Transcript of Q4 2016 results conference of mBank SA

February 9, 2017 *[edited version]*

***Joanna Filipkowska, Deputy Head of Investor Relations and Group Strategy*:** Good afternoon and welcome to this conference which will summarize the unaudited results of mBank Group in Q4 and in 2016. We have a CEO, Mr. Stypułkowski, CFO, Christoph Heins and our chief economist Ernest Pytlarczyk. Over to Mr. Stypułkowski first.

***Cezary Stypułkowski, Chief Executive Officer*:** Good afternoon everyone. I think the key message is the highest core income in history. I think that's the most important part for us, if not for you, analysts. Let me start with the digression. I've recently been invited to a debate – it's an anecdote really, and a digression – at one of the institutes, but it actually happened at the building of the National Bank of Poland. The panel I participated in focused on business models in the current regulatory environment and I said simply that the bank's business model is determined every quarter on the regulatory guidance we receive. So, there are some things we have control of and others things we have little control of, and we can only try and interpret them. Coming back to our results. Q4 was very successful at the bank in all ways. The areas of interest, I believe, the areas of improvement beyond our expectations include the net fee and commission income, which has been recovering slowly following regulatory interventions with growing transactionality of the bank as well. The Q4 figure, if it continues, we would be well on track of our expectations. We could possibly generate about 1 billion of fee and commission income per year, considering that the share of the net fee and commission income in the bank's total income is slightly lower than that of our peers, for a couple of reasons. I think we are well in track, we have recovered with our fee and commission income.

Number two. The name of the game in 2016 in the sector and in the bank was NII, which grew by 13%, with a good increase of the net interest margin. On the one hand that is due to our improved liquidity position at the bank. Customer select mBank as a transactional bank and as a deposit bank as well. We have also changed the structure of our loan portfolio. These are the main factors really, to set aside FX loans – those are a different story. An achievement of the bank, which is with us to stay we think, as we announced a few years ago – we have restructured our balance sheet. The loan to deposit ratio is below 90%. It won't be fair of me to say that when we drafted these targets for our strategic balance sheet management back in 2011 that I expected that we would have that ratio in 2015 or 2016. Honestly, this went well beyond our joint expectations. That's not due to pricing, rather we think that the reason why we have these core deposits is mainly due to our premier transactionality. Quality - that's why we have those core deposits and we have grown balances in current accounts of our retail clients by about 25%. So, that confirms the rationale of our business model, not just on the quarterly basis, but in the long term. I think that's a big achievement of ours. This has also impacted NIM, as well, with interest income.

Another feature of the bank is our high capital base. Of course, we operate under the advanced IRB regime. That sets us apart in our approach, but our capital ratios and our leverage ratio would probably be envied by many banks. Others might aspire to get there. But that's the market, that's our reality. Diversification of our funds. Well, after a pause we have made a comeback to the international market. In Poland we are a frequent issuer, that's our ambition. Irrespective of the cost we believe that the bank of our profile and aspirations should have a strong footprint on the international market. 500 mln euro that we raised in October at the very good coupon; more attractive terms then we have expected. That's our expectations to stay in the market, and the term 'frequent' is relative, of course. But I think in our case we should be out there issuing debt at least once per year.

Volumes. Well, the deposits grew quite consistently. Interestingly, coming back to what I said before, if you look at term deposits alone, the volume of deposits in total funds raised from retail clients ranks us number 3, following Citi and ING, who have less deposits of retail customers, which is to say that we are not waging a price war. The credit margins have improved somewhat with a changing credit mix, both in retail and corporates. In retail, we issued more than 6 billion zlotys of NMLs to retail clients. We have changed the corporate mix with more lending to SMEs, that's our focus right now. Those grew by more than 8%. But lending to large corporates was rather stable, flattish. We improved our management of risk weighted assets. All in all, Q4 was unexpectedly good, also because our cost of risk was much lower than in the preceding quarters, because we completed the restructuring of some items on our corporate loans portfolio. We got some repayments and we sold a part of our retail portfolio. All in all, the cost of risk was 20 bps. 50-70 bps is our average, so that's a major difference, something that no one expected, I suppose. Some of the actual events that took place were a surprise to me, positively speaking when we closed some of our exposures.

