry best practices. We will increase the digital self-service of our customers while optimising our sales network. We will improve the operational efficiency of mBank by implementing automation on a large scale and simplifying processes.
- **Employees and organisation culture:** We will ensure that the work environment and its organisation in mBank Group will foster efficiency, cooperation, high engagement and the creation of innovative solutions. We want to make managers think outside the box and inspire development, and employees who seek new solutions and take care of our clients. We will use technology to relieve employees from routine tasks and implement automated tools to facilitate compliance with regulations.

The ESG/CSR strategy has become an integral part of the document. As mBank Group, we intend to conduct our business in accordance with the principles of sustainable development. We want to educate, take care of the climate and the environment and promote prosperity.

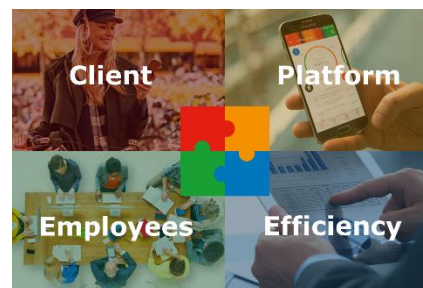
Pillars of the strategy, main directions of development and mBank Group activities

In view of the dynamically changing business and regulatory environment, mBank Group will be monitoring and actively responding to market opportunities and threats. As a universal bank, we will provide a full range of products and services through all access channels. Our growth will be fuelled by new and existing, retail and corporate, clients. Therefore, we will remain focused on acquisition in the target segments and the development of long-term customer relationships. The key challenge for the coming years will be to maintain mBank's market position in the conditions of unfavourable demographic dynamics.

In line with the market perception of our brand, we intend to be a modern, technologically advanced and friendly bank, which offers products that are understandable to the customer as well as fast, intuitive solutions. Due to the better use of data, the service will become more personalised. The transactionality will remain a key element of our development, as it is a space of daily, most frequent interactions between the bank and the customer. We will build our offer based on the mobile first paradigm, increasing the share of sales and services in the digital area. We want to be appreciated for our quality, professionalism, innovation, reliability and security. In our daily operations, we will take into account the aspects of corporate social responsibility and sustainable development.

At mBank, "we are distinguished by people", and their commitment, competence and work input are the foundations of our achievements. Therefore, we want to recruit and retain employees with a specific profile that match our values and challenges for the future. Adjustments to the organisational structure, promotion of internal transfers or projects implemented jointly by people from different areas will support the culture of cooperation within the Group.

In financial terms, we will focus on building the long-term value of the company, backed by a positive trajectory of the results. Our revenues will be growing faster than costs, translating into further improvement in efficiency. We intend to increase business volumes and our market share and at the same time take care of efficient use of capital. A change in the structure of the loan portfolio and the entire balance sheet will have a positive impact on core profitability. Our goal is to ensure a satisfactory return for mBank's shareholders.



Key initiatives and business activities which we intend to undertake and execute in the horizon of this strategy have been grouped into 4 blocks:

1. Client (acquisition and long-term relations development)

Our main goals are:

- **to grow organically through the continuous acquisition of new customers and strengthen our position in the most profitable age group of 30-45.** We want to maintain our advantage in the acquisition in the segment of young people (aged 13-28 years) and start-ups, as well as a high share in the e-commerce market. Leveraging on the social role of parents who are mBank's clients, we plan to faster enter into relations with persons aged 8-13. We will solicit the segment of professionals providing services for other entrepreneurs (e.g. accountants).
- **to improve customer retention and loyalty throughout their life cycle.** We want to systematically recognise the needs of our customers at every stage of their lives and satisfy them in the most appropriate form, so that they do not look for products and services in other banks. We will make the offer more attractive so that it includes aspects that are important from the point of view of accumulating funds and the challenges of ageing and inheritance. We will focus on the products anchoring the client in the bank, in particular mortgage loan, savings and investments.
- **to increase the likelihood of recommending mBank's services by our clients.** We will focus our activities on increasing customer confidence. We intend to provide a sense of security with reliable technological banking solutions and services supporting data and financial security in the digital world. We want to act in a predictable manner and represent an uncompromising business ethics as well as eliminate waiting and unnecessary efforts of the customer. We will appreciate loyalty and personalize clients' experiences.
- **to create a platform for cooperation with corporate clients based on partnership, convenience and professionalism.** The strength of our relational banking is trust based on advisors' competences and experience, therefore we will promote proactive attitude of our employees and we expect their involvement in understanding the customers' business. We intensify activities aimed at the development of knowledge and the flow of experience. As a bank we want to be useful and perceived as an efficiently operating part of the enterprise.
- **to shape the portfolio of corporate clients anticipating trends and changes in the environment.** Preferred industries, in which we want to develop, include: e-commerce, renewable energy sources and businesses engaged in energy transformation, financing of automation and digitalisation solutions, new technologies, health care and leisure time industry. We strive to assure that our portfolio comprises companies with an attractive and

prospective business profile. At the same time, we will continue to maintain a high diversification of credit exposures in order to ensure the long-term security of the bank.

- **to continue the principles of empathy in contacts with customers as well as take care of the transparency of the offer.** We will communicate in a clear and understandable way, explaining the circumstances of bank's decisions and providing the clients with all the necessary information. We will simplify the offer in each business line, including the price list and tariffs.
- **to shape the positive image of the bank and make the brand appealing for retail and corporate customers.** We will maintain the already existing positive associations with mBank and make up for certain shortcomings by adding attributes that we lack. We intend to rely more on the feedback provided by customers in order to excel the organisation in accordance with their expectations.

For over 6 years, we have been working on simplifying communication that we address to our clients and inside the bank. "mKanon" is based on simple and empathetic rules of communication at mBank. We introduced the first changes in departments that have direct contact with customers - call center and complaints. Then in communication on compliance, internal legislation and security. We have run hundreds of workshops and many development meetings with experts from outside the bank.

We achieve the economies of scale thanks to cooperation with a group of mKanon ambassadors (about 120 people), who educate and support colleagues in "friendly communication". We are improving the IT tool that analyses written communication and proposes changes. In their e-mail box, employees can check whether the content of their e-mail complies with the principles of simple communication. We verify longer documents on a special website. In 2020, we started quality mini-audits in selected units. On their basis, we create a report with recommendations for given departments or divisions. We have replaced mass introductory training with smaller workshops that increase the competences of our employees in the use of mKanon. In this way, we worked with approximately 200 employees in over 30 workshops. Together with the Polish Language Foundation, we have started the process of certifying selected ambassadors who will play a key role in the communication management process. In 2020, ten people took part in it. In 2021, we will develop a model of cooperation with a group of certified ambassadors.

Together with one other bank, we initiated the establishment of a working group for simple communication within the Polish Bank Association. The result of this work will be the banks' declaration regarding simple communication and a set of good interbank practices.

We also support the culture of empathy at mBank by caring for customer loyalty and satisfaction. We measure them with the NPS (Net Promoter Score). On this basis, we identify the key reasons why customers recommend the brand to their friends and family. We research both corporate and retail clients in a relational survey and at individual touch points. In the NPS survey of retail clients, carried out by the KANTAR agency in the Q1 2020, we achieved a result of 17, which gave us the 5th position in the ranking. During the year, we improved our result - the result in Q4 2020 was 19, thanks to which we ranked 4th.

The confirmation of the high loyalty of mBank's customers is the "Bank Customer Satisfaction Monitor 2020" implemented by ARC Rynek i Opinia. We scored second position in this ranking. In the NPS transactional survey, we recorded an increase in the NPS result from quarter to quarter in 13 out of the 16 tested touchpoints.

The NPS result among corporate and investment banking clients in 2020 was 41. It was higher by 8 points compared to 2019. Among the clients who declared mBank to be their main bank, the NPS result was even higher and amounted to 47.

We collect suggestions and customer ratings thanks to digital solutions. For three years we have been collecting feedback - "evaluate" - in the retail transaction service, where tens of thousands of customers share their opinions about our bank with us. In 2020, the "rate" system received 115,320 customer reviews, including 51,822 comments. We also use suggestions and assessments inside the

organization - employees can evaluate and comment on quality of service on the helpline or after participating in training on the e-learning platform.

We implement the design thinking methodology. It is a method of creating products and services based on understanding the problems and needs of users. We use it both with customers and employees in mind. What is important for us from the point of view of the strategy, the first step of this method is "empathization" - that is, gaining extensive knowledge about the client. At the bank, we have created a group of mDesigners - design thinking moderators who support projects with their knowledge and experience. We engage clients in interviews and workshops - in 2020, during such interviews, we spoke with over 250 clients. Last year, we moved stationary mLab to Clickmeeting, and additionally we created a virtual mLab, i.e. the possibility of collecting our clients' opinions during phone calls.

2. Platform (ecosystem, user experience)

Our main goals are:

- **to continuously improve remote bank access channels using the digital first (mobile first) approach.** The mobile application, equipped with the same range of functionalities as online banking, will be given a leading role in finance management, whereas contact center and branches will support remote channels and serve to solve problems. We will add digital assistance in the service model. We will accelerate the transformation of the distribution structure to reach an average of 80% of sales in digital channels (own channels and API) and 50% in mobile mode until 2023.
- **to develop mBank's retail platform by complementing it with additional products and services, including non-financial ones, in order to ensure complete customer service.** We want to use the transaction-related moments effectively for the contextual presentation of our offer of unsecured loans and their sales through mobile channels. We are striving to provide the most convenient and fast mortgage loan on the market. We will expand our offer through selective partnerships with the use of API and cooperation with mAccelerator fund.
- **to build the best digital banking offer for corporations in Poland.** Our guiding principle is simplification first and then digitisation. We want to retain only the necessary steps, data and documents. Our work will include improvement of customer contact channels with the bank (internet transactional platform mBank CompanyNet and mobile application), as well as internal sales, after-sales and credit processes (for K3 as well as K1 and K2 clients) and tools for advisors, including CRM system.

In 2020 we have introduced number of innovations to our platform. Key achievements are described in chapter [2.5. Innovations](#).

3. Efficiency (operational)

Our main goals are:

- **to maintain our technological advantage in the financial sector and optimise our IT architecture using leading solutions.** We plan to expand our business-technology team, and interdisciplinary teams working within it will ensure a delivery of end-to-end solutions. We intend to migrate our key applications to a modern technological pile based on microservices and containers as well as fully release the potential of a public cloud computing within the framework of existing regulations.
- **to increase the scope of customer digital self-service and optimise our sales network.** We plan to implement a digital assistant and adaptive user interface in the mobile application and transactional service, which will allow for contextual customisation of the customer's screen. We will improve customer experience in the inter-channel service process (omniservice). We will monitor the results of the branches and adequately adjust the size of the physical network and the format of the branches.

- **to provide our customers with the highest security standards.** We will continue to intensively develop solutions that protect our customers, based on the latest technologies, including machine learning, artificial intelligence, biometrics and other.
- **to improve the operational efficiency of the bank by implementing automation on a large scale and simplifying processes.** The main activities assume: centralisation of operational processes, including their takeover entirely by specialised units, elimination of paper documents flow and the need to archive them, introduction of a unified methodology for managing operations, supported by a central measurement system as well as analytical and process engineering tools.
- **to shorten the time of issuing opinions and internal consultations in implementing new solutions, while maintaining full alignment with regulations and compliance requirements.** Legal support functions will also be organised according to "agile" working methods and based on new technologies. This will allow us to more effectively meet the growing number of regulatory requirements without paralysing our business.

The year 2020 was marked by further implementations in the Common Data Layer (CDL) platform, enabling us to expand the scope of data used in numerous projects. The aim was to support management processes at the bank in the business, risk and finance area. A single source of data facilitates analysis and decision-making for all employees and takes our effectiveness to a higher level. Last year the cooperation on the CDL platform made it possible to replace e.g. the accounting records for selected processes. We have been reconstructing the architecture of information systems. Thanks to works performed in previous years it was possible to turn off one of the systems – CRDD – as of end of 2020. Consequently, we reduced technological debt as well as the operating and maintenance costs.

In 2020 we also continued work on extending the data quality management system at the bank with active cooperation from data stewards. More precise measurement of data quality performed with the use of top market solutions helped us improve data quality, which positively affected our cost effectiveness and mitigated operational risks. The bank employees were given access to a dictionary of business terms, which makes their interpretations of data coherent across the bank and allows easy access to the information they need.

In addition, we launched MIS Big Data, an innovative system offering a comprehensive insight into the bank's business and supporting decision-makers. The system is powered by state-of-the-art technologies. The bank's extensive management information infrastructure enables quick reaction to information needs. Moreover, it helps to adjust reporting to the ever-changing reality and make advanced analyses of large data volumes.

One of the greatest challenges that the IT area faced in 2020 was ensuring the bank's continuity in the event of a COVID-19 threat. A natural solution to enable the employees staying at home to perform their professional duties under the restrictions introduced by the Polish government was to switch to the so-called home-office mode. The accomplishment of such an undertaking for nearly all bank employees (excluding the service of branches and necessary support employees) was the merit of IT and the Security Department. In record time, we conducted a risk analysis and an assessment of the efficiency of the access infrastructure, equipment demand and much more. The employees handling critical processes were the first to work in this mode and successively new teams joined them. Among comparable financial institutions, mBank was the first on the market to operate on such a scale in the remote work mode. We continue to use all introduced solutions in the face of a prolonged pandemic.

In 2020, we continued work to increase the bank's operational efficiency. First of all, we focused on providing clients with access to the full range of our services, and employees with the freedom to work from home.

In 2020, our initiatives aimed at increasing the level of digitization of the area of operations were recognized with the award in the Digital Excellence competition in the Operational Efficiency category. The jury distinguished the work of the mBank team primarily for the systematic and thus effective

approach to implementing small changes that increase work efficiency and increase the automation of operational processes. The team involved in the work proved that creating the entire system is more important than implementing the technology. It includes processes, tools, and even incentives and rewards that build a culture of openness to change among employees.

As a result, in 2020 we improved operational processes by the equivalent of nearly 64 jobs. Without an increase in employment, we have handled not only new tasks in business areas, but also the growing volume of already implemented processes. The automation of operational activities was implemented by teams from all IT departments as well as business teams from the retail and risk area. The involvement of employees and the changes made resulted in savings of over 25 jobs (40% optimization).

Among the many initiatives and undertakings, it is worth mentioning the development of tools for central clearing, reporting (including the obligatory one under the SFTR regulation) and securities transaction security. We have also automated launch and repayment of loans using the mBank CompanyNet system, registration of loan payments for the needs of AML, or the process of transforming the client from the mass profile to Private Banking.

In addition, in 2020, we implemented a process mining class tool. Thanks to a thorough analysis of the processes based on logs from IT systems, it provides current information about the processes. It also allows to carefully monitor the effects of implemented changes. We embedded the tool in the bank's infrastructure and connected it to the workflow system. It already covers over 30 processes from various areas of the bank.

In 2020, we also continued the development of the operational process quality system, by means of which we measure the quality and maturity level of the processes. Thanks to it, we also identify weaknesses and introduce improvements that seal gaps and, as a result, improve the quality of processes. It was appreciated at the "Highest Quality - Quality International" program. We were awarded with the Golden Emblem in the "QI ORDER" category for the Integrated Quality Assurance System implemented in mBank's operations.

4. Employees and organisation culture

The people and culture we create are at the core of our organisation. Cooperation and sincere and empathic relationships allow us to create value that delivers results. We believe that the way we treat our employees, they treat our customers. We build a technology-supported work environment that inspires to be innovative. The main assumptions and targets for the HR area include 3 dimensions:

People

We want to coach smart managers who know how to inspire development and motivate to care about clients. Through strategic thinking, innovation and willingness to take up challenges, they will simplify and achieve the intended results efficiently. We will encourage employees to look for new solutions, automate processes and be open to technologies. We aim to make them empathic, collaborative and engaged. They are supposed to show a holistic approach to the customers to support them at every stage of their life cycle and to respond to their needs. Our employees will be honest and aware of current and new regulations.

Technology

We plan to increase work efficiency by providing the best applications, software and IT equipment. We will automate simple and repetitive tasks so that our employees can focus on key tasks and bring value, wherever it is important to build true contact with other people. We will implement RegTech solutions, which help to comply with procedures and regulatory requirements. We will use new HR technologies and predictive analytics to make informed decisions about investing in people.

A culture of cooperation

We want to promote the particular value of feedback. On the basis of that, we develop and appreciate each other as well as build the culture of cooperation, which is the foundation of our organisation.

We have a better understanding of the network of interdependencies and are able to work together. At mBank, we are open to other people, trust each other and believe in good intentions. We clearly show what attitudes and behaviours are expected from our employees, presenting simple and understandable values. We promote agile working methods, focused on breaking down hierarchical organisational structures and operating on the basis of a network of cooperating teams. We are implementing a transparent Objectives and Key Results system (OKR), linked to the strategic directions of the organisation. We will increase the diversity of characters, personalities, experiences, gender and age, which will help us to make decisions from a multilateral perspective and build better solutions.

These aspirations are part of mBank's mission, which remains: **"To help. Not to annoy. To delight... Anywhere"**. Our employees identify themselves with a culture based on empathy towards clients, co-workers and corporate social responsibility.

We promote empathy in our organizational culture, in the mentality of our employees, as well as in processes and products. We make sure that our products and services meet four conditions in every interaction with customers. Those are:

- responding to needs - we meet the real needs of clients, we solve real problems;
- ease - we operate in a simple and friendly way, even imperceptible;
- customer experience in line with the mBank brand - we create positive emotions in line with brand positioning. Our brand is an icon of mobility, we are always and everywhere with the client;
- trust - we try to maintain a high level of trust and deserve it with every decision we make.

To help our employees better understand the bank's strategy, we created Stopklatka. It is a collection of key, universal questions, including what the client has the right to expect from us and what cooperation within the organization should look like.

People are the basis for implementing the vision and employing empathy strategies. That is why we equip employees with knowledge and show them the desired direction of the bank's development. The management board meets with employees in an open meeting every three months to comment on the results, discuss strategic projects and answer questions. During internships in other units, employees gain experience in places where the client "meets" the bank: in retail, corporate and contact center.

We build the organizational culture through change agents - ambassadors. We have approximately 80 ambassadors from headquarters, 30 from corporate branches and 40 from retail branches. This group cares for the proper understanding of the definition of empathy and its dissemination in their units. At least once a year, the ambassadors meet with board members, listen to speeches on strategic topics and cooperate in workshops. Inspirational guests participate in the meetings. In 2020 we summarized the activities around the empathy strategy. We invited the president of the management board and a guest to this meeting, who talked about how he built a customer-centric organization in the non-banking industry. Joint workshops allow us to better understand the operation of the bank as a whole and test new solutions on an ongoing basis. The ambassadors are happy to give the team responsible for customer thinking and empathy a perspective on what works well and what needs to be improved. We know that empathy is already in mBank's DNA.

Three years ago, we created the position of an ethics officer at mBank. This person also serves as Managing Director for Regulatory, Legal and Customer Relations. She supervises the team that co-creates and is responsible for the coordination of ethical standards for the bank. She monitors the compliance of the bank's operations with ethical standards and popularizes the subject of ethics among employees. The officer creates guidelines, gives opinions and supports employees in resolving ethical dilemmas. She is a member of the Unacceptable Behaviours Committee and represents the bank in the Ethics Committee of the Polish Bank Association. In 2020, we introduced changes to the Policy on counteracting mobbing, discrimination and other unacceptable activities, described in more details in chapter [5.2.8. Policies and procedures](#). Employees can report irregularities - violations of

laws, internal regulations or our ethical principles - to the Ethics Officer, as well as through the mSygnał (whistleblowing) abuse application.

More information about our activities for employees, which we implemented in 2020, can be found in chapter [4.2. Committed employees](#).

Completion of the financial objectives of the Strategy 2020-2023

Strategic assumptions, concerning a product offer, the aim to strengthen or keep a market position in particular categories as well as an assessment of key trends and competitive situation, are reflected in the projections of mBank Group's financial results. In particular, we intend to further consistently increase the share of higher yielding assets and customer deposits in the balance sheet structure, as well as maintain diversification of funding sources through issuances of Eurobonds (EMTN Programme) and covered bonds by mBank Hipoteczny.

Our strategic goal is to keep the position among top Polish banks in terms of key financial metrics. In the mid-term horizon, our profitability shall systematically improve thanks to rising revenues, decent cost discipline and prudent approach to risk management. Favourable changes in the balance sheet structure are going to translate into gradual improvement of net interest margin, while a growth of total income outpacing an inflation of costs will ensure higher efficiency. Consequently, we assume to generate a return for the shareholders that will be attractive compared to other Polish banks.

The activities of mBank Group in the coming years will be focused on achieving the following financial targets, defining our **profitability, stability** and **growth**. mBank Group financial aspirations set out under the Strategy for 2020-2023 and their completion is presented in the table below.

Financial measure	Target point	Performance of mBank Group	Comment on achievement
Net interest margin (NIM)	increase to ~3.0% in 2023	2.3% in 2020	The margin was negatively affected by interest rate cuts to the historically lowest level of 0.1% in Poland, which was not assumed in the plan.
Cost/Income ratio (C/I)	reduction to ~40% in 2023	41.1% in 2020	The indicator is supported by the strengthening of cost discipline and the introduction of adjustment measures in response to the pandemic situation and its implications for the bank's results.
Return on equity (ROE net)	improvement to ~10.5% in 2023	reported 0.6% in 2020 (excluding the provisions for legal risk related to foreign currency loans: 6.8%)	The decline in profitability was driven by a number of factors, the most significant of which were the increased cost of risk from the expected credit loss write-downs related to the pandemic, and the pressure on revenues as a consequence of interest rate cuts.
Loans/Deposits ratio	in a range of 92-94% every year	79.8% as of end of 2020	The huge inflow of deposits as a result of the transfer of aid funds to enterprises and the prudential limitation of expenses by households, combined with low demand for loans, translated into disproportions in the ratio of these volumes in 2020.

Capital ratios	year-end level minimum 1.5 p.p. above the PFSA requirements	Tier 1 ratio exceeded regulatory requirement by 5.8 pp and TCR by 6.0 pp as of end of 2020	The significant surplus of the reported capital ratios above the requirements of the Polish Financial Supervision Authority resulted from the reduction of the systemic risk buffer for banks in Poland to 0% (from 3% previously) in March 2020.
Average annual growth (CAGR) of business volumes, income and costs in 2019-2023 at	~6% for loans and deposits; ~8% for total income; ~5% for total costs	Annual dynamics compared with 2019: loans: 1.9%, net of FX effect deposits: 18.0% total income: 6.2% total costs: 3.5%	In 2020, all assumed outcome trajectories were severely disrupted by the outbreak of the COVID-19 pandemic and measures taken to mitigate its effects. The significant variations reflect the unexpected development of volumes in the sector and the challenges to achieve planned revenues in an environment of notably lowered interest rates.

In line with long-term strategy of mBank Group, our goal is to pay 50% of net profit as a dividend. The adopted dividend policy allows for keeping capital ratios at the safe levels.

Corporate social responsibility and sustainable development strategy of mBank

An integral part of our strategy is the ESG targets. Sustainable Development Goals (SDGs), which are global sustainability targets set by the United Nations to be achieved by 2030, were our guidelines in formulating them. We create an ESG-oriented work place and educate the employees in that field. We will promote innovations, entrepreneurship, responsibility and diversity, the ESG-linked basics. In 2020, a group of 35-40 employees – ESG propagators in the bank – met on a regular basis and shared their expertise, as well as learnt from experts. We met almost 20 times. The CRO of the bank partook in most of the meetings. We avidly participated in regulation consultations and guidelines related to the ESG field. We popularize ESG topics in the organization. We added a special ESG section to the daily news review we send to 120 employees of the bank, including the members of the management board.

Our activities in the CSR area will be centred around 3 aspects:

1. mBank educates

We support the development of mathematical skills of children and adolescents. We trust that such knowledge affects a high level of competence in adult life and facilitates a good start in professional career. Mathematical thinking also helps in decision-making on personal finance issues. We believe that everyone, regardless of their place of residence and origin, should have equal access to quality education. Through the activities of mFundacja, we will continue to strive to equalize opportunities for students, irrespective of their stage of education and place of living. We will organize national competitions and grant programs.

We want to provide the users with knowledge on how to safely use internet and mobile banking as well as make our clients aware of cybercrime threats. For this purpose, we will continue with our social campaigns, informing how to avoid the unwanted consequences of the online activities and protect the finances.

Strategic target	Target position	Execution by mBank Group
mBank educates		
We support the development of mathematical skills and equalise the education opportunities of the young people	Organisation and support of local contests and grant programmes	In 2020, during the 7th edition of the "mPower" („mPotęga") grant programme, we granted a total of PLN 938,994.75 to 152 educational programmes from across Poland. Moreover, we granted PLN 5,000 to each of the two projects that received the largest number of votes in an online poll. Most grants have been awarded to schools in small towns located across the country. In this way, we contribute to creating equal opportunities for schoolchildren from small towns. We have estimated that the projects founded in 2020 had 13,000 direct recipients.
	Equal opportunities in the access to the high-quality education	<p>In 2020 in cooperation with the „Szkoła z Klasą" Foundation we published a teacher's book entitled "Known and Unknown: Great Polish Mathematicians. Math Lesson Plans and More". Since November 2020, the book can be downloaded for free at www.mjakmatematyka.pl. The book has been downloaded over 2,000 times by the end of 2020.</p> <p>"Child's Play Maths" („Dziecinnie prosta matematyka") – distribution of a new book published by mFoundation We distributed almost all copies of the book, published in 2019 but distributed also in 2020, i.e. almost 50,000 copies. The digital version has been downloaded over 20,000 times.</p> <p>Online Festival of Mathematics - At the heart of the project laid the "Mathematics Counts" („Matematyka się liczy") website: beginning from mid-December, we published new educational materials, organised online meetings, interviews, vlogs, online debates, and podcasts. All materials involved innovative, inspiring and effective methods for educating and teaching math.</p>
We want to provide the users with knowledge on how to safely use internet and mobile banking. We make our clients aware of cybercrime threats	Protection of customers' data and funds	<p>Clients and employees use the support of the Security Operations Center team which strives to counteract new types of cyberattacks. SOC operates 24/7, all year round.</p> <p>Already since 2018 mBank clients can use the CyberRescue service, providing specialist assistance in secure use of the internet, free of charge. CyberRescue helps among others in the case of digital identity theft and malware attacks. Specialists are available around the clock and can be accessed by email, telephone and even Messenger. During pandemic, when everyone spends more time online, we introduced the most comprehensive security package on the market, "CyberOchrona+".</p>

Social educational campaigns

In 2020 (in Q1 and Q4) we ran our nationwide social campaign promoting cybersecurity entitled "People Are Awesome" („Ludzie są niesamowici”).

2. mBank cares about the climate and the environment

We want to encourage the behaviours that help to stop and reverse adverse climate and environmental changes. We will pursue an active credit policy towards clients who seek financing for pro-ecological industrial, infrastructural and housing investments, including special programs directed to renewable energy sources and issue of green bonds. We will implement investment strategies in instruments based on ESG analysis and offer product solutions that build the pro-environmental awareness of consumers. We will implement credit policy for industries relevant to EU climate policy and strive for further presence in the WIG-ESG index.

We will measure and gradually reduce our total carbon footprint. We will limit electricity and energy consumption, thanks to progressive replacement of the current equipment with more modern ones, introduction of innovative solutions in our buildings, use of office space in energy-efficient buildings with high thermal insulation parameters. We will save water and sensitize employees to the need for rational use of it. We will reduce the use of paper and office supplies, modifying business processes in order to further digitize documents. We plan to successively replace our car fleet with low-emission vehicles, and take care of their regular service and technical condition. We will establish a supplier selection and cooperation system that takes ESG aspects into account.

Strategic target	Target position	Execution by mBank Group
mBank cares about the climate and the environment		
We limit our indirect impact	Credit policy regarding industries relevant to the EU climate policy	In 2020 we have been applying the policy, which limited the possibilities of financing high-emission (carbon-intensive) projects and indicated areas preferred for financing at the bank, including renewable energy installations and electric vehicle charging stations.
	Eco products in each Client segment	<p>RES financing: in 2020 we have increased a limit for financing renewable energy (RES) installations under the Renewable Energy Sources financing policy up to PLN 4 billion.</p> <p>In 2020 we have introduced two non-plastic payment cards: virtual eCard dedicated to internet purchases and classical debit card, but with no plastic form – Mobile MC.</p> <p>In 2020, Wealth Management actively promoted thematic strategies launched in late 2019: Megatrends and the Sustainable ESG Strategy. These efforts paid off, with assets managed under both strategies amounting to approximately PLN 200 million and PLN 110 million, respectively. At the end of 2020, ESG Strategy assets accounted for 45% of assets in investment strategies with a comparable investment risk level.</p>

	mBank in the WIG-ESG index on the WSE	mBank has been a member of the index in 2020
We limit our direct impact	Measurement and reduction of our carbon footprint	In January 2021 we have organized workshops together with external specialists on measuring the carbon footprint of our organization. We have identified the main emission sources for the Group. We are working on the improvement of the calculation process at the bank in order to consistently incorporate the GHG emissions of our corporate loan portfolio's in the calculations.
	Reduced footprint of our car fleet	Over 2020 we have reduced mBank's car fleet by 26 vehicles.
	Waste segregation & recycling	At mBank we strive not to throw away the unnecessary equipment, but rather to give them a second life. In 2020 we have sold 3,200 pieces of fixes assets to our employees. During the auctions organised in cooperation with DESA Unicum we managed to dispose additional 6,000 pieces of redundant pieces of furniture.
	Reduction of energy consumption	<p>We have contracted the purchase of energy from renewable sources which acquired EKO Premium Tauron certificate for the largest facilities of the headquarters in Warsaw (Wieża mBank) and Łódź (Przystanek mBank) for 2021.</p> <p>The design of our new office buildings accommodates highest standards of multicriteria certificates, e.g. BREEAM Excellent – Przystanek mBank Łódź, Wieża mBank in Warsaw.</p>
	Saving water, paper and office supplies	<p>In 2020 we decided not to print any leaflets and advertise our services to clients electronically instead, which enables us to save five tons of paper annually.</p> <p>The launch of a print management system and the smooth transition of most employees to home office mode in 2020 allowed us to save four million A4 sheets.</p>
	Suppliers' selection by ESG standards	The Principles for suppliers participating in the procurement process, which are applied at mBank, incorporate ESG standards. Every supplier participating in procurement or performing a contract with mBank is required to acknowledge these guidelines at the moment of accepting the general terms of the tender offer.

3. mBank promotes prosperity

We are a signatory to the Ten Principles of the UN Global Compact. In accordance with them, we want to grow in a sustainable manner, make the world a better place and contribute to the prosperity of our stakeholders: customers, employees, investors, partners and the society.

Investment in health serves the achievement of this goal. Therefore we will continue our cooperation with the Great Orchestra of Christmas Charity, which has been providing hospitals and clinics with modern medical equipment for 29 years. We want to conduct inclusive banking and be accessible to customers with disabilities. We have introduced a service for people with hearing impairments in sign language. We will adjust mBank's transactional services to the needs of visually impaired people. Our outlets and headquarters will be adapted for people with reduced mobility. We speak about our products and services using clear and simple language in accordance with mKanon. We will be guided by ethical values in our dealings with the customers. We also want to promote equality and diversity in our organisation, assisting development of women and eliminating pay inequalities in the same positions. We will carry out activities that support women entrepreneurs.

Strategic target	Target position	Execution by mBank Group
mBank promotes prosperity		
We support organisations which promote social welfare	Continuation of the cooperation with The Great Orchestra of Christmas Charity	<p>The 28th Grand Finale was the third Grand Finale with mBank as the official partner bank of the Great Orchestra of Christmas Charity (WOŚP). mBank and its clients raised over PLN 15 million for the charity, including PLN 3 million donated by the bank itself, thus contributing to the record-high result of the fundraiser. Retail clients can also support WOŚP all year round, by donating how much they like every month to a dedicated savings goal in the app or online banking. Thanks to their joint efforts, mBank's clients donated over PLN 1.2 million to the charity in 2020. The charity uses this money to buy insulin pumps for pregnant women. In April, 2020, mBank donated PLN 500,000 to the Relief Fund of the Great Orchestra of Christmas Charity. It supports hospitals and healthcare facilities in saving lives and bolstering recovery of people ill with COVID-19. We also encouraged our clients to donate. Using quick payment solutions, they donated PLN 1 million in total to this Relief Fund. mBank was also the patron of the Academy of the Finest of Arts by the 26th edition of Pol'and'Rock Festival, which was held online.</p>
We are available for customers with disabilities		<p>mBank maintains and supports the model of serving clients with disabilities introduced in 2018.</p> <p>Clients can consent to the processing of data on their disability also while talking on the phone with mBank's consultants and, in special cases, during a chat or video chat. When contacting the support centre, the clients who gave such consent are automatically connected to dedicated consultants. Clients with hearing disabilities are offered the option of video calls in the Polish Sign Language. They are redirected to the bank's employees who know the Polish Sign Language, so no assistance from external interpreters is needed.</p> <p>We continue our co-operation with the Polish Association of the Deaf, which provides sign</p>

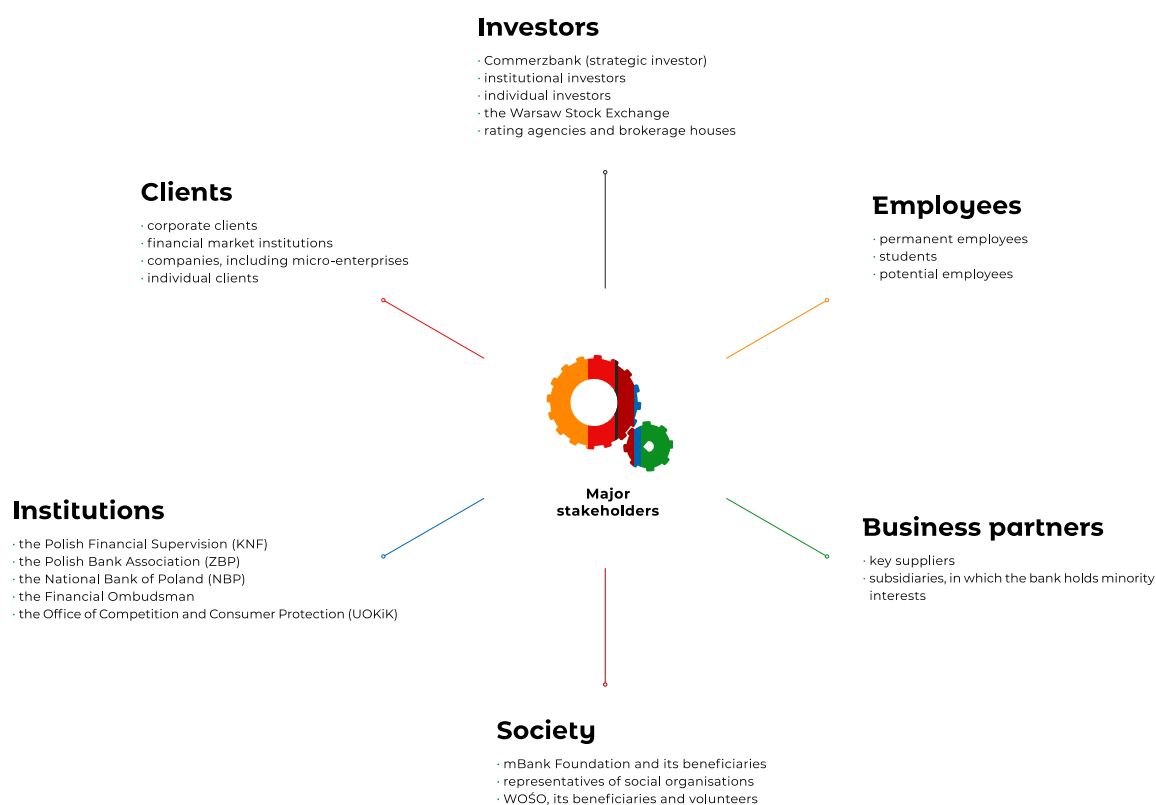
		<p>language interpreting for clients and consultants at branches.</p> <p>Just like in the previous years, we continue the good practice of cyclical training. Together with the Integration Foundation we organise the "Sensitivity to Disabilities" („Wrażliwość na niepełnosprawność”) training. This year, due to the pandemic, we offered 50 people to take part in this event online. Presently, our employees have the chance to learn about the history of the Polish Sign Language and its basics. This training, also in an online version, was offered to a group of 30 people.</p> <p>When designing new versions of the online banking system, we rely on the knowledge and experience of our employees with disabilities. We educate our employees. We also write a blog dedicated to disabilities addressed to all mBank employees. In 2020, we launched activities aimed at promoting diversity and openness at mBank. We invited employees with disabilities and employees who have disabled people in their family and neighbourhood to share their experiences. One of our employees who, being a person with disability, enjoys working at mBank, told his story in an interview published on the intranet.</p> <p>To mark the Day of Persons with Disabilities, we presented the Integration Foundation's "Savoir Vivre Towards Disabled" to all employees.</p>
We act ethically		<p>In 2020, we introduced changes to the Policy on counteracting mobbing, discrimination and other unacceptable activities. Employees can report irregularities - violations of laws, internal regulations or our ethical principles - to the Ethics Officer, as well as through the mSygnał (whistleblowing) abuse application.</p> <p>In 2020, similarly to the previous years, mBank adhered to the Code of Banking Ethics adopted by the Polish Bank Association (PBA). The Code of Banking Ethics includes two parts: the Code of Best Banking Practice and the Code of Bank Employee Ethics. The Code of Banking Ethics is available on the website of the PBA: www.zbp.pl/dla-klientow/poradniki-i-rekomendacje</p>
We communicate with the clients in an earnest, clear and uncomplicated way		<p>Together with bank ING, we initiated the establishment of a working group for simple communication within the Polish Bank Association. The result of this work is the banks' declaration regarding simple communication which was joined by 19 banks by the end of 2020. The declaration reflects the intent of the banks which strive to use simple language and write clear, fully comprehensive for the reader texts. The group prepared also the first edition of the document "Good practice</p>

		of banking simple communication" („Dobre praktyki prostej komunikacji bankowej”) which was adopted by the Management Board of the PBA in March 2021, and the group is now working on a subsequent edition.
We care about diversity and equal opportunities	Support for women's entrepreneurship	In 2020 we sent to our female corporate clients a special letter which included the latest book by Anne Applebaum „Matka Polka" ("Polish Mother"). Up until now we have organised cyclical seminars called "mBank is a woman" („mBank jest kobietą") for such clients on a semi-annual basis.

[102-43]

Stakeholder dialogue

In addition to meeting legal requirements in this area, we want to engage in a close dialogue with our stakeholders. We select relationship building methods that suit different groups, but we always try to ensure mutual benefits and open communication.

**Selected organizations mBank is a member of:**

- Česká bankovní asociace
- CFA Institute
- EFMA SARL
- CCI France Pologne
- IAA Polska. International Advertising Association
- Institute of International Finance

- The Institute of Internal Auditors IIA Polska
- International Project Finance Association
- International Swaps and Derivatives Association
- International Trade & Forfaiting Association
- Izba Domów Maklerskich
- Polish Association of Listed Companies (SEG)
- Polish Business Roundtable
- Polish Private Equity and Venture Capital Association
- Polish Supply Management Leaders
- Polskie Towarzystwo Badaczy Rynku i Opinii
- Polish National Committee of the International Chamber of Commerce
- Polsko-Niemiecka Izba Przemysłowo-Handlowa
- Polish-Swiss Chamber of Commerce
- Employers of Poland
- SBA
- Sdružení pro bankovní karty
- Stowarzyszenie Klub 500
- ACI Polska – the Financial Markets Association
- UN Global Compact
- The Polish Bank Association
- Interactive Advertising Bureau Polska
- The Association of Polish Maritime Industries

1.4. Responsible Bank

1.4.1. Ethics, values and compliance

Our business philosophy assumes conducting our operations based on five values and its consistency with our business practice builds our credibility as a driver of continuous development of the Group.

Our values

1. Client empathy – Cooperating and understanding customers' needs
2. Looking to the future – Openness to change and innovation
3. Simplifying – Simple solutions and clear communication
4. Engagement – Motivation and focus on results
5. Professionalism – Knowledge, competencies and skills

[102-16]

Code of Conduct

mBank's Code of Conduct applies to all employees of the banks, including managers and management board members. It establishes the standards applicable in interactions between the bank's employees and the bank's business partners. The guidelines relate to allowed and forbidden business practices, appropriate behaviour at work, funding rules and social responsibility.

Ethics officer

Since three years the Ethics Officers operates at mBank, who:

- co-authors and coordinates ethical standards in the bank
- verifies the bank's compliance with the ethical standards, including giving opinion to the management board from this perspective
- is responsible for promoting ethical conduct among employees, i.e. via Intranet
- creates guidelines, issues opinions and helps employees solve ethical dilemmas
- is a member of the Anti-Mobbing Committee
- represents the bank in the Ethics Committee of the Polish Banks Association
- Ethics Officer reports directly to the president of the management board and oversees compliance area in the bank.

Ethics officer prepares Lessons Learned, accepted by the management board. They are available to all employees and refer to description of real situations when the banks avoided an ethical mistake or corrected, improving work standards based on the knowledge gained.

Actual or suspected incidents of breaking the law, internal regulations and our ethical standards – can be reported by the employees and the clients anonymously not only to the Ethics Officer, but also lodged anonymously in the mSygnał (whistleblowing) system, which is also available online 24/7 from any computer connected to the internet.

In 2020 we have began to analyse the provision of service to persons undergoing a gender reassignment. In the next year we intend to implement solutions to make our customer service more friendly to this group of clients, including the call center service.

In 2020, we introduced changes to the Policy on counteracting mobbing, discrimination and other unacceptable activities, to improve the protection of the Anti-mobbing Commission's documentation.

mBank's anti-corruption policy

The policy provides guidelines for the identification and mitigation of corruption risks, the key principles of the code of ethics, and related responsibilities. No Management Board member, manager, employee or associate may justify corruption or bribery by invoking mBank's interest.

mBank follows a policy of zero tolerance for all forms of corruption, including accepting, offering, requesting, granting and giving consent for additional benefits, objects or payments in order to:

- unlawfully influence a decision,
- obtain or secure an illegal business advantage,

- gain personal benefits.

mBank's Management Board and employees are required to avoid conflicts of personal and professional interest. They are prohibited from offering any undue benefits, in particular to central or local government officials, civil servants, and politicians.

mBank prevents corruption in a system of three lines of defence. The first line of defence is comprised of the bank's organisational units. The second line of defence is the Compliance Department which is responsible for setting and monitoring standards of compliance with anti-corruption laws and regulations. The third line of defence is the Internal Audit Department, which evaluates the adequacy and effectiveness of the bank's anti-corruption system.

The bank expects its business partners (vendors, contractors, service providers who work with mBank and with its clients on behalf of the bank) to comply with the policy. Anti-corruption provisions are included in each contract between the bank and a business partner.

205-1

We have identified areas particularly at risk of corruption and assigned responsibility to organizational units. We have implemented control mechanisms in business processes which mitigate the risk of corruption. Although we do not monitor the evaluation of corruption risk by organizational units, they undergo internal audits, which include the inspection of adherence to anti-corruption rules.

205-2

In 2020, 88% members of the managing bodies have been informed on the binding policy and received training on anti-corruption.

Number of mBank Group employees who received anti-corruption training.

mBank Group	mBank Polska	Subsidiaries and foreign branches*
9,668	6,757	2,911

* mLeasing, mBank Hipoteczny, mFaktoring, mFinanse, branches in Czech Republic and Slovakia

205-3

We identified no corruption incidents in 2020.

Fraud Prevention Policy at mBank and whistleblowing

The policy defines who, and how, is responsible for fraud prevention. The bank follows a policy of zero tolerance for all fraud and attempted fraud by the bank's employees, clients, contractors, and third parties.

mBank's fraud risk management cycle covers four stages:

1. fraud prevention - risk assessment, early identification, and clear rules and mechanisms mitigating risk;
 2. fraud detection - implementation of fraud controls, monitoring systems and reporting channels;
 3. fraud management - every case of suspected crime to the detriment of mBank or its client is investigated and necessary steps are taken, including legal measures;
 4. response - clear rules for mitigating loss or damage, corrective mechanisms, lessons learned.
- mBank has implemented an electronic whistleblowing system, which ensures anonymity of whistleblowers. It is accessible on all internet-enabled devices: <https://client.bkms-system.net/bkwebanon/report/clientInfo?cin=2brebank11&language=pol>.

Whistleblowing rules and the procedures for reviewing reports are defined in internal regulations as follows:

- the identity of the whistleblower and the person concerned is strictly confidential: their data must not be disclosed to third parties unless required by law;
- the whistleblower may set up an anonymous inbox to receive updates on actions taken in reaction to the report and/or to provide additional details;
- every whistleblowing report is reviewed by authorised staff to ensure an objective, fair and impartial investigation;
- mBank employees who report suspected fraud in good faith are protected from any form of repression;
- information included in the report as well as received during the explanatory proceedings are subject to regulations on protection of personal data and are classified as confidential. In particular, the data of reporting person and of persons concerned by the report are protected (Principle of confidentiality).

Reports are initially reviewed by staff of the Compliance Department. Filed in the system or otherwise, reports are investigated by authorised officers, as the case may be: employees of the Employee Development and Organisational Culture Department, employees of the Foreign Branches, the Ethics Officer, and employees of the Compliance Department. If a report is confirmed, the case is escalated according to the law and the bank's internal regulations.

In 2020, the Fraud Management Section received 76 reported cases.

Each report was investigated, and necessary measures were taken in order to eliminate confirmed irregularities. Among filed reports, in 5 cases the Security Department notified the prosecutor's office of suspected offence. We prevent recurrence of similar irregularities. We set standards and guidelines in internal regulations. We also organize workshops, issue recommendations on remedial actions and perform inspections. Applied control mechanisms efficiently reduced the abuse risk. We have not recorded internal abuse cases which would result in significant losses for the bank or negatively impact the reputation risk.

The reports are reviewed immediately after receiving. We make a decision on further proceedings. The reports are appraised within not extendible period of 30 calendar days which begins at the day of receiving them in mSygnał or the Compliance Department.

Anti-Money Laundering and Counter-terrorism Financing Policy at mBank

mBank follows the law and standards set for financial institutions. We focus in particular on anti-money laundering and counter-terrorism financing. In this regard, we pursue Anti-Money Laundering and Counter-terrorism Financing Policy at mBank.

To prevent money laundering and financing of terrorism, mBank is required by the programme:

- to identify and verify the identity of our clients,
- to identify and verify the identity of beneficial owners of our clients,
- to identify and verify our clients and their beneficial owners according to the criteria of politically exposed persons (PEP),
- to identify the risk of money laundering and financing of terrorism,
- we refuse to work with clients where we identify risks of money laundering and/or financing of terrorism,
- we monitor clients' transactions to protect mBank from money laundering and financing of terrorism,
- we regularly train our employees. Training is organised and monitored by the Compliance Department.

1.4.2. Principles for suppliers

mBank's vendors and suppliers are required to comply with the law, labour law, human rights law, to protect the environment, to avoid discrimination, and to comply with anti-corruption law.

mBank pursues its business according to ethical and responsibility standards defined among others in the Universal Declaration of Human Rights, the International Labour Organisation standards, and the OECD guidelines (in particular, anti-corruption guidelines).

Every supplier participating in procurement or performing a contract with mBank is required to comply with the guidelines and ensure compliance by its subcontractors.

The guidelines in particular include:

- 1) the Universal Declaration of Human Rights;
- 2) the International Labour Organisation standards;
- 3) the OECD guidelines (in particular, anti-corruption guidelines);
- 4) the Rio Declaration on the Environment and Development – Agenda 21;
- 5) the United Nations Convention against Corruption;
- 6) international trade sanctions and embargoes, including sanctions which may apply under resolutions of the UN Security Council according to Chapter VII of the UN Charter, or any sanctions imposed by the European Union;
- 7) acts of national law implementing the above, as well as rules and regulations, in particular conflict of management rules and regulations.

100% of mBank vendors read and accepted the Vendor Policy in 2020.

1.4.3. ESG indices and ratings

WIG-ESG index

mBank is a member of WIG-ESG index on the Warsaw Stock Exchange since the beginning of its quotation, meaning September 2019. We are one of the companies listed in WIG20 and mWIG40 recognised as sustainable, i.e. obeying rules for social responsibility in particular in scope of environment, social, economic and governance issues. In the previous years we were a member of Respect Index, which has been replaced by WIG-ESG.

More information on the index is available on the website of Warsaw Stock Exchange: <https://gpwbenchmark.pl/karta-indeksu?isin=PL9999998955>

FTSE4Good Index Series

mBank is a member of an international, ethical index FTSE4Good, run since 2001 by FTSE Group. Citing after the FTSE: "FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that mBank S.A. has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products". More information on the index can be found on the website: <https://www.ftserussell.com/products/indices/ftse4good/>

Bloomberg Gender-Equality Index 2021

In 2020 we underwent a Bloomberg audit which resulted in mBank becoming a member of the Bloomberg Gender-Equality Index 2021 in January 2021. This index includes 380 companies from 44 countries and 11 economic sectors. It aims to track the performance of public companies

committed to transparency in gender-data reporting. Companies are assessed in terms of actions for equality between women and men. mBank has been appreciated by Bloomberg's experts for, among others, an equal access to promotions of women and men, offering flexible working hours and other solutions that help to combine work and family life. They also drew attention to the implemented anti-mobbing procedures and our support of women's entrepreneurship. Actions for gender equality are an important part of mBank's sustainable development strategy. Today, women account for 60.5% of its employees and 37.6% of senior management. More information about the index can be found on the website: <https://www.bloomberg.com/gei/about/>

Rating of mBank assigned by Sustainalytics

On January 14, 2020, mBank Group received ESG Risk Rating from the research and rating agency Sustainalytics. Sustainalytics' ESG Risk Ratings measure company's exposure to industry-specific material ESG risks, and how well a company is managing those risks. ESG is a standard for sustainable business, comprising three areas:

- Environmental (E),
- Social (S),
- Corporate Governance (G).

A company's final ESG Risk Rating assigned by Sustainalytics is scored on material ESG issues such as human capital, business ethics, corporate governance, data privacy and security, ESG integration - financials and product governance.

Sustainalytics is a globally renowned independent research and rating agency, which analyses companies' sustainability for over 25 years.

According to Sustainalytics, mBank has low ESG risk (the lower the score, the better the company's ESG performance). In its summary report Sustainalytics writes: the company is at low risk of experiencing material financial impacts from ESG factors (...) and has not experienced significant controversies.

Summary of ESG Risk Rating for mBank Group issued by Sustainalytics is available on our website: www.mbank.pl/en/investor-relations/ratings-debt-instruments/

For more information on mBank's activities in scope of ESG please see: https://www.mbank.pl/en/about-us/corporate-social-responsibility/

Rating of mBank assigned by MSCI

mBank ranks Average (A) in the ESG rating of MSCI. According to MSCI, we are leaders e.g. in corporate governance, risk oversight and business ethics. We are scored Average in i.a. financial product safety, human capital development and access to finance. The rating is based on publically available data only.

1.4.4. Cybersecurity

mBank places a very strong emphasis on security of IT systems and data based on adequate organisational and technical solutions. We promote cybersecurity among our employees.

E-learning and in-class training raises employees' awareness and knowledge of cybersecurity. We run educational campaigns for clients and offer emergency support services provided by our company Cyber Rescue.

We work to mitigate cyber risks. As a leader of digital banking solutions, we use adequate, state-of-the-art security monitoring systems from renowned vendors. We counteract new types of cyberattacks. Advanced technology works hand in hand with competent people. For instance, the mBank Security Department includes a Security Operations Center (SOC). Employees and clients may report all cybersecurity matters to the SOC, including identified incidents, attempted attacks,

infections, and suspicious transactions. SOC operates 24/7/365. Clients can contact the SOC by email at alert@mbank.pl.

We have also set up a dedicated team mBank CERT, a quick-response team reacting in the case of breach of cybersecurity, associated and co-operating with other teams of this type all over the world as a member of an organisation Trusted Introducer. mBank CERT holds the Accredited maturity status.

We have developed the mBank Cybersecurity Policy to ensure high resilience to cyber risks. It is a part of the mBank S.A. Information Security Policy.

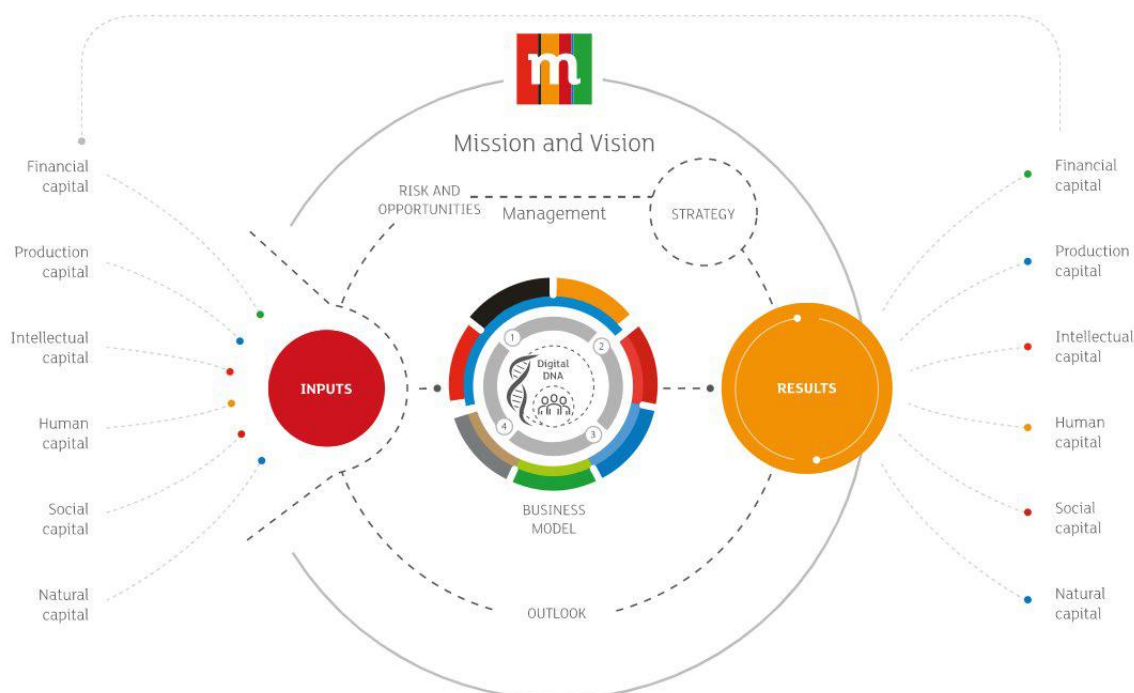
According to the Policy:

- We align the required cybersecurity levels with our innovative business;
- We secure resources necessary for security processes and implement new cybersecurity measures;
- We identify legal requirements concerning security;
- We raise the cybersecurity awareness of employees and clients;
- We manage events through early detection, reaction, lessons learned, and risk assessment;
- We manage suppliers and work with business partners;
- We regularly develop and improve our expertise.

It is our priority to protect the security of information. The relevant framework is laid down in mBank's Information Security Policy, which defines the objectives and measures necessary to protect confidentiality, integrity, accessibility, and authenticity of processed information and to ensure business continuity of services provided to clients. All employees of mBank work to implement the Policy by ensuring accessibility of services while protecting interests of mBank and its clients.

In 2020, we continued to focus on cyber security of our clients and their services as well as employees and internal systems they use. With the outbreak of the COVID-19 pandemic, many institutions have been forced to switch from traditional office work to remote work. mBank promptly enabled a "home office" working system of nearly all employees while protecting the necessary security of implemented solutions. The new work format and the resulting restructuring of the architecture of IT solutions necessitated far-reaching measures in many areas including formal risk rating, appropriate mitigating mechanisms and their review in practical security tests. With active participation of our cybersecurity team, we soon added new services offered to online banking clients. Introduction of new services for clients in remote mode required additional security audits and tests.

1.5. How do we create value?



Financial capital

mBank's financial capital consists of funds obtained from clients, shareholders and bondholders, as well as profits generated by the Group. Funds entrusted to the bank are used in financial products and services: loans, loans for any purpose, factoring, leasing, further investments and operational activities, as well as grants.

Security of the entrusted funds is a key aspect of financial capital management, which is indivisibly linked with risk management. We maintain regulatory indicators above the required levels to ensure a stable capital and liquidity position of mBank Group. We operate within the established risk appetite and create added value for our shareholders.

We satisfy the financial needs of our clients at every stage of their lives. In addition, we contribute greatly to the development of the economy: we foster innovation and create new jobs. We pay high income and banking taxes. We also support the stability of the financial sector: we pay contributions to the Bank Guarantee Fund, costs of supervision by the Polish Financial Supervision Authority (KNF), and contributions to the Borrower Support Fund.

Input capital data

- Capital of PLN 16,153 million*
- Liabilities to clients of PLN 116,661.1 million*
- Issued debt securities of PLN 17,435.1 million*
- Subordinated liabilities of PLN 2,500.2 million*

* as at the end of 2019 r.

Achievements

- **41.1%** C/I amounted to 41.1%
- **PLN 5,866 million** Income amounted to PLN 5,866 million
- **PLN 103.8 million** Net profit amounted to 103.8 million
- **0.62%** Net ROE amounted to 0.62%
- **4.8%** NPL Ratio (non-performing loans): 4.8%
- **19.9%** Total Capital Ratio: 19.9%

Capital management

We focus on the efficiency of operations

We create efficient and lightweight digital processes, optimised in terms of time and costs

We achieve the premise of efficiency growth

thanks to growing income and cost discipline.

We maintain constant ability to pay out dividends

limited by decisions of the regulator.

HUMAN CAPITAL

mBank's human capital consists of knowledge, attitudes, motivation, experience, and competence of employees who contribute to the unique organisational culture and enjoy clients' trust.

We focus on empathy both in employee relations, and in communication with clients. Thanks to our employees' dedication, mBank's communication with stakeholders outside the organisation is simplified, open, friendly, and addresses the needs of the other party. This arises from mBank's mission: "To help. Not to annoy. To delight. Anywhere".

Input capital data

- Number of employees: 8306*
- Number of employed women: 4892
- Number of employed men: 3414

* Number of employees as of the end of 2020 (including employees who are taking a long-term leave, excluding: employees hired based on replacement employment contract, interns and trainees, employees in technical 'accessible' posts)

Achievements

- **53%** Employee engagement score in 2020
- **85%** On average, 85% of the employees work remotely
- **53%** Development ratio in the Employee Engagement Culture Survey in 2020

Capital management

We implemented and observe 17 standards and regulations regarding employees

e.g. the Code of Conduct, Work Rules of mBank, Remuneration Rules of mBank, Rules for Awarding Bonuses to mBank Employees, procedures regarding employee selection and recruitment, development activities, and employee appraisal

We continue programmes

Regarding development and training

We use the Management by Objectives system (MbO)

which is gradually replaced with Ongoing Feedback and quarterly Objectives and Key Results (OKR).

We have transitioned the employees to remote work

and helped them with establishing the workplace at home.

We have ensured the safety of all employees

who work at home office, in the offices and branches.

INTELLECTUAL CAPITAL

Intellectual capital consists of intangible innovative resources of the organisation and its employees, which have an impact on our results and market position.

It is the source of our current and future competitive advantage. This category includes state-of-the-art IT solutions used in our online banking, mobile app and internal processes of the bank, as well as intangible resources (quality standards, brand recognition, rules of good communication with clients).

Input capital data

- App users: 1.89 million*
- Share of mobile clients in the active client base: 70%*
- Average of 41 training hours per employee*

* (as at the end of 2019)

Achievements

- **20%** The number of app users grew by 20%
- **85%** The share of mobile clients in the active client base changed to 85%
- **32%** The number of training hours per employee dropped by 32%**

** Due to the pandemic, beginning from the early March 2020, most of the training courses were put on hold, canceled or moved. We have foregone all forms of group trainings performed in rooms (in accordance to the decisions of mBank Crisis Command). That remained unchanged until the end of 2020. Some external companies (including academies) withdrew some of the previously announced activities or moved their execution to a later date (including 2021). mBank Group has given up arranging mass development events carried out in person, such as conventions and conferences.

Capital management

We implemented new functions in the app

e.g.:

- new video verification feature for those looking to open an account with mBank through a selfie
- access to the investment portfolio and execution of transactions on funds from the application level
- request for a transfer to a mobile phone using BLIK

**We have introduced Paynow
the online payment gateway.**

We launched a website

where we kept our clients informed on how to safely bank during a pandemic.

MANUFACTURED CAPITAL

Innovative digital systems and tools, procedures and policies are the main components of mBank's manufactured capital. They allow knowledge and information to flow safely and efficiently both inside and outside the organisation (in communication with suppliers).

We develop our organisational structure, internal processes, product distribution tools, approach to risk management, infrastructure (including IT systems) and network of retail branches on the basis of a concept of a digital and innovative bank. We strive to be present in many different channels and to offer products via electronic channels – applications, online banking, chat and call centre supported by a modern network of branches. As a mobile and online bank we care about the cyber security of our processes, and pay particular attention to the protection of our clients' data.

Input capital data

- Number of branches in Poland: 143*
- Number of mKiosks: 166*
- Payment cards: 3.6 million in Poland*

* as at the end of 2019

Achievements

- **3%** The number of branches in Poland dropped by 3%
- **3%** The number of mKiosks dropped by 3%
- **7%** The number of payment cards rose by 7%

26% The number of the mobile application's share in the sales of cash loans grew to 26% in December 2020 (compared to 18% in January 2020)

Capital management

We have

a comprehensive customer contact platform (online and mobile tools, an extensive network of distribution points, a telephone contact centre).

