

# Results of mBank Group Q1-Q4 2016

**Great finish to a challenging year.  
Core income highest in history.**

Management Board of mBank S.A.

Investor Presentation

February 8, 2017



# Key highlights of 2016 in mBank Group



## Net interest income & margin

**NII increased by 13% to PLN 2,833 million and NIM improved by 17 bps to 2.30%**

- Gradual rebound of loan yield thanks to rising share of higher-margin products and declining FX-denominated mortgage loan volume
- Falling funding costs driven by continued deposit repricing, strong inflows into current accounts

## Fees & commissions

**NFC went up by 1% to PLN 906 million, despite negative sector trends**

- Fee income under pressure stemming from reduced interchange, slower lending, weakness of capital markets and Recommendation U
- Constantly growing client transactionality and strong new customer acquisition as counterbalancing factors

## Other income

**Total revenues of PLN 4,295 million supported by Visa transaction**

- A one-off gain of PLN 251.7 million on the settlement of Visa transaction booked in Q2/16

## Costs & efficiency

**Higher recurring costs of 1,956 million, but solid efficiency maintained**

- Continued investments in future growth, mainly in IT and security areas
- Cost/Income ratio at 45.7% thanks to structural cost advantage anchored in optimal distribution network and stable number of FTE (no need for the restructuring)

## LLPs & portfolio quality

**Lower cost of risk at 46 bps, accompanied by resilient asset quality**

- Prudent risk management reflected in NPL ratio of 5.4%, well below the sector average
- Strong FX mortgage loan portfolio quality with volume down by CHF 342 million or 7% in 2016

## Profitability

**Net profit of 1,219 million despite banking tax burden**

- Banking tax of PLN 329 million for 11M 2016 reducing Return on Equity (ROE) by 2.7 p.p. to the level of 10.1%

# Key highlights of 2016 in mBank Group



## Loans & new production

### Moderate growth of loans to PLN 84.6 billion, mixed trends within new production

- Excluding FX effect and reverse repo transaction gross portfolio expanded by 3.1% YoY
- Record high non-mortgage loan sales at PLN 6.1 billion (+26% YoY), while pricing policy for mortgage loans translated into lower new production of PLN 2.9 billion (-36% YoY)

## Deposits

### Strong inflows of deposits to PLN 91.4 billion, driven by both segments

- Excluding repo transactions deposit base increased by 12.2% YoY
- mBank continued to gain market share in household deposits reaching 6.1% at the end of 2016

## Capital position

### Solid capital ratios well above regulatory requirements

- Consolidated CET 1 Ratio at 17.3% and TCR at 20.3% safely exceeding required levels of 13.19% and 17.00%, respectively
- mBank identified as other systemically important institution with an additional buffer at 0.5% of total risk exposure amount
- Individual capital requirement related to FX mortgage loans revised down

## Funding profile

### A well diversified funding structure with excess liquidity levels

- Issues of debt securities (a tranche of EUR 500 million 4-year senior unsecured bonds under EMTN programme and covered bonds) strengthened long-term financing sources
- Historically low Loan-to-Deposit ratio of 89.4% allowing for comfortable business growth in 2017

## New strategy

### New mBank Group's strategy (**mobile Bank**) for 2016-2020 announced in July

- Focus on being close to clients and taking advantage of the mobile revolution
- Distinctive mission: "To help. Not to annoy. To delight... Anywhere."
- Specific business actions will be based on 3 pillars: empathy, mobility, efficiency

# Agenda



## mBank Group in 2016

### Summary of Q4/16 in mBank Group

- Key Financials

- Client acquisition and Market shares

- Development of retail and corporate business

### Analysis of Q4/16 Results

- Development of Loans and Deposits

- Development of Income and Costs

- Loan Portfolio Quality

- Funding Structure Details

- Capital and Liquidity Ratios

### Macroeconomic Update

### Appendix

- Additional Information: Selected Financial Data

- Detailed Results of Business Lines

# mBank Group in 2016

## Summary of Key Financials: Profit and Loss Account

<i>PLN million</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<i>Change '16/'15</i>
Net interest income	2,490.7	2,511.4	2,832.8	+12.8%
Net fee & commission income	901.7	897.2	906.4	+1.0%
<b>Total income</b>	<b>3,939.2</b>	<b>4,093.3</b>	<b>4,295.4</b>	<b>+4.9%</b>
<b>Total costs</b>	<b>(1,770.6)</b>	<b>(1,856.8)</b>	<b>(1,952.3)</b>	<b>+5.1%</b>
One-off regulatory costs <sup>1</sup>	–	(193.8)	(10.9)	–
Loan Loss Provisions	(515.9)	(421.2)	(365.4)	-13.3%
<b>Operating profit</b>	<b>1,652.7</b>	<b>1,621.5</b>	<b>1,966.7</b>	<b>+21.3%</b>
Banking tax	–	(3.7)	(328.9)	–
<b>Profit before income tax</b>	<b>1,652.7</b>	<b>1,617.9</b>	<b>1,637.7</b>	<b>+1.2%</b>
<b>Net profit</b>	<b>1,286.7</b>	<b>1,301.2</b>	<b>1,219.3</b>	<b>-6.3%</b>
Net Interest Margin (NIM)	2.30%	2.13%	2.30%	+0.17 p.p.
NIM excl. CHF portfolio	2.70%	2.48%	2.65%	+0.17 p.p.
Cost/Income ratio	44.9%	50.1%	45.7%	-4.4 p.p.
Cost of Risk	0.72%	0.54%	0.46%	-0.08 p.p.
Return on Equity (ROE)	13.1%	11.8%	10.1%	-1.7 p.p.
Return on Assets (ROA)	1.13%	1.04%	0.95%	-0.09 p.p.

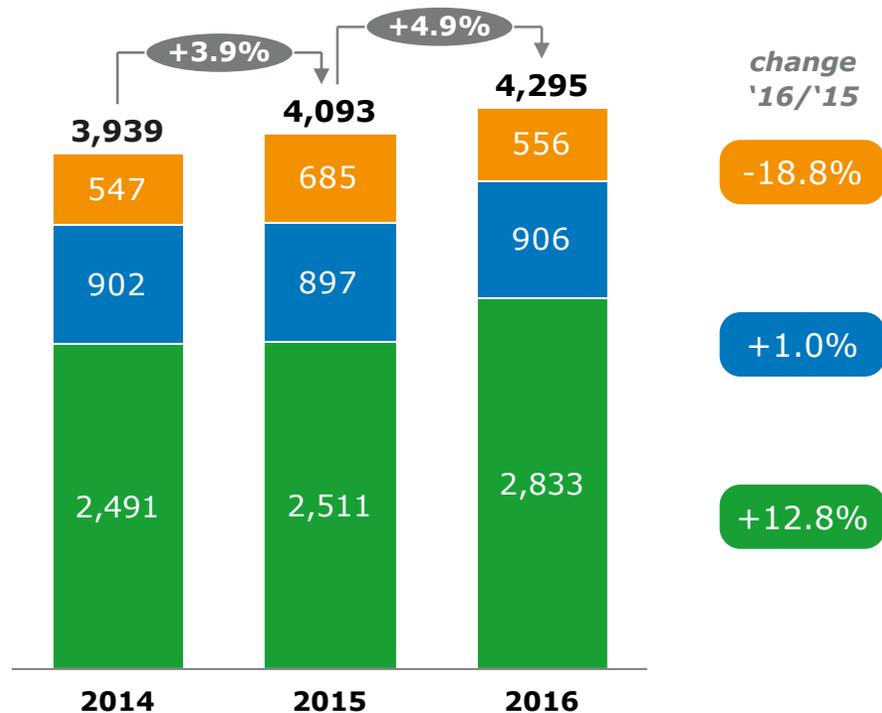
<sup>1</sup> 2016 one-off costs include additional payment to the Bank Guarantee Fund related to the bankruptcy of Cooperative Bank in Nadarzyn of PLN 10.9 million;

2015 one-off costs include payment to the BFG related to the bankruptcy of Cooperative Bank in Wołomin of PLN 141.7 million and contribution to the Mortgage Support Fund of PLN 52.1 million;

# mBank Group in 2016

## Development of Revenues and Costs

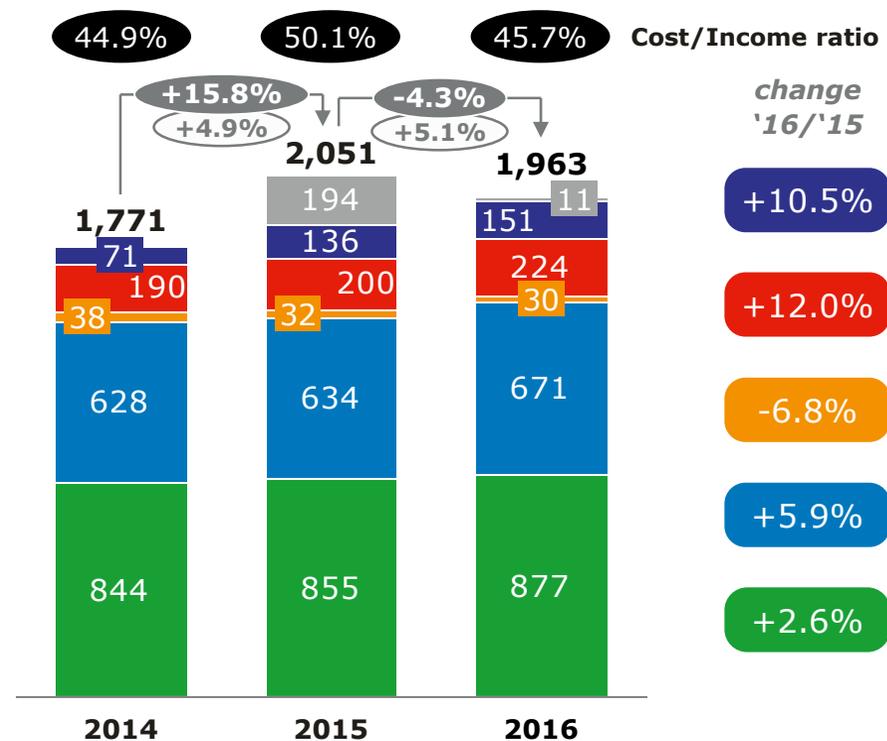
Development of Total Income  
(PLN million)



- Net Interest Income
- Net Fee and Commission Income
- Trading and Other Income<sup>1</sup>

<sup>1</sup> Including: in 2015 one-off gains on the sale of BRE Ubezpieczenia TuIR (PLN 194.3 million) and PZU shares (PLN 125.0 million); in 2016 a gain on the settlement of Visa transaction (PLN 251.7 million);

Development of Total Costs  
(PLN million)



- Personnel Costs
- Material Costs
- Amortization
- Other Costs
- Regular BFG contribution
- One-off regulatory costs<sup>1</sup>

<sup>1</sup> Including: in 2015 payment to the BFG related to the bankruptcy of Cooperative Bank in Wołomin and contribution to the Mortgage Support Fund; in 2016 additional payment to the BFG related to the bankruptcy of Cooperative Bank in Nadarzyn;

# mBank Group in 2016

## Summary of Key Financials: Balance Sheet

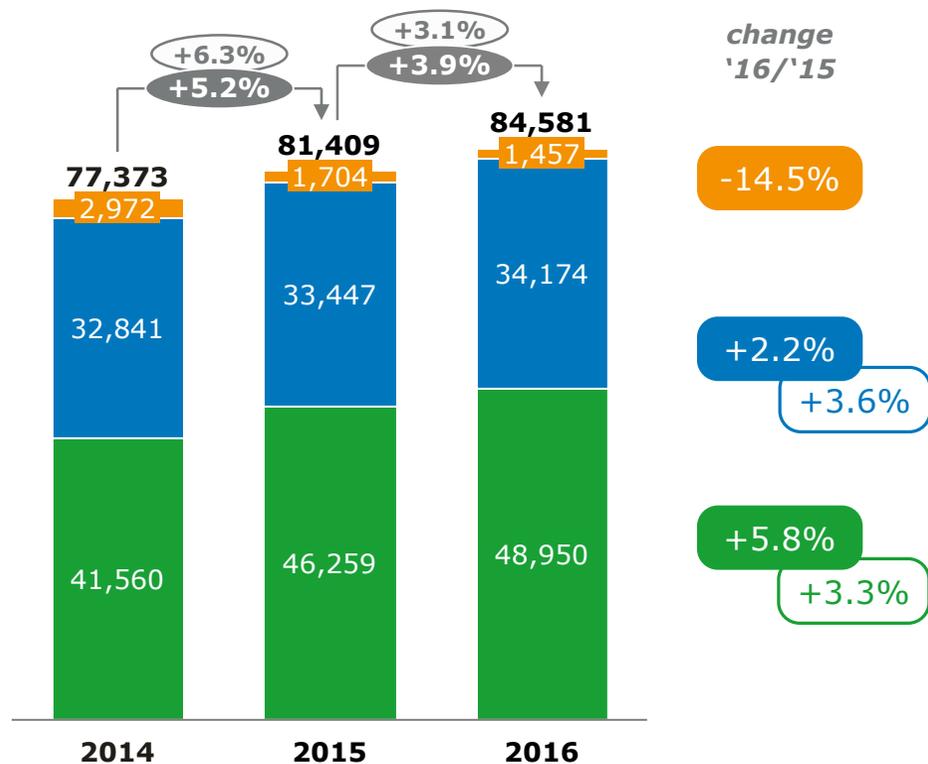
<i>PLN million</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<i>Change '16/'15</i>
<b>Total assets</b>	<b>117,986</b>	<b>123,523</b>	<b>133,744</b>	+8.3%
<b>Gross loans to customers</b>	<b>77,373</b>	<b>81,409</b>	<b>84,581</b>	+3.9%
Retail client loans	41,560	46,259	48,950	+5.8%
Core corporate client loans <sup>1</sup>	29,002	32,416	34,118	+5.3%
<b>Amounts due to customers</b>	<b>72,422</b>	<b>81,141</b>	<b>91,418</b>	+12.7%
Retail client deposits	39,285	46,117	53,495	+16.0%
Core corporate client deposits <sup>1</sup>	28,499	33,330	35,783	+7.4%
<b>Total equity</b>	<b>11,073</b>	<b>12,275</b>	<b>13,051</b>	+6.3%
Loan to Deposit ratio	103.0%	96.7%	89.4%	-7.3 p.p.
NPL ratio	6.4%	5.7%	5.4%	-0.3 p.p.
Coverage ratio	51.9%	58.9%	57.1%	-1.8 p.p.
Common Equity Tier 1 Ratio	12.2%	14.3%	17.3%	+3.0 p.p.
Total Capital Ratio	14.7%	17.3%	20.3%	+3.0 p.p.

<sup>1</sup> Excluding reverse repo / buy-sell-back transactions for loans and repo transactions for deposits;

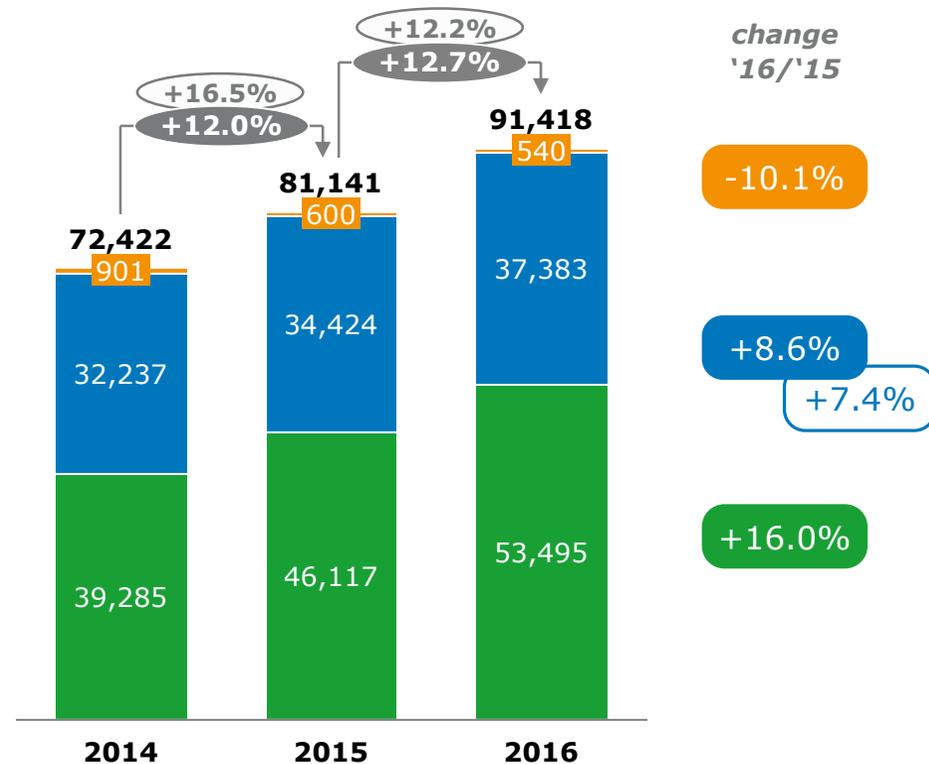
# mBank Group in 2016

## Development of Loans and Deposits

Development of Gross Loans  
(PLN million)



Development of Deposits  
(PLN million)



# Agenda

mBank Group in 2016



Summary of Q4/16 in mBank Group

Key Financials

Client acquisition and Market shares

Development of retail and corporate business

Analysis of Q4/16 Results

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Detailed Results of Business Lines

# Key highlights of Q4 2016

## Historically high level of core revenues of PLN 1,003.9 M

- NII at PLN 753.3 M (+11.3% YoY), on changing portfolio structure
- NFC at PLN 250.6 M (+5.6% YoY), on rising customer business

## Solid efficiency maintained

- Cost/Income ratio at 47.1%

## Profit & Loss

## Excess deposit funding

- Loan-to-Deposit ratio at 89.4%

## Capital ratios well above regulatory requirements

- CET 1 Ratio at 17.3%/20.6%<sup>2</sup>
- Total Capital Ratio at 20.3%/24.1%<sup>2</sup>

## Continued diversification of funding sources

## Capital & Liquidity

## Business development

## Strong total revenues exceeding PLN 1.0 B

## Mixed volume growth

- Gross loans at PLN 84.6 B (+0.5% QoQ, +5.2% YoY)<sup>1</sup>
- Customer deposits at PLN 91.4 B (+8.0% QoQ, +12.2% YoY)<sup>1</sup>

## Focus on higher margin lending

- Mortgage loan sales at PLN 2.9 B in 2016 (-36% YoY); non-mortgage loan sales at PLN 6.1 B (+26% YoY)

## Strengthening the position as mobile and transactional bank

- Rising number and volume of non-cash card payments
- The highest mobile penetration

## Accelerating client acquisition

- 5,348 thou. retail clients (+401 thou. YoY) and 20,940 corporate clients (+1,378 YoY)

**Net Profit of PLN 292.5 M,  
+26.9% compared to Q3/16**

<sup>1</sup> Volume dynamics presented excl. reverse repo / buy-sell-back transactions and repo transactions, respectively; <sup>2</sup> Stand-alone capital ratios;

# Summary of Q4/16 in mBank Group

## Key Financials: Profit and Loss Account

<i>PLN million</i>	<b>Q4/16</b>	<b>Q3/16</b>	<i>Change QoQ</i>		<b>Q4/15</b>
Net interest income	753.3	718.7	↑	+4.8%	676.6
Net fee & commission income	250.6	234.4	↑	+6.9%	237.4
<b>Total income</b>	<b>1,044.7</b>	<b>1,038.7</b>	↑	<b>+0.6%</b>	<b>1,110.5</b>
<b>Total costs</b>	<b>(481.0)</b>	<b>(499.9)</b>	↓	<b>-3.8%</b>	<b>(457.2)</b>
One-off regulatory costs <sup>1</sup>	(10.9)	–		–	(193.8)
Loan Loss Provisions	(39.7)	(139.5)	↓	-71.5%	(102.6)
<b>Operating profit</b>	<b>513.1</b>	<b>399.4</b>	↑	<b>+28.5%</b>	<b>356.9</b>
Taxes on the Group balance sheet items	(92.8)	(89.8)	↑	+3.3%	(0.9)
<b>Profit before income tax</b>	<b>420.3</b>	<b>309.6</b>	↑	<b>+35.8%</b>	<b>356.0</b>
<b>Net profit</b>	<b>292.5</b>	<b>230.5</b>	↑	<b>+26.9%</b>	<b>309.5</b>
Net Interest Margin (NIM)	2.35%	2.31%	↑	+0.04 p.p.	2.22%
NIM excl. CHF portfolio	2.69%	2.65%	↑	+0.04 p.p.	2.58%
Cost/Income ratio	47.1%	48.1%	↓	-1.0 p.p.	58.6%
Cost of Risk	0.20%	0.69%	↓	-0.49 p.p.	0.52%
Return on Equity (ROE)	9.8%	7.6%	↑	+2.2 p.p.	11.2%
Return on Assets (ROA)	0.88%	0.71%	↑	+0.17 p.p.	0.97%

<sup>1</sup> Q4/16 one-off costs include additional payment to the Bank Guarantee Fund related to the bankruptcy of Cooperative Bank in Nadarzyn of PLN 10.9 million;  
Q4/15 one-off costs include payment to the BFG related to the bankruptcy of Cooperative Bank in Wolomin of PLN 141.7 million and contribution to the Mortgage Support Fund of PLN 52.1 million;

# Summary of Q4/16 in mBank Group

## Key Financials: Balance Sheet

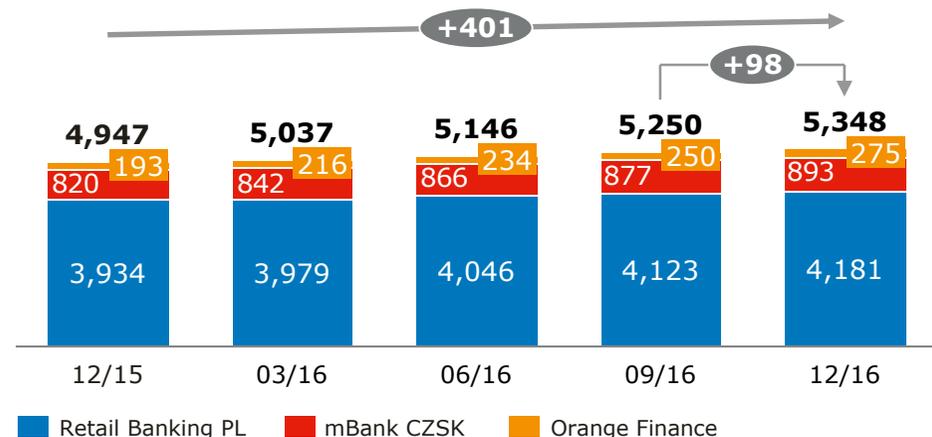
<i>PLN million</i>	<b>Q4/16</b>	<b>Q3/16</b>	<i>Change QoQ</i>	<b>Q4/15</b>
<b>Total assets</b>	<b>133,744</b>	<b>129,781</b>	<b>+3.1%</b>	<b>123,523</b>
<b>Gross loans to customers</b>	<b>84,581</b>	<b>84,199</b>	<b>+0.5%</b>	<b>81,409</b>
Retail client loans	48,950	48,119	+1.7%	46,259
Core corporate client loans <sup>1</sup>	34,118	34,466	-1.0%	32,416
<b>Amounts due to customers</b>	<b>91,418</b>	<b>85,188</b>	<b>+7.3%</b>	<b>81,141</b>
Retail client deposits	53,495	50,735	+5.4%	46,117
Core corporate client deposits <sup>1</sup>	35,783	31,818	+12.5%	33,330
<b>Total equity</b>	<b>13,051</b>	<b>12,971</b>	<b>+0.6%</b>	<b>12,275</b>
Loan to Deposit ratio	89.4%	95.1%	-5.7 p.p.	96.7%
NPL ratio	5.4%	5.9%	-0.5 p.p.	5.7%
Coverage ratio	57.1%	59.5%	-2.4 p.p.	58.9%
Common Equity Tier 1 Ratio	17.3%	15.9%	+1.4 p.p.	14.3%
Total Capital Ratio	20.3%	18.6%	+1.7 p.p.	17.3%

<sup>1</sup> Excluding reverse repo / buy-sell-back transactions for loans and repo transactions for deposits;

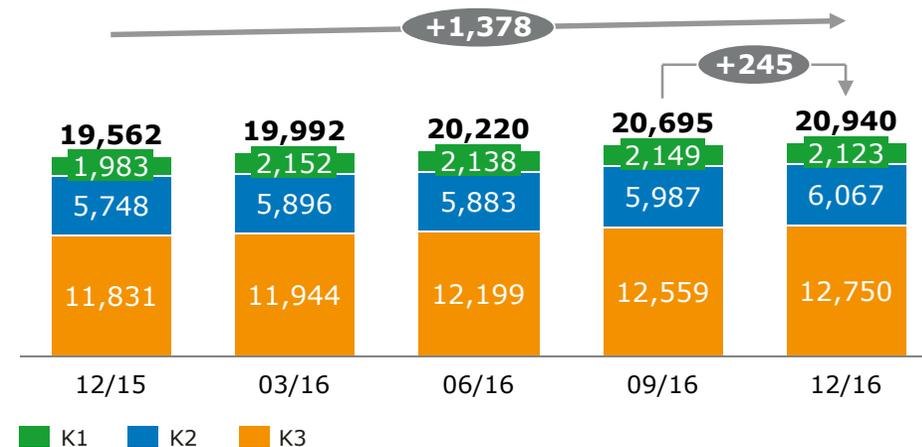
# Summary of Q4/16 in mBank Group

## Business Development: Client acquisition and Market shares

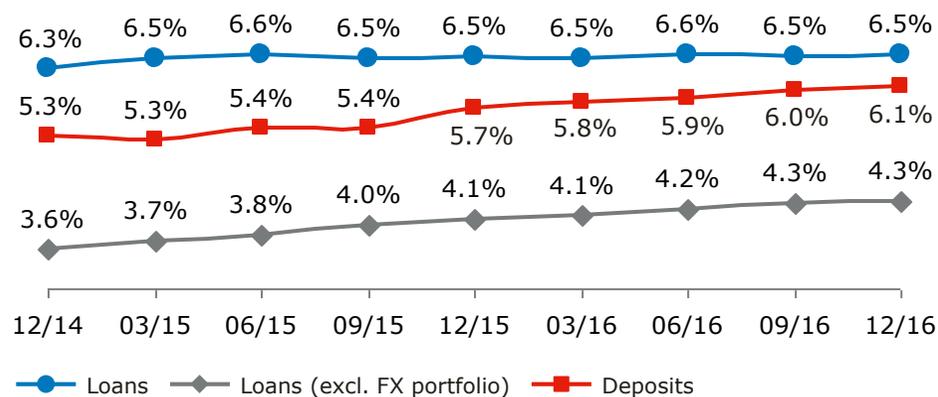
Number of Retail Clients (thou.)