So, historically speaking, as a bank which grows organically, we are not like our colleagues at Credit Agricole, moving furniture around, no. Clients stand to like us, we believe. Customer acquisition, including our core banking operations and Orange Finance, has grown nicely. Since last summer, we have had a targeted offer and marketing channels for young customers. I am sorry to say that most of us more aged than those young customers, so we are not the target group. However, still, this is a demanding customer group and their profile pools us upwards. This is a targeted policy of the bank, which turned out to be quite effective back in 2001-2004 when we offered accounts for 0 zlotys and we built up a customer base, who are now transactional customers of ours. It's similar with the corporate banking – we have been steadily getting more customers, about 1 thousand last year. Same in the Czech Republic and Slovakia with a growth of about 250k customers.

Anyway, the annual profitability was quite decent, including the one-offs that Christoph is going to discuss in detail. More than 10%, that's a good result. One-offs made an impact, but this is a topsy-turvy era – bank tax, sale of the Visa stake, other one-offs. It's been the third year that we operate under uncertainties relating to regulatory and political circumstances, with the cooperatives banks and SKOKs in an uncertain position. Still, we have managed to steer clear of trouble, which suggests that we our quite efficient and systematic in our management. The results are quite decent, I think. Net of one-offs was more like 8%. Net of the bank tax, maybe, 13%. All in, I think the past is the past, it was good, and the future is also looking quite bright. More on that later. Over to Christoph now. Briefly about the results, and then we are all yours.

Christoph Heins, Vice-President of the Management Board, Chief Financial Officer: Thank you. Also from my side, welcome. I will try to be brief to leave you more room for questions, which I will be more than happy to take later on. You can see that we had a very decent sales of new corporate loans in Q4. What we also saw in Q4 was a typical seasonal repayment, balance sheet management, also on the corporate client side. In addition to this, we were able to sell NPL portfolio on the corporate side. This, combined with also some compensation payment made by KUKE, is the main driver why we have a net release on the LLPs on corporate side, and we are getting to this in a second. Retail side, again we continue with our strategic approach on the non-mortgage loans side. Here we are very successful, sales were a little bit less than in Q3, however this quarter was very successful with more than 1,5 billion. So, at the end of the day the development of the balance sheet is also mainly driven by the FX events, when we think about the volatility on that front. On the retail side we also sold an NPL portfolio, actually two – one smaller on the mortgage loans and then one on non-mortgage loans side. With respect to deposits, and the CEO has already mentioned this, further strong inflow on the deposit side, which - and you see this on the slide - is really driven by the number of accounts.

So, we are talking about mainly balances on current accounts and to a much lesser extent term deposits, which is one of the key drivers when we think about the revenues side on the next slide on the interest income. It's a combination of two things. The one is it's an increase on the interest revenue side, and it's a decrease on the interest expense side. So very nice, both sides have worked into our favour. Interest revenue side, again a combination of higher average volume in Q4, plus higher margins. And on the interest expense side, two elements. The one again, the massive inflow of corporate and retail deposits, current account balances, plus, since we sold 800 million Swiss franc loans back to Commerzbank last year, that obviously also helps us on the interest expense side. With respect to fee and commission income, very nice development there. When we think back about the market environment, what's the end of Q4, more volatile market environment, you know some challenges there. But it really showed us two things. Once the market, let's say the stock market for example, start rebouncing we see tremendous activity. Brokerage fees, even IPOs, CP issuances and these kinds of things commingled with corporate loan development are one of the key drivers that help us to improve the fee income, which also gives some sort of understanding about what can really happen in 2017, once the investments are kicking in later this year, hopefully. Ernest will speak about the macroeconomic environment that we are expecting here, but this is I think the key signal as to the opportunities and possibilities of mBank how to generate also additional fee income going forward.