We support

our clients in crisis situations online via our subsidiary Cyber Rescue; we also offer 24/7 contact with our Security Operations Center (alert@mbank.pl)

We adapt

to changes in the law and apply compliance requirements on an ongoing basis

We moved to a new headquarters

The building, named „mBank Tower”, is eco-friendly and equipped with state-of-the-art technology. It was awarded in the European Property Awards contest, which selects best real estate projects in Europe.

SOCIAL CAPITAL

mBank’s social capital comprises relations with stakeholders outside the organisation, compliance with the norms, and our clients’ trust. We care deeply and consciously about relations as they are an important aspect of our activity. The trust of our stakeholders in financial institutions grows, and so does clients’ openness to new products and services.

The quality of relations and the level of social trust are strongly linked with the bank’s operational results. Our mission and values reflect our particular care for social capital. Clients and their needs, emotions, and expectations are the most important for us. Social capital means trust, which is a currency equally important as money.

Our products and services are used by individual clients, small and medium-sized enterprises, and big corporations, as well as public sector entities, including local governments. Social capital, therefore, forms a basis for new business and social ventures, investments and infrastructure used by the society as a whole. They contribute to economic growth of the country, which is beneficial to households.

Input capital data

- Number of retail clients: 5.662 million
- Number of corporate clients: 29.1 thousand
- Amount for the achievement of mFoundation’s statutory goals: PLN 2.3 million

Achievements

- **9.9%** Sales of mortgage loans grew by 9.9%
- **30.9%** Sales of non-mortgage loans dropped by 30.9%
- **152** Completed educational projects of mFundacja as part of the “mPotęga” (“mPower”) grant programme
- **PLN 3 million** Funds donated to WOŚP
- **PLN 6.1 billion** In 2020, almost 44 thousand of corporate and retail clients have submitted applications for PFR support through mBank, for a total amount of over PLN 6.1 billion.

Capital management

We conduct satisfaction surveys among retail and corporate clients

We design

new products and services using the design thinking approach, which focuses on understanding users' problems and needs.

We were the first bank to introduce

loan repayment holidays for individual clients, micro-enterprises and enterprises.

We were one of the first banks that enabled clients to apply for funds

under the aid programme of the Polish Development Fund (PFR).

We support initiatives which are important for the society, we are the banking partner of the Great Orchestra of Christmas Charity

NATURAL CAPITAL

Natural capital is our direct and indirect, both positive and negative, impact on the environment.

As an organisation which does not produce physical goods, our direct impact on the environment stems from the operation of our offices and branches. We utilise electricity, thermal energy, water, and office supplies (paper and toners). We use electrical devices which must be replaced with new ones every now and then (computers, printers, telephones). Well-developed IT infrastructure requires cooling, which uses electricity. Our employees travel for business using mBank's car fleet, which causes fuel consumption.

We promote mobile banking channels, i.e. handling as many bank-related matters as possible without going to the bank's branch, which minimises our clients' potential need to use a car to reach the bank. We also promote electronic communication tools in the workplace by allowing our employees to organise videoconferences in place of going to meetings.

As regards our indirect impact, we support sustainable development of others. We implement the policy for financing investments in renewable energy sources. The bank no longer finances new coal mines and coal-fired power plant units. Since 2019 mBank's Private Banking clients have been able to invest in line with ESG standards in portfolios containing shares and bonds of issuers that generate a positive social or environmental impact.

Input capital data

- Pool of funds for renewable energy projects: PLN 4 billion
- Emission (scope 1+2): 15,421.99 CO₂e
- Fuel consumption: 1,578,291 litres of petrol and 216,116 litres of diesel fuel*
- Paper consumption: 35,336,887 A4 paper sheets*

* as at the end of 2019

Achievements

- **PLN 1.97 billion** Total value of financed renewable energy projects: PLN 1.97 billion
- **39%** Reduction of CO₂e emission by 39%
- **43% and 72%** Reduction of fuel consumption: petrol by 43%, diesel fuel by 72%
- **25%** Reduction of paper consumption by 25%

Capital management

Environmental objectives

are an integral part of the business strategy for 2020-2023.

We are involved in the “#mBank Is Eco-Friendly” project

Which is initiatives we take to reduce our negative impact on climate and environment.

We have analysed the risk

of mBank’s adverse impact on the climate and the risk of adverse impact of the climate on the bank.

2. mBank Group in 2020

2.1. Summary of the year

In 2020, Polish and global economy had to face unexpected challenges connected with the COVID-19 pandemic outbreak. Global economy was hampered by restrictions introduced with a view to curbing infection rates.

In Poland, COVID-19 caused a recession, which had not been recorded for many years; GDP decreased by -2.8%. Radical measures taken by monetary and fiscal authorities (sharp increase in the budgetary deficit, aid programmes for households and enterprises) helped mitigate the economic shock. The measures, in particular the interest rate cuts by a total of 140 bps, had a huge impact on the functioning of the banking sector. On the other hand, the support measures had a positive impact on the financial standing of many enterprises and on the labour market, which may reduce banks’ risk costs in the future. Provisions for legal risk associated with foreign currency mortgage loans also had a significant negative effect on the results of some banks. For mBank, it was the second year in a row when the provisions markedly reduced the generated profit.

Despite numerous challenges and unfavourable conditions, **the income of mBank Group hit record high, totalling more than PLN 5.8 billion.** Net profit stood at PLN 103.8 million. The key events of 2020 include:

- Increase in income by 6%, including a rise in the net fee and commission income by 19%;
- Improvement in efficiency measured by the cost-to-income ratio to 41.1%;
- Creation of high provisions for legal risk related to foreign currency loans amounting to more than PLN 1 billion;
- An increase in risk costs to 119 bps. connected with uncertainty about the impact of the pandemic on clients’ situation;
- Dynamic inflow of deposits (+18%), in particular into current and savings accounts of retail clients;
- Further increase in mortgage loan sales, coupled with a decrease in non-mortgage loan sales;
- Maintenance of a strong capital base – capital ratios significantly surpassed regulatory requirements: Tier I at 17.0%, Total Capital Ratio at 19.9%;
- Numerous measures supporting clients and employees during the pandemic, among others:
 - we were the first bank to introduce loan repayment holidays for individual clients, micro-enterprises and enterprises;

- we were one of the first banks that enabled clients to apply for funds under the aid programme of the Polish Development Fund (PFR) via mBank's transactional systems;
 - we implemented many solutions enabling clients to use our services remotely;
 - we provided companies with a set of tools helping them to start an e-commerce business;
 - since the beginning of the pandemic, we enabled a majority of our office staff to work remotely and ensured the necessary protection measures for the rest of the staff. We actively helped them to achieve work comfort in home office.
- Initiatives for other stakeholders:
- we increased the pool of funds for renewable energy projects to PLN 4 billion;
 - we continue to support and cooperate with the Great Orchestra of Christmas Charity (WOŚP);
 - our actions and approach to ESG issues was reflected in the improved rating score assigned by Sustainalytics.

Awards and distinctions

Global Finance World's Best Digital Bank Awards 2020

In the last edition of a competition organized by Global Finance magazine, the jury decided mBank to be the best Polish bank in the category "World's Best Corporate/Institutional Digital Bank in CEE 2020". We competed with the banks from all over the world. Decision was taken by the multinational experts' group from the Infosys company. They were guided by such criteria as: digitalisation strategy, increase of the cyber services users, rise of the number of online banking clients, scope of the product offer, the range of the benefits from cyber innovations as well as assessment of the functionality of the transactional and mobile services.

This international finance magazine distinguishes mBank each year. In 2019 we were the best Polish bank in the categories "The World's Best Treasury & Cash Management Banks and Providers 2019" and "The Best Corporate Digital Bank 2019". We were also awarded first position for the best cyber bank for corporate clients in Central and Eastern Europe: "World's Best Corporate/Institutional Digital Banks 2019".

Digital Excellence Awards

We are the winners of the "Digital Excellence Awards" competition in the "Operational Efficiency" category. This prestigious distinction in the IT sector was granted for our project #DigitAll, which allowed for digitalisation and improvement of our business processes. This is a programme of bank-end digitalisation, meaning a comprehensive transformation of operational processes in the bank using the modern organizational practices and cyber technologies. Thanks to it our organisation became fully digital bank. This competition is organised by CIONET, the biggest community of IT Executives in Europe.

Golden Banker

mBank won two awards in the Golden Banker competition organised by Bankier.pl and *Puls Biznesu* daily. The awards were granted for the third place in the Socially Responsible Bank category for mBank's cooperation with the Great Orchestra of Christmas Charity (WOŚP) and the third place in the Best Advertising Spot category for its advertisement featuring GrubSon, a Polish rapper, addressed to 18-year-olds.

Euromoney Cash Management Survey

In this annual survey the clients assess the quality of services offered by their banks. In 2020 we were awarded first position for the best service, winning the category "Overall Best Services in Poland". We are particularly proud for the record-high number of clients, who participated in the survey. Over 33 000 persons responded, which is 25% more than in 2019. This substantial responsiveness proves how important cash management is for the clients, especially during pandemic.

Trusted Brand of 2020

mBank won the title of the Trusted Brand of 2020 in the Business Account category. The results of a survey of the trust placed by Polish entrepreneurs in the brands of products and services dedicated to businesses were published in *My Company Polska* business monthly.

2020 awards of the Polish Private Equity and Venture Capital Association (PSIK)

mBank was awarded by the Polish Private Equity and Venture Capital Association in the Best Financing Bank category for the fourth time. PSIK associates Venture Capital and Private Equity investors active in Poland.

EFFIE Awards 2020

In another edition of the prestigious "Effie Awards Poland" competition, mBank received two statuettes for campaigns addressed to the young people. The first, silver distinction was awarded to us together with the agency BBDO WWA and media house Mindshare Poland in the "Finances" category for the "The Autumn campaign for the young". Another silver award we won together with the agency VMLY&R Poland for the campaign "Yearbooks", distinguished in the „long term marketing excellence" category.

2019 Warsaw Stock Exchange Summary

The GPW and Treasury BondSpot Poland 2019 awards were handed over at the 2019 Stock Exchange Summary gala to the best performing companies and those supporting the development of the Polish capital market. mBank was awarded in two categories: as a distributor of information for the highest value of its portfolio of orders for information products containing GPW and BondSpot data in 2019 and as the leader of market marketing on the Treasury BondSpot Poland market.

„The Best Annual Report"

mBank received two distinctions in the 15th edition of the contest „The Best Annual Report", organised by the Institute of Accountancy and Taxes (IRiP). We won the title "The Best of the Best" for the best annual report in the category of financial institutions for the eighth time in a row. Moreover, for the second time we also won a distinction for the best statement on application of corporate governance principles, which proves high usability of our disclosures for the shareholders and analysts.

Award at the Partnership Guarantees Success conference organised by BGK

On February 6, 2020 mBank was awarded for the best quality of the BGK-backed credit portfolio at the Partnership Guarantees Success conference organised by Bank Gospodarstwa Krajowego (BGK). This award is a great recognition of the work of our business, risk assessment and sales support teams.

CSR White Leaf

Polityka weekly, the Responsible Business Forum and Deloitte awarded the White Leaf to mBank in the ninth ranking of socially responsible companies. This award is granted in recognition of activities in the area of corporate governance, human rights, treatment of employees, environmental

protection, customer care, business integrity, and social responsibility. mBank was also recognised for "Projects and actions supporting Sustainable Development Goal (SDG) 13 – climate action: for RES policy and ESG-based investments for Private Banking clients". The award marks mBank's debut in the White Leaf ranking.

14th Ranking of Responsible Companies

mBank came twelfth in the general competition and fifth in the "Banking, Financial Sector and Insurance" industry competition in the Ranking of Responsible Companies organised by Koźmiński Business Hub. The organisers rank companies in terms of the quality of their corporate social responsibility management systems.

Finalist for the European IT & Software Excellence Awards 2020

mBank's IT team has made it to the finals for the prestigious European IT & Software Excellence Awards 2020 in the Innovating Technology Solution of the Year category. This is a great recognition of the skills of all team members, but also of the changes they made to take mBank's IT to the top level.

2020 Gartner Eye on Innovation Award

In 2020 we became one of the finalists of the "Gartner Eye on Innovation Award EMEA" competition. It awards the best innovations on the financial market. We were distinguished for our cyber tool "mBox". It is a banking platform allowing for repeatable implementation in other institutions, which aspire to be named technologically advanced.

Universum Ranking

mBank was named one of the most attractive employers among young people in two categories: business and IT. Every year Universum, together with universities, ranks students' preferences on the labour market.

HR Dream

mBank won the first prize in the HR Dream contest organised by Pracuj.pl. The jury appreciated the "Log into Development" project combining two initiatives: "Development Fridays" and "Let Development In", and named it the most interesting and effective HR initiative.

IT Manager of Tomorrow Awards 2020

Leszek Włodarski, IT vice-director at mBank, came second in the IT Manager of Tomorrow Awards 2020 contest. He presented the challenges faced and solutions implemented during the transformation of the central IT system in the context of the organisational culture fostered at mBank. The contest is a platform for IT specialists from various industries to present their achievements in boosting efficiency in their organisations. The jury evaluated how the contestants managed to keep a balance between three components: new technologies, efficient working methods and organisational culture.

Second spot in the ranking of the most influential women in the payment industry

In 2020, online portal Cashless.pl awarded Joanna Erdman, head of strategic projects at mBank. Joanna Erdman, named the most influential woman of the payment industry in 2019, came second this year. The principal purpose of the ranking is to promote professional equality in the major institutions of the payment industry in Poland.

Young Stars of the Financial Market

Mateusz Namysł, the sector analyst at mBank, was one of three winners of the Young Stars of the Financial Market competition organised by *Parkiet* daily and the Association of Brokers and Advisers (ZMiD). The initiative honours successful young people aged up to 35.

„Digital Revolutions!"

In the "Digital Revolutions!" contest, mBank was the one who granted awards to the participants. The contest is part of the "Digital Revolutions" campaign launched in June 2020 to support online expansion of micro-, small and medium-sized enterprises. From over 550 applications the jury of experts selected the best ideas with a potential to turn into a thriving e-commerce business. We granted two first degree awards (PLN 100,000 each) and ten second degree awards (PLN 10,000

each). The contest was organised in partnership with MasterCard, while the campaign is supported by eIzba. Congratulations to the winners.

More information about the awards and distinctions is available on the bank's website in the Press Office section: <https://en.media.mbank.pl>.

mBank moves its headquarters to a new location

After 22 years mBank changed its address to 18 Prosta Street, where, since November 20, 2020, it has its new headquarters. The building is ecological and furnished with modern technologies. It won the European Property Awards competition, selecting the best real estate projects in Europe. The facility was awarded the title of the best investment in Poland and Europe in the "Commercial High-Rise Architecture" category.

mBank is the main tenant of the 140-meter tower, a part of Mennica Legacy Tower complex in the center of Warsaw. In the mBank Tower (a name chosen by the employees) the bank occupies 21 out of 28 office floors. The target number of employees working there is over 3,000 and offices are organized in a "hot desk" formula, with places for ca. 70% of the staff number.

As befits the "mobile icon's" headquarters, the building is equipped with friendly technological solutions. After opening the gateway with smartphone, the lift to a proper floor is called automatically. The mobile app gives employees a possibility to book a room for a meeting or register a guest. Comfort module in the mobile app steers the lights, temperature and window covers so that employees are able to adjust the working environment to their needs. mBank Tower is also rich in various ecological solutions, minimizing the energy usage and our impact on the environment, confirmed by the highly regarded BREEAM certificate. The key solutions include:

- all materials used during the construction have appropriate credentials, certificates, and authentications of being produced in a sustainable way
- DALI system, which balances the brightness of illumination automatically
- autonomous switch off for the unused lightning zones in the building
- motion detectors in the toilets, which affect the energy savings
- heat recuperation systems in the ventilation systems
- aerators in the toilets (basin taps), saving water
- electric control for roller blinds
- 10 chargers for the electric cars in the garage
- garage accomodating 350 bikes with sanitary conveniences and cloakroom.

Aside from triumphing in the European Property Awards contest, Mennica Legacy Tower won in the CIJ Awards Poland 2020 plebiscite (in the category Best High-Rise Development and Best Warsaw Office Development). The building also received the award „Real Estate Impactor 2020 (in the category New icon of the city).

2.2. COVID-19 pandemic impact on the mBank Group activities

2.2.1. Managing the bank during COVID-19 pandemic

mBank Crisis Command

mBank Crisis Command was established in February 2020 as a part of the business continuity management process. According to the mBank S.A. Business Continuity Management Policy, mBank Crisis Command is comprised of key employees responsible for on-going operation of the bank (including IT, Administration, HR, PR), headed by the Vice-President of the Management Board, Head of Operations and IT.

mBank Crisis Command has been meeting on a daily basis at the early stage of the pandemic and currently it meets weekly. Still, it is monitoring key indicators daily, including the number of employees working remotely as well as liquidity ratios. These indicators provide an operational overview and highlight areas for decision. mBank Crisis Command consulted a professor of epidemiology in its decision-making process.

mBank Crisis Command works to mitigate the impact of the pandemic on the bank, protect employees and clients (including by mitigating the risk of infection), and secure all processes ensuring that the bank operates and provides services under any conditions. This is a top priority, especially for a financial institution, which is an essential component of the economic system.

mBank Crisis Command decides about:

- the bank's work model (at this time, mainly remote work for the bank's head office);
- preparation and updates of necessary processes and procedures (in particular critical processes which underpin the bank's business continuity);
- protective equipment for the personnel (in particular, employees at branches and persons who cannot work remotely);
- adjustment of the infrastructure, buildings and branches to the current conditions.

mBank Crisis Command compiles and analyses all information concerning the impact of the pandemic and related restrictions on the bank and its clients. The subsidiaries of mBank Group run their separate crisis command centres. The Group co-ordinates its activities and its members exchange experience and good practices.

Cybersecurity

To protect data of the bank's clients, we instructed our employees in the principles of remote work. We recommend that employees only work from home. They are allowed to use the bank's secured network only. It is forbidden to process clients' data beyond what is necessary for business purposes. The bank's security services continuously monitor the equipment and communication channels used by our employees.

Remote quarterly and investor conferences

Due to imposed restrictions, all investor and analysts meetings moved online. Quarterly results events were held remotely starting in Q1 2020. The bank's other investor meetings also took place via communication platforms and conference calls.

2.2.2. Support measures

In connection with the crisis caused by the COVID-19 pandemic, the Group offered its clients a number of assistance tools aimed at supporting them in a difficult situation resulting from the outbreak of the epidemic. The purpose of these tools was to help maintain the financial liquidity of customers by reducing the financial burden in the short term.

The supporting measures offered by the Group were in line with the banks' position regarding the unification of the rules for offering supporting measures in the banking sector. This position was a non-legislative moratoria within the meaning of the European Banking Authority (EBA) guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis notified by the Polish Financial Supervision Authority to the European Banking Authority.

The moratorium covered supporting instruments granted from March 13 to September 30, 2020.

The moratorium offered by the Group in Retail Banking area enables changes in the schedule of payments by suspending the payments of principal amounts or full instalments for the limited period up to 6 months, with the possibility of extending the loan period by the duration of the moratorium. Examination of applications that meet the conditions set by the moratorium took place in a simplified process, i.e. without the verification of the client's repayment ability. The application process was supported by the mechanism of automated verification of boundary conditions (i.a. no delay in payment of more than one installment, no grace period in the last 12 months, at least 6-month repayment history). If the verification result is positive, the customer's request was automatically accepted. Customer requests that fail the automatic verification were subject to review by a credit analyst.

While deferring the repayment of the principal part of the loan installment the sum of the principal amount remaining after the grace period is divided according to the algorithm (equal or decreasing installments - according to the credit agreement) for the residual maturity period. The extension of the loan period translates into lower installments after the grace period, than in case of the deferral without the extension. When suspending principal and interest payments, the mechanism for the capital was the same as for the capital repayment deferral, while the suspended interest parts of installments are spread out proportionally over the outstanding period after the suspension period.

The supporting tools accessible within the moratorium applied to retail clients whose delay in capital or interest payments did not exceed 30 days at the date of submission of the support application and applied only to loans granted before March 13, 2020, which were not classified as default.

The Group offers to retail clients also support under so-called Crisis Shield 4.0, effective from

June 23, 2020. The customers who lost their job or another major source of income after March 13, 2020, have the right to suspend the loan repayment for up to 3 months without charging interest during the period of suspension of the agreement. This assistance tool is considered as a legislative moratorium within the meaning of the EBA guidelines. The scale of applications submitted for this form of assistance is currently not significant.

The moratorium offered by the Group in Corporate Banking enabled changes in the schedule of payments by suspending the payments of principal amounts for the limited period up to 6 months. In addition, small and medium-sized enterprises who are the Group's clients, had the possibility to suspend the repayment of full installments for up to 3 months.

The amount of suspended principal part of installments increased the last loan installment. Concerning the suspension of both principal and interest part of installments, the amount of suspended principal increased the last loan installment, while the amount of suspended interest was added to subsequent interest installments payable after the deferral period. In the case of commercial real estate financing transactions exceeding PLN 10 million, the repayment terms were negotiated individually.

The Group made available for the Corporate Banking clients also new financing aimed at stabilizing their liquidity situation, according to which collateral in the form of BGK (Bank Gospodarstwa Krajowego) guarantees is used. These guarantees do not constitute a government subsidies as defined in IAS 20. A transaction secured with a BGK guarantee must meet the conditions defined in a specific portfolio guarantee line agreement signed between the Group and BGK. The BGK guarantee secures up to 80% of the exposure, but not more than the specified maximum level defined in the agreement. The Group may use the BGK guarantee in the first place in case of non-payment of a

borrower. If the Group have used BGK guarantee, potential recoveries from the borrower are shared between mBank Group and BGK on a pari passu basis.

In accordance with the Group's internal regulations the moratorium applied to all corporate clients who as of March 15, 2020 were not classified as default. The moratorium applied only to loans granted before March 8, 2020. In addition, when granting assistance, the Group required maintaining collateral at least at the same level and limiting distribution to the owner.

The tables below present information on the scope of the moratoria applied in the Group and new financing covered by public guarantee programs (BGK) applied as a result of the outbreak of the COVID-19 pandemic.

	31.12.2020	
	Number of obligors	Of which: granted
Moratoria	115,730	75,244
Government guarantees (BGK)	61	58

PLN ('000)	31.12.2020				
	Gross carrying amount	Of which: gross carrying amount of contracts with expired moratoria	Of which: gross carrying amount of contracts with active moratoria	Accumulated impairment, accumulated negative changes in fair value due to credit risk – active moratoria	Net carrying amount risk – active moratoria
Moratoria	15,479,419	14,206,476	1,272,943	-68,750	1,204,193
- Individual customers	6,701,855	6,529,247	172,608	-5,750	166,858
- Corporate customers	8,777,564	7,677,229	1,100,335	-63,000	1,037,335
Government guarantees (BGK)	515,234	0	515,234	-4,946	510,288
- Individual customers	0	0	0	0	0
- Corporate customers	515,234	0	515,234	-4,946	510,288

Active assistance tools as at December 31, 2020, granted in the period from March 13 to September 30, 2020 (PLN ('000))	Performing				
	Gross carrying amount	Of which: exposures with forbearance measures	Of which: grace period of capital and interest	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Accumulated impairment
Moratoria	921,346	31,577	126,517	652,811	- 28,396
- Individual customers	164,031	27,896	115,995	122,370	- 3,606
- Corporate customers	757,315	3,681	10,522	530,441	- 24,790
Government guarantees (BGK)	515,234	0	0	217,253	- 4,946
- Individual customers	0	0	0	0	0
- Corporate customers	515,234	0	0	217,253	- 4,946

Active assistance tools as at December 31, 2020, granted in the period from March 13 to September 30, 2020 (PLN ('000))	Non-performing				
	Gross carrying amount	Of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or past-due <= 90 days	Accumulated impairment	Gross carrying amount - Inflows to non-performing exposures
Moratoria	351,596	1,362	0	- 40,353	7,281
- Individual customers	8,576	1,362	0	- 2,144	7,281
- Corporate customers	343,020	0	0	- 38,210	0
Government guarantees (BGK)	0	0	0	0	0
- Individual customers	0	0	0	0	0
- Corporate customers	0	0	0	0	0

The vast majority of clients who received support under repayment moratoria, corresponding to 94% of the total exposure covered by the moratoria, benefited only from the suspension of the principal repayments. Consequently the customers are still obliged to make repayments but in a lower amount. The delay in the interest payments is subject to the standard days-past-due calculation. Overdue interest payment exceeding 30 days results in the reclassification of exposure to stage 2, and exceeding 90 days - to stage 3.

The tables below present information on the expired moratoria, which were applied in the Group as a result of the outbreak of the COVID-19 pandemic from March 13 to September 30, 2020.

Expired assistance tools as at December 31, 2020, granted in the period from March 13 to September 30, 2020 (PLN ('000))	Performing				
	Gross carrying amount	Of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Accumulated impairment	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)
Moratoria	13,956,747	2,131,937	5,377,347	- 148,884	- 121,598
- Individual customers	6,459,859	793,091	3,226,604	- 68,990	- 60,926
- Corporate customers	7,496,888	1,338,846	2,150,743	- 79,894	- 60,672

Expired assistance tools as at December 31, 2020, granted in the period from March 13 to September 30, 2020 (PLN ('000))	Non-performing				
	Gross carrying amount	Of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or past-due ≤ 90 days	Accumulated impairment	Gross carrying amount - Inflows to non-performing exposures
Moratoria	249,729	64,428	64,267	- 53,432	46,934
- Individual customers	69,388	4,616	4,498	- 26,892	42,506
- Corporate customers	180,341	59,812	59,769	- 26,540	4,428

According to European Banking Authority (EBA) guidelines, the Group together with other banks in Poland, decided to resume non-legislative moratoria. The Group will accept applications for a new moratorium between January 18 and March 31, 2021. The content of the moratorium is similar to the moratorium granted in 2020, but its scope is much smaller. The scope is limited only to companies operating in the specific industries.

2.2.3. Impact of the COVID-19 pandemic on the client's financial situation assessment process

In assessing the financial situation of corporate clients, the Group uses only individual assessment as the most appropriate and precise (the Group does not use a collective or sectorial approach).

The process of client and transaction risk monitoring takes into account the impact of the COVID-19 pandemic on the client's situation and the strength of the impact (i.e. temporary turbulence, long-term problem for the business model, etc.) as well as the plan to mitigate this impact implemented by the client. The Group conducts sector analysis of clients that have applied for moratorium. Among

those clients, the largest balance sheet exposure as at December 31, 2020 is held by clients operating in the following sectors: accommodation and food service activities (34.9%), real estate activities (25.9%), transport and storage (21.2%) and construction (7.3%).

The client is placed on the Watch List (LW - list of clients under observation) based on standard criteria defined in the Group's internal regulations. With regard to clients who have submitted an application for assistance to the Group, the list of criteria classifying to LW has been extended by an additional, discretionary premise in respect of COVID-19. On the basis of this premise, a risk analyst may put the client on the LW if, according to his opinion, problems arising from a pandemic may have a long-term nature and after its termination the customer may not return to the financial situation allowing the settlement of his obligations. Other criteria of the placement on LW, defined in the Groups' credit regulations, also apply to customers who have received support from the Group in connection with COVID-19. Placing a customer on LW results in customer classification to stage 2.

In the scope of retail customers risk assessment, the borrowers with granted assistance tools in the form of moratorium were subject to scoring approach in accordance with the standard risk assessment process.

2.2.4. Description of the forbearance classification approach applied in the Group in relation to COVID-19

According to the statement of the European Banking Authority on the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID-19 measures published on March 25, 2020, saying that the use of COVID-19 aid tools in the form of repayment moratorium, meeting the EBA guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis published on April 2, 2020 does not automatically classify exposures to default and forbearance, as well as according to the UKNF (Polish Financial Supervision Authority) statement published as a part of the Supervisory Impulse Package for Security and Development that UKNF will apply a flexible approach to the application of EBA guidelines for unsupported and restructured exposures, the Group does not classify the granting of the moratoria due to the COVID-19 crisis as forbearance, with the exception of corporate clients, for whom there is applied an approach based on individual assessment whether classification of such client's exposure as forborne is required, in accordance with the Group's internal regulations.

Due to the deterioration of the economic situation in the country resulting from the COVID-19 epidemic, the Group has taken additional actions aimed at including this information in the expected credit losses. Due to the uncertainty caused by dynamic situation changes, the Group's activities were spread over time and in particular covered:

1. review of sectors and individual clients of the corporate portfolio, in particular clients under observation, in order to verify the potential increase in the probability of failure to implement the restructuring plans, which was already carried out in March as the first activity of the Group as part of taking into account the impact of the epidemic on clients' financial situation,
2. modification of the weight of macroeconomic scenarios, consisting in assigning a 100% weight to the pessimistic scenario, in the expected credit loss model, applied in the first quarter of 2020,
3. updating models of the relationship between the long-term PD parameter and macroeconomic variables, based on historical data and the currently observed economic situation, in the second quarter of 2020,
4. updating macroeconomic forecasts, taking into account the impact of COVID-19 and state aid actions, affecting long-term PD, EAD and LGD parameters, as well as the level of exposure allocation to stage 2, in particular by increasing the expected level of allocation for some portfolios due to the expected increase in the loss ratio, in the second quarter of 2020,
5. restoration of macroeconomic scenario weights of 60% for the baseline scenario, 20% for the optimistic and 20% for the pessimistic respectively, in the expected credit loss model, while taking into account the current macroeconomic forecasts implemented directly in the risk parameters, in the second quarter of 2020,

6. monitoring of macroeconomic forecasts in order to verify the macroeconomic data used in the models in terms of their adequacy to the actual development of the economic situation in Poland. There was no basis for changing the macroeconomic forecasts within the risk parameters, in the third and fourth quarter of 2020.

Due to the uncertainty related to the difficulties in observation of the timeliness of repayment of loans covered by moratoria, Group also decided in the third quarter of 2020 to reclassify, some of the exposures of retail clients covered by this form of support, selected on the basis of behavioral characteristics, to stage 2 despite no evidence of a significant increase of credit risk, which resulted in the recognition of additional cost of credit risk at the end of 2020 in the amount of PLN 53.1 million. The total gross carrying amount of the reclassified portfolio as at December 31, 2020 was PLN 3,227.57 million.

The change had an impact on exposure allocation to the stages. The share of stage 2 in the total exposure of the loan portfolio increased but its coverage with provisions decreased, which is a natural consequence of allocating to stage 2 exposures with a lower probability of default (lower PD).

In addition, at the end of 2020, the Group decided to automatically reclassify exposures subject to the relief in the form of the statutory moratorium to stage 3, or, in justified cases, to stage 2. The final allocation of the exposure to stage 2 was possible after conducting additional analyzes taking into account quantitative and qualitative factors, such as: co-borrower in the contract, credit quality of all customer exposures, the amount of cash flow after the date of the application for a moratorium. The reclassification resulted in the recognition of additional cost of credit risk in the amount of PLN 1.7 million. The total gross carrying amount of the reclassified portfolio as at December 31, 2020 was PLN 9.97 million.

The above-mentioned activities resulted in recognition of additional cost of credit risk in the amount of

PLN 330.3 million in the portfolio measured at amortised cost. In addition, these activities had an impact on the valuation of the loan portfolio at fair value through profit or loss, for which the Group recognized an additional cost of PLN 10.3 million.

Due to the fact that changes in risk parameters following the outbreak of the COVID-19 pandemic were implemented over a period of several months in a very dynamically changing macroeconomic environment, the Group decided to present the total value of their impact on December 31, 2020, as presented in the table below.

PLN ('000)	31.12.2020		
	Individual customers	Corporate customers	Total
Financial asset measured at amortised cost	134,973	195,349	330,322
Stage 1	3,060	4,138	7,198
Stage 2	114,869	51,397	166,266
Stage 3	17,044	139,814	156,858
Financial assets measured at fair value through profit or loss	9,414	838	10,252

The most important write-offs in stage 3 were concerned in corporate clients from the following sectors: accommodation and food service activities, real estate activities and transport and storage.

As at December 31, 2020, the Group applied management corrections (overlays) in the amount of PLN 12.61 million. These adjustments do not result from the methodology used to calculate the allowances for expected credit losses.

The Group will continue to analyze the impact of COVID-19 and state aid programs on the result of the cost of credit risk in the upcoming quarters.

In order to assess expected credit loss (ECL) sensitivity to the future macroeconomic conditions, the Group determined the ECL value separately for each of the scenarios used for the purposes of calculating the expected credit risk losses. The impact of each of the scenarios is presented in the table in the next chapters of the document.

The table below presents forecasts of the main macroeconomic indicators used in the expected credit loss model as of December 31, 2020 and December 31, 2019:

Scenario as at 31.12.2020		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The average for the next two years	The first year of the forecast	The average for the next two years	The first year of the forecast	The average for the next two years
GDP	YoY	-4.2	4.4	0.0	3.9	-6.4	0.4
Unemployment rate	end of the year	7.0%	5.5%	3.3%	2.9%	9.2%	11.9%
WIBOR3M	end of the year	0.31	0.38	0.7	0.7	0.1	0.1
Real estate price index	YoY	101.0	105.5	103.0	105.9	91.9	102.8
CHFPLN	end of the year	4.21	4.03	4.11	3.93	4.43	4.43

Scenario as at 31.12.2019		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The average for the next two years	The first year of the forecast	The average for the next two years	The first year of the forecast	The average for the next two years
GDP	YoY	3.3	2.8	4.3	3.4	0.6	1.4
Unemployment rate	end of the year	3.9%	4.0%	3.0%	3.5%	6.5%	8.0%
WIBOR3M	end of the year	2	2.3	1.7	1.7	0.5	0.5
Real estate price index	YoY	102	101	103.8	103.2	100.0	102.6
CHFPLN	end of the year	3.62	3.48	3.72	3.62	4.48	4.15

The value of credit risk cost is the result of all presented macroeconomic scenarios and the weights assigned to them. Impact of individual scenarios on the credit risk costs is as shown in the table below (weight of a given scenario 100%):

Scenario as at 31.12.2020	The change of the value of credit risk costs (PLN ('000))
	31.12.2020
optimistic	47,136
base	10,316
pessimistic	-135,596

The above results were estimated taking into account the equal allocation to the stage 2 based on the weighted average of all 3 macroeconomic scenarios, without and assumption of additional potential migrations between stages. The ECL sensitivity analysis was performed on 84% of the assets of the portfolio of loans and advances to customers and off-balance sheet liabilities granted to them.

The reason for changes in the key values in the Group's risk models were changes in macroeconomic indicators following the outbreak of the COVID-19 pandemic.

Apart from the activities related to the updating of the credit risk models mentioned above, the Bank did not introduce any other dedicated changes into the models used for the purposes of calculating the expected credit risk losses. Due to:

- lack of significant impact of the current economic situation (resulting mainly from the applied support measures) on parameters such as default rate or level of portfolio losses,
- results of consultations with other units of the Bank's risk division indicating that there is no need to take into account additional effects of the COVID-19 impact on the models,

In the model management process, the Group has carried out cyclical activities such as:

- cyclical recalibration of the short-term PD models reflecting the current level of the portfolio's default rate,
- cyclical recalibration of the long-term PD models and quantitative staging model,
- recalibration of the long-term LGD model for corporates adjusting the estimated level of losses to the observed in recent years.

2.2.5. Support for the employees

Remote work

We enabled remote work of most office staff from the outbreak of the pandemic. On average, 85% of our employees work remotely, including the call center staff. The bank's critical employees (handling critical processes) were the first to switch to remote work. Later, along with the migration of staff to remote equipment helped by quick leasing of portable computers and reorganisation of certain job positions, other employees also started to work remotely. We ensured that our infrastructure has the capacity to support up to 100% of employees working remotely. We expanded the capacity of our equipment over 10-times, reaching full readiness for remote work as early as in March.

We provided our employees with all necessary support, including a help desk where operators offer advice by phone and remotely on any technical issues relating to the network, applications and devices. We raised data transfer limits on company smartphones. Thanks to this even those employees who experience bandwidth shortages at home can work remotely. To improve the comfort of remote work, we let employees borrow office chairs and screens as well as printers. We aligned many procedures to replace hardcopy documents with digital files.

Safety at mBank branches

Our top priority was safety and health at our branches. Employees were equipped with protection equipment: masks, gloves, disinfection agents. We put up plastic barriers at the customer service desks and required that visitors at branches keep a safe distance. Employees were provided with detailed guidelines concerning safety when meeting clients. We imposed limits on the number of clients allowed into a branch at the same time. We modified dress code, food and drinks requirements, as well.

We temporarily shortened the business hours of our branches. Certain branches, especially those in shopping malls, have been temporarily closed down due to governmental restrictions.

Support for employees at the head office

In addition to enabling remote work, we protected employees who came to the office. Employees who commuted in the first phase of the pandemic were allowed to travel by taxi on the company's expense account. All our car parks were opened to employees who travelled with private or company cars so as to avoid unnecessary difficulties.

Employees were offered free-of-charge meals in the canteen: a benefit for employees as well as genuine assistance for canteen operators faced with shrinking revenues.

The bank imposes a limit of persons working at any time in the office, which is no more than 15% of staff. Employees may only come to the office with the consent of the manager and only when their work cannot be done remotely.

We cancelled all major meetings and a vast majority of domestic and international business travel. Most meetings take place remotely on Skype, Teams, etc.

Employee meetings with the mBank management board

During the pandemic, our regular employee meetings with the management board switched into an online mode. We held five virtual meetings in 2020 (March, May, July, October, December), each featuring a Q&A session. We addressed approx. 450 questions. Between 2,000 and 3,000 employees took part live in each meeting. Recordings of the meetings were available in the intranet from the next day. We also posted recordings of interviews with management board members who answered employees' key questions.

Campaigns addressed to employees

We supported our employees from the start of the pandemic, ensuring comfort of remote work from home and protecting their personal inner balance. To address employees' needs, we held additional Pulse Check surveys (in April and July 2020) gauging employees' mood and ability to cope under the new conditions. Employees at branches and the head office were positive about their own sense of safety, some of them due to the safety measures provided by the bank, others because of the ability to work from home. Employees also enumerated the challenges they face, including the onerous epidemiological regime as well as the lack of face-to-face contact with colleagues when working from home.

We provided dedicated email inboxes for employees to submit questions and suggestions to be discussed by the Crisis Command. The bank's intranet features a dedicated section #coronavirus which is a repository of useful information for employees, including pandemic FAQs, technology tips for people working from home, as well as practical advice how to organise one's work place (including the option of borrowing office screens, chairs and printers). We regularly email employees to advise how governmental restrictions impact our work (including additional child care benefits) and to communicate decisions of the mBank Crisis Command. We also publish such advice in the intranet. The Legal Department shares interpretations of pandemic-related regulations. We issued a special edition of our regular newsletter with a summary of key information for employees.

We protected the inner balance of our employees during the pandemic among others by providing:

- a series of graphics with tips concerning remote work: how to organise your home office and protect your work/life balance, how to take part in video calls and look good on camera;

- workshops "Remote Power. How to effectively manage your energy and your day when working from home";
- a series of training sessions and workshops "Direction: Balance". We invited employees to join a dedicated training platform featuring inspiration materials (articles, podcasts, remote sessions, offline seminars, session materials) in 19 thematic rooms. The programme spanned six weeks and attracted 700 participants. We offered 132 hours of Zoom sessions in 16 development programmes and 18 hours of webinars in five knowledge pills. The inspiration materials are available on the dedicated training platform;
- training "Stressless Power: Coping with stress and anxiety";
- free-of-charge consultation calls with a LUX MED psychologist.

Other forms of support for employees include:

- one-time allowance from the Company Social Benefits Fund for employees whose family's financial standing is under pressure because of the pandemic;
- a Child Space in the intranet featuring inspiring tips on how to spend free time with children as well as animations: activities for young kids, tutoring for older children, thematic holiday animations. The programme spanned 33 weeks and offered 251 classes and 620 animations attended by over 870 children;
- mFoundation offered a special series #kidsathome, featuring talks by the psychologist about how to cope during the lockdown at home with children;
- a series of meetings and workshops "Develop Your Resilience" including knowledge pills and inspirational meetings dedicated to a range of different topics: how to stay healthy and energetic, how to develop resilience to stress and burnout, debunking myths about diet, supplements and diseases. In total, 3,598 participants attended 58 activities during four weeks of the programme;
- "Healthy at work" in partnership with MultiSport: online classes to build resilience, eat healthy and protect your spine;
- discounts on coronavirus tests for employees and their families.

2.2.6. Activities for clients

Activities and facilitations for clients

We actively communicated with clients from the start of the pandemic to update them about our services and branches in those trying times. We set up a special website with all key information: <https://www.mbank.pl/lp/zobacz-jak-wiele/>, <https://www.mbank.pl/lp/zobacz-jak-wiele-bc/>, <https://www.mbank.pl/lp/zobacz-jak-wiele-korpo/>.

Our communications stressed which operations were available remotely without visiting a branch to avoid unnecessary risks for clients and employees. We released information materials including a billboard and online campaign explaining which services are available as a self-service (including public services available with the bank login).

Maintaining client relations

Corporate and Investment Banking

We addressed our Corporate Banking women clients, who used to take part in our biannual regular seminars "mBank is a Woman", with a special letter. Some of the events took place online. They included for instance dinners for the clients and business partners. Inspired by the success of the meetings, we decided to hold a large-scale online event "mBank Blue Space". The special guest of

the meeting was a Polish scientist, researcher and Project Manager at NASA Jet Propulsion Laboratory. The meeting was attended remotely by 329 corporate and investment banking clients.

Private Banking

The outbreak of the pandemic and the resulting restrictions had two major implications: turbulences on the financial markets raised series concerns of the clients, while the face-to-face interactions between the bank and its clients have been interrupted. We quickly restored online communications with clients: initially by holding weekly webinars providing updates on financial markets and the bank's activity, and later by offering an educational series in partnership with a third-party consultancy to share expertise about investments and related banking solutions.

Remote customer service

During the pandemic, the bank and its subsidiaries offered many diverse initiatives to clients. We took part in the government's business support schemes (PFR Shield) and other crisis-mitigating measures.

We have been one of the first banks to offer the service of applying for the PFR Financial Shield scheme assistance. Already starting on 29 April 2020, companies with a headcount ranging from 1 to 249 employees were eligible to file motions via mBank's transactional service. Applications for subsidies could be filed in the retail banking transactional system and in the mBank CompanyNet for SMEs and corporations. We prepared intuitive calculators, thanks to which the interested parties could count the amount of financial subsidy for micro-enterprises and for SMEs. Such solutions made the entire process quick and transparent, and the customer reviews positive. In 2020, almost 44 thousand of corporate and retail clients have submitted applications for PFR support through mBank, for a total amount of over PLN 6.1 billion. For more information about the applications and the terms of the scheme, visit our website: <https://www.mbank.pl/lp/tarcza/>.

Under the umbrella of the "anti-crisis shield", mBank provided liquidity loans for SMEs with BGK de minimis guarantees. The support package for microfirms, small and mid-sized companies included a broad range of credit guarantees which were offered free of charge until the end of the year. Accessible and affordable loans helped businesses finance their activity in the difficult pandemic times. Under the new terms of BGK guarantees, the guarantee amount was raised to 80% of the loan amount, the validity of guarantees was extended to 39 months (for working capital loans), and no fees were charged for guarantees until the end of the year, the same as for loans already granted with de minimis guarantees.

We were the first bank to enable retail (individual and business) clients to apply for deferred payment of principal or principal and interest for up to six months with the option of extending the term of the loan by the period of the moratorium. Corporate clients also could defer principal payments for up to six months. mLeasing offered a reduction of six lease payments by up to 90 percent. The process was executed fully online.

We offered a number of solutions to support clients' remote use of our services, as described in detail below in the sections "New features in mBank's services" and "Mobility". mLeasing offered the option of signing lease contracts online. Using popular video call tools such as Skype, WhatsApp and Messenger, clients can sign lease and loan contracts remotely. mLeasing also launched online car sales, as described in detail in chapter [2.8.3. Activities of subsidiaries of mBank Group](#).

We carried out a social campaign supporting business clients in going online and deploying e-commerce tools. In June, we opened the social campaign Digital Revolutions which supports microfirms, small and mid-sized companies in developing e-commerce operations – see below for more details.

Cybersecurity support of CyberRescue and mBank's experts

Already since 2018 mBank clients can use the CyberRescue service, providing specialist assistance in secure use of the internet, free of charge. CyberRescue helps among others in the case of digital identity theft and malware attacks. Specialists are available around the clock and can be accessed by email, telephone and even Messenger. During pandemic, when everyone spends more time online,

we introduced the most comprehensive security package on the market, "CyberOchrona+". It includes 24/7 support of CyberRescue experts as well as software chosen by clients: F-Secure SAFE or BitDefender Internet Security which integrates an anti-virus package, banking security, ransomware security, and parental controls.

2.3. mBank Group's environment

2.3.1. Macroeconomic environment

Economy and the banking sector in Poland

Key macroeconomic indicators	2020	Banking sector parameters	2020
Real GDP growth rate	-2.8%	Base interest rate	0.1%
Nominal GDP per capita (EUR)	14,000 ¹	Loan to Deposit ratio	79.5% ²
GDP per capita in PPS (EU-27=100)	73.0% ¹	NPL ratio	6.9% ²
Average annual inflation rate	3.4%	Total Capital Ratio (TCR)	20.4% ³
Average annual unemployment rate (registered)	5.9%	Net Return on Assets (ROA)	0.3% ²
Population	38 million	Net Return on Equity (ROE)	3.5% ²

Sources: Statistics Poland (GUS), Eurostat, Polish Financial Supervision Authority.

¹ Data as at the end of 2019

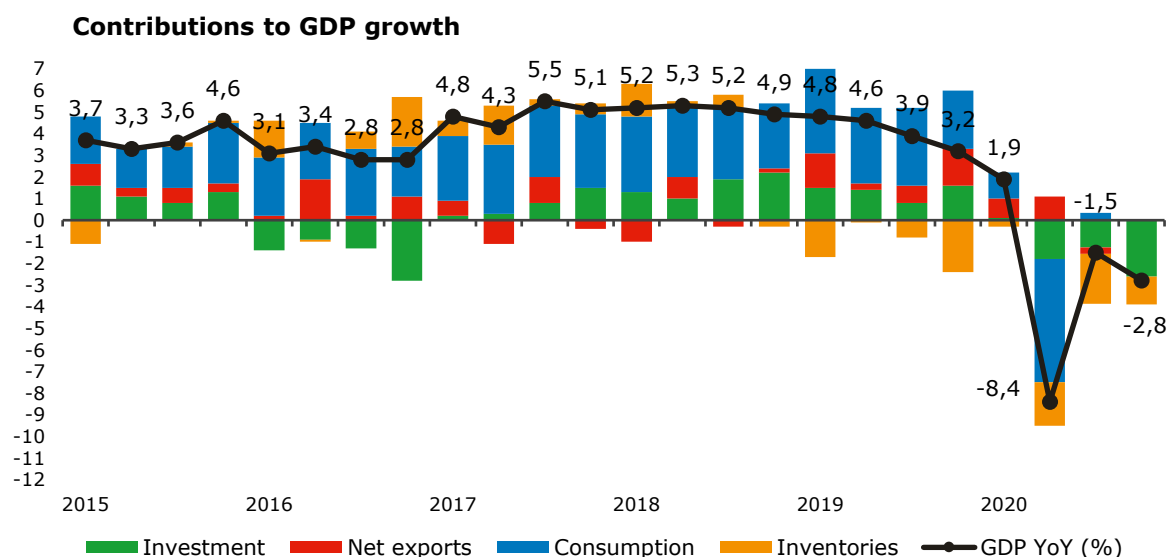
² Data as at the end of December 2020 (available at February 17, 2021)

³ Data as at the end of September 2020

Summary of developments

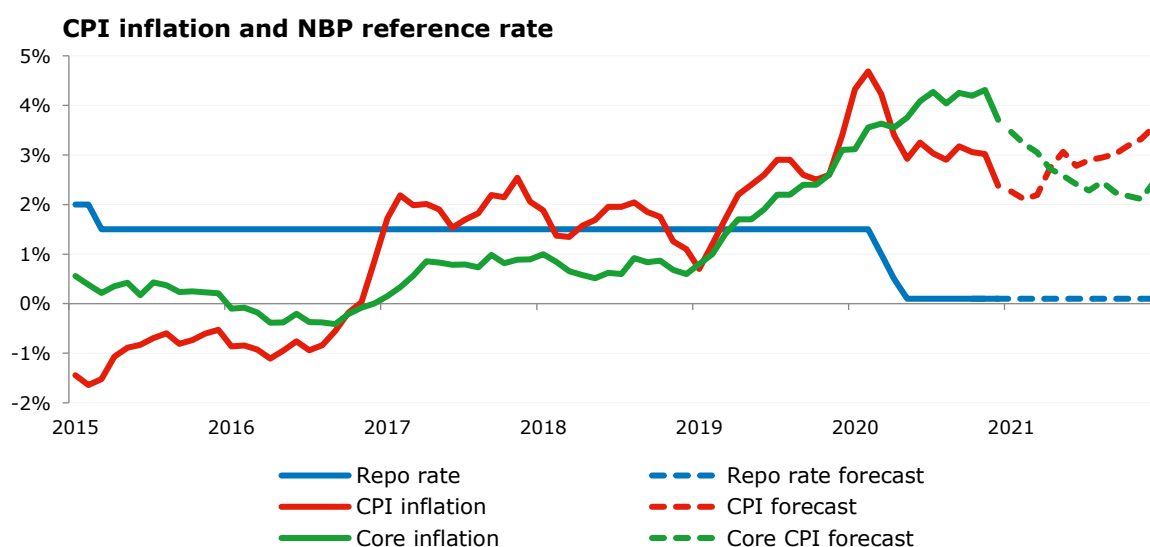
2020 ended with a GDP dynamics of -2.8%, which is obviously less than we expected in late 2019, when bank's forecast was at +2.8%. The gap was opened by the COVID-19 pandemic, which started in Wuhan, China, and spread globally. At the time of this writing, there were 100 million infections (identified cases) and more than 2 million fatalities (1.5 million and 35k, respectively, in Poland). The transmission of the virus was lightning-quick. We first downgraded our projections in early March, bottoming in early April when we expected -4.2% GDP dynamics and unemployment rate over 10%.

Comparing the pre-pandemic projections with actual figures, COVID-19 shaved an estimated -5.4 pps off GDP growth in 2020.



Projection downgrades were triggered by mass-scale economic lockdowns, combined with epidemic restrictions and consumers' self-restraint, resulting in shrinking consumer and investment demand: a demand shock. The supply side was similarly affected by supply chain disruptions. Determined measures taken by monetary (see below) and fiscal authorities (sharp increase of the public deficit, support schemes for households and companies) helped to cushion the economic shock, especially in household and corporate debt, preventing massive job reductions. The official unemployment rate eventually rose to only 6.2% at the year's end. The economy enjoyed a rapid recovery in Q3 after the epidemic lockdown was lifted. Economic activity bottomed out in Q2 when GDP dropped -8.4% YoY.

The second wave of lockdowns in the autumn was less harsh on the economy despite bigger numbers of new infections and fatalities and a heavy strain on the health care system. What helped was that companies had adapted while both companies and households had built up liquidity. Industry was largely spared the impact of the second wave of the contagion: catching up quickly, with exports, it became the driver of the economy. Meanwhile, many service and trade operators remained under a strict regime. The recovery of the Chinese economy came as a relief: having contained the contagion in the spring, it was back on track with a positive GDP trajectory.

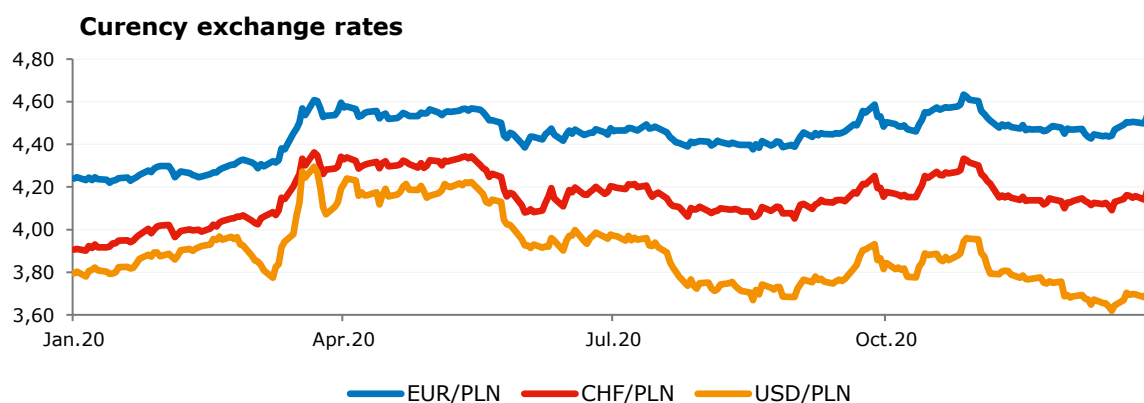


The pandemic hit the economy at a time of rising core inflation and record-high CPI. Inflation soared in Q1, driven by high food prices, still strong economic activity, a robust labour market, and rising controlled prices.

Nonetheless, faced with the prospect of sharply falling domestic demand and a broad demand gap, monetary policy had to be quickly relaxed. The National Bank of Poland (NBP) cut the interest rates three times (by 1.4 pps in aggregate to 0.1%) and reduced the mandatory reserve rate (from 3.5% to 0.5%). NBP also started to purchase Treasuries and securities guaranteed by the government in structural operations in order to bolster market liquidity and ensure that low rates transmit across the economy. Currency interventions geared at PLN depreciation started in December, also aiming to improve interest rate transmission in the economy.

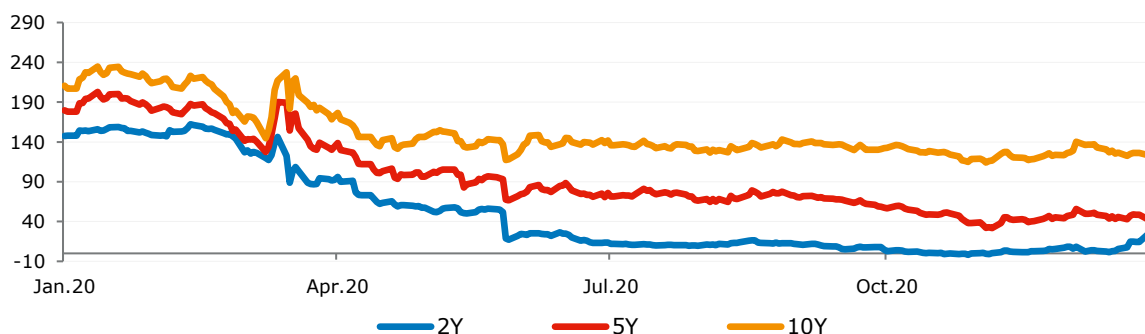
Meanwhile, CPI started to dwindle. The drop in inflation was mainly driven by sharply falling prices of energy commodities and low food prices. Core inflation continued to rise throughout the pandemic on the back of inertia in the service sector that originated during the previous market cycle combined with new epidemic-related fees which many companies imposed as a cost line improving client safety. However, the uptrend in core inflation reverted late in the year. In our opinion, core inflation will continue falling for many months to come in line with typical macroeconomic relations.

As the pandemic hit the economy, the Polish zloty depreciated with EURPLN rising to around 4.60. However, the Polish currency was under moderate appreciation pressure later in the year. The Monetary Policy Council (RPP) warned that "the growth rate could be curbed in the absence of a stronger and more lasting PLN alignment with the global shock caused by the pandemic and NBP's relaxed monetary policy." In December, NBP opted for interventions in order to weaken PLN. In January, RPP stressed that "NBP could also resort to currency market interventions in order to boost the economic impact of the relaxed monetary policy." After the interventions, EURPLN stabilised above 4.50. Many RPP members have stated that 4.40-4.50 is the rate "optimal" for the economy.



Polish Treasury bond yields were in a downtrend throughout 2020. They rose temporarily when the pandemic broke out but subsequent developments gave rise to a year-long downtrend as interest rates were cut close to nil while other central banks pursued a very relaxed monetary policy combined with aggressive asset purchase programmes. The trend was expedited by NBP's structural operations. The Polish central bank purchased more than PLN 100 billion bonds in 2020 and absorbed in large part the supply of PFR and BGK bonds. Other key factors included high liquidity in the banking industry as well as bond purchases by commercial banks.

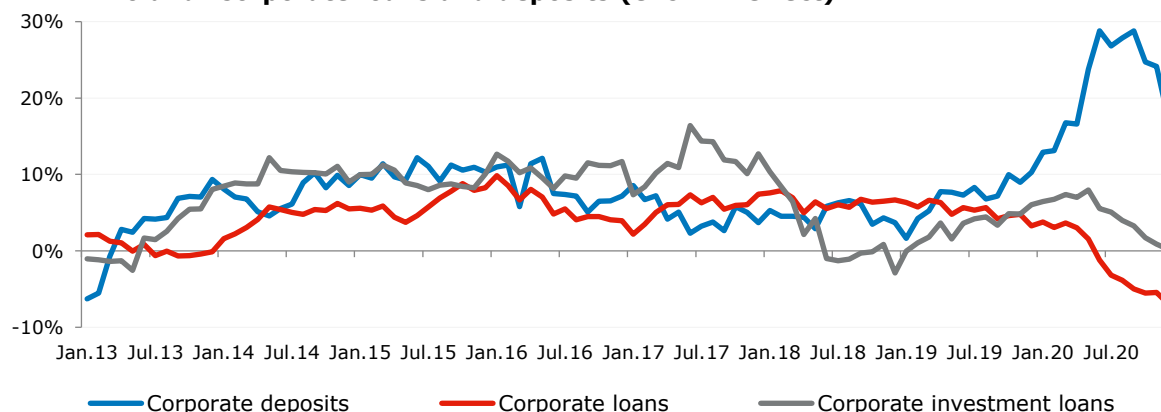
Polish Treasury bond yields



Banking sector

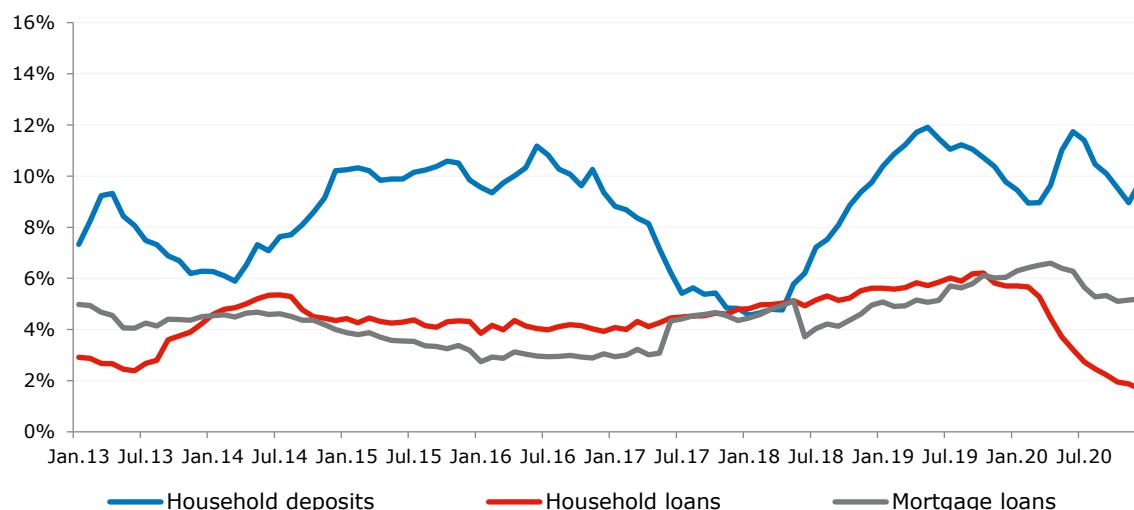
Although corporate deposits tend to be procyclical in line with GDP trends, it is not what happened in 2020. Unprecedented fiscal policy measures (government support schemes and additional support from PFR) boosted deposit volumes. In certain months, net of the FX effect, deposits would rise by nearly 30% year on year. Support for liquidity and debt (preferential loans, subsidies) helped companies to remain relatively resilient and put the economy on track to recovery after the lockdown was lifted. At the time of this writing, additional corporate subsidy schemes are being offered to companies affected by the lockdown during the second wave of the contagion. Lending evolved as it would during a recession: it shrank.

Poland: Corporate loans and deposits (excl. FX effect)



Household deposit volumes also rose sharply. On the one hand, consumers curbed their spending. On the other hand, the growth rate of the total salary pool remained positive, pumping cash into households' accounts. In addition, support schemes were offered to households (support for the unemployed). Interestingly, the pandemic brought a massive increase in appetite for cash. Cash in the economy increased by PLN 81 billion, i.e. 37% year on year in 2020. The strong increase in cash most likely reflects changing preferences of some households which are turning away from deposits as offered interest rates are hardly ever positive after NBP cut its reference rate to 0.1%. As for lending, demand of households dropped as did demand for corporate loans. Mortgage loans suffered much less than consumer credit.

Poland: Household loans and deposits (excl. FX effect)



2.3.2. Market and regulatory environment

mBank Group is an active participant and often a leader of changes introduced in expectation of and in response to developments in its environment, including the area of regulations and technology.

The Group employees spare no effort in proactively adjusting the offer and principles of operation to new challenges, always with an eye on building top quality relationships with stakeholders. Some of the requirements imposed on mBank and the Group subsidiaries do not affect clients directly, but still involve a heavy workload connected with adjusting internal processes. Below we discuss selected key developments significantly affecting mBank Group observed in 2020 or expected in the nearest future. Capital requirements and regulations on accounting and reporting standards have been addressed in dedicated sections of the report.