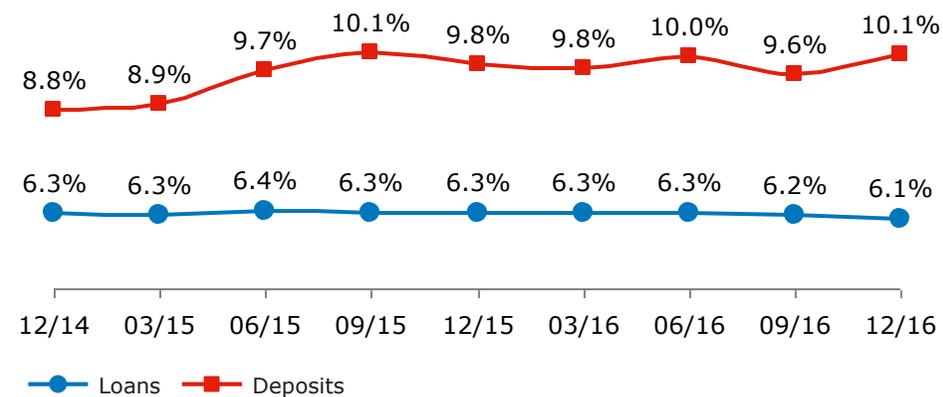
Number of Corporate Clients



Market shares in Retail Banking segment



Market shares in Corporate Banking segment

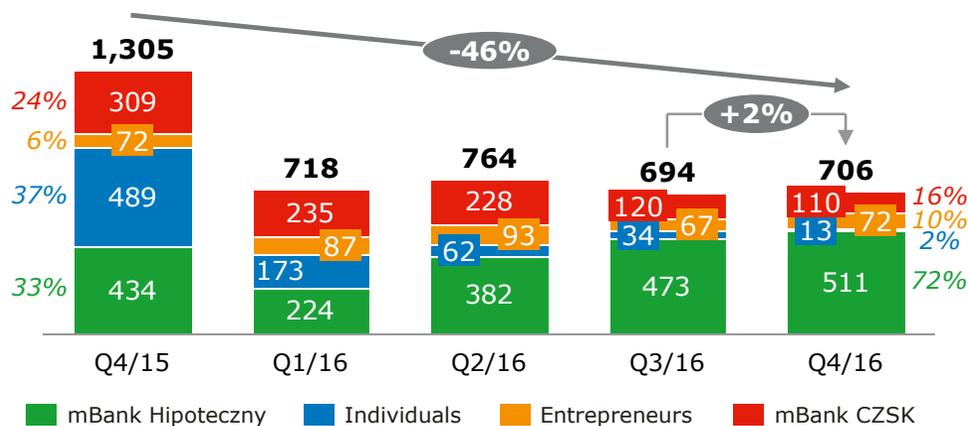


Note: Corporate clients split: K1 – annual sales over PLN 500 M and non-banking financial institutions; K2 – annual sales PLN 30 M to PLN 500 M; K3 – annual sales below 30 M.

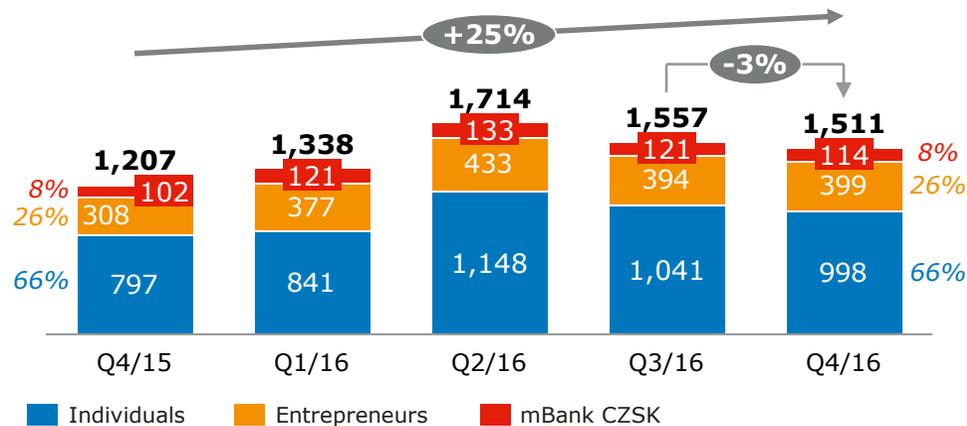
# Summary of Q4/16 in mBank Group

## Development of Retail and Corporate business

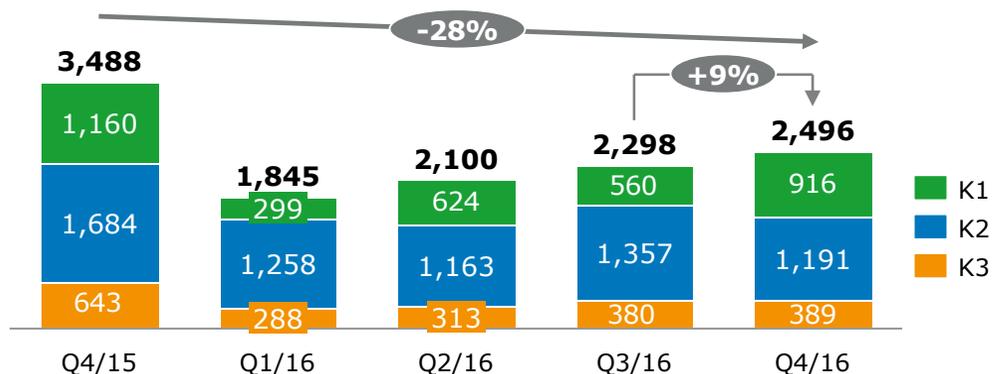
Sales of mortgage loans  
(PLN M, by quarter)



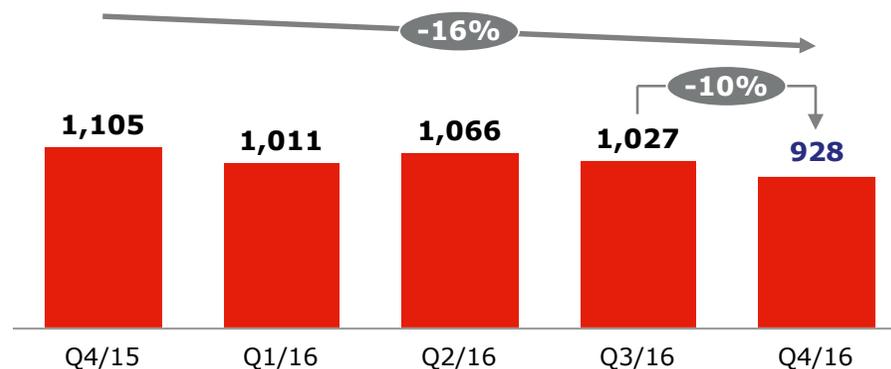
Sales of non-mortgage loans  
(PLN M, by quarter)



Sales of corporate loans  
(PLN M, by quarter)



New leasing contracts  
(PLN M, by quarter)



Note: Corporate clients split: K1 – annual sales over PLN 500 M and non-banking financial institutions; K2 – annual sales PLN 30 M to PLN 500 M; K3 – annual sales below 30 M.

# Agenda

mBank Group in 2016

Summary of Q4/16 in mBank Group

Key Financials

Client acquisition and Market shares

Development of retail and corporate business



Analysis of Q4/16 Results

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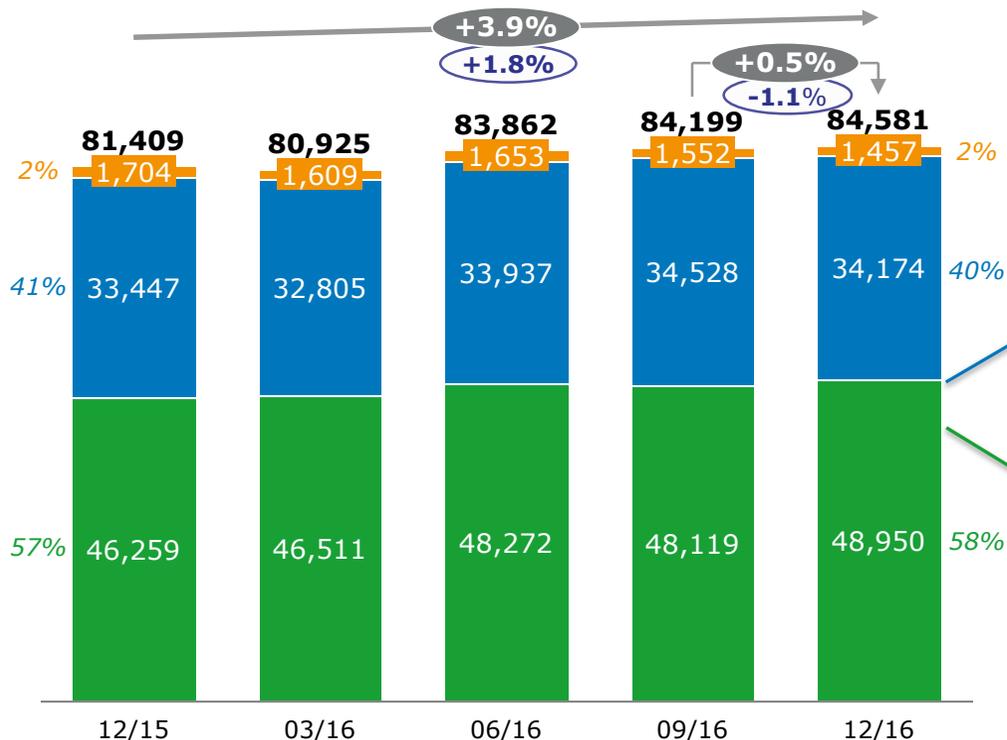
Detailed Results of Business Lines

# Analysis of Q4/16 in mBank Group

Development of Loans to Customers

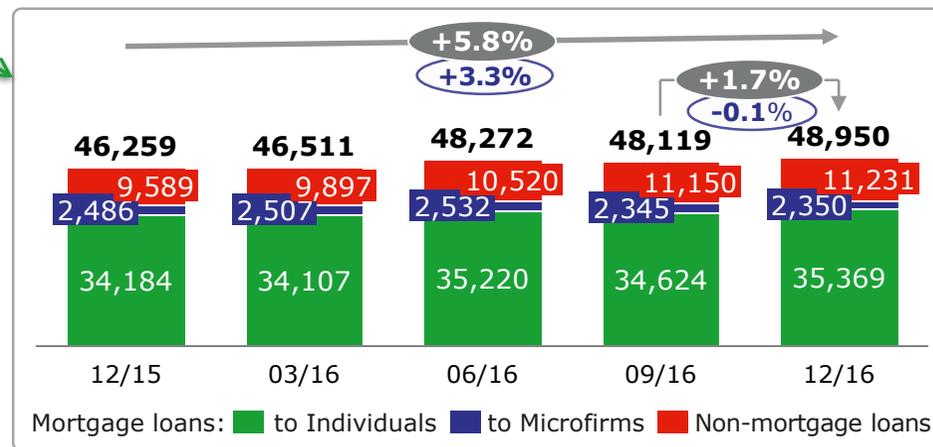
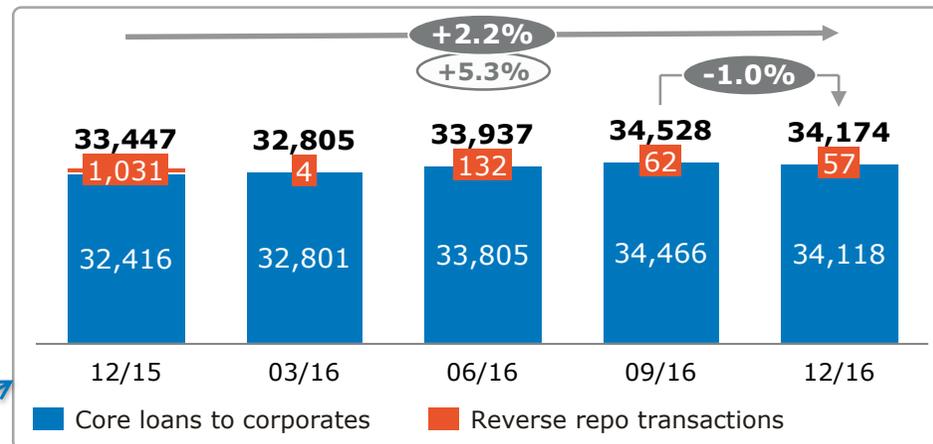
**Stable loan portfolio, growth focused on higher-margin products**

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



■ Individual clients  
■ Corporate clients  
■ Public sector & Other receivables

+X.X% Excluding FX effect  
+X.X% Excluding Reverse repo / buy-sell-back transactions

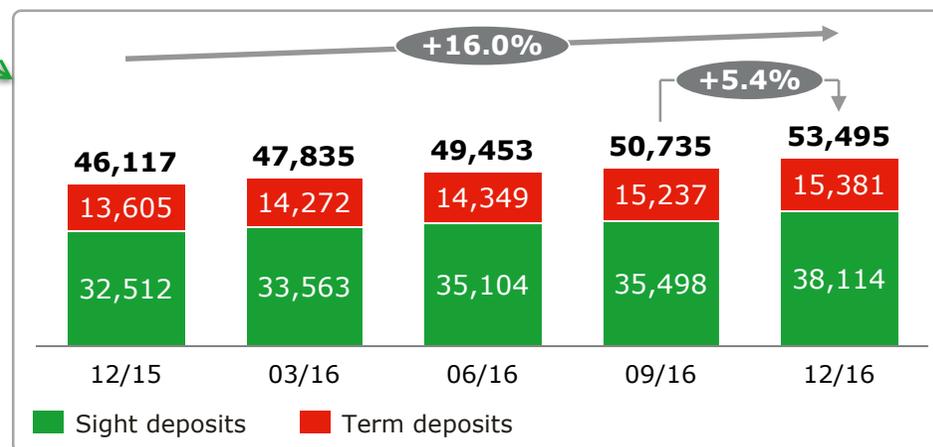
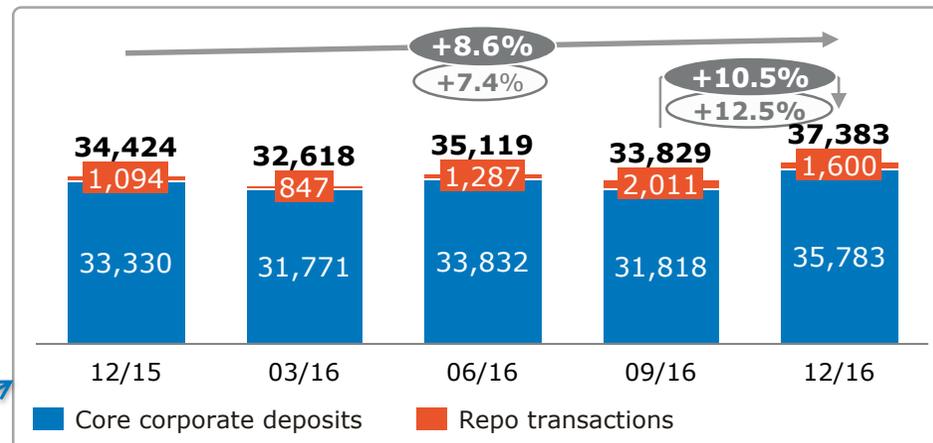
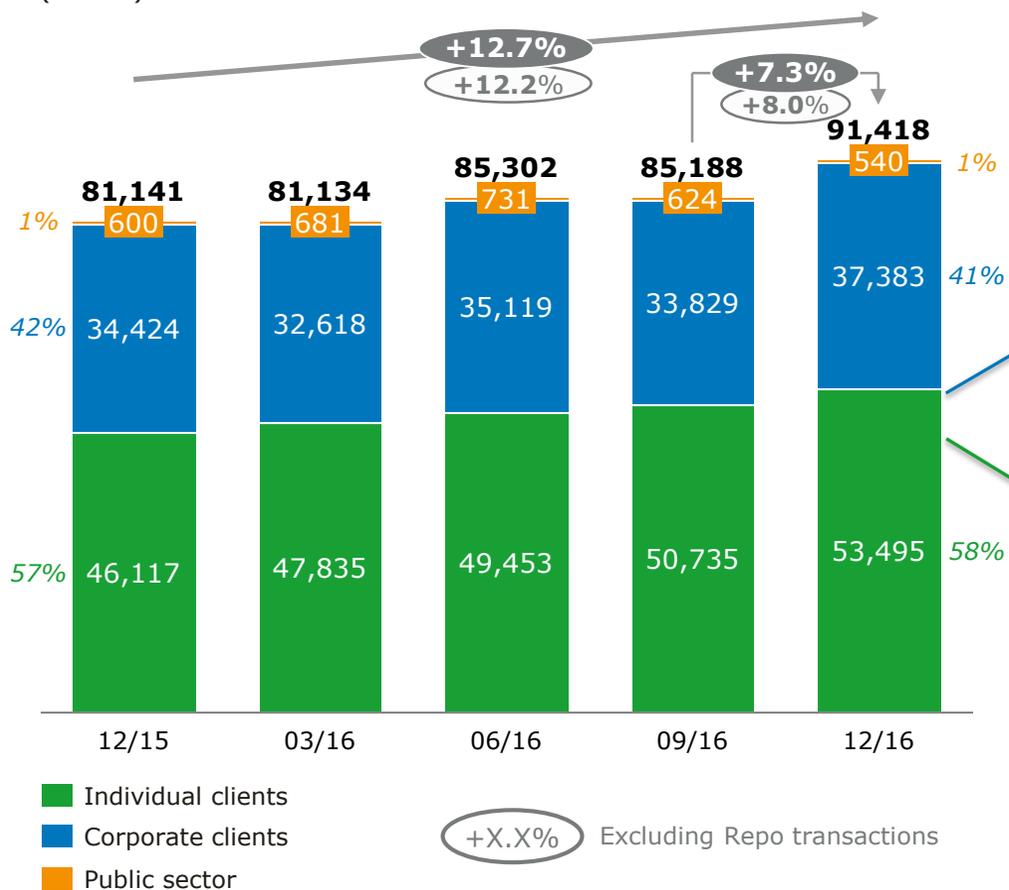


# Analysis of Q4/16 in mBank Group

## Development of Deposits

### Strong deposit inflows in both retail and corporate segment

Development of Amounts due to Customers  
(PLN M)

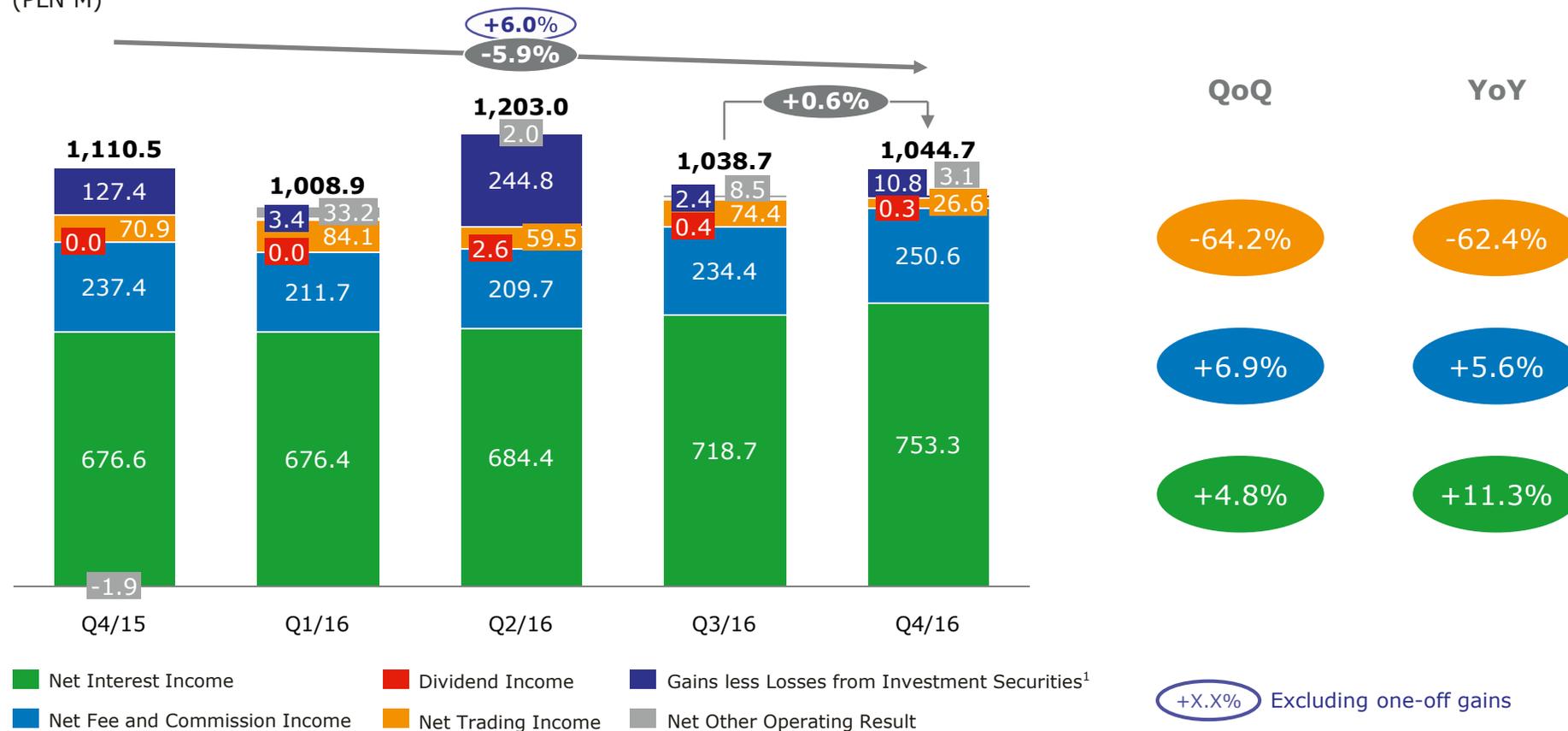


# Analysis of Q4/16 in mBank Group

Income of mBank Group

**Core revenues at highest level in history**

Development of mBank Group's Income (PLN M)



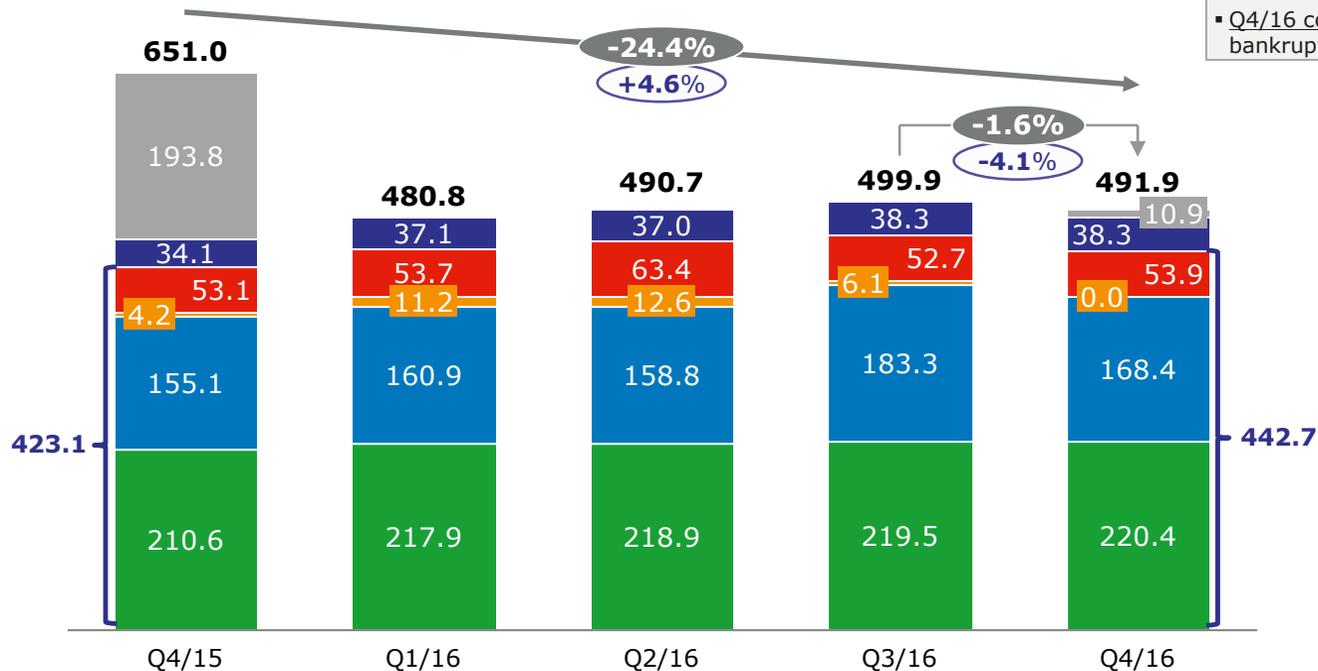
# Analysis of Q4/16 in mBank Group

## Costs of mBank Group

### Structural cost advantage reflected in best-in-class efficiency

Development of mBank Group's Costs (PLN M)

- Q4/15 costs include payment to the Bank Guarantee Fund related to the bankruptcy of Cooperative Bank in Wołomin of PLN 141.7 million and contribution to the Mortgage Support Fund of PLN 52.1 million.
- Q4/16 costs include additional payment to the BFG related to the bankruptcy of Cooperative Bank in Nadarzyn of PLN 10.9 million.