With respect to the costs, Q4 a little bit better than Q3. We have said this before, we are able to manage our costs. We had in Q4 especially a little bit lower costs on projects, plus some lesser marketing expenses and regular ongoing costs. Otherwise nothing really to mention and to highlight here. With respect to the risk costs, again I have already mentioned this, on the retail side pretty much in line with the previous quarters, nothing unusual there. With respect to the corporate side driven by the NPL sale, plus the compensation made by KUKE, so net releases here. So, an unusual quarter obviously on that front. That's why when we think about cost of risk going forward, we would expect to normalize level in the ballpark of 55-65 bps. When we then look at the NPL ratio, and the coverage ratio, again let's look at the year to date figures and let's look at the average here. No matter how you look at this, it's far below the sector, we all know this, and we strongly believe that it's really due to our prudent risk management, it's due to the fact how we approach certain things, how we manage our portfolio. Very solid development there. Looking at the net releases and the NPL sales, for example, it's just another proof that the way how we approach risk and how we provision for this is the right way.

With respect to funding; I did already mention we continued to repay some higher paid loans back to Commerzbank on the Swiss franc side. The funding is obviously to the largest extent driven by deposits, however, as the CEO had just mentioned, we are very active on the market, so the EMTN issuance earlier…in 2016 I should say - we have to see what we are going to do going forward. As far as the Swiss franc portfolio is concerned, we saw another repayment and prepayment of roughly 83 million Swiss francs in Q4, so all overall more than 340 million repayments last year. So it gives you also a flavor of the way how we continued to structure and restructure the funding base for that portfolio, so we think is very solid, very diversified, and very stable.

With respect to the capital ratios; far above and beyond any minimum requirements here. The main driver for the increase on the ratios is basically an adjustment of the application of the regulatory floor. As you may know we are obviously one of the very few banks in the country here following the AIRB approach. In addition to this, we also now included mLeasing into this approach and to the internal rating based approach, so both elements together allowed us to reduce the risk weighted assets, and that's the key driver for the development of the capital ratios (you have the details in the appendix, how the capital ratio has developed there). With respect to outlook, before I'm handing over to Ernest, I would say two things. The one is - the market does provide for us opportunity. As I already highlighted, Q4 was a very good example as to what can happen, especially on the fee and commission income side. On the NIM side, we have said this before (we continue to say it), there is still room for improvement, however, the largest improvement over the last, let's say, year and a half or so, really came from the change on the funding side, so there is not really much more that we can do. It's all about the way how the margins are going to develop. Going forward on the loan side: we would not expect any massive further increases on that front, so the driver with respect to profitability is more coming from the fee and commission side. With respect to loan loss provisions (I already mentioned this); we would expect a more normalized level this year. And when we think about the development across the quarters basically (since everybody is always interested in different quarters), again; no linear development. This is mainly driven by our expectations on the corporate side (retail is pretty much more linear, I would say). I can already say that we have experienced a very very solid start into this year, which was quite promising. When managing your expectations and the markets expectations for Q1 I wanted to mention, that we all know that the BFG scheme and method has changed. With respect to this one we had to book already in January the entire provision for the resolution fund. In January that's already one component, plus 1/12 of the deposit guarantee scheme, which basically means that we booked roughly 70 million already in January. So again, not a linear development there, and we will see (you will see) this also with respect to other banks, obviously. Having said this I am handing over to Ernest, thank you.

