

Results of mBank Group Q1 2018

**Core income on the growth trajectory.
Positive trends in volumes.**

Management Board of mBank S.A.

Investor Presentation

May 10, 2018



Disclaimer

This presentation has been prepared by mBank S.A. for information purposes only and is based on the Condensed Consolidated Financial Statements for the first quarter of 2018, prepared under the International Financial Reporting Standards. For more detailed information on the Bank's and Group's results, please refer to the respective financial statements and data.

Estimates presented in this document rely on historical experience and other factors, including expectations concerning future events, which seem justified under the given circumstances.

The presentation should not be treated as a recommendation to purchase securities, an offer, invitation or a solicitation of an offer to purchase, invest or conclude any transaction on securities, in particular with respect to securities of the Bank and its subsidiaries.

This presentation has been completed as of the date indicated at the beginning and will not be updated.

Agenda



Summary of Main Trends in Q1/18

Business Development of Retail and Corporate Segment

Key Financials



Analysis of the Results after Q1/18

Loans and Deposits

Total Income and its Main Components

Total Costs and Efficiency

Loan Loss Provisions and Portfolio Quality

Capital and Liquidity Ratios



Macroeconomic Update and Outlook



Appendix

Selected Financial Data

Detailed Results of Business Lines



Key highlights of Q1 2018



Net profit of PLN 411.0 M, up by 32% compared to Q4/17

Historically high core income of PLN 1,085.3 M despite a shorter quarter

- Net interest income at PLN 816.4 M (+9.0% YoY) accompanied by further margin improvement to 2.61%
- Net fee and commission income at PLN 268.9 M (+7.7% YoY), driven by surging client activity

Total recurrent revenues exceeding PLN 1.16 B, costs impacted by the BFG

- Normalized Cost/Income ratio at 45.5% confirming solid efficiency, anchored in optimal platform



Positive trends in volumes, dynamic growth in core products

- Gross loans at PLN 88.5 B (+1.3% QoQ, +4.7% YoY); acceleration in corporate and retail segment
- Customer deposits at PLN 94.3 B (+3.1% QoQ, +6.3% YoY); strong inflows to retail current accounts

Focus on higher margin lending reflected in changing asset mix

- New production of non-mortgage loans reached a record level of PLN 2.0 B (+11% YoY)
- Rising sales of housing loans at PLN 1.0 B (+25% YoY); further reduction of CHF portfolio (-8.6% YoY)



Capital ratios well above regulatory requirements and sound liquidity level

- Consolidated Tier 1 Capital Ratio at 17.87% and Total Capital Ratio at 20.93%¹

Good quality of loan portfolio evidenced by resilient risk indicators

- Cost of risk at 57 bps on lower provisioning in the corporate segment
- NPL ratio of 5.1% after the implementation of stages for credit receivables under IFRS 9

Attractively-priced issuance of covered bonds in EUR add to long-term funding

¹ Stand-alone capital ratios were Tier 1 Capital Ratio of 20.76% and Total Capital Ratio of 24.27%

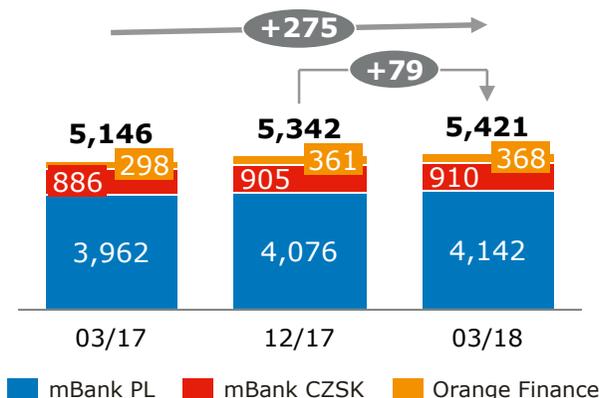
Summary of Q1/18 in mBank Group

Business Development of Retail Banking and Corporate Banking

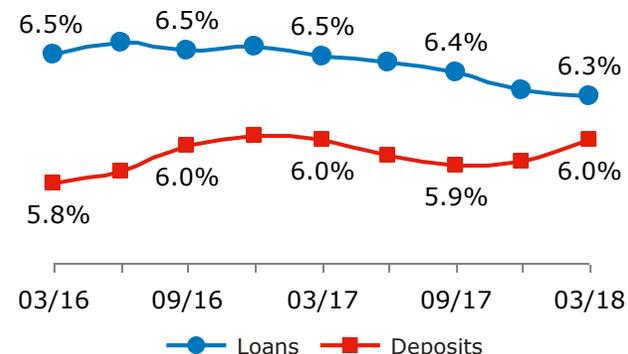
Retail Banking

- Implementation of an integrated and fully electronic process of opening a small business company, account and accountancy in 10 minutes
- CyberRescue – a unique 24/7 support in online safety, available through different communication channels

Number of Clients (thou.)



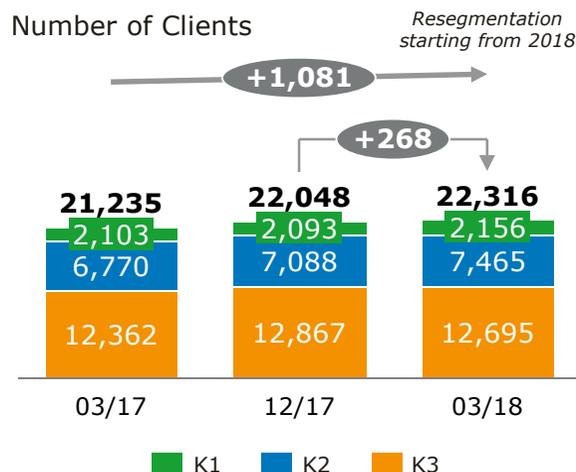
Market shares



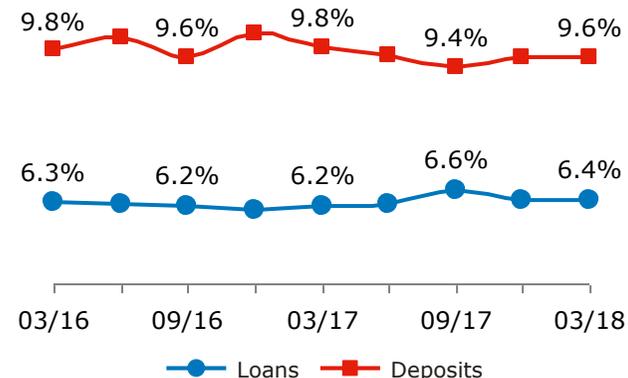
Corporate Banking

- Mobile authorisation for confirming operations in the bank's transactional system CompanyNet instead of entering the code
- Introduction of light depositories at the customer's premises aimed at further digitalization of the cash service process

Number of Clients



Market shares



Note: Corporate clients split: K1 – annual sales over PLN 1 B and non-banking financial institutions; K2 – annual sales of PLN 50 M to PLN 1 B; K3 – annual sales below 50 M and full accounting.

Summary of Q1/18 in mBank Group

Key Financials: Profit and Loss Account

PLN million	Q1/17	Q4/17	Q1/18	change QoQ	change YoY
Net interest income	749.0	825.1	816.4	-1.1% ↓	+9.0% ↑
Net fee and commission income	249.6	233.5	268.9	+15.2% ↑	+7.7% ↑
Total income¹	1,081.8	1,141.5	1,380.6	+20.9% ↑	+27.6% ↑
Total costs (excl. BFG)	-445.5	-479.0	-483.7	+1.0% ↑	+8.6% ↑
Contributions to the BFG ²	-132.2	-15.5	-117.3	+656% ↑	-11.3% ↓
Loan loss provisions and fair value change ³	-82.9	-140.0	-121.8	-13.0% ↓	+46.9% ↑
Operating profit	421.2	507.0	657.8	+29.7% ↑	+56.2% ↑
Taxes on the Group balance sheet items	-91.3	-95.4	-98.5	+3.2% ↑	+7.8% ↑
Profit before income tax	329.9	411.9	559.6	+35.9% ↑	+69.7% ↑
Net profit	218.8	311.6	411.0	+31.9% ↑	+87.9% ↑
Net Interest Margin	2.42%	2.57%	2.61%	+0.04 p.p.	+0.19 p.p.
Cost/Income ratio	53.4%	43.3%	43.5%	+0.2 p.p.	-9.9 p.p.
Cost of Risk	0.41%	0.66%	0.57%	-0.09 p.p.	+0.16 p.p.
Return on Equity (ROE)	6.8%	9.4%	11.9%	+2.5 p.p.	+5.1 p.p.
Return on Assets (ROA)	0.68%	0.94%	1.26%	+0.32 p.p.	+0.58 p.p.

¹ In Q1/18 mBank Group sold an organised part of the enterprise of mFinance and booked a one-off gain of PLN 219.7 million (pre-tax)

² Including annual contributions to the Resolution Fund of PLN 116.8 million and PLN 97.1 million in Q1/17 and Q1/18, respectively

³ Sum of 'Impairment on financial assets not measured at fair value through profit or loss' and 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss'

Summary of Q1/18 in mBank Group

Key Financials: Balance Sheet

<i>PLN million</i>	Q1/17	Q4/17	Q1/18	<i>change QoQ</i>	<i>change YoY</i>
Total assets	130,488	131,424	133,640	+1.7% ↑	+2.4% ↑
Gross loans to customers	84,538	87,388	88,528	+1.3% ↑	+4.7% ↑
Retail client loans	48,338	48,143	48,825	+1.4% ↑	+1.0% ↑
Corporate client loans	34,841	37,942	38,760	+2.2% ↑	+11.2% ↑
Customer deposits	88,744	91,496	94,309	+3.1% ↑	+6.3% ↑
Retail client deposits	53,829	55,694	57,720	+3.6% ↑	+7.2% ↑
Corporate client deposits ¹	32,080	34,150	33,183	-2.8% ↓	+3.4% ↑
Total equity	13,338	14,292	14,486	+1.4% ↑	+8.6% ↑
Loan to Deposit ratio	92.1%	92.3%	90.8%	-1.5 p.p.	-1.3 p.p.
NPL ratio	5.2%	5.2%	5.1%	-0.1 p.p.	-0.1 p.p.
Coverage ratio	59.4%	59.2%	57.7%	-1.5 p.p.	-1.7 p.p.
Tier 1 Capital Ratio	18.8%	18.3%	17.9%	-0.4 p.p.	-0.9 p.p.
Total Capital Ratio	21.6%	21.0%	20.9%	-0.1 p.p.	-0.7 p.p.

¹ Excluding repo / sell-buy-back transactions

Agenda



Summary of Main Trends in Q1/18

Business Development of Retail and Corporate Segment

Key Financials



Analysis of the Results after Q1/18

Loans and Deposits

Total Income and its Main Components

Total Costs and Efficiency

Loan Loss Provisions and Portfolio Quality

Capital and Liquidity Ratios



Macroeconomic Update and Outlook



Appendix

Selected Financial Data

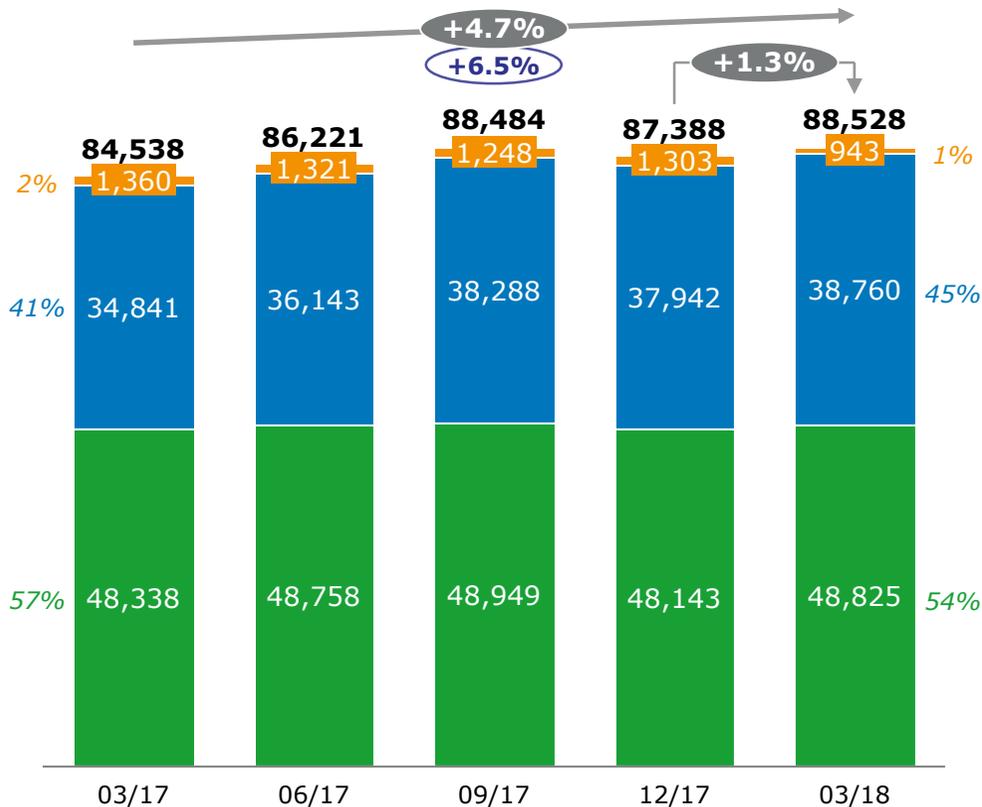
Detailed Results of Business Lines



Results of mBank Group: Loans to customers

Acceleration in both corporate and retail segment

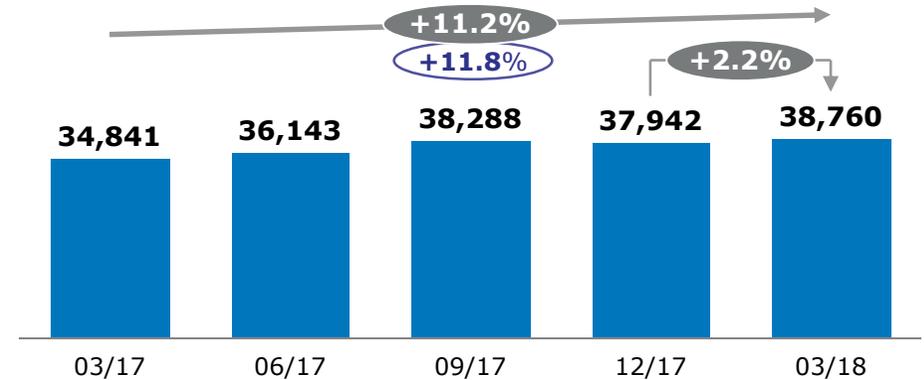
Development of Gross Loans and Advances to Customers (PLN M)



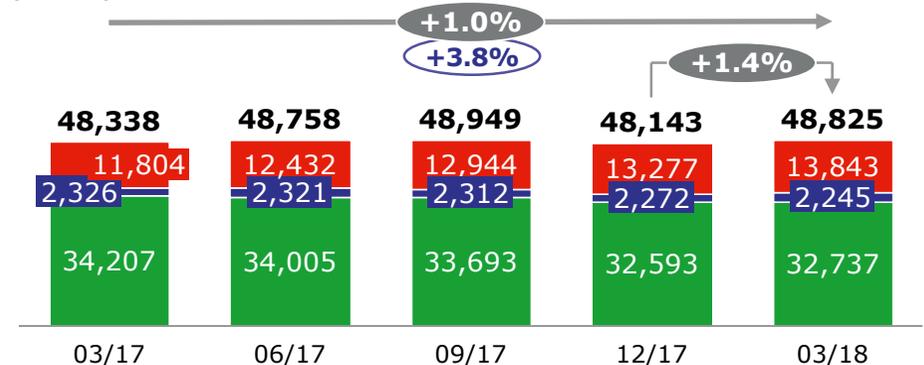
- Individual clients
- Corporate clients
- Public sector & Other receivables

+X.X% Excluding FX effect

Gross Loans to Corporate Entities (PLN M)