+X.X% Excluding contributions to the BFG and one-off regulatory costs

■ Personnel Costs     ■ Other Costs<sup>1</sup>     ■ Contributions to the BFG  
■ Material Costs     ■ Amortization

**45.7%** C/I ratio of mBank Group for 2016  
**47.1%** C/I ratio of mBank Group (quarterly)

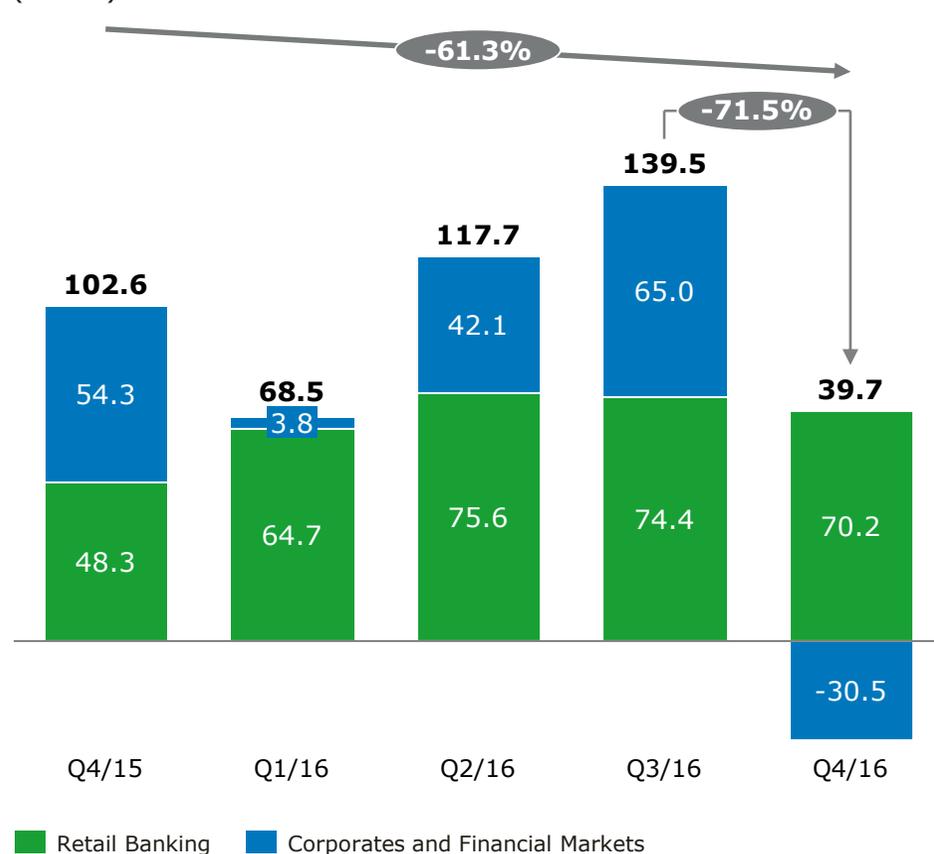
<sup>1</sup> Including taxes and fees, contributions to the Social Benefits Fund;

# Analysis of Q4/16 in mBank Group

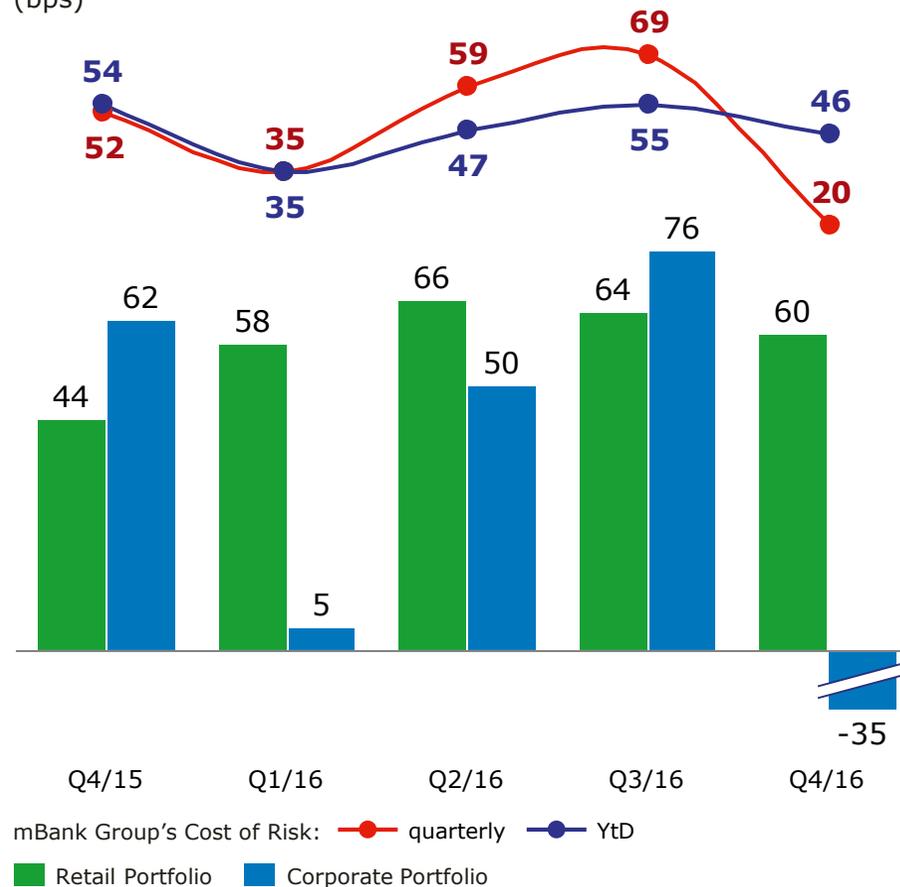
Loan Loss Provisions and Risk Costs

## Lower cost of risk driven by provision releases in corporate segment

Net Impairment Losses on Loans and Advances (PLN M)



mBank Group's Cost of Risk by Segment (bps)

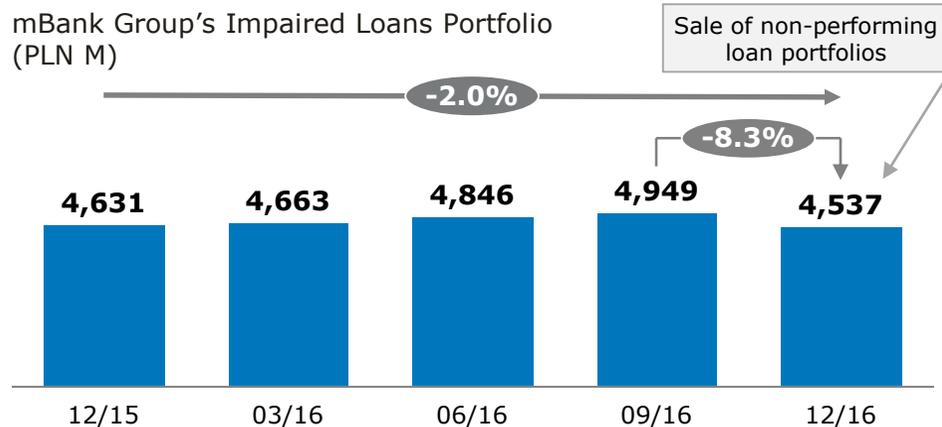


# Analysis of Q4/16 in mBank Group

## Loan Portfolio Quality

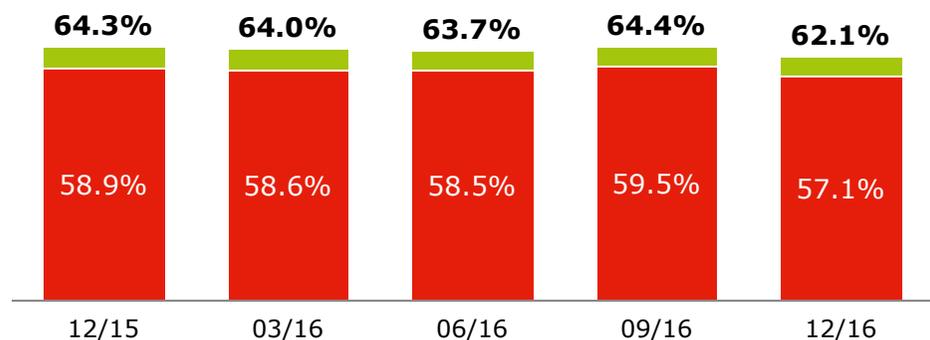
### Resilient loan portfolio quality, risk indicators supported by NPLs sale

mBank Group's Impaired Loans Portfolio (PLN M)

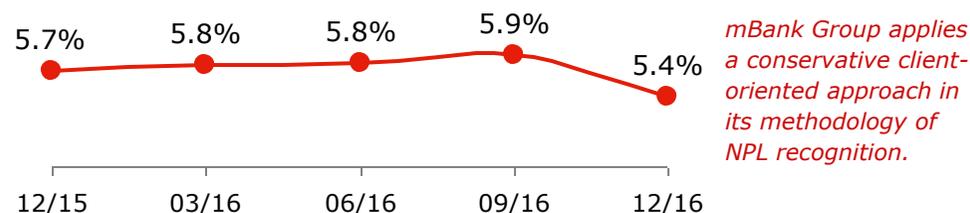


mBank Group's Coverage Ratio

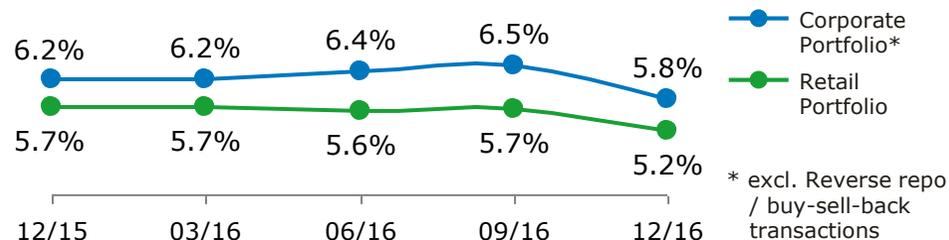
incl. IBNR provisions



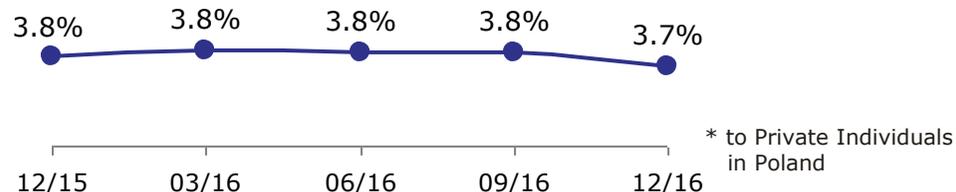
mBank Group's NPL Ratio



mBank Group's NPL Ratio by segment



NPL Ratio of Mortgage Loan Portfolio\*

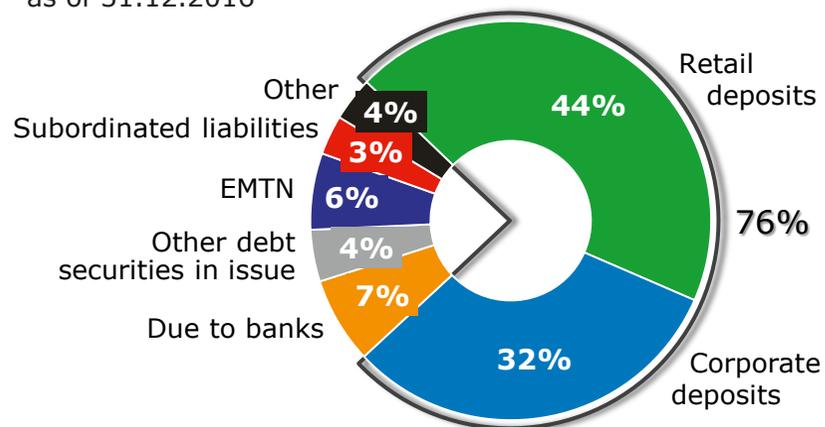


# Analysis of Q4/16 in mBank Group

## Funding Structure Details

### A well diversified funding profile and highly liquid balance sheet

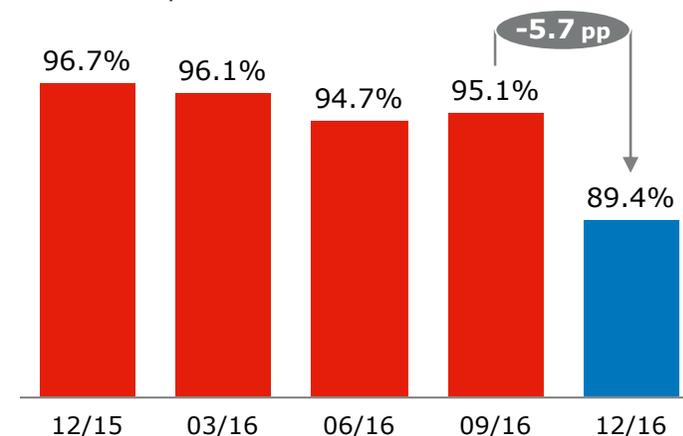
mBank Group's funding structure as of 31.12.2016



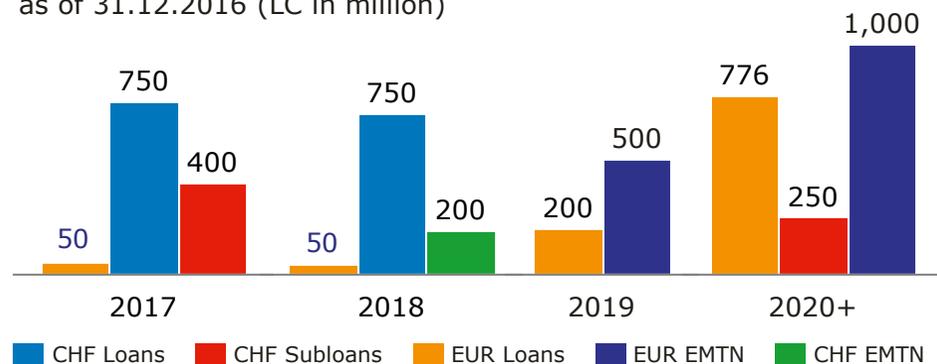
mBank's ratings

Fitch	
Long-term rating	<b>BBB</b>
Short-term rating	<b>F2</b>
Standard & Poor's	
Long-term credit rating	<b>BBB</b>
Short-term credit rating	<b>A-2</b>

Loan-to-Deposit Ratio



Maturity of long-term funding instruments in original currencies as of 31.12.2016 (LC in million)



Summary of Issues under Euro Medium Term Note (EMTN) Programme

Issue size	Issue date	Maturity date	Tenor	Coupon
EUR 500 M	12-10-2012	12-10-2015 <sup>1</sup>	3.0 Y	2.750%
CHF 200 M	08-10-2013	08-10-2018	5.0 Y	2.500%
EUR 500 M	01-04-2014	01-04-2019	5.0 Y	2.375%
EUR 500 M	26-11-2014	26-11-2021	7.0 Y	2.000%
EUR 500 M	26-09-2016	26-09-2020	4.0 Y	1.398%

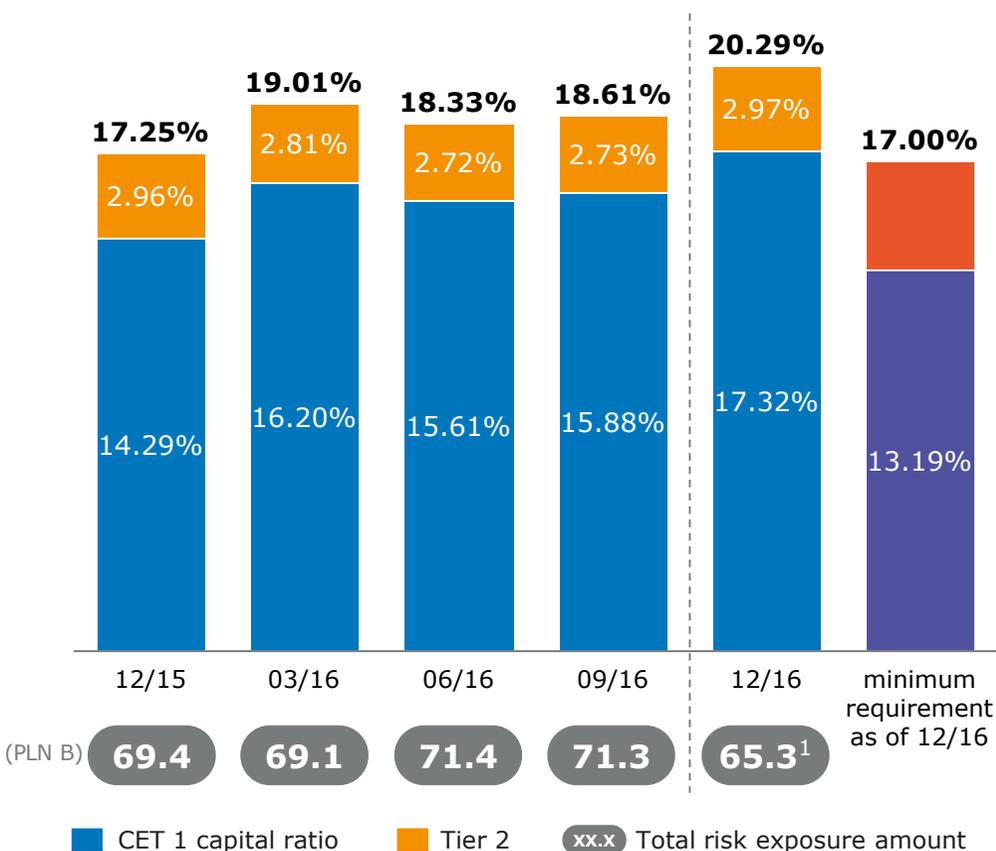
<sup>1</sup> redeemed at maturity

# Analysis of Q4/16 in mBank Group

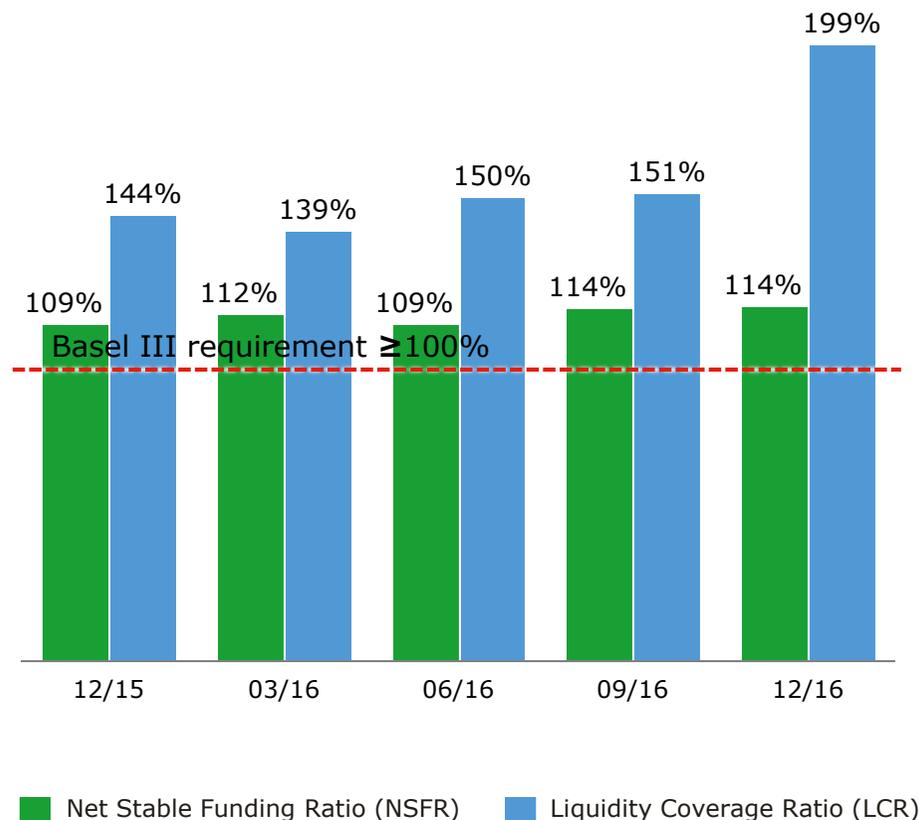
## Key Regulatory Ratios

### Strong capital ratios well above regulatory requirements

mBank Group's Total Capital Ratio



mBank's NSFR and LCR



<sup>1</sup> Due to the adjustment of the application of the regulatory floor to the requirements of article 500 CRR and the extensions of the AIRB approach;  
 Note: On 04.10.2016 the Polish FSA identified mBank as an other systemically important institution and imposed on the bank an additional buffer at 0.5% of total risk exposure amount.

# Agenda

mBank Group in 2016

Summary of Q4/16 in mBank Group

Key Financials

Client acquisition and Market shares

Development of retail and corporate business

Analysis of Q4/16 Results

Development of Loans and Deposits

Development of Income and Costs

Loan Portfolio Quality

Funding Structure Details

Capital and Liquidity Ratios



Macroeconomic Update

Appendix

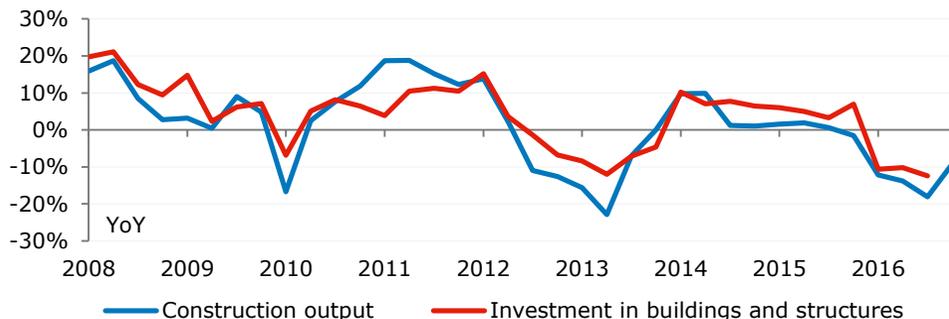
Additional Information: Selected Financial Data

Detailed Results of Business Lines

# Macroeconomic Update (1/2)

## The economy has passed a turning point and will re-accelerate in 2017

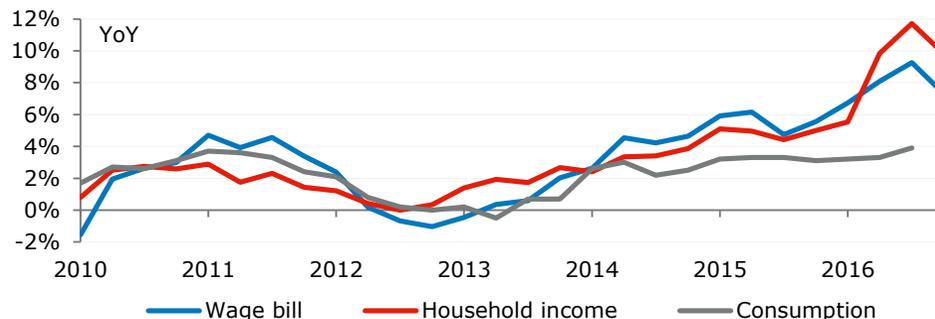
Green shoots in investment



- The investment slump appears to be over, Q4/15 data showed. EU funds are flowing into the economy, public investment will grow again and private investment will benefit from lower uncertainty.

Source: GUS, NBP

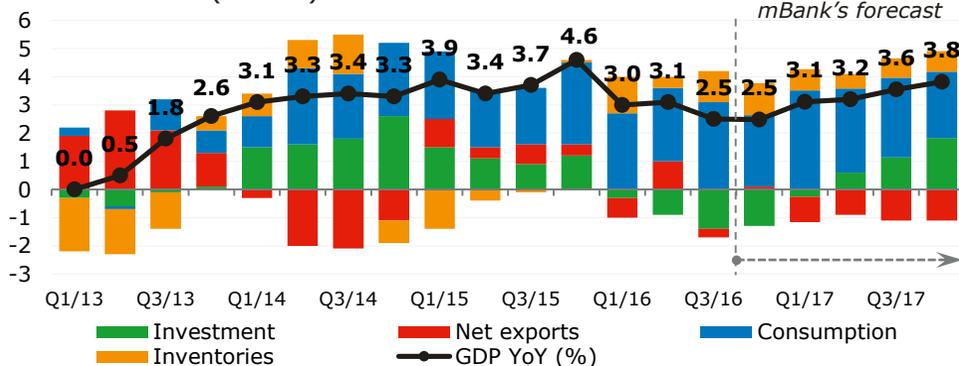
Outlook for private consumption remains very good



- Owing to fast wage and (more generally) household income growth, as well as sky-high sentiment, consumption is growing robustly. It seems the money from 500+ is finally being spent.

Source: GUS, NBP

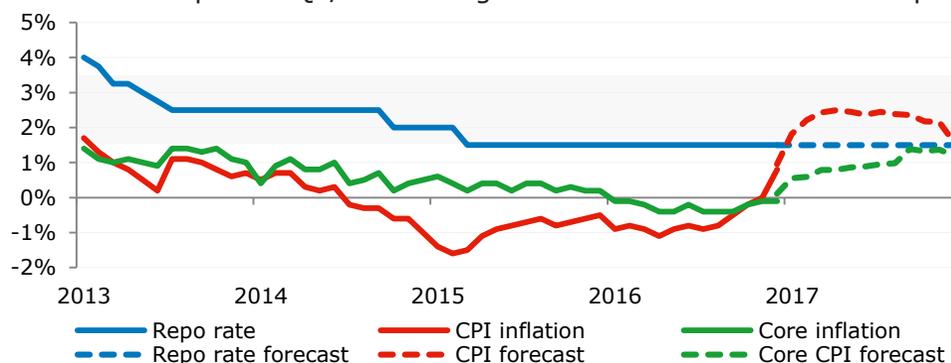
GDP forecast (% YoY)



- The bank revised its GDP forecasts upwards. Now it expects growth to settle at 2.5% in H2 2016 and breach 3% in 2017 as EU funds kick in.

Source: GUS, NBP

Inflation to spike in Q1/16 on exogenous factors. Will core catch up?