Legal and legislative amendments introduced in 2020 in connection with the COVID-19 pandemic, relevant to the bank

Legislators and regulators in Poland and the European Union took active steps to mitigate the impact of the COVID-19 pandemic. Such measures included actions preventing the spread of the contagion, such as temporary restrictions on the movement and assembly of people, border controls, and closing down of schools, shopping malls and other sectors of the economy. The scale of the lockdown depended on the spread of the pandemic, reaching its peak during the first and second wave of the contagion in the spring and in the autumn and winter, respectively. The key measures taken by the Polish government in order to cushion and mitigate the adverse impact of the pandemic on the economy and society were approved as a part of a legislative package known as the “anti-crisis shield”.

A milestone of late 2020 was the European Commission’s conditional approval of the first COVID-19 vaccine for trading across the European Union. The approval followed a positive scientific opinion issued for the vaccine by the Committee for Medicinal Products for Human Use of the European Medicines Agency. The strategic objective of the Polish National Vaccination Programme is to contain the COVID-19 pandemic by the end of 2021 subject to the highest safety standards in order to stabilise the economy.

Measures taken to mitigate the impact of the pandemic included steps in support of the financial system, including a cut of the reference rate of the Monetary Policy Council (RPP), a cut of the

mandatory reserve rate to 0.5%, repo operations of the National Bank of Poland (NBP), as well as potential LTROs. Measures directly impacting the banking sector included a March 2020 recommendation of the Polish Financial Supervision Authority (KNF) to pay no dividend in order to strengthen the capital base. A related objective of releasing capital in order to support lending follows from the Regulation of the Minister of Finance of March 18, 2020 revoking the regulation concerning the systemic risk buffer, which was thus reduced from 3% to 0%. Certain supervisory obligations were postponed.

Selected banks support anti-crisis measures indirectly, for instance by implementing a system supporting microfirms, small and mid-sized enterprises under the umbrella of the Financial Shield of the Polish Development Fund (PFR). More information concerning measures taken by the Group in connection with the COVID-19 pandemic is presented in other sections of this Report.

Anti-crisis Shield 1.0.

On March 31, 2020, the Sejm passed a law amending the Act on special solutions aiming to prevent, counteract and combat COVID-19, other contagious diseases and resulting crises and certain other Acts, known as Anti-crisis Shield 1.0. The law provides among others for a cap on non-interest costs of consumer credit. The provisions of the law concerning the cap came into force on March 31, 2020.

Anti-crisis Shield 4.0.

On June 19, 2020, the Sejm passed a law on subsidies for interest on bank loans granted to protect financial liquidity of enterprises affected by COVID-19 and on simplified creditor arrangement proceedings in connection with COVID-19, known as Anti-crisis Shield 4.0. Anti-crisis Shield 4.0 introduced credit holidays. The credit holidays provisions came into force on June 24, 2020. Credit holidays authorise borrowers to request the suspension of a consumer credit agreement or a mortgage loan agreement or a loan agreement within the meaning of Article 69 of the Banking Law (if the borrower is a consumer). Eligible for the suspension of loan agreements are borrowers who lost their job or other principal source of income after March 13, 2020. An agreement may be suspended for up to three months. In the suspension period, borrowers may not pay amounts due under the agreement other than insurance bundled with the loan agreement. The suspension period is excluded from the crediting period. The crediting period and all deadlines under the agreement are extended by the suspension period. No interest or fees are charged in the suspension period other than fees defined in the confirmation issued by the lender to the borrower.

Regulations imposing business restrictions or lockdowns

On March 20, 2020, the Minister of Health issued a regulation introducing the state of epidemic in the territory of the Republic of Poland, which imposed certain restrictions, orders and prohibitions on enterprises in connection with the state of epidemic. The first restrictions were imposed on businesses as of March 14, 2020. Subsequent regulations of the Council of Ministers imposing certain restrictions, orders and prohibitions in connection with the state of epidemic issued during the year limited to a certain extent economic activities and banned certain types of activities altogether.

Other laws and regulations

Proposal of the Chairman of the Polish Financial Supervision Authority concerning FX mortgage loans issue

In December 2020, the Chairman of the Polish Financial Supervision Authority (KNF) published a proposal of a systemic solution to the risks related to FX mortgage loans based on voluntary arrangements between banks and clients. The banks reviewed this proposal at the turn of the year. mBank is a party to court cases concerning FX loans initiated by the borrowers. Description of mBank Group's approach to the proposal of the PFSA's Chairman, an estimated potential impact of the conversion plan on mBank and detailed information about court proceedings are available in note 32

to the mBank S.A. Group IFRS Consolidated Financial Statements 2020. The Group's approach to the calculation of legal risk provisions relating to indexation provisions in CHF loan agreements is described in note 4 to the mBank S.A. Group IFRS Consolidated Financial Statements 2020.

Brexit – a trade agreement between the European Union and the United Kingdom

The Trade and Co-operation Agreement between the European Union and the European Atomic Energy Community and the United Kingdom of Great Britain and Northern Ireland signed on December 30, 2020 governs the relations between the EU and the UK as of January 1, 2021. The Agreement was approved on December 24, 2020. Although the UK formally left the European Union on January 31, 2020, a transitional period was in effect until December 31, 2020, when internal market and customs union regulations continued to apply. The Trade Agreement facilitates future trade between the parties compared to the rules of the World Trade Organisation which would apply otherwise. However, the Agreement notwithstanding, Brexit will affect trade between the EU and the UK as well as the freedom of movement between the parties.

Given that the United Kingdom is a third country for the European Union as of January 1, 2021 and no longer a member of the European Economic Area (EEA), the provision of financial services from the UK in the EU is subject to certain regulations applicable to third countries in the member states. The European Commission decided on September 21, 2020 to extend the equivalence of UK central counterparties (CCPs) which will continue to serve their EU clearing members until June 30, 2022.

At mBank, we monitor developments related to Brexit and its consequences on an ongoing basis. We inform about events that will affect our clients. We have not noticed a notable negative impact of Brexit on our financial servicing of the corporate clients. In the case of Private Banking clients, we have applied the adequate rules for services during the transition period. We have also adapted them to the arrangements applicable after the end of the transition period, depending on the type of product and service, as well as the status and the place of residence of the client.

EBA Guidelines on loan origination and monitoring

EBA issued the Guidelines on loan origination and monitoring on May 29, 2020. The Guidelines supplement the legal regime for creditworthiness assessment in banks, among others concerning the pricing of credit products taking into account the cost of risk and integrating ESG factors in the process. The Guidelines focus on prudential aspects and consumer protection in the credit process. The Guidelines need to be implemented by supervisory authorities by integrating them into their processes and procedures. The Guidelines should also be implemented by banks in their business.

The Act of August 30, 2019 amending the Commercial Companies Code and certain other Acts

The mandatory dematerialisation of shares introduced in an amendment of the Commercial Companies Code of August 30, 2019 was designed to ensure that shares of all joint-stock companies and limited joint-stock companies are only represented by electronic records while certificated shares become null and void as of January 1, 2021. Shares will only be uncertificated, either entered into a shareholder register or dematerialised i.e. recorded in Krajowy Depozyt Papierów Wartościowych S.A. (Central Securities Depository of Poland, "KDPW"). A shareholder register will be set up, where all registration shares and rights attached to such shares will be disclosed. Registration shares include both registered shares and bearer shares. Transfer of ownership of shares will require an entry in the register. The deadlines for the dematerialisation of shares have been extended under Anti-crisis Shield 3.0. As a result, certificated shares will become null and void and entries in the shareholder register will come into force as of March 1, 2021. Companies were required by September 30, 2020 to select a register operator, sign an agreement with the operator, and issue the first call to their shareholders to deposit certificated shares.

Recommendation Z concerning internal governance in banks

On October 9, 2020, the Polish Financial Supervision Authority issued Recommendation Z concerning internal governance in banks. The Recommendation supplements and expands the legal regime of

the internal governance in banks. It covers among others the suitability assessment of the supervisory board, the management board and the key position holders including their knowledge, skills and experience, regular reviews of the suitability policy, determination of the relationship of remuneration of members of the management board to remuneration of other bank employees reflecting the obligations and responsibilities of individual members of the management board. The Recommendation imposes requirements regarding transparent and objective rules of recruitment and promotion in banks. Banks are required to align their policies and procedures with the Recommendation by the end of 2021.

Methodology of the suitability assessment of members of authorities of supervised entities

The Polish Financial Supervision Authority published the Methodology of the suitability assessment of members of authorities of supervised entities on January 27, 2020. The Methodology clarifies regulations and supervisory requirements concerning the transparency and predictability of the suitability assessment process among others by providing a set of assessment forms for individual criteria as well as examples of process maps. The supervisory expectations and good practice covered by the Methodology relate among others to the criteria of individual and collective assessment, specific positions and functions, as well as tools supporting the process. The requirements have to be integrated into internal processes of suitability assessment and into applications filed with the Polish Financial Supervision Authority.

Communication of the Polish Financial Supervision Authority concerning processing of information by supervised entities in a public or hybrid computing cloud

In its Communication of January 23, 2020, the Polish Financial Supervision Authority introduced new definitions of disclosure, encryption and outsourcing to a computing cloud. The objective is to address doubts in interpretations of supervised entities in the financial sector. It is a priority of the Polish Financial Supervision Authority to protect the processing of information critical to the processes or activities of supervised entities and information which is legally protected. According to the recommendations, data processing centres should be located in EEA member states. The deadlines for alignment with the Communication were extended due to the outbreak of the COVID-19 pandemic. On 26 March 2020, the Polish Financial Supervision Authority extended the deadline for the implementation of the regulation to 1 November 2020. Entities using computing cloud services are required to notify the Polish Financial Supervision Authority thereof within 30 days of initiating such operations.

BFG MREL Communication

In its Communication of March 26, 2020, the Bank Guarantee Fund (BFG) announced measures to be taken with regard to the Minimum Requirement for own funds and Eligible Liabilities (MREL) in connection with the COVID-19 pandemic. MREL update will include the elimination of the systemic risk buffer. The first binding mid-term MREL target is set for January 1, 2022. The final MREL deadline under BRRD2 was extended by one year to January 1, 2024.

Regulation concerning documents relating to banking activities prepared on IT media

The Regulation will replace the 2004 Regulation by adding electronic seals referred to in eDIAS to electronic signatures which are already available. The Regulation also allows for keeping of records of banking operations in a decentralised, distributed database. The Regulation defines requirements for the protection of documents. The Regulation of March 9, 2020 comes into force six months after publication.

CRR II and CRD V

On February 17, 2020, the Polish Financial Supervision Authority (KNF) issued a letter to banks which outlines KNF's expectations concerning legal opinions on derivatives agreements. In KNF's opinion, in order to net debits arising from derivatives with their clients and to apply reduced risk weights, banks are required to provide KNF with legal opinions for each master agreement. Only those agreements whose legal opinions are approved by KNF may use reduced risk weights.

Benchmarks – GPW Benchmark authorised as the administrator of the critical benchmark WIBOR

In December 2020, the Polish Financial Supervision Authority authorised GPW Benchmark as the administrator of the critical reference benchmark WIBOR. WIBOR is a critical benchmark entered into the European Commission list, broadly used in contracts and financial instruments. According to the requirements of the EU Benchmark Regulation (Regulation 2016/1011 of June 8, 2016, "BMR"), GPW Benchmark became a licensed benchmark administrator. The harmonisation with BMR, including the development and implementation of a system for automated contribution of input data based on market transactions, was completed with active participation of Fixing Participants including mBank.

Other relevant regulations and consultations – effective and expected

The Regulation of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector came into force on December 29, 2019 and takes effect as of March 10, 2021. The Regulation imposes the requirement of sustainability-related disclosures in the context of offered financial products and made investment decisions. The objective is to improve the quality of information concerning environmental, social and sustainable investments. The European Supervisory Authorities (ESAs) will draft regulatory technical standards to further specify the content, methodologies and presentation of information in relation to sustainability indicators by December 30, 2021. mBank participates in the consultation of indicators defined in the Regulation as one of the participants of the Polish financial market.

Regulation of the European Parliament and of the Council (EU) 2020/852 of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088 (Taxonomy), published in the EU Official Journal on June 22, 2020, comes into force in December 2021. It harmonises at EU level the criteria of assessment of business activities as environmentally sustainable. The Regulation authorises the European Supervisory Authorities to define the scope of sustainable investment disclosures in regulatory technical standards.

Banks are following closely the efforts of the European Banking Authority (EBA), including the EBA Action Plan on Sustainable Finance, which focus on the expected impact of environmental, social and governance factors (ESG). In 2020, we consulted the document concerning a single definition of ESG risks and their potential integration into supervisory assessments of financial institutions. mBank monitors and aligns with regulations, guidelines and good practice of sustainable development, as demonstrated by the fact that mBank's ESG strategy is an integral component of its business strategy.

In 2020, a legislative amendment of the Act on the Bank Guarantee Fund, the deposit guarantee scheme and bank recovery and resolution and certain other Acts was discussed in order to transpose BRRD2 to the Polish legal system, and the transposition of CRDV/CRR2 was underway through an amendment of the Banking Law and other Acts.

2.3.3. mBank Group's market position of segments

Our objective is to provide an attractive offer to a wide range of clients while achieving business and financial goals. This is reflected in the development dynamics in particular areas. The market position and shares of mBank and selected subsidiaries at the end of periods are illustrated in the following table:

Performance indicators¹: mBank vs sector

Net interest margin	2.28%	vs 2.11%
Cost-to-income ratio	50.2%	vs 58.0% (including banking tax)
Return on Assets	0.06%	vs 0.35%
Return on Equity	0.6%	vs 3.5%
Loans to deposits	79.8%	vs 79.5%

Business category (# - market position)	Market share			
	2017	2018	2019	2020
Corporate Banking				
Corporate loans	6.4%	6.6%	7.5%	7.6%
Corporate deposits	9.6%	9.0%	9.9%	9.4%
Leasing	7.4%	7.4%	6.8%	7.3%
Factoring (#5 on the market)	7.2%	7.9%	7.9%	8.2%
Retail Banking in Poland				
Total loans	6.3%	6.5%	7.0%	7.4%
of which mortgage loans	6.9%	6.9%	7.4%	7.9%
Non-mortgage loans	5.4%	5.8%	6.5%	6.6%
Deposits	5.9%	6.4%	7.0%	7.8%
Retail Banking in the Czech Republic				
Total loans	1.4%	1.4%	1.3%	1.6%
of which mortgage loans	1.7%	1.6%	1.4%	1.7%
Non-mortgage loans	0.8%	0.9%	1.0%	1.2%
Deposits	1.6%	1.7%	1.6%	1.8%
Retail Banking in Slovakia				
Total loans	0.6%	0.6%	0.7%	1.0%
of which mortgage loans	0.6%	0.6%	0.7%	1.1%
Non-mortgage loans	0.6%	0.7%	0.8%	1.0%
Deposits	1.7%	1.8%	1.9%	2.1%
Investment Banking				
Financial markets³				
Treasury bills and bonds	14.8%	14.3%	11.3%	10.6%
IRS/FRA	12.5%	10.7%	15.1%	20.7%
Non-Treasury securities (the value of debt)				
Short-term debt securities (#5 on the market)	7.4%	11.6%	9.2%	4.0%
Corporate bonds (#3 on the market)	12.9%	12.0%	12.1%	11.7%
Bank debt securities ⁴ (#1 on the market)	31.2%	23.4%	23.8%	20.6%
Brokerage				
Equities trading (#6 on the market)	5.3%	4.1%	3.4%	5.3%
Futures (#2 on the market)	11.9%	15.6%	13.0%	17.6%
Options (#7 on the market)	12.8%	12.0%	9.4%	4.4%

Source: Own calculations based on data from mBank, NBP, WSE, Česká národní banka (ČNB), Národná banka Slovenska (NBS), Fitch Polska, Polish Factors Association, Polish Leasing Association, press reports.

¹ mBank Group ratios calculated as defined below, except for Net Interest Margin which was adjusted to sector calculation (net interest income divided by average total assets).

Sector data as at December 31, 2020 (released on February 17, 2021). Sector ratios calculated based on the monthly data of banking sector published by PFSA (banking sector together with branches of credit institutions).

Net interest margin: net interest income divided by average total assets (calculated based on the end-of-month data)

Cost/Income ratio (incl. banking tax): total costs (sum of administration costs and depreciation) divided by net total operating income.

Return on assets: profit for the year divided by average total assets (calculated based on the end-of-month data)

Return on equity: profit for the year divided by average total equity (calculated based on the end-of-month data)

Loan to deposit ratio: sum of loans and advances at amortised cost, loans and advances/other receivables at fair value through other comprehensive income and loans and advances/other receivables designated at fair value through profit or loss divided by deposits (measured at amortised cost) as of the end of period.

² 2017 market share updated compared to value presented in the Management Board Report on Performance of mBank S.A.

Group in 2017 due to update of data by the Polish Factors Association.

³ Data as at November 30, 2020

⁴ Excluding "road bonds" issued by Bank Gospodarstwa Krajowego (BGK).

2.4. Shareholders

mBank shares have been listed on the Warsaw Stock Exchange (WSE) since 1992.

As at December 31, 2020, mBank's registered share capital amounted to PLN 169,468,160 and was divided into 42,367,040 shares, including 42,356,040 ordinary bearer shares and 11,000 ordinary registered shares with a nominal value of PLN 4 each. Each share carries one voting right at the Annual General Meeting.

In 2020, the number of mBank's shares increased by 16,673.

Moreover, in June 2020, 1,000 registered shares of mBank were converted into ordinary bearer shares and assimilated with the bank's shares traded on the stock exchange.

mBank shares are included in the following indexes:

WIG
WIG-Poland
WIG30
WIG30TR
mWIG40TR
WIG-Banks
WIG-ESG
CEEplus
MSCI Poland small cap

Information concerning mBank shares	2019	2020
Total number of shares	42,350,367	42,367,040
Nominal value per share (PLN)	4.00	4.00
Registered share capital (PLN)	169,401,468	169,468,160
Share price at closing of the year's last trading session (PLN)	389.40	179.20
P/E ratio	16.3	73.1
P/BV ratio	1.0	0.5
Maximum share price (PLN)	469.40	400.00
Minimum share price (PLN)	303.20	115.50
Market capitalisation at the year-end (PLN billion)	16.5	7.6
Average traded volume (PLN million)	8.5	10.3
Dividend per share (paid out in the year, PLN)	0	0

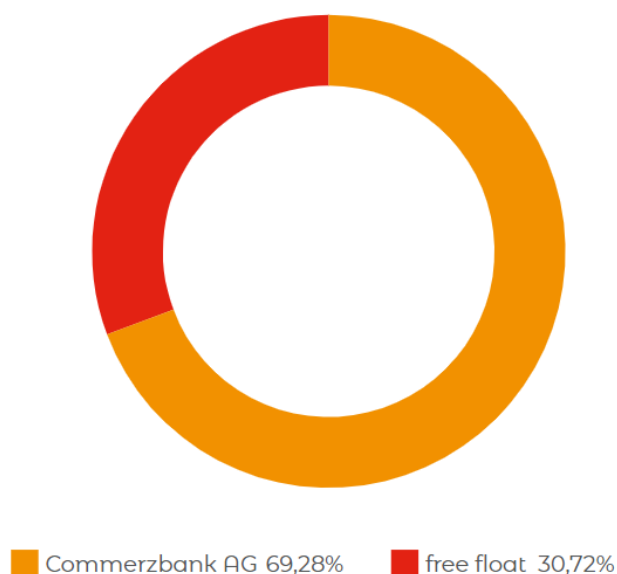
Until October 14, 2020, mBank shares were a component of WIG20 and WIG20TR indices. As a result of the extraordinary adjustment of WIG20, WIG20TR and mWIG40 and mWIG40TR indices portfolios, mBank was replaced by Allegro in the blue-chip index WIG20 and in WIG20TR. mBank, for its part, replaced

VRG S.A. in the mid-cap mWIG40 index and in mWIG40TR. The extraordinary adjustment of the indices results from the IPO of Allegro shares.

In addition, after the 30 November 2020 session, as part of the periodic revision of MSCI indices, mBank was dropped from MSCI Poland index and joined the MSCI small cap index.

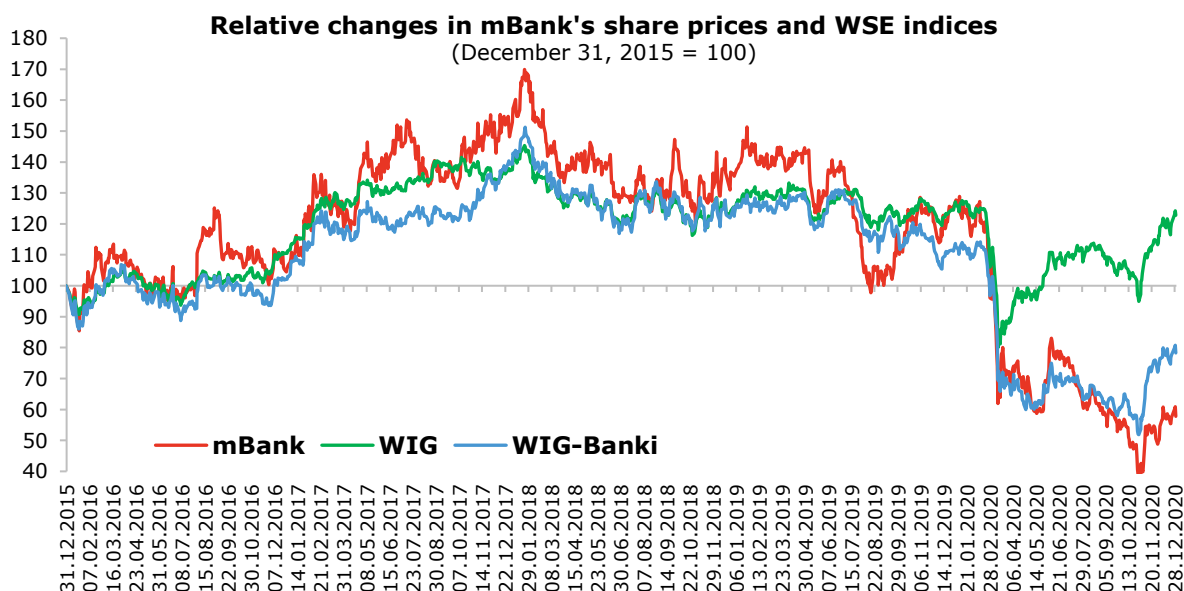
mBank shareholders and share price on the WSE

mBank shareholders



For more information about mBank's shareholders read the Statement of mBank on Application of Corporate Governance Principles in 2020, chapter "Significant blocks of shares".

Performance of shares in 2020



mBank's share price at close of trade in 2020 (December 30) stood at PLN 179.20, which represents a decline by 54.0% compared with the last trading day of 2019 (December 30). During this period, WIG index fell by -1.4%, WIG20 index declined by -7.7% and WIG-Banks index by -29.6%. The stronger decline of mBank's share price than WIG-Banks index resulted from i.a. the

growing number of lawsuits concerning CHF-indexed housing loans and court decisions unfavourable for the bank, as well as deletion of mBank shares from WIG20 and MSCI Poland indices in Q4 2020.

mBank share price vs. indices	2016	2017	2018	2019	2020
mBank	+6.8%	+38.7%	-8.8%	-8.2%	-54.0%
WIG-Banks Index	+2.9%	+35.4%	-12.1%	-9.2%	-29.6%
WIG	+11.4%	+23.2%	-9.5%	+0.2%	-1.4%
EURO STOXX Banks Index	-8.1%	+10.9%	-33.3%	+11.1%	-23.7%

Out of thirteen bank analysts and brokers who actively monitored mBank's financial results and issued recommendations for mBank shares, at the end of 2020, four analysts recommended buying mBank shares, three analysts recommended selling shares, and the remaining six issued a "hold" recommendation.

The current consensus regarding mBank Group's expected results is available on mBank's website: <https://www.mbank.pl/en/investor-relations/shares/consensus.html>

Investor Relations at mBank

Acting in cooperation with the Management Board and other organisational units of the bank, the Investor Relations Team provides analysts and investors with reliable and complete information about mBank Group, in compliance with the reporting obligations arising from the group's operation on the regulated market. mBank applies the corporate governance principles described in detail in mBank's statement on application of corporate governance principles in 2020. From October 2020, the Investor Relations Team was incorporated into the newly created Treasury and Investor Relations Area and reports directly to the Managing Director for Treasury and Investor Relations.

Transparent communication with stakeholders and equal access to information help build confidence of the market. mBank has been actively communicating with capital market participants, which includes activities addressing and adjusted to the needs of individual groups, in accordance with the best market standards and practices.

The COVID-19 pandemic has changed trends in investor relations, accelerating the digitization of contacts. Face-to-face meetings with investors and analysts have been replaced by video or teleconference meetings. We also participated in online conferences, which were very popular. The importance of information provided by e-mail and regularly updated material available on mBank's website has increased.

Investor relations website (<https://www.mbank.pl/en/investor-relations>) features information divided into categories, in particular periodic reports, financial results and selected business data, presentations and video recordings of earnings conferences, data on shareholders and share price of mBank on WSE, consensus of forecast results of the Group, compendium of knowledge for new investors, current reports, information on AGMs, ratings and debt instruments. The website gives investors access to historic results of the Group and the bank (periodic reports, presentations and video recordings of earnings conferences) and to an archive of Annual General Meetings. In 2020 we added a new document, called „mBank Sustainability Standards” to our website, including basic information on our approach to ESG as well as a summary of the most important policies related to the environmental, social and governance issues. Analysts and mBank's investors are kept abreast of the major developments in mBank Group in a monthly **Newsletter** and ad-hoc e-mails.

Conferences

In 2020 investors and stock market analysts participated in four **earnings conferences** announcing mBank's financial results, conducted remotely for security reasons. All meetings with the Management Board accompanying the announcement of quarterly figures were posted on the bank's website. Relations with analysts, shareholders and potential investors are also strengthened through meetings at **conferences organised by Polish and foreign brokerage houses**. In 2020, mBank participated in seven conferences, mostly organised virtually. Moreover, together with Dom Maklerski

mBanku we organised a virtual roadshow which was an opportunity to discuss with foreign investors from Germany, UK, Austria, Hungary and Latvia. Throughout the year, apart from meetings at conferences and roadshows, the Management Board members and/or the Investor Relations team held individual meetings with investors and analysts. Some investors were interested in discussing the ESG-related topics. In cooperation with other units, in particular CSR experts, we answered multiple questionnaires and surveys concerning ESG, which attracts increased attention of the various stakeholders.

Meetings with rating agencies analysts

In 2020, the Management Board representatives met online with the analysts from **rating agencies**. Moreover, the bank has been in regular contact with rating agencies through teleconferences and e-mails exchanged with analysts.

Credit ratings of mBank and mBank Hipoteczny

S&P Global Ratings	Ratings of mBank
Long-term issuer credit rating (foreign currency)	BBB (negative outlook)
Short-term issuer credit rating (foreign currency)	A-2
Stand-alone Credit Profile (SACP)	bbb
Rating of unsecured debt issued under the Euro Medium Term Note Programme (EMTN)	BBB
Long-term resolution counterparty ratings (long-term RCR)	BBB+
Short-term resolution counterparty rating (short-term RCR)	A-2

Fitch Ratings	Ratings of mBank
Long-term IDR (foreign currencies)	BBB- (stable outlook)
Short-term IDR (foreign currencies)	F3
Viability rating	bbb-
Support rating	3
Rating of unsecured debt issued under the Euro Medium Term Note Programme (EMTN)	BBB-

Moody's Investors Service	Ratings of mBank*	Ratings of mBank Hipoteczny
Long-term Deposit Rating (foreign currency)	A3 (stable outlook)	-
Short-term Deposit Rating (foreign currency)	Prime-2	-
Long-term Issuer Rating (foreign)	-	Baa2 (stable outlook)
Short-term Issuer Rating (foreign)	-	Prime-2
Long-term Counterparty Risk Rating (foreign currency)	A2	A3
Short-term Counterparty Risk Rating foreign currency)	Prime-1	Prime-2
Baseline Credit Assessment (BCA)	baa3	-
Adjusted Baseline Credit Assessment	baa2	-
Rating of covered bonds issued by mBank Hipoteczny	-	Aa2

* rating based solely on publicly available information

Capital Intelligence Ratings	Ratings of mBank*
Long-term rating (foreign currency)	BBB+ (stable outlook)
Short-term rating (foreign currency)	A2
Bank Standalone Rating (BSR)	bbb+
Core Financial Strength (CFS)	bbb

* rating based solely on publicly available information

mBank's rating by EuroRating

On November 20, 2020, EuroRating carried out periodic verification of mBank's credit rating. The bank's rating was maintained unchanged at "BBB" with a negative outlook.

Summary of ratings for Poland, mBank and Commerzbank

The table below compares long-term ratings (foreign currency) for mBank, Commerzbank and Poland assigned by Fitch, S&P i Moody's, as at the end of December 2020.

Rating agency	Poland	mBank S.A.	Commerzbank AG
Fitch Ratings	A- (stab.)	BBB- (stab.)	BBB (neg.) ¹
S&P Global Ratings	A- (stab.)	BBB (neg.)	BBB+ (neg.)
Moody's Investors Service	A2 (stab.)	A3 (stab.) ²	A1 (stab.) ²

¹ Fitch Ratings plans to withdraw Commerzbank AG's ratings on or about 5 March 2021 for commercial reasons.

² Long-term Deposit Rating

Rating outlook indicated in brackets: stab. - stable, neg. - negative.

2.5. Innovations

mBank has implemented the online payment gateway Paynow

Paynow is a new service that mBank has made available to its business clients. The gate was created in cooperation with our subsidiary mElements. It is an online payment system for e-commerce. To use it, all you need is a company account and, of course, a website with an e-shop. The payment management panel is integrated with the bank's transactional service. This is a unique solution on the Polish market. The client logs in to it in the same way as to the bank. The service is visible in the "Payments" tab. Its activation is free of charge. Paynow is the first payment integrator using cloud solutions. And the fastest – the money is visible on the account immediately after the customer makes the payment. The service has been designed so that it can be easily used also on mobile devices.

The main advantages of paynow are speed of operation and low price. In March 2020, due to the difficult economic situation caused by the COVID-19 pandemic, we supported entrepreneurs by excluding commissions for the time of the Spring lockdown. During this time, we focused on the needs of our customers and worked on improving the gate. We have integrated new platforms thanks to which paynow is open to a wider group of recipients. We have implemented automatic returns and support for many stores without additional formalities. We have made a paynow panel available for proxies. We provide automatic invoicing for the clients in the transaction service. In August 2020, we also expanded the scope of payments made. Customers can conveniently pay with BLIK, online transfer, as well as with a payment card.

The development of our offer in the field of digital transformation is a response to the changes in customer needs resulting from the current market situation. It is also our reaction to the dynamic

increase in sales in remote channels, which we see as an extremely promising source of income in the coming years.

Social campaign “Cyfrowe rewolucje” (“Digital Revolution”)

Aside from the e-commerce package dedicated to its clients, mBank helps companies build momentum with the social campaign “Cyfrowe rewolucje” (“Digital Revolution”). The core of the campaign are educational activities which help entrepreneurs create a successful online shop. We are the first online bank in Poland to support the transformation of our clients. The materials available at www.mbank.pl/cyfrowerewolucje include not only expert articles or industry reports, but also profiles of companies which have started a successful e-commerce business and wish to share their experience. The website offers unlimited access to expert articles, webinars, and industry reports. mBank has also prepared online educational meetings in the form of webinars and the brand new “speed dates” with experts, which were launched in August 2020.

The campaign was promoted with a contest addressed to companies with a turnover of up to PLN 50 million. The participants had a chance to win two packages of specialist services worth PLN 100,000 each, and ten prizes worth PLN 10,000 each. The prizes, comprising services tailored to the size of a given company, helped companies to start or develop their e-commerce business. The partner of the campaign is the Chamber of Electronic Economy, while the contest is sponsored by MasterCard.

More information on how mBank supports digital transformation of the business clients can be found in chapter [2.8.1. Retail banking](#).

mBank increases RES funding limit to PLN 4 billion

For many years, at mBank we have been implementing ESG activities (E – environment, S – social responsibility, G – corporate governance), including climate policy. We support the green transition of the energy sector, among others by financing projects that help reduce greenhouse gas emissions. In December 2018, we approved the Credit Policy of mBank S.A. concerning the financing of renewable energy installations and we decided to allocate PLN 500 million for this purpose. In 2020, we doubled the credit limit for financing renewable energy sources twice: in March to PLN 2 billion, and in December - to PLN 4 billion. The current limit puts mBank among the leaders in financing the energy transition in Poland.

At mBank, we finance investments in renewable energy sources both under the auction support system and outside the auction system. In 2020, mBank financed investments in the field of photovoltaics (photovoltaics, PV), allocating approximately PLN 440 million for this purpose. In the discussed period, mBank also granted financing for wind farms in the amount of PLN 790 million. At the end of 2020, the level of use of the RES limit from the beginning of the policy implementation was 49%. The value of all financing by mBank was PLN 1,970 million. This includes PLN 720 million for PV projects, PLN 1,180 million for wind farms and PLN 70 million for biogas plants, both within and outside the policy. This translates into approx. 1,440 MWp of clean energy per year.

One of the largest transactions carried out by mBank in 2020 is another agreement for financing R.POWER solar projects. mBank granted a loan for this purpose worth PLN 102 million. This is the third agreement between the parties to finance solar farm projects. The total value of all loans granted to the R.POWER Group by mBank reached PLN 355 million. The latest round of financing R.POWER group projects will be allocated to the construction of 32 power plants with a total capacity of 29.4 MWp, located across Poland.

New features of online banking

In 2020, we have been dynamically introducing changes to online banking. They covered not only the planned implementations, but also adjustments to the situation related to the COVID-19 pandemic. We continued the introduction of new pages of the internet transactional system based on React technology. It allows to turn on functionalities for small groups of customers and service the website in the beta version. Thanks to the library of components used, the service is intuitive and repeatable. The customer's assessment of the intuitiveness of the website



has increased by several dozen percent since the beginning of 2020. The changes included key scenarios of mBank's clients in Poland, such as navigation, domestic and foreign transfers, communication and sales via the website, as well as an overview of accounts and savings. The technology used allows for easy creation of language versions and collection of clear statistics on the use of the website by customers. It also enhances the inclusion of mobile views (RWD) and support for blind customers. We have also gained the ability to create hybrid applications by embedding common views in online banking and our mobile applications.

The selected most important changes implemented in 2020 in the internet banking service include, among others:

- **#bankfromhome (#bankujezdomu)** - we launched a website where we kept our clients informed on how to safely bank during a pandemic. We advised which products and services will help our retail and corporate clients to conveniently use mBank without leaving home. As we encouraged more online activity, we also warned of the threat from cybercriminals. We have also not forgotten about the up-to-date information on the operation of the branches, so that this group of clients also feels that we are looking after them. The website for retail clients is available at <https://www.mbank.pl/lp/zobacz-jak-wiele/>, and for corporate clients - at <https://www.mbank.pl/lp/zobacz-jak-many-corporo/>;
- **Electronic signing of agreements for corporate clients** - mBank continues to digitalise processes to enable clients to bank remotely. Starting from March, corporate clients can sign and send any application, statement, document or agreement with mBank without stepping into the bank. mBank was the first bank in Poland to offer this opportunity to corporate clients. Once the terms and conditions of an agreement are agreed on between a client and their advisor over the phone, the advisor sends digitally signed documents to the client. Next, the client signs the agreement and a statement using a qualified electronic signature and sends them back to the bank. If the client does not have a qualified electronic signature, they send the documents via mBank CompanyNet and fill in an application as instructed by the advisor. The application must be authorised in the electronic banking system in line with the general rules of company representation (CEiDG/KRS). Other formalities are dealt with by mBank employees. The process covers agreements which can be signed electronically under the applicable law. Moreover, it does not cover processes which could previously been initiated using electronic applications in mBank CompanyNet available in the virtual branch;
- **Remote account opening for corporate clients** - a fully electronic process enables corporate clients to open bank accounts and access mBank CompanyNet, the state-of-the-art banking system. All documents required in the process are signed using a qualified electronic signature by both parties. At every stage of the process clients are assisted by advisors, whether by email or phone. This solution is dedicated to entities established under Polish law as well as to legal persons and organisational units without legal personality which are granted legal capacity by law entered in the National Court Register (KRS). It is also available to sole proprietors (including civil-law partnerships) entered in the Central Register and Information on Business (CEiDG) and represented by holders of a personal identification number PESEL and a Polish ID card. Up-to-date information about remote banking for corporate clients is available at <https://www.mbank.pl/lp/zobacz-jak-wiele-korpo/>;
- **Mortgage loan available online** - starting from May 2020, clients may apply for a mortgage loan without leaving home - either by phone or via an app for sending documents. At each stage of the process, they have support of our mortgage expert with whom they confirm the application for a mortgage loan. Clients receive the application via email, print it and send its scan or a photograph to the bank via a dedicated app. Other documents required in the process are delivered in the same manner. This solution is safe, since all the files are transferred via the app, and emails sent to a client are additionally protected with a password sent to the client's phone number registered at the bank. The bank informs the client of its decision by email or via the

mortgage expert, and they visit the bank only once to sign the agreement. All the documents required by the bank to release the loan, e.g. a notary deed, are sent via the app;

- **Open banking solutions at mBank (income confirmation using AIS)** – clients with an account at mBank, who hold their basic account in a different bank, can be granted with a cash loan in a simplified process, without documenting the monthly salary on paper. mBank introduced a possibility to confirm the salary with the use of AIS service under the revised Payment Services Directive (PSD2). AIS (Account Information Services) offers an access to the bank account and allows to collect information on transactions, including salary inflows, directly from the customer's bank account. Clients can apply for a cash loan on the internet platform or mobile application or do it at the branch with the assistance of an advisor. Clients do not have to prepare any special documentation or statements. All they need to do is to log in to their account and choose their salary account. After the client's approval, mBank will download the data necessary to make a credit decision;
- We have extended the service of encrypted documents. The previous "Encrypted statements" service changed its name to "**Encrypted documents**". The password from the service secures not only the statements, but also other documents sent by e-mail to customers. To increase security, we have extended the required minimum password length for the service;
- We have shortened and **simplified the complaint path** – the customer can register them on their own, without contacting a bank employee. Last year, we enabled customers to submit complaints for card transactions in the transactional system. They apply to i.e. ATM withdrawals, online transactions and card payments in stores;
- As part of the "**Live globally**" package, we have introduced a set of facilitations for holders of payment cards, who are going abroad. They include, among others, increased security when paying by card – especially useful when paying abroad. It allows to block services such as surcharge, i.e. an additional fee charged by a foreign operator when withdrawing from an ATM or DCC, an offer to pay in your own currency instead of the local one. The service is also available in the mobile application;
- Our corporate clients gained the option of **invoicing**. We made the service available at the end of 2019, and we developed it a lot in 2020. We enable the issuing of sales invoices, also in foreign currencies. Clients can control their finances with interactive reports on invoice status, such as paid or overdue. In 2020, thanks to customer feedback, we updated the service with the option to select split payment, revoke deactivation of a recurring invoice and issue a reset invoice. The service was launched by over 6,000 customers, and the value of issued invoices reached over PLN 100,000;
- Corporate clients can also benefit from an extensive **accounting service**. We have separated INBOX in the mOrganizer system for online document exchange between entrepreneurs and accountants. We have created a separate tab to make it easier for entrepreneurs to access these "boxes" for electronic documents. Clients may also make parts of the system available to the accountant not related to mBank;
- **myID** (mojeID) – this is a service managed by KIR S.A. It allows bank's clients to confirm their identity and enables the banks to transfer their data to other entities providing services on the market. The mBank's customers can easily and securely access online services, for instance confirm their identity when concluding a contract. mBank and other banks appear in the *mojeID* service as their clients' Identity Providers (DT). Service providers on the market appear in this service as Service Providers (DU). Service Providers can be public and commercial entities. Data between DT and DU are transferred via the KIR system - eID Node. The service is becoming more and more popular among our clients. So far, nearly 14 thousand people have used it;
- **Junior account at mBank** – mBank launched eKonto Junior, a free account with a card for children aged below 13, which can be opened online. The young clients can also freely withdraw cash from ATMs. The account is owned by the guardian, who can view transactions made by the child and set daily spending limits. Children can customise the design of their card or choose an account-linked wristband to make payments. The offer is complemented by a dedicated

educational website whose host, Virtual Sam, teaches children how to pay by card and withdraw money. Sam explains the basic banking terms, such as a payment terminal, and teaches children about the security of banking products;

- **eMakler** – Since May 2020, individual investors have been able to become clients of mBank Brokerage Bureau online, without leaving home or even using courier services. The offer also applies to persons who do not hold personal accounts with mBank. Before, mBank clients were able to activate the eMakler service via online banking.

Mobility

During the COVID-19 pandemic, customers used both the mobile application and an internet banking more often. This was also reflected in the sales results. The share of the mobile application in the sale of cash loans increased from 18% in January to 26% in December. In the peak period, coinciding with the greatest restrictions related to counteracting the effects of the pandemic, this share amounted even to 30%. Despite a number of challenges related to the pandemic, following user suggestions, we have introduced a number of new features and improvements to the application.

- **Online account opening with a selfie** – a new video verification feature for those looking to open an account with mBank through a selfie. All they need to become an mBank client from the safety of their home is a smartphone and an ID card. The process is entirely remote and does not even require a courier because the bank account agreement is approved via a text message. The account is active on the next business day at the latest. Clients can pay by card even before they receive it physically, provided that they add a card featuring the MasterCard logo to Google Pay. The service is available on Android and iOS phones. Currently it is dedicated to people over 18 years old looking to open an individual account. Approximately 10% of mBank accounts opened via digital channels come from the mobile app;
- **Investment funds** - we have enabled access to the investment portfolio and execution of transactions on funds from the application level;
- **Request for a transfer to a mobile phone using BLIK** – mBank was the first to enable its clients to send a request for transfer to people from their contact list. All they need to do is log into the app and select a beneficiary using BLIK from their contact list. A request is accepted with a click in the app within 72 hours. The transfer is executed via BLIK, and this is why the funds are immediately transferred to the beneficiary's bank account once a client accepts the payment on their cell phone. Since the service is executed in the banking ecosystem, its users can be sure that the money will be transferred to the person known by them and verified by the bank;
- **New login method for Android** – now the clients can log into the application via recognition of the face, iris or other biometric methods of the device;
- **"I recommend mBank" (PolecamBank)** – mobile version of the mBank's product recommendation program for current clients;
- **mBank's mobile application integrated with Huawei Mobile Services** – mBank has extended the access to the mBank app to the latest Huawei mobile phones. The mobile application, available in AppGallery since May 2020, was integrated with Huawei Mobile Services. This means that the users of the newest Huawei appliances based on HMS can access fully-transactional tool to conveniently manage their finances. The application installed on Huawei devices with HMS services BLIK mobile payments;
- **New section Contact, Complaints and Suggestions** – rebuilt Contact section with the possibility of submitting complaints and suggestions from the level of the mobile application. The aim was to reduce mLinia's (mBank's contact centre by phone) involvement in handling complaints;

- **Scanning codes for automated data entry when applying for a car insurance** – all the applicant for a car insurance needs to do is to scan the code on the first page of the car registration document, and the app automatically fills out the form;
- **New homepage** – a refreshed look and new functionalities aimed at increasing the usability of the desktop and ensuring easier access to information. To rearrange the home page, users just tap and hold a product they want to have displayed on the home page without logging into online banking system, unlike it was before;
- Card changes: **card tracking option** allows clients to monitor the delivery of their card. It reduces the number of contacts with mBank via the call centre, chat or e-mail regarding the shipping status of the ordered card. **Card activation** is a novelty in the mobile application. It requires only to enter the card's expiry date in the application;
- **Copying the BLIK code** – a positively received change in the field of BLIK payments, resulting from the needs and suggestions of customers;
- **Multi-currency service activation** – the service can be activated in the details of a selected debit card. It is available even for clients not holding bank accounts in foreign currencies;
- **Message box** - changing the appearance of sections and dividing them into categories to organize and streamline communication in the mobile application;
- **Upgraded history transaction filters** – a full range of filters available on the home page for an easier review of transfers.

2.2 million clients currently use the mobile application, i.e. almost 85% of active customers. Users log into the application on average 30 times a month. July 2020 was the first month in which the number of customers using the mobile application exceeded the number of users logging in to the traditional transaction website. In the following months, the number of such customers has been growing steadily. For several years we have been observing a trend that mobile application users are more active and log in to the app more often than the customers using traditional internet banking. Consequently, the number of logins to the mobile app exceeded the number of logins from computers already in July 2017.

In March 2020, the mBank application won the second place in the voting of internet users in the prestigious Mobile Trends Awards competition. In all editions of the MTA competition, mBank's mobile solutions were awarded a total of 12 times (including 8 times on the highest podium).

mAccelerator - mBank's way to support start-ups

mAccelerator is a venture capital fund supporting the development and commercialization of new technologies. It was equipped with a budget of EUR 50 million (an equivalent of over PLN 200 million). The fund invest in minority stakes in technology start-ups, and also independantly (as a venture builder) establishes and develops technological companies. In both cases, the objective of investments is supporting companies, which have the potential to become a partner to financial institutions worldwide over time. It focuses on cybersecurity, biometrics, Robotic Process Automation (RPA), artificial intelligence and digital marketing (in particular chatbots and communicators). There are currently 7 companies in the fund's portfolio:

- Digital Fingerprints (a company offering a cyber-security solution based on passive biometrics);
- CyberRescue (a service supporting customers in terms of their network security);
- Digital Teammates (specializing in Robotic Process Automation);
- ChatForce (communication platform allowing automatic exchange of information with customers from mobile communication platforms);
- Samito (formerly SaveCart, a company offering marketing automation tools for online shops);

- HCM Deck - a technological HR platform, which supports HR departments in managing, automating and analyzing processes related to employee development in larger organizations;
- Drobna Ratka (a digital lender whose goal is to increase affordability in the motor insurance market by ensuring fast and trouble-free installment financing of third party liability insurance).

2.6. Capital adequacy and funding at mBank Group

2.6.1. Structure of own funds including Tier 1 and Tier 2 capital

The amount of capital maintained by mBank Group and mBank meets the regulatory requirements and allows for the planned business expansion at the defined risk appetite level.

This is reflected in the Common Equity Tier 1 capital ratio (19.59% at the stand-alone level and 16.99% at the consolidated level at the end of 2020) and the Total Capital Ratio (22.95% at the stand-alone level and 19.86% at the consolidated level at the end of 2020), which are above the levels recommended by the Polish Financial Supervision Authority (PFSA). The capital requirements for the Group and the bank as well as factors which influenced them in 2020 are described in details in chapter [5.2.7. Capital adequacy](#). Capital requirements for mBank Group decreased in November 2020, along with the decrease of individual additional Pillar 2 capital requirement for risk related to FX retail mortgage loans by PFSA (from 3.11% to 2.82% for the Total Capital Ratio and from 2.33% to 2.11% for the Tier 1 capital ratio).

Regulatory capital requirements for mBank Group as of December 31, 2020, are presented below.

■ **Countercyclical Capital Buffer** 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** determined at 3.0% in Poland entering into force from January 1, 2018; it replaced the previous PFSA add-on; for mBank it applies only to domestic exposures. Since March 2020, due to COVID-19 pandemic, this buffer amounts to 0% along with the decision issued by the Minister of Finance.

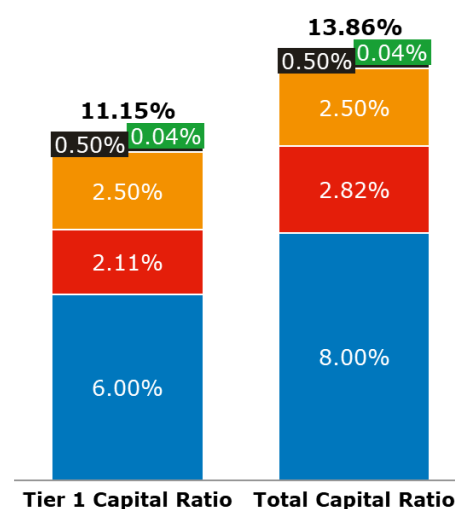
■ **Other Systemically Important Institution (O-SII) Buffer** imposed by an administrative decision of the PFSA, in which mBank has been identified as other systemically important institution; its level is reviewed annually.

■ **Conservation Capital Buffer** 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. Its implementation has been gradual. Since January 1, 2019 it has risen to 2.5% and was binding at this level in 2020.

■ **Individual additional Pillar 2 capital requirement for risk related to FX retail mortgage loans** 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** based on Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Own funds at the consolidated level stood at PLN 17.5 billion at the end of 2020, out of which PLN 15.0 billion (85.5%) was Tier 1 capital. The main components of **Tier 1 capital** include: share capital,



share premium, other reserve capital, undistributed profit from previous years, funds for general banking risk, recognized current profits and accumulated other comprehensive income. Tier 1 capital is strengthened mainly through retained earnings.

Tier 2 capital stood at PLN 2.5 billion at the end of 2020, which represents an increase of PLN 60.8 million year on year. The increase was due to the recognition of a surplus of credit risk adjustments over expected losses according to the AIRB method included in the Tier 2 capital in the amount of PLN 118.3 million and a higher value of the subordinated loan denominated in CHF due to the depreciation of PLN. The above increase was partially consumed by the decrease in the value of subordinated bonds by PLN 143 million year on year due to the amortisation of the capital value pursuant to Art. 64 CRR (the amount of subordinated debt with a specified maturity classified as own funds is subject to daily amortisation over the last 5 years to final maturity).

The table below presents the balances of mBank Group's subordinated debt as at December 31, 2020.

Type	Nominal value	Currency	Maturity date	Tier 2 Capital
Loan	250 M	CHF	21.03.2028	Yes
Bond	750 M	PLN	17.01.2025	Yes, but recognised in own funds in the amount of PLN 607 million due to the amortisation period
Bond	550 M	PLN	10.10.2028	Yes
Bond	200 M	PLN	10.10.2030	Yes

The current structure of the bank's capital base derives from prior decisions regarding retained earnings and additional capital increases. Between 2002 and 2011, mBank retained all of its earnings by decision of the Annual General Meeting, while the 2012 dividend made up 35% of mBank's net profit followed by a 67% dividend payment in 2013. The profit for 2014, 2015 and 2016 was included in whole in the bank's own funds. In April 2018 General Meeting of Shareholders decided on dividend payout of PLN 217.9 million, i.e. 20% of net profit generated in 2017. The undistributed profit from previous years in value of PLN 1.2 billion was transferred to the supplementary capital of the bank. In March 2019 the Annual General Meeting decided not to pay out the dividend from the 2018 net profit. The amount of PLN 248.2 million was allocated to the losses from previous years and the amount of PLN 1,069.3 million was left undivided. In March 2020, in accordance with the recommendation of the Polish Financial Supervision Authority to suspend payments of profit due to the pandemic, the General Meeting of Shareholders decided that the net profit of mBank S.A. obtained in 2019 in the amount of PLN 981.0 million should remain undivided.

More information on capital adequacy are presented in note 45 to the mBank S.A. Group IFRS Consolidated Financial Statements 2020. Detailed information concerning dividend policy are presented below.

2.6.2. Dividend

The ability to pay out dividends is provided for in the "mobile Bank" strategy of mBank Group for 2016-2020 and remained valid in the strategy for 2020-2023. However, in its decision recommending the dividend payment to the Supervisory Board, the Management Board of mBank mainly considers current recommendations of the Polish Financial Supervision Authority concerning dividend payments by banks.

Taking into account the above criteria, the dividend yield for mBank was 5% of the net profit for 2019. In March 2020, due to the state of the epidemic announced in Poland and possible further negative economic consequences of this state, the Polish Financial Supervision Authority, however, recommended the banks to retain all profit generated in previous years, which is why mBank withdrew its decision to pay out a dividend of 5% of the net profit for 2019. In addition, in December

2020, the KNF announced its position on the payment of dividends in 2021. Due to the significant uncertainty as to the further developments related to the COVID-19 pandemic, the temporary nature of solutions used by banks to improve the capital situation during the pandemic, the continued cautious supervisory positions in the EU regarding dividend restrictions and other forms of lowering capital resources, and also the amendment of the EBA guidelines extending the moratoria, the KNF deemed it necessary for commercial banks to suspend the payment of dividends in the first half of 2021.

2.6.3. Minimum requirement for own funds and eligible liabilities (MREL)

In accordance with the BRRD and the Act on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Resolution (the "BFG Act"), banks will be obliged to meet the minimum requirement for own funds and eligible liabilities (MREL), which is equivalent to the total loss absorption capacity (TLAC) requirement imposed on global systemically important institutions.

Both requirements address the need to ensure an adequate level of eligible liabilities (liabilities that can be converted to equity or written down) at times of financial difficulties, and consequently, facilitate resolution without the need to use public funds.

In July 2017 the Bank Guarantee Fund (BFG) published a methodology for calculating MREL on its website, which was subsequently updated in November 2018. Banks were ordered to comply with the MREL targets set by the resolution authority by January 1, 2023.

Bank-specific MREL targets were communicated to individual banks in the process of developing their resolution plans; the targets varied depending, among others, on the resolution strategy adopted for a given bank. MREL targets present the contribution to loss absorption and recapitalisation as a percentage of total liabilities and own funds. According to information from BFG dated February 5, 2020 the consolidated MREL target to be met by mBank by the end of 2022 is 14.54% of total liabilities including own funds (TLOF), which accounts for 27.515% of the total risk exposure amount (TREA). The requirement has been set taking into account the resolution strategy for Commerzbank AG Group basing on multiple point of entry (MPE) approach. At the same time, mBank was informed how it should progress towards meeting the target. MREL targets to be met at the end of 2019, 2020 and 2021 were set as a percentage of TLOF (9.248%, 11.012% and 12.776%, respectively) and TREA (17.500%, 20.838% and 24.177%, respectively).

In accordance with the BFG Act, MREL-eligible liabilities include instruments which have been issued and fully paid up, are not secured or guaranteed and held by the institution itself, and have a maturity of at least one year.

Furthermore, BFG expects that MREL targets will be complied with using only own funds and subordinated liabilities which in accordance with Bankruptcy Law rank below class five liabilities in the insolvency hierarchy. Since January 2019 a new class of debt, i.e. non-preferred senior debt, fulfils these requirements and is classified as MREL-eligible. In addition, BFG expects these instruments to be available only to professional investors at a minimum nominal value of PLN 400,000 per instrument.

In the case of commitments entered into to meet the consolidated MREL target in the part where it exceeds the individual MREL target, BFG requires only that the instruments should be made available to professional investors.

In the face of the events related to the COVID-19 pandemic, financial safety net institutions, including the BFG, have taken steps to limit the negative impact of the situation on the financial sector, including the banking sector. On March 26, 2020, the BFG published a communication on planned activities in the context of the MREL requirement.

In the next planning cycle, the BFG assumed an update of the MREL amounts assigned to banks in connection with the lifting of the systemic risk buffer on March 19, 2020, previously amounting to 3% of TREA, and the application of an extended target date for meeting the MREL requirement, i.e. January 1, 2024. It also indicated the first binding mid-term target on January 1, 2022 as the deadline. The envisaged solutions regarding the deadlines for meeting the MREL requirements are consistent with the provisions of BRRD II, the national implementation of which is underway. Moreover, the mid-term MREL objectives set for domestic entities identified as resolution entities at the end of 2020 are not considered obligatory by the BGF.

The BFG methodology may be subject to further changes in connection with the ongoing process of implementation into the Polish legal system of provisions on prudential regulations for banks and investment firms (CRD V / CRR II package) and in the area of resolution framework (BRRD II / SRMR II package).

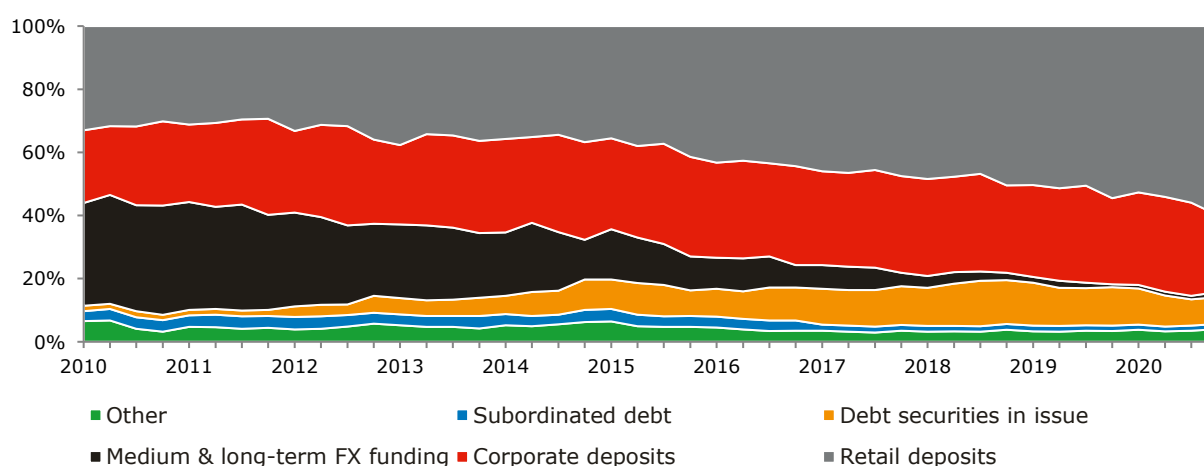
2.6.4. mBank Group funding

Customer deposits represent the main funding source of the Group. Their share in the Group's funding structure has been growing systematically and as at December 31, 2020 exceeded 84% (compared to 82% at the end of 2019).

Retail deposits are the main growth driver. The loans to deposits ratio for the Group as at December 31, 2020 reached 79.8% compared to 90.3% in the previous year. The share of the amounts due to other banks in the funding structure has been decreasing for many years. In the past, loans from our strategic shareholder constituted a funding source for foreign currency mortgage loans. The last loan from Commerzbank taken to finance the portfolio of foreign currency mortgage loans was repaid in 2018. We currently use medium-term and long-term instruments for the Group's funding in foreign currencies, including issuance of unsecured bonds, bilateral loans, subordinated loans as well as FX swap and CIRS transactions.

Bond issuances under the EMTN Program and mortgage covered bonds issued by mBank Hipoteczny remain an important funding source. However, the share of these sources decreased in 2020 as a result of repayments and the lack of new issuances.

Changes in mBank Group's funding structure



The Group will maintain a diversified financing structure taking into account the principles of profitability. The funding structure of mBank Group is aimed at ensuring stable sources of financing for lending activities and maintaining the liquidity ratios at the appropriate level. One of the goals is to comply with the MREL requirement, i.e. to achieve the level of eligible and convertible liabilities required by the Bank Guarantee Fund.

Bond issued under the EMTN Programme

The Euro Medium Term Note Programme (EMTN) enables the issuance of debt securities in many tranches and currencies, with a different interest and maturity structure.

The following table presents a summary of outstanding tranches:

Issue date	Nominal value	Maturity date	Coupon
26.11.2014	EUR 427,583,000	26.11.2021	2.000%
28.03.2017	CHF 200,000,000	28.03.2023	1.005%
07.06.2018	CHF 180,000,000	07.06.2022	0.565%
05.09.2018	EUR 460,030,000	05.09.2022	1.058%
05.04.2019	CHF 125,000,000	04.10.2024	1.0183%

Activity on the covered bond market

mBank Hipoteczny (mBH) is a mortgage bank with the longest track record of issuing covered bonds on the Polish capital market. As of December 31, 2020, the value of issued mortgage covered bonds amounted to PLN 7.6 billion. This accounts for 28.7% of the total market, the value of which reached approximately PLN 26.3 billion (based on the EUR/PLN exchange rate published by the NBP on December 31, 2020: 4.6148).

The funding and liquidity profile of mBank Group throughout 2020 did not assume the need to issue covered bonds by mBank Hipoteczny.

Covered bonds of mBank Hipoteczny are characterized by low investment risk. It results from the statutory obligation to apply complex security mechanisms while issuing and trading in such instruments.

In 2020 we have taken steps within the Group to prepare for the issuances of green debt instruments, including covered bonds. For this purpose, we adopted mBank Group Green Bond Framework. It defines the goals of mBank Group and the principles for supporting the environmental goals of the European Union and the UN Sustainable Development Goals. The mBank Group framework is compliant with the Green Bond Principles - GBP. This was confirmed by the Sustainalytics agency in the document Second Party Opinion.

Moreover, mBank Hipoteczny continues to issue unsecured bonds. In H1 2020, mBH issued bonds with a total nominal value of PLN 95 million. As of December 31, 2020, there were four issued series of bonds for a total amount of PLN 260 million. The offer of mBH includes zero-coupon and coupon bonds denominated in Polish zloty, with maturities from 1 year.

On December 9, 2020, the Moody's Investors Service upgraded the rating of mortgage covered bonds issued by mBank Hipoteczny to Aa2 from Aa3. The rating upgrade results from an update of the agency's methodology presented in the "Country Ceilings Methodology". It specifies the maximum rating level of instruments issued in a given country. Moody's Investors Service published the new methodology in December 2020. The changes in the methodology were focused mainly on a revision of the national rating level as a benchmark for issuance in local currency (by segmenting the assessment of the country ceiling into the level of undiversified risk) and factors enabling the best issuers in a given country to obtain better ratings. The benchmark for foreign currency issues is the local currency rating ceiling, including in the local currency cap factors related to capital movements (transfer and convertibility risk). The previous rating was the highest possible for financial instruments issued from Poland, based on the "Local and Foreign Currency Country Ceilings for Bonds and Other Obligations Methodology".

Moody's Investors Service maintains the current level of the long-term issuer rating assigned to mBank Hipoteczny at Baa2, the short-term issuer rating at Prime-2, the long-term and short-term counterparty risk assessment at A3 (cr) and Prime-2 (cr), respectively, and the long-term and short-term Counterparty Risk Rating at A3 and Prime-2, respectively. The outlook for long-term ratings is stable.