Gross Loans to Retail Customers (PLN M)

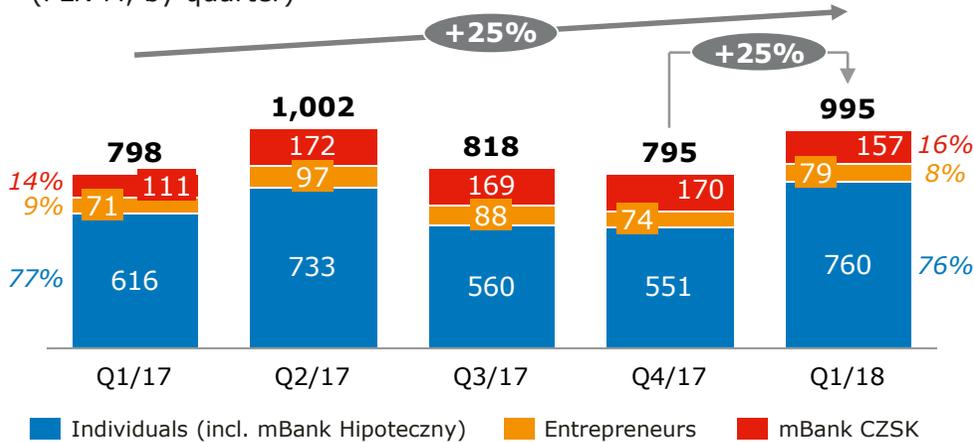


Mortgage loans: ■ to Individuals ■ to Microfirms ■ Non-mortgage loans

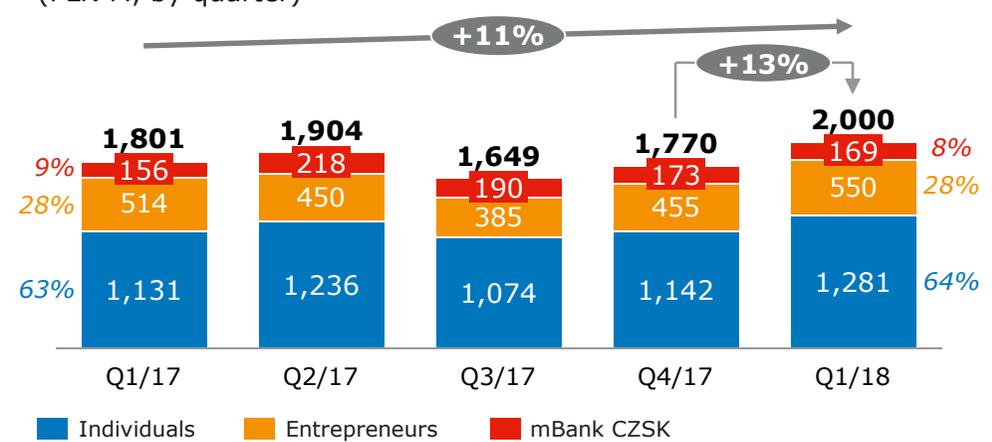
Results of mBank Group: New lending business

Record high non-mortgage lending, rising origination of housing loans

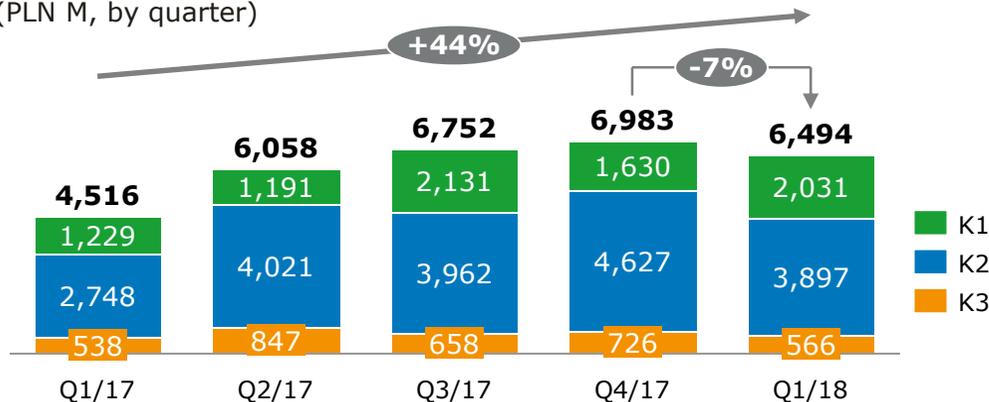
Sales of Mortgage Loans
(PLN M, by quarter)



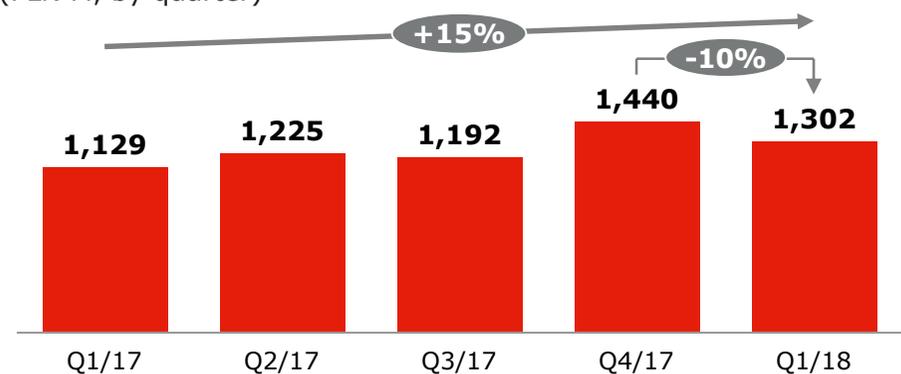
Sales of Non-mortgage Loans
(PLN M, by quarter)



Sales of Corporate Loans¹
(PLN M, by quarter)



New Leasing Contracts
(PLN M, by quarter)



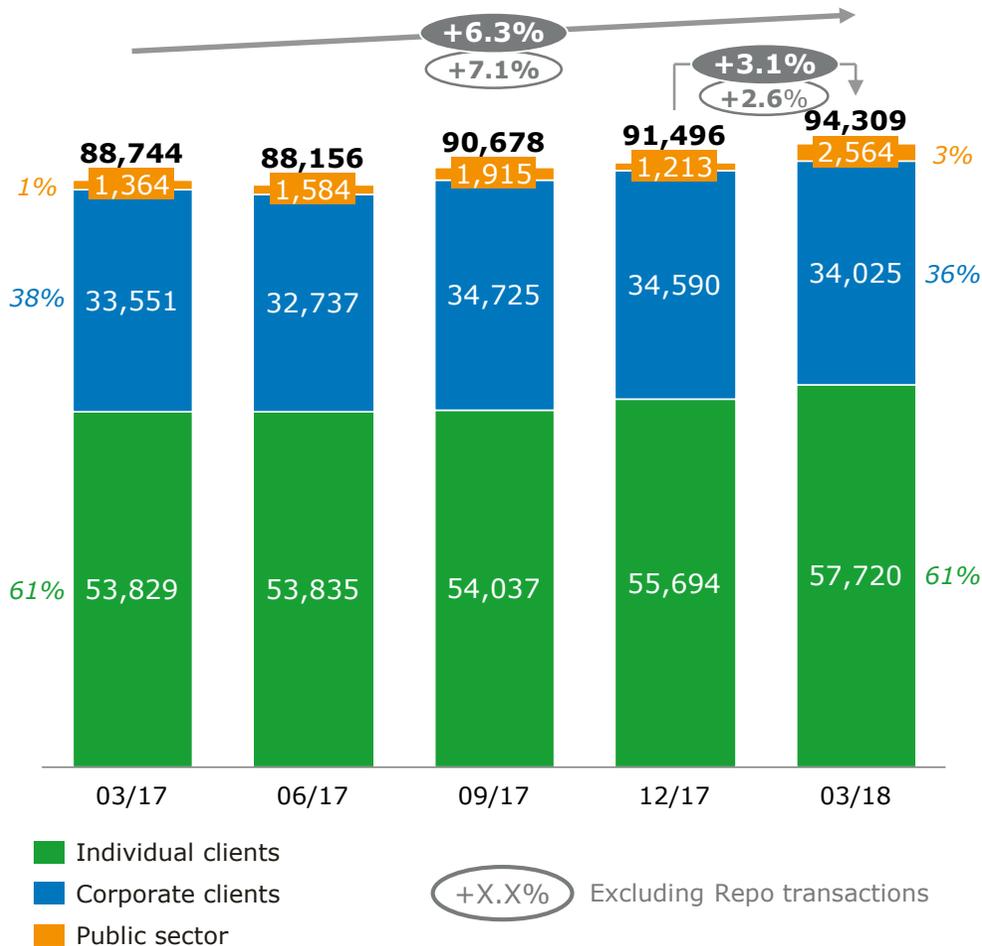
¹ Including new sale, rising and renewal

Note: Corporate clients split: K1 – annual sales over PLN 1 B and non-banking financial institutions; K2 – annual sales of PLN 50 M to PLN 1 B; K3 – annual sales below 50 M and full accounting.

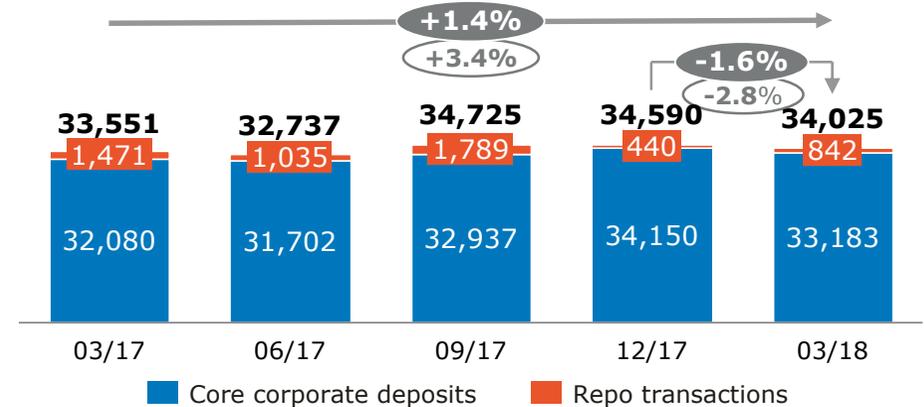
Results of mBank Group: Customer deposits

Growth of deposit base fuelled by strong inflows to retail current accounts

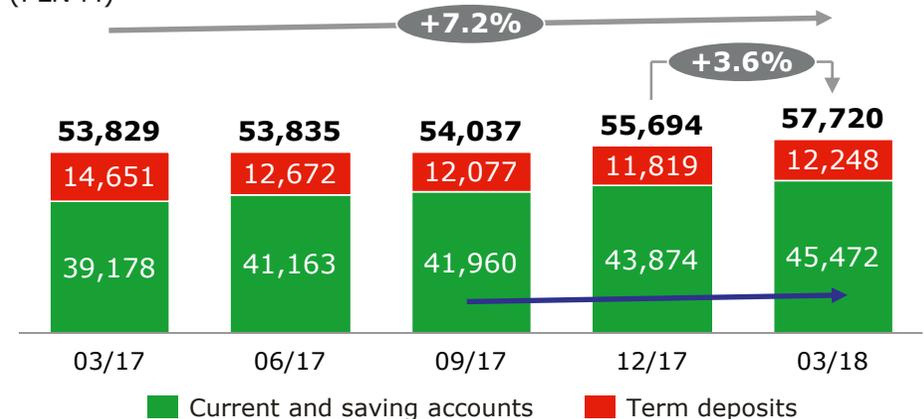
Development of Customer Deposits (PLN M)



Deposits from Corporate Entities (PLN M)



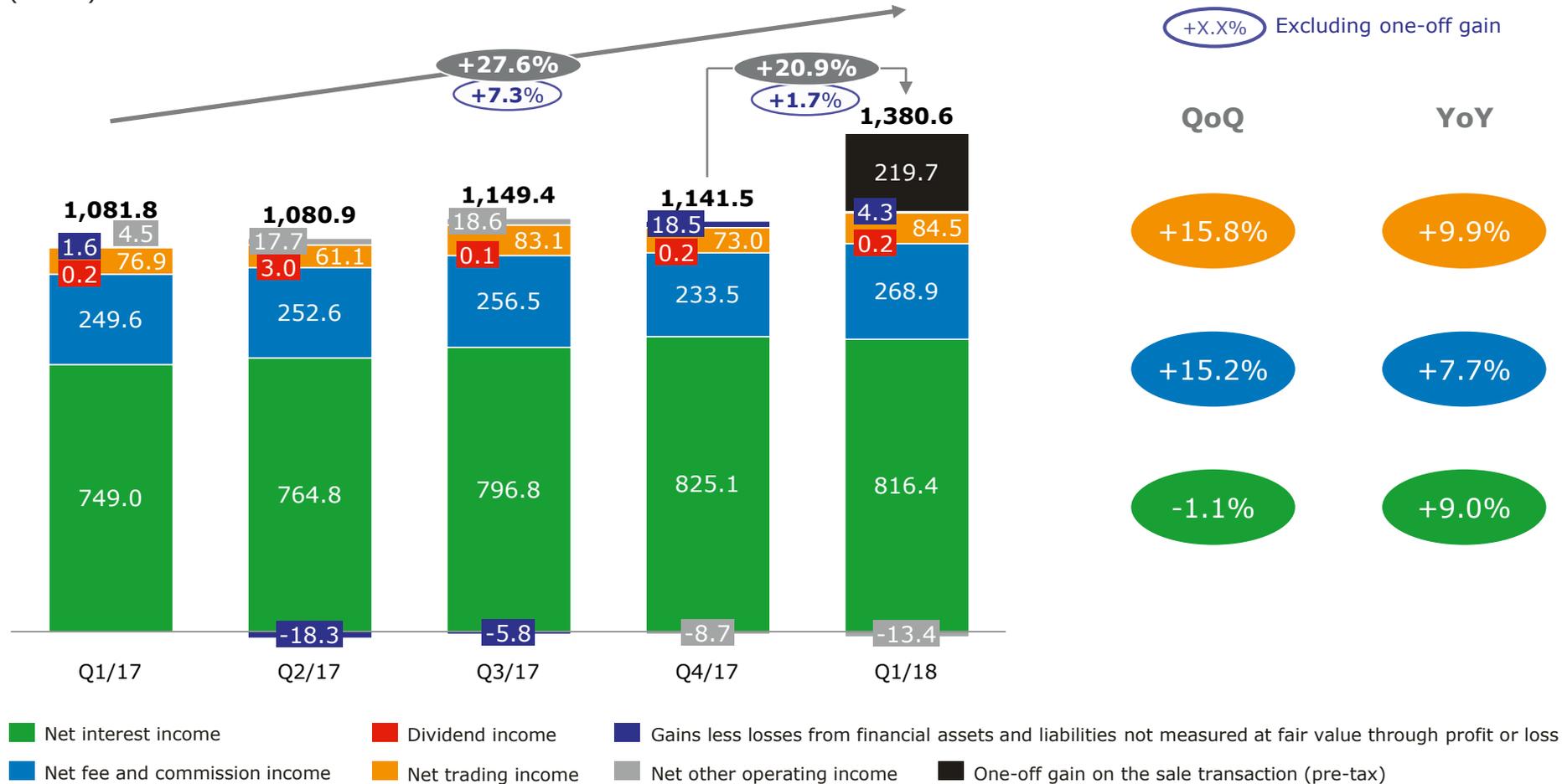
Deposits from Retail Customers (PLN M)