Ernest Pytlarczyk, Chief Economist at mBank Group: We believe that the economy has it's turning point behind, in Q3 probably. Q4: the year on year growth rate was similar or higher, so quarter on quarter we see a new momentum. We are different in our assessment of this year from all our colleagues, in that we are more optimistic about investments. We think that private investments has a neutral, or even a positive momentum, as a very low comparative base of last year for public investments for many reasons – low absorption, as well as the fact that large state companies with the new management postponed investments, and this year is going to see a recovery, including also local government investments later this year, with the positive contribution to GDP. When it comes to consumption: it may not slow down later this year, because, as some claim, the 500+ program will no longer have an impact. But for us, many people still don't see 500+ allowances as a permanent part of the income, so consumption is lower than it would otherwise be based on the additional income. So this, combined with general optimism, the situation in the labor market last year seem to be slow, but it was record high on the labor market in fact, so all of that should boost consumption above 4%. That's the main difference between the slowdown now and in 2012-13. Now the environment, the European environment, is stronger - there's been less spillover of the negative impulse caused by lower absorption of EU funds. So we think that the GDP will grow by 3.5% later this year, and this will be a different year with the trajectory of inflation. We can see that the inflation indicators are going up quite fast, from a lower base, but I think that the inflation target will be achieved between Q1 and Q2, affecting the market rates as well. Core inflation should be growing throughout the year at a steady rate, but headline inflation (CPI) should stabilize at about 2%. We think that the Monetary Policy Council will be quite symmetrical about higher inflation, as it was with deflation, so it's focusing now on completely different measures: regulatory measures, security in the sector. So there is some room for them to wait rather than make heist, that is my understanding. As for the monetary aggregates: this year investments will pick up, but that's not enough for companies to increase the leverage. The dynamics of growth will not be that strong. So as we've observed in the last few years, I think that the loan to deposit ratio will continue to decrease, so room for re-pricing of deposits in banks will still be considerable. As for Polish assets: there is still considerable risk premium relating to the political scenarios. Fiscal risks have been discounted, we consider them to be quite moderate, so the space for some narrower spreads on Polish assets is there and in the base line scenario of Polish politics there would be less risk on part of the Polish assets. However, this year we are unlikely to see much positive developments for bonds. The trends do not support the bond market. We think that at the end of the year there will a positive but low return on bonds. As for the zloty: its problems include the low rates and the appreciation of the US dollar early this year. We think that zloty is likely to be stronger in the second half, although the trend is improving for the zloty. Thank you.

Joanna Filipkowska: Thank you, and let's hear your questions now.

Dariusz Górski, DM BZWBK: Let me start by looking back - question about Q4 results. In your report you talk about large retail portfolios that you sold. What is the contribution for the cost of risk in Retail, and is it the only impact you saw?

Cezary Stypułkowski: Well, we talked about corporate loans.

Dariusz Górski: No, no, no, but I'm saying… well, you didn't say how much of the corporate loan portfolio you sold.

Cezary Stypułkowski: So you are talking about the split?

Dariusz Górski: The question is: what was the impact on your results, and was it only on the cost of risk? My second question is about the cost of deposits. Was it the real cost, or is it distorted by… well… was it under the impact of Q4? You received many more of the corporate deposits in the last quarter. So is the cost of risk likely to be maintained at this level?

Christoph Heins: Maybe I should refrain to this "large". New business in NMLs was more than 1.5 billion. We sold NMLs in the ball park of 220 million, so it's marginal - no impact on the risk costs. With respect to deposits: again, I still don't get you question, honestly. Are you referring to the fact that we had a further inflow of the corporate deposits compared to Q3? However, again, when you look at the total figures, plus the pricing on corporate deposits, it is very very small compared to the all overall composition of the balance sheet, And when you look at the sheer size of our deposits on the balance sheet it's marginal.

Dariusz Górski: I understand your comments on potentially no dividends from 2016 profits, but is distribution of 2015 profits a forgotten subject? Because you may still apply for distribution, perhaps. That's my question. Can you still apply for the distribution of the unappropriated profit for the 2015, or not?

Cezary Stypułkowski: If I understand you question correctly, you're asking of our retained earnings. I think, in our discussions with KNF, we will probably retain those earnings indefinitely in our equity. So, it will probably be undistributed our earnings for 2016. No, no, sorry, we will keep 2016 profit as retained earnings for distribution part. Early earnings will be retained in our equity indefinitely.

Jaromir Szortyka, DM PKO: Question about the capital ratios. Following the change of the methodology, are you expecting a bigger FX buffer that would offset the requirement?