2.7. Financial results

Profit and loss account of mBank Group

mBank Group reported a profit before income tax of PLN 609.7 million in 2020, compared with PLN 1,555.0 million in 2019 (PLN -945.3 million or -60.8%). Net profit attributable to the owners of mBank reached PLN 103.8 million, compared with PLN 1,010.4 million in the previous year (PLN - 906.5 million or - 89.7%). Income tax paid by mBank Group amounted to PLN 506.0 million in 2020 v. PLN 544.8 million a year before (-7.1%). A summary of the financial results of mBank Group is presented in the table below.

PLN M	2019	2020	Change in PLN M	Change in %
Interest income	5,071.7	4,688.4	-383.3	-7.6%
Interest expense	-1,068.9	-679.1	389.8	-36.5%
Net interest income	4,002.8	4,009.3	6.5	0.2%
Fee and commission income	2,010.7	2,244.6	233.9	11.6%
Fee and commission expense	-740.0	-736.3	3.8	-0.5%
Net fee and commission income	1,270.6	1,508.3	237.7	18.7%
Core income	5,273.4	5,517.6	244.2	4.6%
Dividend income	4.2	4.9	0.7	16.7%
Net trading income	134.5	184.8	50.2	37.3%
Other income	185.5	176.3	-9.3	-5.0%
Other operating income	234.5	218.1	-16.4	-7.0%
Other operating expenses	-307.7	-234.8	72.9	-23.7%
Total income	5,524.4	5,866.8	342.3	6.2%
Net impairment losses and fair value change on loans and advances	-793.8	-1,292.8	-499.0	62.9%
Result on provisions for legal risk related to foreign currency loans	-387.8	-1,021.7	-633.9	163.5%
Overhead costs and depreciation	-2,329.2	-2,411.1	-82.0	3.5%
Taxes on Group balance sheet items	-458.7	-531.4	-72.7	15.9%
Profit before income tax	1,555.0	609.7	-945.3	-60.8%
Income tax expense	-544.8	-506.0	38.8	-7.1%
Net profit	1,010.3	103.8	-906.5	-89.7%
- attributable to Owners of mBank S.A.	1,010.4	103.8	-906.5	-89.7%
- Non-controlling interests	-0.1	-0.1	0.0	-24.5%
ROA net	0.7%	0.1%		
ROE gross	10.2%	3.7%		
ROE net	6.6%	0.6%		
Cost / Income ratio	42.2%	41.1%		
Net interest margin	2.7%	2.3%		
Common Equity Tier 1 ratio	16.5%	17.0%		
Total capital ratio	19.5%	19.9%		
Leverage ratio	8.3%	7.9%		

Core income – calculated as the sum of net interest income and net fee and commission income.

Other income – calculated as gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates and gains or losses from non-trading financial assets (including equity instruments and debt securities) mandatorily measured at fair value through profit or loss (except for loans and advances).

Total income – calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses.

Overhead costs and depreciation – calculated as the sum of total overhead costs and depreciation.

Net impairment losses and fair value change on loans and advances – calculated as the sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss.

Net ROA – calculated by dividing net profit attributable to the owners of mBank by the average total assets. The average total assets are calculated on the basis of the balances as at the end of each month. Net profit attributable to the owners of mBank is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).

Gross ROE – calculated by dividing profit before income tax by the average equity (net of the year's results). The average equity is calculated on the basis of the balances as at the end of each month. Profit before income tax is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).

Net ROE – calculated by dividing net profit attributable to the owners of mBank by the average equity (net of the year's results). The average equity is calculated on the basis of the balances as at the end of each month. Net profit attributable to the owners of mBank is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).

Cost/Income ratio – calculated by dividing overhead costs and depreciation by total income (excluding tax on balance sheet items of the Group).

Net interest margin – calculated by dividing net interest income by average interest earning assets. Interest earning assets are the sum of cash and balances with the Central Bank, loans and advances to banks, debt securities (in all valuation methods) and loans and advances to clients (net; in all valuation methods). The average interest earning assets are calculated on the basis of the balances as at the end of each month. Net interest income is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).

The main drivers of the financial results of mBank Group in 2020 included:

- **Increase in total income**, which stood at PLN 5,866.8 million. Net interest income remained its main growth driver. It reached PLN 4,009.3 million and was stable year on year despite sharp interest rate cuts. Net fee and commission income increased significantly by 18.7% year on year and stood at PLN 1,508.3 million.
- **Increase in operating expenses** (including depreciation) by 3.5% to PLN 2,411.1 million. In particular, contributions and transfers to the Bank Guarantee Fund and depreciation increased while staff-related expenses decreased in 2020.
- **Improved efficiency** measured by the Cost/Income ratio, which stood at 41.1% in 2020 v. 42.2% in 2019.
- **Increased cost of risk** at 119 bps, compared with 79 bps in 2019, driven by a conservative approach to client risk rating during the pandemic.
- **Increase in provisions for legal risk related to foreign currency loans** which stood at PLN 1,021.7 million v. PLN 387.8 million in 2019.
- **Continued organic growth and business expansion** as demonstrated by:
 - **increase in the number of corporate clients** to 29,083 (+2,607 clients compared with the end of December 2019);
 - **increase in the number of retail clients** to **5,661.8 thousand** (+58.0 thousand clients compared with the end of December 2019);
 - **growing sales of mortgage loans** at PLN 8,985.4 million in 2020 compared with PLN 8,176.4 million in 2019, despite unfavourable market conditions during the pandemic.

The changes in the Group's results translated into the following profitability ratios:

- Gross ROE of 3.7% (10.2% in 2019);
- Net ROE of 0.6% (6.6% in 2019).

Capital ratios of mBank Group rose in 2020. At the end of 2020, the consolidated Total Capital Ratio stood at 19.86% compared with 19.46% in the previous year. The Common Equity Tier 1 capital

ratio reached 16.99% v. 16.51% at the end of 2019. The leverage ratio stood at 7.9% at the end of December 2020, compared with 8.3% a year before.

Income of mBank Group

Total income generated by mBank Group was PLN 5,866.8 million in 2020, compared with PLN 5,524.4 million in 2019, which represents an increase by PLN 324.3 million or 6.2%. The increase was mainly driven by improved net fee and commission income.

Similarly to 2019, net interest income remained mBank Group's largest income source in 2020 (68.3%). It reached PLN 4,009.3 million, compared with PLN 4,002.8 million in 2019 (+0.2%). The net interest income was mainly impacted by interest rate cuts by 140 basis points in aggregate in 2020.

Net interest margin, calculated as a relation between net interest income and average interest earning assets, stood at 2.32% compared with 2.69% in 2019.

Interest income decreased by PLN 383.3 million or -7.6% year on year to PLN 4,688.4 million. Loans and advances were the main source of the Group's interest income. Interest income from loans and advances decreased by PLN 305.0 million or -7.7% year on year to PLN 3,648.9 million. The decrease resulted mainly from interest rate cuts. For the same reason, interest income from investment securities decreased by PLN 59.0 million or -8.4% despite a significant increase in the value of the portfolio. Interest income from trading debt securities decreased by PLN 21.4 million, i.e., -44.1%.

PLN M	2019	2020	Change in PLN M	Change in %
Loans and advances including the unwind of the impairment provision discount	3,953.9	3,648.9	-305.0	-7.7%
Investment securities	705.0	646.0	-59.0	-8.4%
Cash and short-term placements	56.2	20.5	-35.7	-63.5%
Trading debt securities	48.6	27.2	-21.4	-44.1%
Interest income on derivatives classified into banking book	181.8	126.1	-55.7	-30.6%
Interest income on derivatives concluded under the fair value hedge	75.1	85.7	10.6	14.1%
Interest income on derivatives concluded under the cash flow hedge	50.5	144.6	94.1	186.4%
Other	0.5	-10.7	-11.2	+/-
Total interest income	5,071.7	4,688.4	-383.3	-7.6%

Interest income from loans and advances include interest income from loans and advances on the following items: assets held for trading, non-trading financial assets measured mandatorily at fair value through profit or loss and financial assets measured at amortised cost.

Interest income from investment securities include interest income on the following items: non-trading financial assets measured mandatorily at fair value through profit or loss, including debt securities, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost, including debt securities.

In the period under review, interest expenses decreased significantly (by PLN 389.8 million or -36.5%), which was mainly attributable to lower deposit costs (down by PLN 314.8 million or -47.6%). Despite a substantial inflow of clients' deposits, interest rates on deposits dropped after interest rate cuts, which reduced deposit costs. Costs of issue of debt securities went down by PLN 66.6 million or -22.6% due to a decrease in the value of debt securities issued following redemption of covered bonds and EMTN bonds.

Net fee and commission income, accounting for 25.7% of mBank Group's total income, increased significantly year on year. In the period under review, it stood at PLN 1,508.3 million, which represents an increase by PLN 237.7 million or 18.7%. The primary reason was an increase in fee and commission income.

PLN M	2019	2020	Change in PLN M	Change in %
Payment cards-related fees	435.9	430.2	-5.6	-1.3%
Credit-related fees and commissions	417.9	462.8	44.9	10.7%
Commissions from currency transactions	306.0	339.6	33.6	11.0%
Commissions for agency service regarding sale of insurance products of external financial entities	100.4	109.8	9.4	9.3%
Fees from brokerage activity and debt securities issue	87.0	222.3	135.3	155.5%
Commissions from bank accounts	210.9	222.3	11.4	5.4%
Commissions from money transfers	145.8	147.8	1.9	1.3%
Commissions due to guarantees granted and trade finance commissions	93.0	94.3	1.3	1.4%
Commissions for agency service regarding sale of products of external financial entities	82.2	74.5	-7.7	-9.4%
Commissions on trust and fiduciary activities	28.0	31.5	3.4	12.2%
Fees from portfolio management services and other management-related fees	14.2	23.2	9.0	63.8%
Fees from cash services	48.6	42.6	-6.0	-12.3%
Other	40.8	43.7	2.9	7.1%
Total fee and commission income	2,010.7	2,244.6	233.9	11.6%

Fee and commission income increased by PLN 233.9 million or 11.6% year on year. The largest growth, related to rising interest of retail clients in investments on the Warsaw Stock Exchange, was observed in fees from brokerage activity and debt securities issue (+PLN 135.3 million or 155.5%). mBank Brokerage Bureau reported a significant increase in the number of clients and their activity. Credit-related fees and commissions increased by PLN 44.9 million or 10.7% due to a higher volume of corporate and mortgage loans sold and modifications to the tariff of fees and commissions. Commissions from currency transactions increased by PLN 33.6 million or 11.0% owing to higher volatility on the FX market. Payment cards-related fees decreased modestly (by PLN 5.6 million or -1.3%) compared to the previous year due to a lower number of clients' non-cash transactions (the value of non-cash transactions grew by 6.3% year on year while the number of transactions dropped by -0.6%). Lower client activity was caused by restrictions imposed to contain the COVID-19 pandemic.

Commission expenses decreased modestly (by PLN 3.8 million or -0.5%) in the period under review and stood at PLN 736.3 million.

Dividend income amounted to PLN 4.9 million in 2020, compared with PLN 4.2 million in 2019.

Net trading income stood at PLN 184.8 million in 2020 and was higher by PLN 50.2 million or 37.3% compared with 2019. The growth was driven mainly by gains or losses on financial assets and liabilities held for trading (+PLN 72.3 million or 142.5%).

Other income, including gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates and gains or losses from non-trading equity instruments and debt securities mandatorily measured at fair value through profit or loss, decreased modestly (by PLN 9.3 million or -5.0%). This resulted from the revaluation of shares of Visa Inc. and other companies (among others, Polski Standard Płatności Sp. z o.o., Krajowa Izba Rozliczeniowa S.A., Biuro Informacji Kredytowej S.A.).

Net other operating income (net other operating income/expense) amounted to PLN -16.7 million in 2020 v. PLN -73.2 million in 2019, when provisions were set up against future commitments, including potential costs related to settlements with clients who made early repayments of consumer loans and the provision connected with early termination of lease agreements pertaining to two buildings in Warsaw in connection with the planned relocation.

Result on provisions for legal risk related to foreign currency loans

In 2020, provisions for legal risk related to foreign currency loans grew to PLN 1,021.7 million. The bank's methodology of calculating the provisions depends on a number of assumptions including mainly the projected population of borrowers who will litigate against the bank, the probability of losing in court in last instance, the distribution of expected court judgments, and losses of the bank in lost cases. The increase in the provision in 2020 alone resulted mainly from the changes in probability of losing in court assumed in the calculation, changes in assumptions regarding the number of the projected cases and changes in level of loss on loan exposure in case of losing the case by the bank. The methodology is described in detail in note 4 to the mBank S.A. Group IFRS Consolidated Financial Statements 2020.

Costs of mBank Group

In 2020, the total overhead costs (including depreciation) of mBank Group stood at PLN 2,411.1 million, which represents a 3.5% increase year on year. The increase was mainly due to higher depreciation, higher contributions to the Bank Guarantee Fund and higher material costs while staff-related expenses decreased.

PLN M	2019	2020	Change in PLN M	Change in %
Staff-related expenses	-1,019.3	-974.7	44.7	-4.4%
Material costs	-639.1	-671.3	-32.2	5.0%
Taxes and fees	-31.2	-27.3	3.9	-12.6%
Contributions and transfers to the Bank Guarantee Fund	-255.7	-298.1	-42.4	16.6%
Contributions to the Social Benefits Fund	-8.3	-9.2	-0.9	10.8%
Depreciation	-375.5	-430.6	-55.1	14.7%
Total overhead costs and depreciation	-2,329.2	-2,411.1	-82.0	3.5%
Cost / Income ratio	42.2%	41.1%	-	-
Employment (FTE)	6,771	6,688	-84	-1.2%

In 2020, staff-related expenses decreased by PLN 44.7 million or -4.4% due to reduced variable pay components.

Material costs increased by PLN 32.2 million or 5.0% in the period under review, mainly as a result of higher consulting and IT costs, while marketing costs decreased.

Depreciation rose by PLN 55.1 million in 2020 due to earlier investments.

Another important factor that impacted the cost base in 2020 was the contribution and transfers to the Bank Guarantee Fund, rising by PLN 42.4 million or 16.6% year on year.

That evolution of income and expenses resulted in a year-on-year improvement of the Cost/Income ratio, which stood at 41.1% (42.2% in 2019).

Impairment on and change in the fair value of loans and advances

In 2020, net impairment losses and fair value change on loans and advances of mBank Group (calculated as the sum of two items: impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss) stood at PLN -1,292.8 million. Compared to 2019, impairment on and change in the fair value of loans and advances increased by PLN 499.0 million or 62.9%. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss is related to the part of the portfolio of loans and advances measured at amortised cost, while gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss is related to the credit risk of the portfolio of loans and advances measured with the use of that method.

As a result, the cost of risk in 2020 stood at 119 bps, compared with 79 bps in 2019.

PLN M	2019	2020	Change in PLN M	Change in %
Retail Banking	-510.3	-685.1	-174.8	34.2%
Corporates and Financial Markets	-281.3	-610.0	-328.7	116.8%
Other	-2.1	2.3	4.4	-/+
Total impairment on and change in the fair value of loans and advances	-793.8	-1,292.8	-499.0	62.9%

Cost of risk in Retail Banking increased significantly, mainly due to the application of a macroeconomic scenario assuming the economic impact of the COVID-19 pandemic in the estimation of portfolio provisions as well as the reclassification of some exposures of retail clients who used credit moratoria to Stage 2 addressing the uncertainty as to full repayment. As a result, additional expected credit loss allowances were booked.

Cost of risk in Corporates and Financial Markets increased among others due to an additional review of sectors and clients, in particular clients on the watch list, as required to test a potentially higher probability of non-implementation of restructuring plans due to changing economic conditions in Poland as a result of the COVID-19 pandemic.

Contribution of business lines and segments to the financial results

A summary of financial results of individual business lines of mBank Group is presented in the table below.

PLN M	2019	2020	Change in PLN M	Change in %	Share in profit
Retail Banking	808.2	62.8	-745.4	-92.2%	10.3%
Corporates and Investment Banking	633.8	365.3	-268.6	-42.4%	59.9%
Financial Markets	133.4	203.0	69.6	52.2%	33.3%
Other	-20.4	-21.4	-0.9	4.4%	-3.5%
Profit before tax of mBank Group	1,555.0	609.7	-945.3	-60.8%	100.0%

Changes in the consolidated statement of financial position of mBank Group

Changes in the assets of mBank Group

The assets of mBank Group increased by PLN 21,415.7 million (+13.5%) to PLN 180,136.3 million as at December 31, 2020.

The table below presents changes in particular items of mBank Group assets.

PLN million	31.12.2019	31.12.2020	Change in PLN million	Change in %
Cash and balances with Central Bank	7,897.0	3,968.7	-3,928.3	-49.7%
Loans and advances to banks	4,341.8	7,354.3	3,012.5	69.4%
Financial assets held for trading and derivatives held for hedges	2,693.3	2,398.8	-294.5	-10.9%
Net loans and advances to customers	105,347.5	109,832.0	4,484.6	4.3%
Investment securities	34,305.2	51,728.9	17,423.8	50.8%
Intangible assets	955.4	1,178.7	223.3	23.4%
Tangible assets	1,262.4	1,514.6	252.2	20.0%
Other assets	1,918.0	2,160.3	242.3	12.6%
Total assets of mBank Group	158,720.6	180,136.3	21,415.7	13.5%

Loans and advances to customers – the sum of loans and advances to customers recognised in: financial assets measured at amortised cost, non-trading financial assets mandatorily measured at fair value through profit or loss and financial assets held for trading

Investment securities - the sum of debt securities included in financial assets measured at fair value through other comprehensive income, debt securities included in assets measured at amortised cost and non-trading equity and debt securities mandatorily measured at fair value through profit or loss.

Loans and advances to customers remained the largest asset category of mBank Group at the end of 2020. As at December 31, 2020, they accounted for 61.0% of the balance sheet total compared with 66.4% at the end of 2019. The net volume of loans and advances to customers increased by PLN 4,484.6 million (+4.3%) compared with the end of 2019.

PLN million	31.12.2019	31.12.2020	Change in PLN million	Change in %
Loans and advances to individuals	60,360.7	67,216.3	6,855.6	11.4%
Loans and advances to corporate entities	47,785.7	46,025.4	-1,760.2	-3.7%
Loans and advances to public sector	391.4	231.2	-160.2	-40.9%
Total (gross) loans and advances to customers	108,537.8	113,472.9	4,935.1	4.5%
Provisions for loans and advances to customers	-3,190.3	-3,640.8	-450.5	14.1%
Total (net) loans and advances to customers	105,347.5	109,832.0	4,484.6	4.3%

In 2020 gross loans and advances to individual customers increased by PLN 6,855.6 million (+11.4%). Net of the FX effect, loans and advances to individuals grew by 8.6% in 2020. The sales of mortgage loans increased by 9.9% (to PLN 8,985.4 million in 2020 against PLN 8,176.4 million a year before), enabling mBank Group to retain its market share in new sales of mortgage loans at a level similar to last year's figure (over 11%). In addition, in 2020 mBank Group sold PLN 7,094.6 million worth of non-mortgage loans, which represents a drop by -30.9% compared with 2019 caused mostly by reduced demand for non-mortgage loans and stricter lending policy introduced temporarily by the bank in response to the COVID-19 pandemic.

The volume of gross loans and advances to corporate clients decreased by PLN 1,760.2 million (- 3.7%) in 2020 compared with the end of 2019. Excluding reverse repo/buy sell back transactions

and the FX effect, the value of loans and advances to corporate customers shrank by -6.4% against the end of 2019.

The volume of gross loans and advances to the public sector decreased by PLN 160.2 million (- 40.9%) in 2020.

Investment securities constituted mBank Group's second largest asset category (28.7%). During 2020 their value grew considerably by PLN 17,423.8 million (+50.8%), helped mostly by a rise in the portfolio of treasury and municipal bonds. At the same time, the portfolio of debt securities issued by the central bank shrank by PLN 3,034.6 million (-90%) year on year.

The value of financial assets held for trading and derivatives held for hedges decreased throughout 2020 by PLN 294.5 million (-10.9%), driven mainly by a drop in the portfolio of treasury and municipal bonds. At the same time, the portfolio of derivatives rose.

Changes in liabilities and equity of mBank Group

The table below presents changes in the equity and liabilities of the Group in 2020:

PLN million	31.12.2019	31.12.2020	Change in PLN million	Change in %
Amounts due to other banks	1,166.9	2,399.7	1,232.9	105.7%
Financial liabilities held for trading and derivatives held for hedges	948.8	1,338.6	389.8	41.1%
Amounts due to customers	116,661.1	137,698.7	21,037.5	18.0%
Debt securities in issue	17,435.1	13,996.3	-3,438.8	-19.7%
Subordinated liabilities	2,500.2	2,578.3	78.1	3.1%
Other liabilities	3,855.1	5,449.6	1,594.5	41.4%
Total liabilities	142,567.3	163,461.2	20,893.9	14.7%
Total equity	16,153.3	16,675.1	521.8	3.2%
Total liabilities and equity of mBank Group	158,720.6	180,136.3	21,415.7	13.5%

Amounts due to customers are the principal source of funding of mBank Group. Their share in the Group's funding structure has been increasing systematically. They accounted for 76.4% of the Group's equity and liabilities at the end of 2020, compared with 73.5% at the end of 2019.

PLN million	31.12.2019	31.12.2020	Change in PLN million	Change in %
Individual customers	77,664.4	97,976.4	20,312.0	26.2%
Corporate customers	38,137.9	39,236.1	1,098.2	2.9%
Public sector customers	858.9	486.2	-372.6	-43.4%
Total amounts due to customers	116,661.1	137,698.7	21,037.5	18.0%

Amounts due to customers grew significantly in 2020 to reach PLN 137,698.7 million at the end of the year compared with PLN 116,661.1 million at the end of 2019 (+18.0%). The positive trend in funding cost continued throughout 2020, which was reflected in inflows to current accounts exceeding inflows to term accounts, and was helped by reference rate cuts in early 2020.

Amounts due to individual customers increased by PLN 20,312.0 million (+26.2%) compared with the end of 2019. The changes in the structure of deposits of individual customers continued. Deposits in current and savings accounts increased by 40.0% with term deposits down by -31.8%.

Throughout 2020 amounts due to corporate customers grew by PLN 1,098.2 million (+2.9%), pushed up by a 35.7% rise in current account deposits. Term deposits of corporate customers shrank by

- 92.1% annually. The value of repo transactions fell by -46.9% in 2020. The amount of loans and advances received rose by 9.2% year on year, which was triggered almost exclusively by a major depreciation of the Polish złoty against foreign currencies (EUR, CHF) at the end of 2020 compared with the end of 2019.

Amounts due to other banks rose by PLN 1,232.9 million (+105.7%) to PLN 2,399.7 million. The rise was recorded in both current account deposits (and was additionally intensified by the weaker złoty in the case of foreign currency deposits) and repo/sell buy back transactions, which soared fivefold. Loans and advances received fell nearly to zero following the repayment of a USD 50 million loan extended by another bank in September 2020.

The share of debt securities in issue in mBank Group's funding structure slid from 11.0% at the end of 2019 to 7.8% at the end of 2020. This change is attributable to the maturity and redemption of bonds under the EMTN programme and redemption of covered bonds and bonds by mBank Hipoteczny.

In 2020 subordinated liabilities grew by 3.1% year on year, which was caused by the impact of the PLN depreciation (vis-a-vis the Swiss franc) on the PLN equivalent of the subordinated loan with a nominal value of CHF 250 million.

Total equity grew by PLN 521.8 million (+3.2%) as a consequence of an increase in retained earnings. Its share in equity and liabilities of mBank Group accounted for 9.3% at the end of 2020 (10.2% in 2019).

Changes in off-balance sheet items, changes in guarantees granted to mBank Group subsidiaries and other agreements

More information on significant off-balance sheet items of mBank Group can be found in note 33 to the mBank S.A. Group IFRS Consolidated Financial Statements 2020.

As at December 31, 2020 mBank S.A. did not have any agreements referred to in Article 141t.1 of the Banking Law Act.

2.8. Business lines

2.8.1. Retail banking

GRI FS6

mBank's Retail Banking segment serves 5,662 thousand individual clients and microenterprises in Poland, the Czech Republic and Slovakia online, directly through the call centre, via mobile banking and other state-of-the-art technological solutions, as well as in a wide network of branches. The bank offers a broad range of products and services including current and savings accounts, accounts for microenterprises, credit products, deposit products, payment cards, investment products, insurance products, brokerage services, and leasing for microenterprises.

Key financial data (at the end of 2020):

Share in pre-tax profit	Pre-tax profit	Total income
10.3% ↓	PLN 62.8 M ↓	PLN 3,544.7 M ↑

Key business data:

	2016	2017	2018	2019	2020
Number of customers ('000) ¹	5,052	5,342	5,685	5,604	5,662
Distribution network (pcs.) ²	316	333	358	390	383
Loans to retail clients (PLN M)	48,950	48,143	52,925	60,361	67,216
Deposits of retail clients (PLN M)	53,495	55,694	65,924	77,664	97,976

¹ The number of retail clients in 2016 and 2017 has been adjusted due to obligatory closing of inactive accounts and excluding micro-company representatives, without individual products.

² Including 342 outlets in Poland and 41 in the Czech Republic and Slovakia as of end of 2020.

Key highlights

- Increase of core income by 4.7% year on year.
- First position in the ranking thanks to the 11.4% market share of mBank Brokerage Bureau in the market of brokerage services for retail clients.
- Sales of mortgage loans at the level of almost PLN 9.0 billion, higher by 9.9% compared to the previous year. Sales of non-mortgage loans, at the level of PLN 7.1 billion, was lower by -30.9% compared to the previous year due to smaller demand and restrictions imposed by the bank during the COVID-19 pandemic.
- Increase in the number of active users of mobile application by 20.0%, up to 2,274.3 thousand.
- Increase of retail deposits by 26.2% in 2020, mainly driven by growing current accounts and savings (+40.0% year on year).
- Increase of the value of transactions carried out with mBank's payment cards by 6.3%; slight decrease in the number of card transactions by -0.6% year on year, partly caused by smaller frequency of shopping during pandemic.
- Supporting individual clients and micro-enterprises during the pandemic by offering to postpone loan installments as the first bank on the market.
- Further development of digital banking: remote mortgage, the possibility of setting up an account via "selfie" and supporting companies in e-transformation.

Financial results

In 2020, the Retail Banking segment generated a profit before tax of PLN 62.8 million, which represents a decrease by PLN 745.4 million, i.e. -92.2% year on year. This decrease results mainly from the strongly negative result on provisions for legal risk related to foreign currency loans. The foreign branches in the Czech Republic and Slovakia in 2020 generated a gross profit of PLN 78.3 million compared to PLN 78.6 million in 2019, which represents a slight decline by -0.4% year on year.

PLN M	2019	2020	Change in PLN M	Change in %
Net interest income	2,700.8	2,711.1	10.3	0.4%
Net fee and commission income	589.7	778.2	188.5	32.0%
Net trading income	38.3	36.2	-2.1	-5.5%
Other income	102.8	53.0	-49.8	-48.5%
Net other operating income/expense	-46.7	-33.9	12.9	-27.5%
Total income	3,384.9	3,544.7	159.7	4.7%
Net impairment losses and fair value change on loans and advances	-510.3	-685.1	-174.8	34.2%
Result on provisions for legal risk related to foreign currency loans	-387.8	-1,021.7	-633.9	163.5%
Overhead costs and depreciation	-1,438.2	-1,503.8	-65.6	4.6%

Taxes on Group's balance sheet items	-240.3	-271.2	-30.9	12.9%
Profit before tax of Retail Banking	808.2	62.8	-745.4	-92.2%

Activity of Retail Banking segment in numbers

Refers to mBank and mBank Hipoteczny

('000)	31.12.2018	31.12.2019	31.12.2020	Annual change
Number of retail clients, including:	5,685.0	5,603.9	5,661.8	1.0%
Poland	4,760.6	4,645.3	4,658.5	0.3%
Foreign branches	924.3	958.6	1,003.4	4.7%
The Czech Republic	642.2	667.0	702.7	5.3%
Slovakia	282.1	291.5	300.7	3.2%
PLN M				
Loans to retail clients, including:	52,510.7	60,017.0	66,844.0	11.4%
Poland	47,801.8	54,933.1	59,615.9	8.5%
mortgage loans	33,245.5	37,480.6	42,469.8	13.3%
non-mortgage loans	14,556.3	17,452.5	17,146.1	-1.8%
Foreign branches	4,708.9	5,083.8	7,228.1	42.2%
The Czech Republic	3,768.8	3,913.5	5,182.0	32.4%
Slovakia	940.2	1,170.3	2,046.1	74.8%
Deposits of retail clients, including:	65,852.8	77,487.7	98,221.0	26.8%
Poland	55,733.9	66,837.9	84,402.2	26.3%
Foreign branches	10,119.0	10,649.8	13,818.7	29.8%
The Czech Republic	7,163.2	7,346.4	9,564.6	30.2%
Slovakia	2,955.7	3,303.5	4,254.1	28.8%
Investment assets of mBank clients	13,119.6	14,531.6	20,166.6	38.8%
('000)				
Credit cards, including	381.9	396.5	388.0	-2.2%
Poland	341.2	355.4	349.4	-1.7%
Foreign branches	40.7	41.1	38.6	-6.1%
Debit cards, including:	3,909.0	3,848.7	4,141.4	7.6%
Poland	3,319.9	3,231.5	3,472.1	7.4%
Foreign branches	589.1	617.2	669.4	8.4%
Distribution network				
Advisory Centres	34	40	42	
Light branches	12	14	14	
mBank (f. Multibank)	95	89	83	
mKiosks (incl. Partner Kiosks)	143	166	161	
mFinanse Financial Centres	41	44	42	

Czech Republic & Slovakia	33	37	41
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Retail Banking of mBank in Poland

Retail banking offer for individuals

Year 2020 was marked by changing behaviour of clients due to the COVID-19 pandemic. Our activity was also under pressure of interest rate cuts, the first to be imposed in five years, which brought the rates to a historical low. mBank repriced its deposits and loans under those new conditions. We focused on challenges to client relations in the new reality. We continued to digitise sales processes and customer service. We engaged in mobile client acquisition. We improved processes supporting card transactions, money transfers, public grants, and e-commerce. The new business conditions caused by the COVID-19 pandemic accelerated the implementation of innovative digital processes. We describe these innovations in detail in chapter [2.2.6. Activities for clients](#) and [2.5. Innovations](#). A key milestone was the implementation of an end-to-end remote lending process. The abovementioned chapter covers also other innovations and improvements for clients, which facilitate access to mBank accounts. They include payments between family and friends (BLIK Request), the launch of eKonto Junior accounts, as well as our co-operation with the Great Orchestra of Christmas Charity (WOŚP), appreciated and actively supported by our clients.

In April 2020, we modified money transfers in line with the Cross-Border Payments (CBS) Regulation. Under the Regulation, we are required to inform the payer prior to the initiation of the payment transaction, in a clear, neutral and comprehensible manner, of the estimated charges for currency conversion services applicable to the credit transfer and to communicate the estimated amount to be transferred in the currency of the client's account. The obligation covers transaction fees and any currency conversion fees. Moreover, mBank continued to align with PSD2 requirements for strong customer authentication (SCA) of online transactions with payment cards and to align PSD2 API with the new version of the Polish API 3.0 standard.

We also aligned the transfer process with the new standards of customers' interaction with the system (user interface – UI). The modifications were implemented in our transactional system.

Our mobile application has 2,274.3 thousand users in Poland, representing an increase of 20.0% year on year (1,894.7 thousand users in 2019). Nearly 85% of our active clients use the application. Close to 1.2 million clients are mobile-only (change of the calculation formula compared to 2019). As at the end of 2020, 76.9% of all logins occurred in the mobile app. For more information on new mobile solutions, see chapter [2.5. Innovations](#).

mBank is one of the banks with the largest number of mobile clients. The analysis of the cashless.pl platform, published on December 28, 2020, shows that the number of account holders who use them via mobile devices is systematically growing. The use of mobile banking is developing at a faster pace than the acquisition of new customers. The presented results were based on the calculated customer mobility index. In the case of mBank, the ratio in Q3 2020 was as high as 62.1% which secured mBank second place in the ranking. This means that more than half of our customers regularly log into their accounts from smartphones.

Loans

Challenges experienced in unsecured lending in 2020 directed our efforts towards faster development of digital services. As the pandemic changed our clients' behaviour, we needed to align our offer and processes with their new needs. We were the first bank in the sector to offer support tools to clients whose financial standing suffered in the pandemic, attracting strong customer interest and eventually supporting approx. 100 thousand clients.

Never before were digital communication channels as important as during the pandemic. Despite the difficult environment, we continued to optimise digital processes with a focus on "digital first". We modified unsecured lending processes. More borrowers than ever before can provide all documents necessary for a credit decision with convenience and security via electronic channels. More and more customers take cash loans in the mobile application. Sales via the mobile app accounted for nearly 20.0% of the total volume in 2020 v. 12.6% in 2019. As measured by the number of loans, the figures are even higher due to a lower average loan amount in the app.

Thanks to AIS (Account Information Service), the PSD2 process provides a new way of confirming borrowers' income level in the lending process. Clients can easily log in their bank and automatically forward the account history to mBank in order to confirm their income level in the credit rating process.

We have optimised e-commerce loan sales in 2020. We have improved the e-commerce lending process on the online platform Allegro so clients get the credit decision without delay.

Customer demand for unsecured loans dropped in 2020. However, thanks to technological innovation, our market share remained stable throughout the year. New sales of non-mortgage loans to retail clients in Poland stood at PLN 3.9 billion in 2020 v. PLN 6.8 billion in 2019, down -42.7% year on year.

Sales of mortgage loans grew very dynamically in Q1 2020. However, the growth rate was curbed by the pandemic as the lending policy tightened and customers' behaviour changed. We actively addressed the new conditions and sales bounced back to the 2019 level in Q3. With total sales of more than PLN 6 billion, we maintained our market share in this product category.

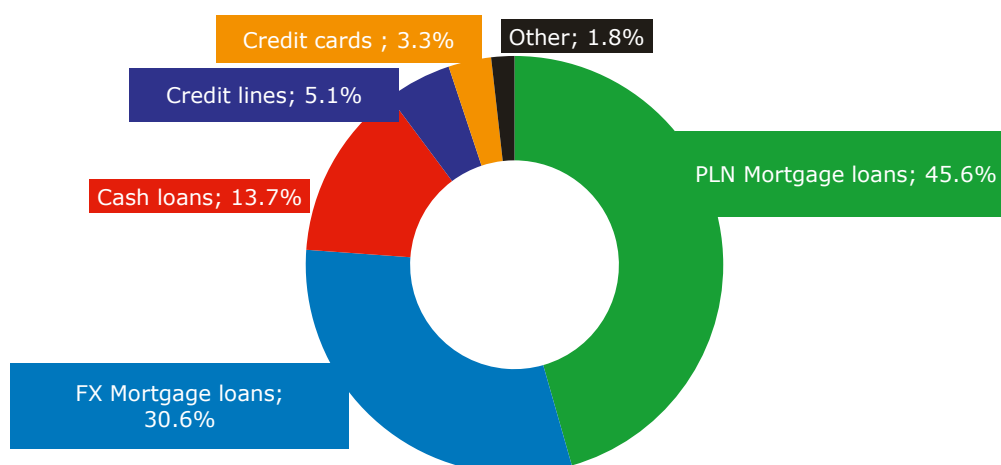
Due to the pandemic, we focused in H1 on enabling remote submission and processing of mortgage loan applications. Safety and convenience of clients and employees were our top priority. We optimised processes throughout the year to accelerate credit decision-making. The waiting time for credit decisions was cut by 20% year on year.

We continued to reduce the average LTV of the new portfolio, resulting in better financial safety of borrowers as well as more resilient loan portfolio for the bank. Average margins increased while client activity and product saturation remained strong. The share of clients classified as Intensive and Active increased. The classification criteria include: transfer of income above a certain threshold; holding a non-mortgage loan or a term deposit; at least 15 payment transactions per month.

The NPL ratio of the mortgage loan portfolio for individuals in Poland dropped year on year and stood at 2.1% at the end of 2020, compared with 2.0% a year before.

The graph below presents the structure of the Retail Banking loan portfolio in Poland (including mBank Hipoteczny) at the end of 2020:

Product structure of retail loan portfolio in Poland



Deposits

Despite three interest rate cuts imposed by the Monetary Policy Council (RPP) in H1 2020, the volume of the bank's retail deposits substantially increased. Balances in current accounts and savings accounts grew rapidly, while the share of term deposits dropped. Those developments were driven by three key factors. First, clients deposited cash received under support schemes mitigating the adverse impact of COVID-19. Second, customers tended to save more and spend less on consumption and investments due to the uncertain economic conditions during the pandemic. Third, mobility restrictions were imposed during the pandemic, in particular, most countries closed their borders.

We modified our deposit offer and communication strategies depending on market developments. The key products we promoted in 2020 included regular savings with savings goals, term deposits for new clients opening accounts, as well as deposits combined with investment funds.

The volume of retail deposits in Poland stood at PLN 84,402.2 million at the end of 2020 compared to PLN 66,837.9 million as at the end of 2019 (+26.3% year on year). The strongest growth was observed in current accounts: for individual clients their value increased by 58.1% year on year, and for micro-enterprises even by 60.9% year on year. Savings accounts grew at a less dynamic pace, 25.4% for individual clients and 39.7% for micro-enterprises. They were accompanied by a decline in the balance on term deposits, respectively by -32.4% and -12.1% for the above-mentioned categories.

Investment funds for retail clients

In 2020, clients' assets invested in mutual funds fluctuated dynamically. Clients turned away from investment products early in the year but investments bounced back later. The net balance of fund investments and redemptions was positive in 2020.

Sales of investment products were driven by interest rate cuts which caused interest on savings products to drop. We helped clients to convert savings into fund investments. On August 1, 2020, we launched the Deposits & Funds campaign, which offered interest rates superior to standard deposits provided that clients invested some of their assets in funds.

We took a number of steps in 2020 to improve customer experience with the Investment Fund Supermarket service. Key enhancements included the availability of the Investment Fund Supermarket in the bank's mobile application. We added new features to the transactional system and improved customer security. The list of funds offered to each client depends on the results of their MiFID survey.

Cards and accounts

In H1 2020, we launched the process of opening personal accounts with a selfie in the mobile application. Customers who are of age can open accounts remotely without ever visiting the bank's branch or having their identity verified by a courier. mBank launched a new method of concluding personal account agreements where a mobile advisor visits customers at home. This came as a response to restrictions caused by COVID-19 and dwindling customer traffic in shopping malls and city centres.

In 2020, we encouraged our clients to use smartphones rather than payment cards. All mobile payments supported by our cards require no PIN to be entered on a terminal when shopping. Mastercard Mobile is a special card which does not exist as an actual plastic card. Clients can order the card for their accounts and add it instantly in Google Pay, Apple Pay, Garmin Pay and Fitbit Pay. The cards are active immediately when ordered. The card is green: we have issued more than 10 thousand cards, which means over 50 kg of plastic less in the environment!

We refreshed our card eKarta in 2020. It is an attractive solution for clients who pay online and want to stay secure. The eKarta is a separate purse which customers can use to pay online without disclosing the details of their main card. Customers decide when to prepay the eKarta and how much, while their remaining cash balances remain safe. In 2020, we additionally offered a virtual eKarta (eKarta Wirtualna). It does not exist as a plastic card and all payment details are available in the

mobile application. We issued nearly 38,000 virtual cards since April 2020, saving nearly 190 kg of plastic. Customers can pay with the eKarta in one of two foreign currencies, either EUR or USD (chosen when applying for the card), without being charged a currency exchange fee.

Other mBank cards can also be used to pay online with more convenience. We protected clients from delays in the delivery of cards during the pandemic. The card number and all other necessary details are available in the mobile application. The functionality is offered for all debit, credit, and corporate cards. For the sake of security, in order to pay with a card online, clients are required to activate the card when they receive the plastic.

In June 2020, we offered a Mastercard card of the Pol'and'Rock limited edition designed by Jurek Owsiak (founder and president of the Great Orchestra of Christmas Charity Foundation, WOŚP). In December, we offered a limited series Mastercard card on the occasion of the 29th Finale of WOŚP with a layout also designed by Jurek Owsiak.

In March, we increased the no-PIN touchless transaction limit to PLN 100. As a result, our clients do not have to touch terminals very often, protecting their health during the pandemic. In November, in co-operation with Google, we enabled Google Pay transactions in all amounts without PIN. Security is protected by smartphones which customers use to confirm payments.

In the summer holiday time, we launched the card package "Live Globally" featuring preferential currency conversion fees as well as free-of-charge cash withdrawals from ATMs abroad. For the convenience of clients who pay with cards abroad, we offered the option of blocking DCC transactions in the mobile app, where currency conversion required by the merchant could be costly to the client. Clients can also block surcharge fees added in ATMs on top of the withdrawal amount. The "Live Globally" package includes a multi-currency service, free-of-charge cash withdrawals from ATMs abroad, and a 15% discount on travel insurance. The multi-currency service was modified in April 2020. Ever since, clients are not required to hold currency accounts to pay in foreign currencies at attractive exchange rates and low currency conversion fees: they simply pay with a card and the bank converts the currency at an attractive rate. However, clients can still plug the card into a foreign currency account and pay directly in the transaction currency without being charged a currency conversion fee.

In 2020, we implemented fast delivery of cards to clients. We ship the card on the day following the client's order. As a result, clients receive cards two to four days faster than before. Clients can activate renewed or duplicate cards with a PIN-enabled transaction, which offers greater convenience.

In 2020, we completed the migration of all our cards to the PSD2 requirements. For greater security, clients are requested more often to confirm transactions with a PIN, including payments under PLN 100.

In 2020, the value of payment card transactions made by mBank's retail clients in Poland amounted to PLN 49.5 billion, which represents a rise by 6.3% year on year. The number of transactions made by mBank clients dropped slightly by -0.6% year on year. The market share of transactions with mBank's cards was stable at 12.1% as at the end of September 2020 (last available data, cumulative).

Added value services

mBank initiated the implementation of added value services provided on the mDeals platform which support the lifestyle and transactionality of our clients. In 2020, in partnership with The Heart, we offered pilot subscriptions to selected customer groups with partners including Allegro Smart, Empik, Audioteka, Lecton and Publico.

In Q4 2020, we launched initiation of eAdministration payments via KIR SA with an innovative PSD2 API solution. In 2021, following integration with National Node and Trusted Profile, our clients will be offered online services from the public administration, gaining access to a broad range of public

services, such as remote applications for ID cards, car registration, and copies of marital status certificates.

Products and services for affluent clients

In 2020, we continued the acquisition of affluent clients on the market and the conversion of affluent clients in our client base. We further developed and improved the Intensive Package with the mKonto Intensive account at its core. We communicated the Package to clients in three areas. First, in everyday banking, we offer free-of-charge bank accounts if the client's account is credited with PLN 7 thousand per month or the balance of the client's assets is at least PLN 100 thousand. Clients who meet those criteria get free-of-charge main cards for the account, free-of-charge cash withdrawals at ATMs around the world, and three free-of-charge express transfers each month. Second, in the area of financial needs, we offered promotions including mortgage loans at reduced commissions and margins as well as discounts on a health and life insurance package. We offered promotional terms of the eKonto Junior account for children. Clients were offered cash loans at reduced fees as well as promotional deposits combined with funds. Similar to 2019, we offered the multi-currency card Visa World Intensive and the credit card World Mastercard Intensive. Both cards feature currency conversion without a fee so clients avoid extra costs when paying in foreign currencies both online and in stores abroad. Our clients get priority mLine service and the support of a personal expert at a branch. Clients can contact them directly in the mobile application. During the pandemic, advisors reached out to the clients to offer support in everyday banking and financial management, including remote banking from home. In 2020, we delivered a series of investment webinars for our clients. Nearly 1,800 participants joined six online meetings.

Brokerage operations and asset management

The Brokerage Bureau of mBank provides a full range of brokerage services to individuals and private banking clients. We are one of the pioneers of private banking in Poland – in 2020 we celebrated twenty-fifth anniversary of our activity. Working with the affluent clients, we combine modernity with experience and professionalism. Our bureau also serves the largest Polish institutional investors (including pension funds, investment funds, and asset management companies) and foreign funds. The Brokerage Bureau enables clients to trade in regulated markets in Poland and abroad as well as in the OTC (CFD) market. Wealth management clients can use investment advisory services and asset portfolio management services. The Bureau is an active player in the equity market, preparing and conducting public and private offerings (IPO/SPO/ABB).

In 2020, in particular in its second half, investors' activity on the Warsaw Stock Exchange (WSE) increased significantly compared with the previous years. The stock market (the main market) alone witnessed a 55% year-on-year increase in activity. A large part of the increase was attributable to retail clients. Their share in trading on the WSE in 2020 is estimated at around 25%. The Brokerage Bureau of mBank is the leader in the market of brokerage services for retail clients. In 2020, the Bureau's clients accounted for 11.4% of all transactions in stocks on the main market of the WSE, which secured it the first spot. The Bureau's turnover related to equity trading on the main market of the WSE stood at PLN 33.4 billion (up by 176% year on year). This gives mBank the fifth spot in terms of total turnover (with a share of 5.6%, up from the 15th to the 5th position). The Bureau's share in equity trading on the client's account on the main market and on New Connect stood at 8.4% (PLN 39.3 billion, fourth rank). The amount of commissions in the retail segment increased by 350% in 2020 compared with the previous year. Since the beginning of 2020, we have observed a growing interest of our clients, especially new ones, in investing in foreign markets. The number of brokerage accounts of the mBank Brokerage Bureau's clients amounted to ca. 370,000 at the end of 2020. The Bureau opened ca. 47,700 new investment accounts in the discussed period (excluding brokerage pension accounts), which was the best result on the Polish market.

The period of increased market volatility in H1 2020 translated into a substantial outflow of assets from investment solutions on the Polish market. H2 2020 brought a radical improvement of the market environment, resulting in a sharp increase in managed assets. Due to better performance of stock markets outside Poland and relatively good rates of return achieved by many foreign segments

of the debt market, we benefited from the shift in investment structure made in the previous years towards global, diversified, and transparent solutions.

In 2020, the Monetary Policy Council reduced the reference interest rate in Poland to 0.1%. Within a relatively short time, this led to a significant drop in the deposit rates offered by Polish banks to all client groups. According to Wealth Management's observations, this change resulted in greater interest in asset management as a form of savings allocation.

In 2020, Wealth Management actively promoted thematic strategies launched in late 2019: Megatrends and the Sustainable ESG Strategy. These efforts paid off, with assets managed under both strategies amounting to approximately PLN 200 million and PLN 110 million, respectively. At the end of 2020, ESG Strategy assets accounted for 45% of assets in investment strategies with a comparable investment risk level. The increase in assets was accompanied by competitive investment results. Total assets managed as part of the asset management service grew by about 95% in 2020, while the value of assets managed by white-label investment funds rose by approx. 40%.

In 2020, Wealth Management continued to develop its offering of thematic strategies. In H2, we successfully introduced the Anti-Inflationary Strategy. Over the last few months, its assets reached approx. 5% of the total value of assets managed as part of the asset management service. We intend to continue these activities in 2021. Our plans also envisage the implementation of the ESG investing rules as part of other strategies, apart from the existing Sustainable ESG Strategy. Additionally, in H1 2021 we plan to significantly broaden our offering of subfunds dedicated to mBank's retail clients as part of the umbrella fund mFundusze Dobrze Lokujące SFIO. New solutions for this client group will include an ESG strategy.

The first half of the previous year was characterised by very low transactional activity and enormous volatility. It was caused by the impact of the COVID-19 pandemic on global economies and behaviour of market players. The second half of the year brought a major revival in equity transactions, including IPO, SPO, and ABB. The Brokerage Bureau of mBank carried out four such transactions in 2020, including: the SPO of CCC (PLN 507 million) as a joint bookrunner, SPO of Mo-BRUK (PLN 281 million) as a global co-coordinator and a joint bookrunner, IPO of Answear.com (PLN 81 million) as a global co-coordinator and a joint bookrunner, and ABB of Scope Fluidics (PLN 21 million) as a global coordinator and a sole bookrunner). In addition, the Bureau carried out one squeeze-out, five share buybacks (including Elemental Holding (PLN 15 million), Erbud (PLN 17 million), Neuca (PLN 18 million), Seco Warwick (PLN 15 million)), and three tender offers for shares of WSE-listed companies (including Elemental Holding (PLN 12 million)). The Bureau is also an intermediary in two tender offers which will end in 2021.

In December 2020, the Management Board of mBank S.A. decided to establish mBank's own investment fund company – mTFI. The decision was motivated by the growing scale of investment activity at mBank and prospects for further growth of assets under management in a low interest rate environment. At the end of 2020, the Brokerage Bureau of mBank managed assets worth PLN 1.6 billion as part of white-label investment solutions. Thanks to its own investment fund company, mBank will also be able to react more quickly to the changing environment, in particular with regard to the product offering in terms of thematic investment strategies (including ESG) and retirement solutions.

Cooperation with AXA Group

In 2020, mBank continued to cooperate with its strategic insurance partner AXA in the area of bancassurance. The partnership covers selling insurance products to mBank clients and focuses particularly on the standalone product segment, including motor, travel, home, and life insurance as well as the segment of products linked to banking products, e.g. loans.

The bank developed its insurance offer to meet the expectations of customers who intensively use remote channels to satisfy their needs and contact the bank. Currently, all standalone insurances are available in every access channel and all can be purchased in the mBank mobile application. More and more customers are using this option - in 2020 34% of standalone insurance was purchased through the application (an increase by 10 pp).

Products and services for small and medium-sized enterprises

Due to the COVID-19 pandemic, business owners needed our special support in 2020.

We actively participated in government schemes mitigating the adverse impact of the pandemic. Our clients applied for PFR subsidies via the mBank transactional service, as described in detail in chapter [2.2.6. Activities for clients](#). We reached out with scheme communications to all businesses possible. As a result, nearly 20% of all businesses which received PFR subsidies were mBank clients. More than 37 thousand clients filed applications via mBank. Subsidies in a total amount of PLN 3.3 billion were credited to accounts with mBank. Another area of key importance in securing cash for businesses was financing secured with BGK de minimis and COSME guarantees. Under the umbrella of support schemes, we offered online credit holidays. We also offered overdraft facilities with interest subsidies at 2 pps provided by the BGK Interest Subsidy Fund. Our clients could submit financial documentation fully online. In response to the government's decision to offer social security contribution holidays, we decided to charge no account fees provided that clients pay their social security contributions. More than 70 thousand clients used that option.

In addition to the facilitation of government schemes, we offered our own support to businesses. As early as March 2020, we opened a free-of-charge accounting hotline. More than 200 accountants who are our partners in the National Certified Accounting Firm Network OSCBR were available 24/7. Our accountants assisted businesses more than 6 thousand times, providing advice about the PFR Shield 1.0 as well as smaller support schemes during the pandemic. We continue the partnership under the umbrella of the PFR Shield 2.0 implemented in January 2021.

The number of OSCBR accounting firms increased by 10% in 2020 and we had 1,681 partners at the year's end. To be certified, accountants have to complete theoretical and expert training. We expanded the scope of accounting services for businesses. Since April 2020, clients can sign an agreement to start a business and open a corporate account with mBank by visiting our accountant rather than an mBank branch, which is a state-of-the-art and comprehensive solution. The 170 accounting firms in the OSCBR network provide support to clients prior to opening a business. The accounting firms opened nearly 4,000 new mBank corporate accounts, twice as many as in 2019. We also released a number of updated accounting manuals and launched the Inbox functionality in the mOrganizer system to support the exchange of documents between businesses and accountants.

In July 2020, we established a partnership with the Polish Security Printing Works (PWPW). We were the first bank to enable fully remote opening of accounts for clients without a prior banking relationship. The process relies on e-ID cards with electronic layers embedded.

In business finance, we focused on continued process improvements in the context of E2E Digital. mBank's business clients have access to an invoicing service, which is described in detail in the sub-section "New features of the mBank service" of chapter [2.5. Innovations](#).

Year 2020 was definitely a good year for e-commerce. We accompany clients in their digital transition to align business operations with changing economic conditions. In early May 2020, we offered a set of tools to help business clients launch online sales. In co-operation with partners, we help clients open and operate online stores on the RedCart and Skyshop platforms for PLN 1 net for three months. We charged no fees for the Paynow payment gateway during the pandemic. We offered a Samito system which automatically supports sales and client outreach at half the regular price for three months. We offered the tool 1basket (*1koszyk*) at reduced transaction fees of 1.5%. The tool supports sales in the social media without operating an online store. We also offered a package of 180 free-of-charge sponsored product placements on Allegro. For more information about operating an online business with mBank tools, visit our website: www.mbank.pl/firmy/firma-w-internecie/ecommerce/

In 2020, we launched the social campaign "Digital Revolutions" (*Cyfrowe rewolucje*) which supports microfirms, small and mid-sized companies in e-commerce expansion. The project is described in detail in chapter [2.5. Innovations](#).

It was our top priority in 2020 to maintain a dialogue with businesses and listen to their needs and expectations. We continued our monthly meetings with businesspeople ("OkO w OkO") in a new remote format. We delivered educational webinars for business clients moderated by mBank experts and market specialists to address current needs.

Retail Banking in the Czech Republic and Slovakia

Despite the COVID-19 pandemic, 2020 was a very successful year. For the first time in history, mBank's foreign branches in the Czech Republic and Slovakia exceeded 1 million clients. They also improved sales results in all product categories in comparison to the year 2019, especially in mortgage and consumer loan sales. The Czech and Slovak branches quickly adapted to the restrictions triggered by the pandemic and were able to provide high level of support to their clients.

Continuing from 2019, also in 2020 the main focus of foreign branches was on acquisition of the new clients and optimisation of processes related to all products. The branches completed several projects aimed at sales capacity extension and sales processes fine-tuning. They were also focused on greater adoption of digital technology by clients. mBank strengthened its position among mobile banks on the Czech and Slovak market by launching a mobile path to account opening in June 2020.

In order to improve its offer for the new clients, mBank delivered several new functionalities including possibility to block DCC transactions on card, when the payment is offered in the home currency instead of the local one. This feature release has drawn significant positive publicity across the whole market as mBank introduced it as first among all banks. Moreover, mBank has given its clients the possibility to block transactions where a surcharge is being applied, i.e. in cases when the additional charge would be accounted by the foreign operator when withdrawing money from the ATM. Clients can also – for security reasons – block the use of the magnetic stripe. Another new functionality enables the clients to unhide card credentials in mobile application. This functionality will allow them to use card for payments on internet or register it in Apple Pay or Google Pay without having physical plastic in hand. In the payments area, mBank has introduced a second cut-off time for domestic payments as well as the incoming part of instant payments in the Czech Republic where the money transferred from another bank is registered on a customer account in one second.

Thanks to using modern technologies and open banking solutions, mBank established connection to several banks on the Czech market. The data gathered through this channel will be used in loan process starting from Q1 2021. At the end of 2020 mBank also started preparations for common banking identity which will be available on the Czech market in 2021. The process is being prepared in order to obtain certification as an identity provider. This will allow mBank's customers to enter government and public services as a verified person as well as use it as a verification method for different services as telco, utilities and many more.

The COVID-19 pandemic impacted the whole banking sector on both Czech and Slovak markets. Also mBank had to adjust its plans in the foreign branches in order to adapt to the new situation as well as to fulfil all the regulatory requirements. All functions were highly limited by a necessity to shorten opening hours for clients during lockdown in the branches and mKiosks. Despite this difficult situation, a completely new concept of so-called mPoints was opened. These are mortgage centres intended primarily for brokers. The bank plans to continue expanding this concept also in the coming years.

mBank managed to switch into online mode really smoothly. We aimed at utilizing the opportunities brought by the pandemic when delivering all necessary functionalities. Consequently, mBank was able to achieve historically best results in the sales of mortgage loans. We also managed to cancel the fees for travel insurance when customer were not allowed to travel. We fulfilled all requirements coming from the regulatory environment, of which one of the most important was a possibility to postpone instalments of clients' personal loans and mortgages. In both countries this possibility was introduced by law which was approved and came into force in a really short time. mBank managed to be the first bank which delivered fully automated process of so called 'loan holidays' to its clients in Slovakia. Also in the Czech Republic mBank managed to introduce all the legal requirements on time. Moreover, mBank delivered a fully automated solution which allowed to process 95% of

requests without any manual input and saved significant amount of workforce. All those successful steps brought us positive publicity on both markets.

Since the beginning of 2020, the acquisition rate of new clients was developing positively. We observe a visible, gradual and sustained increase in acquisition dynamics. Importantly, the newly acquired accounts are active in 74% of cases. This increase was possible due to confluence of two events. The first is COVID-19- related move to digital and e-commerce channels, where clients appreciate the possibility to open a current account remotely, without a necessity to make a personal call to a branch. The second owes to a spill-over effect of the successful launch of two TV campaigns in 2020. They covered an attractive offer of mSpoření and account opening bonus for new clients as well as promoted mobile payments by using modern technologies. Thanks to all these activities, at the end of December 2020 we served over 1 million customers together in the Czech Republic and Slovakia.

mBank in the Czech Republic again scored high in Zlatá Koruna competition. We took the top position in the "Clients' choice" with mKonto and mKarta Svět, which can be used for foreign transfers. Business clients also casted their votes to mBank's products in the "Entrepreneurs award" category. Thanks to their recognition, our mKonto Business gained the first prize and eMax Business scored third in the ranking. In January mKonto and mPůjčka (mBank's cash loan product) both won the golden awards in Finparáda – The Financial Product of the Year contest. The contest is based on evaluation of annual market data conducted by Scott & Ross analysts to determine the best products from the point of view of benefits offered to clients in the previous year. mBank in the Czech Republic received the Superbrands award for the fifth consecutive time, while the Slovak branch won this distinction for the fourth time. The awards confirm mBank's position among the strongest brands in both countries. mBank's Slovak branch scored also the best bank in KPMG Customer Experience ranking.

Loans and deposits

The dynamics of mBank's loan portfolio growth in the Czech Republic and Slovakia confirms the positive expansion trend on these markets. As of end of 2020 the loan volume reached PLN 7,228.1 million, representing an increase by PLN 2,144.2 million or 42.2% year on year. Mortgage loans have contributed most to this increase in 2020. High sales resulted from, among others, fine-tuned credit process and effective marketing campaigns.

Sales of non-mortgage loans in foreign branches reached PLN 1,059.7 million, i.e. +34.4% year on year. In Czech Republic mBank sold PLN 805.6 million, up by 37.7% annually. In Slovakia non-mortgage loan sales reached PLN 254.1 million, representing an increase of 24.9% compared to 2019. Total mortgage sales in both countries amounted to PLN 2,315.2 million, a rise by 174.1% year on year. High dynamics could have been observed both in the Czech Republic, where it stood at PLN 1,480.9 million, i.e. +177.9 YoY, and in Slovakia, which scored PLN 834.3 million sales, a rise of 167.5% annually.

The volume of deposits continued to grow in 2020 and reached PLN 13,818.7 million at the end of 2020, which represents an increase of 29.8% year on year. The clients accumulated money mainly on the current accounts, which to a high extent resulted from their increased transactionality.

2.8.2. Corporates and Financial Markets




GRI FS6

The Corporates and Financial Markets segment serves 29,083 corporate clients including:

large enterprises (K1 - annual sales exceeding PLN 1 billion), mid-sized enterprises (K2 - annual sales of PLN 50 million – PLN 1 billion) and small enterprises (K3 - annual sales below PLN 50 million, full accounting) through a network of dedicated 46 branches. mBank Group's offer of products and services for corporate clients focuses on traditional banking products and services (including

corporate accounts, domestic and international money transfers, payment cards, cash services, and liquidity management products), corporate finance products, hedging instruments, equity capital market (ECM) services, debt capital market (DCM) instruments, mergers and acquisitions (M&A), leasing and factoring. The segment comprises two areas: Corporate and Investment Banking, and Financial Markets. In line with the resolution of the Supervisory Board of mBank adopted on June 25, 2020, regarding the dismissal of Mr. Frank Bock from the post of Vice-President of the Management Board, Head of Financial Markets of mBank S.A. as of December 31, 2020, the financial markets area was subject to the reorganization within other business areas of the bank, which was completed at the end of 2020.

Key financial data of Corporates and Financial Markets (at the end of 2020):

Share in pre-tax profit	Pre-tax profit	Total income
93.2% 	PLN 568.3 M 	PLN 2,332.2 M 

Key business data:

	2016	2017	2018	2019	2020
Clients ('000)	20.9	22.0	23.7	26.5	29.1
Branches (pcs)	45	46	46	46	46
Loans to corporate clients (PLN M)	34,174	37,942	44,233	47,786	46,025
Deposits of corporate clients (PLN M)	37,383	34,590	35,346	38,138	39,236

Key highlights

- Increase of core income by 2.6% in comparison with 2019.
- Acquisition of 2.6 thousand of new corporate clients.
- Net Promoter Score (NPS) for corporate and investment banking customers at the level of 41, higher by 8 points compared with end of 2019. Among the clients who indicated mBank as their main bank, NPS amounted to 47.
- Support instruments for clients in order to cope with the consequences of the COVID-19 pandemic. Distribution of the support solutions provided by the BGK and EU funds, including i.a. *de minimis* guarantees and liquidity guarantees. Participation in the distribution of the Polish Development Fund (PFR) subsidies.
- Increasing of the renewable energy sources financing limit to PLN 4 billion.
- Digitalisation of processes, i.a. digital onboarding and possibility to sign agreements with mBank electronically. mLeasing also introduced a solution to sign agreements live from home, using internet video-communicators.
- Introduction of the fastest online payment gateway Paynow for mBank's corporate clients. Cloud computing solution, developed in co-operation with mElements, ensures the high speed of the service, available also on mobile devices.