Results of mBank Group: Total income

Core revenues at record high level despite a shorter quarter, strong fee income

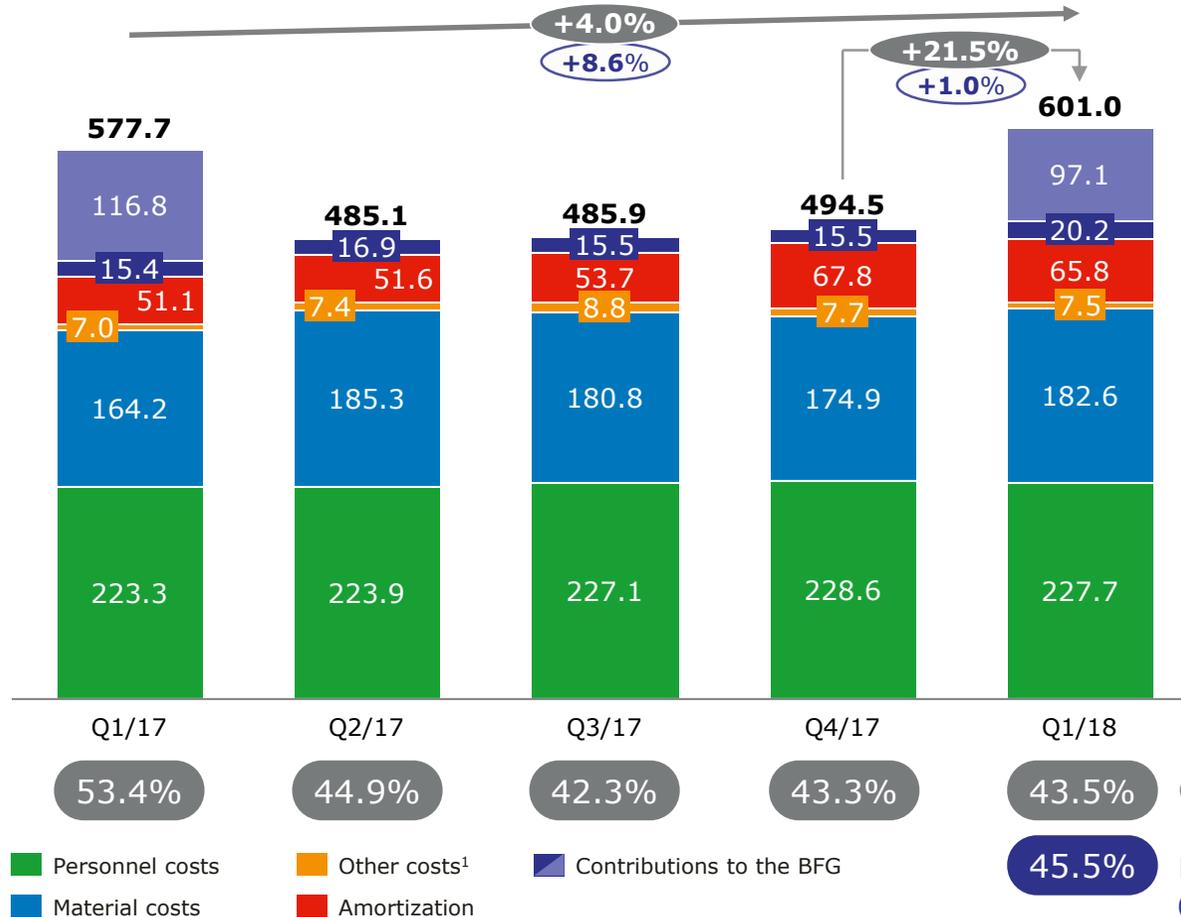
Development of mBank Group's Total Income (PLN M)



Results of mBank Group: Total costs

Continued good efficiency, costs inflated by contributions to the BFG

Development of mBank Group's Costs (PLN M)



Annual contribution to the Resolution Fund:

- PLN 116.8 million in Q1/17
- PLN 97.1 million in Q1/18

+X.X% Excluding contributions to the BFG

QoQ

YoY

-2.9%

+28.9%

+4.4%

+11.2%

-0.4%

+2.0%

C/I ratio of mBank Group (quarterly)

45.5%

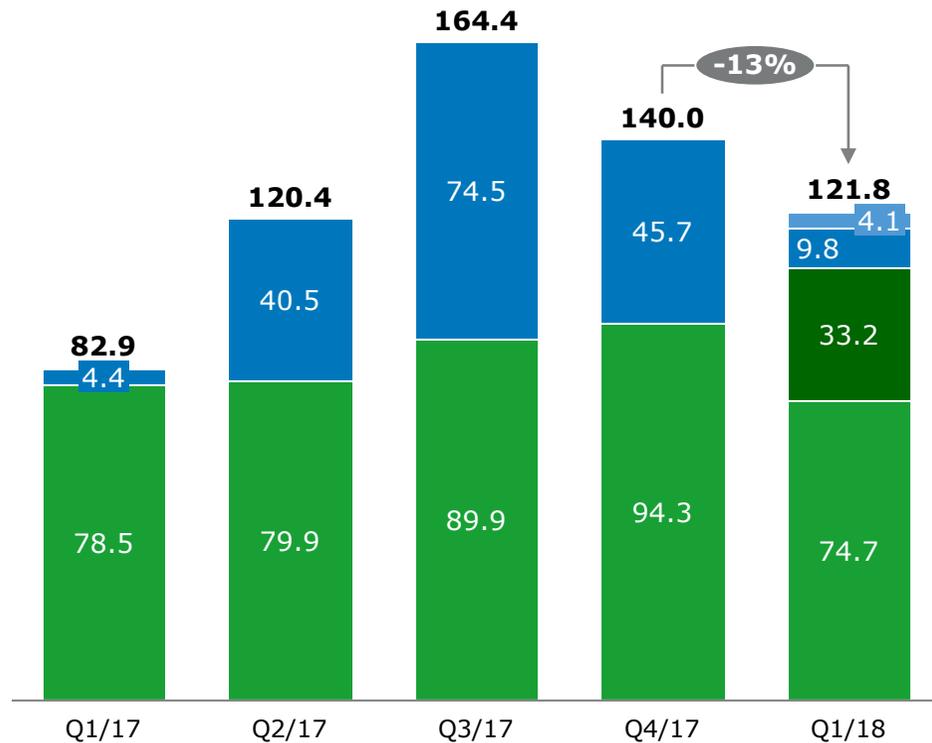
Normalized C/I ratio of mBank Group for Q1/18 (excluding one-off gain and ¾ Resolution Fund)

¹ Including taxes and fees, contributions to the Social Benefits Fund

Results of mBank Group: Cost of risk

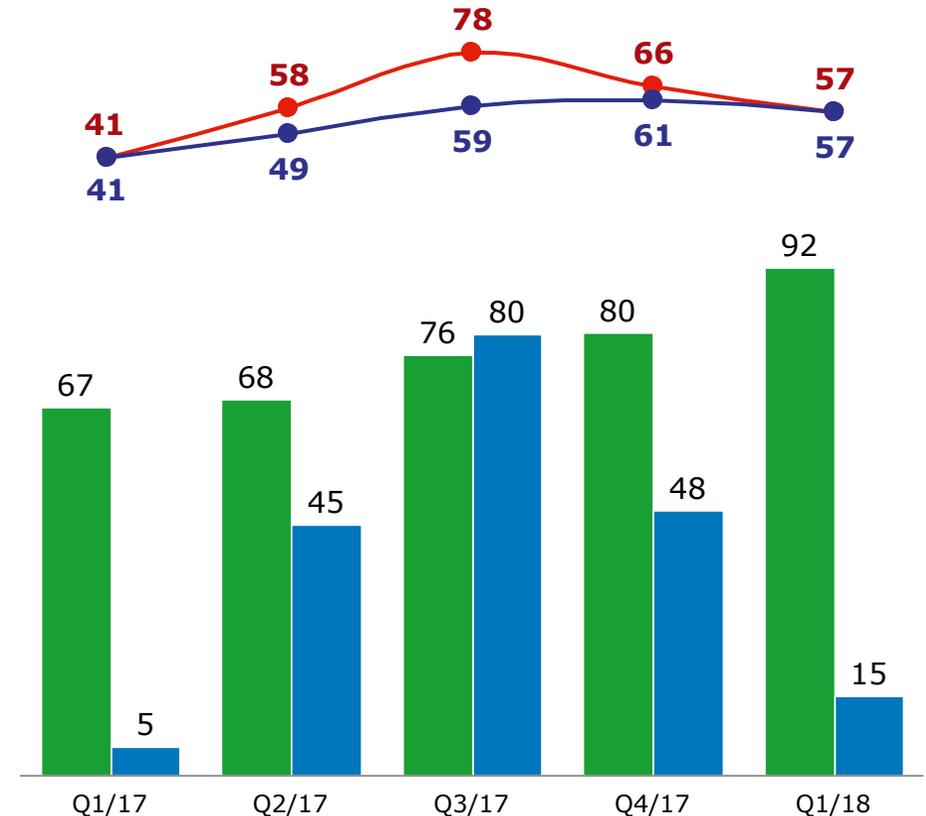
Improvement of risk costs driven by lower provisioning in corporate segment

Net Impairment Losses and Fair Value Change on Loans¹
(PLN M)



Retail Banking: ■ at amortized cost ■ at fair value
 Corporates and Financial Markets: ■ at amortized cost ■ at fair value

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



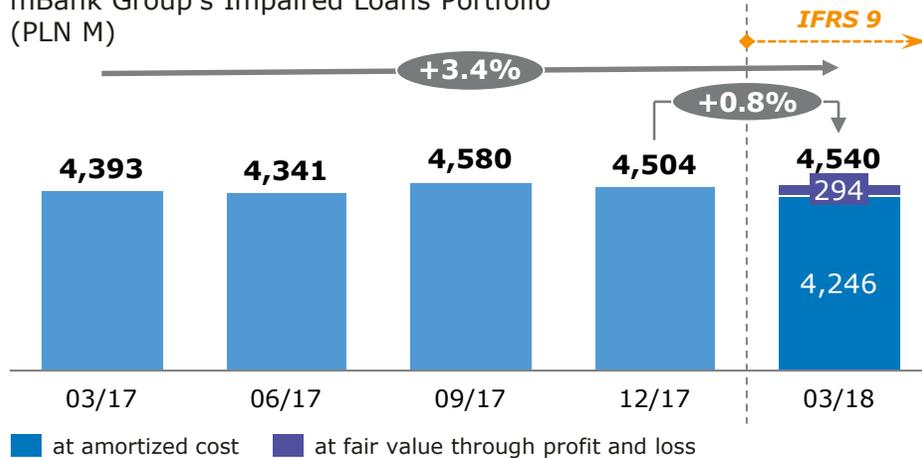
mBank Group's Cost of Risk: —●— quarterly —●— YtD
■ Retail Portfolio ■ Corporate Portfolio

¹ Sum of 'Impairment on financial assets not measured at fair value through profit or loss' and 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss'

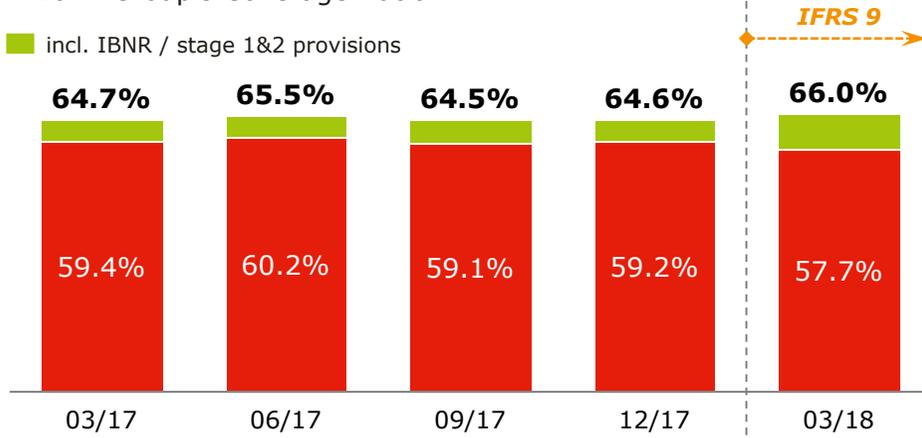
Results of mBank Group: Loan portfolio quality

Good quality of loan portfolio evidenced by resilient risk indicators

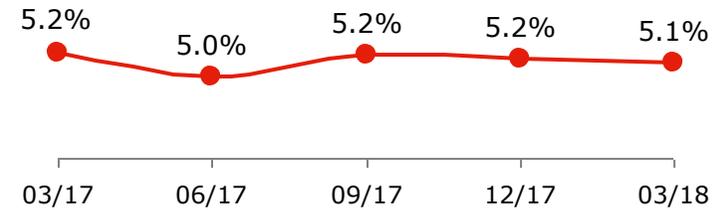
mBank Group's Impaired Loans Portfolio (PLN M)



mBank Group's Coverage Ratio

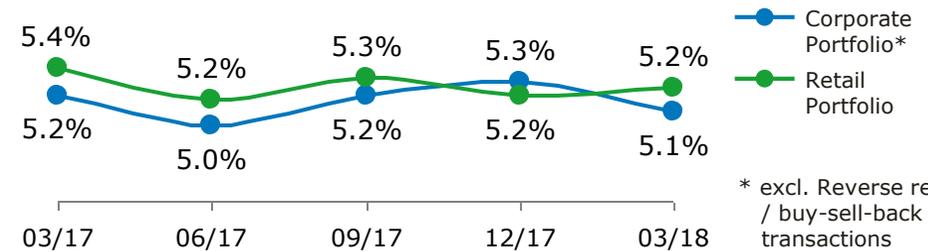


mBank Group's NPL Ratio



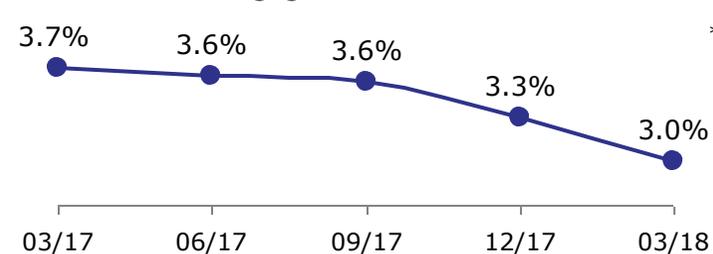
mBank Group applies a conservative client-oriented approach in its methodology of NPL recognition.

mBank Group's NPL Ratio by segment



* excl. Reverse repo / buy-sell-back transactions

NPL Ratio of Mortgage Loan Portfolio*



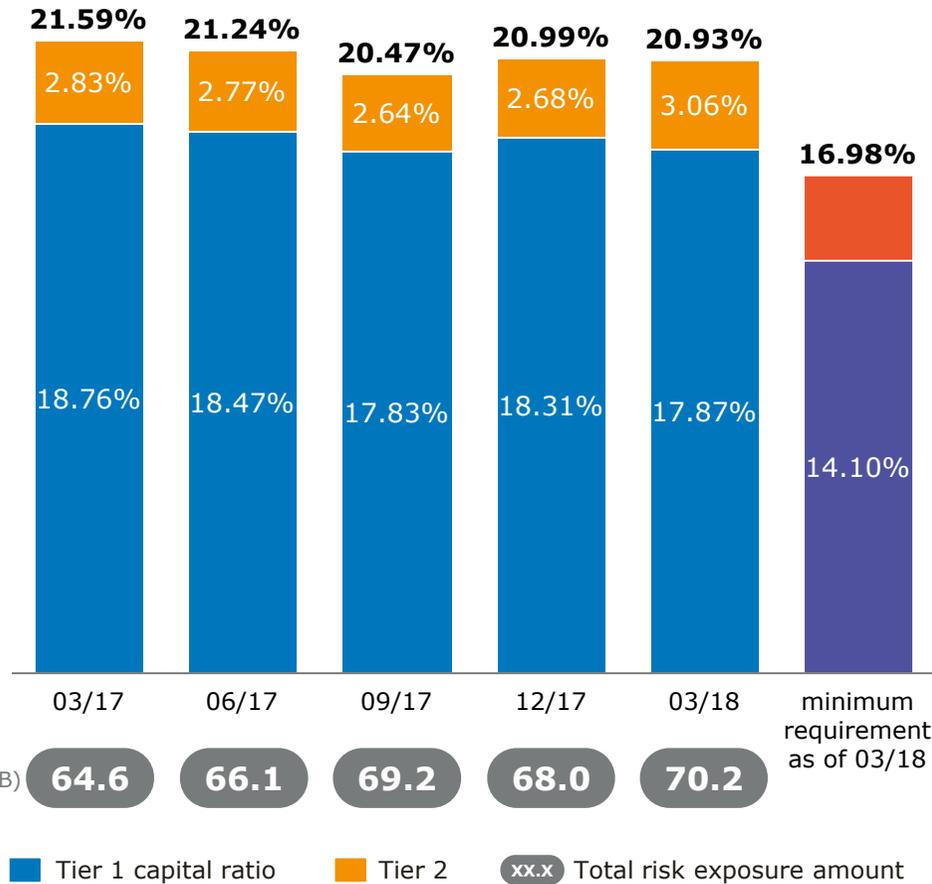
* to Private Individuals in Poland

Note: Risk indicators presented for credit portfolio measured both at amortized cost and at fair value through profit or loss.