Cezary Stypułkowski: Well, you know, I like to say *inshallah.* In other words: we are in a difficult predicament. In some ways, I think, we are an odd bank. We have the highest coverage on our balance sheet under AIRB. I think that the Polish regulations, the mainstream Polish regulations, and regulatory behavior, is focused on the standardized approach. So when push comes to shove with the buffers, with LtV, we were hit with 4.28%, whilst the other banks were treated completely differently. We believe that when it comes to a mature understanding of internal risks at the bank we paid a heavy price, but we have a better understanding. Heavy price means we had to invest in people's expertise, in the systems we implemented, we had to harmonize our approach to different models and portfolios, to have the models validated with BaFin and ECB, and KNF. Is it bulletproof? Maybe not fully, but I think we have everything quite under control. But, because the regulations are really geared towards the standardized approach, I cannot really say. There could be something I couldn't anticipate, but from the point of view of what we care about as an AIRB based bank, a frequent issuer in international markets, we must have a position where we are understood by operators in Poland and beyond. My father used to say…he has passed away 40 years ago, but he used to say: *"we are the most important guys between the rivers of Bug and Nysa".* Apparently we don't want to limit ourselves focusing only on Poland, but I don't have a good answer to this question – this could happen, but it doesn't have to.

Jaromir Szortyka: One more detailed question. Could you tell us about you LGD ratio for your FX mortgages, for the calculation of the capital requirements?

Christoph Heins: No, we don't have that here and honestly I don't think we have ever disclosed this, but happy to take this offline.

Cezary Stypułkowski: You asked that question, so we will think about it, maybe next time around. Honestly, when you operate under the AIRB regime, transparency is the key.

Marcin Jabłczyński, DB Securities: Question about FX mortgages. mBank has customers who are quite good at repaying FX mortgages, but they are also expecting (or hoping) for some conversion in Poland. This scenario is apparently less probable now than ever before. So, do you have any suggestions about how to reduce this portfolio? Can you encourage your customers to convert? Because the risk is that the Swiss franc will appreciate, Switzerland may be considered an FX manipulator by the US for instance (that's a risk); so do you think it could help your customers repay or convert those mortgages?

Cezary Stypułkowski: Yes, structurally we are interested to change the structure of the loan portfolio, to convert it into the zloty. If you look back at the last 15 years, that we've been around, in 2004-2009, when we had no significant deposit base, because there was no money in Poland, we imported capital, we had that stable base, we built up our portfolio and, well, I don't want to go into detail, because I'm always speaking too much about it, but when I joined the bank the LtD ratio was 136% while now it is 89.5%. So, we are structurally interested in making these loans miraculously turn into a Polish zloty portfolio. But it is not likely to happen just like that. Meanwhile, what's happened, namely the new scenarios proposed in the public sphere – I'm not going to quantify them in any way or to give them any names – but any way, what happened was that the bank manager is in a standstill – we have no control of the regulatory developments. We can express our opinions, of course, and we do, but since there were so many different proposals and there were so many expectations from customers, the banks were waiting for what was going to happen. And I agree that there is no momentum any more for such a far-reaching conversion as customers may have expected a year ago or two. But I think with time, we will see more rational approach to this aspect. I think the most natural thing for banks to do now would be to review their portfolios from the perspective of the highest risk customers in terms of potential credit risk where the DtI is not good enough or under the threshold, or periodically at risk, and then approach those clients and encourage them to convert, based on specific assumptions, of course. If your DtI is above a threshold then you may be eligible. But again – I am an FX borrower. And if somebody tells me that my DtI is above a threshold, I think I could still make it. There are many factors to take into account and as the Financial Stability Board has said, that the new Fund will have to be recalibrated and so on, but in general I think that this is an incentive to clients who could be in trouble, encouraging them to convert. If I were to rely on the scenario you have defined – the Swiss franc appreciates – well, I'm not sure that this is what's going to happen, but we'll see. These are turbulent times. So if this scenario materializes, we have to go deeper and review our portfolio. Most of the cases we have, based on the DtI calculations, historically and on an index basis, when it comes to an individual, case-by-case analysis, their incomes are much higher than what the historical data would suggest. But that is the way forward and, of course, it couldn't be an offering to speculators, so to speak, because this word could still be revived in Poland, but I would be thinking of what I've just defined. The bank is working in that vein, we've been working for a while. The worst thing would be – we do something and then we get a legal regulation. Then we're hit twice. I think we all realize that a draft law on the spreads – that's money out the window. So, it's better to use this money to make sure that you have long-term stability, and this means you need to select those customers who have a potential downside risk. If we get there, I think we would largely address the social sensitivities of the problem, while also addressing the macro issues and the stability of the sector. And this is the front that the banks have represented from the very beginning, in fact. So the key decision makers, I don't know if I should say that, I think that they share this view.