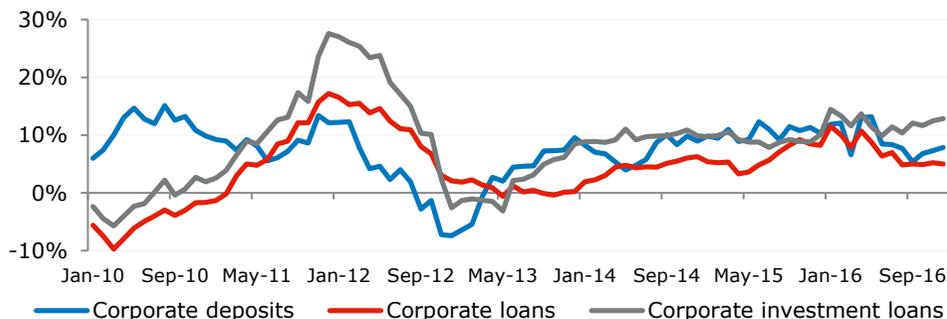
- Statistical base, higher food and energy prices as well as weak PLN are pushing inflation towards 2-2.5% at Q1/Q2 2017. Those factors will fade and higher core inflation in H2 2017 is not that certain now.

Source: GUS

# Macroeconomic Update (2/2)

## Loan-to-deposit ratio set to drop below 100% as credit growth remains tepid

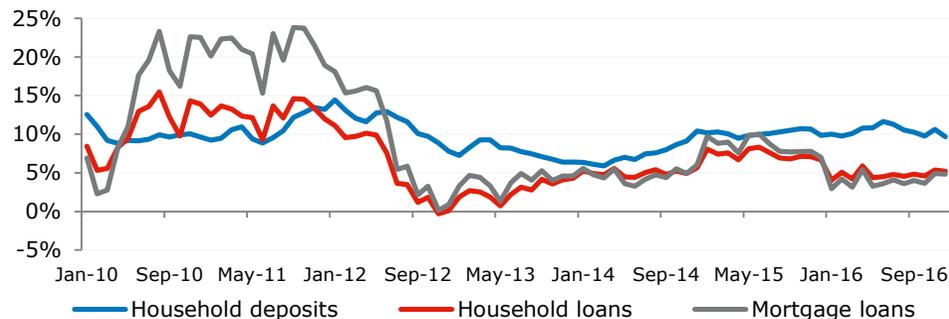
Corporate loans and deposits (% YoY)



- Corporate credit has decelerated materially over the recent period, but not due to investment loans. Corporate deposits are growing more slowly as the impact of weak PLN is fading.

Source: NBP

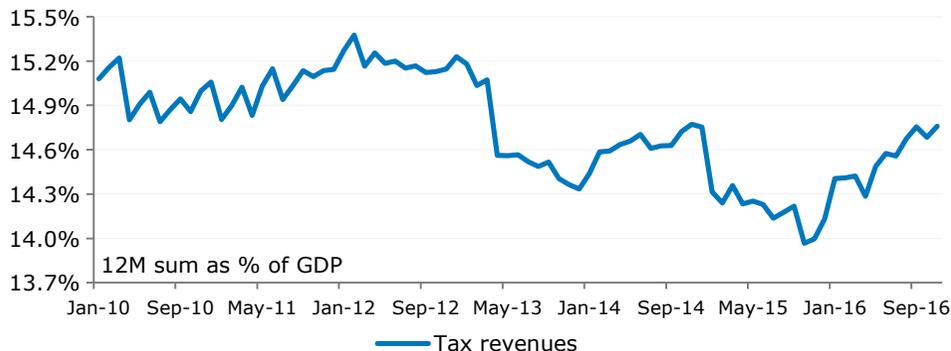
Household loans and deposits (% YoY)



- With 500+ money being finally spent, household deposit growth is decelerating. Household credit is propelled by consumer loans as mortgage lending remains sluggish.

Source: NBP

Risk premium in Polish assets is probably too high



- With strong growth in tax revenues, the overall fiscal position looks sound. Political risks are diminishing. This suggests that risk premia in Polish bonds might be too high.

Source: Bloomberg

PLN remains weak



- PLN remains weak. Uncertainty on global markets, prospect of negative real rates and competitiveness issues ensure that PLN will remain weak at the beginning of the year.

Source: Bloomberg

# 2017 in forecasts and the impact on mBank Group

## Macroeconomic environment and challenges for the banking sector

### Key economic indicators

	2015	2016	2017F
GDP growth (YoY)	3.9%	2.8%	3.4%
Domestic demand (YoY)	3.4%	2.8%	4.5%
Private consumption (YoY)	3.2%	3.6%	3.9%
Investment (YoY)	6.6%	-5.5%	5.3%
Inflation (eop)	-0.5%	0.8%	1.5%
MPC rate (eop)	1.50	1.50	1.50
CHF/PLN (eop)	3.92	4.11	3.89
EUR/PLN (eop)	4.26	4.40	4.20

### Banking sector – monetary aggregates YoY

	2015	2016	2017F
Corporate loans	8.2%	5.0%	7.1%
Mortgage loans	7.0%	4.8%	0.8%
Non-mortgage loans	6.2%	5.9%	6.5%
Corporate deposits	10.3%	7.9%	7.7%
Retail deposits	9.8%	9.7%	6.4%

Source: mBank's estimates as of 02.02.2017.

### Outlook for mBank

Net interest income & NIM (Slightly positive) 

- Continued gradual increase of margin driven by changing structure of loan portfolio
- More limited room for reduction of funding costs

Net Fee & Commission income (Slightly positive) 

- Constantly rising client transactionality and strong acquisition in both retail and corporate segment
- Selective adjustment of fees for some services

Total costs (Slightly negative) 

- Business-driven costs to remain well-contained
- Higher contribution to the BFG under new deposit guarantee scheme
- Rising amortisation due to ongoing investments in IT

Loan Loss Provisions (Neutral) 

- Resilient asset quality supported by good macroeconomic situation and low unemployment
- Small downside risk due to changing loan book mix

# Agenda

mBank Group in 2016

Summary of Q4/16 in mBank Group

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Development of Loans and Deposits

Development of Income and Costs

Loan Portfolio Quality

Funding Structure Details

Capital and Liquidity Ratios

Macroeconomic Update



Appendix

Additional Information: Selected Financial Data

Detailed Results of Business Lines

# Appendix

<b>Additional Information: Selected Financial Data</b>	<b>Page No.</b>
Consolidated Profit and Loss Account	30
Consolidated Statement of Financial Position	31
mBank Group's Ratios	32
mBank Group's Historical Performance	33-35
Net Interest Income & Margin	36
Fee and Commission Income	37
Trading and Other Income	38
Balance Sheet Analysis: Assets & Liabilities	39
Balance Sheet Analysis: Currency structure	40
Balance Sheet Analysis: Structure of loans and deposits	41
Balance Sheet Analysis: Loan portfolio structure	42
Balance Sheet analysis: Development of Capital Ratios	43
Issuance Activity on the Covered Bonds Market	44

<b>Detailed Results of the Business Lines</b>	<b>Page No.</b>
<b>Retail Banking</b>	<b>45-50</b>
Summary of Q4/16: Financial Results and Volumes	46-47
Loan Portfolio Structure in Poland	48
mBank in the Czech Republic and Slovakia	49-50
<b>Corporates and Financial Markets</b>	<b>51-54</b>
Summary of Q4/16: Financial Results and Volumes	52-53
Financial Markets Activity: Market Shares	54
<b>mBank Group's Subsidiaries</b>	<b>55-59</b>
Results of Consolidated Companies	56
mBank Hipoteczny (mBH)	57
Leasing and Factoring	58
Dom Maklerski mBanku (mDM)	59
<b>mBank's share price performance</b>	<b>60</b>
<b>Contact Details</b>	<b>61</b>

# Appendix

## Additional Information: Selected Financial Data Consolidated Profit and Loss Account

Summary
Historical view
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries

Quarterly results (PLN thou.)	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16
Net interest income	676,633	676,418	684,443	718,712	753,270
Net fee and commission income	237,400	211,745	209,703	234,363	250,634
Dividend income	6	0	2,586	442	299
Net trading income	70,900	84,087	59,513	74,402	26,629
<i>incl. FX result</i>	<i>76,196</i>	<i>71,817</i>	<i>66,065</i>	<i>82,162</i>	<i>50,407</i>
Gains less losses from investment securities	127,430	3,427	244,755	2,350	10,749
Net other operating income <sup>1</sup>	(1,886)	33,226	1,992	8,478	3,131
<b>Total income</b>	<b>1,110,483</b>	<b>1,008,903</b>	<b>1,202,992</b>	<b>1,038,747</b>	<b>1,044,712</b>
<b>Total operating costs</b>	<b>(650,955)</b>	<b>(480,772)</b>	<b>(490,699)</b>	<b>(499,887)</b>	<b>(491,926)</b>
<i>Overhead costs</i>	<i>(597,816)</i>	<i>(427,045)</i>	<i>(427,329)</i>	<i>(447,196)</i>	<i>(438,073)</i>
<i>Amortisation</i>	<i>(53,139)</i>	<i>(53,727)</i>	<i>(63,370)</i>	<i>(52,691)</i>	<i>(53,853)</i>
Loan loss provisions	(102,629)	(68,520)	(117,743)	(139,452)	(39,679)
<b>Operating profit</b>	<b>356,899</b>	<b>459,611</b>	<b>594,550</b>	<b>399,408</b>	<b>513,107</b>
Taxes on the Group balance sheet items	(933)	(57,302)	(89,011)	(89,824)	(92,802)
<b>Profit before income tax</b>	<b>355,966</b>	<b>402,309</b>	<b>505,539</b>	<b>309,584</b>	<b>420,305</b>
<b>Net profit attributable to owners of mBank</b>	<b>309,486</b>	<b>307,782</b>	<b>388,504</b>	<b>230,479</b>	<b>292,517</b>

<sup>1</sup> Including the share in the profits (losses) of joint ventures;

# Appendix

## Additional Information: Selected Financial Data Consolidated Statement of Financial Position

Summary
Historical view
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries

Assets (PLN thou.)	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16
Cash and balances with Central Bank	5 938 133	4 042 760	6 433 221	5 859 485	9 164 281
Loans and advances to banks	1 897 334	1 120 253	1 680 830	2 920 734	3 082 855
Trading securities	557 541	2 849 810	3 233 150	4 177 242	3 800 634
Derivative financial instruments	3 349 328	2 799 170	2 411 457	2 087 395	1 808 847
<b>Loans and advances to customers</b>	<b>78 433 546</b>	<b>77 940 778</b>	<b>80 774 809</b>	<b>81 009 630</b>	<b>81 763 277</b>
Investment securities	30 736 949	31 618 471	31 644 303	31 257 850	31 393 352
Intangible assets	519 049	512 481	503 561	501 917	582 663
Tangible fixed assets	744 522	722 279	722 792	710 268	757 371
Other assets	1 346 619	1 662 378	1 329 362	1 256 202	1 390 222
<b>Total assets</b>	<b>123 523 021</b>	<b>123 268 380</b>	<b>128 733 485</b>	<b>129 780 723</b>	<b>133 743 502</b>
Liabilities (PLN thou.)	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16
Amounts due to other banks	12 019 331	10 972 446	12 058 198	11 562 896	8 486 753
Derivative financial instruments	3 173 638	2 355 838	2 157 160	1 766 557	1 599 266
<b>Amounts due to customers</b>	<b>81 140 866</b>	<b>81 133 851</b>	<b>85 302 300</b>	<b>85 188 225</b>	<b>91 417 962</b>
Debt securities in issue	8 946 195	9 697 975	10 115 495	12 192 188	12 660 389
Subordinated liabilities	3 827 315	3 801 673	3 910 457	3 851 380	3 943 349
Other liabilities	2 140 712	2 679 200	2 392 876	2 248 936	2 584 622
<b>Total liabilities</b>	<b>111 248 057</b>	<b>110 640 983</b>	<b>115 936 486</b>	<b>116 810 182</b>	<b>120 692 341</b>
<b>Total equity</b>	<b>12 274 964</b>	<b>12 627 397</b>	<b>12 796 999</b>	<b>12 970 541</b>	<b>13 051 161</b>
<b>Total liabilities and equity</b>	<b>123 523 021</b>	<b>123 268 380</b>	<b>128 733 485</b>	<b>129 780 723</b>	<b>133 743 502</b>

# Appendix

## Additional Information: Selected Financial Data mBank Group's Ratios

Summary
Historical view
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries

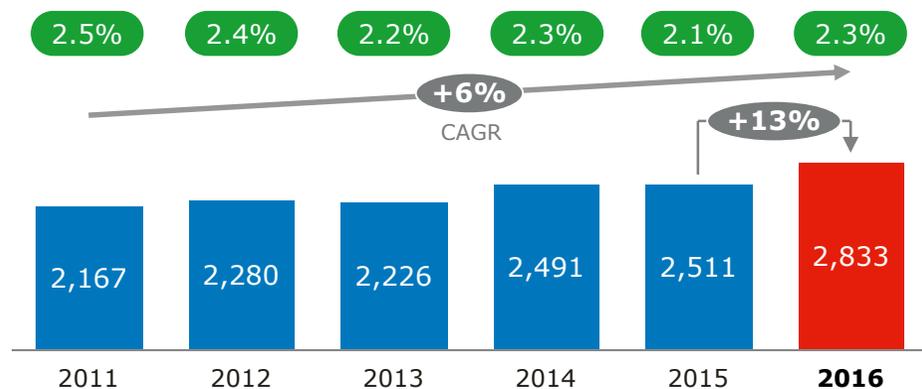
Financial Ratios	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16
Net Interest Margin ( <i>quarterly</i> )	2.22%	2.29%	2.25%	2.31%	2.35%
Net Interest Margin YtD	2.13%	2.29%	2.27%	2.28%	2.30%
Net Interest Margin YtD (excl. CHF portfolio)	2.48%	2.66%	2.63%	2.64%	2.65%
Cost to Income Ratio ( <i>quarterly</i> )	58.6%	47.7%	40.8%	48.1%	47.1%
Cost to Income Ratio YtD	50.1%	47.7%	43.9%	45.3%	45.7%
Cost of Risk ( <i>quarterly</i> )	0.52%	0.35%	0.59%	0.69%	0.20%
Cost of Risk YtD	0.54%	0.35%	0.47%	0.55%	0.46%
ROE net ( <i>quarterly</i> )	11.20%	10.08%	12.85%	7.61%	9.81%
ROE net YtD	11.84%	10.08%	11.46%	10.18%	10.09%
ROA net ( <i>quarterly</i> )	0.97%	0.99%	1.23%	0.71%	0.88%
ROA net YtD	1.04%	0.99%	1.11%	0.98%	0.95%
Loan-to-Deposit Ratio	96.7%	96.1%	94.7%	95.1%	89.4%
Total Capital Ratio	17.25%	19.01%	18.33%	18.61%	20.29%
Common Equity Tier 1 Ratio	14.29%	16.20%	15.61%	15.88%	17.32%
Equity / Assets	9.9%	10.2%	9.9%	10.0%	9.8%
TREA / Assets	56.2%	56.1%	55.4%	54.9%	48.8%
NPL ratio	5.7%	5.8%	5.8%	5.9%	5.4%
NPL coverage ratio	58.9%	58.6%	58.5%	59.5%	57.1%
NPL coverage ratio incl. general provisions	64.3%	64.0%	63.7%	64.4%	62.1%

# Appendix

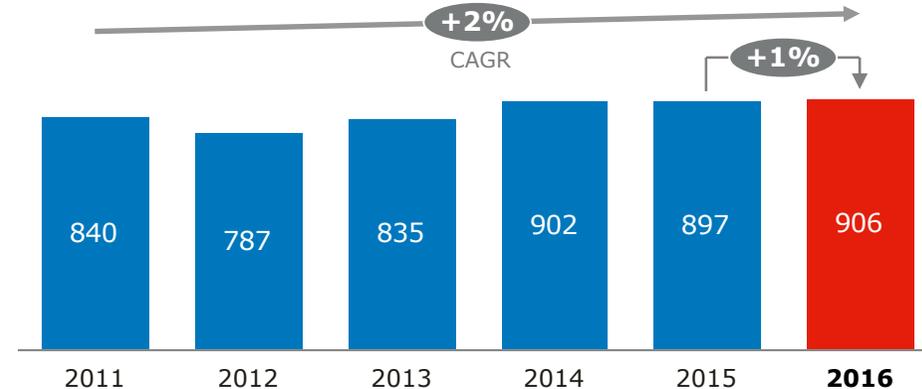
## mBank Group's historical performance (1/3)

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

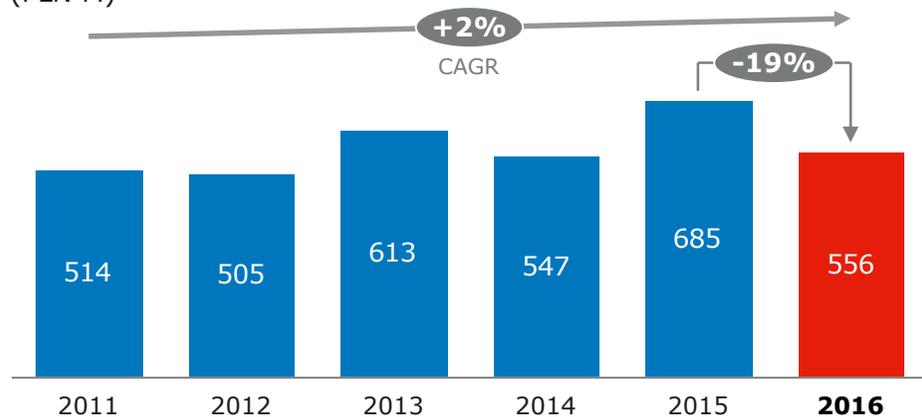
Net Interest Income & NIM  
(PLN M)



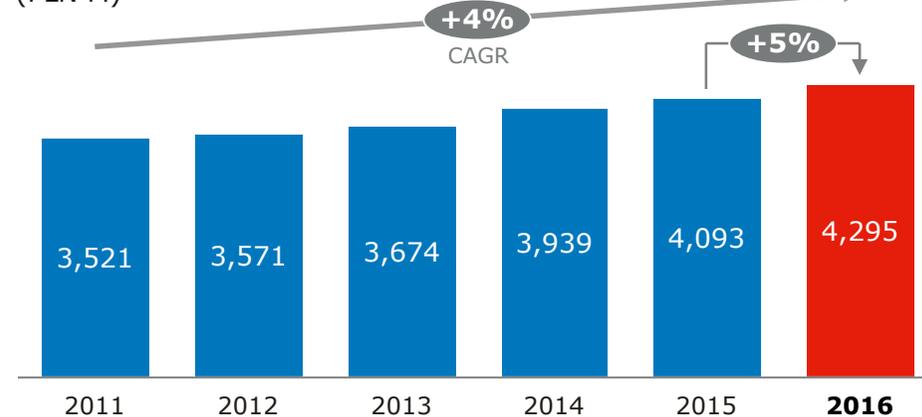
Net Fee and Commission Income  
(PLN M)



Trading and Other Income  
(PLN M)



Total Income  
(PLN M)



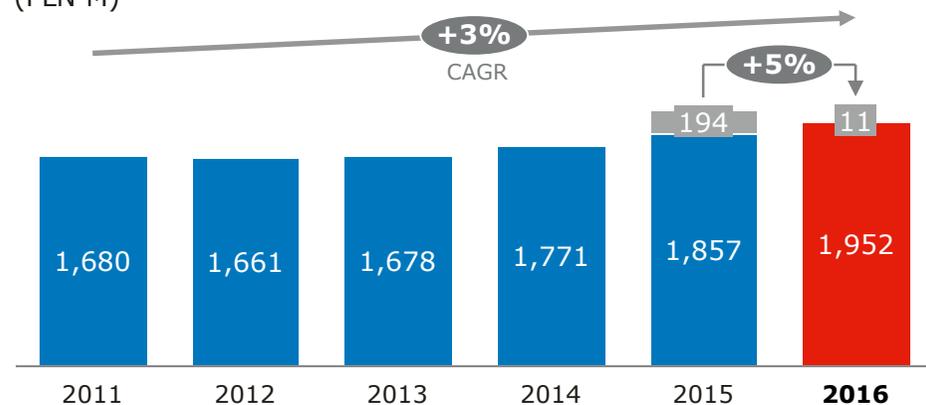
# Appendix

## mBank Group's historical performance (2/3)

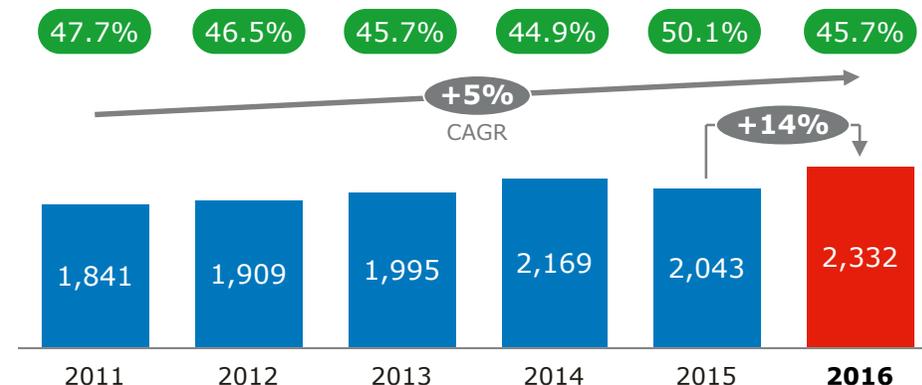
Summary
<b>Historical view</b>
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries

Operating Costs (PLN M)

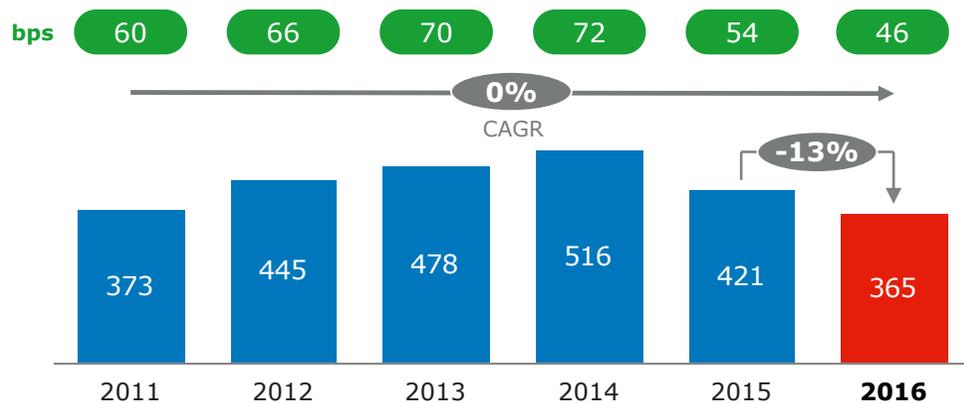
*Dynamics excl. one-off regulatory costs (additional payment to the BFG and Mortgage Support Fund)*



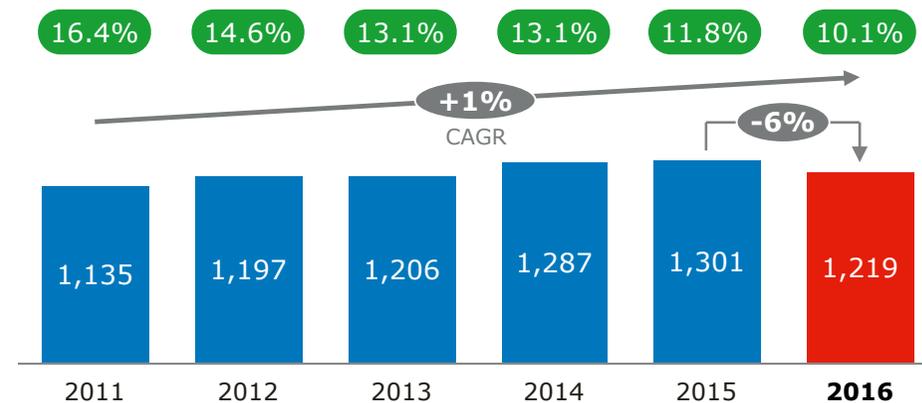
Pre-provision Income & C/I ratio (PLN M)



Loan Loss Provisions & Cost of Risk (PLN M)



Net Profit & Return on Equity (PLN M)

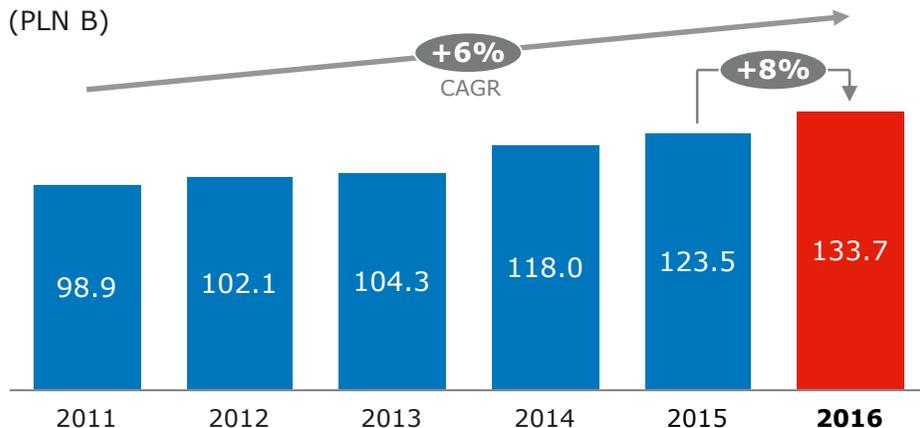


# Appendix

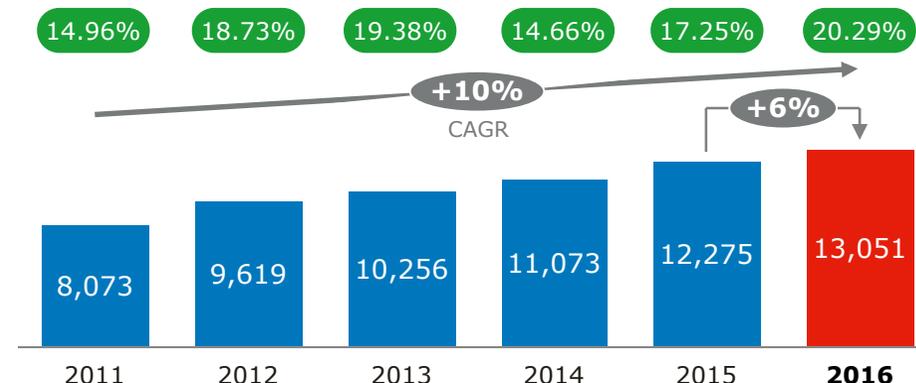
## mBank Group's historical performance (3/3)

