Answers to a shareholder’s questions during the 29th Annual General Meeting (AGM) held on 24 March 2016

Shareholder’s questions during AGM:

1. In January 2015, the Company’s assets included approx. PLN 21 billion in CHF loans. On the liabilities side there was an equivalent of approx. PLN 18 billion in the Swiss franc. How have these amounts changed?
2. Did the significant change in the CHF exchange rate in 2015 have an impact on the Company’s financial result, taking into account the fact that there are Swiss francs in the Bank’s balance sheet on both asset and liabilities side?
3. Has the Bank estimated the impact of the proposed redemption of a part of CHF-denominated loans on its financial results?
4. Question regarding social responsibility - according to the Group’s financial statements, in 2015 the Company substantially increased the number of employees (+ 222 FTEs), following more than 200 new FTEs added in 2014. Is this a constant trend and an opportunity for people entering the labour market?

Answers of President of the Management Board Cezary Stypułkowski provided during AGM:

Ad 1

The portfolio of CHF-denominated housing loans is decreasing gradually along with clients’ regular repayments. The CHF portfolio shrinks by nearly CHF 400 million every year. The funding structure is changing too as the Bank repays CHF loans granted by Commerzbank. The repayments to Commerzbank are higher than the value of loans repaid by the borrowers. The amount repaid by the Bank exceeds the amount repaid by the borrowers by nearly CHF 400 million every year. As a result, the disproportion between the size of the CHF-denominated portfolio and the long-term funding source from the parent company is rising. At the same time, the Bank has considerably increased its deposit base and has been using other funding sources. As a consequence, the Bank’s liquidity position and its ability to repay the foreign currency loans it was granted have improved.

Ad 2

The appreciation of the franc against the zloty did not have a significant impact on the Bank’s financial standing. Clients’ payment discipline did not change. In terms of quality, it is one of our best portfolios.

Ad 3

We do not publish estimates regarding scenarios that are under public discussion. These scenarios provide for a reduction in borrowers’ debt. This would mark a precedent in how we treat a group of borrowers whose financial standing in most cases allows them to service their debt. The clients could take out loans in the zloty, but they chose Swiss franc loans for various reasons. Their present situation has changed in relation to what was initially assumed, but still in numerous cases a foreign currency loan was a reasonable solution, taking into account the instalment amount. In the case of mBank, an institution with an over 10% share in the Polish FX housing loans market, a major debt reduction (whose costs to be borne by the banking industry have been estimated by the KNF at PLN 67 billion) would have a substantial impact on financial results and the Bank's capital position.

Ad 4

Employing new people is not a matter of social responsibility, but a response to our business needs. The Bank is growing which is reflected by our market shares. This is why we need new employees. mBank is a paragon of a business model based on process digitisation, but personnel costs still account for the greatest part of its overhead costs. However, please remember that the cost-to-income ratio of mBank is among the lowest in the sector, which is a derivative of the business model we adopted. In the last two years mBank has been an exception in the industry in terms of employment growth, but before we started to hire new people there had been 3 or 4 years when the number of employees was relatively stable. The introduction of the bank tax may force us to change the way we look at personnel costs. The Bank does not intend to launch group lay-offs, but certain adjustments resulting from our business model are likely.