Corporate and Investment Banking

Financial results

The Corporate and Investment Banking segment generated a profit before tax of PLN 365.3 million in 2020, which represents a decrease by PLN 268.6 million, i.e. -42.4% year on year. Core income, comprising net interest income and net fee and commission income, grew on an annual basis. The reason for lower profit before tax was mainly higher level of net impairment losses and fair value change on loans and advances.

PLN M	2019	2020	Change in PLN M	Change in %
Net interest income	1,071.4	1,076.3	4.9	0.5%
Net fee and commission income	717.6	767.6	50.0	7.0%
Net trading income	72.2	81.0	8.8	12.2%
Other income	1.3	-6.3	-7.7	+/-
Net other operating income/expense	19.0	24.2	5.3	27.7%
Total income	1,881.5	1,942.8	61.4	3.3%
Net impairment losses and fair value change on loans and advances	-282.1	-611.5	-329.3	116.7%
Overhead costs and depreciation	-791.0	-789.1	1.9	-0.2%
Taxes on Group's balance sheet items	-174.5	-177.0	-2.5	1.5%
Profit before tax of Corporates and Investment Banking	633.8	365.3	-268.6	-42.4%

Activity of Corporate and Investment Banking segment in numbers (mBank only)

	31.12.2018	31.12.2019	31.12.2020	Annual change in %
Number of corporate clients	23,706	26,476	29,083	9.8%
K1 ¹	2,193	2,319	2,358	1.7%
K2 ¹	7,520	8,211	8,862	7.9%
K3 ¹	13 993	15,946	17,863	12.0%
PLN M				
Loans to corporate clients, including	25,635.6	28,962.4	27,825.3	-3.9%
K1	7,052.8	7,307.1	6,707.1	-8.2%
K2	15,745.6	18,685.1	18,185.7	-2.7%
K3	2,519.1	2,840.9	2,661.3	-6.3%
Reverse repo/buy sell back transactions	200.3	13.4	75.2	461.1%
Other	117.9	115.9	196.1	69.3%
Deposits of corporate clients, including	32,987.4	35,216.0	34,806.4	-1.2%
K1	12,765.2	12,434.0	8,671.2	-30.3%
K2	13,048.9	14,934.4	15,626.4	4.6%
K3	5,993.2	7,079.4	9,955.7	40.6%
Repo transactions	713.1	175.4	93.2	-46.9%
Other	467.1	592.9	459.8	-22.4%

¹ Due to the customer re-segmentation in 2019, corporate customer, loans and deposits data is incomparable year on year.

Despite the challenges related to the COVID-19 pandemic, 2020 was a period of dynamic changes. Due to the imposition of new safety principles and social distancing, the bank was faced with both new opportunities and challenges. During the pandemic, mBank introduced many improvements within the framework of the #bankujzdomu (#bankfromhome) initiative. The key question was how to open accounts, conclude new agreements, disburse products or exchange documents with clients. We launched numerous projects to cope with the challenges of the new normal.

Within 13 days, we implemented a fully functional remote process for concluding agreements and exchanging documentation with clients. The process takes place via the internet banking system mBank CompanyNet and with the use of a qualified certificate. Currently, clients sign agreements and send them to the bank remotely, without the need to visit our branches. All applications, statements, documents and agreements which do not need to be made in writing to be legally valid can be signed this way. The solution is addressed to corporate clients who already use mBank's services and have access to mBank CompanyNet, but want to extend the cooperation with the bank by renewing a loan or ordering additional cards. Until now, most of the above-mentioned activities required direct contact with a corporate advisor. The new functionality was also introduced as a means of acquiring new clients, who can enter into cooperation with the bank using a qualified signature. The new process accounts for a large share of signed documents (approx. 2,000 documents monthly at the moment).

Digital onboarding of corporate clients

In H1 2020, we implemented full digitalisation of the new client acquisition and onboarding process. The system was launched in early July. The new solution, which is unique on the Polish market, is based on a state-of-the-art platform enabling the sales forces to interact with the client. The platform supports the sales and formal onboarding process. It guides clients through the entire procedure connected with opening an account, activating access to online banking and ordering cards or cash services. In addition, the platform supports the Know Your Customer activities and other compliance aspects, which are necessary in the process of establishing cooperation with a client. Thanks to the system, paper versions of applications, agreements and signature specimen cards are no longer needed. Moreover, the system enables automation of the exchange of information with external sources (information integrator). Currently, the system enables the activation of four products: account, cash services, cards, and electronic banking. At further stages, we will implement new functionalities to expand the target group. Since the launch of the process, we acquired more than 1,100 corporate clients from all segments. This confirms that the process is universal. It is suitable for clients of all sizes, regardless of how complex their organisational structures may be. The fact that more than 60% of new relationships with corporate clients are entered into via digital onboarding testifies to its success.

In 2020, we did our best to maintain high acquisition of new companies. The corporate client base (K1, K2 and K3) grew by 2,607 companies to 29,083 compared with December 2019. Client acquisition grew by 9.8% year on year. This dynamic acquisition together with the state aid granted to companies as part of counteracting negative consequences of the pandemic translated into rise of the value of funds accumulated in current accounts with mBank. At the end of 2020, the value of current accounts totalled PLN 33.7 billion, up by 35.7% year on year. The high volume of current deposits is a springboard for continued development of transactional banking.

In 2020, we continued the digitalisation and paperless strategies. The virtual branch is an integral part of the mBank CompanyNet system. Clients can use this tool to submit electronic applications pertaining to the key areas of cooperation with the bank. In total, clients can use more than 40 different application forms and electronic information exchange processes. The submission of electronic applications is convenient, quick and effective, both for clients and for the bank. The virtual branch enables efficient operation and full automation of expensive processes. In 2020, clients were increasingly eager to use the self-service option.

In the discussed period, we launched the Customer Centre. mBank employees created a new client service model and centralised processes while working remotely themselves. The Customer Centre

makes it possible to comprehensively handle all enquiries as part of a single, centralised unit. This enables us to avoid redirections, delays and logistic challenges. The activities of the unit include:

- supporting clients in dealing with everyday issues related to account management; for example, helping clients assign or change authorisations to manage funds in an account or change address data,
- explaining to clients how to use electronic, online, and mobile banking systems,
- answering questions regarding banking products, account balances, available funds and limits, transfers and freezes,
- dealing with cash services, handling payments and other settlement products,
- handling complaints, reported issues and suggestions concerning our services and products,
- reacting to questions and reported issues pertaining to any corporate banking products (some reports are handled by external units).

In 2020, we also implemented a solution enabling us to confirm the identity of mBank CompanyNet users remotely. Since its launch, the service has been used in up to 40% of cases. The identity confirmation process is performed fully remotely, with the use of an individual and corporate account held with mBank. The solution significantly streamlines and facilitates the cooperation with the bank; it is convenient and fully automatic.

Other important innovations and solutions addressed to our corporate clients implemented in 2020, including the anti-crisis shield of the Polish Development Fund and the payment gateway Paynow, are described in chapter [2.5. Innovations](#) and [2.2.6. Activities for clients](#).

mBank actively supports its clients from the private equity/venture capital (PE/VC) sector. In June 2020, we received the PSIK 2020 award in the "Best Financing Bank" category in the competition organised by the Polish Private Equity and Venture Capital Association. The award was made in recognition of our 2019 achievements, including the financing of 16 transactions (among others, new takeovers) with the participation of PE/VC funds, and recapitalisation/refinancing transactions and credit lines for private equity funds. At mBank, we provide financing in the form of senior loans, mezzanine financing, bond issues, or structured working capital programmes. We adjust the financing structures to the clients' needs, ensuring fully flexible products. Every year, we are also appreciated by juries of international competitions. In 2020, we won the following titles:

- #1 in Poland's Overall Best Service Cash Management by Euromoney 2020. It is an annual survey in which clients assess the quality of services provided by their banks. The questions prepared by Euromoney were answered by financial officers in companies (CFOs, treasurers, accountants). In 2020 we came first in the Overall Best Services in Poland category. This year a record high number of bank clients took part in the survey (more than 33,000, up by 25% compared with 2019).
- World's Best Corporate/Institutional Digital Bank in Poland by Global Finance 2020. The jury of this year's competition organised by Global Finance named mBank the best bank in Poland in the World's Best Corporate/Institutional Digital Bank in CEE 2020 category. The international financial magazine recognises mBank every year. In 2019 it named mBank the best bank in Poland in two categories: World's Best Treasury & Cash Management Banks and Providers 2019 and Best Corporate Digital Bank 2019. We also won an award for the best digital bank for corporates in Central and Eastern Europe (World's Best Corporate/Institutional Digital Banks 2019). We are proud of the awarded prizes, considering that we have won them adapting to the new, remote reality. The solutions implemented during the pandemic, incl. remote process for concluding agreements, digital exchange of documents and online onboarding of new clients have been recognized internationally.

Products and services on offer

Corporate loans

The value of loans granted by mBank to corporate clients (excluding reverse repo transactions) stood at PLN 27,750.1 million at the end of 2020, representing a decrease of -4.1% year on year.

PLN M	31.12.2018	31.12.2019	31.12.2020	Annual change
Loans to corporate clients ¹	25,435	28,949	27,750	-4.1%
Loans to enterprises ²	24,616	28,797	27,966	-2.9%
Loans granted to local governments	360	200	84	-58.0%
Market of loans to enterprises	374,356	383,963	367,329	-4.3%
mBank's share in the market of loans to enterprises	6.6%	7.5%	7.6%	

¹ The bank, excluding reverse repo transactions.

² NBP category which ensures comparability of results of the banking sector.

Corporate deposits

The value of corporate deposits at mBank (excluding repo transactions) stood at PLN 34,713.1 million at the end of 2020, representing a decrease of -0.9% year on year. In 2020 we reduced interest on selected bank accounts dedicated to corporate clients in response to interest rate cuts announced by the National Bank of Poland (NBP). This applied, for example, to VAT accounts and automatic (overnight) deposits. In addition, we were selective about opening new term deposits, both in PLN and in foreign currencies. In late 2020 the standard interest rate on all types of corporate accounts, regardless of their currency, equalled zero, and 0.001% on overnight deposits. We also introduced additional fees for maintaining balances in PLN and in foreign currencies, which resulted in a significant decrease in corporate deposits, especially in December 2020.

PLN M	31.12.2018	31.12.2019	31.12.2020	Annual change
Corporate deposits ¹	32,274	35,041	34,713	-0.9%
Deposits of enterprises ²	27,099	32,770	36,836	12.4%
Deposits of local governments	267	164	173	5.3%
Market of deposits of enterprises	301,012	330,076	393,893	19.3%
mBank's share in the total deposits of enterprises	9.0%	9.9%	9.4%	

¹ The bank, excluding repo transactions.

² NBP category which ensures comparability of results of the banking sector.

Structured finance, project finance, syndicated loans

As part of Corporate and Investment Banking, the bank offers structured and mezzanine financing, including in particular acquisition financing and investment projects under which it finances renewable energy projects (wind farms and photovoltaics). In 2020, as part of bilateral and syndicated financing, the bank participated in financing approx. 130 projects (including 17 in renewable energy), providing approx. 210 credit risk products. The total amount of the bank's new exposure under these products was PLN 9,448.1 million (including approximately PLN 1,155.4 million in renewable energy). For more information on mBank's investments in RES please see chapter [2.5. Innovations](#) and [3.5. Support for renewable energy sources](#).

De minimis guarantees

The bank continued to perform the Portfolio De Minimis Guarantee Line (PLD) Agreement as part of the government programme "Supporting Entrepreneurship through BGK Sureties and Guarantees". As at December 31, 2020, the limit utilisation level reached PLN 2,493.1 million.

On June 25, 2018, mBank signed another Portfolio De Minimis Guarantee Line Agreement (PLD-KFG) as a continuation of the previous agreement (PLD), with an allocated limit for de minimis guarantees at PLN 4,700 million. As at December 31, 2020, the limit utilisation level reached PLN 2,448.0 million.

COSME

mBank continued to offer the portfolio guarantee line with a counter-guarantee provided by the European Investment Bank under COSME, an EU programme for the competitiveness of enterprises running from 2014 to 2020. The BGK guarantee limit for mBank stands at PLN 1,430 million. As at December 31, 2020, the limit utilisation level reached PLN 1,050.1 million.

Issue of debt securities for corporate clients

The share of mBank in the non-treasury debt market as the end of November 2020 is presented in the table below.

	Short-term debt	Corporate debt	Mid-term bank debt
mBank (PLN M)	400.0	10,450.5	10,991.8
Market (PLN M)	12,611.4	89,143.8	53,454.8
Market share	4.0%	11.7%	20.6%
Market position	#5	#3	#1

The largest transaction in 2020 was the placement of mBank Hipoteczny's bonds worth a total of PLN 95 million. The banks realised also placement of own bonds worth PLN 35 million. On the corporate bonds market, the bank carried out a series of new issues, i.e.: Dino Polska (PLN 250 million) Echo Investment S.A. (PLN 150 million), Archicom S.A. (PLN 90 million), mLeasing and LeaseLink (total of PLN 70 million), Marvipol S.A. (PLN 78 million), Develia S.A. (PLN 70 million), WB Electronics S.A. (PLN 60 million), HB Reavis S.A. (PLN 42.5 million), Ghelamco S.A. (PLN 40 million), Okam Capital Sp. z o.o. (PLN 20 million), EFL S.A. (PLN 20 million), Amica S.A. (PLN 20 million) and BBI Development S.A. (PLN 12 million). Additionally, under the Financial Shield against COVID-19, the bank placed on the primary market: PLN 9.2 billion of bonds of Bank Gospodarstwa Krajowego and PLN 3.1 billion of bonds of the Polish Development Fund.

Transactional banking

Cash management is an area of Corporate Banking offering state-of-the-art solutions to facilitate planning, monitoring, and management of highly liquid assets, cash processing, as well as electronic banking. The solutions streamline daily financial operations, enhance effective cash flow management, and help to optimise interest costs and income.

mBank's vast and ever-expanding range of cash management products and services supports long-term relationships with clients. It is reflected by the following data:

Number of outgoing foreign transfers	+2.3%
Number of incoming foreign transfers	+16.0%
Number of corporate cards	+0.9%
Number of active mCompanyNet users	+4.9%

mBank CompanyNet

January 2020 brought new features for our digital banking customers. We have enabled them to verify whether their business partner's account number is included on the registered VAT payers'

White List. In order to confirm how a selected company has been classified by the Head of the Tax Office, our customers are required to provide its tax identification number (NIP). The new feature has been released free of charge to all customers, regardless of the payment amount. Through facilitating the customers' operations, especially considering the constantly changing regulated environment, mBank expresses commitment to satisfying its customers' needs. In the course of placing a domestic wire transfer at CompanyNet mBank, the customer is given a choice to authenticate its partner. If the account is excluded from the White List while the transfer is pending, the commission will be cancelled. In such circumstances our customers can choose to proceed with the commission and/or notify the Tax Office over the span of 3 days.

A recourse factoring with a BGK guarantee

In 2020 mFaktoring S.A., a factoring subsidiary of mBank, offered a recourse factoring service with the BGK guarantee. With this facility available, financing of company's activities was even easier and more accessible to more companies. The service protected them from payment backlogs and helped to keep good financial liquidity in the hard times of the pandemic.

BGK guarantee protected up to 80% of the financing limit and covered up to PLN 250 million of factoring limit granted by mFaktoring. New service was offered to companies of all sizes across different industries, with both local and foreign business partners. This "factoring shield" was part of BGK's support for the Polish enterprises, aimed at mitigating the negative impact of COVID-19 pandemic.

PSD2 – launch of mBank API

In line with the requirements of PSD2, mBank enabled all registered Third Party Providers (TPP) to use an open API. Detailed information on the services for corporate clients introduced at mBank in relation with PSD2 is available at www.mbank.pl/psd2/msp-korporacje

Cash deposit machines for businesses

mBank continues to develop a service called the smart cash deposit machine. When integrated with a company's internal system and mBank's online banking, the solution allows for depositing cash and booking payments in real time without leaving the company's premises. mBank takes full responsibility for the funds as soon as they are deposited, and the device automatically communicates with the convoy company when it is almost full. In 2020, we launched 22 CDMs. We also introduced a new type of system integration, based on direct communication of the Supplier's System (API). As a result, we have reduced the labour intensity of cash handling, including in sorting plants. We have obtained more efficient communication between systems and automatic device accounting. Greater control over the bank's cash translates into a higher level of security.

Financial Markets

On 25 June 2020, the Supervisory Board of mBank adopted a resolution regarding dismissal of Mr. Frank Bock from the post of Vice-President of the Management Board, Head of Financial Markets of mBank S.A. The negative economic effects caused by the COVID-19 pandemic require the banking sector to adapt its strategy and take non-standard actions. Termination of the contract with Mr. Frank Bock as of 31.12.2020 is associated with the reorganization of the financial markets area within other business areas of the bank in order to increase efficiency of organizational structure and processes, and its effect is a reduction in the number of positions on the bank's Management Board by one. Until the end of 2020 Mr. Frank Bock has been involved in the re-organization of the area.

Financial results

In 2020 the Financial Markets segment generated a profit before tax of PLN 203.0 million compared with PLN 133.4 million posted in 2019, marking an increase by PLN 69.6 million, i.e. 52.2%, year on year. Net trading income and other income recorded the biggest dynamics. The latter grew among others thanks to the sale of debt securities.

PLN M	2019	2020	Change in PLN M	Change in %
Net interest income	217.1	211.2	-5.8	-2.7%
Net fee and commission income	-16.3	-12.7	3.6	-22.0%
Net trading income	34.7	84.4	49.6	142.8%
Other income	36.1	107.9	71.8	199.1%
Net other operating income/expense	-0.9	-0.5	0.4	-44.8%
Total income	270.8	390.4	119.6	44.2%
Net impairment losses and fair value change on loans and advances	0.8	1.5	0.6	76.6%
Overhead costs and depreciation	-101.4	-111.5	-10.1	10.0%
Taxes on Group's balance sheet items	-36.8	-77.3	-40.5	109.9%
Profit before tax of Financial Markets	133.4	203.0	69.6	52.2%

Activity of the Financial Markets segment in 2020

In 2020, the activities of the financial market products sales area were focused on ensuring continuous top quality service to corporate and retail clients amid the challenges posed by the COVID-19 pandemic. In early March 2020, we finalised the scheduled development activities, which included a new manner of feeding prices to transaction platforms and the digitalisation of the client onboarding process. We supported the management of digital relationships with clients. These measures helped us achieve an even higher standard of customer service. Since mid-March 2020 all the employees of the Financial Market Sales Department have been working remotely. Throughout this time, they took regular measures designed to retain clients, increase the number of transactions, and boost income from cooperation with clients, in particular:

- Increased telephone activity and cross-selling of financial market products translated into higher margins on transactions with corporate clients, which rose by 12.6% compared with last year.
- For the commodities team, 2020 was a time of active acquisition, which was reflected in the number of new clients concluding commodity transactions (39 new clients). We also recorded an increase in the number of active clients (111 vs. 87 in 2019) and in the number of concluded transactions. We would not have been able to achieve such a dynamic growth and handle so many transactions without the automation of the process of registering and confirming transactions (FM Desk). Additionally, the team broadened their experience by selling new products, increased their presence in the media (LinkedIn, TV) and implemented cyclical commodity research for the bank's clients (EUA – auctioning of CO2 permits, metals).
- The project team participated in more than 100 projects and concluded hedging transactions in 77 projects in 2020. It increased the income on hedging transactions by 15.8% year on year, thereby achieving a record-high margin of PLN 22 million. The transactions pertained to projects related to structured finance, CRE and RES projects. It is worth noting that the margin earned on the nine RES projects financed in 2020 surged by more than 200% on 2019. Moreover, in 2020, we brought the cross-selling and bundling of derivatives into compliance with the requirements of MIFID II and the guidelines and recommendations of the Polish Financial Supervision Authority (KNF).
- Numerous acquisition measures and stronger cooperation with business lines in the Retail Client Sales Division resulted in margins going up by 23% year on year in 2020. The improved onboarding model for new clients, new margin group matrix, and increased night-time limits on the FX platform contributed to higher number of active clients using the service. The number of

corporate clients went up by 8.7% year on year (to more than 28,000 clients), while the number of individual clients increased by 18% year on year (to more than 137,000 clients).

mBank's market shares in specific financial instrument markets as of November 30, 2020, are presented below:

	Treasury bills & bonds	IRS/FRA
mBank	10.6%	20.7%

Financial Institutions

In the area of Financial Markets mBank cooperates with financial institutions. Banking financial institutions are served by mBank's Financial Clients Department (DKF). In H2 2020, due to changes in the bank's organisational structure, DKF took over the responsibilities of the Financial Institutions Department. DKF's work focuses on, among other things, obtaining financing from other banks. We also provide the possibility to deposit surplus funds with other banks, and grant financing to banking clients.

As of December 31, 2020, mBank had seven active loans in the amount of PLN 4,271 million. In 2020, the bank paid off a USD loan of PLN 188 million before maturity. mBank's total exposure under loans from other banks was higher by PLN 227 million compared to the end of 2019 due to the significant weakening of the zloty against the euro and Swiss franc at the end of 2020.

At the end of December 2020, mBank's total exposure under loans granted to other banks reached the equivalent of PLN 101.6 million, down by PLN 44.1 million compared with 2019. mBank's portfolio included short and medium-term active loans granted to Polish and foreign banks.

Thanks to very good business relations with banking clients and excellent service quality, mBank maintains its strong position as regards handling settlements in PLN.

Furthermore, in 2020, the Financial Clients Department focused its efforts on actively supporting commercial transactions concluded by Polish exporters. The support included, in particular, offering adequate short-term financing to banking financial institutions. At the same time, we continued to serve banks from the Commonwealth of Independent States and offer them medium-term loans secured with KUKE insurance policies.

We found 2020 challenging due to the COVID-19 pandemic, which forced us to change our work model. Even though face-to-face contacts and meetings now take place virtually, with clients being served via email and videoconferences, the relations with correspondent banks have not been disrupted. Our customer service standard has remained unchanged throughout the pandemic. Owing to the experience and skills gained, we can continue to strengthen our relationships with other banks.

Custody services

mBank provides services including settlement of transactions in securities registered in local and foreign markets, safe-keeping of clients' assets, maintenance of securities accounts and registers of securities in non-public trading, maintenance of asset registers of pension funds and investment funds, monitoring the valuation of their assets, and processing corporate actions. mBank's custody clients are mainly financial institutions, in particular investment and pension funds, local and foreign financial institutions, banks offering custodian and investment services, insurance companies, asset management institutions and non-financial institutions.

In 2020, the number of served investment funds decreased by -15.7% year on year.

2.8.3. Activities of subsidiaries of mBank Group

Summary of financial results of mBank Group subsidiaries

In 2020, the profit before tax generated by mBank Group subsidiaries amounted to PLN 65.9 million, compared with PLN 210.8 million in the previous year.

The decrease in the gross profit in the annual terms resulted, among others, from the deterioration of economic conditions as a result of the COVID-19 pandemic and higher provisions for receivables made in the biggest subsidiaries, both related to the pandemic and independent of its course.

The table below presents the profit before tax posted by individual subsidiaries in 2020 compared with 2019.

PLN M	2019	2020	Change in PLN M	Change in %
mFinanse	33.3	30.7	-2.5	-7.7%
mLeasing ¹	96.1	9.4	-86.6	-90.2%
mBank Hipoteczny	61.3	20.1	-41.2	-67.2%
mFaktoring	25.3	12.6	-12.7	-50.2%
Other ²	-5.1	-6.9	-1.8	35.2%
Total gross profit of mBank's subsidiaries	210.8	65.9	-144.8	-68.7%

¹ Includes result of Asekum Sp. z o.o. and LeaseLink Sp. z o.o.

² In 2019, "Other" subsidiaries included mFinance France, mCentrum Operacji in liquidation, BDH Development, Garbary, Tele-Tech Investment and Future Tech. mCentrum Operacji was liquidated in December 2019.

Starting from January 2020, the company mElements is consolidated by the Group. At the end of November 2020, the Group has deconsolidated mFinance France due to the plan for liquidation of the subsidiary. In December 2020, BDH Development was sold. In consequence, in 202 the "Other" category covered mFinance France and BDH Development only until the moment of the deconsolidation and sale, mentioned above. As of December 31, 2020, the "Other" category consisted of the following subsidiaries: mElements, Tele-Tech Investment, Future Tech and G-INVEST (previously named "Garbary").

Business activity of selected subsidiaries

mFinanse

The COVID-19 pandemic has had a negative impact on mFinanse's business. 2020 was marked by falling sales and shrinking financial results. As a result, the subsidiary introduced cost adjustments to maintain business continuity and save jobs. A full return to sales processes will depend on the time needed for the consumer mood to turn positive again. Apart from the demand factor, 2020 sales were affected by the introduction of stricter lending criteria, which translated into drops in all product groups.

In 2020, the activities of an open platform of financial products distribution mFinanse were focused on the key business of loans sale intermediation. Mortgage loan sales decreased by 22.6% compared with the same period last year (PLN 2,365.8 million in 2020 vs. PLN 3,055.7 million year before). In the period under review, cash loan sales dropped by 51.5%, to PLN 306.5 million from PLN 632.2 million in 2019. The profit from selling car loans dedicated to car dealers decreased by 39.4% on the year before. It stood at PLN 273.8 million in 2020 compared with PLN 451.5 million last year. Profit earned by the car leasing area fell by 32.3% year on year, to PLN 91.1 million in 2020 from PLN 134.6 million in 2019.

In 2020 the subsidiary's pre-tax profit amounted to PLN 30.7 million compared with PLN 33.3 million in 2019. The result of 2020 includes the profit generated in the foreign branches of the subsidiary. The sale transactions of the organised parts of insurance business completed in previous years had a positive impact on the subsidiary's result recorded in 2020.

As regards business continuity, in response to the outbreak of the pandemic we took measures to protect the health and security of our employees, business partners, and clients. Head office employees were allowed to work remotely. The brick-and-mortar and partner branches operated in line with the security rules developed on the basis of the guidelines of the Ministry of Health. During the first and the second phase of the pandemic, mKiosks were closed in line with the regulation of the Minister of Finance. We reopened them in line with all the applicable security rules following the gradual lockdown easing, including the opening of shopping centres. Our branches were provided with sneeze guards, disinfectants, and personal protection equipment. Due to the pandemic, we suspended the project of mKiosks' chain expansion.

Since the beginning of the pandemic we have been working on support measures to help the sales network go through this difficult period. We have introduced social packages adjusted to the pandemic and reacted to the market situation on an ongoing basis, including adjustments to the sales network remuneration model.

mLeasing

The total value of contracts executed in 2020 amounted to PLN 5,128.7 million, compared with PLN 5,294.4 million in 2019 (-3.1% year on year). The value of new movable assets purchased by mLeasing in 2020 reached PLN 4,961.6 million, down by 0.8% compared with 2019, when it stood at PLN 5,001.4 million. The value of contracts concerning real estate stood at PLN 167.1 million compared with PLN 283.0 million in 2019 (i.e. -43.0% year on year).

The consolidated pre-tax profit reported by mLeasing in 2020 stood at PLN 9.4 million, which represents a substantial decline compared with 2019, when it amounted to PLN 96.1 million. A decrease of the result year on year was mainly driven by higher credit risk provisions. They stem from the cautious approach of the subsidiary to the potential post-pandemic difficulties of the clients, who might not service their liabilities timely. The cost of risk in 2020 reached PLN 170.1 million, which is higher by 190% year on year, when it stood at PLN 58.7 million.

In connection with the COVID-19 pandemic, we changed the work system at the subsidiary. We implemented remote work, while in cases where physical presence of employees is required, we introduced rotating shift work. We offered our clients the possibility of reducing from three to six leasing instalments. Clients can apply for suspension of principal instalment repayment and extension of the repayment period by a period when the client pays only the interest. We do not charge any commission for applications to reduce instalments. Within a short time, we prepared an automatic process for handling clients' applications to ensure that the decision-making procedure is quick. In H1 2020 applications for restructuring were filed with respect to 32.9% of the portfolio. In an effort to ensure high quality of the subsidiary's loan portfolio, we tightened the conditions for granting new financing by taking into account clients' resilience to the consequences of the pandemic.

In the second half of 2020, we expected another wave of restructuring applications. Therefore, in Autumn, we introduced new rules in the offer for schedule changes. We kept a simple application path for clients with smaller exposures and a deeper analysis of the client's situation in other cases. We have also reintroduced fees for changes to contracts since the middle of the year. After several months of applying these rules, we see less interest in schedule changes than in the first, Spring wave of applications.

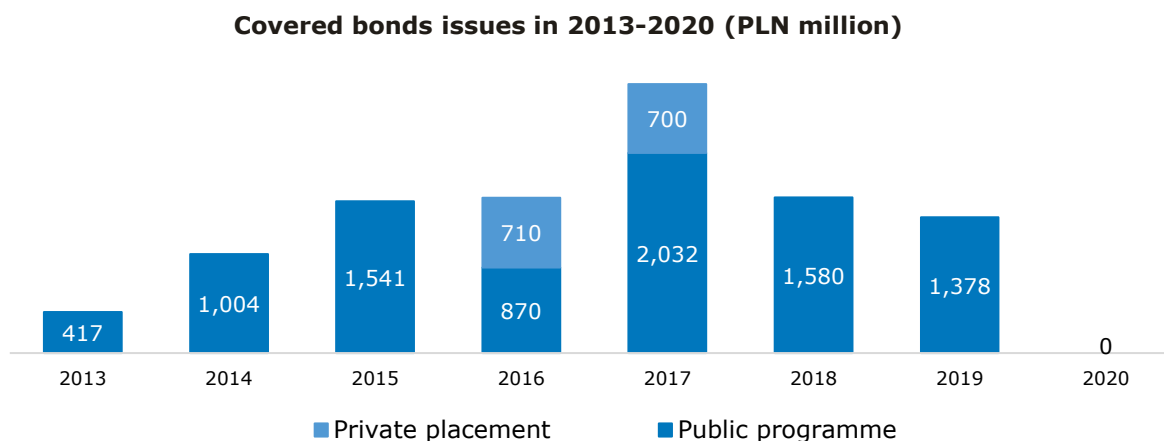
In October 2020, our new mAuto leasing portal was launched. The virtual car showroom is available 7 days a week, 24 hours a day. We handle the sales process itself 6 days a week, using a special Call Center. Through mAuto.pl, customers have access to a wide range of new and used vehicles. Financing options include rental, leasing, or cash purchase. mAuto.pl moves car sales online, applying traditional e-commerce virtues, such as delivery to home and possibility to return. It is another step in digital transformation of mLeasing, which allows to buy a car online at any time and place, without leaving home.

In 2020 we made available to our customers a new product for financing photovoltaic panels. We have implemented an offer addressed to entrepreneurs from the SME sector. Thanks to it, business owners can successfully reduce electricity bills by up to 70% and use renewable energy sources.

Importantly, the company's initial own contribution to the photovoltaic installation is low. Customers can include leasing installments in tax deductible costs. In the period under discussion, mLeasing completed 198 transactions for a total volume of PLN 20 million. Importantly, we achieved the adopted sales assumptions, despite the difficult economic conditions prevailing in 2020. Clients financing photovoltaic installations in mLeasing additionally benefit from the preferential financing cost under the EBI Climate Action program. The target customers received our product well.

mBank Hipoteczny

In 2020, mBank Hipoteczny (mBH) issued no mortgage covered bonds. Details concerning the outstanding covered bonds issue are described in chapter [2.6.4. mBank Group funding](#). The following chart presents covered bonds issues completed by in previous years.



In 2020, mBank Hipoteczny based its loan portfolio development on a pooling model in the retail area. We implement it in the formula of close cooperation with mBank, i.e. with the sales being carried out by mBank's forces. In 2020, 7 pooling transactions were conducted in the retail portfolio, for a total amount of PLN 1,543.4 million. Nevertheless, compared to 2019, mBank Hipoteczny's loan portfolio decreased. At the end of December 2020, the gross value of the portfolio amounted to PLN 11.5 billion, compared to PLN 11.9 billion at the end of 2019. This translates into a decrease of 2.9%. The transfer of commercial loan sales to mBank from 2019 had a direct impact on the lower value of the portfolio. The slower growth rate of the retail loan portfolio was also important.

The gross profit of the company, excluding pooling, amounted to PLN 20.1 million. It was lower by 67.2% than the result for 2019. There was an over twofold increase in loan loss provisions, which amounted to PLN 46.7 million. They have been caused by the impact of the COVID-19 pandemic. The provisions concern identified defaults in the individual approach and provisions for exposures subject to the portfolio approach.

Lower gross profit resulted also from both the lower value of the loan portfolio and the reduction in interest rates, which translated into a lower net interest income.

In Q1 2020, due to the threat related to the spread of the COVID-19 virus, we introduced new work rules at mBank Hipoteczny. We maintained and adapted them to the requirements of the epidemiological situation until the end of 2020. We kept shifts wherever it was necessary to work in the office on a continuous basis. However, we have introduced limits on the number of people working at the site from a given department/team, with justified exceptions. The crisis management team developed recommendations and kept employees informed of the applicable safety rules. To this end, the team observed the spread of the virus, analyzed the law and the decisions of mBank's crisis management team.

In parallel, we have developed support measures for both corporate and retail clients. We have made it possible for retail clients to postpone the repayment of principal or principal and interest installments up to 6 months. Customers could conveniently request a deferment of loan instalments

with use of an online instruction. We have analysed the support requests of corporate clients individually. From March 16 to December 31, 2020, in the retail portfolio alone, mBank Hipoteczny received requests to use assistance tools from clients representing approximately 10.0% of the portfolio. In terms of commercial loans, we received grace applications for approximately 41.8% of active contracts.

mFactoring

In 2020, despite the pandemic, the company was growing dynamically, breaking new business records. Turnover (the value of purchased invoices) increased by 6.9% compared to 2019. It reached historically high level of PLN 23.8 billion. It was over double pace compared to the dynamics of the entire market, which stood at 3%. As a consequence, we maintained the 5th position among factoring companies in Poland. According to the data of the Polish Factors Association, our market share in 2020 increased to 8.2% from 7.9% in 2019.

In 2020, mFactoring acquired 143 new clients with limits totalling PLN 282.0 million. New business development was stifled by the restrictions related to the COVID-19 pandemic. The restrictions imposed in mBank Group, applicable as of March 16, 2020, contributed to a drop in acquisition, mainly due to the limitations on the offering of some products and restricted access to financing for selected entities. In July, we modified the credit policy, learning from the experience gathered during the first period of the pandemic. This allowed us to reach a larger group of customers and translated into a gradual rebuilding of the base of new transactions. By the end of 2020 they returned to the regular growth.

mFactoring joined the BGK program in the area of liquidity guarantees. This program was aimed at customers with a deteriorating financial situation due to the pandemic. It was an additional element supporting our acquisition, which we describe in more details in chapter [2.8.2. Corporates and Financial Markets](#).

During the COVID-19 pandemic, the company performs all processes remotely. In response to the needs reported by some clients, we offer support measures. In particular, we extend payment periods and the recourse period. We have also undertaken a number of activities aimed at strengthening the monitoring of the receivables portfolio. Payment delays in the mFactoring portfolio are longer than at the beginning of the pandemic. However, it does not translate into a significant risk increase. In the period under review, there were no signals of worse payment discipline of the largest recipients in the mFactoring portfolio.

The decision to set up provisions for uncollectible receivables also affected the subsidiary's pre-tax result for 2020. It needs to be stressed that the provisions are not connected with the COVID-19 pandemic. As a result, the pre-tax profit of mFactoring recognised in the mBank S.A. Group IFRS Consolidated Financial Statements 2020 amounted to PLN 12.6 million v. PLN 25.3 million in 2019.

2.9. Investments

Investment spending in 2020

Investments in 2020 continued to support mBank organic growth and were constantly focused on satisfying customers' needs and improving customers' experience. Simultaneously, COVID-19 pandemic influenced the need to reprioritise some initiatives, as remote solutions became crucial for mBank operations. Therefore investment in infrastructure was made to enable most of employees working in a remote mode, as well as providing new solutions and mechanism fostering remote acquisition for customers willing to join mBank without physical presence in a branch. With PLN 526.9 million spent in 2020 (vs. PLN 424.1 million in 2019) the Group's investment spending was higher than in the past years.

Similarly to previous years, the majority of investment spending (PLN 360.3 million) concerned the IT area. mBank systematically improves its internet transactional service and mobile banking application, delivering new functionalities as well as developing existing ones. The aim is to facilitate

navigation, simplify scenarios of particular transactions made by customers and making the whole tool more intuitive. Among others, mobile application desktop for customers was redesigned, improving its functionality and responding to customers' needs, a new mailbox was introduced (consistent with internet banking system), providing wider communication possibilities with customers, mobile investment funds supermarket (SFI) was launched, providing full service of investment funds and new mobile application dedicated for Huawei Mobile Service (HMS) was developed. As a response to pandemic situation, mBank introduced a range of initiatives increasing clients' self-service, from which the most significant is mobile onboarding (possibility to open current account through video-based process, without the need to visit branch or sign documents provided by post).

mBank investments in 2020 included the ongoing digitalization and optimization of processes, among others automation and simplification of processes in mortgage lending for private customers. This is a trigger of further improvements and will result in the increased capacity (ability to process higher mortgage loan volumes).

Among anti-COVID measures, a fully digital government aid disbursement process was implemented. Clients could apply for subsidies from PFR - a government fund through electronic banking platform. As a result ca. PLN 6.1 billion aid in cash was transferred to clients' accounts both: corporates and entrepreneurs.

In Corporate Banking 2020 investment were mainly conducted in the following areas: process digitalization, mobile channels, loans for SME segment. In process digitalization area, works were focused on post-sales support functions leading to sales support functions centralization. Moreover development of the new mBank Corporate mobile banking app was conducted as well as investments aimed at significant improvement in loan processes for SME clients, including loan contract digital generator simplifying agreement preparation process and freeing up resources on the sales analyst side. One of the biggest digitalization milestones for Corporate Banking was the introduction of a fully digital client onboarding process. Currently more than 60% of new accounts are being opened in a fully digital manner.

mBank conducted a number of initiatives aimed at adjusting its processes and systems to regulatory requirements, e.g.: PSD2 (Payment Services Directive), the EU General Data Protection Regulation (GDPR), EMIR (European Market Infrastructure Regulation) as well as other regulations and guidelines, including e.g. the new default definition.

With PLN 119.9 million, the real property area ranked second in terms of investment spending. In 2020 there was no new branch opened; the "One Network" project is withheld, taking into account the importance of development of other distribution channels in current situation. The significant investment in the Real Estate area in 2020 was "mBank Tower" - headquarters in Warsaw, consolidating existing Warsaw locations. Completion is scheduled for the beginning of 2021.

Investment plans for 2021

In 2021 mBank is planning to continue investments focused on strengthening its competitive position as well as fostering the ongoing optimization and automation of customer-related and internal processes. Simultaneously it is planned to support business initiatives, foreseeing potential opportunities on the market and taking advantage of them. New solutions will include open API-based projects, biometric authorisation, payments integration, voice assistant and chatbots.

mBank's plans for 2021 include changing the format and role of mKiosks in the structure of the mBank sales network. It will allow for assisted customer service and shall result in the increased sales effectiveness. Simultaneously, current sale network will be reviewed with potential optimization perspective. In addition optimization of real estate in Czech and Slovakia is planned, aimed at relocation of selected Financial Centres as well as reduction of office space in headquarters in Prague and Bratislava.

In 2021 mBank will continue investments in corporate process digitalization (i.e. account closing process, cash collection services processes, payment inquiries from other banks, etc.). Main focus in corporate electronic banking will be on further mobile application development (one of the highlights

being remote client video-verification). Moreover further automation of back office functions is planned in the digital onboarding process of corporate clients. Contact Centre will see a new functional co-browsing solution enabling our consultants to remotely help corporate clients navigate directly on their computer screen.

In addition, projects increasing process efficiency and costs optimization will be conducted as well as important regulatory-driven projects will be continued, e.g. New Default Definition, the Standard Initial Margin Model (SIMM), adjusting business processes and IT applications to requirements imposed by Benchmark Market Regulation (BMR), etc.

2.10. Consolidated Financial Statements

2.10.1. Consolidated income statement

	Note	Year ended 31 December	
		2020	2019 – restated
Interest income, including:	6	4,688,353	5,071,664
<i>Interest income accounted for using the effective interest method</i>		4 207,276	4,523,483
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		481,077	548 181
Interest expenses	6	(679,053)	(1,068,892)
Net interest income		4,009,300	4,002,772
Fee and commission income	7	2,244,561	2,010,656
Fee and commission expenses	7	(740,039)	(654,491)
Net fee and commission income		1,508,285	1,270,617
Dividend income	8	4,926	4,220
Net trading income	9	184,752	134,516
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	10	15,572	69,259
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	11	93,527	34,832
Other operating income	12	218,052	234,487
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	15	(1,225,642)	(712,337)
Result on provisions for legal risk related to foreign currency loans	30	(1,021,714)	(387,786)
Overhead costs	13	(1,980,500)	(1,953,657)
Depreciation	25 , 26	(430,628)	(375,498)
Other operating expenses	14	(234,820)	(307,722)

Operating profit		1,141,110	2,013,703
Tax on the Bank's balance sheet items		(531,379)	(458,658)
Profit before income tax		609,731	1,555,045
Income tax expense	16	(505,974)	(544,793)
Net profit		103,757	1,010,252
Net profit attributable to:			
- Owners of mBank S.A.		103,831	1,010,350
- Non-controlling interests		(74)	(98)
Net profit attributable to Owners of mBank S.A.		103,831	1,010,350
Weighted average number of ordinary shares	17	42,355,695	42,340,263
Earnings per share (in PLN)	17	2.45	23.86
Weighted average number of ordinary shares for diluted earnings	17	42,379,726	42,358,529
Diluted earnings per share (in PLN)	17	2.45	23.85

Notes constitute an integral part of these Consolidated Financial Statements.

2.10.2. Consolidated statement of comprehensive income

	Note	Year ended 31 December	
		2020	2019 - restated
Net profit		103,757	1,010,252
Other comprehensive income net of tax, including:	18	407,791	(38,128)
Items that may be reclassified subsequently to the income statement			
Exchange differences on translation of foreign operations (net)		3,043	32
Cash flows hedges (net)	20	299,988	35,499
Change in valuation of debt instruments at fair value through other comprehensive income (net)		111,012	(71,657)
Items that will not be reclassified to the income statement			
Actuarial gains and losses relating to post-employment benefits (net)		(6,252)	(2,002)
Total comprehensive income (net)		511,548	972,124
Total comprehensive income (net), attributable to:			
- Owners of mBank S.A.		511,622	972,222
- Non-controlling interests		(74)	(98)

Notes constitute an integral part of these Consolidated Financial Statements.

2.10.3. Consolidated statement of financial position

ASSETS	Note	31.12.2020	31.12.2019
Cash and balances with the Central Bank	19	3,968,691	7 897 010
Financial assets held for trading and hedging derivatives	20	2,586,721	2 866 034
Non-trading financial assets mandatorily at fair value through profit or loss, including:	21	1,784,691	2 267 922
<i>Equity instruments</i>		202,304	162,616
<i>Debt securities</i>		76,068	133,774
<i>Loans and advances to customers</i>		1,506,319	1,971,532
Financial assets at fair value through other comprehensive income	22	35,498,061	22,773,921
Financial assets at amortised cost, including:	23	131,444,579	118,779,885
<i>Debt securities</i>		15,952,501	11,234,873
<i>Loans and advances to banks</i>		7,354,268	4,341,758
<i>Loans and advances to customers</i>		108,137,810	103,203,254
Non-current assets and disposal groups classified as held for sale	24	-	10,651
Intangible assets	25	1,178,698	955,440
Tangible assets	26	1,514,577	1,262,397
Current income tax assets		23,957	12,662
Deferred income tax assets	31	853,880	937,712
Other assets	27	1,282,439	956,949
TOTAL ASSETS		180,136,294	158,720,583
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities held for trading and hedging derivatives	20	1,338,564	948 764
Financial liabilities measured at amortised cost, including:	28	156,673,052	137 763 369
Amounts due to banks		2,399,740	1,166,871
Amounts due to customers		137,698,668	116,661,138
Debt securities issued		13,996,317	17,435,143
Subordinated liabilities		2,578,327	2,500,217
Fair value changes of the hedged items in portfolio hedge of interest rate risk		59,624	136
Liabilities included in disposal groups classified as held for sale	24	-	1,315
Provisions	30	1,766,368	739,296
Current income tax liabilities		225,796	161,534
Deferred income tax liabilities	31	690	82
Other liabilities	29	3,397,133	2,952,782
TOTAL LIABILITIES		163,461,227	142,567,278
EQUITY			
Equity attributable to Owners of mBank S.A.		16,673,133	16,151,303
Share capital:		3,587,035	3,579,818
Registered share capital	35	169,468	169,401
Share premium	36	3,417,567	3,410,417
Retained earnings:	37	12,501,597	12,394,775
- Profit from the previous years		12,397,766	11,384,425
- Profit for the current year		103,831	1,010,350

Other components of equity	<u>38</u>	584,501	176,710
Non-controlling interests		1,934	2,002
TOTAL EQUITY		16,675,067	16,153,305
TOTAL LIABILITIES AND EQUITY		180,136,294	158,720,583
Total capital ratio (%)	<u>45</u>	19.86	19.46
Common Equity Tier 1 capital ratio (%)	<u>45</u>	16.99	16.51
Book value		16,673,133	16,151,303
Number of shares	<u>35</u>	42,367,040	42,350,367
Book value per share (in PLN)		393,54	381,37

Notes constitute an integral part of these Consolidated Financial Statements.

2.10.4.Consolidated statement of changes in equity

Changes in equity from 1 January to 31 December 2020

[illegible]

Transfer to supplement ary capital	-	-	85,682	-	-	(85,682)	-	-	-	-	-	-	-	-
Other increase or decrease in equity	-	-	-	-	-	(18)	-	-	-	-	-	(18)	6	(12)
Stock option program for employees	-	7,150	-	3,009	-	-	-	-	-	-	-	10,159	-	10,159
- value of services provided by the employees	-	-	-	10,159	-	-	-	-	-	-	-	10,159	-	10,159
- settlement of exercised options	-	7,150	-	(7,150)	-	-	-	-	-	-	-	-	-	-
Equity as at 31 December 2020	169,468	3,417,567	9,911,964	101,325	1,153,753	1,230,724	103 831	(2,392)	185,333	419,130	(17,570)	16,673,133	1,934	16,675,067

Changes in equity from 1 January to 31 December 2019

	Share capital		Retained earnings					Other components of equity				Equity attributable to Owners of mBank S.A., total	Non-controlling interests	Total equity
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year attributable to Owners of mBank S.A.	Exchange differences on translation of foreign operations	Valuation of financial assets at fair value through other comprehensive income	Cash flows hedges	Actuarial gains and losses relating to post-employment benefits			
Equity as at 1 January 2019	169,348	3,405,338	9,826,282	93,448	1,153,753	306,100	-	(5,467)	145,978	83,643	(9,316)	15,169,107	2,100	15,171,207
Total comprehensive income	-	-	-	-	-	-	1,010,350	32	(71,657)	35,499	(2,002)	972,222	(98)	972,124
Issuance of ordinary shares	53	-	-	-	-	-	-	-	-	-	-	53	-	53
Other increase or decrease in equity	-	-	-	-	-	(26)	-	-	-	-	-	(26)	-	(26)

Stock option program for employees	-	5,079	-	4,868	-	-	-	-	-	-	-	9,947	-	9,947
- value of services provided by the employees	-	-	-	9,947	-	-	-	-	-	-	-	9,947	-	9,947
- settlement of exercised options	-	5,079	-	(5,079)	-	-	-	-	-	-	-	-	-	-
Equity as at 31 December 2019	169,401	3,410,417	9,826,282	98,316	1,153,753	306,074	1,010,350	(5,435)	74,321	119,142	(11,318)	16,151,303	2,002	16,153,305

Notes constitute an integral part of these Consolidated Financial Statements.

2.10.5. Consolidated statement of cash flows

	Note	Year ended 31 December	
		2020	2019 - restated
Profit before income tax		609,731	1,555,045
Adjustments:		718,274	(1,008,236)
Income taxes paid		(444,196)	(705,191)
Depreciation, including depreciation of fixed assets provided under operating lease	25 , 26	466,724	423,463
Foreign exchange (gains) losses related to financing activities		942,252	107,844
(Gains) losses on investing activities		(94,232)	(37,663)
Dividends received	8	(4,926)	(4,220)
Interest income (income statement)	6	(4,688,353)	(5,071,664)
Interest expense (income statement)	6	679,053	1,068,892
Interest received		5,446,532	5,358,232
Interest paid		(694,825)	(1,096,272)
Changes in loans and advances to banks		(3,157,249)	(2,122,441)
Changes in financial assets and liabilities held for trading and hedging derivatives		1,166,492	(625,899)
Changes in loans and advances to customers		(4,670,867)	(10,535,348)
Changes in financial assets at fair value through other comprehensive income		(13,167,129)	1,127,294
Changes in securities at amortised cost		(4,716,586)	(2,234,334)
Changes of non-trading equity securities mandatorily at fair value through profit or loss		10,211	(154,430)
Changes in other assets		(396,254)	216,394
Changes in amounts due to banks		1,448,331	(1,399,697)
Changes in amounts due to customers		20,784,682	14,874,358
Changes in issued debt securities		354,706	(224,425)
Changes in provisions		1,027,072	481,013
Changes in other liabilities		426,836	(454,142)
A. Cash flows from operating activities		1,328,005	546,809
Disposal of shares in subsidiaries, net of cash disposed		7,807	-
Disposal of intangible assets and tangible fixed assets		95,620	72,599
Dividends received	8	4,926	4,220

Acquisition of shares in subsidiaries		-	(25,636)
Purchase of intangible assets and tangible fixed assets		(552,487)	(500,761)
Other investing outflows		(212)	-
B. Cash flows from investing activities		(444,346)	(449,578)
Proceeds from loans and advances from banks		500	-
Proceeds from other loans and advances		-	544,735
Issue of debt securities	28	60,000	2,318,586
Issue of ordinary shares		67	53
Repayments of loans and advances from banks		(196,140)	(560,027)
Repayments of other loans and advances		-	(1,058,369)
Redemption of debt securities	28	(4,605,077)	(2,723,575)
Payments of lease liabilities		(119,501)	(122,539)
Dividend and other payments to the owners		-	(217,907)
Interest paid from loans and advances received from banks and from subordinated liabilities		(84,733)	(89,974)
C. Cash flows from financing activities		(4,944,884)	(1,691,110)
Net increase / decrease in cash and cash equivalents (A+B+C)	40	(4,061,225)	(1,593,879)
Effects of exchange rate changes on cash and cash equivalents		30,883	(9,408)
Cash and cash equivalents at the beginning of the reporting period		8,279,388	9,882,675
Cash and cash equivalents at the end of the reporting period	40	4,249,046	8,279,388

Notes constitute an integral part of these Consolidated Financial Statements.

2.10.6. Explanatory notes

Notes constitute an integral part of these Consolidated Financial Statements.

3. Environment, E

3.1. Management of the environment area

mBank is an organization which cares for the natural environment. For the last few years we have been involved in the “#mBank Is Eco-Friendly” project. This motto encompasses the initiatives we take to reduce our (direct and indirect) impact on both the climate and the environment.

These include campaigns for employees and a devoted site on mBank’s intranet where we foster environmental awareness, promote green attitudes and generate new ideas making us even more eco-friendly. We also undertake systemic initiatives to reduce our consumption of resources such as water, energy and paper, and eliminate the use of plastics.

In 2020 we decided not to print any leaflets and instead to advertise our services to clients electronically. This decision enables us to save five tons of paper annually. In addition, the launch of

a print management system and the smooth transition of most employees to home working allowed us to save four million A4 paper sheets.

The COVID-19 pandemic and its consequences made us realise that we can cope well with less. Guided by this thought and aware of the environmental and climatic challenges, we decided not to give and accept Christmas gifts, starting from 2020. This enables us to save considerable amounts of paper, water, electricity, and reduce the use of plastics and greenhouse gas emissions. At the same time, we decrease our negative environmental impact resulting from transporting the gifts and cards, as in the previous years. All this will also reduce the stress and workload often experienced by employees during the Christmas rush, and make our relationships with clients, partners and suppliers more transparent.

GOOD PRACTICE: New headquarters of mBank

Since November 20, 2020, the new headquarters is located at the Prosta 18 street, Warsaw. mBank is the main tenant of the 140-meter tower, a part of Mennica Legacy Tower complex in the center of Warsaw. The building is eco-friendly and equipped with state-of-the-art technology. mBank Tower (a name chosen by the employees) is also rich in various ecological solutions, minimizing the energy usage and our impact on the environment, confirmed by the highly regarded BREEAM certificate. The garage located underground can accommodate 300 bikes.

3.2. Management of our impact on climate

mBank puts a special focus to obligations concerning the climate and environment care. Due to that, we have set targets linked to mitigating our indirect and direct impact on the climate.

We have excluded the possibility to receive financing for the construction of a coal mine and restricted the possibilities for receiving financing of high-emission endeavor. We develop our expertise in providing financing to projects concerning renewable energy sources. In 2020 we have taken steps within the Group to prepare for the issuances of green debt instruments, including covered bonds. In our brokerage office, we have implemented investment strategies into instruments based on ESG analysis. We want to raise pro-ecological awareness of clients with the support of appropriate products and services. We will work on special conditions, which we will offer to clients who intend to receive financing for renewable energy source installations or eco-house which meets the requirements for low demand for primary energy.

The aforementioned credit policies were approved by the Corporate and Investment Banking Risk Committee of mBank, which includes, inter alia, Vice-president of the Management Board: Chief Risk Officer and Vice-president of the Management Board: Head of Corporate and Investment Banking. We update our credit policies on an ongoing basis and review them at least once a year - we also take into account the impact of climate change using the expert method. The management board and supervisory board of mBank approved the mBank Group's strategy for the years 2020-2023, including targets and measures related to climate protection. In 2020, during the meetings of the Risk Committee of the Supervisory Board, topics related to ESG issues were regularly discussed, including threats resulting from adverse changes in the natural environment (mainly climate change).

In order to mitigate our direct impact, we will measure our total carbon footprint and will gradually reduce it. We strive to decrease the electricity and natural gas usage. We want to reduce the environmental footprint of our car fleet. We save water, paper, and office supplies in the headquarters and branches of mBank. We want to implement recycling of materials. We are working on establishing a system for selecting suppliers who take ESG aspects into account. We will take actions which will support raising the awareness of sustainable growth notions of our partners.

3.3. Analysis of climate-related risks

Threats arising from adverse environmental change (mainly climate change) and their long-term impact are analysed at mBank Group horizontally.

It implies that we review their impact on the bank's operations across the broadest possible spectrum. In particular we refer it to the other risks categories, including reputational risk and credit risk.

Environmental change, fast technological development, and resulting legal changes increasingly impact more and more business sectors. As a result, many clients have to redirect or align the profile of their activity. Reorganisation or alignment of clients' businesses affects their relationship with the Group, which is exposed to client transition risk. We regularly monitor regulatory changes which address climate change and we assess their potential impact on the Group.

We have analysed the risk of mBank's adverse impact on the climate and the risk of adverse impact of the climate on the bank. Our analysis was prepared on the best effort basis and with the use of currently available interpretation of the new regulation. We have prepared these disclosures with use of the non-binding EU Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01),

The functioning of the bank has no material direct impact on the climate. The bank's industry does not generate significant greenhouse gas emissions. In the opinion of the bank, its impact is mainly indirect through financing provided to clients. The bank's impact on the climate derives from decisions to grant financing to clients in different industries. We can reduce the impact mainly by reducing financing for clients in industries relevant to the EU climate policy.

According to the Supplement on reporting climate-related information, the risk of adverse impact of the climate on a company is either physical risk or transition risk.

Physical risks are risks to the company that arise from the physical effects of climate change, e.g., weather-related events or longer-term changes in the climate, such as rising sea levels. Thanks to mBank's business model, where the key customer service channels are remote channels, i.e., online and mobile banking, mBank is exposed only to the minor extent to direct impact of physical risks, which are typical rather for the manufacturing companies. Energy blackouts constitute potential physical risk identified. At mBank we manage this risk with use of adequate technical solutions, meaning redundancy of power supply and generators. For data center objects, mBank applies requirements of at least TIER III level, ensuring constant energy delivery from two independent sources, also linked to the generator. We manage this risk at mBank according to the Business Continuity Management System.

The geographic location of our offices and branches in Poland, the Czech Republic and Slovakia, in a moderate climate, limits the physical risk to a service provider's operations. This implies an insignificant risk to the functioning of the bank's branches and head offices. However, physical risks may have an indirect impact on the bank by affecting our clients. In particular:

- flood, fires, and rising sea levels may hurt the real estate industry (retail and commercial mortgage loans),
- floods and heatwaves may hurt agriculture,
- low water levels in rivers may hurt the chemical industry.

Climate change results in extreme weather events, including increasingly frequent strong storms and intensive rainfalls. In 2020, we reviewed the potential impact of flood on mBank Group clients from the perspective of our portfolio structure. We analysed the impact on our profits and equity under a broad macroeconomic scenario including a sharp long-term economic recession caused by COVID-19 combined with additional events such as flooding. We tested the impact of flooding of the place of business of our major corporate clients as well as two residential areas financed by the mBank Group, whose location may potentially be at risk. The flooding of the place of business combined with

the potential difficulties of insurance claims and falling real estate prices would affect the repayment pattern of loans. That, in turn, would require additional loan provisions and higher capital requirements.

According to our analysis, the bank is mainly exposed to transition risks. Our analysis uses the definition of transition risk provided in the Supplement on reporting climate-related information. According to the Supplement, transition risks are risks to the company that arise from the transition to a low-carbon and climate-resilient economy. mBank's transition risks mainly include climate risks related to our clients, particularly the corporate segment that we finance mainly with loans, leasing, and debt origination and investment. Companies in industries with a significant impact on the climate may carry higher credit risk, i.e.:

- the risk of loss caused by counterparty default and
- the risk of impairment of credit exposures due to the counterparty's deteriorating financial position, for instance, driven by rising costs of mandatory environmental investments.

Risks related to financing of companies in industries relevant to the EU climate policy may involve mainly:

- higher impairment on loans and advances at amortised cost
- negative value change of loans and advances measured at fair value through profit or loss
- attrition of some income.

The table below presents transition risks identified at mBank.

Risk category	Description	Risk category according to the EU guidelines
Technology risk	Occurs if a technology with a less damaging impact on the climate replaces a technology that is more damaging to the climate. This may be driven by new regulatory requirements and the need for additional investments or higher costs.	Policy risks Technology risks
High capex requirements	Industries relevant to the EU climate policy often require higher investments due to large scale and concentration of projects. With weaker momentum in the business cycle for such industry, that could generate negative cash flows.	Technology risks
More eco-friendly competitors	Occurs if the choices of customers shift towards products and services of competitors that are more environmentally-friendly.	Market risks
Client's reputational risk	Companies perceived as climate adverse could face challenges in customer acquisition and retention, raising funding, and the cost of financing.	Market risks Legal risks
mBank's reputational risk	A company financed by mBank could face protests and criticism from the media and NGOs; it may lack environmental certificates or policies and publish no environmental reports; it may have no carbon footprint reduction strategy. That would affect the reputation of the bank as its financial provider.	Reputational risks
CO ₂ allowance costs	Companies in industries contributing to climate change are often required to acquire greenhouse gas emission allowances. The required number of allowances, price trends in the allowance market, and the client's approach to buying allowances could impact the client's financial results.	Policy risks Technology risks

Climate change provides not only risks but also opportunities for mBank. The key opportunity related to climate protection is the opportunity to expand the bank's offer to address changing needs of clients. For example, we finance projects involving renewable energy sources. mBank's credit policy of financing of renewable energy sources (RES), introduced in 2018, provides PLN 4 billion for wind farms and photovoltaics (the initial target was PLN 0.5 billion, raised to PLN 4 billion in 2020). We

were one of the first banks to credit wind energy. We are currently seeing a growing role of photovoltaics in the energy mix, which can be followed by offshore wind energy. The decision to increase the financing limit for renewable energy projects results, inter alia, from high interest in financing and good loan repayments, as well as promising prospects for the industry. We work, among others, on projects based on PPA (Power Purchase Agreement) contracts. In this model, an investor planning to build a green source, most often wind, first signs a ten-year contract for the sale of energy, e.g. with a production company.

To align its product range with changing needs of clients, mLeasing launched financing of photovoltaic panels in 2019. mBank's leasing subsidiary finances companies' photovoltaic systems worth up to PLN 250 thousand with a capacity up to 50kW. The leasing period is up to 6 years and the client's required contribution is at least 10% of the value of the project. In 2020, mLeasing completed 198 transactions with a total volume of PLN 20 million. Clients whose photovoltaic systems are financed by mLeasing have access to preferential financing conditions under the EBI Climate Action programme.

Since 2019, mBank private banking clients are the first in Poland to invest responsibly in line with the ESG standards. With mBank's ESG Balanced Strategies, private banking clients can invest in portfolios of equity and debt from issuers with a positive ESG track record. ESG strategy assets accounted for 45% of assets in investment strategies with a comparable investment risk level as at December 31, 2020.

The bank may also gain access to new forms of funding, including green bonds and other ESG-related debt.

3.4. CO₂ emission

GRI 305-1, 305-2, 305-4

Greenhouse gas emissions are calculated based on the GHG Protocol standard. Emissions included in scope 2 are calculated with use of the "Location based" method. The reported data is limited to data collected from companies: mBank (including the branches in Czech Republic and Slovakia), mBank Hipoteczny, mLeasing, mFinanse and mFaktoring. The range of reporting on CO₂ comprises of:

- direct emissions derived from fuel combustion in own energy sources and vehicles,
- indirect emissions derived from fuel combustion while generating the electricity acquired by the bank.