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

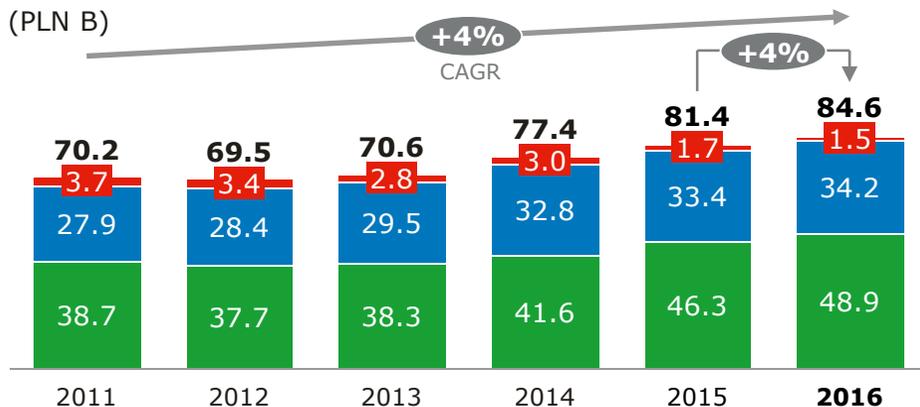
Total Assets  
(PLN B)



Equity & Total Capital Ratio  
(PLN M)

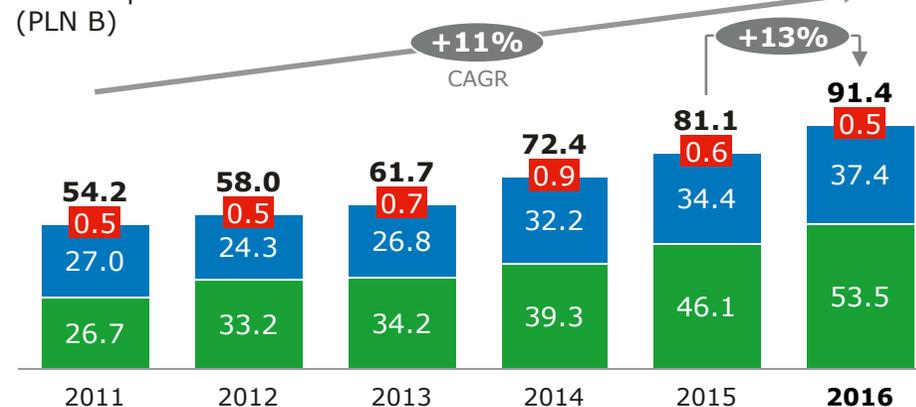


Total Gross Loans  
(PLN B)



Individual clients Corporate clients Public sector and other

Total Deposits  
(PLN B)



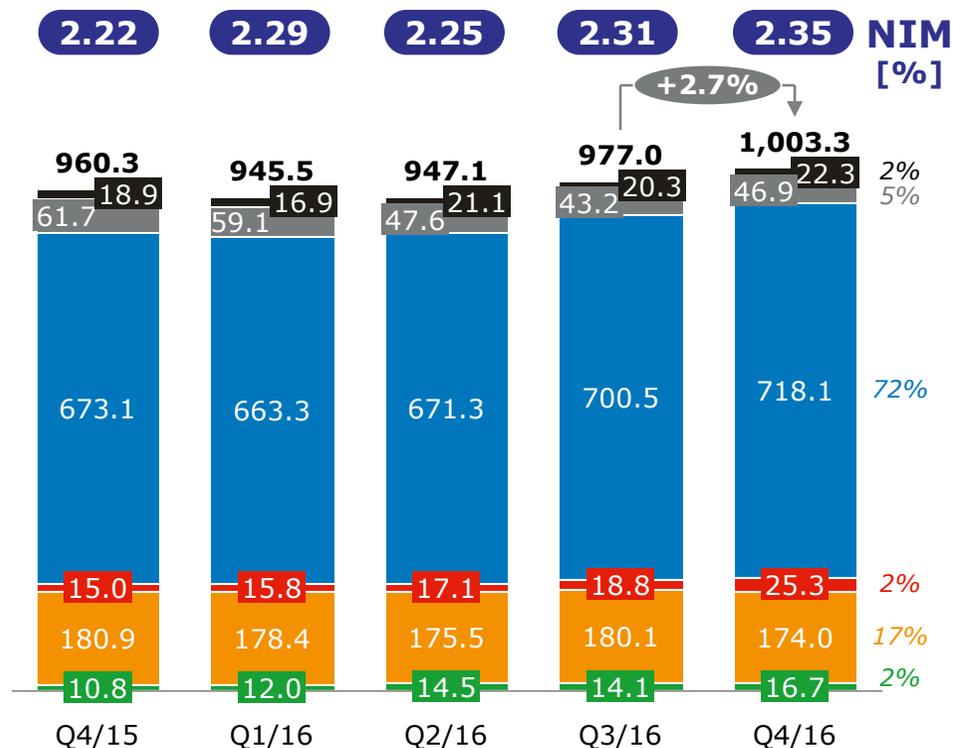
Individual clients Corporate clients Public sector

# Appendix

## Additional Information: Selected Financial Data Net Interest Income & Margin

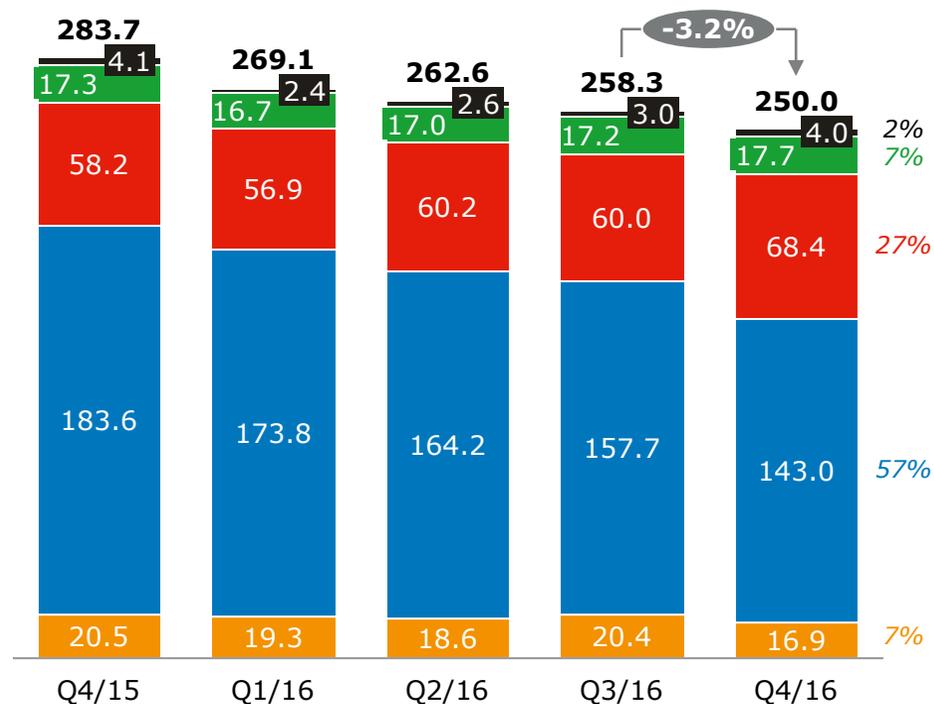
Summary
Historical view
<b>Profit &amp; Loss</b>
Balance Sheet
Business Lines
Subsidiaries

Interest Income Structure  
(PLN M)



- Cash and short-term deposits
- Loans and advances
- Investment securities
- Derivatives classified into banking book
- Debt securities held for trading
- Other

Interest Expense Structure  
(PLN M)



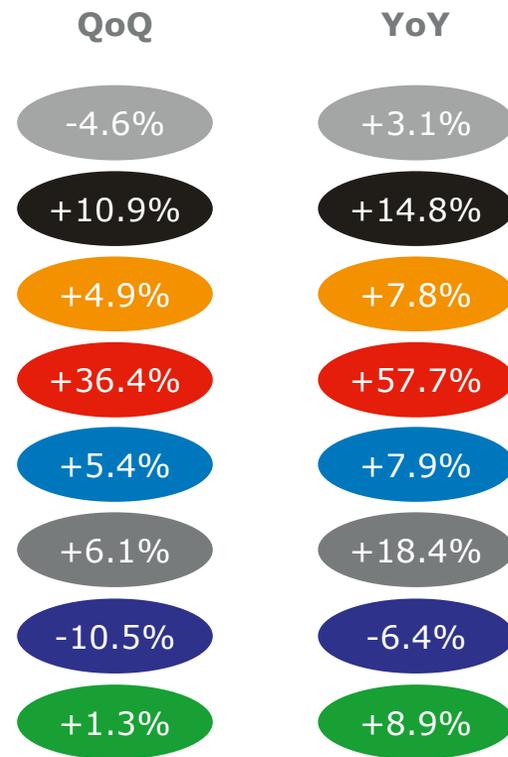
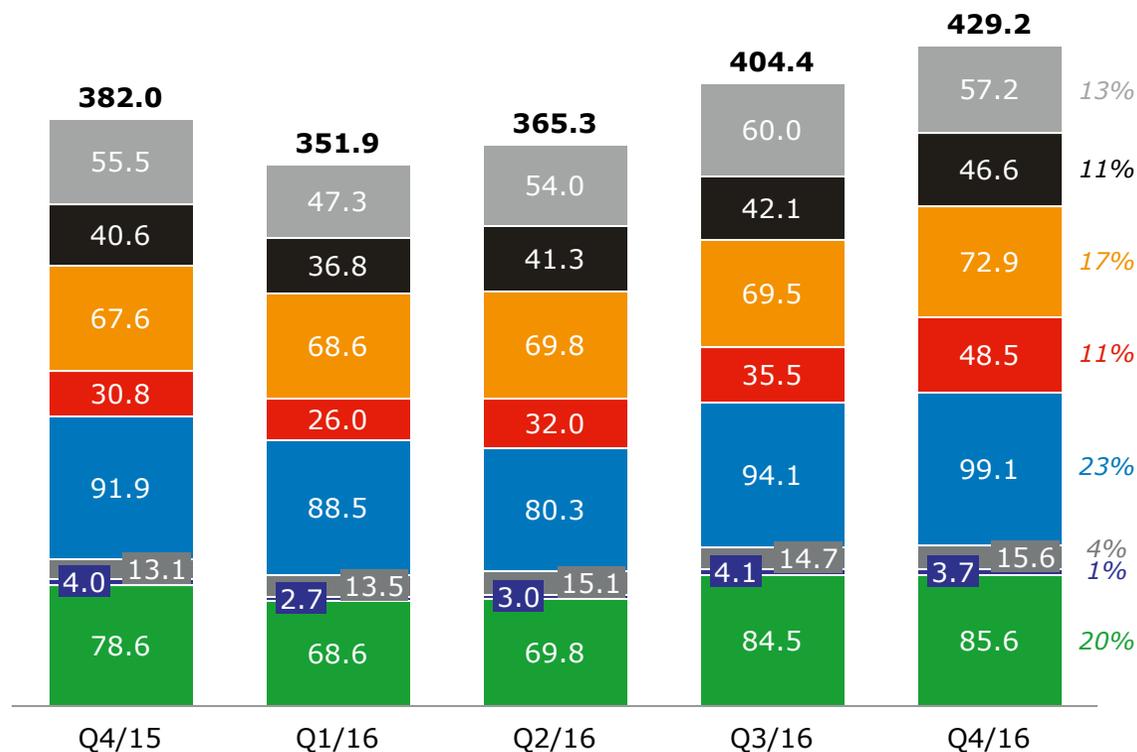
- Amounts due to banks
- Subordinated liabilities
- Amounts due to customers
- Other
- Issue of debt securities

# Appendix

## Additional Information: Selected Financial Data Fee and Commission Income

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

Fee and Commission Income Structure  
(PLN M)



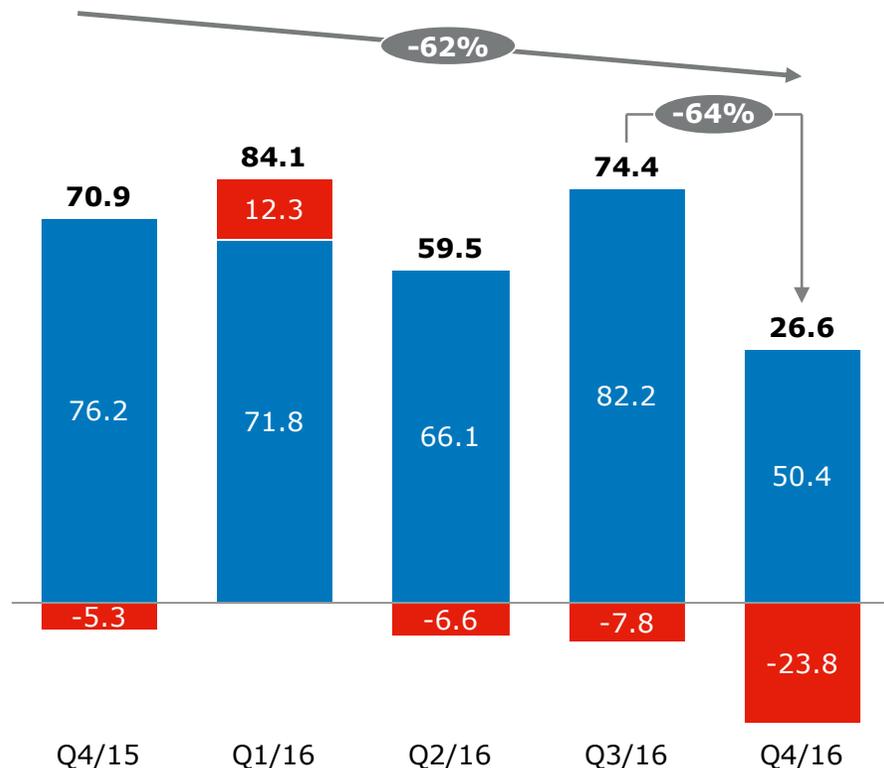
- Credit related fees
- Payment card fees
- Insurance activity
- Portfolio management
- Brokerage activity & securities issue
- Other (incl. custody)
- Guarantees and trade finance
- Accounts & money transfers

# Appendix

## Additional Information: Selected Financial Data Trading and Other Income

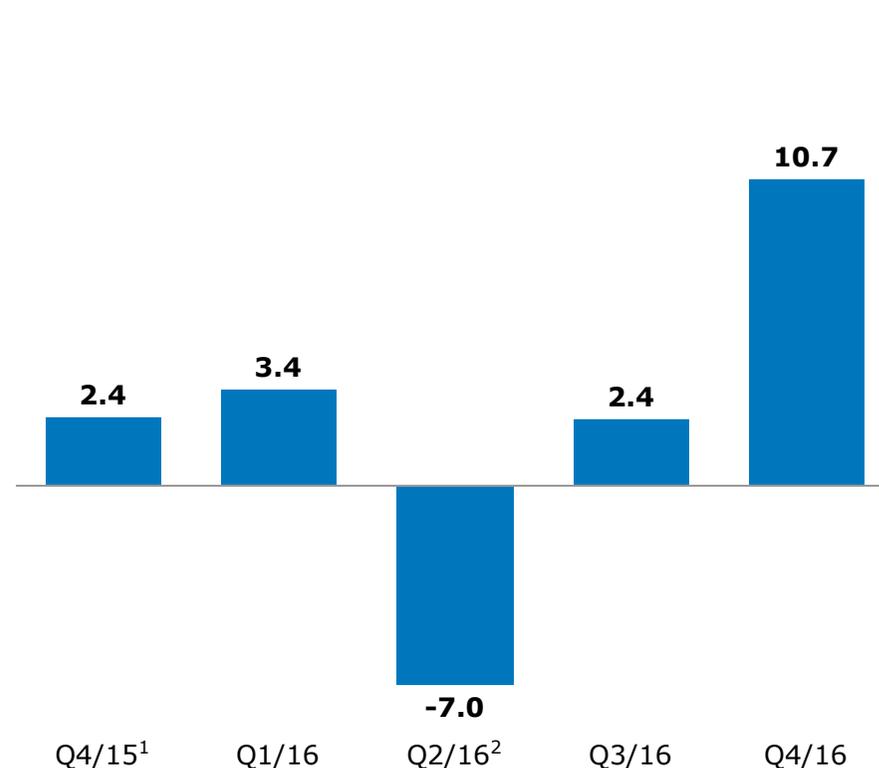
Summary
Historical view
<b>Profit &amp; Loss</b>
Balance Sheet
Business Lines
Subsidiaries

Net Trading Income Structure  
(PLN M)



■ FX Result ■ Other Trading Income

Gains less Losses from Investment Securities  
(PLN M)



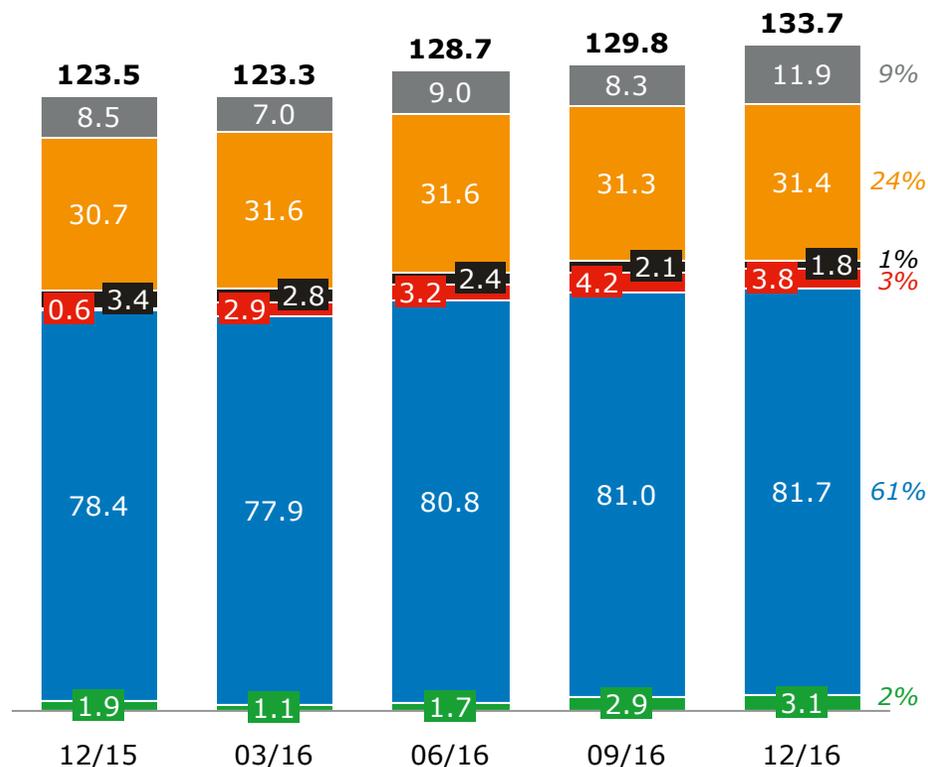
<sup>1</sup> Excluding one-off gain on the sale of PZU shares (PLN 125.0 M); <sup>2</sup> Excluding gain on the settlement of Visa transaction (PLN 251.7 M);

# Appendix

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

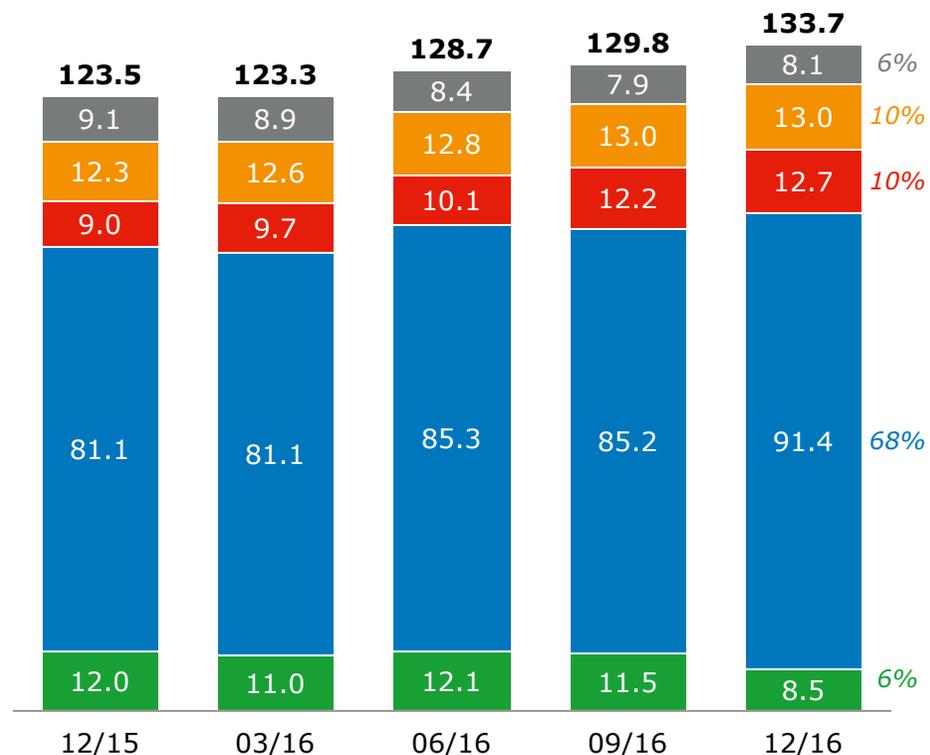
Summary
Historical view
Profit & Loss
<b>Balance Sheet</b>
Business Lines
Subsidiaries

Structure of Assets  
(PLN B)



- Amounts due from banks
- Loans and advances to customers
- Trading securities
- Derivative financial instruments
- Investment securities
- Other

Structure of Liabilities and Equity  
(PLN B)



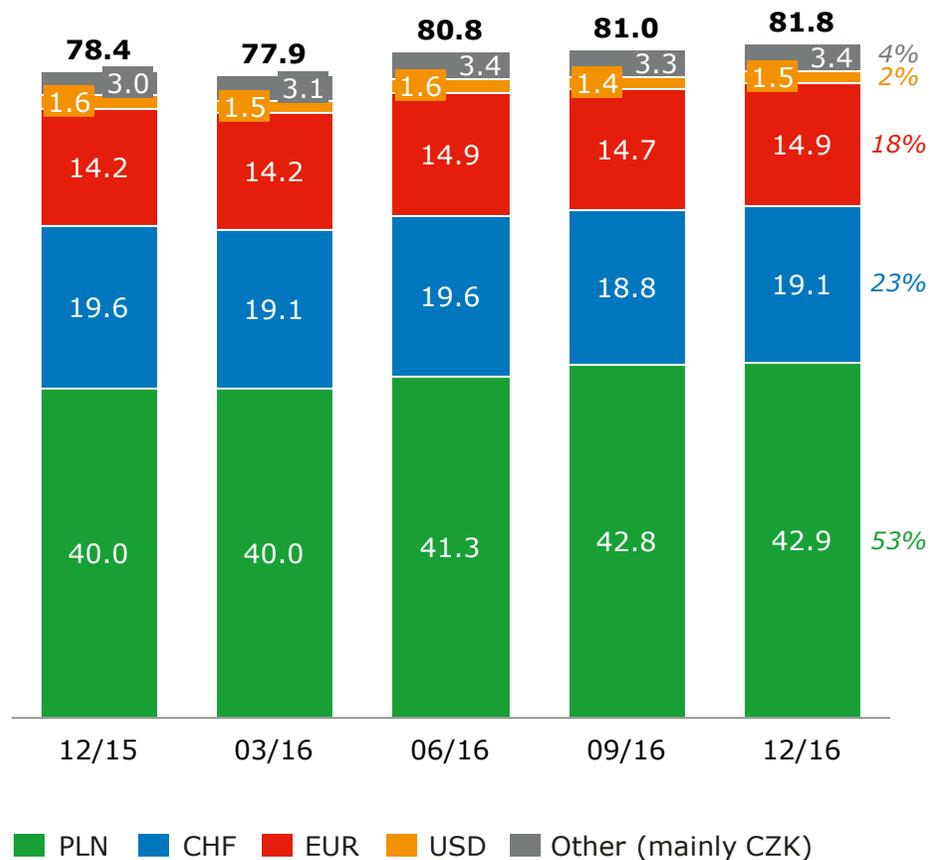
- Amounts due to other banks
- Amounts due to customers
- Debt securities in issue
- Equity
- Other