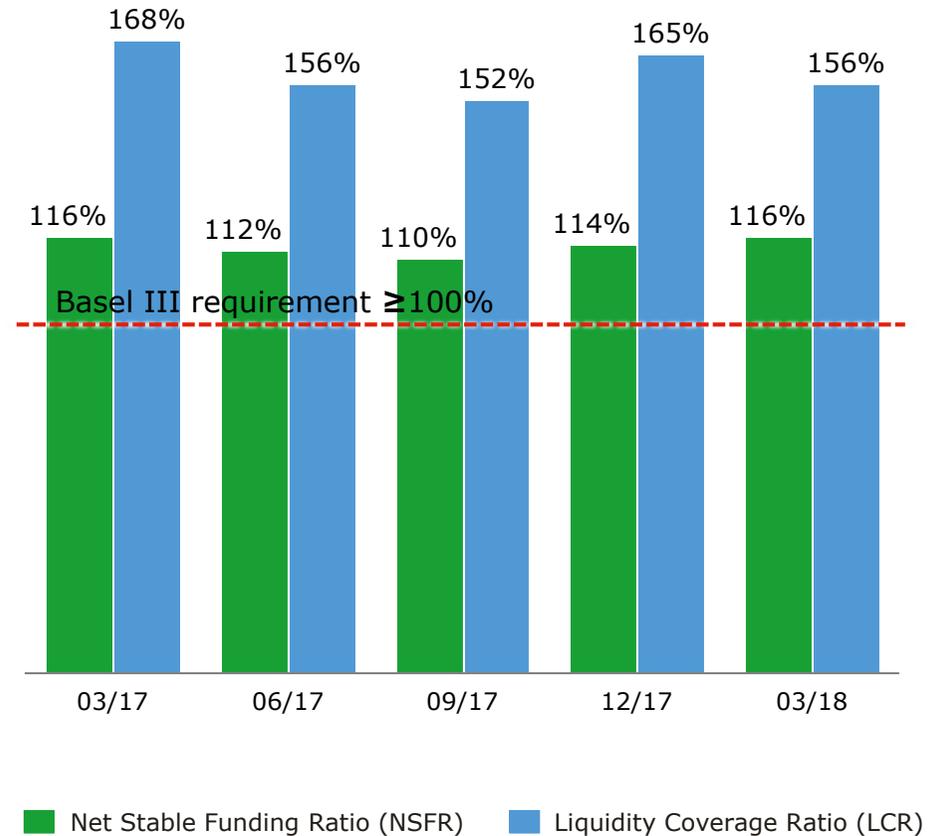
Results of mBank Group: Key regulatory ratios

Strong capital ratios well above regulatory requirements

mBank Group's Total Capital Ratio



mBank's NSFR and LCR



Agenda



Summary of Main Trends in Q1/18

Business Development of Retail and Corporate Segment

Key Financials



Analysis of the Results after Q1/18

Loans and Deposits

Total Income and its Main Components

Total Costs and Efficiency

Loan Loss Provisions and Portfolio Quality

Capital and Liquidity Ratios



Macroeconomic Update and Outlook



Appendix

Selected Financial Data

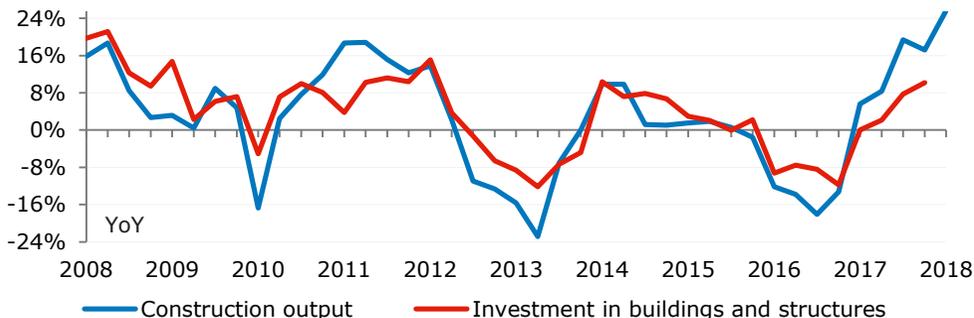
Detailed Results of Business Lines



Macroeconomic Update (1/2)

Brisk (4.6%) GDP growth to be maintained in 2018

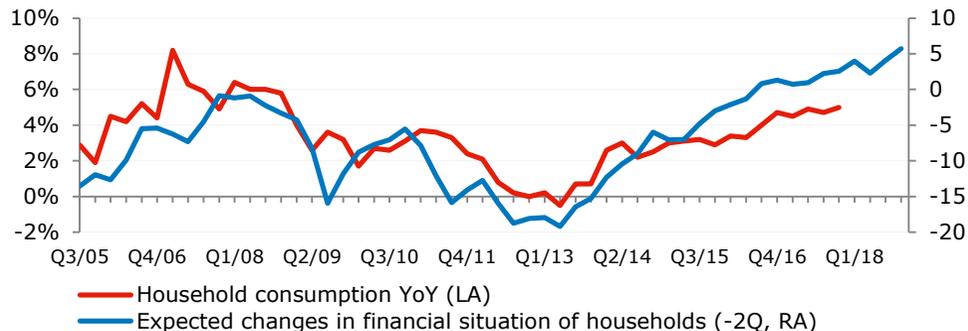
Investment is perking up, finally. More to come.



- Public investment is already growing, private investment has been sluggish for many quarters, but should join the party in 2018. EU funds are likely to be a catalyst.

Source: GUS, NBP

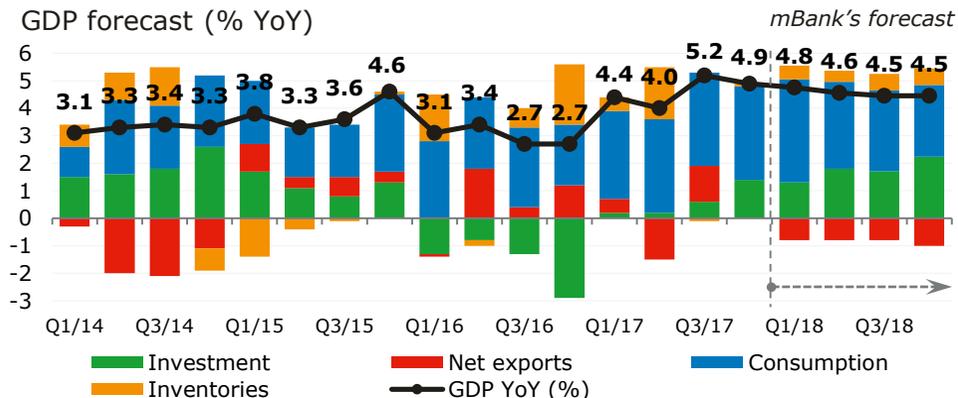
Record-high consumer sentiment is supporting consumption



- Consumption is the key engine of economic growth right now. A dynamic of 5% is underpinned by record-high sentiment, strong wage growth and stable inflation.

Source: GUS, NBP

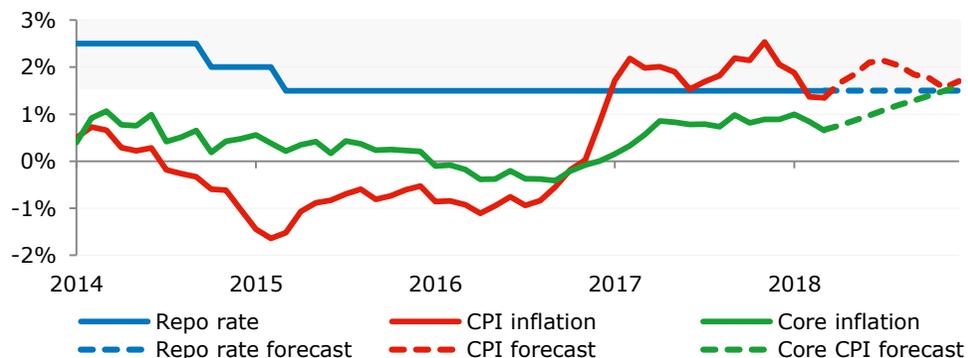
GDP forecast (% YoY)



- Strong growth will be maintained in 2018, but with a slightly downward trajectory. Fast consumption growth, rebounding investment will contribute, while net exports is set to be a drag on growth due to stronger PLN and euro area slowdown.

Source: GUS

Inflation set to move sideways, but core inflation is trending up



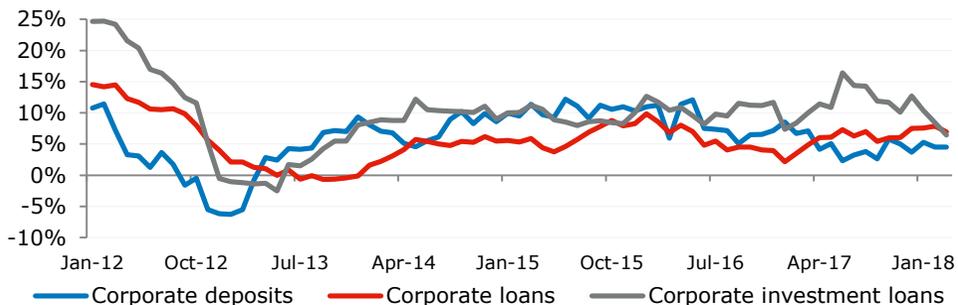
- Inflation set to oscillate within the NBP's target band due to various base effects in food and rising energy prices. There is an uptrend in core inflation. The MPC will stay put for another year at least.

Source: GUS

Macroeconomic Update (2/2)

Rebound in credit growth. Low market interest rates.

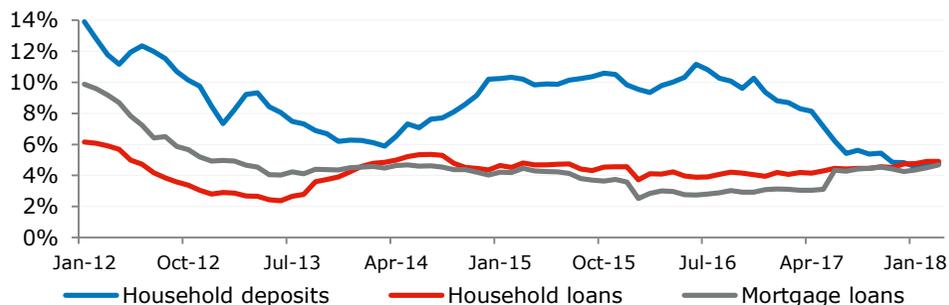
Corporate loans and deposits (% YoY, FX-adjusted)



- Corporate lending accelerated in 2017 and is set to grow at a brisk pace in 2018 along with rebounding private investment. Corporate deposits should be growing faster in 2018 as the effects of strong currency and the crackdown on tax evasion both fade.

Source: NBP

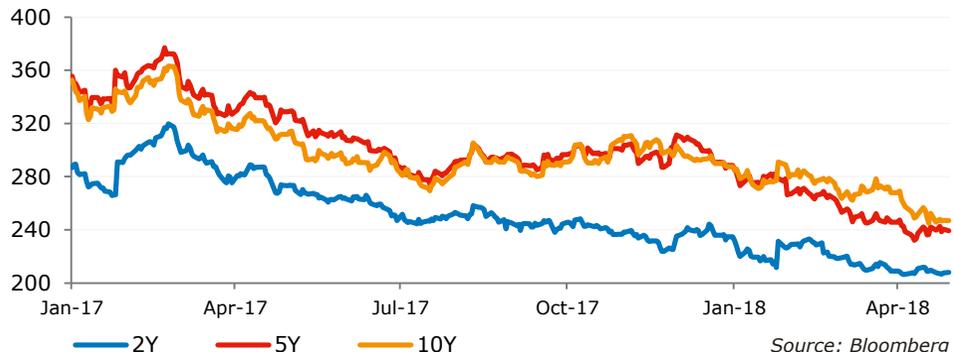
Household loans and deposits (% YoY, FX-adjusted)



- Household deposits decelerated as consumption accelerated and households looked for alternative investments – neither factor will cease to work in 2018. Mortgage lending rebounded a bit, but YoY growth will remain muted.

Source: NBP

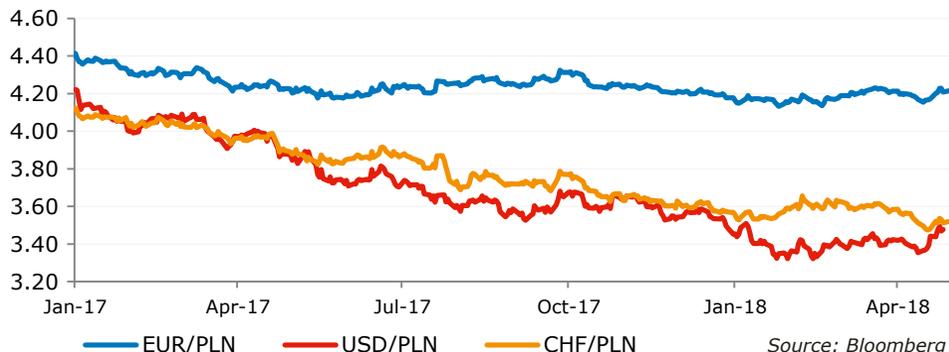
Interest rate disparities (v. Germany, in basis points) are down



Source: Bloomberg

- Polish interest rates declined vis-a-vis core markets. The compression in risk premia, strong fiscal data and dovish Monetary Policy Council were all partly responsible.

PLN appreciated considerably at the turn of 2017 and 2018



Source: Bloomberg

- PLN rallied massively at the turn of 2017 and 2018. However, this is now over. Dovish central bank and low interest rate disparities reduce the relative attractiveness of the PLN and contributed to its weakening lately.

2018 in forecasts and the impact on mBank Group

Macroeconomic environment and challenges for the banking sector

Key economic indicators

	2016	2017	2018F
GDP growth (YoY)	3.0%	4.6%	4.6%
Domestic demand (YoY)	2.2%	4.7%	5.8%
Private consumption (YoY)	3.9%	4.8%	4.7%
Investment (YoY)	-8.2%	3.4%	9.2%
Inflation (eop)	0.8%	2.1%	1.6%
MPC rate (eop)	1.50	1.50	1.50
CHF/PLN (eop)	4.11	3.57	3.51
EUR/PLN (eop)	4.40	4.18	4.20

Banking sector – monetary aggregates YoY

	2016	2017	2018F
Corporate loans	5.0%	5.9%	12.5%
Mortgage loans	4.8%	-0.1%	4.0%
Non-mortgage loans	5.5%	5.4%	7.6%
Corporate deposits	7.9%	2.4%	8.8%
Retail deposits	9.7%	4.2%	7.2%

Source: mBank's estimates as of 08.05.2018.