Kamil Stolarski: In this connection – ING last week reported provisions against this kind of solution. Are you talking to the auditor about potential provisions and when would you be ready to suggest that to customers?

Cezary Stypułkowski: I will hand over to Mr Heins. First, however, how should I put it, ING's position couldn't be really a reference point on this matter.

Christoph Heins: Again, we don't have any insights, all that I know is what I've read in the press, so I cannot really comment on what ING really did and what the motivation was and so on. I can only say we are one of the very few banks in this country which have the Internal Rating Based approach already for quite some time. So, we do understand our data, we have historic data, we run the data constantly and frequently. The FX development and the exchange rate development is embedded in the models and the calculation, so for example on the LGD level and so on. We have experienced already different conversion rates. When you just think of Q4 for example, I think the zloty/Swiss franc volatility was around between 3.99 and 4.20-ish, something like this. And when you go back a year or two years, it was even worse. And also back then we did not experience any further deterioration and higher number of defaults. So that's why, as far as our portfolio is concerned, we feel very comfortable with the level of our provisioning, we would not expect anything out of the context and of course this is in line with our auditor.

Jaromir Szortyka: If I may go back to capital, you have improved 170bps for Tier 1, 190 for the total capital rate. How much of that comes from Retail, how much of that comes from AIRB for mLeasing?

Cezary Stypułkowski: We cannot answer your question right away. We don't have that split.

Kamil Stolarski, Haitong Bank: About trading, page 38 in your presentation. The trading income last quarter and last year was the lowest since 2006, I think. Why so low and what is the outlook for this year?

Christoph Heins: I think the outlook is not in the negative territory, so we would expect some kind of a normalization. I think Q4 has been a very challenging one when it comes to volatility. We were in the middle of the election in the US, obviously the market has seen certain developments, so spread widening across the board. When you think about the FX movements before the year-end and also what happened since then. The trading result is a sum of different parts. The one is obviously – we do have certain hedges on the books that are not part of the hedge accounting book. So, you have derivatives and a certain volatility to this. So I would say in a nutshell, you have two components in there – the one is the FX-driven part and the other one is the rates-driven part. On the rates you have an offsetting component in the interest income. That's the nature of the business here. I can only say that it has rebounced significantly already in Q1, so I would not read too much into the trading result, it was a very unique quarter in Q4. Again, we live in times of uncertainty and market volatility. Ernest has also pointed out, what to potentially expect, but it's much more than obviously what's going on here. And again, we have also clients that deal a lot with non-Polish zloty currencies. We do have a lot of clients that deal with Euro-denominated loans also cash loans in and out, you see certain hedges as back to back hedges to client hedges, so that's the result . Again, going forward, of course we expect a more balanced trading result.

Kamil Stolarski: Just to follow up – you said that this negative trading was reflected in the net interest income in Q4 and in the first month is already the opposite, so trading is strong and should we expect weaker net interest income, then?

Christoph Heins: Let's not put some words into my mouth here. I didn't say one to one. What I did say and this is true, is a very decent rebouncing based on the market environment on the trading result, yes. Because spreads have moved significantly in January already compared to December, and also on the FX side you've seen movements. You have a quarter and you have a quarter-end but when you look at the longer-term horizon it's been balanced at the end of the day. Certain components in interest income are coming back.

Dariusz Górski: Could you comment on slide 27 in the context of one billion zlotys you talk about. One billion seems to be a magic number. You also talked about an income of one billion last year. When I look at the arrows, it seems it's mostly to do with the operational leverage. 10% improvement in fees, better interest income, slightly worse costs, so think the net income is about one billion in 2016. Why only one billion?