# Appendix

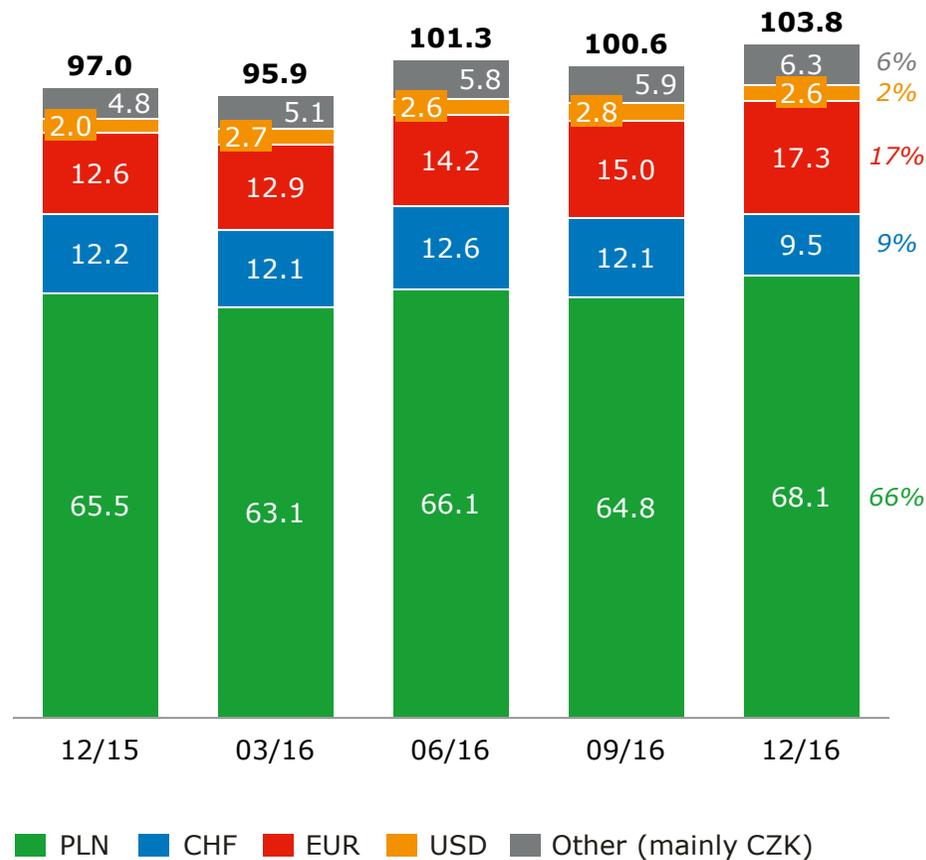
## Additional Information: Selected Financial Data Balance Sheet Analysis: Currency Structure

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

Currency Structure of Loans to Customers (net)  
(PLN B)



Currency Structure of Amounts due to Banks and Customers<sup>1</sup>  
(PLN B)



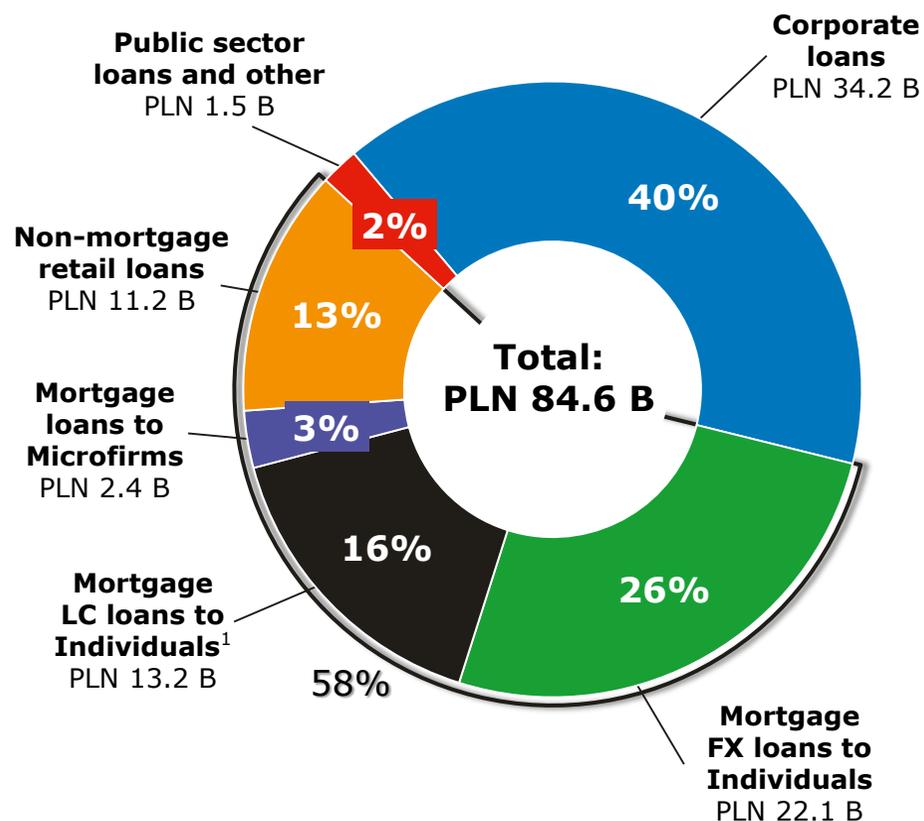
<sup>1</sup> Including amounts due to other banks and customers and subordinated liabilities;

# Appendix

## Additional Information: Selected Financial Data Balance Sheet Analysis: Structure of Loans and Deposits

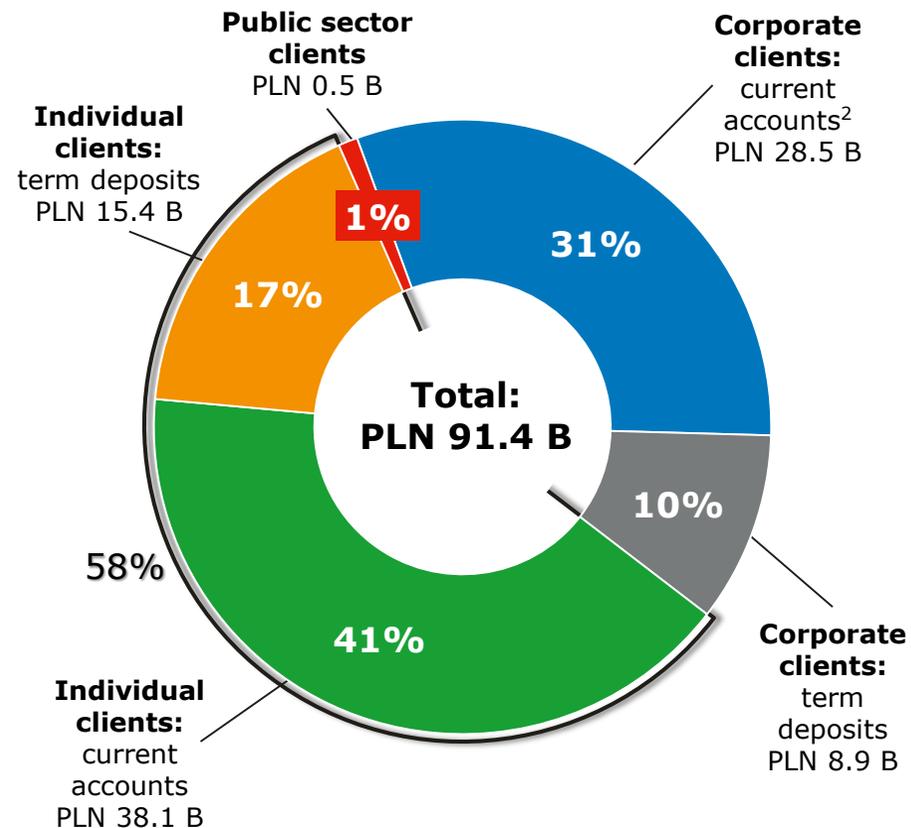
Summary
Historical view
Profit & Loss
<b>Balance Sheet</b>
Business Lines
Subsidiaries

Structure of mBank Group's Gross Loans as of 31.12.2016



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

Structure of mBank Group's Deposits as of 31.12.2016

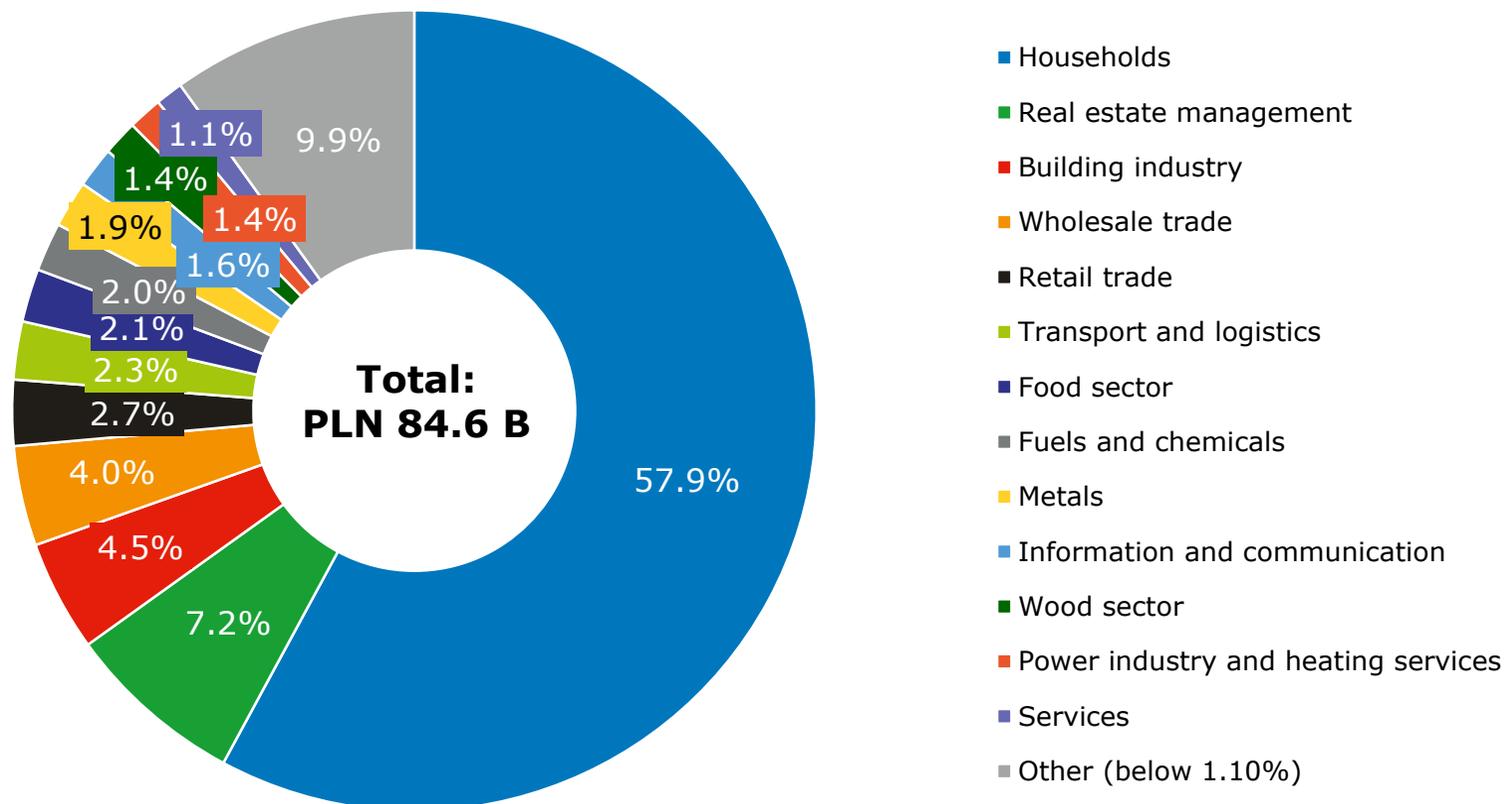


<sup>2</sup> Including repo transactions, loans and advances received, other liabilities;

# Appendix

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

mBank Group's Sector Exposure by Industry  
as of 31.12.2016



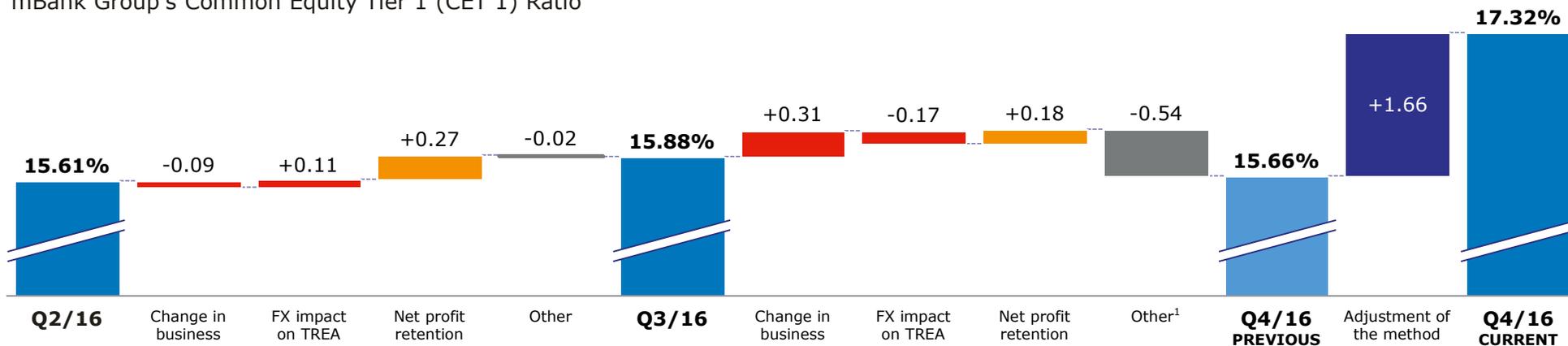
**A well diversified loan portfolio with granular structure**

# Appendix

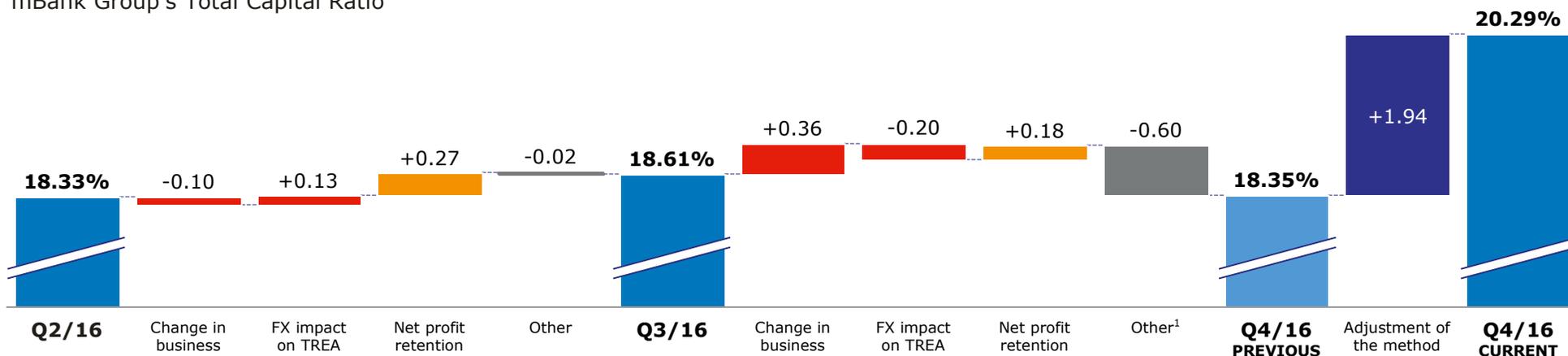
## Additional Information: Selected Financial Data Balance Sheet Analysis: Detailed Development of Capital Ratios

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

mBank Group's Common Equity Tier 1 (CET 1) Ratio



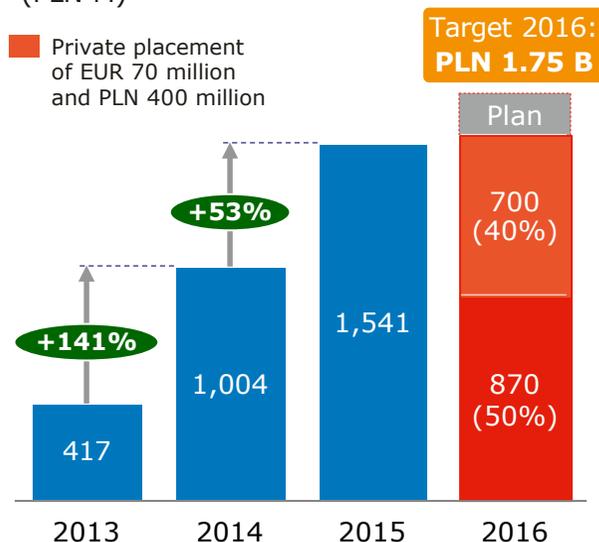
mBank Group's Total Capital Ratio



<sup>1</sup> Mainly due to negative valuation of available for sale (AFS) financial instruments;

## Issuance Activity on the Covered Bonds Market Residential mortgage loans are rising in cover pool

Covered Bonds Issuance  
(PLN M)



- mBank Hipoteczny issued more than planned PLN 1.5 billion of covered bonds in 2015 and achieved 90% of its target of PLN 1.75 billion for 2016
- Covered bond issuance to become the dominant long-term financing source for the Group's mortgage lending and a competitive advantage in a tightening regulatory environment

Summary of Mortgage Covered Bonds issued in 2014-2016 (public issues)

Amount	Currency	Issue date	Maturity date	Tenor (years)	Coupon
7.5 M	EUR	17-02-2014	15-02-2018	4.0	EURIBOR 6M + 80bps
8.0 M	EUR	28-02-2014	28-02-2029	15.0	Fixed (3.50%)
15.0 M	EUR	17-03-2014	15-03-2029	15.0	Fixed (3.50%)
20.0 M	EUR	30-05-2014	30-05-2029	15.0	Fixed (3.20%)
300.0 M	PLN	28-07-2014	28-07-2022	8.0	WIBOR 6M + 93bps
200.0 M	PLN	04-08-2014	20-02-2023	8.5	WIBOR 6M + 93bps
20.0 M	EUR	22-10-2014	22-10-2018	4.0	Fixed (1.115%)
50.0 M	EUR	28-11-2014	15-10-2019	4.9	EURIBOR 3M + 87bps
200.0 M	PLN	20-02-2015	28-04-2022	7.2	WIBOR 6M + 78bps
20.0 M	EUR	25-02-2015	25-02-2022	7.0	Fixed (1.135%)
250.0 M	PLN	15-04-2015	16-10-2023	8.5	WIBOR 6M + 87bps
11.0 M	EUR	24-04-2015	24-04-2025	10.0	Fixed (1.285%)
50.0 M	EUR	24-06-2015	24-06-2020	5.0	EURIBOR 3M + 69bps
500.0 M	PLN	17-09-2015	10-09-2020	5.0	WIBOR 3M + 110bps
255.0 M	PLN	02-12-2015	20-09-2021	5.8	WIBOR 3M + 115bps
300.0 M	PLN	09-03-2016	05-03-2021	5.0	WIBOR 3M + 120bps
50.0 M	EUR	23-03-2016	21-06-2021	5.2	EURIBOR 3M + 87bps
50.0 M	PLN	28-04-2016	28-04-2020	4.0	Fixed (2.91%)
100.0 M	PLN	11-05-2016	28-04-2020	4.0	Fixed (2.91%)
13.0 M	EUR	28-09-2016	20-09-2026	10.0	Fixed (1.18%)
35.0 M	EUR	26-10-2016	20-09-2026	9.9	Fixed (1.183%)

## Detailed Results of the Business Lines in Q4/16

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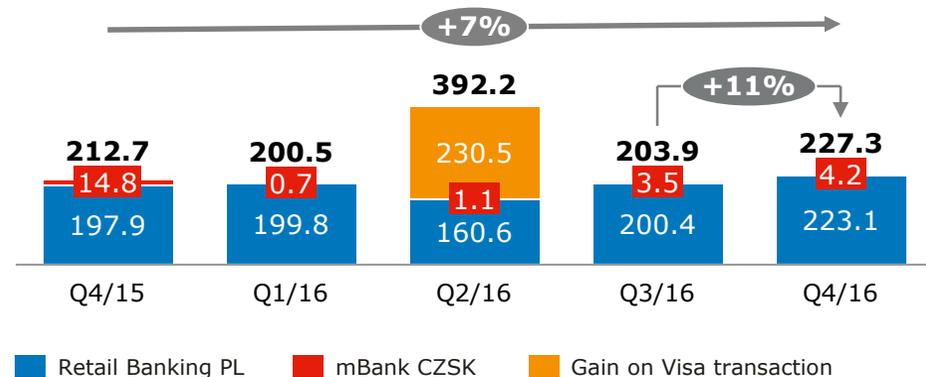
# Retail Banking

# Appendix

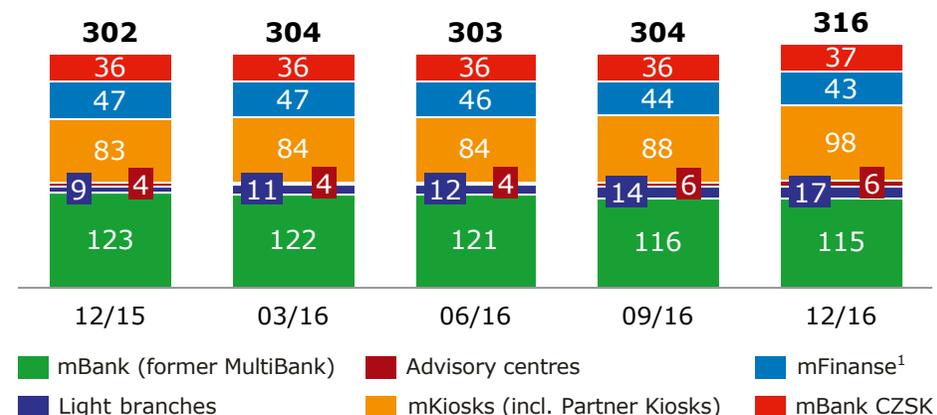
## Retail Banking Summary of Q4/16: Financial and Business Results

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

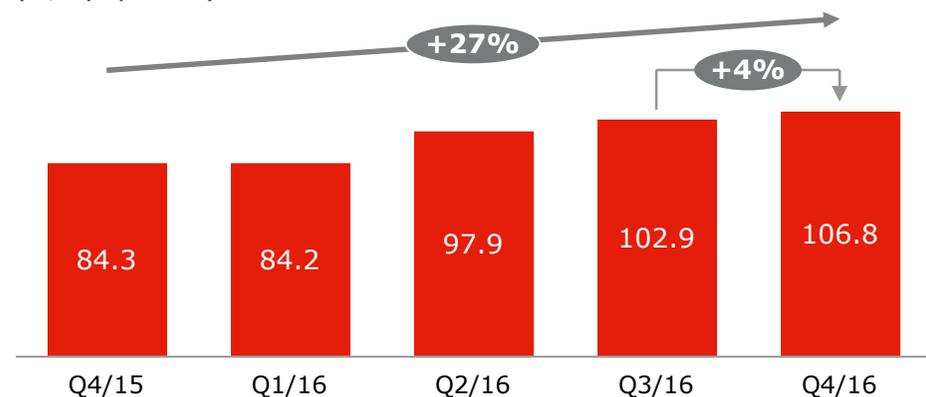
Profit before Tax of the Segment  
(PLN M, by quarter)



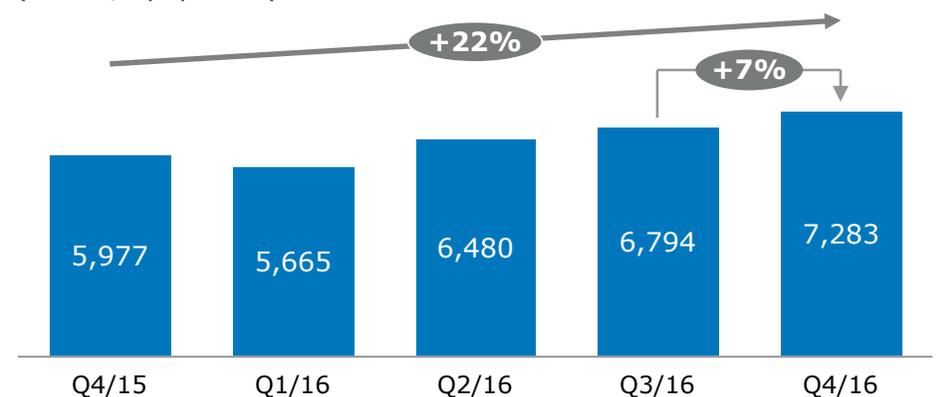
Number of Retail Service Locations



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



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



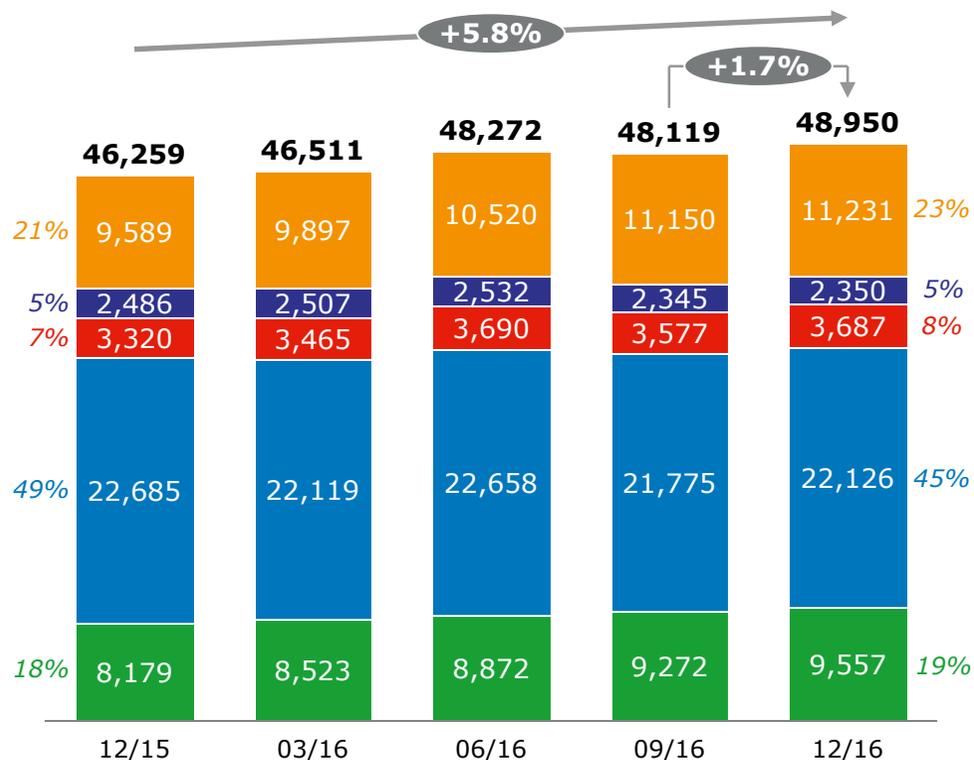
<sup>1</sup> Including financial centres and agency service points (data revised for previous quarters);