The data concerning the emission indicators come from records prepared by the English government agency DEFRA and The National Centre for Emissions Management (KOBiZE).

Direct greenhouse gas emissions (scope 1):

- 1,929.77 t CO₂e in 2020;
- 4,211.39 t CO₂e in 2019;
- 4,390.86 t CO₂e in 2018.

Indirect greenhouse gas emissions from the generation of acquired and consumed electricity, steam, heat, or cooling (collectively referred to as "electricity") (scope 2):

- 7,441.65 t CO₂e in 2020;
- 11,210.61 t CO₂e in 2019;
- 11,943.69 t CO₂e in 2018.

Intensity of greenhouse gas emission indicators (scope 1+2):

Key performance indicators (mBank Group)	2018	2019	2020
Scope 1 and 2 emission per employee (Mg CO ₂ e/ person*)	1.73	1.88	1.13
Scope 1 and 2 emission per PLN 1 million of income (Mg CO ₂ e/ PLN 1 million of income)	3.22	2.79	1.60

* Number of employees hired at the end of the year (including employees who are taking a long-term leave, excluding: employees hired based on replacement employment contract, interns and trainees, employees in technical 'accessible' posts)

We mitigate our direct impact by digitalizing processes as well as bank and operational activities, reducing consumption of energy, water and paper, eliminating plastics, better segregation of garbage. We have reduced our consumption of utilities notably after the relocation to a single headquarters building in Łódź from 6 different premises. We are implementing a similar strategy in Warsaw. The design of our new office buildings accommodates highest standards of multicriteria certificates, e.g. BREEAM Excellent – Przystanek mBank Łódź, Wieża mBank in Warsaw. We regularly modernize technical installations in the branches of the bank – mostly they encompass switching to LED lamps, swapping outdated air-condition and ventilation systems with systems integrating ecological refrigerants and systems conserving energy (recuperation, inverters). The result of the COVID-19 pandemic is adapting the system of work to home office, which led to reducing the number of office desks and accompanying furniture by around -30% in our new Wieża mBank building.

We have contracted the purchase of energy from renewable sources which acquired EKO Premium Tauron certificate for the largest facilities of the headquarters in Warsaw (Wieża mBank) and Łódź (Przystanek mBank) for 2021.

All indirect greenhouse gas emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (Scope 3):

in 2020 we have cooperated in a working group convened by the Polish Association of Listed Companies, the Polish Bank Association, Polish Chamber of Insurance, and the Reporting Standards Foundation. The aim of the group was to conceive solutions facilitating the transmission of data (for the companies), collecting and processing it (for the financial institutions) in line with the obligations arising from the Regulation (EU) 2019/2088 of The European Parliament and of The Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. One of the areas addressed in it is GHG emission (including scope 3). The outcome of the group's work will come in handy when we measure the amount of GHG emission in our value chain.

In January 2021 we have organized workshops together with external specialists on measuring the carbon footprint of our organization. We have identified the main emission sources for the Group. We are working on the improvement of the calculation process at the bank in order to consistently incorporate the GHG emissions of our corporate loan portfolio's in the calculations.

In order to stop and reverse the negative effects of climate and environmental changes we encourage our clients to adopt environmentally-friendly attitude. To achieve that we hold social campaigns which popularize ecology. The campaigns are addressed predominantly to the retail customers. We aspire to, among others, reduce our clients' usage of plastics and paper. To achieve that, we have introduced two plastic-less cards in 2020. One of them is the virtual e-Card meant for internet shopping. Up until now the clients could use traditional, tangible e-Card. Since April 2020, they have the option to choose either the virtual card or the tangible card. The bank is actively promoting the latter solution, which is ecological and safe. The other crucial step was to provide the new and current clients with the traditional debit card in a plastic-less form – Mobile MC. The data is saved in the mobile app instead of the plastic card which enables online transactions. ATM withdrawals and transactions at the stores are conducted based on NFC protocols. In 2020 we have relinquished the paper leaflets which allows us to conserve 5 tons of paper annually. Additionally, introduction of print management system and moving most of employees to remote work system permitted us to save 4 million of A4 sheets. The adjustment of rules of postal correspondence with clients is also in progress at mBank. We make broader use of the remote channels (transaction service, mobile app, e-mail,

text messages). We inquire the clients to update their e-mail address in order to eliminate unnecessary postal correspondence.

3.5. Support for renewable energy sources

mBank supports the green transformation of the economy, among others through providing financing to projects which reduce the emissions of greenhouse gases.

In December 2018, we approved the Credit Policy of mBank S.A. concerning the financing of renewable energy installations and we decided to allocate PLN 500 million for this purpose. In 2020, we doubled the credit limit for financing renewable energy sources twice: in March to PLN 2 billion, and in December - to PLN 4 billion. The current limit puts mBank among the leaders in financing the energy transition in Poland.

At mBank, we finance investments in renewable energy sources both under the auction support system and outside the auction system. In 2020, mBank financed investments in the field of photovoltaics (photovoltaics, PV), allocating approximately PLN 440 million for this purpose. In the discussed period, mBank also granted financing for wind farms in the amount of PLN 790 million. At the end of 2020, the level of use of the RES limit from the beginning of the policy implementation was 49%. The value of all financing by mBank was PLN 1,970 million. This includes PLN 720 million for PV projects, PLN 1,180 million for wind farms and PLN 70 million for biogas plants, both within and outside the policy. This translates into approx. 1,440 MWp of clean energy per year.

One of the largest transactions carried out by mBank in 2020 is another agreement for financing R.POWER solar projects. mBank granted a loan for this purpose worth PLN 102 million. This is the third agreement between the parties to finance solar farm projects. The total value of all loans granted to the R.POWER Group by mBank reached PLN 355 million. The latest round of financing R.POWER group projects will be allocated to the construction of 32 power plants with a total capacity of 29.4 MWp, located across Poland.

Our subsidiary mLeasing has also launched financing for solar panels. The solution is addressed to small and medium-sized enterprises allowing them to cut electricity bills by as much as 70% thanks to green energy. In line with the new regulations enterprises can be prosumers of electrical energy. Importantly, the initial financial contribution of an enterprise to a solar power investment is low, while lease instalments can be classified as tax deductible expenses. Enterprises using solar panels can largely avoid the consequences of rising energy prices.

The new solutions launched by mBank's leasing company allow enterprises to finance photovoltaic systems worth up to PLN 250,000 with a maximum capacity of 50 kW. The maximum lease period is 6 years. The enterprise is required to make a financial contribution of 10% of the value of the investment. The decision to grant financing is issued by mLeasing within one business day.

4. Social environment and the employees (S)

4.1. Our clients

4.1.1. Our approach to client relationships

Retail clients

At mBank we monitor client satisfaction at the following levels:

Strategic:

- Four times a year in cooperation with TNS KANTAR, a research firm, we survey the loyalty of our clients using a dedicated metric: relational NPS. Based on the survey results, we identify the key reasons why clients recommend mBank to their friends and family as well as areas that need development. In 2020 the relational NPS stood at 19.

Operational:

- We defined 18 key touchpoints with the bank for which transactional NPS is monitored. Based on the results, we precisely identify the major needs and expectations of our clients.
- We recorded an increase in the NPS result in 13 out of the 16 tested touchpoints.
- We continuously measure the satisfaction of clients using individual contact channels. We analyse the feedback from clients and swiftly react to their expectations.

The confirmation of the high loyalty of mBank's customers is the "Bank Customer Satisfaction Monitor 2020" implemented by ARC Rynek i Opinia. We scored second position in this ranking.

Corporate clients

As part of the „mSatysfakcja” („mSatisfaction”) project we survey the satisfaction of corporate clients on a yearly basis. Due to the COVID-19 pandemic, the 2020 relationship exercise was conducted in the fall. The transactional exercise was not conducted.

- The relationship exercise is designed for all clients. We ask about the inclination to recommend mBank to business partners, which is reflected by the value of the NPS indicator, and about the satisfaction during the cooperation. Thanks to that, we learn key reasons for recommending our service and possibly areas we should improve in. In 2020, the NPS level for all corporate clients reached 41, for clients who declare mBank as their main bank: 47 (market average amounted to 17; source: Kantar Polska, August 2019). In 2019, the values were 33 and 41 respectively. The percentage of companies satisfied and very satisfied with service provided by mBank reached 82% and was higher than the 2019 result by 7 percentage points.

The conversations between mBank advisors and representatives of corporate clients held immediately after the survey are the most important element of the NPS programme. The purpose is to obtain more detailed information from clients and find out why they recommend mBank to their business partners or advise them against it.

GOOD PRACTICE: „Digital Revolution”

Aside from the e-commerce package dedicated to its clients, mBank helps companies build momentum with the social campaign „Cyfrowe rewolucje” („Digital Revolution”). The core of the campaign are educational activities which help entrepreneurs create a successful online shop. The materials available at www.mbank.pl/cyfrowerewolucje include not only expert articles or industry reports, but also profiles of companies which have started a successful e-commerce business and

wish to share their experience. The website offers unlimited access to expert articles, webinars, and industry reports. mBank has also prepared online educational meetings in the form of webinars and the brand new “speed dates” with experts.

The campaign was promoted with a contest addressed to companies with a turnover of up to PLN 50 million. The participants had a chance to win two packages of specialist services worth PLN 100,000 each, and ten prizes worth PLN 10,000 each. The prizes, comprising services tailored to the size of a given company, helped companies to start or develop their e-commerce business. In the first edition of the contest we have registered more than 550 applications.

GOOD PRACTICE: “Client’s friend”

The “Client’s friend” project is a response to our clients’ and employees’ willingness to contribute to building mBank. We gather ideas and suggestions about the range of products and services offered by mBank, analyse them to find the most expected changes and design potential solutions together with competent organisational units.

Every client can share his/her ideas via online banking or any other access channel (mLinia, branches, email, chat) and social media (Facebook, Twitter). To offer ideas, one does not need to identify himself/herself or even be a client. Having registered an idea, the author receives an automatic thank-you message. In 2019 we introduced an additional thank-you message (push) sent within 48 hours after a client contributes an idea. We analyse every suggestion and inform the authors once their ideas are implemented.

In 2020 we have analysed almost 10 thousand ideas proposed by our clients.

GOOD PRACTICE: “Eye to eye with SME clients”

“Eye to eye with SME clients” is a series of monthly meetings with entrepreneurs, which aim is to adjust the services and products of mBank to the actual expectations of our clients. In 2020, at the time of pandemic, the in-person contact with the clients has been minimized. For employees other than advisors in the branches or at the call center, it has been limited almost completely. Due to the huge value of the direct conversations with clients, our resolve to accomplish them was even firmer. The “eye to eye” meetings were carried out online and were open to the mBank audience. We also interviewed the entrepreneurs individually.

Policy on providing services to entities operating in areas sensitive in terms of mBank’s reputation risk

The policy imposes restrictions on the provision of services to companies in socially controversial sectors which are in breach of the Ten Principles of the UN Global Compact.

Such restrictions concern opening of accounts as well as lending in the case of companies, including existing clients of mBank, whose activities:

- involve child labour or forced labour or result in other manifest violations of human rights;
- focus on economic exploitation of valuable natural areas;
- pose a risk to the global cultural heritage.

We do not establish business relations with any entities operating in countries, on which UN imposed sanctions.

4.1.2. Client data security

Efficient protection of consumers’ data and privacy is a fundamental precondition of credibility of financial service providers. We know how important it is for our clients.

Personal data of European Union nationals, including Poles, are strictly protected. mBank respects all rights of its clients under the provisions of: mBank's Personal Data Security Policy and mBank S.A. Policy of Personal Data management in Time (Retention Policy).

The policy is based on the General Data Protection Regulation (GDPR) and incorporates the GDPR provisions and the rights of data subjects. mBank has appointed a Data Protection Officer who is available at the e-mail address: inspektordanychosobowych@mbank.pl For details of data protection and its enforcement at mBank, visit our website: www.mbank.pl/rodo/strona-glowna.

[GRI 418-1]

In 2020:

- 41 complaints were lodged by the Personal Data Protection Officer (PDPO). They referred to the processing of the data of our existing and potential clients. By the end of 2020 we have not received any administrative decisions determining if the bank has processed the data against the GDPR policies.
- Total number of identified breaches of GDPR policies at mBank reached 54. We have notified PDPO about each one of them and approached the affected clients accordingly to the GDPR regulations.
- All complaints lodged by PDPO and confirmed cases of GDPR breaches at the bank are consistently examined. Where required, actions were taken in order to eliminate confirmed improprieties.

GOOD PRACTICE: "People Are Awesome"

In 2020 we resumed the nationwide social campaign promoting cybersecurity entitled "People Are Awesome" („Ludzie są niesamowici"). The campaign explained which online situations can be dangerous and why. It also promoted knowledge on online threats and ways to protect oneself from them. We have broadcasted the informative campaign on the Internet and on TV. Moreover, we launched a dedicated website LudzieSaNiesamowici.pl, where we posted additional information about key takeaways from the campaign.

4.1.3. Complaints

We prevent complaints from arising

We analyse complaints filed with the bank and – together with business experts – develop initiatives to reduce their number. In addition, lessons learnt from complaints are used in the process of designing new products and services.

Complaints from retail clients

Our objective is to resolve problems communicated by clients in a manner satisfactory to the complaining client during the first contact. For example, if possible, we credit the funds complained about to the client's account while they speak to our consultant. If it is not possible, we spare no effort to resolve the case as quickly as practicable. A huge challenge the 2020 posed was re-organizing the operational work in a way that does not harm the clients. The main priority was adjusting the systems and securing the processes with regard to preservice of deadlines imposed by the law in the new remote operation mode. In 2020 we resolved 52% of complaints within only one business day. Once we resolve a client's complaint, we ask the client to complete an NPS questionnaire and rate how satisfied they are from how we handled the complaint. In 2020, we have received more than 10,500 answers. 63% of clients assessed us with high marks.

We want our clients to be satisfied with how we handled their problem. The high percentage of complaints resolved in favour of clients (76% in 2020) proves that we are successful in achieving this objective.

In 2020, we let the clients make complaints on their own via the transactional system or the mobile application. It turned out especially important in the time of pandemic, the necessity to keep social distance and restricted interaction with other people. We facilitated making the mobile complaints, via mobile phones, outside the home of the client (for example, if the client is in front of an ATM or CDM) – required is only a couple clicks in an application which directs the client through the whole procedure (making a complaint directly from the turnover history is possible). The solution has been warmly welcomed, as proved by the fact that in the latest month of the year more than 14.5% complaints were made through digital channels.

Complaints from corporate clients

Corporate clients can file complaints by phone, email, in writing or in person at a bank's branch or via mBank CompanyNet.

In 2020 we resolved 74% of complaints in favour of clients. We resolve complaints as quickly as possible within not more than 15 business days. If the case is particularly complex, it takes a maximum of 35 business days. The deadlines, arising from the Act on Payment Services, are applied to all complaints, not just the complaints specified by the Act. In 2020, 22% of the complaints were reviewed within 5 business days. We are committed to minimising the negative impact of the events complained about on our clients.

4.2. Committed employees

4.2.1. Our employees

mBank's employees – their knowledge, experience and commitment – are our organisation's capital. They allow us to generate innovations and respond to our clients' needs more and more effectively. We make sure that the rules governing recruitment, remuneration, promotion and HR management are transparent, motivating and empathic.

Employment and HR management are governed in particular by the Work Rules of mBank S.A., the Remuneration Policy of mBank S.A. and the Rules for Awarding Bonuses to mBank S.A. Employees.

The internal regulations are supplemented by procedures pertaining to recruitment, development, and employee evaluation. As far as the characteristics of the conducted business do not require exceptions, the solutions adopted at mBank are subsequently applied in mBank Group subsidiaries. We ensure effective cooperation and communication across mBank Group using the Management by Objectives (MbO) System.

8,612 total number of employees
5,100 of our employees are women
3,512 of our employees are men

The Young Talents Development Programme

Composed of traineeships and internships, the Young Talent Development Programme is addressed to students and graduates who intend to work in the banking industry in the future. The programme participants acquire practical skills and knowledge and receive ongoing support from their supervisor. Moreover, interns and trainees work under an employment contract and have access to employee benefits.

The Young Talents Development Programme consists of the following two sub-programmes:

- **Traineeship programme** consisting of traineeships with flexible working hours offered throughout the calendar year. It means that a trainee can combine work and studies or other obligations. The trainees become familiar with one area of the bank's operations. The traineeship lasts 3 to 12 months on a half-time basis. In 2020 we admitted 31 trainees, out of whom 6 trainees were employed in the Group after the programme and another 16 trainees continue their traineeship in 2021.
- **Internship programme** addressed to people who are open, committed and full of enthusiasm, who have already gained experience as trainees or as members of student science associations and student organisations. Internship contracts are signed for a term of 6 to 12 months. Interns work full time. The internships in Łódź and Warsaw are conducted on a rotational basis which enables interns to familiarise with several areas of the bank. Candidates applying for an internship choose one profile determining the leading competence. In 2020, we hired 9 interns, out of whom 5 were employed after the programme.

4.2.2. How we ensure commitment

In 2020, we conducted four Pulse Check surveys at the bank, which replaced the annual Engagement Survey.

The theme of the March survey was the then ongoing process of changing the majority shareholder of the bank. The survey was completed by 54% of employees. The respondents praised the communication and transparency of the sale process, and the scope of information provided by the management. Furthermore, the respondents believed that improvement of cooperation between organisational units posed a major challenge for the bank. The April and July Pulse Check surveys mainly addressed new working conditions resulting from the COVID-19 pandemic. The surveys had a response rate of 70% and 61%, respectively. The respondents expressed favourable opinions of the measures taken in order to ensure health safety among the bank employees, and to maintain work efficiency. Most employees responded well to the new working conditions. However, they also pointed out the challenges of remote work. To address their concerns, we took measures to make working from home easier for our employees, including the management of remote teams, maintenance of interpersonal relationships, and fostering engagement. We also addressed the issue of coping with stress. The fourth survey took place in October. In contrast to the previous surveys, this one was addressed to the TOP600 managers. The response rate of this survey stood at 48%. The respondents evaluated the usefulness of Pulse Check surveys as a tool allowing managers to, among other things, diagnose employee sentiments. The results clearly indicated that the surveys were useful. They also confirmed that we should continue to carry out the surveys every quarter to follow the trends for selected categories of questions.

GOOD PRACTICE: "Log in to Development"

As part of the "Log in to Development" programme, we give interested employees access to reliable materials supporting individual development. The materials help them broaden their knowledge in areas related to their daily tasks, acquire additional skills (e.g. social skills, such as communication and assertiveness) and encourage personal development (e.g. materials on raising children, well-being, fiction reads). We thus support the work-life balance and create a workplace that is conducive to inquisitiveness, learning and broadening one's horizons.

Available materials:

- news and development materials available online on a dedicated website
- over 20,000 online courses and additional materials from LinkedIn Learning
- e-books and audiobooks from the catalogue on the Legimi platform

- archive of publications of Harvard Business Review Polska
- mobile English and German courses – eTutor app
- text messages presenting new vocabulary and development content

We have made available to our employees a package of benefits supporting improvement of immune system in 2020. The programme has been designed in a way which approaches the needs and concerns of the employees, including: uncertain future, altered work culture, remote work challenges, re-organization of work and social life, health anxiety. The meetings were conducted as online workshops. The programme comprised of, for example: advice and good practices related to maintaining high energy levels, support for building up stress immunity, advice for handling emotions, support for organizing the remote work in an optimal way, expertise on prophylaxis and healthy life style.

GOOD PRACTICE: Employability – the space of new opportunities

The space of new opportunities is a place in the intranet of mBank which hosts an offer of development programmes and consultations for employees and managers. The programme is based on three pillars, which support employees and managers in developing awareness of possessed capabilities and development opportunities and provide them with suitable substantive tools. "Get ready for the change" are actions which inspire openness to changes, awareness of strengths, and develop flexibility and mental resilience. "Take care of your development" is a collection of expertise and substantive competences sought by the organization. "Plan your future career" are actions supporting the increase of employee's attractiveness in the organization: an offer of internal hiring, consultations on recruitment, workshops on building personal brand, and so on. The workshops were attended by 100 participants.

GOOD PRACTICE: "Towards balance"

In response to the COVID-19 pandemic, and the necessity of isolation and remote work, we have supported the employees and managers in the new, challenging and stressful situation. We have created a development programme for them, which improves mental, emotional and physical condition. We have created a set of remote development activities regarding personal and managerial skills, for example on how to cope with fear and anxiety, how to work effectively in a home office, how to manage distributed teams and manage your energy. We have conducted workshops – in the form of multi-stage development programmes and so-called "knowledge in a nutshell" series. We have made available to our employees: online webinars with coach, offline webinars, podcasts, online meetings with experts, inspiring materials, videos, and so on. 511 employees used the knowledge in a nutshell series, and 189 participated in the multi-stage development programmes.

GOOD PRACTICE: "Development Fridays"

In 2020 we have continued the cyclical event held every Friday of the month offering the chance to participate in interesting workshops, meetings, presentations, lectures and consultations. The participants have the chance to discover the development opportunities offered by our organisation, including tools based on new technologies. Almost 1,700 employees participated in the programme. The Development Fridays project won the Talent Development in Organisations award in the large companies category in the HR Dream Team contest of the portal Pracuj.pl.

4.2.3. Incentive system

GRI 401-2, 404-2

We motivate employees, regardless of their employment type, both under our remuneration policy and by way of non-salary benefits, e.g. by providing them with professional development

opportunities. The incentive system plays a key role in acquiring and retaining competent employees, which allows us to build a competitive advantage.

- We support the development of our employees.
- We provide them with training courses and programmes to develop their managerial, sales and communication skills. We make sure that new employees are introduced to their duties in a friendly way.
- New employees, including interns, undergo induction training during which they learn about the values, procedures, products, history and current activities of the bank.
- We promote flexible employment forms, mobile tools and technological solutions making remote work possible.
- We have a comprehensive approach to the remuneration policy. We have a clear and transparent benefit policy. We allow employees to use the benefits which they find interesting. Our offer supports not only health and physical fitness, but also personal development, passions and interests.
- We offer a broad scope of support within the Company Social Benefits Fund.
- We engage employees in social activities and support them in this regard.
- We offer employees fair terms and conditions of employment, in every aspect.
- We offer employees of individual Group subsidiaries a very similar range of benefits, e.g. we co-finance private healthcare and the MultiSport card.

GOOD PRACTICE: “The zone of a child: School with mBank”

“The zone of a child: School with mBank” is a project aiming to support the parents in the caretaking of children during the COVID-19 pandemic and closure of schools. We have shared with the employees an educational platform which enables the children to do their homework with teachers and prepare for exams. The youngest children could use a gaming and animation room. During the summer break, the platform hosted thematic classes and animations instead of lessons. For the holidays time we prepared an interactive concert and taught how to create musical instruments. In 2020, the number of participants amounted to 2.5 thousands.

GOOD PRACTICE: mBank Club

mBank employees integrate and pursue their passions in various sections of the mBank Club. In 2020 1,744 employees joined 33 sections of the Club. Due to the restrictions imposed, meetings on the playfield, going to the theatres or cooking classes have been strongly limited. Wherever possible, we attended online meetings. For example, the culture section was one of the first sections to opt for online plays. Members of the sommelier section took part in virtual wine tasting hosted on MS Teams. When the restrictions were eased, we organised a tennis tournament in the Masuria region, and a trip of the horse riding section. Runners took part in the available competitions. All activities were undertaken of course in compliance with the sanitation and safety guidelines.

4.2.4. Diversity

The basic elements of the diversity policy have been incorporated in our HR policy for many years. Moreover, elements of the diversity policy are present in various other regulations, procedures and processes.

mBank treats people equally regardless of their sex, age, material status, family background, physical abilities, nationality, country of origin, sexual orientation, and political and religious beliefs. We take into account all factors which can give rise to direct or indirect discrimination. We offer a workplace that helps the staff make use of and develop their unique features and skills, e.g. through participation in training activities and clubs that bring together people with similar interests. Diversity management contributes to the creation of an organisational culture based on tolerance, where everyone is offered career development opportunities.

We strive to ensure equal participation of both sexes in external and internal recruitment and when planning succession in key positions. We observe the equal treatment principle when hiring new employees. Our recruitment process involves a selection method that ensures objective assessment of candidates' skills. Each employee of the bank can be promoted to a managerial position, if they have a relevant professional track record. Evaluation of job positions is based on objective criteria, which prevents discrimination. We apply the Policy for the Assessment of Qualifications (Suitability) of Members of the Supervisory Body, Management Body and Key Function Holders at mBank S.A. (Suitability Policy) with respect to the Management Board and the Supervisory Board.

The Suitability Policy lays down criteria for appointing persons having appropriate knowledge, skills, experience, qualifications and reputation to key positions. The policy includes a separate chapter dedicated to the diversity policy. mBank takes into account diversity when selecting Members of the Management Board and proposing candidates for Members of the Supervisory Board:

With respect to the Management Board

When deciding on the composition of the Management Board, the Supervisory Board makes every effort to ensure its diversity, especially in terms of age, education, professional experience and participation of women.

With respect to the Supervisory Board

The age structure of the Supervisory Board should be diverse. Moreover, we aim at ensuring that its members have diverse educational background and professional experience. We also want to ensure appropriate participation of women.

Supervisory Board of mBank

At the end of 2020, there were four women among eight Supervisory Board Members, which means women accounted for 50% of the total composition of the Supervisory Board.

Supervisory Board of mBank								
	31 Dec 2017		31 Dec 2018		31 Dec 2019		31 Dec 2020	
	number of members	%	number of members	%	number of members	%	number of members	%
Women	2	17%	2	17%	2	20%	4	50%
Men	10	83%	10	83%	8	80%	4	50%
Total	12	100%	12	100%	10	100%	8	100%

Management Board of mBank

Until October 22, 2020 there was one woman in the seven-member Management Board of mBank. After this date there have been only men sitting on the Management Board.

Management Board of mBank								
	31 Dec 2017		31 Dec 2018		31 Dec 2019		31 Dec 2020	
	number of members	%	number of members	%	number of members	%	number of members	%
Women	1	14%	1	14%	1	14%	0	0%

Men	6	86%	6	86%	6	86%	7 (6*)	100%
Total	7	100%	7	100%	7	100%	7 (6*)	100%

* As at January 2021

By 2028 women will account for at least 30% of the Management Board and the Supervisory Board Members.

In 2018 we signed the Diversity Charter, an international initiative for social cohesion and equality launched in Poland by the Responsible Business Forum. As signatories of the Charter, we have undertaken to support diversity and counteract workplace discrimination.

Counteracting workplace harassment

We wish to encourage positive employee relations and build friendly work environment. As an employer, mBank strives to create a work environment free of mobbing, discrimination, and other forms of violence caused by superiors and colleagues. In 2020 we have implemented mBank Policy on preventing mobbing, discrimination and other unacceptable behaviours. It extended the scope of the previous Anti-mobbing Policy.

The key focus of the policy is as follows:

- mBank does not tolerate mobbing, harassment, sexual harassment and any other form of discrimination, behaviour which is illegal, unethical or violating the rules of social conduct. Such actions fall under the category of unacceptable behaviour.
- All Employees, including managers and Management Board Members, must refrain from taking any unacceptable behaviour against other employees, colleagues, clients and suppliers.
- Anyone who creates conditions that encourage unacceptable behaviour or resorts to it, violates the fundamental employee obligations. In that case, as an employer, mBank may impose sanctions under the labour law and mBank's work rules.

Moreover, the Policy defines the unacceptable behaviours (introduces clear procedure to be followed in the case of materialization of such actions).

Any employee who claims to have experienced unacceptable behaviour reserves the right to report it. The employee is given the choice to report it anonymously or not. Complaints are reviewed by the Unacceptable Behaviours Committee comprised of directors or their substitutes from the Employee Development and Organisational Culture Department, the Compliance Department, the Legal Department, the Marketing Communication Department, mBank's Ethics Officer, and personal data inspector. Anyone whose legal or factual relationship with the complainant could affect the objectivity and impartiality of the Committee is excluded.

The Committee received 4 reports in 2020. None of them were confirmed as mobbing or discrimination. However, the Committee confirmed that other unacceptable behaviours occurred. Adequate actions were taken in regards to affected employees.

In 2020 we have trained 209 employees. At the end of 2020 we have started the obligatory e-learning training for all employees and managers at the bank. The programme is comprised of theoretical part and awareness part. It strives to educate on avoiding the unacceptable behaviours and on dealing with them at the team. The programme will be continued in 2021.

4.2.5. Ergonomics and security at the workplace

At mBank, occupational health and safety management starts with a proper assessment of occupational risk. It is performed by occupational health and safety specialists in consultation with the bank's employees. Every year, we analyse work accidents and update the risk analysis.

Occupational health and safety

[GRI 403-2]

We cannot allow our employees to be exposed to any health and safety hazards, which is why we implemented a comprehensive occupational health and safety management system covering the entire mBank Group. It is based on general provisions (Labour Code and regulations) and functions on the basis of the following rules:

- Involvement of the management and all the employees in shaping and implementing the occupational health and safety policy.
- Planning activities aimed at implementing the adopted occupational health and safety policy. Meetings of the Occupational Health and Safety Committee take place once a quarter.
- Creating conditions for implementing action plans: ensuring the budget for specific goals, identification of hazards and occupational risk assessment.
- Monitoring the implementation of plans and system operation and applying corrective and preventive measures, including: monitoring the occupational health and safety conditions and analysing reasons for accidents at work.
- Optimising the occupational health and safety management system through periodical reviews and checks of the company's branches by an occupational health and safety specialist.
- Induction and periodical training in occupational health and safety, during which employees are informed about the possibility of refraining from work if their health or life is threatened.

On our intranet we added a tab dedicated to occupational health and safety. It contains contact data of specialists to whom we can report accidents or potential accidents.

The assessment of risk related to occupational health and safety is revised every two years or more frequently, if the need arises. The last update was conducted in 2020 – we added new threats arising from remote work and COVID-19. Each newly hired employees is familiarized with the assessment of occupational risk in the first day of their employment.

4.2.6. Remuneration principles

The remuneration principles are set forth in the Remuneration Policy of mBank S.A. The Policy was introduced, among others, in order to build high commitment of employees by providing them with a remuneration package that is adequate to the market and the input of work, retain top employees in the organisation and attract talented people through the internship and apprenticeship programmes.

The Policy also stipulates the principles guaranteeing the protection of rights and interests of bank clients and preventing conflicts of interest. The Management Board is responsible for the development, implementation and observance of the Policy. The Supervisory Board approves the document, consulting it with the Remuneration Committee, if in doubt. Employees holding managerial positions are also obliged to follow the Remuneration Policy for Employees Having a Material Impact on the Risk Profile of mBank S.A.

The bank's remuneration management system is designed to:

- 1/ protect the rights and interests of the bank's clients and prevent conflicts of interest – we remunerate employees and appraise their performance to ensure that monetary and non-monetary rewards do not encourage them to favour own interest or the bank's interest to the detriment of the bank's clients;
- 2/ support appropriate and effective risk management in mBank Group without encouraging excessive risk taking beyond the risk appetite approved by the supervisory board;

- 3/ build strong employee engagement by providing a market-based remuneration package adequate to the workload (with a focus on the future and competition, where remuneration is based on the concept of total pay)
- 4/ retain best performers (by creating optimum work conditions) and attract new talent (intern and trainee programmes);
- 5/ ensure that the remuneration budget is cost efficient (by enabling flexible management of remuneration in order to optimise the use of the available budget).

GRI 405-2 Ratio of basic salary and remuneration of women to men in mBank by employee category:

Ratio of basic salary of women to men (mBank)	2018	2019	2020
senior management	86%	77%	69%
middle management	82%	82%	79%
other employees	74%	75%	76%
Ratio of remuneration of women to men (mBank)	2018	2019	2020
senior management	86%	74%	62%
middle management	78%	79%	78%
other employees	72%	74%	74%

Remuneration structure pictured above is strongly impacted by the higher number of women employed on the operational positions, whereas managerial positions are dominated by men. Moreover, in 2020 the bank has undergone significant structural adjustments which exacerbated the gap, particularly among the senior managers but also among middle managers. Remuneration regulations have been notably limited due to the pandemic and the necessity for saving, and as a result we haven't observed changes in this regard among other employees. The remuneration inequality among senior managers has been negatively impacted by the departure of Vice-President of the Management Board, Lidia Jabłonowska-Luba.

There are initiatives pursued at mBank aiming at equalizing remuneration on comparable positions. At the same time we strive to facilitate career promotions among women. In the long term horizon we expect these measures to diminish average remuneration differences between men and women. In the short term horizon – comparing 2020 to 2019 – challenges presented by the expenses led to exponential structural changes and significant restriction of remuneration alterations. It did not impact positively the efforts to diminish inequalities between remuneration of women and men.

4.3. Supporting society

4.3.1. Solutions for persons with disabilities

GRI FS14

mBank maintains and supports the model of serving clients with disabilities introduced in 2018.

We enable our clients to consent to the processing of data on their disability also while talking on the phone with mBank's consultants and, in special cases, during a chat or video chat. When contacting the support centre, the clients who gave such consent are automatically connected to dedicated consultants. Clients with hearing disabilities are offered the option of video calls in the Polish Sign Language. They are redirected to the bank's employees who know the Polish Sign Language, so no assistance from external interpreters is needed.

We continue our co-operation with the Polish Association of the Deaf, which provides sign language interpreting for clients and consultants at branches.

Just like in the previous years, we continue the good practice of cyclical training. Together with the Integration Foundation (Fundacja Integracja) we organise the "Sensitivity to Disabilities"

(„Wrażliwość na niepełnosprawność”) training. This year, due to the pandemic, we offered 50 people to take part in this event online. Presently, our employees have the chance to learn about the history of the Polish Sing Language and its basics. This training, also in an online version, was offered to a group of 30 people.

When designing new versions of the online banking system, we rely on the knowledge and experience of our employees with disabilities. We educate our employees. We also write a blog dedicated to disabilities addressed to all mBank employees. In 2020, we launched activities aimed at promoting diversity and openness at mBank. We invited employees with disabilities and employees who have disabled people in their family and neighbourhood to share their experiences. One of our employees who, being a person with disability, enjoys working at mBank, told his story in an interview published on the intranet.

To mark the Day of Persons with Disabilities, we presented the Integration Foundation’s “Savoir Vivre Towards Disabled” to all employees.

4.3.2. mBank Foundation

In line with the “m for mathematics” („m jak matematyka”) strategy, mBank Foundation focuses its efforts on supporting educational programmes and promoting mathematics.

We strongly believe that mathematics provides the foundation for logical thinking and is vital to understanding the world around us. Knowing mathematics helps to take informed financial decisions and encourages interest in science. mBank believes that mathematics contributes to both personal professional success and the development of Poland’s economy.

In 2020, mBank allocated over **PLN 2.3 million** for the achievement of mFoundation’s statutory goals.

In 2020, we pursued our mission through:

- subsidising development projects in the area of mathematical education,
- “mPower” („mPotęga”) grant programme,
- “A Step into the Future” („Krok w przyszłość”), mFoundation’s award for the best student thesis in mathematics,
- distribution of the book and e-book entitled “Child’s Play Maths” („Dziecinnie prosta matematyka”),
- distribution of the e-book entitled “Known and Unknown: Great Polish Mathematicians. Math Lesson Plans and More” („Wielcy polscy matematycy znani i nieznani. Scenariusze lekcji matematyki i nie tylko”),
- partnership with and financial support for external initiatives promoting mathematics education – online “Festival of Mathematics” („Festiwal Matematyki”).

GOOD PRACTICE: Publication of “*Known and Unknown: Great Polish Mathematicians. Maths Lesson Plans and More*” („*Wielcy polscy matematycy znani i nieznani. Scenariusze lekcji matematyki i nie tylko*”)

In 2020, we published a teacher’s book entitled “Known and Unknown: Great Polish Mathematicians. Math Lesson Plans and More” („Wielcy polscy matematycy znani i nieznani. Scenariusze lekcji matematyki i nie tylko”) in cooperation with the „Szkoła z Klasą” Foundation. The purpose of the book is to teach young people about notable, yet often unknown Polish mathematicians. The book consists of eight lesson plans which can be applied during mathematics, Polish literature and history classes, and form tutor meetings. The plans are based on the flipped classroom strategy and encourage teachers of various subjects to cooperate. They can be used in grades 4-8 of elementary school, and higher. The authors of the book were inspired by articles on famous Polish mathematicians published in the „Gazeta Wyborcza” daily and its supplement „Ale Historia” in 2019 (the Year of Mathematics) on the initiative of mFoundation.

Since November 2020, the book can be downloaded for free at www.mjakmatematyka.pl. The book has been downloaded over 2,000 times by the end of 2020.

GOOD PRACTICE: "Child's Play Maths" („Dziecinnie prosta matematyka") – distribution of a new book published by mFoundation

At the end of 2019, we published a new book entitled "Child's Play Maths" („Dziecinnie prosta matematyka"), dedicated for parents of children aged 0-6. It is a collection of inspiring games which parents can play with their children to familiarize them with maths from an early age. The activities are divided by age groups and adjusted to subsequent child development stages.

The book was first presented at the 6th edition of Mathematics Festival in November 2019. From February to July 2020, we made the book available in 312 mBank retail banking branches and mKiosks. Those interested in the book could order it for free and have it delivered to their chosen mBank branch. The digital version of the book was published in April.

Almost all copies of the book (nearly 50,000 of them) have been distributed. The digital version has been downloaded over 20,000 times.



GOOD PRACTICE: Online Festival of Mathematics

The Festival of Mathematics, an educational event for children, parents and teachers, has been organised by mBank and „Gazeta Wyborcza" since 2014. In 2020, the 7th edition of the Festival was held online due to the pandemic.

At the heart of the project laid the "Mathematics Counts" („Matematyka się liczy") website which has been supported through the communication channels of „Gazeta Wyborcza". Beginning from mid-December, we published new educational materials prepared by „Gazeta Wyborcza", „Wysokie Obcasy", and guest experts, daily for two weeks. We organised online meetings, interviews, vlogs, online debates, and podcasts. All materials involved innovative, inspiring and effective methods for educating and teaching math.

GOOD PRACTICE: "mPower" („mPotęga") grant programme

The aim of "mPower", mFoundation's flagship grant programme, is to promote mathematics among elementary school students. We intend to encourage teachers, parents and maths enthusiasts to break the routine and think outside the box during math courses. mBank subsidises projects which creatively show children and teenagers that mathematics is highly useful in everyday life.

During the 7th edition of the programme which was organised in 2020, we granted a total of PLN 938,994.75 to 152 educational programmes from across Poland. Moreover, we granted PLN 5,000 to each of the two projects that received the largest number of votes in an online poll. Most grants have been awarded to schools in small towns located across the country. In this way, we contribute to creating equal opportunities for schoolchildren from small towns. We have estimated that the projects founded in 2020 had 13,000 direct recipients.

4.3.3. "P for Painting" fund

P for Painting („M jak Malarstwo”) is one of the responsible business strategy projects run by mBank. As part of the project, we sold classical artworks in order to build an exceptional modern art collection. This way, mBank revitalises Poland’s art market to make it more welcoming for emerging artists.

In 2020, we auctioned more than 150 artworks via the DESA Unicum auction house, thus injecting a 7-digit sum into the “P for Painting” fund. The artworks included Józef Brandt’s “Pospolite ruszenie u Brodu” and Igor Mitoraj’s “Ikaria”, a famous sculpture being currently the artist’s most expensive artwork.

We are assembling a collection comprising artworks of the most interesting and promising young artists. The artworks are selected on behalf of mBank by a committee boarded by renowned representatives of the modern art market and the fund’s representative.

When selecting works to be purchased, the committee will be guided by both their artistic worth and prospective valuation in the longer term. The collection will comprise selected paintings made in various techniques (hence the name of the programme). It will include both single artworks from individual artists, and larger collections.

We will present the first artworks from the new collection in 2021.

It is fair to say that our collection will undergo a generational change. The sale of masterpieces of the old masters will support their younger colleagues. In the hard times of the pandemic it is especially important. The fund is our original idea which suits well to the modern and forward-looking mBank’s brand. We want our fund to invest in artists with potential. This is why the selection will be supervised by the purchasing committee composed of people who have been involved with the world of modern art for many years. Thus, we will be sure that after some time our collection will serve as a bridge for the next generation of artists and the fund will operate as a perpetuum mobile supporting young artists.

Cezary Stypułkowski, President of the Management Board

4.3.4. Let’s play with WOŚP!

The 28th Grand Finale was the third Grand Finale with mBank as the official partner bank of the Great Orchestra of Christmas Charity (WOŚP). As part of this strategic cooperation, mBank became the charity’s main financial services provider supporting both the January fundraiser and other activities of the foundation throughout the year.

In addition to providing secure financial solutions, the bank offered the donors innovative ways to donate money to the charity. During the 28th Grand Finale, the orchestra played to raise funds to ensure the highest diagnostic and treatment standards in pediatric interventional medicine.

mBank and its clients raised over PLN 15 million for the charity, including PLN 3 million donated by the bank itself, thus contributing to the record-high result of the fundraiser. mBank donated PLN 2 million thanks to the “100 for 100” initiative which started on Christmas Day. The rules were simple: mBank donated PLN 100,000 every time its clients made at least 100 donations to the charity in a single day. We also raised over PLN 1 million for the Charity from selling 70 artworks from mBank’s collection at an auction held in the Desa Unicum auction house. mBank issued a collector’s MasterCard payment card to commemorate the 28th Grand Finale of the Great Orchestra of Christmas Charity. The card was designed by Jurek Owsiak, founder of WOŚP.

mBank also helps WOŚP outside the Grand Finales. From January 1, 2020 to February 28, 2020 we have run a campaign for the new corporate clients, who apply full accounting called “In the Rhythm of WOŚP” (“W rytmie WOŚP”). For each new account, mBank donated an amount equivalent to its maintenance fees for six months (nearly PLN 100,000 in total).

Retail clients can also support WOŚP all year round, by donating how much they like every month to a dedicated savings goal in the app or online banking. Thanks to their joint efforts, mBank’s

clients donated over PLN 1.2 million to the charity in 2020. The charity uses this money to buy insulin pumps for pregnant women.

In April, 2020, mBank donated PLN 500,000 to the Relief Fund of the Great Orchestra of Christmas Charity. It supports hospitals and healthcare facilities in saving lives and bolstering recovery of people ill with COVID-19. We also encouraged our clients to donate. Using quick payment solutions, they donated PLN 1 million in total to this Relief Fund.

mBank was also the patron of the Academy of the Finest of Arts by the 26th edition of Pol'and'Rock Festival, which was held online. As every year, collectors could order a special festival card designed by Jurek Owsiak. We are also the main sponsor and partner bank of the next Grand Finale of WOŚP, which took place on January 31, 2021.

5. Governance, G

5.1. Corporate governance

5.1.1. Application of corporate governance principles

The general corporate governance principles applicable at mBank, i.e. regulations and procedures determining the guidelines regarding the bank's authorities' actions, in particular towards stakeholders, arise from statutory regulations, in particular from the Code of Commercial Companies and Partnerships and the Banking Law Act, the provisions regulating the operation of the capital market and the rules laid down in the following documents: "Best Practice for WSE Listed Companies 2016", "Principles of Corporate Governance for Supervised Institutions" issued by the Polish Financial Supervision Authority on July 22, 2014 and the "Code of Banking Ethics" issued by the Polish Bank Association.

In 2020, we applied the corporate governance principles contained in the "Best Practice for WSE Listed Companies 2016", issued by the Warsaw Stock Exchange by way of Resolution No. 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange) dated October 13, 2015.

In November 2020, as a response to current trends in the area of corporate governance, changes in the market environment and regulatory environment and needs reported by capital market participants themselves, WSE Corporate Governance Committee has published a project of new corporate governance rules called "The Best Practice for WSE Listed Companies 2021". We participated avidly in the public consultations related to this document which were set up by the WSE. We acknowledge the importance and values of the Best Practice and will strive to implement the new rules to the highest possible extent. The text of the "Best Practice for WSE Listed Companies 2016" is available on the website of the Warsaw Stock Exchange, in the section dedicated to the corporate governance of listed companies (<https://www.gpw.pl/best-practice>).

The "Principles of Corporate Governance for Supervised Institutions" are available on the website of the Polish Financial Supervision Authority (https://www.knf.gov.pl/en/MARKET/Regulations_and_practice/Practice).

Best Practice for WSE Listed Companies 2016

From among the detailed principles of the "Best Practice for WSE Listed Companies 2016", we do not apply principle no. VI.Z.2., which reads as follows: "To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years".

The principles for granting variable components of remuneration at mBank are compliant with the Regulation of the Minister of Development and Finance of March 6, 2017, on the Risk Management System, the Internal Control System, the Remuneration Policy as well as the Detailed Method for Banks' Internal Capital Assessment (Journal of Laws of 2017, item 637) and EBA's Guidelines on sound remuneration policies (EBA/GL/2015/22) of June 27, 2016, which do not provide for the premise indicated in item VI.Z.2 of the Best Practice.

We believe that mBank's remuneration system effectively ties the remuneration of managers to the company's long-term goals. Under the incentive scheme for Management Board Members and key managers of mBank a portion of their remuneration is paid in the form of subscription warrants. Bonuses paid to the Management Board and key managers are composed of a non-deferred part and a deferred part. Both parts are further divided into two equal portions: 50% paid in cash and 50% paid in subscription warrants. The non-deferred part in the form of subscription warrants is paid not earlier than after the lapse of 12 months from the date of the Annual General Meeting. The deferred part in the form of subscription warrants is paid in five equal annual tranches not earlier than after the lapse of 12 months from the date of approval of consolidated financial statements for the previous calendar year.

Moreover, from among all recommendations specified in the "Best Practice for GPW Listed Companies 2016", we did not apply the following recommendations in 2020:

- Item 2 and item 3 of recommendation IV.R.2. relating to General Meetings held using means of electronic communication. Item 2 concerns ensuring two-way communication in real time during the General Meeting allowing shareholders to speak from a different location. Item 3 concerns exercising the voting right in person or by proxy during the General Meeting.
For many years, we have broadcast General Meetings in real time, however, without the possibility of engaging in two-way online communication by allowing shareholders to speak during the General Meeting from a different location. The bank's By-laws and the Standing Rules of the General Meeting do not provide for the possibility of actively participating in General Meetings with the use of means of electronic communication. The 33rd Annual General Meeting of mBank S.A. took place on March 27, 2020, i.e. before the entry into force of the act constituting the so-called The Anti-Crisis Shield, in which, inter alia, the Code of Commercial Companies was amended, making it possible to conduct a general meeting using means of electronic communication in joint-stock companies.
- Recommendation VI.R.3. concerning the remuneration committee. This recommendation requires, among other things, that at least a majority of the committee members should be independent. At mBank, the Remuneration Committee of the Supervisory Board was composed of four members as at the end of 2020. Two members do not meet the independence criterion. Despite changes in the composition of the Remuneration Committee during the year, independent Supervisory Board Members did not represent a majority at any point. In the opinion of the Supervisory Board, a remuneration committee where half of the members are independent, whereas the other half represent the majority shareholder ensures efficient work of the committee and alignment of the basic remuneration principles with long-term objectives of mBank and Commerzbank Group, which controls mBank Group.

In accordance with the Commission Recommendation of 9 April 2014 on the quality of corporate governance reporting (2014/208/EU), we provide a brief description of application of recommendations laid down in the "Best Practice for GPW Listed Companies 2016" on the topics of most importance for shareholders.

Information policy and communication with investors (chapter 1)

We pursue a transparent, open, and reliable information policy, which builds mutual trust and loyalty of investors. We immediately react to any false information about the company by clearly expressing our stance.

When implementing the information policy, we comply with requirements arising from information confidentiality and security laws, which we must abide by as a public company and a supervised institution.

The main means we apply in our information policy with regard to investor relations include:

- current and periodic reports; the timeline of publication of periodic reports enables investors to familiarise themselves with the financial results of the company as soon as possible after the end of a reporting period;
- meetings, tele- and video-conferences of representatives of the Management Board and the Investor Relations team with investors and analysts;
- quarterly presentations of financial results for investors and analysts provided directly and through interactive webcasts and teleconferences;
- ongoing contact by phone, e-mail, Skype, and Microsoft Teams with analysts and investors, including sending newsletters on a monthly basis and, if necessary, other informational materials;
- participation of our representatives in domestic and foreign investor conferences;
- website of the company in Polish and English featuring all the information required by the "Best Practice"; In the comprehensive investor relations section we published information on, among others, our shareholders, the composition of the Management Board and Supervisory Board, General Meetings (including video recordings of General Meetings), ratings, the Euro Medium Term Note Programme, the price of mBank's shares on the Warsaw Stock Exchange, analysts' recommendations, the consensus on mBank Group's expected performance and the target share price. On our website, there are annual, periodic and current reports and presentations, including presentations of results of the Group for analysts and stock exchange investors as well as presentations for investors interested in the bank's debt securities, online versions of integrated annual reports enabling interactive access to the audited financial data, and an Investor's Calendar.

During the COVID-19 pandemic we had to change our work tools and routine, while increasing the frequency of contacts. We provided investors, analysts, and rating agencies with reliable information on the group's financial standing and business situation and measures taken due to the pandemic. Investor relations were based primarily on the online channel.

Open communication with shareholders during General Meetings manifests itself, among others, in the following aspects:

- providing shareholders with answers and explanations by the members of the bank's governing bodies;
- broadcasting General Meetings on the Internet;
- participation of the media in General Meetings.

We pursue a policy of full transparency regarding sponsorship. The activity of mBank's foundation is described in chapter [4.3.2. mBank Foundation](#).

Management Board and Supervisory Board (chapter 2)

All Members of the Management Board and the Supervisory Board have the knowledge, experience, and skills required for their functions. The Members are chosen taking into account the principles of versatility and diversity. The Members of the Management Board are able to effectively manage the company, while the Members of the Supervisory Board supervise it to a sufficient extent and in a due manner thanks to their excellent competences, rich professional experience, and professionalism.

More information on the qualifications of Management Board Members and Supervisory Board Members can be found the [Statement of mBank on Application of Corporate Governance Principles in 2020](#).

The position in the managing body constitutes the main area of professional activity of Management Board Members. Some Management Board Members sit also on the supervisory boards of subsidiaries, which contributes to effective operation of the group. The Members of the Supervisory Board devote the necessary amount of time to performing their duties. In 2020, the Supervisory Board held eight meetings. Moreover, meetings of the four committees of the Supervisory Board took place. If a Supervisory Board Member resigned, they were replaced to fill in the vacancy.

Internal systems and functions (chapter 3)

We maintain effective internal control, risk management, and compliance systems. Tasks within the individual systems are performed by designated organisational units. The Management Board is responsible for the implementation, maintenance, and effectiveness of internal control, risk management, and compliance systems and the internal audit function.

The Internal Audit Department and the Compliance Department are supervised directly by the President of the Management Board. The Audit Committee of the Supervisory Board reviews and monitors the financial reporting process and operational effectiveness of the internal control system, including the operation of internal audit and compliance.

General Meeting and relations with shareholders (chapter 4)

When setting the date of an Annual General Meeting we not only take account of the statutory time limits, but also try to convene the meeting as soon as possible after the release of the annual report. In 2020 the annual report was published on February 28, while the Annual General Meeting of mBank took place on March 27.

We broadcasted the Annual General Meeting in real time. In the absence of appropriate provisions in corporate documents and prior to the entry into force of the provisions enabling the organization of remote general meetings, we could not provide the possibility for shareholders to speak during the General Meeting via means of electronic communication and thus exercise voting rights. We believe that during a pandemic it is important to hold the general meeting uninterruptedly, while ensuring the safety of participants, as well as equal access for shareholders to participate in the general meeting. We will be guided by this when organizing future general meetings.

Conflict of interest and transactions with related entities (chapter 5)

Members of the company's authorities undertake to abstain from professional and non-professional activities which may result in a conflict of interest. The Rules of the Management Board include provisions on avoiding conflicts of interest and specify under which circumstances Management Board Members should be excluded from the decision-making process in the case of a conflict of interest or a potential conflict of interest. In accordance with the Rules of the Supervisory Board, its Members do not engage in activities which could give rise to a conflict of interest or negatively affect their reputation as Supervisory Board Members.

Transactions with related entities are executed on the basis of the applicable internal regulations of the bank in line with market standards and consistent policies.

In accordance with mBank's By-laws, no resolution should be passed without consent of the majority of the independent Members of the Supervisory Board on the following matters:

- any benefits provided by the bank or any entities related to the bank to the Members of the Management Board;
- consent for the bank to enter into a significant agreement with an entity related to the bank, a Member of the Supervisory Board or the Management Board, and entities associated with them.

The Supervisory Board issues opinions concerning transactions with related entities if the planned total value of a single transaction exceeds 20% of the Bank's own funds.

Remuneration (chapter 6)

The applicable remuneration policy and practices meet all legal requirements. They support sound and effective risk management in mBank Group and do not encourage employees to take excessive risk exceeding the acceptable general risk level of the bank approved by the Supervisory Board.

The remuneration policy and criteria for awarding variable remuneration components contribute to implementing the strategy of mBank Group by:

- ensuring full commitment on the part of persons covered by the policy to their functions at the company,
- offering incentives for accomplishing the strategy and objectives,
- permanently tying persons covered by the remuneration policy to the company,
- ensuring that the remuneration of persons covered by the policy matches the financial and business results of the group and
- discouraging persons covered by the policy from taking excessive risk.

Remuneration of the Members of the Management Board includes a fixed and a variable part. The Supervisory Board has appointed a remuneration committee, but the independent Members of the Supervisory Board do not have a majority in the committee. Remuneration of Management Board Members, key managers, and Supervisory Board Members is sufficient to attract, retain, and motivate persons having the necessary competences to appropriately manage and supervise the company and matches tasks entrusted to these persons. Remuneration of the Supervisory Board does not depend on options, derivative instruments, or other variable components and is not tied to the company's performance.

More information on the rules of remunerating Management Board Members and Supervisory Board Members can be found in the following sections of this statement.

Principles of Corporate Governance for Supervised Institutions

The "Principles of Corporate Governance for Supervised Institutions" cover relations with shareholders and clients, issues relating to the organisational structure, rules for ensuring an effective and efficient internal control system, as well as the risks of business activities.

In accordance with the declaration of the Management Board and Supervisory Board of December 11, 2014, we have adopted the "Principles of Corporate Governance for Supervised Institutions", excluding the principles listed in Article 8 (4) and in Article 16 (1).

The principle in Article 8 (4), which reads as follows: "A supervised institution, when justified by the number of shareholders, should strive for facilitating the participation of all shareholders in the meeting of the General Meeting of the supervised institution, among others, through ensuring the possibility of electronic active participation in the meetings of the General Meeting", is similar to recommendation IV.R.2 of the "Best Practice for GPW Listed Companies 2016". As a large part of our shareholders are represented at General Meetings, with a view to mitigating the risk inherent in active participation in General Meetings with the use of means of electronic communication, we have decided that departure from the principle defined in Article 8 (4) is justified.

Likewise, we do not apply the principle defined in Article 16 (1), which reads as follows: "It is proper that meetings of a management body shall be held in Polish. In case of need, necessary assistance of an interpreter should be ensured."

The departure derives from the fact that all Members of the Management Board speak fluent English. Communication without an interpreter is more efficient as discussions and decisions can be made without the participation of a third party (interpreter). In some circumstances, the participation of an interpreter could make discussions at Management Board meetings more difficult or prolonged due to the complex nature of issues under discussion as well as the use of specialised language. Furthermore, given that during their meetings the Management Board Members discuss information that constitutes the company's secret, it is legitimate to limit to the bare minimum the participation of non-members of the Management Board in its meetings. At the same time, most of the

Management Board Members speak Polish, which means that the bank can be represented whenever participation of Management Board Members is required including communication in Polish without an interpreter. Minutes of Management Board meetings, as well as resolutions of mBank's Management Board, are prepared in two language versions, ensuring compliance with provisions of Article 16 (2) of the "Principles of Corporate Governance for Supervised Institutions".

The stance of shareholders as regards the "Principles of Corporate Governance for Supervised Institutions" was presented in resolution no. 31 of the 28th Annual General Meeting of mBank S.A. of March 30, 2015.

In the above resolution, the shareholders undertook:

- to participate in the performance of the statutory objectives of mBank, ensuring security of its operations and with its interest in mind;
- not to violate the powers of other statutory bodies of mBank;
- to immediately solve any potential conflicts between shareholders to prevent infringing the interest of mBank and its clients;
- not to make decisions resulting in transferring assets from mBank to other entities, and in acquisition or alienation of or in conclusion of other transactions leading to mBank disposing of its assets under conditions other than market conditions or posing a threat to the security or interest of mBank; individual rights will be granted to the given shareholder or shareholders when justified on the grounds of achieving significant objectives of mBank and not causing hindrance to proper functioning of the bodies of mBank or discrimination against other shareholders and reflected in the By-laws of mBank;
- to provide, if needed, additional capital or grant financial support to the bank to the extent to which it is possible and compliant with authorisations, whereas it will only take place after an analysis of the entirety of reasons which led to such a necessity; the shareholders will consider the possibility of providing support from the point of view of their financial situation, provisions of law and supervisory regulations which the shareholders being regulated entities are bound to respect and considering the best interest of mBank and its clients;
- to make decisions with regard to dividend payment conditional upon the need to maintain an appropriate level of equity and the achievement of strategic objectives of mBank and to take into consideration general and individual recommendations issued by the supervisory authorities; and
- to follow the recommendations of the KNF regarding the election of Members of the Supervisory Board.

Code of Banking Ethics

Apart from the corporate governance principles, we have for many years complied with the best banking industry practices, developed by the Polish Bank Association (ZBP). The currently applicable version of the Code of Banking Ethics was approved at the 25th General Meeting of the Polish Bank Association held on April 18, 2013. The Code of Banking Ethics is a set of principles referring to banks, their employees, and persons acting as intermediaries in banking activities. The Code of Banking Ethics includes two parts: the Code of Best Banking Practice and the Code of Bank Employee Ethics. The Code of Banking Ethics is available on the website of the Polish Bank Association: www.zbp.pl/dla-klientow/poradniki-i-rekomendacje

Rules on conduct towards business partners and the model of values and behaviours of mBank employees

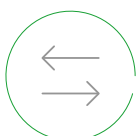
Our employees apply the Code of Conduct, which establishes the standards applicable in interactions between the bank's employees and the bank's business partners. This is meant to contribute to mutual trust. The guidelines related to behaviour include, among others, being guided by mBank's values, creating a sustainable corporate culture, corporate social responsibility, pursuing a

responsible credit policy, treating relationships with clients in a responsible way, honesty in business relationships, applying established standards in relationships with clients and in internal relationships, avoiding conflicts of interest, responsible use of social media and simplifying communication.

Moreover, we have defined behaviours which are most important from the perspective of the organisation and which facilitate the achievement of individual and team results and contribute to customer satisfaction. mBank's model of values and behaviours, which sets mBank's work standard, is based on the following organisational values:



„client-centricity”



„looking ahead”



„simplifying”



„commitment”



„professionalism”

Full contents of the Statement of mBank on application of corporate governance principles in 2020 is available on the website: <https://www.mbank.pl/pdf/relacje-inwestorskie/rn/2021/statement-of-mbank-on-application-of-corporate-governance-principles-in-2020.pdf>

5.2. Risk management

5.2.1. Risk management foundations

mBank Group manages risk on the basis of regulatory requirements and best market practice by developing risk management strategies, policies and guidelines.

The risk management process is conducted at all levels of the organisational structure, starting at the levels of the Supervisory Board (including Risk Committee of the Supervisory Board) and the

bank's Management Board, through specialised committees and units responsible for risk identification, measurement, monitoring, control and reduction, down to each business unit.

Risk management roles and responsibilities in mBank Group are organised around **the three lines of defence scheme**:

The first line of defence

The first line of defence is **Business** (business lines), whose task is to take risk and capital aspects into consideration when making all business decisions, within the risk appetite set for the Group;

The second line of defence

The second line of defence, mainly the **risk management area, Security and Compliance function**, is responsible for determining framework and guidelines concerning managing individual risks, supporting Business in their implementation as well as supervising the control functions and risk exposure. The second line of defence acts independently of the Business;

The third line of defence

The third line of defence is **Internal Audit**, which independently assesses risk management activities performed by the first and the second line of defence

In the communication between organisational units in the risk management area and business lines in mBank as well as between the bank and the Group subsidiaries an important role is played by the **Business and Risk Forum** of mBank Group which is constituted by the Retail Banking Risk Committee, Corporate and Investment Banking Risk Committee, and Financial Markets Risk Committee. The main function of these committees is to develop the principles of risk management and risk appetite in a given business line, by making decisions and issuing recommendations concerning in particular: risk policies, risk assessment processes and tools, risk limit system, assessment of the quality and profitability of the portfolio of exposures to clients, approval of introducing new products to the offer.

The management function at the strategic level and the function of control of credit, market, liquidity and operational risks and risk of models used to quantify the aforesaid risk types are performed in the risk management area supervised by the Vice-President of the Management Board, Chief Risk Officer.

Pillars of risk management

Risk management framework in mBank Group rests on **three pillars concept**:

- **Customer Focus** which means striving to understand and balance specific needs of the risk management area's various stakeholders (Business, Management Board, Supervisory Board, shareholders, regulatory authorities).
- **One Risk** understood as an integrated approach to risk management and responsibility towards the clients for all types of risk defined in the Risk Catalogue of mBank Group.
- **Risk vs Rate of Return** perspective understood as a support for the business decision-making process based on the long-term relationship between risk and the rate of return, avoiding tail risks.

5.2.2. Main risks of mBank Group's business

The Management Board of mBank takes measures to ensure that the Group manages all material risks arising from the implementation of the adopted strategy of mBank Group, in particular, through approving strategies and processes for managing material risks in the Group.