Cezary Stypułkowski: Well, I think I'm saying this again and we are one of few banks to publish a guidance at all. For three years, I think, our guidance was very close to the target, to the actuals rather. But now it's different. I wouldn't want to do that because that wouldn't be credible. We are talking about one billion, but we realize that the regulator's activity could put us in a different place. I've been in this business for many years and I can tell you that it's probably the most difficult time for management in terms of the number of variables we have to talk about, we have to consider. So what we can control, ok. One billion of core income in Q4. And so I think one billion multiplied by four is our aspiration. Other than that, of course we can have a long discussion about it, it would be stimulating intellectually, I'm sure. You have a great job, because that's what you do every day. But we have to do the dirty work but we can only manage what we can control and mitigate all the rest. So, the assumption there is that one billion is our aspiration with a potential upside. When you listen to Ernest or to our statements – well, I agree, I think there will be a rebound on the part of customer activity. If that happens, things will get better but just one example: you asked about ING. So the question is: do I want this bank to have the same balance sheet structure as Millennium has? That would give us a very decent upside financially. We have a specific number. Maybe you could compare us in your analysis or double-check our calculations, but if we had the same structure of funding of the Swiss franc portfolio then we could probably generate much more. But once in a while we go to the international market to have stable sources of funding to be perceived as a bank with a specific philosophy of managing its balance sheet. And of course it costs us more. We could say: no, we are not doing this this year, let's just do currency swaps, cross-currency swaps, CIRS and so on. That would have a positive impact, sure. But these are the management dilemmas we have to decide about. And we have our perspective on things, it may be more conservative, but we know that in the long-term management means that core income should go up from my customer relationship. And that's to do with customer acquisition and cross-sell. If that works for us, that's our responsibility. We don't care about all these 'hocus-pocus' tricks.

Christoph Heins: If I just may add some side comments to this: the world is becoming more complicated and more uncertain, and market volatility is picking up again apparently. But you can also see, with respect to the regulations that are going on locally and on the European level, for example. I don't want to talk about all discussions globally with respect to Basel 4 and so on and so forth, however, we have to at some point to assume that things are becoming more sophisticated. We are talking about very complex regulatory environment. And I think, some of you asked the question about potential impact on capital buffers, for example. We have all seen the KSF's recommendations and we have dealt with the credit-related capital buffers so far, and now we have learnt that there are some recommendations out there potentially for operational risk and market risk components. So, now let's talk again about mBank and our unique funding structure. Especially when it comes to the market risk component and the to-be-discussed potential additional capital buffers I would certainly expect a certain benefit out of the fact that we are frequently out on the market, we have a much more diversified funding base, especially of our Swiss franc mortgages. We do have a matched funding approach, we don't have, not only on the rate side, but also in the currency side, a much more conservative approach to funding. So that's why I would also expect some benefits when it comes to the regulatory environment going forward. The question is of course, whether we will see it. But there is always the question about the risk-return, right? So at the end of the day, could you squeeze out more? Absolutely! Other banks have done this in the past and some of them are not around anymore, let's be very honest.

Joanna Filipkowska: Question that came online from JPMorgan: What is your outlook for interest rate hikes in Poland? What would be your sensitivity of your NIM/NII to e.g. a 50 bps hike?

Ernest Pytlarczyk: We are not expecting hikes later this year, but the trajectory is such that next year we'll see some normalization. We think that CEE as a region could have a bigger inflation growth rate and there could be some bets based on risks, but I think there will be resistance to hiking the rates. Hungary, Czech Republic, Poland, too. So we'll probably be waiting for some actions of the ECB. 2017 - no hikes, 2018 – maybe.

Christoph Heins: I think, trying to answer that question: we would all hope for some sort of further increase on the rate side but it would definitely help us, no doubt about that. How much – that's not that easy to answer straight away because you have two components - the one is the loan side and the spread side, the other is obviously on the interest expense side. And we have now repeatedly said that we are more active also on the market, so whatever you gain on the one hand side, you lose on the other. So it's not a straightforward answer. I think net-net of course we will benefit from that.