# Appendix

## Retail Banking Summary of Q4/16: Loans and Deposits

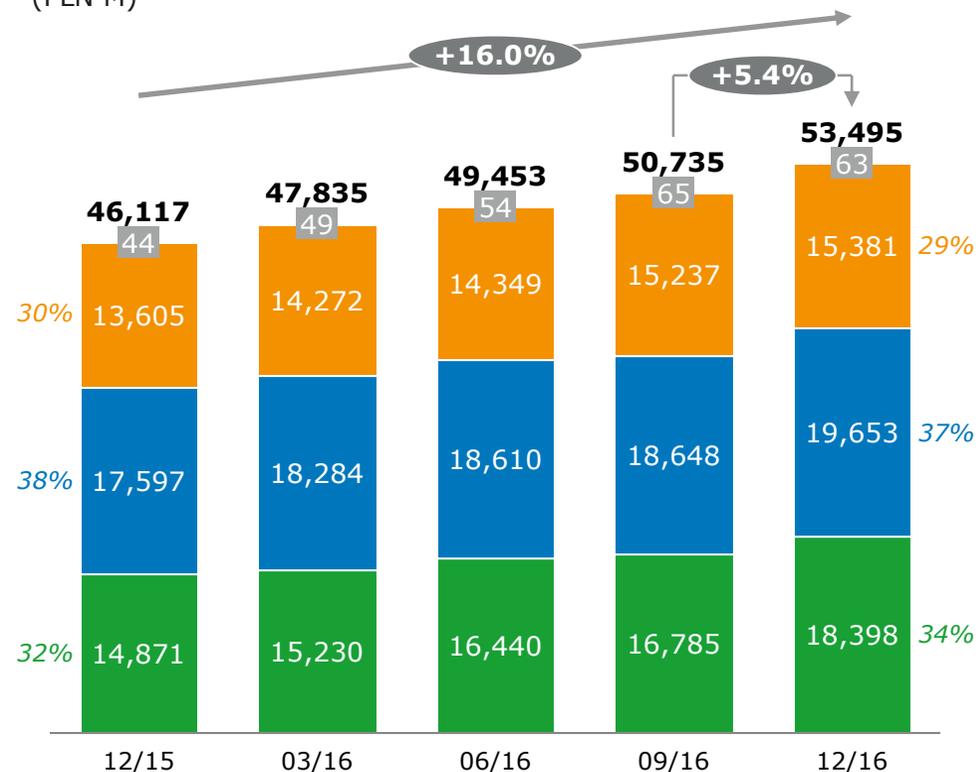
Summary
Historical view
Profit & Loss
Balance Sheet
<b>Business Lines</b>
Subsidiaries

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



- PLN mortgage loans to Individuals
- Mortgage loans to Microfirms
- FX mortgage loans to Individuals granted in PL
- Non-mortgage loans
- Mortgage loans granted in CZSK

Deposits from Retail Banking Clients  
(PLN M)



- Current accounts
- Saving accounts
- Term deposits
- Other

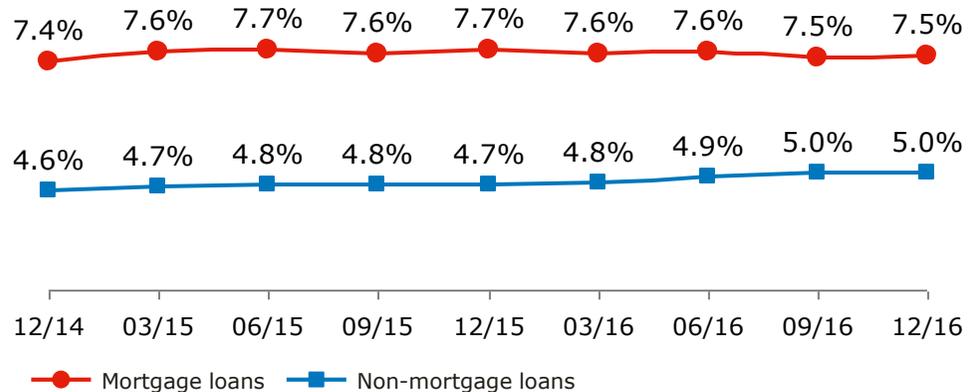
<sup>1</sup> Currency and geographical breakdown based on management information;

# Appendix

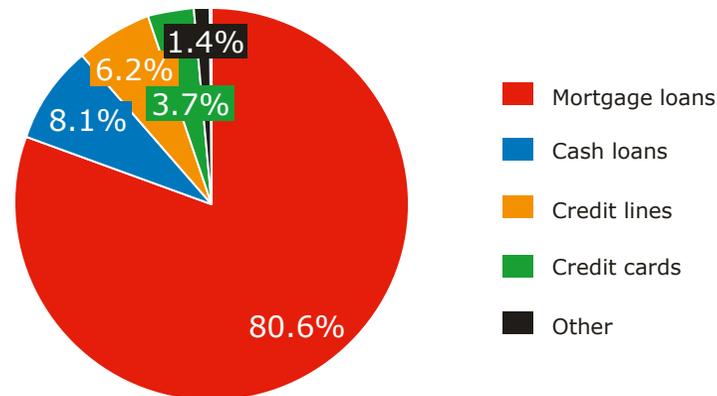
## Retail Banking Loan Portfolio Structure of mBank Group in Poland

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

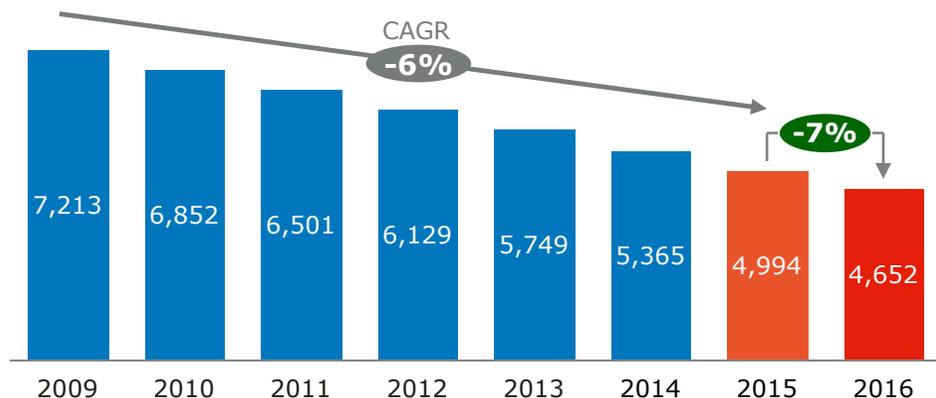
Market Shares in Household Loans in Poland



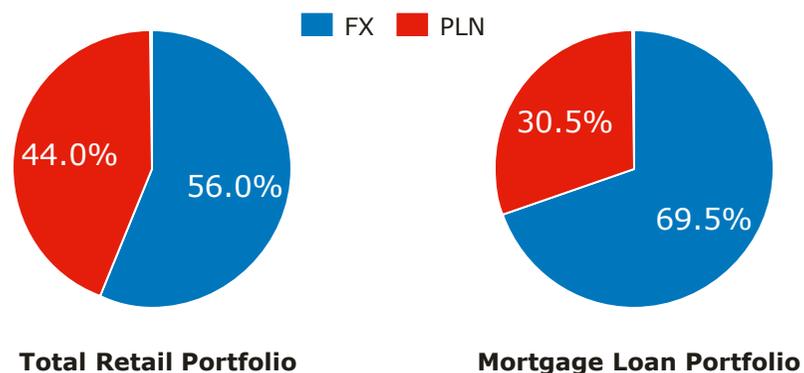
Product Structure of Retail Banking Loan Portfolio in Poland as of 31.12.2016



mBank's Gross CHF Loan Portfolio to Retail Clients (CHF M)



Currency Structure of Retail Banking Loan Portfolio in Poland as of 31.12.2016

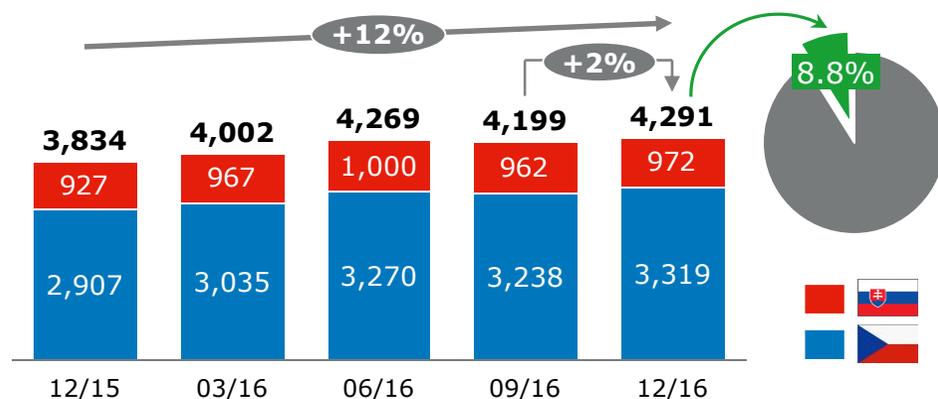


# Appendix

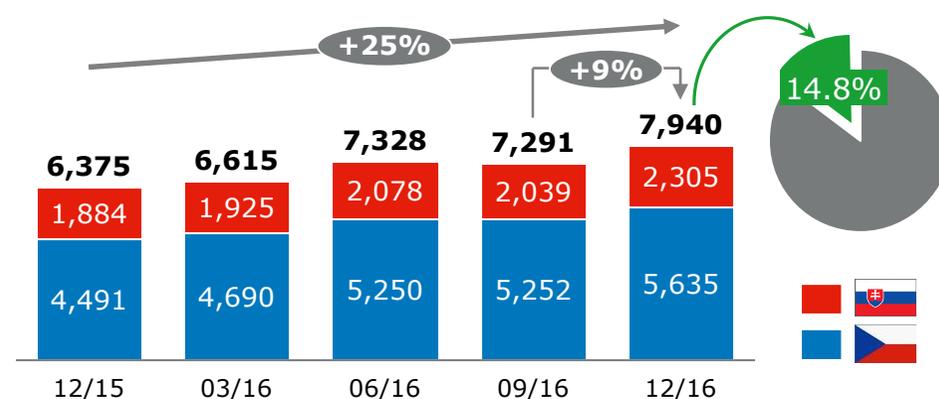
## Retail Banking mBank in the Czech Republic and Slovakia

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

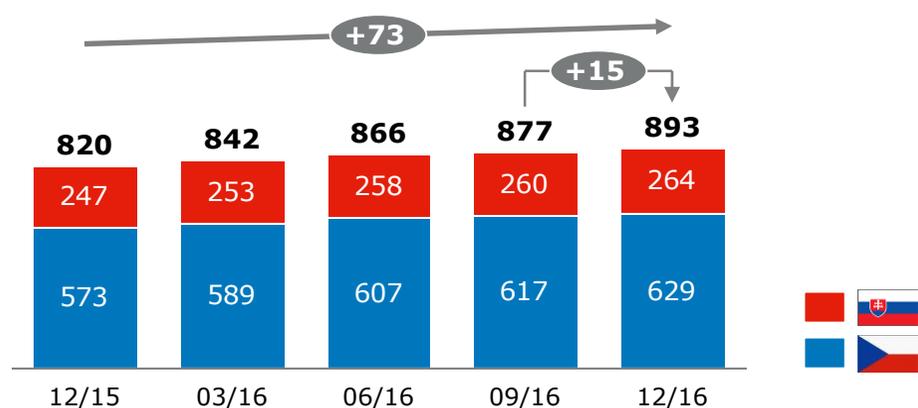
Gross Loans (PLN M) and Share in Total mBank's retail volume



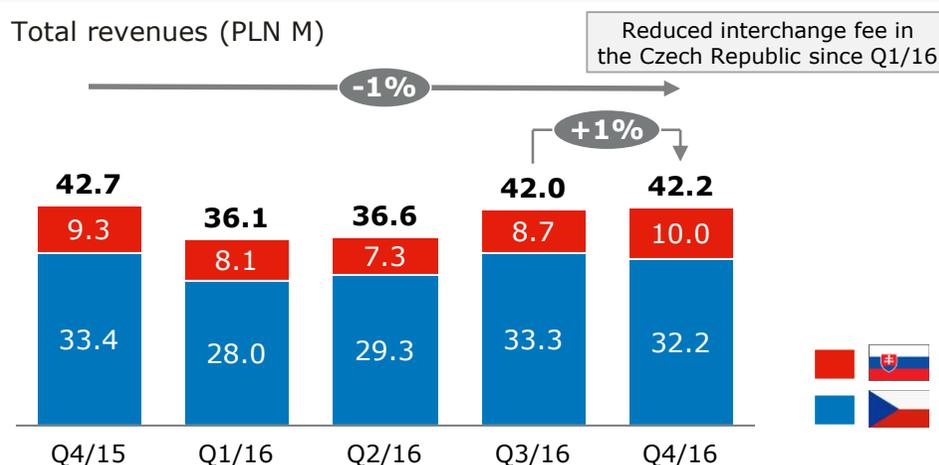
Deposits (PLN M) and Share in Total mBank's retail volume



Number of clients (thou.)



Total revenues (PLN M)



Note: Volumes based on management information.

# Appendix

## Retail Banking mBank in the Czech Republic and Slovakia

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

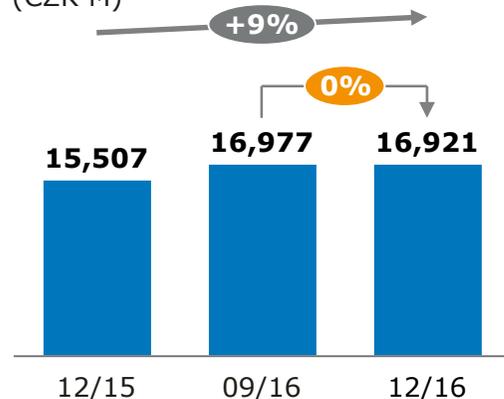


### Czech Republic

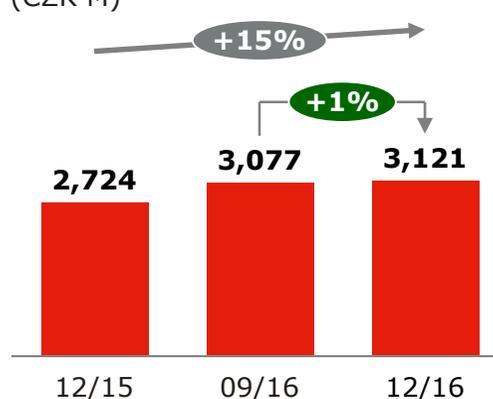
Clients:  
**628.9 thou.**

**2** light branches,  
**8** financial centres &  
**16** mKiosks

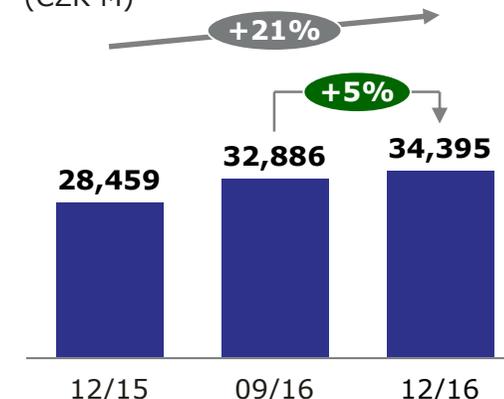
Mortgage Loans  
(CZK M)



Non-mortgage Loans  
(CZK M)



Customer deposits  
(CZK M)

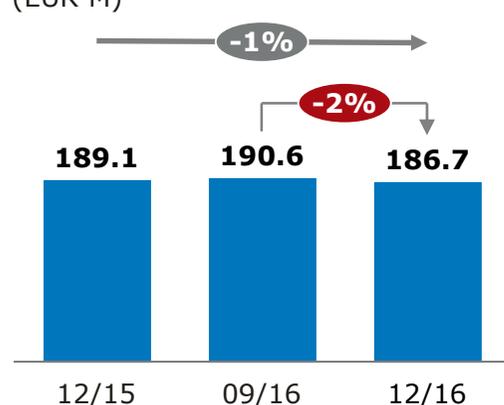


### Slovakia

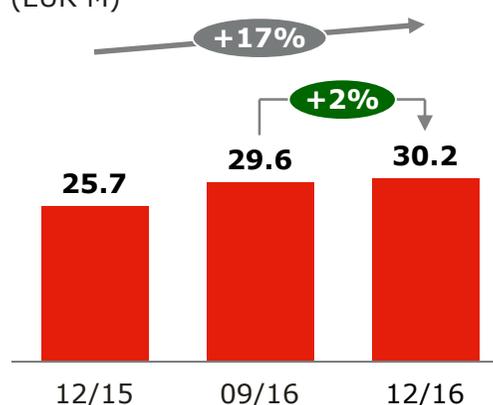
Clients:  
**263.7 thou.**

**2** light branches,  
**4** financial centres &  
**5** mKiosks

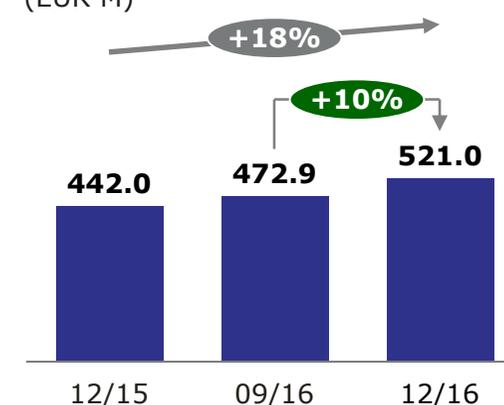
Mortgage Loans  
(EUR M)



Non-mortgage Loans  
(EUR M)



Customer deposits  
(EUR M)



Note: Volumes based on management information.

## Detailed Results of the Business Lines in Q4/16

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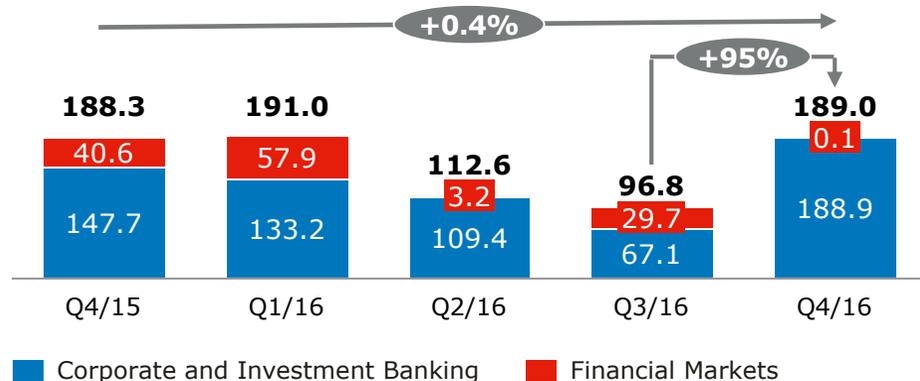
# Corporates & Financial Markets

# Appendix

## Corporates and Financial Markets Summary of Q4/16: Financial and Business Results

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

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

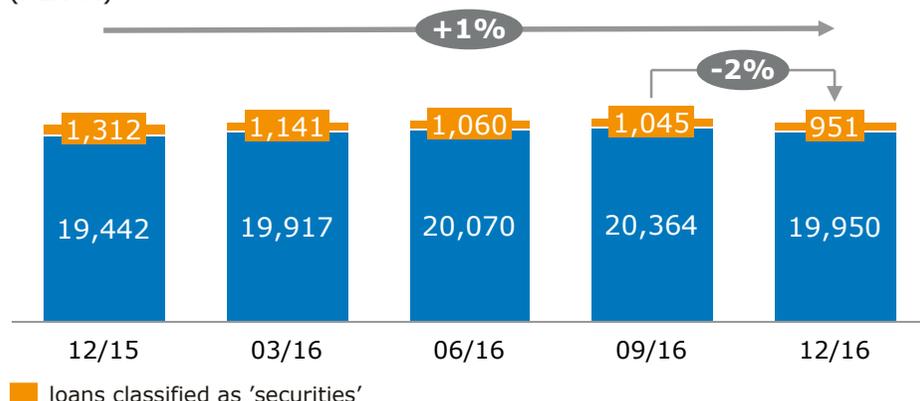


Number of Corporate Service Locations

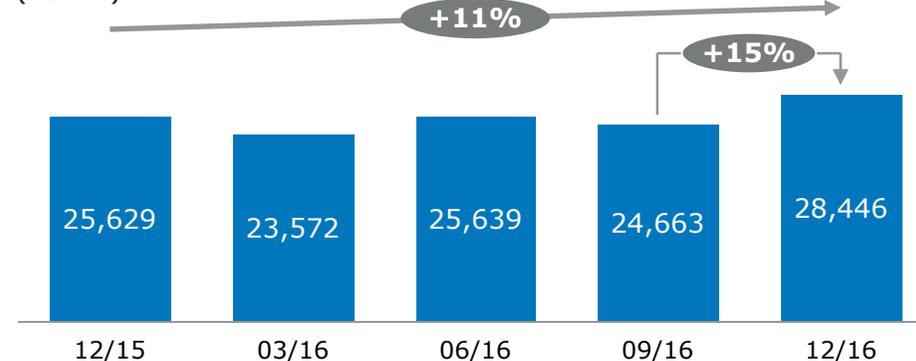
- 29 mBank's branches
- 16 mBank's offices
- 23 mLeasing
- 8 mFaktoring
- 5 mBank Hipoteczny
- 6 Advisory centres



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



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



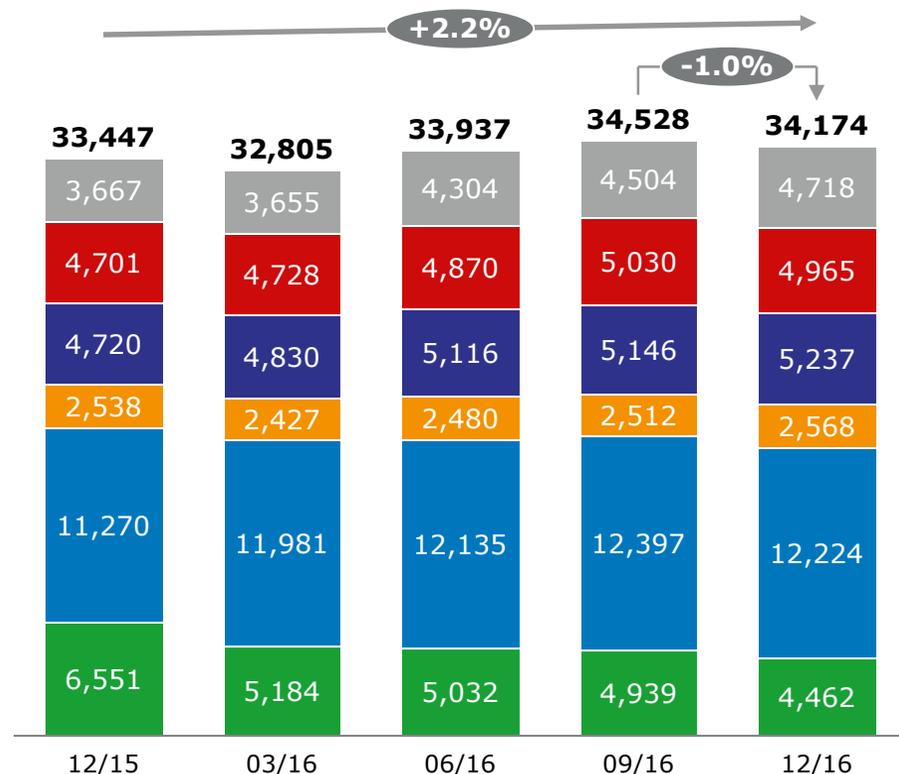
<sup>1</sup> Corporate loan and deposit volumes according to current NBP rules;

# Appendix

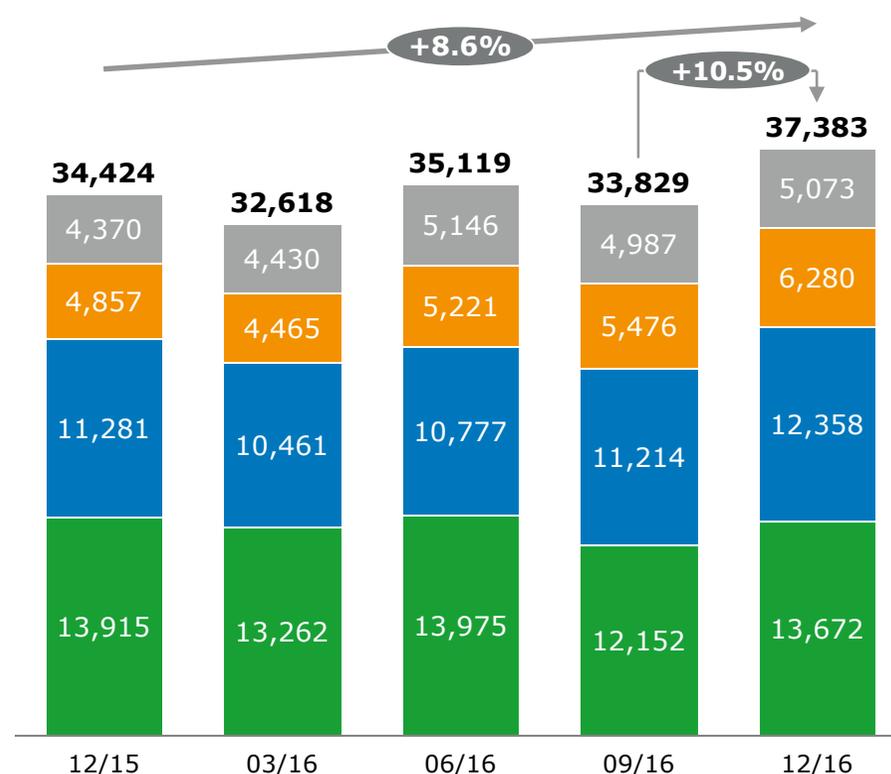
## Corporates and Financial Markets Summary of Q4/16: Loans and Deposits

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

Gross Loans to Corporate Entities  
(PLN M)



Deposits from Corporate Customers  
(PLN M)



■ K1  
 ■ K2  
 ■ K3  
 ■ mLeasing  
 ■ mBank Hipoteczny  
 ■ Other

■ K1  
 ■ K2  
 ■ K3  
 ■ Other

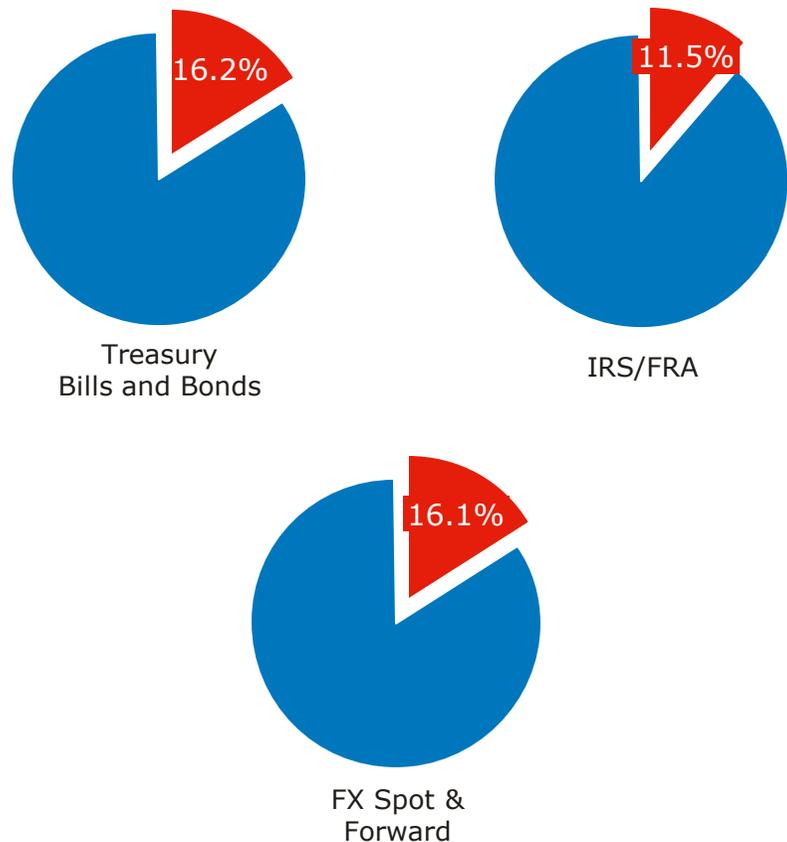
Note: Corporate clients split: K1 – annual sales over PLN 500 M and non-banking financial institutions; K2 – annual sales PLN 30 M to PLN 500 M; K3 – annual sales below 30 M.