Outlook for mBank

Net interest income & NIM (Slightly positive) 

- Continued gradual increase of margin driven by changing structure of loan portfolio (more higher-yielding products)
- No room for further reduction of funding costs

Net Fee & Commission income (Neutral) 

- Constantly rising client transactionality and strong acquisition in both retail and corporate segment
- Lower income from insurance products due to the sale of group insurance business

Total costs (Slightly negative) 

- Business-driven costs to be kept well-contained
- Rising amortisation due to ongoing investments in IT
- Contribution to the BFG to remain stable

Loan Loss Provisions (Slightly negative) 

- Small downside risk due to changing loan book mix
- Potential increase in provisioning due to IFRS 9
- Resilient asset quality supported by good macroeconomic situation and low unemployment

Agenda



Summary of Main Trends in Q1/18

Business Development of Retail and Corporate Segment

Key Financials



Analysis of the Results after Q1/18

Loans and Deposits

Total Income and its Main Components

Total Costs and Efficiency

Loan Loss Provisions and Portfolio Quality

Capital and Liquidity Ratios



Macroeconomic Update and Outlook



Appendix

Selected Financial Data

Detailed Results of Business Lines



Appendix

Selected Financial Data

Consolidated Profit and Loss Account

Summary

Profit & Loss

Balance Sheet

Business Lines

Subsidiaries

Historical view

Quarterly results (PLN thou.)	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
Net interest income	749,007	764,779	796,762	825,112	816,424
Net fee and commission income	249,554	252,612	256,514	233,478	268,876
Dividend income	154	2,970	142	162	167
Net trading income	76,897	61,068	83,116	72,982	84,493
<i>incl. FX result</i>	76,407	57,912	87,606	67,187	71,427
Gains less losses from investment securities	1,636	-18,298	-5,780	18,505	4,304
Net other operating income	4,530	17,741	18,628	-8,710	206,300
Total income	1,081,778	1,080,872	1,149,382	1,141,529	1,380,564
Total operating costs	-577,691	-485,090	-485,880	-494,507	-600,993
<i>Overhead costs</i>	-526,609	-433,494	-432,140	-426,706	-535,161
<i>Amortisation</i>	-51,082	-51,596	-53,740	-67,801	-65,832
Loan loss provisions and fair value change ¹	-82,921	-120,399	-164,422	-139,979	-121,774
Operating profit	421,166	475,383	499,080	507,043	657,797
Taxes on the Group balance sheet items	-91,305	-93,018	-95,521	-95,412	-98,463
Result on entities under the equity method	0	0	192	294	289
Profit before income tax	329,861	382,365	403,751	411,925	559,623
Net profit attributable to owners of mBank	218,778	269,700	291,414	311,638	411,000

¹ Sum of 'Impairment on financial assets not measured at fair value through profit or loss' and 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss'

Appendix

Selected Financial Data Consolidated Statement of Financial Position

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

Assets (PLN thou.)	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
Cash and balances with Central Bank	7,139,929	5,855,425	6,028,470	7,384,869	5,354,319
Loans and advances to banks	1,976,859	2,259,136	2,403,911	1,707,722	3,811,337
Trading securities	3,538,122	3,296,641	1,990,360	1,525,382	3,162,933
Derivative financial instruments	1,680,769	1,325,089	1,348,821	1,236,303	1,137,925
Loans and advances to customers	81,697,942	83,377,025	85,531,969	84,475,844	85,663,383
Investment securities	31,689,903	30,469,641	32,448,706	32,144,699	31,655,013
Intangible assets	577,955	627,900	636,272	710,642	692,258
Tangible fixed assets	737,261	711,925	701,845	758,738	730,463
Other assets	1,449,641	1,494,709	1,387,672	1,479,820	1,432,585
Total assets	130,488,381	129,417,491	132,478,026	131,424,019	133,640,216
Liabilities (PLN thou.)	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
Amounts due to banks	8,767,287	8,641,320	8,451,809	5,073,351	4,475,332
Derivative financial instruments	1,557,117	1,114,492	1,014,022	1,095,365	900,830
Customer deposits	88,744,037	88,155,911	90,677,502	91,496,027	94,308,572
Debt securities in issue	13,260,781	13,011,687	13,685,190	14,322,852	14,414,161
Subordinated liabilities	2,250,473	2,232,839	2,204,523	2,158,143	2,157,269
Other liabilities	2,570,402	2,580,807	2,477,518	2,986,725	2,897,717
Total liabilities	117,150,097	115,737,056	118,510,564	117,132,463	119,153,881
Total equity	13,338,284	13,680,435	13,967,462	14,291,556	14,486,335
Total liabilities and equity	130,488,381	129,417,491	132,478,026	131,424,019	133,640,216

Appendix

Selected Financial Data mBank Group's Ratios

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

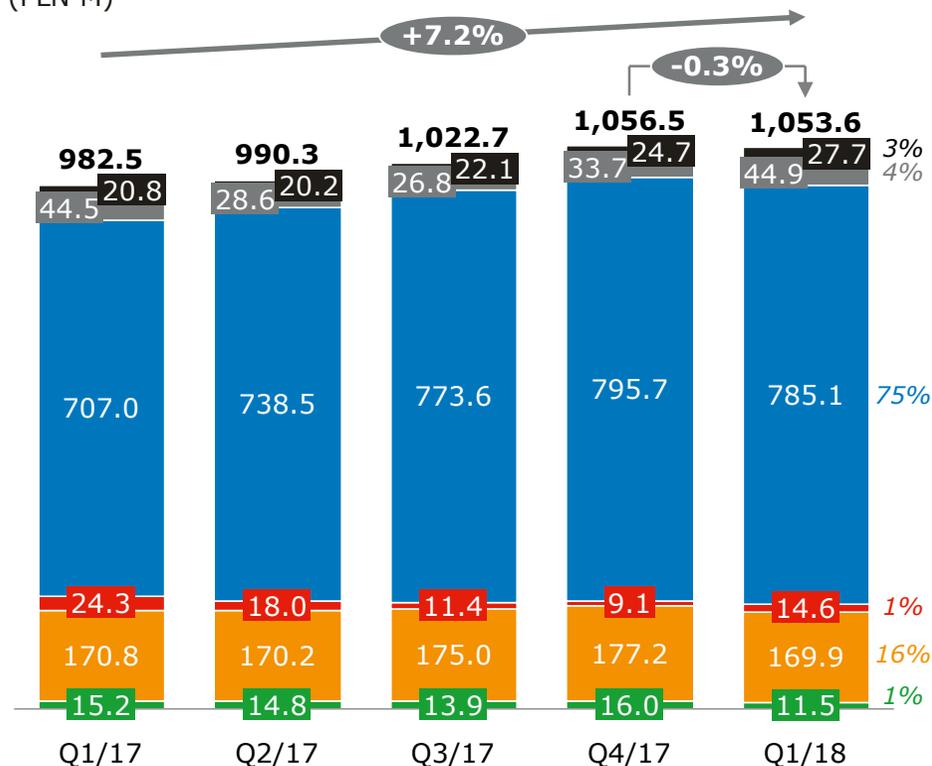
Financial Ratios	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
Net Interest Margin (<i>quarterly</i>)	2.42%	2.43%	2.50%	2.57%	2.61%
Net Interest Margin YtD	2.42%	2.42%	2.45%	2.48%	2.61%
Net Interest Margin YtD (excl. CHF portfolio)	2.77%	2.76%	2.79%	2.81%	2.91%
Cost to Income Ratio (<i>quarterly</i>)	53.4%	44.9%	42.3%	43.3%	43.5%
Cost to Income Ratio YtD	53.4%	49.1%	46.8%	45.9%	43.5%
Cost of Risk (<i>quarterly</i>)	0.41%	0.58%	0.78%	0.66%	0.57%
Cost of Risk YtD	0.41%	0.49%	0.59%	0.61%	0.57%
ROE net (<i>quarterly</i>)	6.81%	8.23%	8.77%	9.36%	11.90%
ROE net YtD	6.81%	7.53%	7.95%	8.31%	11.90%
ROA net (<i>quarterly</i>)	0.68%	0.83%	0.89%	0.94%	1.26%
ROA net YtD	0.68%	0.75%	0.80%	0.83%	1.26%
Loan-to-Deposit Ratio	92.1%	94.6%	94.3%	92.3%	90.8%
Total Capital Ratio	21.59%	21.24%	20.47%	20.99%	20.93%
Tier 1 Capital Ratio	18.76%	18.47%	17.83%	18.31%	17.87%
Equity / Assets	10.2%	10.6%	10.5%	10.9%	10.8%
TREA / Assets	49.5%	51.1%	52.2%	51.8%	52.5%
NPL ratio	5.2%	5.0%	5.2%	5.2%	5.1%
NPL coverage ratio	59.4%	60.2%	59.1%	59.2%	57.7%
NPL coverage ratio incl. general provisions	64.7%	65.5%	64.5%	64.6%	66.0%

Appendix

Selected Financial Data Profit and Loss Account: Net Interest Income

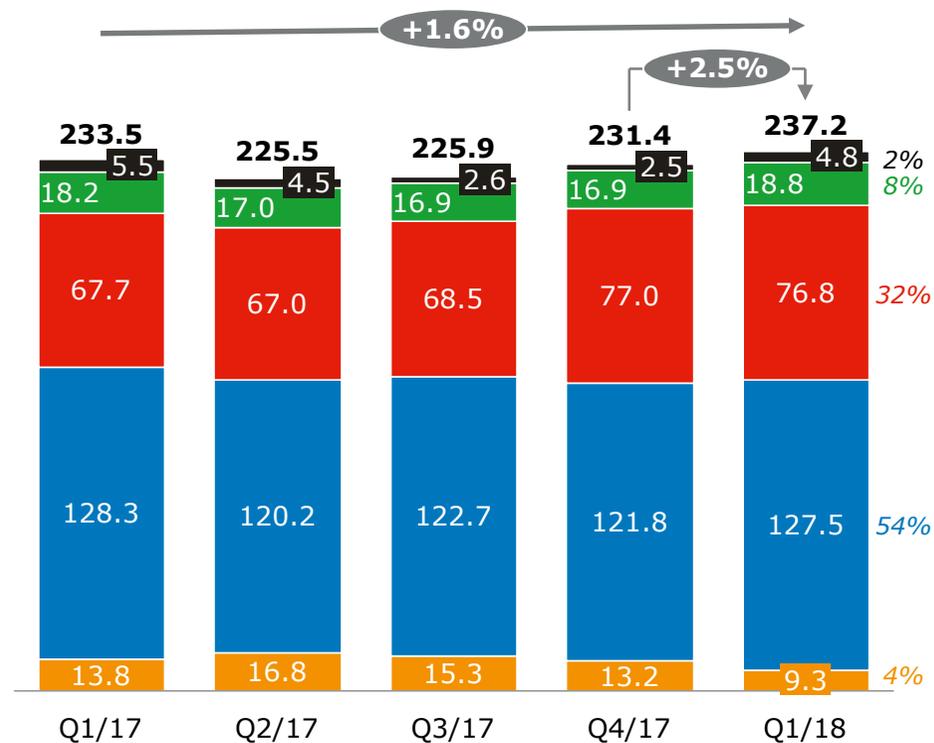
Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

Interest Income Structure
(PLN M)



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

Interest Expense Structure
(PLN M)



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

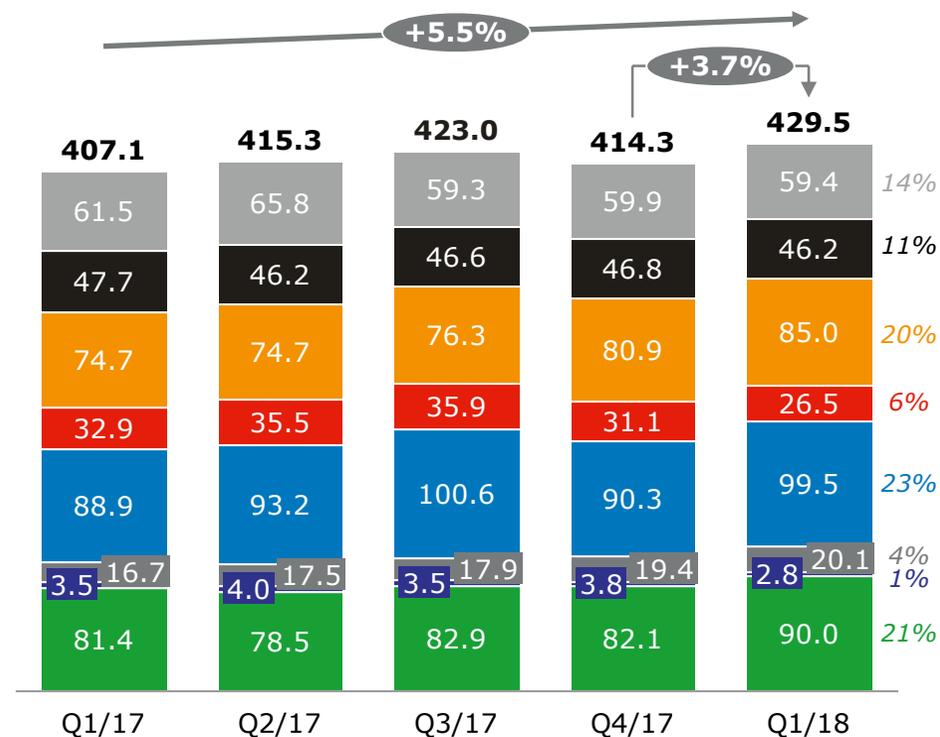
Appendix

Selected Financial Data

Profit and Loss Account: Net Fee and Commission Income

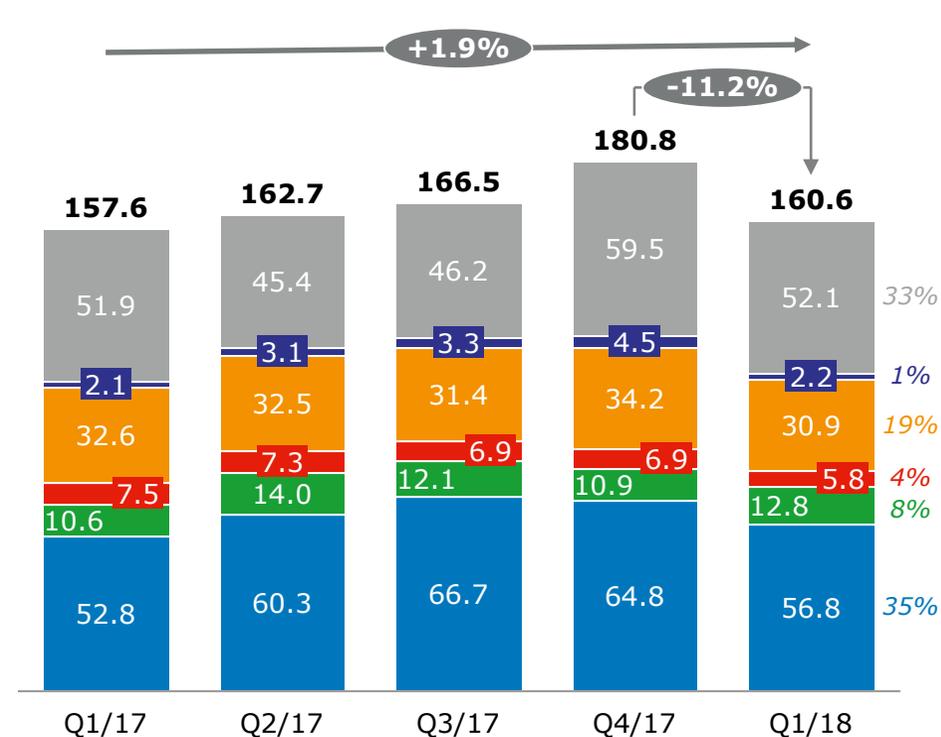
Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

Fee and Commission Income Structure (PLN M)



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

Fee and Commission Expense Structure (PLN M)