The following risks were recognized as material in the Group's operations as of December 31, 2020: credit risk, risk of foreign currency lending (it is associated with actual or potential threat to the bank's results and capital related to foreign currency loans to unsecured borrowers), operational risk,

market risk, business risk (including strategic risk), liquidity risk, reputation risk, model risk, capital risk (including risk of excessive leverage) and tax risk.

The following sections present the rules of monitoring credit, market, liquidity and operational risk in mBank Group.

5.2.3. Credit risk

The bank organises credit risk management processes in line with the principles and requirements set out in the resolutions and recommendations of the Polish Financial Supervision Authority (PFSA) (in particular Recommendation S, T and C) and CRR/CRDIV, which address issues related to credit risk management.

Tools and measures

Credit risk inherent in financing of mBank Group clients is assessed based on shared statistical models developed for the AIRB (Advanced Internal Rating-Based) approach and uniform tools, and is based on common definitions of terms and parameters used in the credit risk management and rating process. The bank ensures their cohesion at the Group level.

The Group uses different models for particular client segments. The rules governing clear assignment of clients to a system are defined in the bank and the Group subsidiaries internal regulations.

In their credit risk management process, the bank and the Group subsidiaries use the core risk measures defined under the AIRB approach:

- PD – Probability of Default (%);
- LGD (Loss Given Default) – estimated relative loss in case of default (%);
- EAD (Exposure at Default) – estimated exposure at the time of default (amount);
- EL – Expected Loss taking into account the probability of default (amount);

and related measures including:

- RD (Risk Density) – relative expected loss defined as EL to EAD (%);
- LAD (Loss at Default) – estimated loss (amount) in case of default (the product of EAD and LGD).

In the decision-making process, for reporting and communication with business units, PD and EL are expressed in the language of rating classes whose definitions (Masterscale) are uniform across Commerzbank Group.

In its credit risk management process, the bank also attaches great importance to the assessment of unexpected loss. For this purpose, the bank uses the RWA (Risk Weighted Assets) measure, which is applied, under the AIRB approach, to calculate regulatory capital required to cover credit risk (unexpected loss).

In managing mortgage-secured credit exposures the Group uses the LtV ratio (Loan to Value), i.e. the value of the loan to the market value (or mortgage banking calculated value) of the real estate which secures the loan.

Stress testing is an additional tool of credit risk assessment. Stress testing of the regulatory capital and economic capital required to cover credit risk is carried out quarterly.

In addition to the tools listed above, which are applied both in the corporate and in the retail credit risk measurement, the Group uses tools specific to these areas.

For corporate credit risk the Group defines maximum exposure to a client/group of related clients using the following credit risk mitigating measures:

- MBPZO (Maximum Safe Total Exposure), which defines the maximum level of financial debt of an entity from financial institutions calculated under the bank's methodology, approved by the

bank's competent decision-making body. An alternative measure used by the bank to clients applying for small exposure is Borrowing Capacity (BC);

- LG (General Limit), which defines the level of credit risk financial exposure to a client/group of related clients acceptable to the Group, approved by the bank's competent decision-making body. LG includes a structured limit and products granted outside the structured limit.

In order to minimise credit risk, the Group uses a broad range of collateral for credit products, which also enable active management of the capital requirement. In the assessment of the quality of collaterals for risk products, mBank and mLeasing use the MRV ratio (Most Realistic Value) reflecting the pessimistic variant of debt recovery from the collateral through forced sale.

The level of profitability from relations with clients is taken into account in credit decision process, so that the planned level of profitability covers at least the estimated amounts of the expected loss on bank customer involvement.

Retail credit risk measures are constructed to reflect the characteristics of this customer segment and, in the case of portfolio measures, the high granularity of the loan portfolio:

- DtI (Debt-to-Income) - i.e. monthly credit payments to the net income of a household (used for individual customers);
- DPD (Days-Past-Due) - a family of portfolio risk measures based on the number of days past due date (e.g. share of contracts which are from 31 to 90 days past due date in the total portfolio by number or by value);
- Vintage ratios, which present the quality of cohorts of loans grouped by disbursement time at a different phase of their lifetime;
- COR (Cost of risk) - cost of risk for a loan portfolio (segment), i.e. ratio of credit provisions result (or changes in valuation of contracts based on fair value approach) to the exposure;
- Roll-rates, which measure the migration of contracts between days-past-due brackets (1-30, 31-60, 61-90 DPD, etc.).

Strategy

Corporate and Investment Banking

In accordance with the Corporate Credit Risk Management Strategy in mBank Group, the main goal in this area is defining a safe level of risk appetite in sales of risk-bearing products to the Group clients and use synergies by integrating the offer of the bank and Group subsidiaries. The Strategy is realised by credit risk policies, limits reducing the risk and the principles of risk assessment of business entities applying for financing. The bank manages credit risk both at the single entity level and the consolidated level.

The Group actively manages credit risk aiming to optimise profitability taking into account the cost of risk. In its current credit risk management and determination of concentration risk, the bank performs quarterly portfolio analyses using a Steering Matrix which incorporates PD rating and LAD.

The bank monitors credit portfolio on a quarterly basis including an analysis of the dynamics of change in size and (sector) segmentation of the credit portfolio, client risk (analysis of PD rating), quality of collateral against credit exposures, the scale of change in EL, Risk Density, and default exposures.

The Group strives to avoid concentration in industries and sectors where credit risk is considered excessively high. The bank uses internally defined industry limits for day-to-day management of the sector concentration risk.

In compliance with the Recommendation S of the Polish Financial Supervision Authority (PFSA), the bank has identified a mortgage-secured credit exposure portfolio in retail and corporate banking and applies the Mortgage-Secured Credit Exposure Risk Management Policy. The bank manages the mortgage-secured credit exposure portfolio risk with a focus on defining an optimised portfolio structure in terms of quality (rating), currencies, country regions, tenors, and types of properties.

For international companies, non-banking financial institutions and biggest corporate clients, mBank Group promotes innovative products with low capital consumption, in particular products of investment banking, transactional banking and financial markets instruments.

mBank offers innovative investment products as part of a new integrated platform that ensures appropriate product selection and efficient use of capital.

The bank, in the corporate banking area, on regular basis, adapted credit risk policy and the credit risk management process to the economic situation caused by the coronavirus pandemic. In the field of credit policy, the bank:

- tightened criteria of granting new financing
- modified rules of financing clients operating in industries exposed – according to bank's opinion - to negative effects of pandemic
- prepared dedicated regulations that implemented solutions presented in banks' approach in scope of unified rules of offering support for the clients of the banking system.

With regard to credit risk management process, during the meetings of Corporate and Investment Banking Risk Committee reports and analytical materials concerning impact of pandemic on the quality of credit portfolio, as well as regulations that adjust credit policy to the changes of market environment are presented. The frequency of the Committee meetings was increased and adjusted to current needs of credit risk management during the pandemic.

Retail Banking

Lending in retail banking is a key segment of the Group's business model, both in terms of the share in total assets and the contribution to its profits.

As credit exposures are highly granular (more than 2 million active loans), the retail banking credit risk management process is based on a portfolio approach. This is reflected in the statistical profile of risk rating models including the models which fulfil the regulatory requirements of the Advanced Internal Ratings-Based approach (AIRB). The AIRB parameters (PD, LGD and EL) are used widely in order to estimate credit requirements, to determine acceptance criteria and terms of transactions, and to report risks.

Furthermore, the Retail Banking credit risk management has the following characteristics:

- high standardisation and automation of the credit process, including decision-making, both in acquisition, post-sale services, and debt collection;
- little (as compared to Corporate Banking) discretionary competences in the decision-making process (e.g. no discretionary adjustment of clients' ratings);
- extensive risk reporting system based on portfolio analysis of credit exposure quality, including vintage analysis and roll-rates analysis.

The main point of reference in the retail banking credit risk management process is risk appetite defined in correlation with the strategy of mBank Group. The general principle underlying the lending strategy of the Group in terms of sales of retail loans is to address the offer to clients who have an established relationship with the bank or to address it to new clients for whom the loan is a product initiating a long-term relationship of highly transactional nature. Thereby, the bank continues to focus its non-mortgage loans policies on lending to existing clients with a high creditworthiness. To reduce risks of accepting new clients, the bank develops its credit policy using, among others, credit testing and is actively developing its fraud prevention system.

The new acquisition focuses on products which may be financed with issue of mortgage bonds. Those exposures will then be transferred to mBank Hipoteczny in the pooling process to enable the issue of mortgage bonds. The conservative policy of assessing borrowers' reliability and creditworthiness is applied; taking into account, inter alia, current, historically lowest, levels of interest rates, the

Group attaches special attention to the application of long-term estimates of interest rate while assessing creditworthiness.

In order to mitigate the risk associated with a decrease in the value of mortgage collateral in relation to the value of credit exposure, the Group's credit offer is (and will be) directed mainly to clients who buy standard properties within large urban areas.

Bank adapted its current credit policy for mortgage loans and non-mortgage loans segment to expected economic downturn caused by COVID-19 pandemic. Changes in credit policy address most probable risks:

- lower income of customers,
- lower turnover on the customer's accounts,
- increased unemployment rate,
- permanent or temporary deterioration of financial standing in particular sectors particularly exposed, in opinion of the bank, to the negative effect of the pandemic

Bank increased the frequency of Risk and Business Forum meetings. We analyse current situation of customers, sales volumes and approval rates. According to those analysis credit policy is subject to rapid revision.

Quality of mBank Group loan portfolio

As of December 31, 2020, the share of impaired exposures in the total (gross) amount of loans and advances granted to clients (NPL) increased to 4.8% from 4.5% at the end of 2019. The change of the indicator applies mainly to corporate banking and is caused by including the impact of COVID-19 pandemic in the portfolio under observation.

In accordance with the EBA guidelines on management of non-performing and forborne exposures, which came into force from June 30, 2019, banks are obliged to monitor and manage the NPL portfolio. Banks should strive to maintain the value of the NPL portfolio below the threshold set by the regulator at 5%. As of December 31, 2020, the NPL_{REG} ratio (ratio calculated according to EBA guidelines) was at 4.4%. Provisions (defined as credit risk costs for loans and advances to customers, i.e. provisions for loans and advances at amortised cost and fair value change of loans and advances mandatorily at fair value through profit or loss) increased from PLN 3,574.2 million at the end of December 2019 to PLN 3,962.6 million at the end of December 2020.

The coverage ratio (with provisions as defined earlier) decreased in the analysed period from 60.7% in December 2019 to 58.2% in December 2020. The change of the indicator applies mainly to corporate banking and is caused by the increase in new exposures in Stage 3, which are characterized by a lower coverage ratio.

The manner of identifying evidence of default is based on all available credit data of a given client and encompasses all of the client's liabilities towards the bank.

The table below presents the quality of mBank Group loan portfolio as at the end of December 2019 and as at the end of December 2020.

Loans and advances to clients 31.12.2019 (PLN ('000))	At amortised cost	At fair value	Loans and advances, total
Gross carrying amount	106,393,532	2,517,750	108,911,282
Non-performing loans and advances	4,343,285	514,222	4,857,507
Non-performing loans ratio (NPL)	4.1%	20.4%	4.5%
Provisions for non-performing loans	-2,619,125	-331,454	-2,950,579
Provisions for performing loans	-571,153	-52,485	-623,638
Coverage ratio	60.3%	64.5%	60.7%
Coverage ratio, including provisions for performing loans	73.5%	74.7%	73.6%

Loans and advances to clients 31.12.2020 (PLN ('000))	At amortised cost	At fair value	Loans and advances, total
Gross carrying amount	111,778,636	2,015,959	113,794,595
Non-performing loans and advances	5,024,146	423,905	5,448,051
Non-performing loans ratio (NPL)	4.5%	21.0%	4.8%
Provisions for non-performing loans	-2,902,799	-265,583	-3,168,382
Provisions for performing loans	-738,027	-56,211	-794,238
Coverage ratio	57.8%	62.7%	58.2%
Coverage ratio, including provisions for performing loans	72.5%	75.9%	72.7%

Non-performing loans and advances - loans and advances at amortised cost with impairment (stage 3 and POCI) and loans and advances mandatorily at fair value through profit or loss in default

NPL ratio - loans and advances at amortised cost with impairment (stage 3 and POCI) and loans and advances mandatorily at fair value through profit or loss in default in the whole portfolio

Provisions for non-performing loans - provisions for loans and advances at amortised cost with impairment (stage 3 and POCI) and fair value change of loans and advances mandatorily at fair value through profit or loss in default

Provisions for performing loans - provisions for loans and advances at amortised cost without impairment (stages 1 and 2) and fair value change of non-default loans and advances mandatorily at fair value through profit or loss

Coverage ratio - coverage ratio of loans and advances related to the portfolio in default.

5.2.4. Market risk

In the process of organisation of the market risk management, the bank follows requirements resulting from the law and supervisory recommendations, in particular the PFSA Recommendations (among others A, C, G and I) and the EBA guidelines, concerning market risk management.

Tools and measures

In its operations, the bank is exposed to market risk, which is defined as a risk resulting from unfavourable change of the current valuation of financial instruments in the bank's portfolios due to changes of the market risk factors, in particular:

- interest rates (IR);
- foreign exchange rates (FX);
- stock share prices and indices;
- implied volatilities of relevant options;
- credit spreads (CS) to the extent reflecting market fluctuations of debt instruments prices.

In terms of the banking book, the bank distinguishes the interest rate risk, which defines as the risk of an adverse change in both the current valuation of the banking book position and the net interest income as a result of changes in interest rates.

For the purpose of internal management, the bank quantifies exposure to market risk, both for banking and trading book, by measuring:

- the Value at Risk (VaR);
- expected loss under condition that this loss exceeds Value at Risk (ES – Expected Shortfall);
- the Value at Risk in stressed conditions (Stressed VaR);
- economic capital to cover market risk;
- stress tests scenario values;
- portfolio sensitivities to changes of market prices or market parameters.

For the banking book, the bank also uses the following measures:

- sensitivity of the economic value of capital (delta EVE);

- sensitivity of net interest income (delta NII);
- repricing gap.

Strategy

The implementation of market risk management strategy involves managing the bank's positions in a way enabling to maintain market risk profile within the risk appetite defined by the bank.

The bank is focused on meeting customers' business needs, while reducing trade in derivatives, as well as applying the principle of lack of commodity open positions.

The bank stabilises interest income using long-term fixed-rate assets and derivatives and assuming - for equity capital and current accounts - the maximum modelled maturity of 10 years.

The main principle stipulates separation between the market risk monitoring and control functions and the functions related to opening and maintaining open market risk positions. In addition, the bank applies the rule of organisational separation between managing banking book and trading book positions.

Market risk measurement

The mBank's positions constitute the main source of market risk for the mBank Group.

Value at risk

In 2020, the market risk exposure, as measured by the Value at Risk (VaR for a 1-day holding period, at 97.5% confidence level), remained at a moderate level in relation to the established VaR limits.

The table below presents VaR and Stressed VaR for the Group's and mBank's portfolios (including modelling of equity capital and current accounts):

PLN ('000)	2020				2019			
	mBank Group		mBank		mBank Group		mBank	
	31.12.2020	Mean	31.12.2020	Mean	31.12.2019	Mean	31.12.2019	Mean
VaR IR	11,332	9,169	11,091	9,365	4,294	3,840	3,778	3,759
VaR FX	2,333	1,478	2,196	1,390	767	957	728	961
VaR CS	77,291	53,573	76,296	52,497	21,908	21,927	20,989	21,241
VaR	66,246	47,259	66,191	46,512	22,494	21,999	21,978	21,344
Stressed VaR	154,612	134,063	152,842	130,963	97,073	108,369	94,229	104,269

VaR IR – interest rate risk

VaR FX – FX risk

VaR EQ – stock price risk

VaR CS – credit spread risk

The Value at Risk (VaR) was largely influenced by the portfolios of instruments sensitive to the interest rates and the separate credit spread - mainly the portfolios of the Treasury bonds (in the banking and trading books) and positions resulting from interest rate swap transactions.

Sensitivities measures

The table presents the values of IR BPV and CS BPV (+1 b.p.) for the Group's and mBank's portfolios, broken down into the banking and trading books (including modelling of equity capital and current accounts):

PLN ('000)	IR BPV				CS BPV			
	mBank Group		mBank		mBank Group		mBank	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Banking book	-1,197	257	-1,195	263	-13,934	-8,302	-13,739	-8,075
Trading book	-2	56	-2	56	-205	-504	-205	-504
Total	-1,199	313	-1,196	319	-14,139	-8,806	-13,944	-8,579

The credit spread sensitivity (CS BPV) for the mBank's banking book, results in c.a. 50% from the positions in debt securities valued at amortised cost. Changes in market price have no impact on the revaluation reserve or the income statement for these positions.

Interest rate risk of the banking book

The sensitivity of net interest income is calculated and monitored over a five-year horizon in the bank's base scenario assuming a normal situation and in more than 20 defined stress-test scenarios. The table below presents the sensitivity of the net interest income within 12 months horizon, assuming an unfavourable 100 bps change of market interest rates (parallel shift of the curves by 100 bps with floor on product level) and based on a stable portfolio over the period.

PLN M	31.12.2020
	Δ NII
PLN	-384.4
USD	-9.7
EUR	-107.3
CHF	+18.3
CZK	-54.0
Other CCY	-0.8
Total	-538.0

5.2.5. Liquidity risk

mBank organises liquidity risk management processes in line with the requirements resulting from the law and supervisory recommendations in particular the PFSA Recommendations (among others P, C, H and S) as well as EBA guidelines concerning liquidity risk management.

mBank Group liquidity position

In 2020, the liquidity of mBank Group was at a safe, very high level, which was reflected in the high amount of liquid funds.

Strong discipline in balance sheet management caused that mBank Group entered a period of crisis with a comfortable liquidity position, reflected by high levels of liquidity ratios, which were well above the minimum regulatory levels. In 2020, a stable increase of deposit base and a decrease of dynamics of lending growth had a direct impact on strengthening the liquidity position.

Tools and measures

In its operations, mBank is exposed to liquidity risk, i.e. the risk of being unable to honour its payment obligations, arising from the bank's balance-sheet and off-balance-sheet positions, on terms favourable to the bank and at a reasonable price.

The bank has defined a set of liquidity risk measures and a system of limits, buffers and warning thresholds which protect the bank's liquidity in the event of unfavourable internal or external conditions. Independent measurement, monitoring and controlling of liquidity risk is performed daily by the Balance Risk Management Department.

The main measures used in liquidity risk management of the bank include measures based on liquidity gap calculation in LAB methodology, the regulatory measures (M3, M4, LCR) and also NSFR (Net Stable Funding Ratio) for analysis only.

LAB measures reflect the projected future cash flow gap of assets, liabilities and off-balance-sheet commitments of the bank, which represent potential risk of being unable to meet liabilities within a specific time horizon and under a certain scenario.

The methodology for measuring the liquidity gap (LAB) includes normal conditions scenario (LAB Base Case) and stress scenarios (short-term, long-term and combined). Stress scenarios are limited. Moreover, the bank has a process of reporting and monitoring of intraday liquidity position including crisis scenario for intraday liquidity. The reverse stress scenario is the complement of the liquidity stress testing system.

In order to support the process of liquidity risk management, the bank has a system of early warning indicators (EWI) and recovery indicators. Breach of thresholds by defined indicators may be a trigger for the launch of the Contingency Plan or the Recovery Plan for mBank Group.

LCR calculation and reporting is carried out in accordance with the Delegated Commission Regulation (EU) 2015/61 of October 10, 2014, amended by the Commission Delegated Regulation (EU) 2018/1620 of July 13, 2018, which applies from April 30, 2020. With the respect of NSFR, the bank reports to the NBP according to the standards established by EBA in 2014, and reports to the PFSA in the form of a dedicated questionnaire.

Strategy

The liquidity strategy is pursued by active management of the balance sheet structure and future cash flows as well as maintenance of liquidity reserves adequate to liquidity needs depending on the activity of the bank and the current market situation as well as funding needs of the Group subsidiaries. The bank manages liquidity risk at two levels: strategic (within committees of the bank) and operational (Treasury Department).

Liquidity risk limiting covers supervisory (M3, M4, LCR) and internal measures. The liquidity risk internal limit system is based mainly on defining acceptable level of gaps in stress conditions in specific time horizons and for different liquidity risk profiles. The bank limits also the volume and term concentration of foreign currency funding of mBank with FX swaps and CIRS. The structure of these limits reflects the bank's preferences for funding structure in those currencies.

The bank has a centralised approach to the Group's funding management. The subsidiaries are financed by mBank through the Treasury Department. Additionally, mBank Hipoteczny raises funding in the market by issuance of covered bonds and short-term debt securities and mLeasing raises funding by issuance of short-term debt securities.

The bank has the Contingency Plan in case of a threat of losing financial liquidity, which sets the strategy, division of roles and procedures to be implemented in the event of a situation connected with the risk of losing liquidity by mBank Group and aimed at neutralising this threat. The Contingency Plan is tested annually.

Measuring mBank's liquidity risk

The liquidity of mBank remained at a safe, very high level in 2020, as reflected in the high surplus of liquid assets over short-term liabilities in LAB measures and in the levels of regulatory measures.

The Group's liquidity risk measurement includes in addition mBank Hipoteczny and mLeasing. mBank monitors liquidity risk of the subsidiaries to protect liquidity also at the Group level in the event of adverse events (crises).

In Q2 2020, the bank adapted the LCR calculation method to the guidelines of Commission Delegated Act 2018/1620 and the latest EBA guidelines. Liquidity measures, both internal and regulatory, are definitely above the current structure of limits.

The table below presents the LAB gaps for tenors up to 1M and 1Y and the regulatory measures M3, M4, LCR in 2020 at mBank and mBank Group level:

	31.12.2020	31.12.2020
Measure ¹	mBank	mBank Group
LAB Base Case 1M	27,574	29,682
LAB Base Case 1Y	27,586	30,168
M3	4.11	X
M4	1.52	X
LCR	202%	218%

¹ LAB measures are shown in PLN million; M3, M4 and LCR are relative measures presented as a decimal.

5.2.6. Operational risk

mBank organises the operational risk management process taking into account the rules and requirements set out in external regulations, in particular in the Recommendations M, H and D of the Polish Financial Supervision Authority (PFSA), CRR Regulation and Regulation of the Minister of Development and Finance (on the risk management system and internal control system, remuneration policy and detailed method of estimating internal capital in banks), which constitute a starting point for the framework of the operational risk control and management system in mBank Group.

Tools and measures

In order to effectively manage operational risk, the bank applies quantitative and qualitative methods and tools, which intend to cause-oriented operational risk management.

The basic qualitative tool is the Self-Assessment of Internal Control System carried out by the bank's organisational units and the Group subsidiaries. The Self-Assessment process aims to provide communication about the need to change and improve control processes, and thus a more pro-active approach to operational risk management and increasing operational risk awareness in mBank Group. The end result of the Self-Assessment is the evaluation of risks, control mechanisms and independent monitoring of control mechanisms as well as the creation of corrective action plans aimed at changing the structure or the optimization of the control mechanisms and their independent monitoring.

The bank also prepares scenario analyses describing risks associated with rare operational risk events with potentially very serious consequences.

In accordance with the requirements of Recommendation M, the bank has a process for identifying threats associated with operational risk in all relevant areas of the bank's operations and for creating new and modifying existing products, processes and systems, as well as for changes in the organisational structure.

Quantitative tools include mainly collection of data on operational events and effects. With the use of the database available at mBank Group, data on operational risk losses are recorded with an emphasis on the cause. Recorded data are analysed by the Integrated Risk Management Department and at organisational units. This approach allows organisational units to carry out ongoing monitoring of their current risk profile. mBank has an access to external operational loss databases and applies them to analyse operational risk and potential threats, that institutions operating in the financial sector are exposed to.

The key risk indicators (KRI) are another tool. Ongoing monitoring of risk factors recognized as key at the given moment allows for prediction of an increased level of operational risk and adequate response by the organisational units in order to avoid the occurrence of operational events and losses.

mBank Group through operational risk tools monitors the processes operating during a pandemic and defines corrective action plans which will improve the methods of work performed by employees in the home office mode.

Strategy

The organisation of the operational risk control and management system is aimed at enabling effective control and management of this risk at every level of the bank's organisational hierarchy. The structure of operational risk control and management covers in particular the role of the Management Board of the bank, the Business and Risk Forum, the Chief Risk Officer, the Integrated Risk Management Department, and the tasks assigned to persons managing operational risk in particular organisational units and business areas of the bank. The operational risk control and management process at the bank is developed and coordinated by the central operational risk control function while operational risk management takes place in every organisational unit of the bank and in every subsidiary of mBank Group. It consists in identifying and monitoring operational risk and

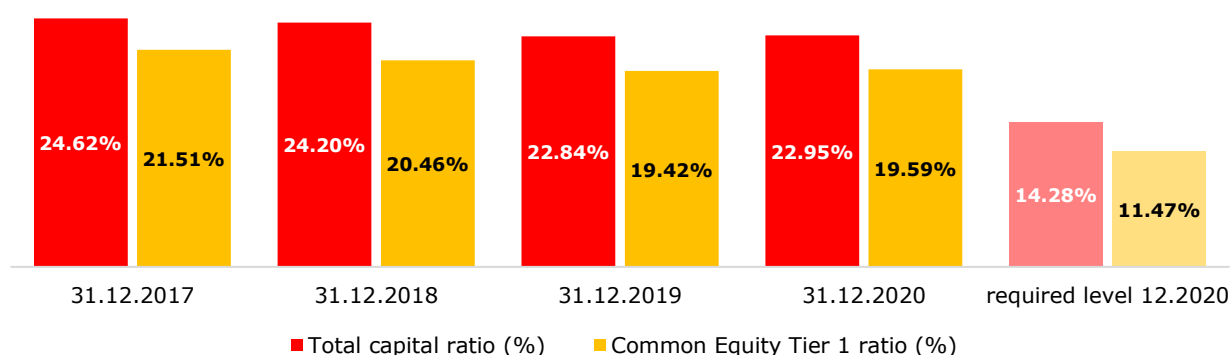
taking actions aimed to avoid, mitigate or transfer operational risk. The operational risk control process is supervised by the Supervisory Board of the bank through its Risk Committee.

5.2.7. Capital adequacy

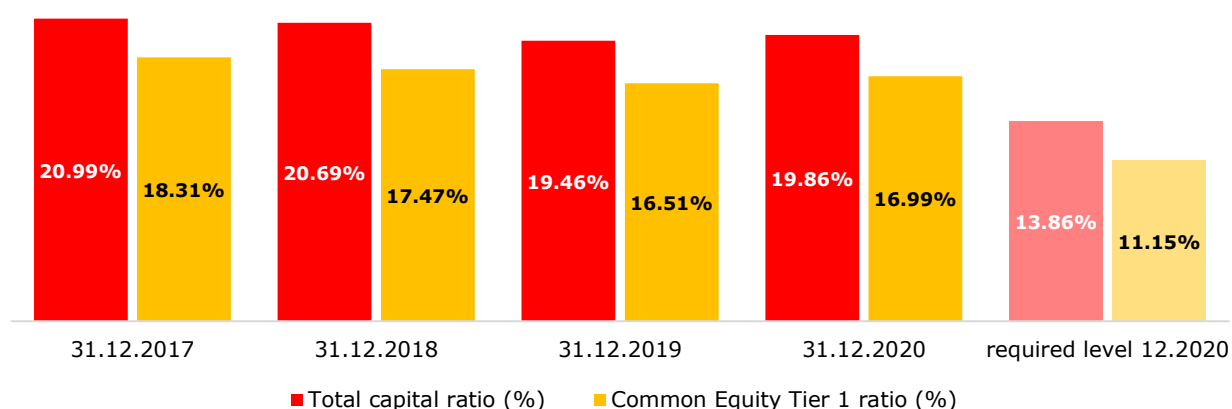
One of the bank's main tasks is to ensure an adequate level of capital. As part of the capital management policy, the bank creates a framework and guidelines for the most effective planning and use of the capital base.

The strategic goals of mBank and mBank Group are aimed at maintaining the total capital ratio as well as the Common Equity Tier 1 capital ratio above the levels required by the supervision authority. This allows to maintain business development while meeting the supervisory requirements in the long perspective.

Capital adequacy of mBank



Capital adequacy of mBank Group



The capital ratios of mBank Group in 2020 were driven by the following factors:

- including in Common Equity Tier 1 capital the remaining part (not included earlier) of the net profit of mBank Group for the year 2019 approved by the General Meeting of Shareholders;
- including in Common Equity Tier 1 capital the part of the net profit of mBank Group for the first half of the year 2020, in accordance with the decision of the PFSA;

- including in calculation of own funds the amount of impairment on financial assets not measured at fair value through profit or loss for the second half of the year 2020;
- including in calculation of Tier 2 capital the excess of provisions over the expected losses eligible under the IRB approach.

mBank Group is obligated to maintain own funds on the level exceeding regulatory and supervisory requirements. Consequently the level of the required capital ratios encompasses:

- the basic requirement resulting from CRR provisions to maintain the total capital ratio of 8% and the Tier 1 ratio of 6%;
- the additional capital charge in Pillar II with regard to FX mortgage loan portfolio – 2.82% at the level of total capital ratio and 2.11% at the level of Tier 1 capital on consolidated basis (and on individual basis 3.24% and 2.43% accordingly), according to the PFSA decision of November 25, 2020, and the subsequent communication of December 17, 2020;
- the combined buffer requirement of additional 3.04% (on consolidated basis), which consists of:
 - the capital conservation buffer (2.5%);
 - the other systemically important institution's buffer (0.5%) - according to the PFSA decision, in 2016 mBank had been identified as other systemically important institution (O-SII) subject to a capital buffer;
 - systemic risk buffer (0.00%) – starting from 1st January 2018 the Regulation of the Minister of Development and Finance with regard to systemic risk buffer entered into force. The Regulation introduced systemic risk buffer of 3% of the total risk exposure amount applied to all exposures located in Poland. Due to the exceptional socioeconomic situation that appeared after the occurrence of the global pandemic COVID-19, this requirement was abolished by repealing the Regulation of the Minister of Finance, which has been in force since 19 March 2020;
 - countercyclical capital buffer (0.04%).

On individual basis the value of the combined buffer requirement is 3.04%.

Capital ratios, both on consolidated and individual basis, were above the values. With a considerable surplus of own funds mBank Group comfortably meets the additional own funds requirement and the combined buffer requirement.

The consolidated leverage ratio calculated in accordance with the provisions of the CRR Regulation and the Commission Delegated Regulation (EU) 2015/62 of October 10, 2014, amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio, amounted to 7.85%. The stand-alone leverage ratio amounted to 8.18%.

More details on capital adequacy of mBank Group in the 2020 can be found in the Disclosures regarding capital adequacy.

5.2.8. Non-financial risks

Non-financial risks have become increasingly important in financial institutions over the past years. As an organisation, we continuously monitor the external and internal environment. We do so to manage all non-financial risks at the bank, including risks posed by third parties. In particular, we attach special importance to cybersecurity, data security, and privacy. We continuously monitor related processes and implement new technologies. Furthermore, faced with challenges of climate change, we are aligning our operations to finance investments with a sustainable environmental impact.

The bank's non-financial risk management is overseen by the mBank supervisory board, among others through the Risk Committee appointed by the supervisory board. The supervisory board approves management strategies for individual risks in the mBank Group. The Management Board of mBank is responsible among others for:

- the development of non-financial risk management systems,
- their implementation and their consistency with the business strategy,
- as well as their proper functioning in the organisation.

There is a Business and Risk Forum of mBank Group in place, which is a platform for decision-making and dialogue of organisational units of the business lines and the risk management area in the Group. The Forum includes the Retail Banking Risk Committee, the Corporate and Investment Banking Risk Committee, and the Financial Markets Risk Committee. Individual non-financial risks are managed according to a model of three lines of defence:

- I. the first line of defence are the business units;
- II. the second line of defence includes mainly the risk, security, and compliance units;
- III. the third line of defence is the Internal Audit Department which provides the independent internal audit function.

In December 2020, the bank appointed the **mBank Group Sustainable Development Committee**. It is going to serve as a platform for decision-making, issuing recommendations, and dialogue on sustainable development. These tasks comprise analysis of the impact of ESG factors (environmental, social and governance).

Operational risk

We understand operational risk as the risk of a loss caused by incompatible or defective internal processes, people and systems or the external occurrences, including legal risk. Operational risk includes the subcategories defined below. It does not cover reputational risk, which is a separate risk category, or strategic risk, which is part of business risk.

According to mBank Group's Risk Catalogue, operational risk includes the following permanently significant and significant subcategories:

- legal risk
- IT risk
- cyber risk
- conduct risk
- performance, delivery and process management error risk
- external fraud risk
- outsourcing risk
- HR and organisational risk
- physical security risk.

The rules for mBank's operational risk management are defined in the mBank Group Operational Risk Management Strategy. The Strategy is updated on an annual basis and approved by the bank's management board.

The operational risk management system is based on the following:

- identification and assessment of operational risk,
- monitoring of losses,
- mitigation of factors causing operational events,
- reduction of the probability of future loss,
- mitigation of the impact of materialised losses.

Details concerning operational risk management tools, measures, and strategies are described in chapter [5.2.6. Operational risk](#).

Legal risk

Legal risk is understood as the risk of loss caused by:

- legal defects in internal regulations,
- contracts with clients and third parties,
- declarations of the bank,

- changes in case law,
- unfavorable court decisions,
- changes in legal regulations.

Details concerning proceedings pending before courts, arbitration bodies, and public administration bodies are presented in note 32 to the mBank S.A. Group IFRS Consolidated Financial Statements 2020.

IT risk

IT risk is understood as risk arising from inadequate application of information technology and from the unavailability or insufficient quality of services based on information technology and any errors in ICT environments caused by internal factors and external events. IT risk is linked with the development, use and selection of IT solutions which support the execution of the bank's business processes.

Technological progress is a factor that increasingly determines the way customers communicate with financial institutions. Digital banking services are among the fastest growing. They are characterized by innovation, creativity and openness to new technologies. The main challenge with such a rapid development of services, constant regulatory changes and unpredictable environment is to ensure the highest quality and availability of services.

In the past years, we have taken a number of initiatives which significantly mitigate the risk that our IT services could be unavailable:

- we have invested in Evidence Base Management and advanced monitoring,
- we have implemented an end-to-end failure management process including continuous review and elimination of root causes,
- we have migrated the IT infrastructure to two state-of-the-art data centers
- we have implemented Active/Active architecture for critical IT systems.

Such initiatives have largely mitigated the risk that our IT services could be unavailable. We pursue advanced efforts to improve the quality of software and the stability of our systems. We continue to upgrade the bank's main transactional and accounting systems with a view to future use of cloud solutions.

The outbreak of COVID-19 in early 2020 forced us to revise some of the plans for that part of the year. Our top priority was to manage the crisis caused by COVID-19. We managed the risk of mass infections and unavailability of employees by switching most of the bank to remote work (home office). The key challenges included:

- to ensure high capacity of the bank's connectivity;
- to protect the performance of VPN and remote communication tools;
- to provide secure remote system access for the bank's employees.

We activated a Crisis Management structure due to the pandemic. It operates uninterruptedly since March 2020. We reorganised our crisis regulatory framework. We are also updating the bank's Business Continuity Management System (BCMS). In particular we have integrated remote work into the Business Continuity Plans. The bank follows the mBank S.A. IT Policy to ensure superior performance of our IT area. The IT Policy and the related standards have been approved by the IT Architecture Committee chaired by the Vice-president of the Management Board: Head of Operations and Information Technology. In accordance with the IT Policy, we strive to ensure a consistent and transparent management model of IT services, ICT environment components and related activities.

Cyber risk

Cyber risk is understood as the risk of digital fraud targeting the bank and its clients, their IT systems and data processed in the systems, in particular compromising the security of client information or their assets.

To protect client data, cyber risk management is increasingly important to banking and financial institutions. IT incidents may generate huge losses and expose banks to reputational risk. Cyber risks may cause a contagion effect, hurting many financial service providers at the same time. This is why mBank places a very strong emphasis on security of IT systems and data based on adequate organisational and technical solutions. We promote cybersecurity among our employees. E-learning and in-class training raises employees' awareness and knowledge of cybersecurity. For several years we have been running educational campaigns for clients "Bądź bezpieczny w sieci" – "be safe online": <https://www.mbank.pl/uwazniwsieci/strona-glowna>. The theme of our social campaign run in 2020, for the second year in a row, was "Ludzie są niesamowici" ("People are amazing"). We offer emergency support services to our clients, provided by our company Cyber Rescue. We also offered a number of information campaigns addressing new threats targeting electronic banking clients.

We work to mitigate cyber risks. As a leader of digital banking solutions, we use adequate, state-of-the-art security monitoring systems from renowned vendors. We counteract new types of cyberattacks based on specialised systems and the knowledge and experience of the Security Operations Center team. Our SOC operates 24/7, all year around. Employees and clients may report all cybersecurity matters to the SOC, including identified incidents, attempted attacks, infections, and suspicious transactions. As a result, we are able to quickly and efficiently take measures adequate to emerging new threats. We have also set up a dedicated team mBank CERT, co-operating with other teams of this type all over the world as a member of an organisation Trusted Introducer. mBank CERT holds the Accredited status.

Measures mitigating cyber risks rely mainly on the mBank Cybersecurity Policy which is a part of the mBank S.A. Information Security Policy. The bank has appointed a Security Committee as a platform for the exchange of ideas concerning all aspects of the bank's security. The Committee issues decisions, opinions and recommendations which concern among others:

- physical and technical security,
- bank crime,
- protection of information including protection in IT systems,
- the bank's business continuity.

The Cybersecurity Policy defines a vision of security, continuity and stability of our activities, and ways of mitigating risks arising from currently identified threats. According to the Policy, a secure information exchange system should ensure protection of company secret, bank secret, the achievement of business goals, protection of reputation, and other fundamental values. According to the Policy:

- We align the required cybersecurity levels with our innovative business;
- We secure resources necessary for security processes and implement new cybersecurity measures;
- We identify legal requirements concerning security;
- We raise the cybersecurity awareness of employees and clients;
- We manage events through early detection, reaction, lessons learned, and risk assessment;
- We manage suppliers and work with business partners;
- We regularly develop and improve our expertise.

All employees of mBank work towards those objectives.

It is our priority to protect the security of information. The relevant framework is laid down in mBank's Information Security Policy, which defines the objectives and measures necessary to protect confidentiality, integrity, accessibility, and authenticity of processed information and to ensure business continuity of services provided to clients. All employees of mBank work to implement the Policy by ensuring accessibility of services while protecting interests of mBank and its clients.

In the era of countless hacker attacks and corporate network security breaches, it is increasingly important to mitigate risks of IT system vulnerability. The bank's IT Infrastructure Security Vulnerability Monitoring Policy defines the measures necessary to identify security vulnerabilities of

IT environment components, ensures their elimination with required security fixes, and sets out the monitoring and reporting procedures.

In 2020, we continued to focus on cyber security of our clients and their services as well as employees and internal systems they use. With the outbreak of the COVID-19 pandemic, many institutions have been forced to switch from traditional office work to remote work. mBank promptly enabled a "home office" working system of nearly all employees while protecting the necessary security of implemented solutions. The new work format and the resulting restructuring of the architecture of IT solutions necessitated far-reaching measures in many areas including formal risk rating, appropriate mitigating mechanisms and their review in practical security tests. With active participation of our cybersecurity team, we soon added new services offered to online banking clients. Introduction of new services for clients in remote mode required additional security audits and tests.

Established several years ago, the bank's Security Operations Center and mBank CERT remain the key operational link of the Information Security Management System. It ensures active security monitoring and efficient resolution of occurring security incidents. As a Key Service Operator within the meaning of the National Cybersecurity System Act of 5 July 2018, the bank complied with the requirements of the Act and worked closely with the competent authorities. We continued to develop our security monitoring systems and ensure adequate response to new threats and vectors of attacks. We work to mitigate risks by improving our capacity of quick and effective elimination of system vulnerabilities with necessary security fixes.

We focus on the security of services and systems which rely on computing cloud solutions. We have established a security framework defined in Security Standards and recommendations for cloud solutions. We improve our security competences which cover cloud solutions. We implement technologies to ensure security of such services and monitor any security breaches.

Conduct risk

Conduct risk is understood as the risk generated by malpractice in the distribution of banking products or provision of financial services. In particular, conduct risk includes:

- the risk of mis-selling of banking products/transactions, i.e., misleading and careless selling of products and services or distortion of characteristics of products and services, resulting in selling of products or services which do not match the client's needs;
- the risk of manipulation of reference interest rates, exchange rates or other financial instruments or benchmarks.

mBank Group follows a policy of zero tolerance for mis-selling of transactions/products as well as products which do not comply with applicable laws or are designed to evade taxation.

The bank has established the mBank Code of Conduct, a set of guidelines all employees are required to follow. The Code of Conduct defines the course of action regarding lawful and unlawful business practice, financing of clients, as well as rules applicable at the place of work. Employees are expected to follow the Code of Conduct in the office and in relations with clients, suppliers and partners. We strive to avoid any situations where employees would be in breach of the internal code of best practice. Conduct risk is managed according to an operational model of three lines of defence.

We mitigate conduct risk with:

- controls and their independent monitoring by competent units in processes as a part of a continuous control function;
- identification of non-compliances, monitoring of the implementation of corrective action plans defined for identified non-compliances, including in-depth analysis of non-compliances, defining improvements and designing appropriate controls;
- the process of implementation/modification of products and services, the important component of which is gathering opinions;
- on-going recording of operational events and losses, risk analysis based on the operational loss register, and loss reporting processes;
- on-going monitoring of the key risk indicators KRIs (in particular, complaints-related KRIs); whenever a warning or alarm threshold is reached, corrective actions are taken as defined

for each risk, typically including an analysis of the root cause and reporting the clarifications and recommended corrective actions to the head of the responsible unit;

- in-depth review of external complaints and improvement of processes;
- review of any disputes;
- issuing opinions on motions tabled to the Risk and Business Forum including products, regulations, and limits;
- implementation of specific compliance policies and procedures including AML, fraud, and sanctions,
- employee training.

In 2020, we embedded the process of product and service implementation and modification in a standardised IT tool which will facilitate the process from design to roll-out. The process involves sales, support, risk, and compliance units. The tool supports:

- identification of risks which may materialise in connection with product implementations and modifications;
- each step of the process (including gathering opinions, review of terms before live roll-out);
- product portfolio management based on efficient records of product information and key characteristics (including key product risks).

Moreover, in 2020 we improved the control function process, raising employee awareness and ensuring informed identification of non-compliances and effective corrective measures.

Risk of errors in performance, delivery and process management

Risk of errors in performance, delivery and process management is understood as the risk of:

- failed transaction service,
- data entry errors,
- delayed performance,
- process management issues,
- issues affecting business partner relations.

Risk of errors in performance, delivery and process management is managed according to an operational model of three lines of defence. The bank has established a Data Quality & IT System Development Committee/ Its mission is to create conditions necessary to establish, maintain and develop an effective system supporting data quality management across the organisation and IT system development according to procedures and internal regulations.

We mitigate the risk of errors in performance, delivery and process management by:

- implementing the Information Management & Data Governance Programme Strategy;
- pursuing the Data Management Policy and Standards;
- on-going monitoring and regular reporting of data quality;
- handling quality incidents in a four-level network of data stewards (including approximately 90 data stewards allocated to thematic areas) including automated or manual reports processed in a dedicated application;
- in-depth analysis of internal and external complaints and process improvement;
- controls and their independent monitoring as a part of a continuous control function;
- identification of non-compliances, monitoring of the implementation of corrective action plans defined for identified non-compliances, including in-depth analysis of non-compliances, defining improvements and designing appropriate controls;
- on-going recording of operational events and losses, risk analysis based on the operational loss register, and loss reporting processes;
- on-going monitoring of the key risk indicators KRIs (in particular, KRIs related to timely performance and availability of services); whenever a warning or alarm threshold is reached, corrective actions are taken as defined for each risk, typically including an analysis of the root cause and reporting the clarifications and recommended corrective actions to the head of unit.

In 2020, we worked to improve the quality of client data and develop a system for automated measurement of data quality.

Risk of external fraud

The risk of external fraud is understood as the risk of crime committed by a third party. The key categories of external fraud include: credit fraud, payment or payment card fraud, online banking fraud, data theft.

The risk of fraud materialises whenever specific criteria defined in internal regulations are met. The key mitigating measure is prevention. Fraud prevention is managed comprehensively, from effective identification of fraud to mitigating its impact. As a key element of mBank's fraud risk management system, we have defined and we are implementing a programme raising the fraud awareness of the bank's employees combined with advanced fraud risk controls across the selling channels.

Payment security is our priority. To prevent fraud, we use advanced systemic solutions which aim at monitoring of suspected payments. mBank's Online Payment Security Policy ensures the necessary security of online transactions and protects the bank's processes. It provides a framework necessary to secure online payments. The integral supplement for the Policy is the mBank Payment Security Standard, which defines online payment security rules and requirements for designing and upgrading IT products supporting payment services. The Policy defines among others the procedures of risk assessment and prevention, as well as incident monitoring and reporting. The Policy sets requirements regarding strong client authentication, monitoring of transactions, protection of sensitive payment data, as well as education of the clients and communication with them. The bank continuously alerts clients to new threats, in particular affecting online banking, as well as new methods of internet fraud.

In 2020, our priority in external fraud prevention was to prevent fraud in the context of COVID-19. We identified new fraud methods and mitigated them to a large extent based on the effective approach described above.

We implemented new fraud prevention tools by integrating the retail loan application system with the BIK (Biuro Informacji Kredytowej – Credit Information Bureau) Antifraud Platform. It improved the level of protection of the bank and its clients against fraud thanks to additional fraud verification based on data collected by other participants of the national fraud prevention system.

Outsourcing risk

Outsourcing risk is understood as the risk of adverse influence of a third party which operates under an agreement and performs:

- banking activities
- factual activities related to banking activity,
- executes processes, provides services or functions to the bank and its clients,

which would otherwise be performed, executed or provided by the bank. Outsourcing risk may affect the continuity, integrity or quality of the mBank Group's operations, assets, employees and clients.

The Management Board of the bank is responsible for regulatory compliance of outsourcing agreements and oversees their implementation. In particular, the Management Board is responsible for any decisions to outsource critical functions.

The Management Board has made the Compliance Department responsible for the management and co-ordination of outsourcing across the bank, including the foreign branches.

We manage outsourcing risk based on a model of three lines of defence:

- I. the first line of defence includes organisational units which are owners or administrators of outsourcing agreements, outsource functions, and remain responsible for operational relations with third parties;
- II. the second line of defence includes:
 - the Outsourcing Co-ordinator who oversees the outsourcing process and reports to the bank's authorities,

- other units of the second line (risk, security) which participate in the conclusion and implementation of outsourcing agreements;

III. the third line of defence is the Internal Audit Department which provides the independent internal audit function.

Organisational units of the bank which are owners or administrators of outsourcing agreements remain responsible for the management of risks of such agreements including among others:

- analysis of the purpose and effectiveness of agreements;
- analysis of function risk including assessment of function criticality;
- analysis of counterparty risk (due diligence);
- monitoring and controlling the quality of functions provided under agreements;
- regular (at least once per year) monitoring of the effectiveness of active agreements.

We follow the principle of maximum mitigation of outsourcing risk, which is why we regularly evaluate the standing of contractors and monitor the implementation of outsourcing agreements.

In 2020, we implemented the EBA outsourcing guidelines. We appointed a project team for that purpose. Key deliverables are as follows:

- we aligned our internal regulations with the EBA guidelines;
- we developed an IT tool to support the management of outsourcing agreements.

HR and organisational risk

HR and organisational risk is understood as the risk that the organisation would be unable to operate efficiently due to unavailability or a shortage of employees with the necessary professional profile, or due to instability, changes or deficiencies in the organisation's structure and way it is established. The risk includes:

- disruption of relations between employees or between employees and the employer,
- discrimination at work,
- safety at work.

The bank follows a Corporate Governance Policy, which defines common standards for the development, documentation and maintenance of an integrated organisational structure. The policy was defined on the basis of the bank's general principles and the mBank S.A. By-laws which lay the foundation of governance in the bank and its units.

The organisational structure of the bank is a responsibility of the management board. It ensures that the organisational structure is aligned with the bank's strategy, business model, risk level and profile, and financial plans. The organisational structure of the bank is based on the principle of clear allocation of responsibilities. Any change of the organisational structure of the bank is analysed and reviewed by competent units. On that basis, the management board of the bank issues relevant decisions depending on the merits of such change.

The management board defines the organisational structure of the bank taking into account:

- 1/ the bank's areas which generate significant risks to its activity and estimations of probable losses resulting from the potential materialisation of such risks;
- 2/ the bank's business continuity plans;
- 3/ effective implementation of functions by ensuring adequate numbers of employees with the requisite competences and expertise;
- 4/ ensuring that the bank's business targets are achieved;
- 5/ effectively and promptly addressing changing external conditions and sudden or unexpected events.

We mitigate the HR risk of unavailability or shortage of employees with the necessary professional profile by applying a range of preventive measures. In particular, we strive to keep employee rotation low by creating an engaging work environment and fostering a strong organisational culture. We regularly survey employee engagement in anonymous Pulse Checks and on that basis address any

potentially demotivating factors. In 2020, we carried out special Pulse Checks of employees relating to:

- the announcement of Commerzbank of the intention to sell its stake in mBank in September 2019 (afterwards withdrawn in 2020),
- the needs of employees working remotely or in the hybrid mode after the pandemic,
- the reorganisation of positions following the liquidation of the financial markets area.

We have established a succession plan for selected positions, in particular key management positions. We focus on the development of employees' competences, including both current positions and potential internal transfers. Whenever a vacancy needs to be filled, we always look for internal candidates first. If we cannot identify an employee who could fill a vacancy, we seek candidates on the job market.

The bank is very strict about discrimination and mobbing at work. We do not tolerate any behaviour which could violate human rights and employee rights. We have established a system of addressing negative employee behaviour and implemented the mBank Policy against mobbing, discrimination and other unacceptable behaviour. We have carried out an information campaign addressed to employees in order to promote the principles laid down in the Policy.

The bank has established an Employee Remuneration Policy which defines the principles for the bank employees' remuneration. The first pillar of the Policy is an approach to remuneration based on the concept of total pay (including both fixed and variable remuneration). The second pillar, which plays a key role in the remuneration process, is a dialogue between managers and employees aiming to provide comprehensive feedback and grounds for remuneration decisions.

The bank's remuneration management system is designed to:

- 1/ protect the rights and interests of the bank's clients and prevent conflicts of interest – we remunerate employees and appraise their performance to ensure that monetary and non-monetary rewards do not encourage them to favour own interest or the bank's interest to the detriment of the bank's clients;
- 2/ support appropriate and effective risk management in the mBank Group without encouraging excessive risk taking beyond the risk appetite approved by the supervisory board;
- 3/ build strong employee engagement by providing a market-based remuneration package adequate to the workload (with a focus on the future and competition, where remuneration is based on the concept of total pay)
- 4/ retain best performers (by creating optimum work conditions) and attract new talent (intern and trainee programmes);
- 5/ ensure that the remuneration budget is cost efficient (by enabling flexible management of remuneration in order to optimise the use of the available budget).

As an important part of the bank's remuneration management system, we have established a dedicated Risk Taker Remuneration Policy (risk takers are managers who have significant influence on the bank's risk profile). The Policy supports the mBank Group management system and encourages risk takers to protect the Group's long-term interest and to avoid excessive risk exposure.

In connection with the COVID-19 pandemic, we have taken a number of measures to enable effective work of employees and give them support in those trying times. Those initiatives are described in details in chapter [2.2.5. Support for the employees](#).

Physical security risk

Physical security risk is understood as the risk of potential breaches of physical security, security of assets of the bank/subsidiary or persons entering the premises of the bank/subsidiary, integrity, confidentiality or availability of information processed by the bank/subsidiary. The risk also includes the inability to ensure the continuity of services for clients and other interested parties. Physical security risk may materialise due to:

- actions taken by persons inside the bank/subsidiary,
- actions taken by persons outside the bank/company,
- acts of nature, as well as disasters (including natural and man-made disasters).

The risk also includes the risk of damage, unavailability or destruction of elements of the bank's physical infrastructure due to direct attacks targeting the bank's facilities or acts of terror, threats to the life and health of employees.

Our physical and technical security policy defines the organisational framework of security in the bank's head office, branches of the sales network, as well as other infrastructure elements (buildings) of the bank, including data centers. Dedicated teams skilled in physical security management are responsible for:

- risk analyses of the bank's projects and issuance of recommendations for the bank's projects;
- defining the physical security architecture across the organisation;
- monitoring legal amendments concerning physical/technical security requirements and implementation of necessary modifications;
- development of the technical security concept of new facilities under construction;
- regular maintenance of electronic security systems;
- physical/technical security audits of facilities;
- issuing security opinions for the bank's infrastructure projects;
- handing physical security incidents.

In 2020, we carried out a project which migrated the bank's head office to the bank's new headquarters, the mBank Tower. The project required a risk analysis of the new head office building (including RIA, terrorist threat analysis, BCP analysis). We developed a number of security requirements during the project. We implemented many innovative solutions in electronic security systems across the facility based on state-of-the-art technology.

During the project we have:

- defined the requisite security level of the innovative building;
- developed and implemented an electronic security system across the building;
- secured the necessary resources and technology for the building's security process;
- developed employee training in the building's security standards;
- upgraded our unique access control system based on mobile applications supporting traffic across the facility;
- implemented an innovative system integrating electronic security and a guest hosting system using mobile technology.

In addition to the operational risks described above, mBank manages other non-financial risks, as well, including: reputational risk, compliance risk, FX loan portfolio risk. We review and mitigate threats arising from adverse environmental change (mainly climate change).

Reputational risk

As an institution of public trust, mBank must protect its image and reputation. We define reputational risk as the risk of negative perception of mBank or its subsidiaries by stakeholders. Reputational risk management identifies, assesses, and mitigates reputational risk in special processes in order to protect and strengthen the reputation of mBank and mBank Group.

mBank has in place an mBank Group Reputational Risk Management Strategy approved by the management board and the supervisory board, which defines the reputational risk management framework. The Strategy covers those areas of mBank's activity which are sensitive to ESG factors.

We use three lines of defence. The first line of defence includes all units of the bank, its foreign branches and subsidiaries, which are directly responsible for reputational risk in their operations. The second line of defence includes specialised units: Compliance, Communications and Marketing Strategy, and Risk. The third line of defence is the Internal Audit Department.

We protect mBank's reputation according to:

- mBank Group Code of Conduct,
- compliance policies and
- other policies (e.g. Policy of servicing sectors sensitive to mBank's reputation risk, Credit policy regarding industries relevant to the EU climate policy).

We monitor press reports, online comments, and social media posts, and react whenever they pose a risk to mBank's reputation. We monitor the image of mBank in an annual employee engagement survey. We focus on long-term customer relationships, speak and write to customers in a friendly and understandable language, and offer products matching their needs and abilities. We analyse satisfaction survey results and clients' complaints. We consider reputational risk in product development. A dedicated team monitors threats to reputation. In the event of a crisis, the team mitigates or eliminates its adverse impact on the reputation of mBank.

In 2018, mBank appointed an Ethics Officer responsible for drafting guidelines, issuing opinions, and supporting employees in the event of ethical dilemmas. We raise employees' awareness of reputational risk by communicating internally any lessons learned and by providing annual e-learning on anti-bribery and corruption, fraud prevention, anti-money laundering, and other compliance training. We educate the general public. We have for years run a social campaign focusing on cybersecurity, which highlights cyber risks and explains how to handle them. A special section of our website: <https://www.mbank.pl/en/security/sme-corporate/> is dedicated to security matters. We act responsibly in all relations with clients, employees, the environment, and local communities. The area is governed by the corporate responsibility and sustainable development strategy, the sponsorship policy, and the Statute of the mBank Foundation.

Compliance risk

Compliance risk is understood as the risk of non-compliance with laws, internal regulations and market standards in processes executed by the bank.

The objective of compliance risk management is to mitigate the risk of non-compliance of the Bank's internal regulations with laws, internal regulations, and market standards accepted by mBank. The compliance function is an element of an effective internal control system.

Compliance risk is managed in a model of three lines of defence:

- I. the first line of defence is risk management and the control function in operations;
- II. the second line of defence includes as a minimum:
 - 1/ compliance risk management and the control function performed by the Compliance Department;
 - 2/ risk management by employees in dedicated positions and in organisational units where certain compliance risk identification and assessment functions are delegated to other units in the first or second line of defence;
- III. the third line of defence is provided by the Internal Audit Department.

In all three lines of defence, employees of the bank execute controls and/or independently monitor such controls to ensure compliance of the bank with laws, internal regulations and market standards.

mBank's management board is responsible for effective management of compliance risk. The supervisory board oversees compliance risk management.

The Compliance Department is responsible for co-ordinating, controlling and overseeing all functions necessary to ensure the bank's compliance with laws, internal regulations and market standards.

We mitigate compliance risk with:

- implemented and updated policies;
- mandatory employee training;
- monitoring legal amendments;

- regular assessment of compliance risk;
- the control function;
- the advisory function – we issue opinions on products and operating process regulations in the dedicated application Axiom.

All employees of the bank are responsible for the implementation of the compliance policy according to their responsibilities and powers.

The bank has dedicated units (Compliance Control Units) which are advisory centres supporting compliance processes in the first line of defence. They are responsible among others for raising awareness and building knowledge of compliance in business units and for supporting the execution of processes in full compliance with regulatory requirements.

All cases of non-compliance and fraud can be anonymously reported in the electronic whistleblowing system which is accessible on all internet-enabled devices.

In 2020, we improved the compliance process to bring it closer to the bank's current business profile in line with the regulatory requirements, which ensured more effective management of the bank's compliance risk. As a result, we implemented an extended approach to:

- compliance risk management assessment;
- the control function.

We updated the Compliance Policy and other internal regulations accordingly.

We implemented a tool designed to provide comprehensive support to organisational units in the monitoring of laws and their implementation in internal regulations. The tool will support the Compliance Department in co-ordinating and overseeing the bank's compliance with applicable laws, internal regulations and accepted market standards.

In 2020, we established a dedicated unit responsible for prevention of financial crime including:

- 1/ anti-money laundering and combatting the financing of terrorism;
- 2/ compliance with sanctions and embargoes;
- 3/ compliance with the Foreign Account Tax Compliance Act (FATCA), CRS (Common Reporting Standard) for automated international tax information exchange, and the Anti-Tax Evasion Facilitation (ATEF) guidelines on prevention of tax evasion by employees, external personnel and business partners.

FX loan portfolio risk

FX loan portfolio risk is understood as an actual or potential risk to the bank's profits and equity related to foreign currency mortgage loans granted to unsecured borrowers up to 2012 (unsecured borrowers are retail borrowers in the household segment who are exposed to an FX gap between the currency of the exposure and the currency of the borrowers' assets which secure the loan or the currency of the majority of the borrowers' income). Such risk may arise in particular from the materialisation of credit risk, operational (legal) risk and reputational risk relating to such borrowers.

Details concerning proceedings pending before courts, arbitration bodies, and public administration bodies are presented in note 32 to the mBank S.A. Group IFRS Consolidated Financial Statements 2020.

Threats arising from adverse environmental change (mainly climate change)

Threats arising from adverse environmental change (mainly climate change) and their long-term impact are analysed at mBank Group horizontally. It implies that we review their impact on the bank's operations across the broadest possible spectrum. In particular we refer it to the other risks categories, including reputational risk and credit risk.

Environmental change, fast technological development, and resulting legal changes increasingly impact more and more business sectors. As a result, many clients have to redirect or align the profile of their activity. Reorganisation or alignment of clients' businesses affects their relationship with the

Group, which is exposed to client transition risk. We regularly monitor regulatory changes which address climate change and we assess their potential impact on the Group.

We have analysed the risk of mBank's adverse impact on the climate and the risk of adverse impact of the climate on the bank. Our analysis was prepared on the best effort basis and with the use of currently available interpretation of the new regulation. We have prepared these disclosures with use of the non-binding EU Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01),

The functioning of the bank has no material direct impact on the climate. The bank's industry does not generate significant greenhouse gas emissions. In the opinion of the bank, its impact is mainly indirect through financing provided to clients. The bank's impact on the climate derives from decisions to grant financing to clients in different industries. We can reduce the impact mainly by reducing financing for clients in industries relevant to the EU climate policy.

According to the Supplement on reporting climate-related information, the risk of adverse impact of the climate on a company is either physical risk or transition risk.

Physical risks are risks to the company that arise from the physical effects of climate change, e.g., weather-related events or longer-term changes in the climate, such as rising sea levels. Thanks to mBank's business model, where the key customer service channels are remote channels, i.e., online and mobile banking, mBank is exposed only to the minor extent to direct impact of physical risks, which are typical rather for the manufacturing companies. Energy blackouts constitute potential physical risk identified. At mBank we manage this risk with use of adequate technical solutions, meaning redundancy of power supply and generators. For data center objects, mBank applies requirements of at least TIER III level, ensuring constant energy delivery from two independent sources, also linked to the generator. We manage this risk at mBank according to the Business Continuity Management System.

The geographic location of our offices and branches in Poland, the Czech Republic and Slovakia, in a moderate climate, limits the physical risk to a service provider's operations. This implies an insignificant risk to the functioning of the bank's branches and head offices. However, physical risks may have an indirect impact on the bank by affecting our clients. In particular:

- flood, fires, and rising sea levels may hurt the real estate industry (retail and commercial mortgage loans),
- floods and heatwaves may hurt agriculture,
- low water levels in rivers may hurt the chemical industry.