# Appendix

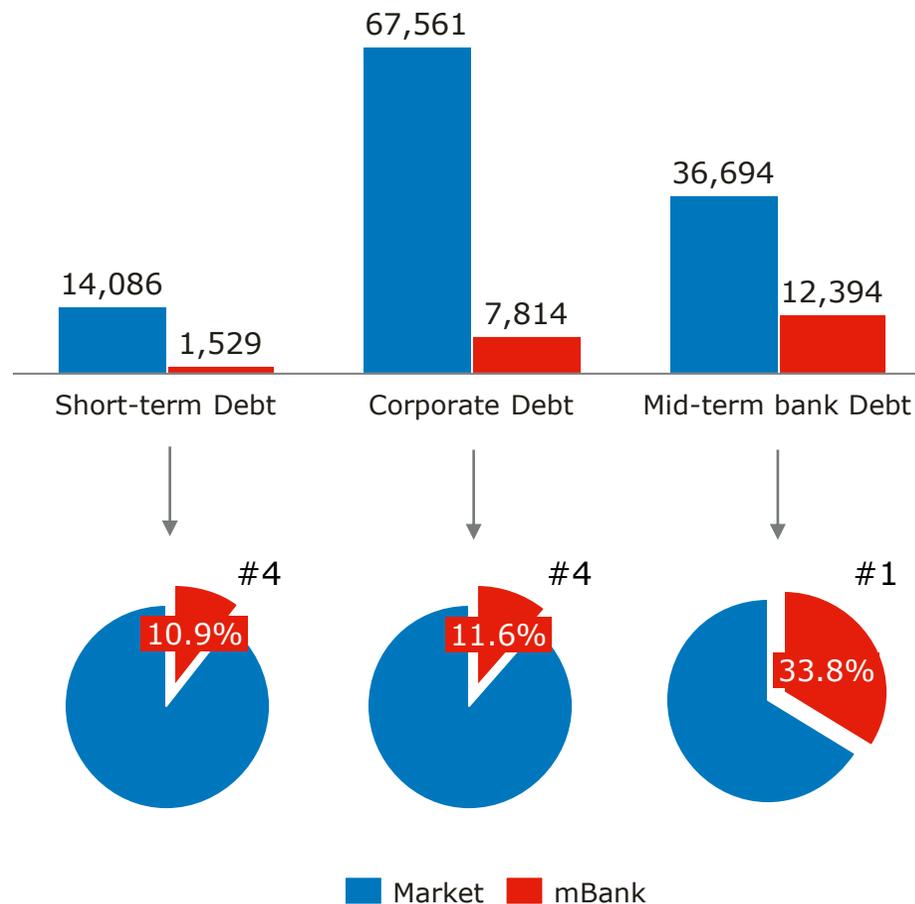
## Corporates and Financial Markets Market Shares

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

mBank's Market Shares in Investment Banking Services<sup>1</sup>



mBank in the Market for Non-Treasury Debt<sup>2</sup>  
as of 30.11.2016 (PLN M)



<sup>1</sup> As of 31.12.2016, mBank calculations based on NBP data;

<sup>2</sup> Based on Fitch Polska S.A., Rating & Rynek, 30.11.2016 (excluding BGK road bonds);

## Detailed Results of mBank Group's companies in Q4/16

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## Subsidiaries

# Appendix

## mBank Group's Subsidiaries

### Development of Profit before Tax of Consolidated Companies

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

PLN thou.	Q4/15	Q4/16	Change YoY	2015	2016	Change YoY
mBank Hipoteczny	9,416	8,539	-9.3%	26,797	30,180	+12.6%
mLeasing	11,930	11,056	-7.3%	57,221	72,550	+26.8%
mFactoring	-5,219	2,553	- / +	-22,242	15,141	- / +
mFinanse (p. Aspiro) <sup>1</sup>	89,059	36,940	-58.5%	170,068	155,431	-8.6%
mLocum	-742	1,857	- / +	17,900	18,273	+2.1%
Dom Maklerski mBanku <sup>2</sup>	5,772	---	N/A	28,248	2,852	N/A
mWealth Management <sup>2</sup>	7,380	---	N/A	27,367	8,976	N/A
Other <sup>3</sup>	-3,819	-905	-76.3%	44	-1,645	+ / -
<b>Total</b>	<b>113,777</b>	<b>60,039</b>	<b>-47.2%</b>	<b>305,403</b>	<b>301,758</b>	<b>-1.2%</b>

<sup>1</sup> Excluding one-off gain on the sale of shares of BRE Ubezpieczenia TUiR in Q1/15;

<sup>2</sup> Companies were integrated into the organizational structure of mBank as of 20.05.2016;

<sup>3</sup> Other subsidiaries include mFinance France, mCentrum Operacji, BDH Development, Garbary and Tele-Tech Investment (since Q3/15);

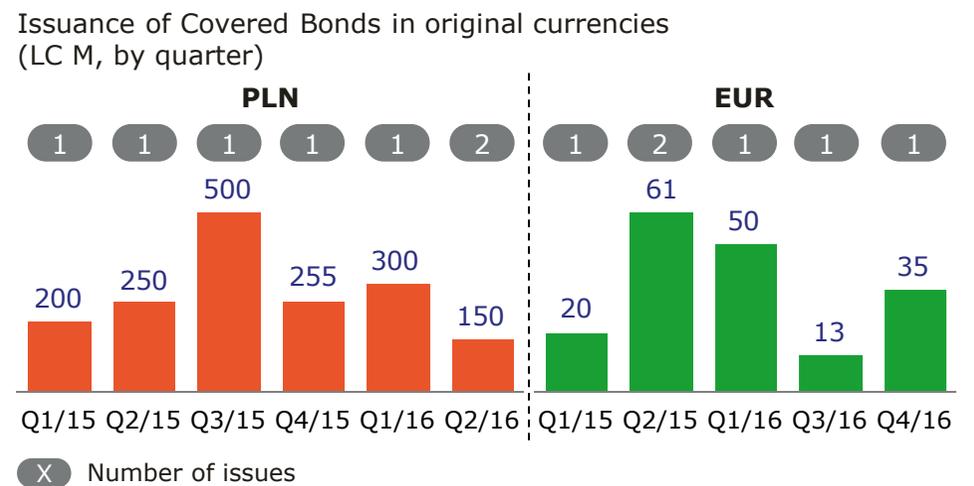
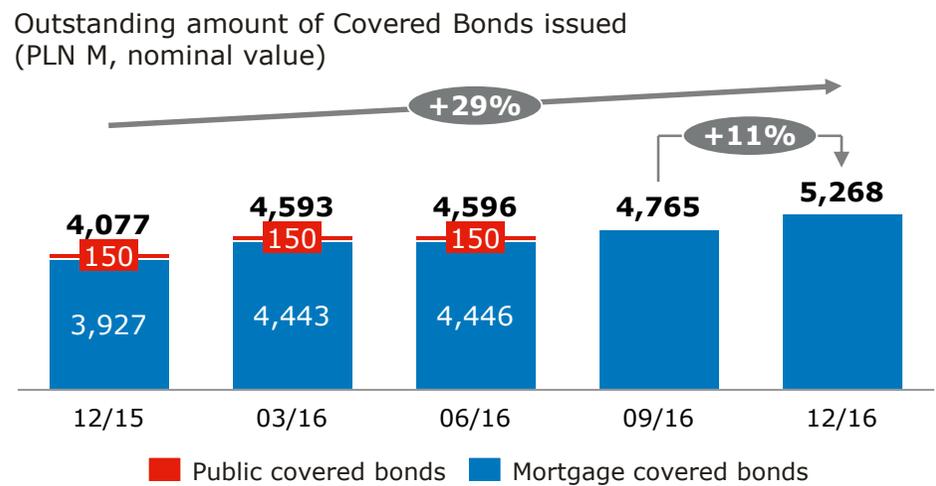
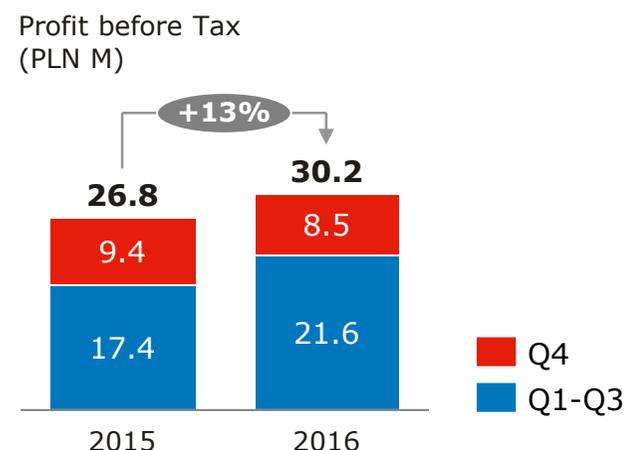
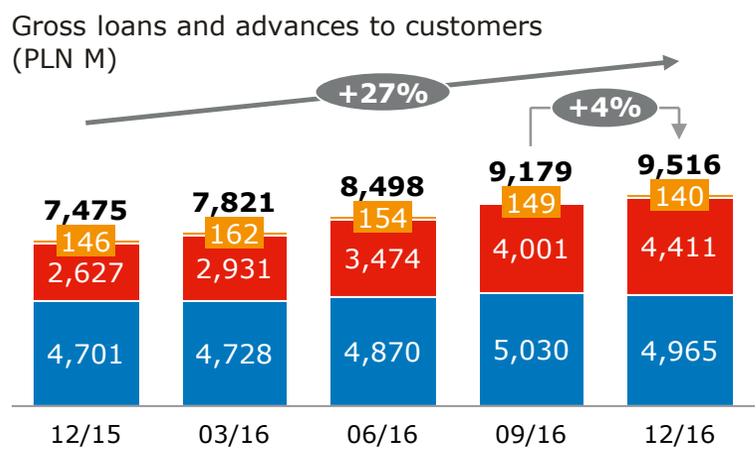
# Appendix

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

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

**m Bank Hipoteczny**  
established in 1999  
specialised mortgage bank and the largest issuer of covered bonds in the Polish market

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



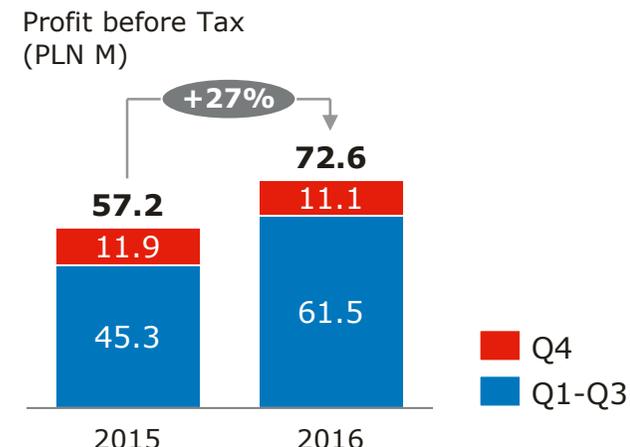
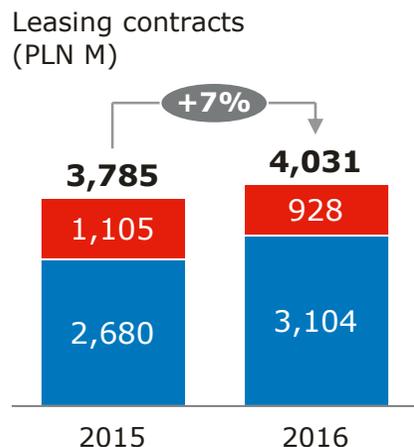
# Appendix

## mBank Group's Subsidiaries Leasing and Factoring

**m Leasing**

established in 1991

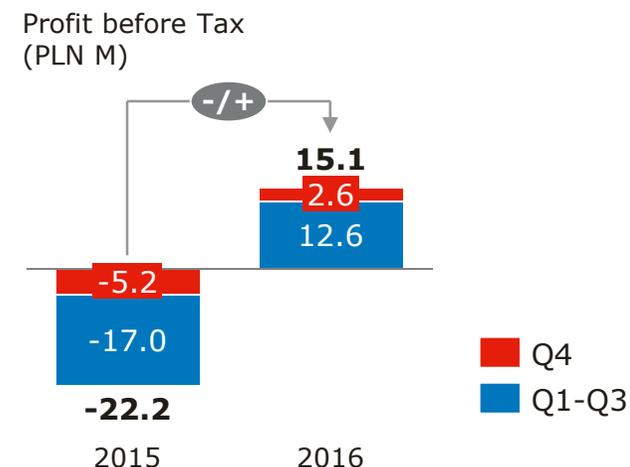
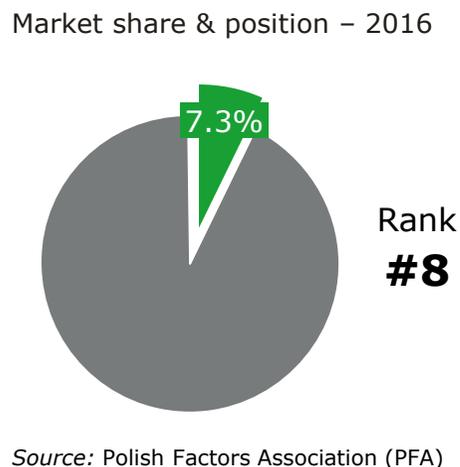
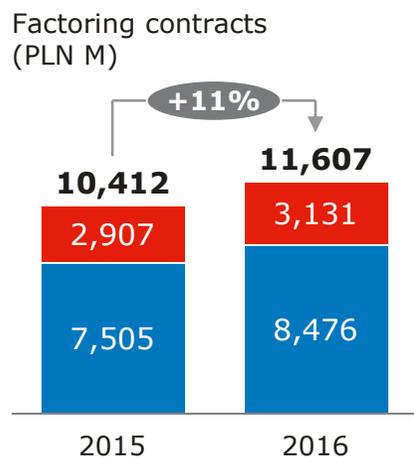
provides financial and operating leasing of cars, trucks, machinery and real estate



**m Faktoring**

established in 1995

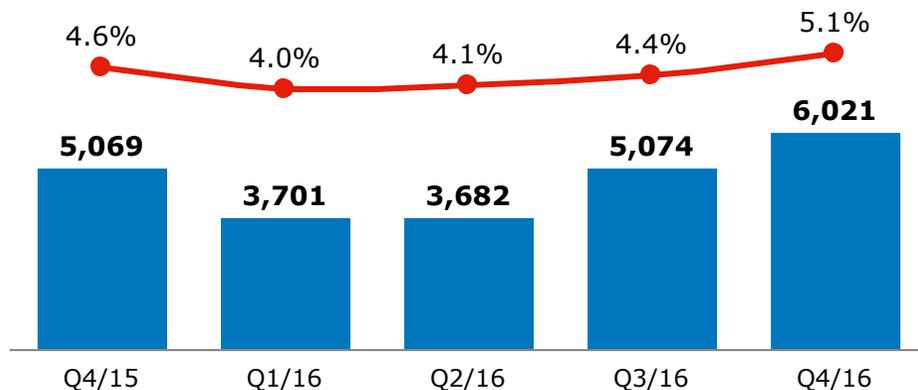
offers factoring services, incl. domestic and export recourse and non-recourse factoring and import guarantees



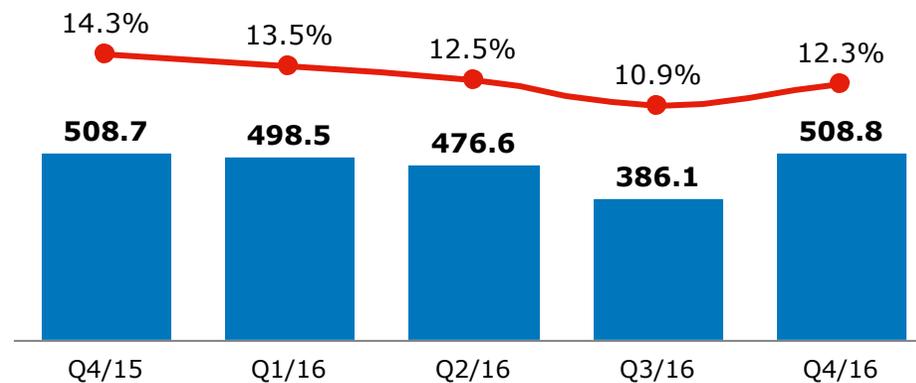
# Appendix

## mBank Group's Brokerage Services Dom Maklerski mBanku (mDM)

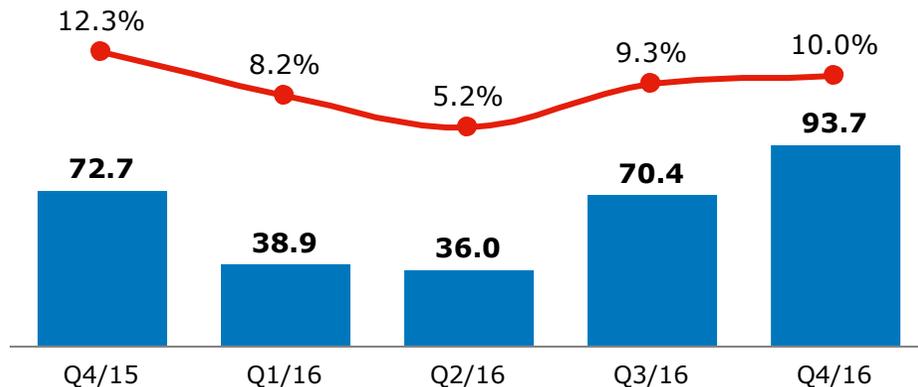
mDM Equities Trading on WSE and Market Share in Turnover (PLN M, by quarter)



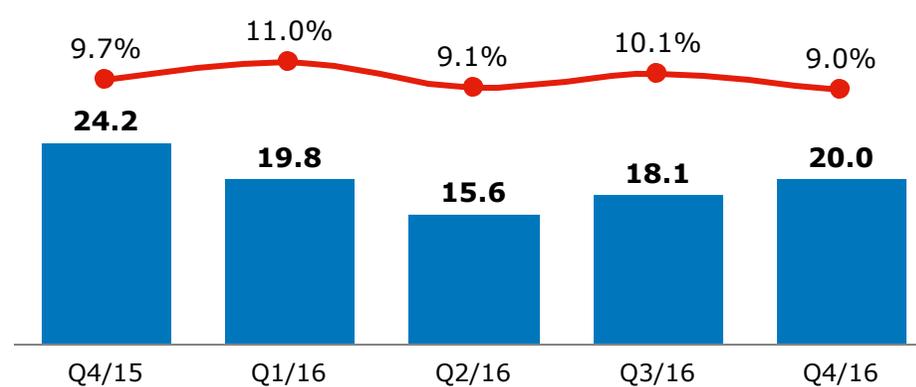
mDM Futures Trading on WSE and Market Share in Turnover (thou. of contracts, by quarter)



mDM Bonds Trading on WSE and Market Share in Turnover (PLN M, by quarter)



mDM Options Trading on WSE and Market Share in Turnover (thou. of contracts, by quarter)



Source: mBank calculations based on WSE data.

# mBank's share price performance in 2016

## Polish banking stocks remain to be influenced by regulatory and legislative risks

mBank's index membership and weights\*

WIG-30		2.266%
WIG-20		2.449%
WIG		1.564%
WIG-Banks		5.739%
WIG-Poland		1.614%

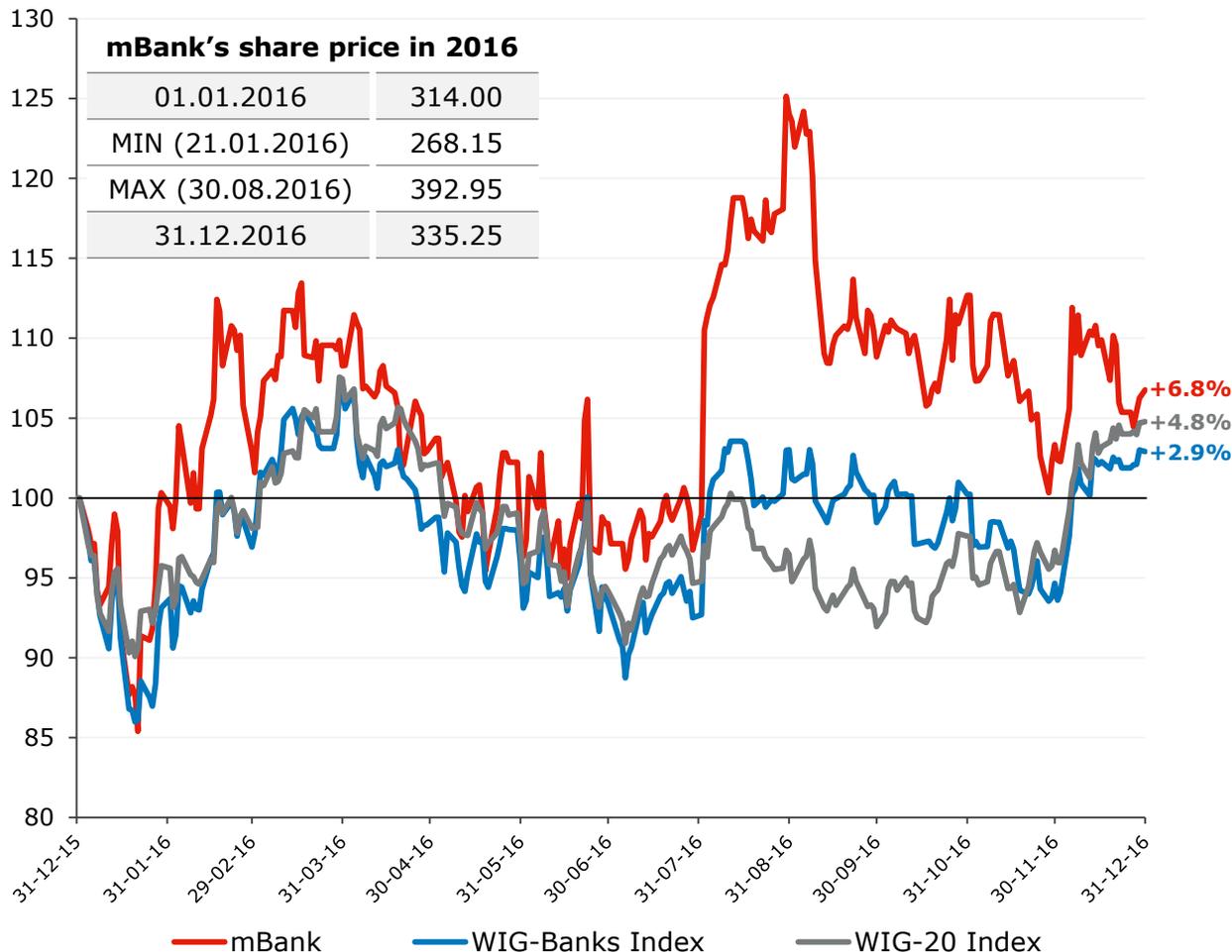
\* Share in index as of 30.12.2016

- Listed on the Warsaw Stock Exchange since October 1992
- The only share belonging to WIG-20 blue chip index since its inception in April 1994
- A strategic shareholder, Germany's Commerzbank, owns 69.4% of shares

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 280 127

Source: Bloomberg, WSE.

mBank's share performance v. main indices (rebased to 100)



# Contact details

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E-mail: [wojciech.chmielewski@mbank.pl](mailto:wojciech.chmielewski@mbank.pl)

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E-mail: [marta.polanska@mbank.pl](mailto:marta.polanska@mbank.pl)

Investor Relations website: [www.mbank.pl/en/investor-relations/](http://www.mbank.pl/en/investor-relations/)

mBank Analyzer: [analyzer.mbank.pl](http://analyzer.mbank.pl)

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