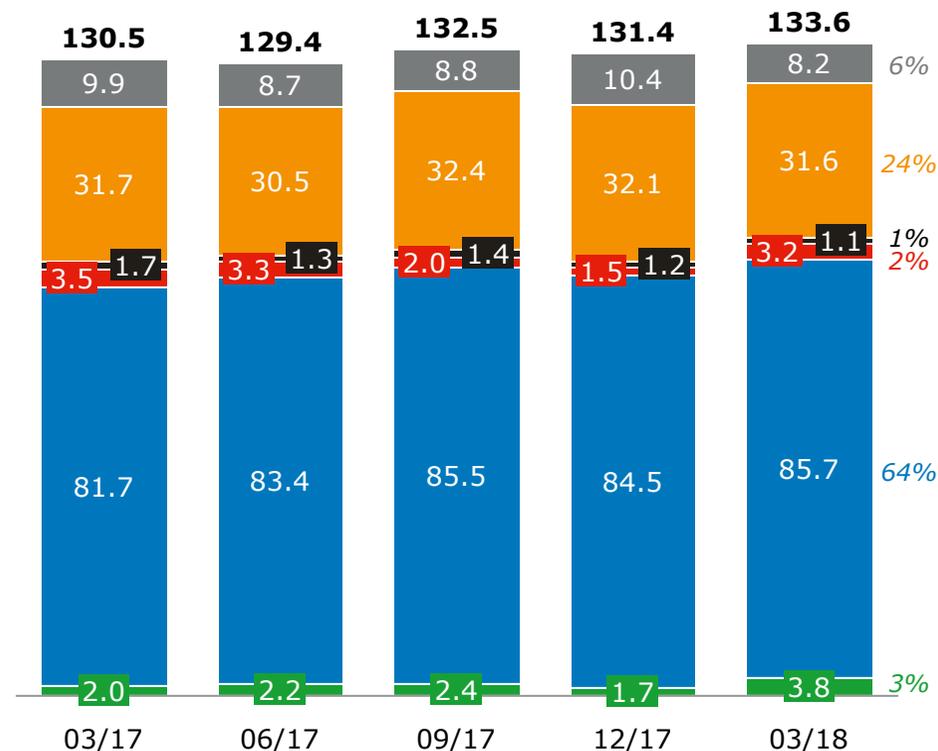
- Payment card fees
- Cash handling fees
- Discharged brokerage fees
- Commissions paid to external entities
- Fees paid to NBP and KIR
- Other (incl. insurance activity)

Appendix

Selected Financial Data Balance Sheet Analysis: Assets & Liabilities

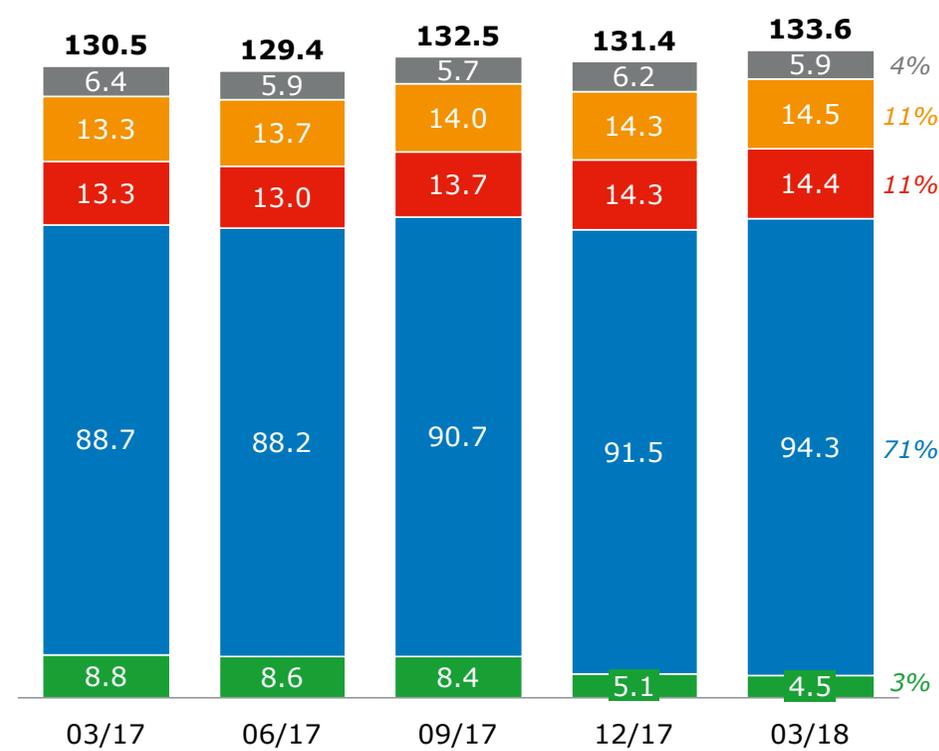
Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

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

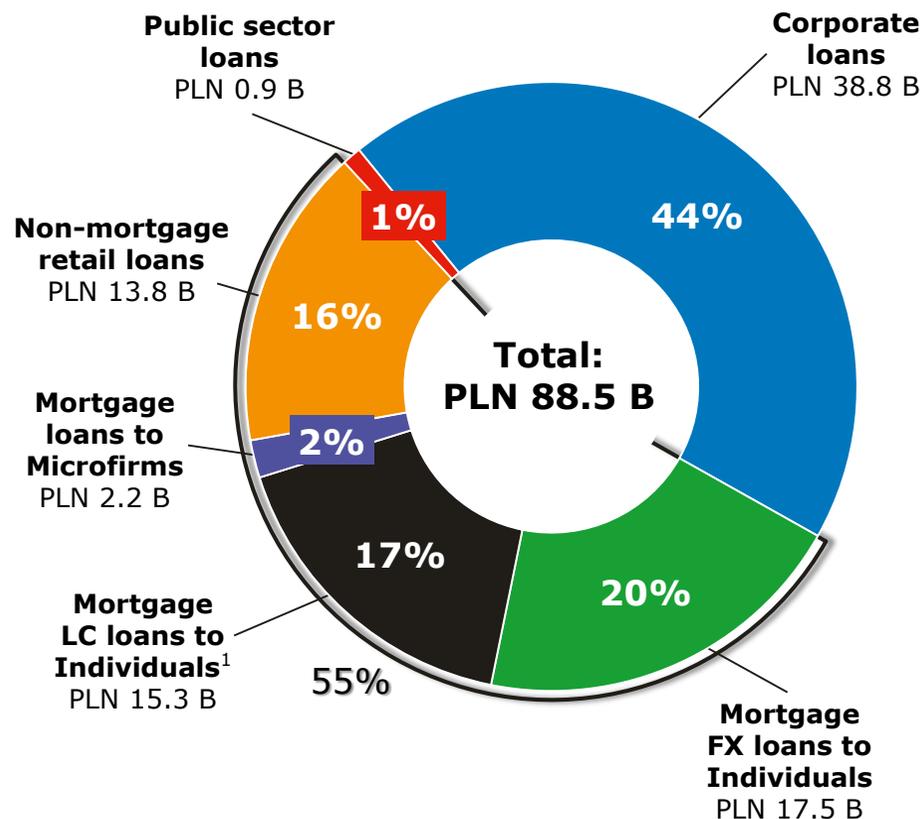
Appendix

Selected Financial Data

Balance Sheet Analysis: Structure of Loans and Deposits

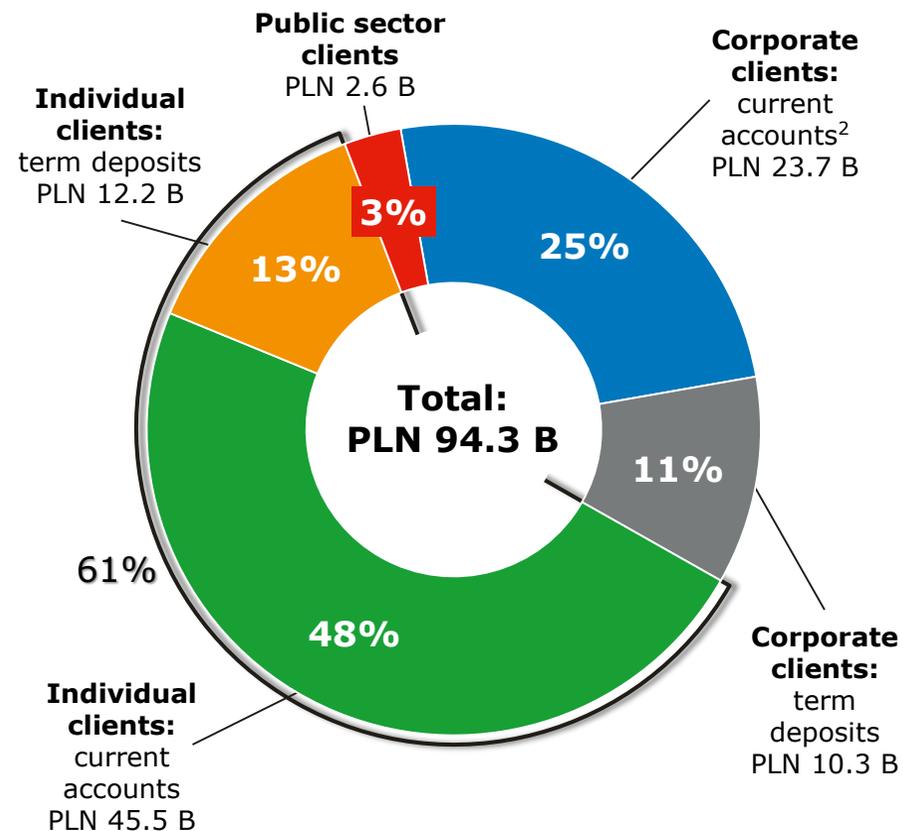
Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

Structure of mBank Group's Gross Loans as of 31.03.2018



¹ Including local currency mortgage loans granted in Poland, the Czech Republic and Slovakia

Structure of mBank Group's Deposits as of 31.03.2018



² Including repo transactions, loans and advances received, other liabilities

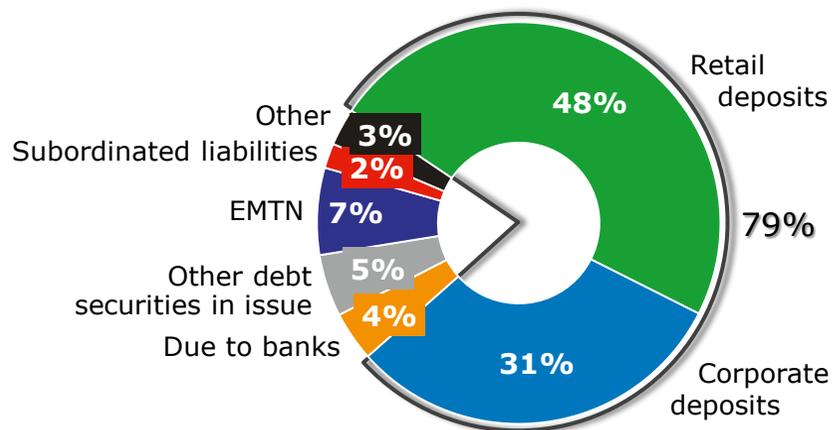
Appendix

Selected Financial Data

Balance Sheet Analysis: Funding Structure and Liquidity Levels

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

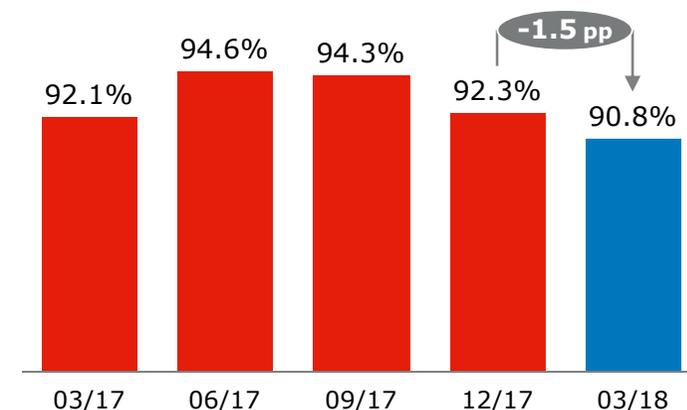
mBank Group's Funding Structure as of 31.03.2018



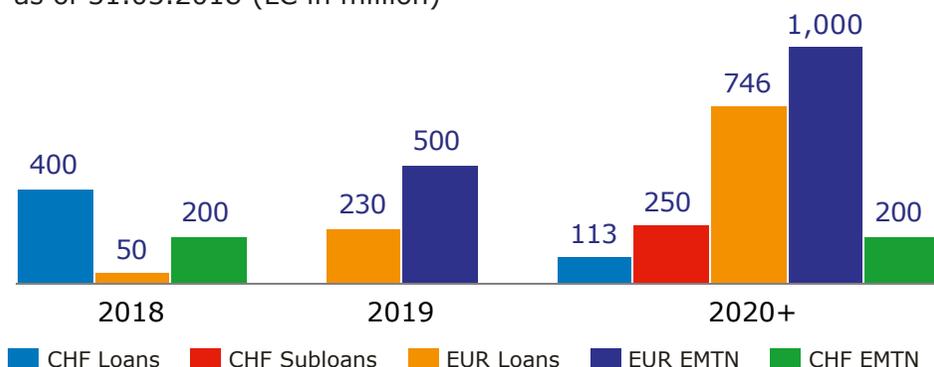
mBank's ratings

Fitch	
Long-term rating	BBB
Short-term rating	F2
Standard & Poor's	
Long-term credit rating	BBB+
Short-term credit rating	A-2

Loan-to-Deposit Ratio



Maturity of long-term funding instruments in original currencies as of 31.03.2018 (LC in million)



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

Issue size	Issue date	Maturity date	Tenor	Coupon
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%
CHF 200 M	28-03-2017	28-03-2023	6.0 Y	1.005%

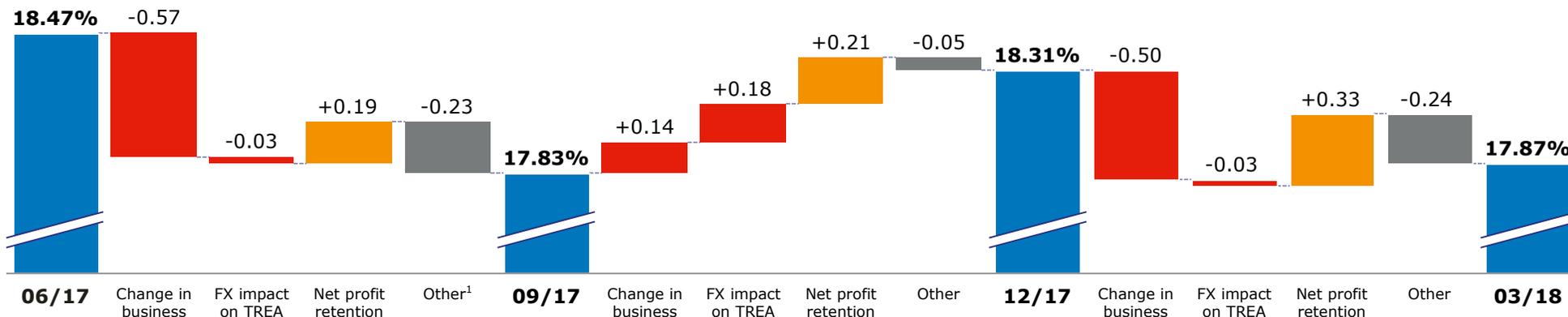
Appendix

Selected Financial Data

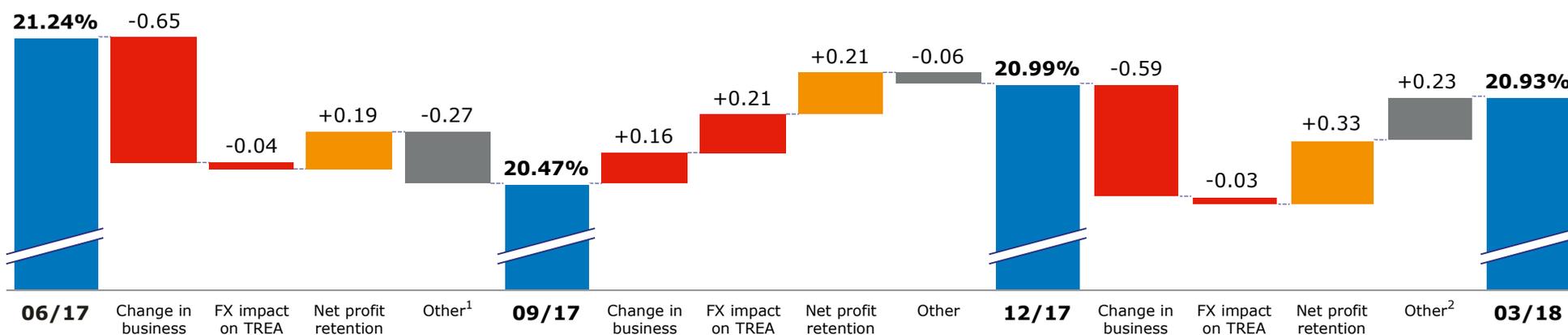
Balance Sheet Analysis: Detailed Development of Capital Ratios