Climate change results in extreme weather events, including increasingly frequent strong storms and intensive rainfalls. In 2020, we reviewed the potential impact of flood on mBank Group clients from the perspective of our portfolio structure. We analysed the impact on our profits and equity under a broad macroeconomic scenario including a sharp long-term economic recession caused by COVID-19 combined with additional events such as flooding. We tested the impact of flooding of the place of business of our major corporate clients as well two residential areas financed by the mBank Group, whose location may potentially be at risk. The flooding of the place of business combined with the potential difficulties of insurance claims and falling real estate prices would affect the repayment pattern of loans. That, in turn, would require additional loan provisions and higher capital requirements.

According to our analysis, the bank is mainly exposed to transition risks. Our analysis uses the definition of transition risk provided in the Supplement on reporting climate-related information. According to the Supplement, transition risks are risks to the company that arise from the transition to a low-carbon and climate-resilient economy. mBank's transition risks mainly include climate risks related to our clients, particularly the corporate segment that we finance mainly with loans, leasing, and debt origination and investment. Companies in industries with a significant impact on the climate may carry higher credit risk, i.e.:

- the risk of loss caused by counterparty default and

- the risk of impairment of credit exposures due to the counterparty's deteriorating financial position, for instance, driven by rising costs of mandatory environmental investments.

Risks related to financing of companies in industries relevant to the EU climate policy may involve mainly higher impairment on loans and advances at amortised cost and negative value change of loans and advances measured at fair value through profit or loss, as well as attrition of some income.

The table below presents transition risks identified at mBank.

Risk category	Description	Risk category according to the EU guidelines
Technology risk	Occurs if a technology with a less damaging impact on the climate replaces a technology that is more damaging to the climate. This may be driven by new regulatory requirements and the need for additional investments or higher costs.	Policy risks Technology risks
High capex requirements	Industries relevant to the EU climate policy often require higher investments due to large scale and concentration of projects. With weaker momentum in the business cycle for such industry, that could generate negative cash flows.	Technology risks
More eco-friendly competitors	Occurs if the choices of customers shift towards products and services of competitors that are more environmentally-friendly.	Market risks
Client's reputational risk	Companies perceived as climate adverse could face challenges in customer acquisition and retention, raising funding, and the cost of financing.	Market risks Legal risks
mBank's reputational risk	A company financed by mBank could face protests and criticism from the media and NGOs; it may lack environmental certificates or policies and publish no environmental reports; it may have no carbon footprint reduction strategy. That would affect the reputation of the bank as its financial provider.	Reputational risks
CO ₂ allowance costs	Companies in industries contributing to climate change are often required to acquire greenhouse gas emission allowances. The required number of allowances, price trends in the allowance market, and the client's approach to buying allowances could impact the client's financial results.	Policy risks Technology risks

The first step towards limiting the bank's exposure to high-carbon industries was the decision of the Corporate and Investment Banking Risk Committee of April 2019. It excluded, among others the possibility of financing the construction of a coal mine and limited the possibilities of financing coal energy. An extension of this decision was the introduction, from November 1, 2019, of the "Credit policy for industries relevant to the EU climate policy". This policy further limited the possibility of financing high-emission projects and indicated areas preferred for financing at the bank. These include renewable energy installations and electric vehicle charging stations. This policy describes the principles that we apply at mBank to identify and assess climate-related risk. It is part of the credit process. It defines the principles of financing projects from industries with a particularly significant impact on the climate, such as:

- energy and heat;
- chemicals;
- cement and lime;
- ceramics and glass;
- pulp, paper and cardboard;
- coke manufacturing and processing;
- oil refineries;
- coal mining;
- transport.

The policy prohibits financing of construction of hard coal and lignite mines and expansion of the production capacity of existing mines. In the energy and heat industry, we are not allowed to finance:

- construction of new coal fired energy units or boilers;
- investments in construction and development of nuclear power plants;
- shale gas exploration and production;
- new clients whose share of electricity from hard coal or lignite (measured by production capacity) is more than 50%.

We give preference to projects which significantly reduce greenhouse gas emissions, where we recommend preferential pricing.

Climate change provides not only risks but also opportunities for mBank. The key opportunity related to climate protection is the opportunity to expand the bank's offer to address changing needs of clients. For example, we finance projects involving renewable energy sources. mBank's credit policy of financing of renewable energy sources (RES), introduced in 2018, provides PLN 4 billion for wind farms and photovoltaics (the initial target was PLN 0.5 billion, raised to PLN 4 billion in 2020). We were one of the first banks to credit wind energy. We are currently seeing a growing role of photovoltaics in the energy mix, which can be followed by offshore wind energy. The decision to increase the financing limit for renewable energy projects results, inter alia, from high interest in financing and good loan repayments, as well as promising prospects for the industry. We work, among others, on projects based on PPA (Power Purchase Agreement) contracts. In this model, an investor planning to build a green source, most often wind, first signs a ten-year contract for the sale of energy, e.g. with a production company.

To align its product range with changing needs of clients, mLeasing launched financing of photovoltaic panels in 2019. mBank's leasing subsidiary finances companies' photovoltaic systems worth up to PLN 250 thousand with a capacity up to 50kW. The leasing period is up to 6 years and the client's required contribution is at least 10% of the value of the project. In 2020, mLeasing completed 198 transactions with a total volume of PLN 20 million. Clients whose photovoltaic systems are financed by mLeasing have access to preferential financing conditions under the EBI Climate Action programme.

Since 2019, mBank private banking clients are the first in Poland to invest responsibly in line with the ESG standards. With mBank's ESG Balanced Strategies, private banking clients can invest in portfolios of equity and debt from issuers with a positive ESG track record. ESG strategy assets accounted for 45% of assets in investment strategies with a comparable investment risk level as at December 31, 2020.

The bank may also gain access to new forms of funding, including green bonds and other ESG-related debt.

5.2.9. Policies and procedures

GRI FS1, FS2

mBank's personal data security policy

Efficient protection of consumers' data and privacy is a fundamental precondition of credibility of financial service providers. We know how important it is for our clients. Personal data of European Union nationals, including Poles, are strictly protected. mBank respects all rights of its clients according to mBank's personal data security policy.

The policy is based on the General Data Protection Regulation (GDPR) and incorporates the GDPR provisions and the rights of data subjects. mBank has appointed a Data Protection Office who is available at the e-mail address: inspektordanychosobowych@mbank.pl For details of data protection and its enforcement at mBank, visit our website: www.mbank.pl/rodo/strona-glowna

Outcomes:

GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data:

In 2020, 41 complaints were lodged by the Personal Data Protection Office (PDPO). They referred to the processing of the data of our existing and potential clients. By the end of 2020 we have not received any administrative decision determining if the bank has processed the data against the GDPR policies.

Total number of identified breaches of GDPR policies at mBank reached 54. We have notified PDPO about each one of them and approached the affected clients accordingly to the GDPR regulations.

All complaints lodged by PDPO and confirmed cases of GDPR breaches at the bank are consistently examined. Where required, actions were taken in order to eliminate confirmed improprieties.

In 2019, 8 complaints were lodged by third parties and confirmed by the organisation (all concerning mFinanse); 1 complaint was lodged by regulatory bodies (concerning mFinanse).

Anti-money laundering and counter-terrorism financing regulations at mBank

mBank follows the law and standards set for financial institutions. We focus in particular on anti-money laundering and counter-terrorism financing. In this regard, we pursue Anti-Money Laundering and Counter-terrorism Financing Policy at mBank along with Commerzbank group Policy.

mBank follows an anti-money laundering and counter-terrorism financing programme which is consistent with national and EU regulations. To prevent money laundering and financing of terrorism, mBank is required by the programme:

- to identify and verify the identity of our clients,
- to identify and verify the identity of beneficial owners of our clients,
- to identify and verify our clients and their beneficial owners according to the criteria of politically exposed persons (PEP),
- to identify the risk of money laundering and financing of terrorism,
- we refuse to work with clients if we identify risks of money laundering and/or financing of terrorism,
- we monitor clients' transactions to protect mBank from money laundering and financing of terrorism,
- we regularly train our employees. Training is organised and monitored by the Compliance Department.

All mBank employees are responsible for the implementation of the programme. In particular, account managers and client advisors are responsible for regular review of clients' identity. The President of the Management Board is responsible, under a resolution of the Management Board, for the implementation of the obligations under the AML Act according to the AML programme. The Director of the Financial Crime Prevention Department, supervised by the Managing Director for regulatory, legal and customer relations, is responsible for compliance of the bank, its employees and associates with the anti-money laundering and counter-terrorism financing regulations.

Outcomes:

	2019	2020
Percentage of employees who received training	98%	83%

mBank's conflict of interest management policy

The policy defines the standards and procedures for the avoidance, identification, and management of conflicts of interest. mBank's procedures ensure that conflicts of interest are resolved according to the principle of equal treatment of clients and that mBank, its employees and associates do not obtain benefits or avoid losses at the expense of clients.

Reliable conflict of interest management is a part of the corporate culture and a responsibility of mBank employees across all levels of the organisation. In particular, members of the bank's Management Board and directors of mBank's units must participate in:

- identification of conflicts of interest,
- implementation of measures necessary to prevent conflicts of interest, and
- management of actual conflicts of interest.

Members of mBank's supervisory board and Management Board have special responsibilities. They are required to report an actual or potential conflict of interests and to refrain from participating in discussions and voting on matters which could cause a conflict of interest in relations with mBank clients or with mBank.

According to the policy, the Management Board has made the Compliance Department responsible for management of conflicts of interest in the bank. In particular, it is responsible for monitoring internal regulations and IT solutions, consulting services for the organisation, controls, training, and recommendations. The Compliance Department is responsible for reviewing any reported conflict of interest, issuing recommendations concerning the course of action, and monitoring the implementation of recommendations. The Compliance Department reviews the policy to ensure its adequacy and effectiveness at least on an annual basis.

We use information barriers in order to restrict the flow of confidential information, client information and client transactions.

Outcomes:

	2019	2020
Percentage of employees who received training	95%	83%

Compliance policy at mBank

The Compliance Policy sets forth general rules for ensuring compliance of operations pursued by mBank with laws, internal regulations and market standards.

Compliance is ensured by way of compliance risk management in the processes that are functioning at the bank and the control function in the three lines of defence model. The first line of defence comprises risk management and control function implementation in operating activities. The second line of defence comprises at least:

- 1/ compliance risk management and control function implementation as part of the tasks executed by the Compliance Department,
- 2/ risk management by employees holding dedicated positions or working in dedicated organisational units in the case when certain tasks pertaining to compliance risk identification and assessment were assigned to other first and second line of defence units.

The third line of defence comprises the activity of the Internal Audit Department.

In all three lines of defence, the bank's employees duly apply control mechanisms or independently monitor the observance of control mechanisms in order to guarantee compliance of the bank's operations with laws, internal regulations, and market standards.

All the bank employees are responsible for the implementation of the Policy in line with their scopes of responsibilities and authorisations. mBank S.A. employees identify, assess, control, and monitor the risk of non-compliance with laws, internal regulations and market standards and draw up quarterly reports for the Compliance Department addressing the risk. The Compliance Department prepares and submits annual, quarterly and ad-hoc reports to the bank's management board, supervisory board, and the Audit Committee.

Regardless of the responsibility of the management board and the Compliance Department for the Policy implementation, as part of the control function, directors of organisational units are responsible for organising work of their subordinates in a manner guaranteeing the observance of:

- 1/ laws,
- 2/ internal regulations,
- 3/ market standards adopted by the bank,
- 4/ recommendations and guidelines issued by the Polish Financial Supervision Authority (KNF) and other state authorities competent for the scope of operations of a given organisational unit.

The supervisory board assesses the adequacy and effectiveness of compliance risk management. It also supervises the discharge of compliance obligations by the management board of the bank as part of the control function and compliance risk management.

In an effort to ensure compliance, the bank's management board ensures effective compliance risk management at the bank. It submits annual reports on compliance risk management at the bank to the supervisory board and the Audit Committee to enable the supervisory board to assess the adequacy and effectiveness of compliance risk management.

Outcomes:

GRI 419-1 Non-compliance with laws and regulations in the social and economic area

In 2020 and in 2019, no cases of non-compliance with applicable laws and internal regulations were identified.

mBank's remuneration policy

The remuneration rules for mBank employees are defined in mBank's remuneration policy. The policy is designed to support strong employee engagement by providing market-based remuneration packages adequate to employees' contribution; to retain the best employees; and to attract talent to the organisation in traineeship and internship programmes. The policy defines the rules ensuring protection of rights and interests of clients and preventing conflicts of interest. The management board of the bank is responsible for the development and implementation of the policy. The management board reviews the implementation of the policy on an annual basis and resents proposed amendments for review and approval to the Remuneration Committee of the Bank's Supervisory Board. The policy is reviewed at least on annual basis by the Internal Audit Department, which presents its findings to the supervisory board of the bank. The Supervisory Board approves the remuneration policy and consults the Remuneration Committee if necessary. Employees in management positions who are the bank's risk takers are additionally covered by mBank's risk taker remuneration policy.

In addition to the remuneration policy, mBank also follows mBank's Employee Remuneration Rules and mBank's Employee Bonus Rules.

Outcomes:

GRI 405-2 Ratio of basic salary and remuneration of women to men in mBank by employee category

Ratio of the basic salary of women to men (mBank)	2018	2019	2020
Senior managers	86%	77%	69%
Middle managers	82%	82%	79%
Other employees	74%	75%	76%
Ratio of the remuneration of women to men (mBank)	2018	2019	2020
Senior managers	86%	74%	62%
Middle managers	78%	79%	78%
Other employees	72%	74%	74%

Remuneration structure pictured above is strongly impacted by the higher number of women employed on the operational positions, whereas managerial positions are dominated by men. Moreover, in 2020 the bank has undergone significant structural adjustments which exacerbated the gap, particularly among the senior managers but also among middle managers. Remuneration regulations have been notably limited due to the pandemic and the necessity for saving, and as a result we haven't observed changes in this regard among other employees. The remuneration inequality among senior managers has been negatively impacted by the departure of Vice-President of the Management Board, Lidia Jabłowska-Luba.

There are initiatives pursued at mBank aiming at equalizing remuneration on the comparable positions. At the same time we strive to facilitate career promotions among women. In long term horizon we expect these measures to diminish average remuneration differences between men and women. In short term horizon – comparing 2020 to 2019 – challenges presented by the expenses led to exponential structural changes and significant restriction of remuneration alterations. It did not impact positively the efforts to diminish inequalities between remuneration of women and men.

mBank's work rules

mBank's work rules define the responsibilities of the employer and employees. In line with labour law, mBank's work rules govern the organisation of work at the bank and the conclusion of employment agreements. mBank's work rules define matters relating to full or part-time employment and working hours, work attendance, holidays, remuneration, awards and bonuses. mBank's work rules cover:

- liability for breach of employee's obligations,
- occupational health and safety, fire protection,
- protection of women and minors at work.

The President of the Management Board or a Management Board Member or Managing Director authorised by the President oversees the implementation of the rules at the bank with the support of employees of the Employee Development and Organisational Culture Department and directors of the bank's units who monitor compliance with the rules in their units on an on-going basis. The work rules apply to all employees of the bank working under employment agreements irrespective of position, full or part-time employment, and term of the agreement. They are required to comply with the rules and need to sign a declaration to that effect no later than the first day of work. mBank's work rules were implemented and are updated in form of an Order of the President of the Management Board.

mBank's Workers' Council rules

mBank employees are represented by the Workers' Council established under the Act of April 7, 2006, on employee information and consultation. The Workers' Council is comprised of 7 members elected by all employees for a term of four years. Its responsibilities include consulting the employer on:

- status quo, structure and expected changes of employment and
- matters which could cause significant changes to the organisation or the basis of employment.

The Workers' Council operates under an agreement with the bank.

mBank Policy on preventing mobbing, discrimination and other unacceptable behaviours

We wish to encourage positive employee relations and build friendly work environment. As an employer, mBank strives to create a work environment free of mobbing, discrimination, and other forms of violence caused by superiors and colleagues.

The key focus of the policy is as follows:

- mBank does not tolerate mobbing, harassment, sexual harassment and any other form of discrimination, behaviour which is illegal, unethical or violating the rules of social conduct. Such actions fall under the category of unacceptable behaviour.
- Description of unacceptable conduct and clear course of action in case of its occurrence.
- All Employees, including managers and Management Board Members, must refrain from taking any unacceptable behaviour against other employees, colleagues, clients and suppliers.
- Anyone who creates conditions that encourage unacceptable behaviour or resorts to it, violates the fundamental employee obligations. In that case, as an employer, mBank may impose sanctions under the labour law and mBank's work rules.

Any employee who claims to have experienced unacceptable behaviour reserves the right to report it. The employee is given the choice to report it anonymously or not. Complaints are reviewed by the Unacceptable Behaviours Committee comprised of directors or their substitutes from the Employee Development and Organisational Culture Department, the Compliance Department, the Legal Department, the Marketing Communication Department, mBank's Ethics Officer, and personal data inspector. Anyone whose legal or factual relationship with the complainant could affect the objectivity and impartiality of the Committee is excluded. The Committee reacts as soon as possible:

- it investigates the matter thoroughly,
- acts impartially and confidentially,
- determines if unacceptable behaviours took place and identifies their specifics. Afterwards it recommends what solutions should be executed in a specific case and what actions should be taken in the future in order to avoid unacceptable behaviour at the bank.

Outcomes:

Number of reported, reviewed, and confirmed cases of mobbing:

The Committee received 4 reports in 2020. None of them were confirmed as mobbing or discrimination. However, the Committee confirmed that other unaccepted behaviours occurred. Adequate actions were taken in regards to affected employees.

Number of persons who received training in anti-mobbing and anti-discrimination rules:

We trained total of 280 managers between 2018 and 2020, including 180 in 2018 and 100 in 2019. In 2020 we have trained 209 employees. At the end of 2020 we have started the obligatory e-learning training for all employees and managers at the bank. The programme is comprised of theoretical part and awareness part. It strives to educate on avoiding the unacceptable behaviours and on dealing with them at the team. The programme will be continued in 2021.

Policy for the assessment of qualifications (suitability) of members of the supervisory body, management body and key function holders at mBank S.A.

The suitability policy defines transparent and precise procedures for the selection, assessment of suitability, and succession of mBank's key function holders. It specifies the qualifications required in each position, good repute, and no conflict of interest during employment. The policy sets requirements for succession in key positions and defines the procedure of handling vacancies. The suitability criteria for the management board and the supervisory board include a comprehensive and diverse membership among others in terms of gender, age, and professional experience. One of the sections in the policy is dedicated to diversity. Regarding gender diversity, the policy sets a joint target of at least 30% women on the management board and the supervisory board by 2028. It recommends that at least one member of the management board should be a woman.

We signed the Diversity Charter in January 2018, joining an international initiative for social cohesion and equality supported in Poland by the Responsible Business Forum. As a member of the initiative, we support diversity and prevent discrimination at work.

Outcomes:

	2019	2020
Number of women in the management board	1	0
Percentage of women in the management board	14.3%	0,0%
Number of women in the supervisory board	2	4
Percentage of women in the supervisory board	20.0%	50,0%

Data as at end of year

mBank's anti-corruption policy

The policy provides guidelines for the identification and mitigation of corruption risks, the key principles of the code of ethics, and related responsibilities. No management board member, manager, employee or associate may justify corruption or bribery by invoking mBank's interest.

mBank follows a policy of zero tolerance for all forms of corruption, including accepting, offering, requesting, granting and giving consent for additional benefits, objects or payments in order to:

- unlawfully influence a decision,
- obtain or secure an illegal business advantage,
- gain personal benefits.

mBank's management board and employees are required to avoid conflicts of personal and professional interest. They are prohibited from offering any undue benefits, in particular to central or local government officials, civil servants, and politicians.

mBank prevents corruption in a system of three lines of defence. The first line of defence is comprised of the bank's organisational units. The second line of defence is the Compliance Department which:

- is responsible for setting standards of compliance with anti-corruption laws and regulations,
- monitors adherence to the standards.

The third line of defence is the Internal Audit Department, which evaluates the adequacy and effectiveness of the bank's anti-corruption system.

The management board and employees report actual or suspected incidents of corruption to the direct superior or the Compliance Department. Reports may be lodged anonymously in the mSignal system, which is also available online to third parties. We review all reports with due diligence and in confidence. Units involved in a case of non-compliance take steps to clarify all circumstances and to secure evidence. In case of a suspected crime, the director of the relevant unit provides the file to the Security Department, which reports to the law enforcement services if the suspicion is confirmed. The Compliance Department maintains records of corruption procedures. Anyone attempting to engage or engaged in corruption is subject to the procedure defined in labour law and mBank's work rules. The Director of the Compliance Department immediately reports a corruption case to the member of the management board responsible for the given area. In case of high reputational risk or where the incident involves a management board member, the director of the Compliance Department additionally notifies the chairman of the supervisory board. Moreover, the Compliance Department may take independent steps, irrespective of any reports filed by units of the bank, to detect cases of corruption.

The bank expects its business partners (vendors, contractors, service providers who work with mBank and with its clients on behalf of the bank) to comply with the policy. Anti-corruption provisions are included in each contract between the bank and a business partner.

The anti-corruption policy describes rules for presenting and accepting gifts by the mBank employees.

Gifts, in particular tangible souvenirs and invitations are a legitimate business custom. They can, however, be exploited in order to obtain unauthorized gains. At mBank we exert 'zero-tolerance'

policy for any form of corruption. Employees can present and accept gifts only in accordance to the rules stated in the anti-corruption policy.

According to the policy employees can:

- 1/ Accept and present small corporate gifts customary in business relations up to predefined limits.
- 2/ Participate in the conferences arranged by the business partners. The theme must overlap with the scope of responsibilities of the employees who take part in it. The transport and accommodation expenses during the conference are covered by mBank.

The policy forbids employees from:

- 1/ accepting and presenting gifts in form of cash or cash equivalents,
- 2/ presenting gifts to other employees or accepting gifts from them if such gifts could be considered a form of influence over their due execution of relevant processes,
- 3/ accept gifts from business partners of mBank,
- 4/ present gifts to central and local government officials in connection to their function.

The Compliance Department keeps Electronic Register of accepted and presented gifts. The department verifies the abidance of the rules for accepting and presenting gifts on a regular basis. It also presents a report to the management board and supervisory board of the bank which details the anti-corruption policy implementation as a part of its compliance risk management reporting.

Outcomes:

GRI 205-3 Confirmed incidents of corruption and actions taken

We identified no corruption incidents in 2019 and 2020.

GRI 205-2 Percentage of employees who have received training on anti-corruption policies and procedures at the bank

The employees have been trained in preventing corruption and rules for accepting/presenting gifts:

	2019	2020
Percentage of employees who received training	95%	83%

Fraud prevention policy at mBank and whistleblowing

The policy defines who, and how, is responsible for fraud prevention. The bank follows a policy of zero tolerance for any form of fraud or fraud attempts by the bank's employees, clients, contractors, and third parties. mBank requires fair and lawful behaviour of all its employees, clients, and business partners.

mBank's fraud risk management cycle covers four stages:

- fraud prevention – risk assessment, early identification, and clear rules and mechanisms mitigating risk;
- fraud detection – implementation of fraud controls, monitoring systems and reporting channels;
- fraud management – every case of suspected crime to the detriment of mBank or its client is investigated and necessary steps are taken, including legal measures;
- response – clear rules for mitigating loss or damage, corrective mechanisms, lessons learned.

mBank has implemented an electronic whistleblowing system, which ensures anonymity of whistleblowers. The complaint can be filed anonymously by means of mSygnał, which is available also to third parties. It is accessible on all internet-enabled devices:

<https://client.bkms-system.net/bkwebanon/report/clientInfo?cin=2brebank11&language=pol/>

Whistleblowing rules and the procedures for reviewing reports are defined in internal regulations as follows:

- the identity of the whistle-blower and the person concerned is strictly confidential: their data must not be disclosed to third parties unless required by law;
- the whistle-blower may set up an anonymous inbox to receive updates on actions taken in reaction to the report and/or to provide additional details;
- every whistleblowing report is reviewed by authorised staff to ensure an objective, fair and impartial investigation;
- mBank employees who report suspected fraud in good faith are protected from any form of repression.

Reports are initially reviewed by staff of the Compliance Department. Filed in the system or otherwise, reports are investigated by authorised officers, as the case may be: employees of the Employee Development and Organisational Culture Department, employees of the Foreign Branches, the Ethics Officer, and employees of the Compliance Department. If a report is confirmed, the case is escalated according to the law and the bank's internal regulations.

The rules for reporting fraud to the management board and the supervisory board are also clearly defined. They cover regular and ad-hoc reports.

Outcomes:

Number of reported and confirmed cases of fraud and actions taken	2019	2020
Cases reported to the Fraud Management Section	63	76

Each report was investigated, and necessary measures were taken in order to eliminate confirmed irregularities. Among filed reports, in 5 cases the Security Department notified the prosecutor's office of suspected offence. We prevent recurrence of similar irregularities. We set standards and guidelines in internal regulations. We also organize workshops, issue recommendations on remedial actions and perform inspections. Applied control mechanisms efficiently reduced the abuse risk. We have not recorded internal abuse cases which would result in significant losses for the bank or negatively impact the reputation risk.

The reports are reviewed immediately after receiving. We make a decision on further proceedings. The reports are appraised within not extendible period of 30 calendar days which begins at the day of receiving them in mSygnał or the Compliance Department.

Global sanction policy

mBank identifies its clients and monitors persons and entities participating in transactions in accordance with sanction lists of the European Union, the United States, and the United Nations in order to ensure compliance with the applicable laws imposing special restrictions. The Financial Crime Prevention Department:

- provides guidelines and instructions,
- informs other departments and subsidiaries about business policy restrictions imposed by sanctions,
- provides advice, and monitors compliance.

We comply with sanction regulations by identifying clients and beneficial owners, and by identifying and refusing to execute transactions violating sanctions. We inform clients about sanction regulations and train the bank's employees accordingly. Every employee of the bank is required to read and strictly comply with the policy.

mBank closely monitors existing business relations in sanction countries and takes necessary measures, up to termination of relations.

Outcomes:

	2019	2020
Percentage of employees who received training	96%	76%

mBank's disclosure obligations

mBank has implemented the requirements imposed among others under the Act on Trading in Financial Instruments, MAR, and the Act on Public Offering.

We comply with the disclosure requirements because:

- we are a public company, that is, an issuer of securities admitted to trading on the regulated market;
- we carry out brokerage activities;
- we carry out custodial activities;
- we carry out activities referred to in Article 70(2) of the Act on Trading in Financial Instruments.

According to the law, information concerning certain events relating to mBank's activity is classified as inside information. In such cases, we file a mandatory current report with the Polish Financial Supervision Authority (PFSA), the Warsaw Stock Exchange (GPW), and the Polish Press Agency (PAP). The same concerns certain other events which are not classified as inside information. We are required to file reports with PFSA concerning events relating to brokerage activities, custodial activities, and investment activities. Each unit of mBank concerned by or aware of such event is required to report it to the Compliance Department.

Failure to report, late reporting, and undue reporting generate the risk of financial penalties for mBank. In that case, the risk of financial penalties also affects:

- the persons providing information for a report;
- the members of the Management Board responsible for the given area.

mBank keeps records of persons discharging managerial responsibilities within the meaning of MAR.

Outcomes:

Number and amount of financial penalties imposed for failure to report, late reporting, and undue reporting: There were no penalties either in 2019 nor in 2020.

Principles for suppliers

mBank's vendors and suppliers are required to comply with the law, labour law, human rights law, to protect the environment, to avoid discrimination, and to comply with anti-corruption law.

mBank pursues its business according to ethical and responsibility standards defined among others in the Universal Declaration of Human Rights, the International Labour Organisation standards, and the OECD guidelines (in particular, anti-corruption guidelines).

Every supplier participating in procurement or performing a contract with mBank is required to comply with the guidelines and ensure compliance by its subcontractors.

The guidelines in particular include:

- 1) the Universal Declaration of Human Rights;
- 2) the International Labour Organisation standards;
- 3) the OECD guidelines (in particular, anti-corruption guidelines);
- 4) the Rio Declaration on the Environment and Development – Agenda 21;
- 5) the United Nations Convention against Corruption;

6) international trade sanctions and embargoes, including sanctions which may apply under resolutions of the UN Security Council according to Chapter VII of the UN Charter, or any sanctions imposed by the European Union;

7) acts of national law implementing the above, as well as rules and regulations, in particular conflict of management rules and regulations.

Outcomes:

Percentage of vendors who have read and accepted the Vendor Policy: 100%.

Policy on providing services to entities operating in areas sensitive in terms of mBank's reputation risk

The policy imposes restrictions on the provision of services to companies in socially controversial sectors which are in breach of the Ten Principles of the UN Global Compact.

Such restrictions concern opening of accounts as well as lending in the case of companies, including existing clients of mBank, whose activities:

- involve child labour or forced labour or result in other manifest violations of human rights;
- focus on economic exploitation of valuable natural areas;
- pose a risk to the global cultural heritage.

We do not establish business relations with any entities operating in countries, on which UN imposed sanctions.

Rules of lending to the defense industry

In its relations with operators in the defence industry, mBank takes into consideration political, social, ethical, and environmental factors which could affect its reputation. mBank in general accepts transactions with public entities operating in the defence industry: government agencies, state-owned companies, etc.

Policies and due diligence with regard to the climate and environment

mBank Group limits its impact on the climate mainly through credit policies, which regulate our approach to financing industries with a positive and negative impact on the climate.

The first step towards limiting the bank's exposure to high-carbon industries was the decision of the Corporate and Investment Banking Risk Committee of April 2019. It excluded, among others, the possibility of financing the construction of coal mines and limited the possibilities of financing coal energy. An extension of this decision was the introduction, from November 1, 2019, of the **Credit policy regarding industries relevant to the EU climate policy**. This policy further limited the possibility of financing high-emission projects and indicated areas preferred for financing at the bank. These include renewable energy installations and electric vehicle charging stations.

In 2018 we have introduced **Renewable Energy Sources financing policy (RES)**. Under this policy, we will invest PLN 4 billion to finance wind farms and photovoltaics (originally the policy assumed PLN 0.5 billion, while in 2019 and 2020 we have been increasing this limit).

We describe both policies in detail in the section concerning threats arising from adverse environmental changes (mainly climate change).

The aforementioned credit policies were approved by the Corporate and Investment Banking Risk Committee of mBank, which includes, inter alia, Vice-president of the Management Board: Chief Risk Officer and Vice-president of the Management Board: Head of Corporate and Investment Banking. We update our credit policies on an ongoing basis and review them at least once a year - we also take into account the impact of climate change using the expert method. The management board and supervisory board of mBank approved the mBank Group's strategy for the years 2020-2023, including targets and measures related to climate protection. In 2020, during the meetings of the Risk Committee of the Supervisory Board, topics related to ESG issues were regularly discussed, including threats resulting from adverse changes in the natural environment (mainly climate change).

Outcomes:

At the end of 2020, the level of utilization of the RES limit from the beginning of the introduction of the Policy was 49%. The value of all financing by mBank was PLN 1,970 million. These include: PLN 720 million for photovoltaic (PV) projects, PLN 1,180 million for wind farms and PLN 70 million for biogas plants, both under the policy and outside. In total, our financing of renewable sources translates into approx. 1,440 MWp of clean energy per year.

One of the largest transactions carried out by mBank in 2020 is another agreement for financing R.POWER photovoltaics projects. mBank granted a loan for this purpose worth PLN 102 million. This is the third agreement between the parties to finance solar farm projects. The total value of all loans granted to the R.POWER Group by mBank reached PLN 355 million. The latest round of financing R.POWER group projects will be allocated to the construction of 32 power plants with a total capacity of 29.4 MWp throughout Poland. The energy generated by the portfolio of these farms could cover the demand for electricity of over 10,000 households. These plants do not pollute the environment - what is more, they will contribute to the reduction of carbon dioxide (CO₂) emissions by approx. 30 thousand tons. This is roughly the amount emitted by 20 thousand passenger cars annually. All projects will use double-sided photovoltaic panels (so-called bifacial), which absorb light on both sides, thanks to which they are able to obtain more energy from a single installation. The projects were secured with a guarantee of energy sale in the auction system. Completion of construction is planned for the third quarter of 2021.

6. Outlook

6.1. Outlook

What will 2021 be like for the Polish economy?

Key macroeconomic parameters	2019	2020	2021P
GDP growth (YoY)	4.2%	-2.8%	3.8%
Domestic demand (YoY)	3.5%	-4.1%	3.9%
Private consumption (YoY)	4.0%	-3.4%	3.7%
Investment (YoY)	7.2%	-6.5%	1.1%
Inflation (EOP)	3.4%	2.4%	3.7%
NBP reference rate (EOP)	1.5%	0.1%	0.1%
CHF/PLN (EOP)	3.92	4.22	4.03
EUR/PLN (EOP)	4.25	4.56	4.40

Source: mBank's estimates as at February 5, 2021. YoY – year on year, EOP – end of period.

The bank expects Polish GDP to rise 3.8% in 2021, bouncing back to the 2019 YE levels as early as Q3 2021. GDP will be growing sluggishly in H1 2021 (net of seasonal effects, quarter on quarter). As the 60+ population in Poland and key trade partners get vaccinated, we expect that the lockdown will be lifted in large part in H2, unlocking demand and driving considerable GDP growth. The recovery will continue to rely on exports. Once the lockdown is lifted, consumption will also pick up fast (possibly starting in Q2). Investments will lag behind GDP growth, eventually picking up in H2, not least supported by the timeline of public expenditure.

The labour market should gradually improve in 2021. Early months will most likely (still) be difficult. The official unemployment rate may rise temporarily to 6.5% on the back of corporate restructuring and under the pressure of the lockdown. However, in our view, companies have already optimised/scaled down their headcount so restructuring will be incidental. Additional unemployment will mainly be driven by growing frictional unemployment; as soon as demand picks up, it will be absorbed by the economy. We expect the unemployment rate to drop to 5.9% by the year's end.

Inflation in 2021 will be lower than in 2020. It will bottom out in Q1 with CPI approaching 2%. However, that CPI low will still be higher than expected several months ago. In particular, January will bring changes to energy prices similar to those witnessed last year (rising electricity prices, additional capacity fee, falling gas prices). A new sugar tax and retail trade tax will also kick in. Core inflation will exceed earlier estimates. Inflation will rise gradually during the year, exceeding 3% in late 2021. Core inflation should follow a moderate downtrend, reflecting the time lag of economic slowdown and the statistical base effect. There will be no similar raise in prices of certain goods and services caused by the lockdown. On the contrary, some of them may even be lifted.

In our opinion, the Monetary Policy Council will keep the rates unchanged in 2021. Additional tools will be deployed under the umbrella of NBP, including structural operations and FX interventions. This is our baseline scenario provided that PLN remains under appreciation pressure, especially in H1 (see the section below). The RPP rhetoric in late 2020 inspired some speculations that the rates could be cut. In our opinion, this is not going to happen and the rates will remain unchanged. A scenario of further rate cuts (which could even turn negative) hinges on a radical deterioration of the macroeconomic scenario, undermining GDP growth in the coming quarters. The horizon of a worldview featuring further rate cuts extends well beyond a temporary extension of the lockdown (which could happen since the pandemic patterns are very volatile). As long as going back to normal is on the horizon, rate cuts are not part of the baseline scenario.

PLN

Our bank expects that the Polish zloty will remain weak for most of the year. NBP's firm position on the FX rate (substantiated by interventions last December) has stopped many market participants from betting on appreciation of the zloty. Fundamentally, however, PLN is poised to appreciate thanks to the current account surplus, large EU transfers and strong cyclical economic recovery. In our opinion, PLN's appreciation potential will materialise on a small scale in H2 2021, when RPP/NBP should no longer be interested in keeping the currency weak (to support exports, as per the RPP rhetoric) while some appreciation of the zloty would open the door to a modest tightening of financing conditions in a period of rising inflation.

Banking sector and monetary aggregates

Banking sector - monetary aggregates	2019	2020	2021P
Corporate loans	3.0%	-4.8%	3.6%
Mortgage loans	6.6%	7.3%	4.4%
Non-mortgage loans	5.1%	-3.8%	5.2%
Corporate deposits	10.0%	19.0%	4.3%
Household deposits	9.7%	10.7%	5.5%

Source: mBank's estimates as at February 5, 2021.

We expect lending to step up in 2021, including both household and corporate loans, driven by economic stabilisation and the start of a new uptrend phase in the market cycle. However, the growth will not be spectacular because companies and households hold significant cash deposits. It is an open question where the record-high cash withdrawals will go. They might make their way back into the banking sector. That represents an upside risk for deposits and a downside risk for non-mortgage loans. What is important, however, is that new loan volumes will be gradually rising. The relatively low growth rate of mortgage loans mainly reflects the FX effect and continued repayment of the CHF portfolio. PLN loans will rise at a rate close to that reported in 2020.

Outlook for mBank

Net interest income & NIM

(negative)



- Interest rate cuts to the historically lowest level translating into weaker interest income and strong pressure on margin

- Exhausted space for deposit repricing and reducing funding costs

Net Fee & Commission income

(slightly positive)



- Reviving customer activity and transactionality along with gradual relaxation of pandemic restrictions

- Selective adjustments of tariff of fees and commissions

Total costs

(neutral)



- Strictly-disciplined management of operating expenses
- Rising amortisation due to ongoing investments in IT
- Anticipated lower contribution to the Bank Guarantee Fund

Loan Loss Provisions & FV change

(slightly positive)



- The financial standing of corporate and retail borrowers to be supported by expected recovery of the Polish economy
- Despite end of loan moratoria and anti-crisis aid package, the overall asset quality should not deteriorate materially

7. About the report

7.1. About the report

The report was prepared in line with the GRI Standards (Core option) with the support of Go Responsible, an independent consulting company.

The report covers mBank S.A. along with branches in Czech Republic and Slovakia and selected subsidiaries: mLeasing, mFaktoring, mBank Hipoteczny, mFinanse. The aforementioned companies were selected on the basis of employment size. At the end of 2020, the FTE number in these companies accounted for 99.7% of FTEs in the Group (on a consolidated level).

The report was not verified by an external entity. mBank reports on an annual basis. The analysis of relevant topics was carried out for the purpose of the 2019 report and we considered it as binding while preparing this report. Key topics to be addressed by the report were selected on the basis of a survey on stakeholders' expectations, as well as the organisation strategy, non-financial reporting of the competition and conclusions reached at the meeting with the working team responsible for the report.

[102-49]

No significant changes were introduced compared with the previous report. Data are presented on the basis of the GRI Standards (Core option), the International <IR> Framework, and the Ten Principles of UN Global Compact. This report also functions as our Communication on Progress report.

The financial data present consolidated information on the Group, i.e. they refer to all subsidiaries consolidated within mBank Group.

[102-53]

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[102-44]

Individual and institutional clients of mBank Group subsidiaries regularly provide feedback on their level of satisfaction with particular processes, products, and their components, such as transparency of presented costs and risk or value for money. These issues are addressed, among others, in structured questionnaires including open questions, the "Assess" option in online banking, as well as during workshops.

The said surveys and workshops are followed by reports, which are presented to the management, sales force employees and product specialists. Obtained conclusions are used to improve the existing processes and products. Furthermore, clients' replies are uploaded to the customer relation management system already during a survey. Replies to open questions are analysed by branch directors, and then advisors contact clients to get feedback, reply to questions and address clients' needs.

7.2. GRI Index

Primary indicators

Indicator number	Indicator name	Scope	Position in the report / comment
102-1	Name of the organization	Entire	1.2.1 Key information

102-2	Activities, brands, products, and services	Entire	1.2.1 Key information
102-3	Location of headquarters	Entire	mBank S.A. ul. Prosta 18 00-850 Warszawa
102-4	Location of operations	Entire	3 countries: Poland, Czech Republic, Slovakia
102-5	Ownership and legal form	Entire	1.2.1 Key information
102-6	Markets served	Entire	1.2.1 Key information
102-7	Scale of the organization	Entire	1.2.1 Key information 2.4. Shareholders
102-8	Information on employees and other workers	Entire	7.3. GRI tables
102-9	Supply chain	Partial	1.4.2. Principles for suppliers
102-10	Significant changes to the organization and its supply chain	Entire	Since publication of last report, no material changes in supply chain of our organisation took place.
102-11	Precautionary Principle or approach	Entire	3.1. Management of the environment area
102-12	External initiatives	Entire	1.3. Growth fuelled by our clients – strategy for 2020-2023
102-13	Membership of associations	Entire	1.3. Growth fuelled by our clients – strategy for 2020-2023
Strategy			
102-14	Statement from senior decision-maker	Entire	1.1. Letter from the President of the Management Board of mBank S.A.
102-15	Key impacts, risks, and opportunities	Partial	1.1. Letter from the President of the Management Board of mBank S.A.
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	Entire	1.4.1. Ethics, values and compliance
Stakeholder engagement			
102-40	List of stakeholder groups	Entire	1.3. Growth fuelled by our clients – strategy for 2020-2023
102-41	Collective bargaining agreements	Entire	0%
102-42	Identifying and selecting stakeholders	Partial	1.3. Growth fuelled by our clients – strategy for 2020-2023
102-43	Approach to stakeholder engagement	Entire	1.3. Growth fuelled by our clients – strategy for 2020-2023
102-44	Key topics and concerns raised	Entire	7.1. About the report
Reporting practice			
102-45	Entities included in the consolidated financial statements	Entire	2.8.3. Activities of subsidiaries of mBank Group
102-46	Defining report content and topic Boundaries	Entire	7.1. About the report
102-47	List of material topics	Entire	7.1. About the report

102-48	Restatements of information	Entire	No restatement has been made in the previous reports.
102-49	Changes in reporting	Entire	7.1. About the report
102-50	Reporting period	Entire	7.1. About the report
102-51	Date of most recent report	Entire	Last report was published in July 2020
102-52	Reporting cycle	Entire	7.1. About the report
102-53	Contact point for questions regarding the report	Entire	7.1. About the report
102-54	Claims of reporting in accordance with the GRI Standards	Entire	7.1. About the report
102-55	GRI content index	Entire	7.2. GRI Index
102-56	External assurance	Entire	7.1. About the report

Topic indicators

Economic Performance			
201-1	Direct economic value generated and distributed	Entire	7.3. GRI tables
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Entire	7.3. GRI tables
205-1	Operations assessed for risks related to corruption	Entire	1.4.1. Ethics, values and compliance
205-2	Communication and training about anti-corruption policies and procedures	Entire	1.4.1. Ethics, values and compliance
205-3	Confirmed incidents of corruption and actions taken	Entire	1.4.1. Ethics, values and compliance
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Entire	No such cases were identified
"Environmental indicators"			
302-1	Energy consumption in the organization	Entire	7.3. GRI tables
305-1	Direct greenhouse gas emissions	Entire	3.4. CO2 emission
305-2	Indirect greenhouse gas emissions	Entire	3.4. CO2 emission
305-4	The intensity of greenhouse gas emissions	Entire	3.4. CO2 emission
Internal indicator	Paper consumption in the organization	Entire	7.3. GRI tables
Social indicators			
401-1	New employee hires and employee turnover	Entire	7.3. GRI tables
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Entire	4.2.3. Incentive system All benefits are equally available to both full-time and part-time employees

401-3	Parental leave	Entire	7.3. GRI tables
403-2	Hazard identification, risk assessment, and incident investigation	Entire	4.2.5. Ergonomics and security at the workplace
404-1	Average hours of training per year per employee	Entire	7.3. GRI tables
404-2	Programs for upgrading employee skills and transition assistance programs	Entire	4.2.3. Incentive system
404-3	Percentage of employees receiving regular performance and career development reviews	Entire	92% in mFinanse, 100% in the other subsidiaries
405-1	Diversity of governance bodies and employees	Entire	7.3. GRI tables
405-2	Ratio of basic salary and remuneration of women to men	Entire	7.3. GRI tables
417-2	Incidents of non-compliance concerning product and service information and labeling	Entire	No incidents of this kind were reported in mBank Group.
417-3	Incidents of non-compliance concerning marketing communications	Entire	No incidents of this kind were reported in mBank Group.
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Entire	4.1.2. Client data security 5.2.8. Policies and procedures
419-1	Non-compliance with laws and regulations in the social and economic area	Entire	No incidents of this kind were reported in mBank Group.
Business segment indicators			
FS1	Policies concerning social and environmental issues	Entire	5.2.8. Policies and procedures
FS2	Procedures of assessment and screening social and environmental risks	Entire	5.2.8. Policies and procedures
FS6	Portfolio structure divided into business lines, regions, size (i.e. micro/SME/big) and sectors	Entire	2.8.1. Retail banking 2.8.2. Corporates and Financial Markets
FS14	Initiatives enhancing an access to financial services for the disabled	Entire	4.3.1. Solutions for persons with disabilities

7.3. GRI tables

I. GRI 102-8 Information on employees

	2018								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
Type of employment contract:	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
fixed period	1,451	982	2,433	862	501	1,363	589	481	1,070
for an indefinite period	3,649	2,530	6,179	3,102	2,167	5,269	547	363	910
TOTAL	5,100	3,512	8,612	3,964	2,668	6,632	1,136	844	1,980

	2019								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
Type of employment contract:	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
fixed period	1,342	1,011	2,353	568	387	955	774	624	1,398
for an indefinite period	3,499	2,372	5,871	2,838	1,954	4,792	661	418	1,079
TOTAL	4,841	3,383	8,224	3,406	2,341	5,747	1,435	1,042	2,477
	2020								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
Type of employment contract:	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
fixed period	1,123	850	1,973	465	319	784	658	531	1,189
for an indefinite period	3,769	2,564	6,333	2,944	2,007	4,951	825	557	1,382
TOTAL	4,892	3,414	8,306	3,409	2,326	5,735	1,483	1,088	2,571

* mLeasing, mBank Hipoteczny, mFaktoring, mFinanse, branches in Czech Republic and Slovakia

II. GRI 102-8 Total number of employees by type of employment and sex

	2018								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
Type of employment contract:	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
full-time	4,066	2,771	6,837	3,528	2,461	5,989	538	310	848
part-time	1,551	1,035	2,586	731	378	1,109	820	657	1,477
TOTAL	5,617	3,806	9,423	4,259	2,839	7,098	1,358	967	2,325
	2019								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
Type of employment contract:	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
full-time	3,820	2,610	6,430	3,322	2,314	5,636	498	296	794
part-time	1,021	773	1,794	84	27	111	937	746	1,683
TOTAL	4,841	3,383	8,224	3,406	2,341	5,747	1,435	1,042	2,477
	2020								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
Type of employment contract:	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
full-time	3,835	2,602	6,437	3,326	2,309	5,635	509	293	802
part-time	1,057	812	1,869	83	17	100	974	795	1,769
TOTAL	4,892	3,414	8,306	3,409	2,326	5,735	1,483	1,088	2,571

* mLeasing, mBank Hipoteczny, mFaktoring, mFinanse, branches in Czech Republic and Slovakia

III. GRI 201-1 Direct economic value generated and distributed

	2018	2019	2020
	mBank Group	mBank Group	mBank Group
A Total income (in thousands PLN)	5,094,079	5,530,437	5,870,010
B Operating expenses (in thousands PLN)	1,018,770	1,035,880	1,123,474
B Provisions for credit risk (in thousands PLN)	694,425	793,784	1,292,821
B Employee wages and benefits (in thousands PLN)	952,292	1,019,339	974,674
B Payments to investors (dividend) (in thousands PLN)	217,907	0	0
B Payments to the State (taxes) (in thousands PLN)	1,092,240	1,277,387	1,350,333
B Social investments (donations and investments for society) (in thousands PLN)	14,539	6,009	3,238
ECONOMIC VALUE RETAINED (A-B) (in thousands PLN)	1,103,906	1,398,038	1,125,470

IV. 202-1 Ratios of standard entry level wage by gender compared to local minimum wage (the ratio was not reported in 2018)

	2019								
	mBank Group*			mBank Polska			Subsidiaries**		
	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
Salary of the lowest level employees*** to minimum wage	196%	195%	196%	195%	194%	194%	b.d.	b.d.	b.d.
	2020								
	mBank Group*			mBank Polska			Subsidiaries**		
	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
Salary of the lowest level employees*** to minimum wage	187%	193%	187%	177%	176%	177%	190%	198%	191%

* data for mBank Group does not take into account mFinanse nor branches in Czech Republic and Slovakia

** mLeasing, mBank Hipoteczny, mFaktoring

*** The lowest level employees are those employees who receive remuneration below the average monthly minimum wage announced by Statistics Poland.

V. 302-1 Energy consumption within the organization

	2018			2019			2020		
	mBank Group	mBank Polska	Subsidiaries and foreign branches*	mBank Group	mBank Polska	Subsidiaries and foreign branches*	mBank Group	mBank Polska	Subsidiaries and foreign branches*
Electricity [GWh]	14.78	12.526	2.26	14.01	11.89	2.12	12.26	10.35	1.91
Gas [m ³]	15,075.00		15,075.00	216,838.00	199,158	17,680.00	105,282.00	99,579	5,703.00
Gasoline [l]	456,479.89		456,479.89	1,578,290.74	1,195,299.69	382,991.05	898,732.32	735,981.84	162,750.48
Diesel fuel [l]	114,891.37		114,891.37	216,116.03	94,941.69	121,174.34	59,705.67	41,543.66	18,162.01

* mLeasing, mBank Hipoteczny, mFaktoring, mFinanse, branches in Czech Republic and Slovakia

VI. GRI 401-1 New employee hires and employee turnover

Total number of new employees by gender and age	2018								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	785	588	1,373	495	365	860	290	223	513
ages 30 to 50	522	418	940	298	238	536	224	180	404
above 50	37	29	66	21	6	27	16	23	39
TOTAL	1,344	1,035	2,379	814	609	1,423	530	426	956
Employment indicator**	24%	27%	25%	19%	21%	20%	39%	44%	41%
	2019								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	546	457	1,003	233	209	442	313	248	561
ages 30 to 50	392	319	711	174	140	314	218	179	397
above 50	30	7	37	11	7	18	19	-	19
TOTAL	968	783	1,751	418	356	774	550	427	977
Rotation indicator**	20%	23%	21%	12%	15%	13%	38%	41%	39%
	2020								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	331	269	600	87	77	164	244	192	436
ages 30 to 50	304	260	564	78	68	146	226	192	418
above 50	24	15	39	6	4	10	18	11	29
TOTAL	659	544	1,203	171	149	320	488	395	883
Employment indicator**	13%	16%	14%	5%	6%	6%	33%	36%	34%

* mLeasing, mBank Hipoteczny, mFaktoring, mFinanse, branches in Czech Republic and Slovakia

** Employment indicator is calculated as a ratio of new hires to total number of employees

Total number of new employees by gender and age	2018								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	544	368	912	319	237	556	225	131	356
ages 30 to 50	625	417	1,042	429	286	715	196	131	327
above 50	50	35	85	38	21	59	12	14	26
TOTAL	1,219	820	2,039	786	544	1,330	433	276	709
Rotation indicator**	22%	22%	22%	18%	19%	19%	32%	29%	30%
	2019								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	394	345	739	145	137	282	249	208	457
ages 30 to 50	396	278	674	211	141	352	185	137	322
above 50	55	37	92	35	25	60	20	12	32
TOTAL	845	660	1,505	391	303	694	454	357	811
Rotation indicator**	17%	20%	18%	11%	13%	12%	32%	34%	33%
	2020								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL

under 30	297	227	524	100	72	172	197	155	352
ages 30 to 50	379	325	704	143	129	272	236	196	432
above 50	34	30	64	29	28	57	5	2	7
TOTAL	710	582	1,292	272	229	501	438	353	791
Rotation indicator**	15%	17%	16%	8%	10%	9%	30%	32%	31%

* mLeasing, mBank Hipoteczny, mFaktoring, mFinanse, branches in Czech Republic and Slovakia

** Rotation indicator is calculated as a ratio of employees who quit to total number of employees

VII. 401-3 Parental leave

	2018								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
	wom en	men	TOTAL	wom en	men	TOTAL	wom en	men	TOTAL
Number of employees who were entitled to parental leave in the period reviewed	565	201	766	429	173	602	136	28	164
Number of employees who took parental leave in the period reviewed	565	193	758	429	173	602	136	20	156
Number of employees who returned to work after taking their parental leave in the period reviewed	316	377	693	234	357	591	82	20	102
Number of employees who in the prior year to the period reviewed returned to work after parental leave and were employed for at least 12 months	288	182	470	241	168	409	47	14	61
Number of employees who returned to work after parental leave in the previous reporting year	303	183	486	241	168	409	62	15	77
Return to work indicator	56%	195%	91%	55%	206%	98%	60%	100%	65%
Employment indicator	95%	99%	97%	100%	100%	100%	76%	93%	79%
	2019								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
	wom en	men	TOTAL	wom en	men	TOTAL	wom en	men	TOTAL
Number of employees who were entitled to parental leave in the period reviewed	507	177	684	353	162	515	154	15	169
Number of employees who took parental leave in the period reviewed	502	177	679	353	162	515	149	15	164
Number of employees who returned to work after taking their parental leave in the period reviewed	262	173	435	183	158	341	79	15	94
Number of employees who in the prior year to the period reviewed returned to work after parental leave and were employed for at least 12 months	199	140	339	153	126	279	46	14	60
Number of employees who returned to work after parental leave in the previous reporting year	265	176	441	184	157	341	81	19	70
Return to work indicator	52%	98%	64%	52%	98%	66%	53%	100%	57%
Employment indicator	75%	80%	77%	83%	80%	82%	57%	74%	86%
	2020								
	mBank Group			mBank Polska			Subsidiaries and foreign branches*		
	wom en	men	TOTAL	wom en	men	TOTAL	wom en	men	TOTAL
Number of employees who were entitled to parental leave in the period reviewed	468	125	593	338	113	451	130	12	142
Number of employees who took parental leave in the period reviewed	468	125	593	338	113	451	130	12	142

Number of employees who returned to work after taking their parental leave in the period reviewed	245	120	365	173	109	282	72	11	83
Number of employees who in the prior year to the period reviewed returned to work after parental leave and were employed for at least 12 months	234	166	400	175	153	328	59	13	72
Number of employees who returned to work after parental leave in the previous reporting year	257	173	430	181	158	339	76	15	91
Return to work indicator	52%	96%	62%	51%	96%	63%	55%	92%	58%
Employment indicator	91%	96%	93%	97%	97%	97%	78%	87%	79%

* mLeasing, mBank Hipoteczny, mFaktoring, mFinanse, branches in Czech Republic and Slovakia

VIII. GRI 404-1 Average hours of training per year per employee

	2018			2019			2020		
	mBank Group	mBank Polska	Subsidiaries and foreign branches*	mBank Group	mBank Polska	Subsidiaries and foreign branches*	mBank Group	mBank Polska	Subsidiaries and foreign branches*
Average number of training hours per woman	25	23	29	39	43	29	24	33	5
Average number of training hours per man	29	28	31	44	48	34	34	47	6
Average number of training hours per employee	26	25	30	41	45	31	28	38	5

* mLeasing, mBank Hipoteczny, mFaktoring, mFinanse, branches in Czech Republic and Slovakia

IX. GRI 405-1 Diversity of governance bodies and employees

	Percent of management bodies of mBank Group								
	2018								
	mBank Group			mBank Polska			Subsidiaries*		
Management Board	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	0%	0%	0%	0%	0%	0%	0%	0%	0%
ages 30 to 50	6%	56%	63%	0%	57%	57%	11%	56%	67%
above 50	6%	31%	38%	14%	29%	43%	0%	33%	33%
TOTAL	13%	88%	100%	14%	86%	100%	11%	89%	100%
Supervisory Board	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	0%	0%	0%	0%	0%	0%	0%	0%	0%
ages 30 to 50	10%	47%	57%	8%	25%	33%	11%	61%	72%
above 50	10%	33%	43%	8%	58%	67%	11%	17%	28%
TOTAL	20%	80%	100%	17%	83%	100%	22%	78%	100%
	2019								
	mBank Group			mBank Polska			Subsidiaries*		
Management Board	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	0%	0%	0%	0%	0%	0%	0%	0%	0%
ages 30 to 50	6%	56%	63%	0%	57%	57%	11%	56%	67%
above 50	6%	31%	38%	14%	29%	43%	0%	33%	33%
TOTAL	13%	88%	100%	14%	86%	100%	11%	89%	100%
Supervisory Board	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	0%	0%	0%	0%	0%	0%	0%	0%	0%
ages 30 to 50	12%	44%	56%	8%	25%	33%	14%	55%	68%

above 50	12%	32%	44%	8%	58%	67%	14%	18%	32%
TOTAL	24%	76%	100%	17%	83%	100%	27%	73%	100%
2020									
	mBank Group			mBank Polska			Subsidiaries*		
Management Board	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	0%	0%	0%	0%	0%	0%	0%	0%	0%
ages 30 to 50	6%	65%	71%	0%	71%	71%	10%	60%	70%
above 50	0%	29%	29%	0%	29%	29%	0%	30%	30%
TOTAL	6%	94%	100%	0%	100%	100%	10%	90%	100%
Supervisory Board	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	0%	0%	0%	0%	0%	0%	0%	0%	0%
ages 30 to 50	19%	55%	74%	25%	13%	38%	17%	70%	87%
above 50	6%	19%	26%	25%	38%	63%	0%	13%	13%
TOTAL	26%	74%	100%	50%	50%	100%	17%	83%	100%

* mLeasing, mBank Hipoteczny, mFaktoring, mFinanse

	Percent of employees by category								
	2018								
	mBank Group			mBank Polska			Subsidiaries*		
senior management	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	0%	1%	1%	0%	0%	0%	0%	1%	1%
ages 30 to 50	46%	64%	90%	0%	100%	100%	40%	49%	89%
above 50	5%	5%	9%	0%	0%	0%	4%	6%	10%
TOTAL	51%	71%	100%	0%	100%	100%	44%	56%	100%
middle management	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	0%	3%	3%	0%	0%	0%	1%	4%	5%
ages 30 to 50	33%	52%	81%	19%	62%	81%	41%	41%	82%
above 50	10%	7%	16%	9%	10%	19%	9%	4%	13%
TOTAL	44%	62%	100%	28%	72%	100%	51%	49%	100%
other employees	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	17%	11%	28%	15%	9%	24%	22%	17%	38%
ages 30 to 50	40%	27%	65%	40%	28%	68%	34%	22%	56%
above 50	5%	3%	7%	5%	3%	8%	3%	2%	6%
TOTAL	61%	41%	100%	61%	39%	100%	59%	41%	100%
	2019								
	mBank Group			mBank Polska			Subsidiaries*		
senior management	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	0%	0%	0%	0%	0%	0%	0%	0%	0%
ages 30 to 50	24%	55%	79%	16%	56%	73%	39%	51%	90%
above 50	10%	12%	21%	13%	15%	28%	5%	5%	10%
TOTAL	34%	66%	100%	29%	71%	100%	44%	56%	100%
middle management	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	1%	1%	2%	1%	1%	2%	1%	3%	4%
ages 30 to 50	40%	45%	85%	38%	47%	85%	49%	35%	84%
above 50	7%	6%	13%	7%	6%	14%	9%	4%	12%
TOTAL	48%	52%	100%	46%	54%	100%	58%	42%	100%
other employees	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	16%	11%	28%	14%	9%	23%	22%	17%	39%
ages 30 to 50	38%	25%	63%	41%	27%	67%	32%	22%	54%
above 50	6%	3%	9%	7%	4%	10%	4%	2%	6%
TOTAL	60%	40%	100%	61%	39%	100%	58%	42%	100%
	2020								
	mBank Group			mBank Polska			Subsidiaries*		
senior management	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	0%	0%	0%	0%	0%	0%	0%	0%	0%

ages 30 to 50	21%	56%	77%	14%	58%	72%	35%	52%	87%
above 50	8%	15%	23%	9%	19%	28%	7%	7%	13%
TOTAL	29%	71%	100%	23%	77%	100%	41%	59%	100%
middle management	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	1%	1%	2%	1%	1%	2%	1%	2%	3%
ages 30 to 50	38%	44%	82%	38%	45%	82%	41%	41%	81%
above 50	9%	7%	16%	8%	8%	16%	12%	4%	16%
TOTAL	48%	52%	100%	47%	53%	100%	53%	47%	100%
other employees	women	men	TOTAL	women	men	TOTAL	women	men	TOTAL
under 30	15%	10%	24%	13%	8%	21%	19%	14%	33%
ages 30 to 50	40%	26%	66%	41%	27%	68%	36%	25%	61%
above 50	6%	3%	10%	7%	4%	11%	4%	2%	6%
TOTAL	60%	40%	100%	61%	39%	100%	59%	41%	100%

* mLeasing, mBank Hipoteczny, mFaktoring, mFinanse

X. GRI 405-2 Ratio of basic salary and remuneration of women to men (the ratio was not reported in 2018)

	2019			2020		
	mBank Group	mBank Polska	Subsidiaries*	mBank Group	mBank Polska	Subsidiaries*
	Ratio of basic salary of women to men					
senior management	68%	77%	65%	73%	69%	80%
middle management	81%	82%	87%	82%	79%	83%
other employees	75%	75%	80%	86%	76%	89%

	2019			2020		
	mBank Group	mBank Polska	Subsidiaries*	mBank Group	mBank Polska	Subsidiaries*
	Ratio of remuneration of women to men					
senior management	70%	74%	71%	69%	62%	79%
middle management	79%	79%	88%	75%	78%	75%
other employees	75%	74%	82%	86%	74%	89%

* mLeasing, mBank Hipoteczny, mFaktoring, mFinanse

XI. Internal indicator, Paper consumption in the Organization

	mBank Group	mBank Polska	Subsidiaries and foreign branches*
Number of A4 sheets in 2018	38,270,193	18,882,000	19,388,193
Number of A4 sheets in 2019	35,336,887	17,044,000	18,292,887
Number of A4 sheets in 2020	26,637,318	15,557,860	11,079,458

* mLeasing, mBank Hipoteczny, mFaktoring, mFinanse, branches in Czech Republic and Slovakia