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

mBank Group's Tier 1 Capital Ratio



mBank Group's Total Capital Ratio



¹ Predominantly due to the recalibration of PD parameter in retail segment resulting in an increase of TREA by ca. PLN 0.6 B; ² Inclusion of funds from subordinated loan in Tier 2 instruments;

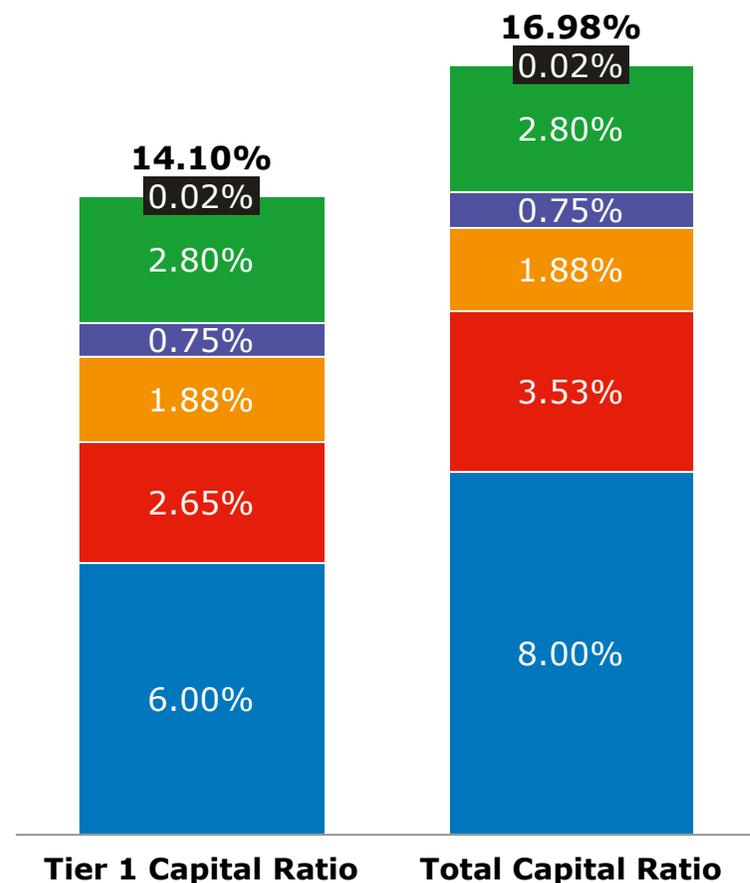
Appendix

Selected Financial Data

Balance Sheet Analysis: Details of Capital Requirements

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

Regulatory capital requirements for mBank Group as of 31.03.2018



- Countercyclical Capital Buffer** is calculated as the weighted average of the countercyclical buffer rates that apply in the countries where the relevant credit exposures of the Group are located.
- Systemic Risk Buffer** determined at 3.0% in Poland entering into force from 01.01.2018; it replaced the previous Polish FSA add-on; for mBank it applies only to domestic exposures.
- Other Systemically Important Institution (O-SII) Buffer** imposed by an administrative decision of the PFSA, in which mBank has been identified as other systemically important institution; its level is reviewed annually.
- Conservation Capital Buffer** is equal for all banks in Poland as introduced by the Act on Macroprudential Supervision Over the Financial System and Crisis Management in the Financial System; the implementation is gradual and it was raised to from 1.25% to 1.875% from 01.01.2018 and to 2.5% from 01.01.2019.
- Individual additional Pillar 2 capital requirement for risk related to FX retail mortgage loans** imposed as a result of risk assessment carried out by the PFSA within the supervisory review and evaluation process ("SREP"); its level is reviewed annually.
- CRR Regulation minimum level** based on Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Detailed Results of the Business Lines in Q1/18

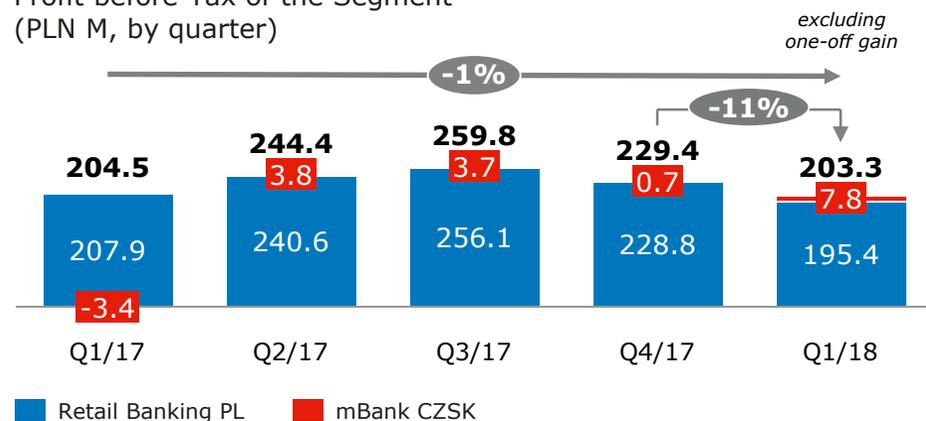
Retail Banking

Appendix

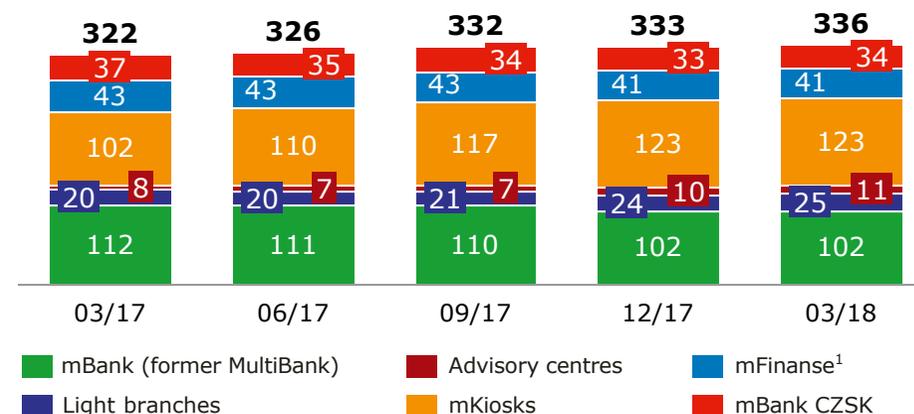
Retail Banking Summary of Q1/18: Financial and Business Results

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

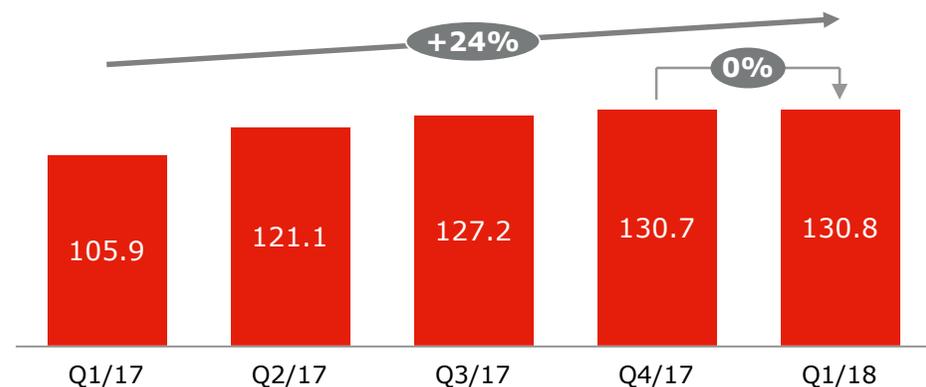
Profit before Tax of the Segment
(PLN M, by quarter)



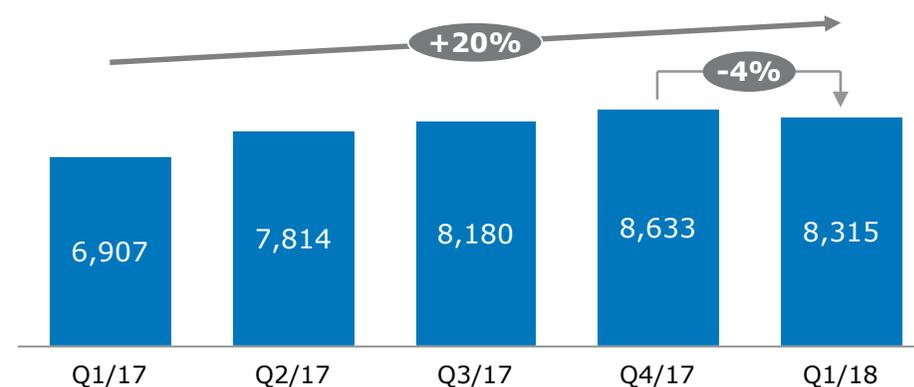
Number of Retail Service Locations



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



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



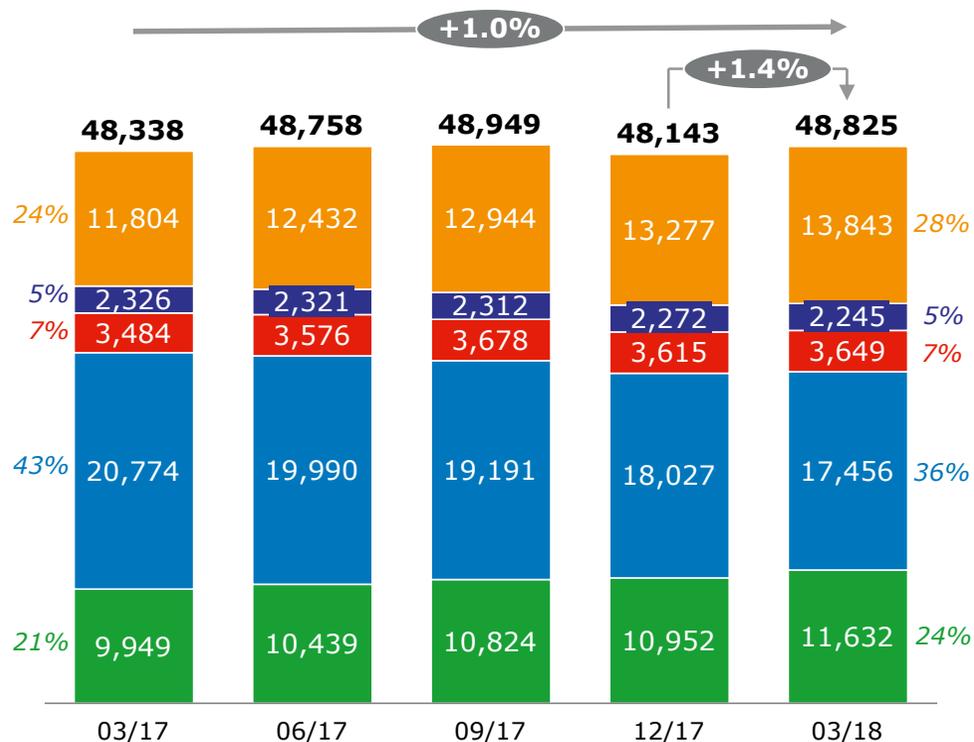
¹ Including financial centres and agency service points

Appendix

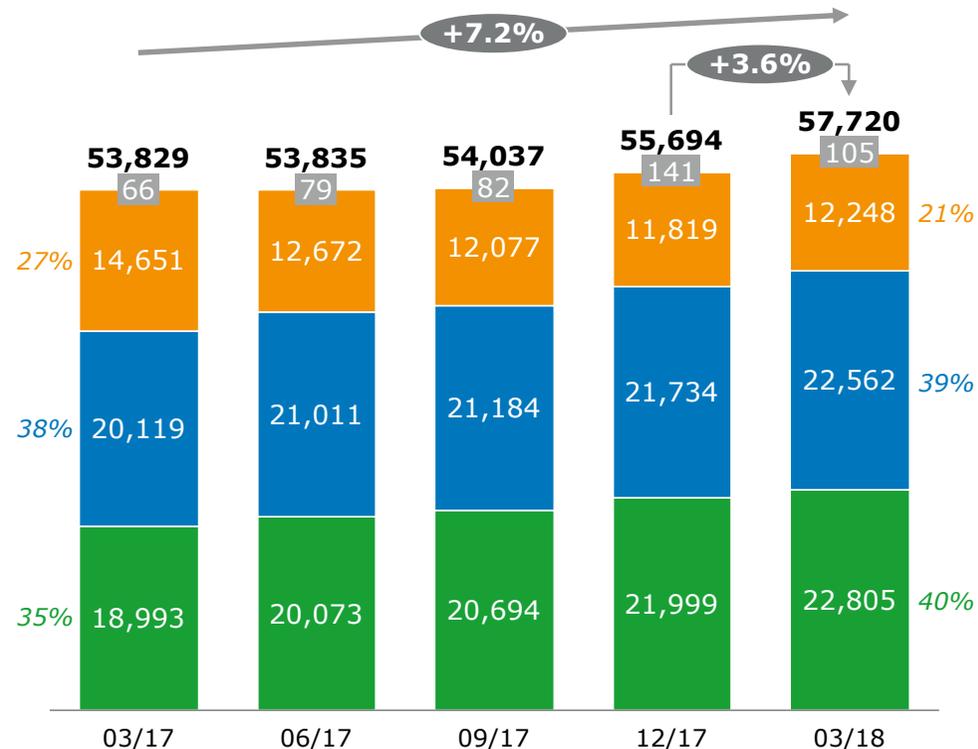
Retail Banking Summary of Q1/18: Loans and Deposits

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

Gross Loans to Retail Banking Clients¹
(PLN M)



Deposits from Retail Banking Clients
(PLN M)



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

- Current accounts
- Saving accounts
- Term deposits
- Other

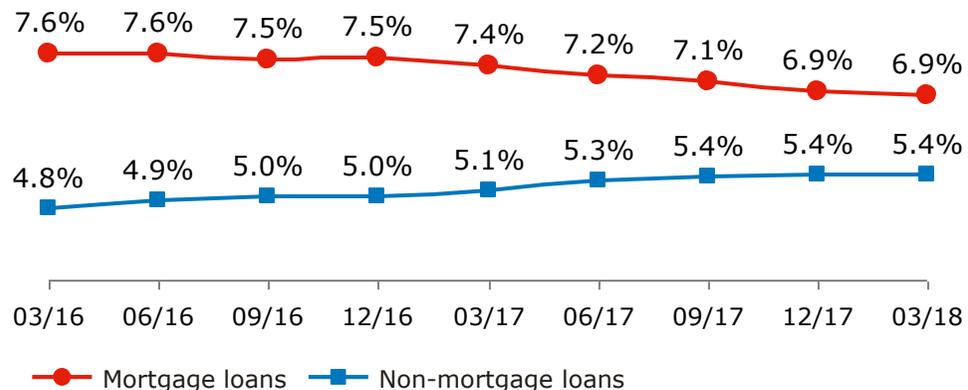
¹ Currency and geographical breakdown based on management information

Appendix

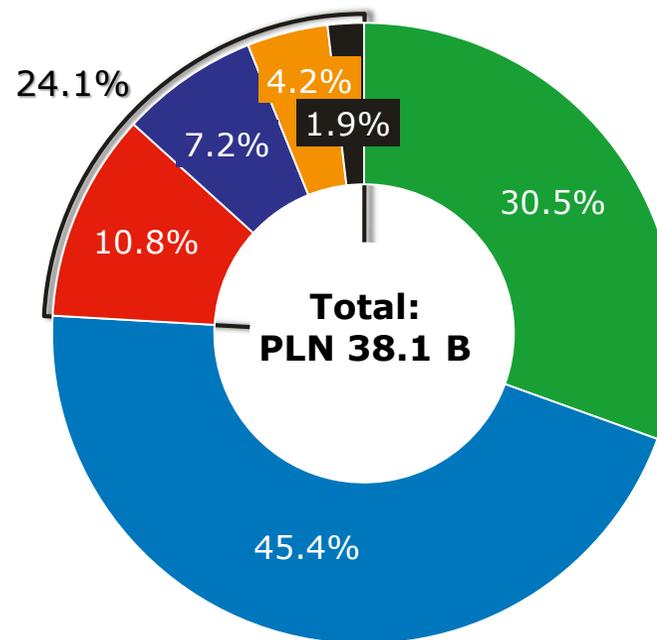
Retail Banking Loan Portfolio Structure of mBank Group in Poland

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

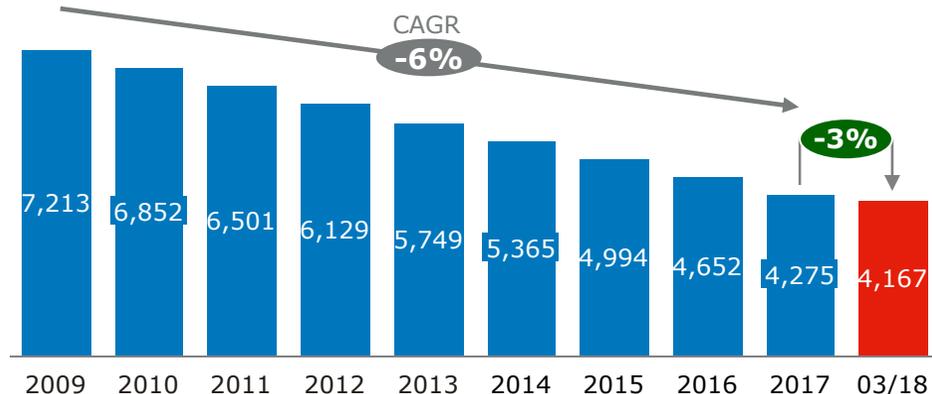
Market Shares in Household Loans in Poland



Product Structure of Retail Banking Loan Portfolio in Poland as of 31.03.2018



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



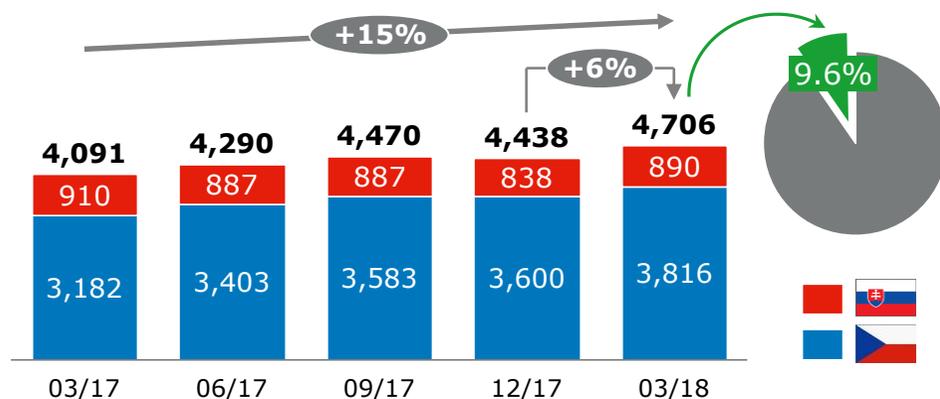
- PLN Mortgage loans
- Cash loans
- Credit cards
- FX Mortgage loans
- Credit lines
- Other

Appendix

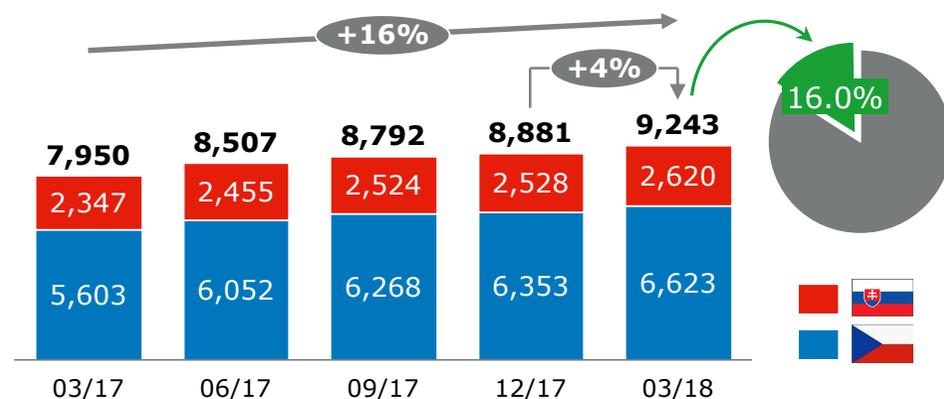
Retail Banking mBank in the Czech Republic and Slovakia

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

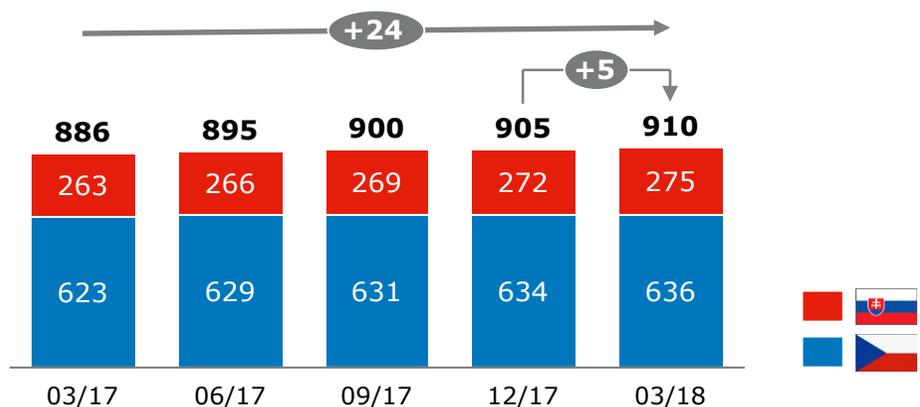
Gross Loans (PLN M) and Share in Total mBank's retail volume



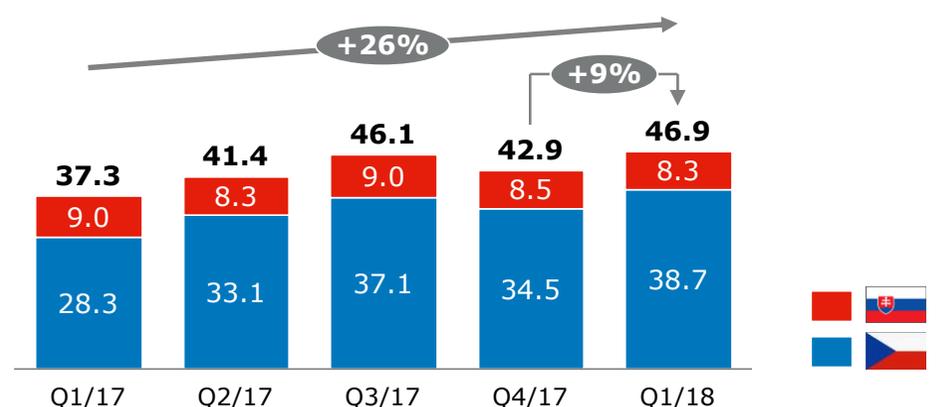
Deposits (PLN M) and Share in Total mBank's retail volume



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
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

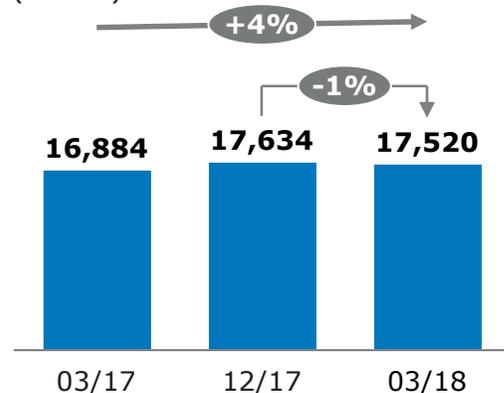


Czech Republic

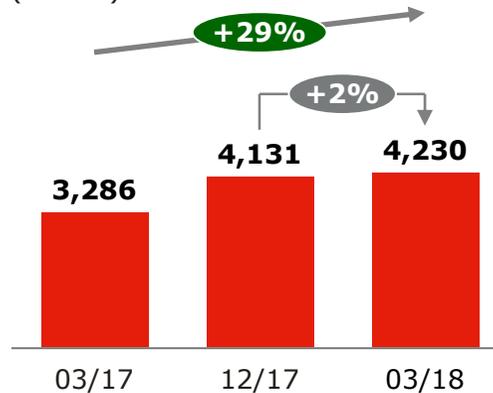
Clients:
635.6 thou.

4 light branches,
7 financial centres &
13 mKiosks

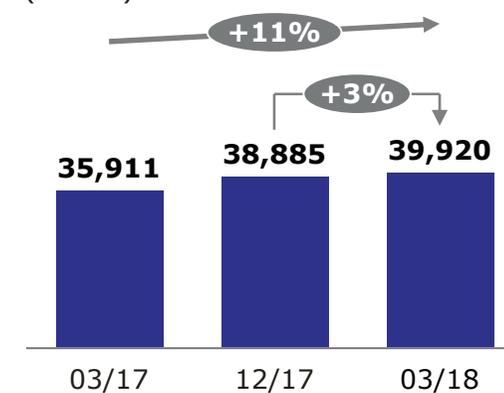
Mortgage Loans
(CZK M)



Non-mortgage Loans
(CZK M)



Customer deposits
(CZK M)

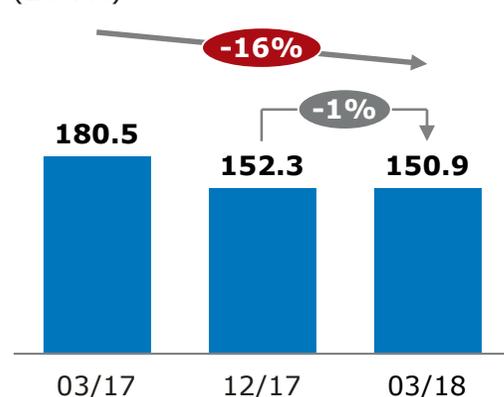


Slovakia

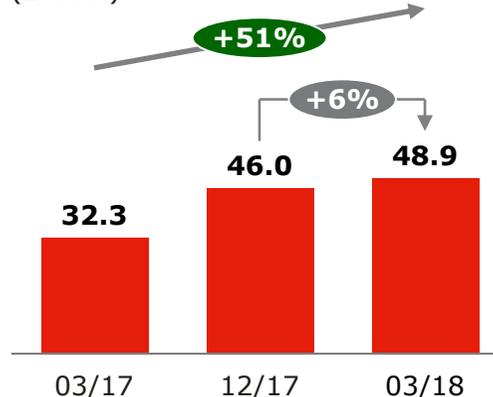
Clients:
274.9 thou.

2 light branches,
3 financial centres &
5 mKiosks

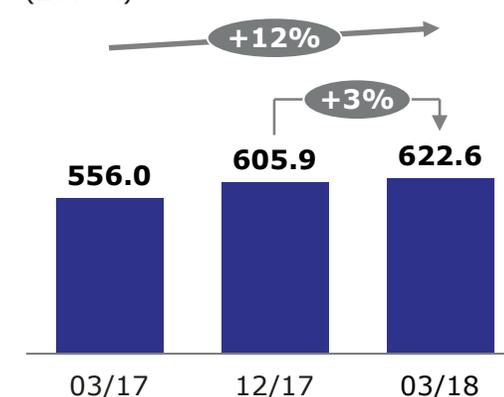
Mortgage Loans
(EUR M)



Non-mortgage Loans
(EUR M)



Customer deposits
(EUR M)



Note: Volumes based on management information.

Detailed Results of the Business Lines in Q1/18

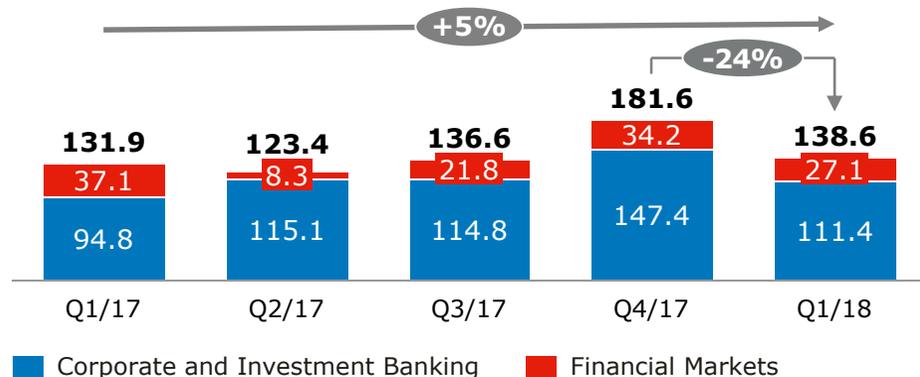
Corporates & Financial Markets

Appendix

Corporates and Financial Markets Summary of Q1/18: Financial and Business Results

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

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

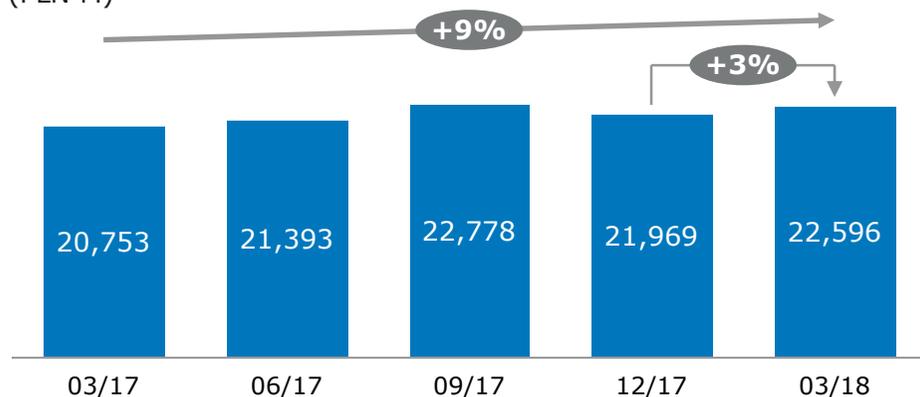


Number of Corporate Service Locations

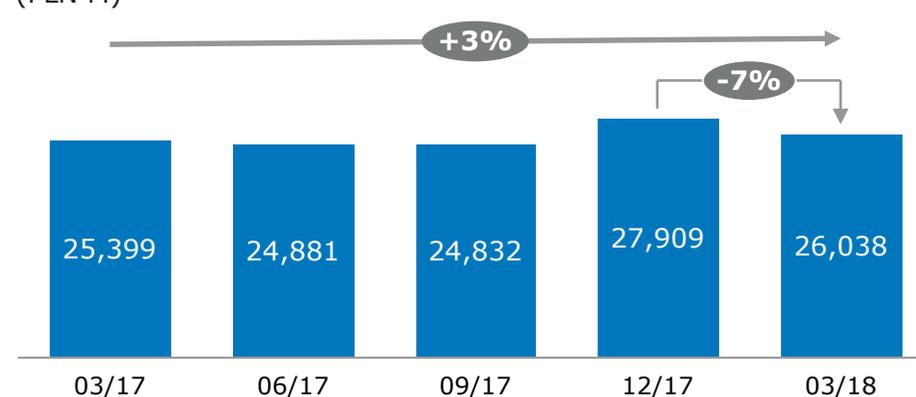
- 29** mBank's branches, incl. 10 advisory centres
- 17** mBank's offices, incl. 1 advisory centre
- 21** mLeasing
- 8** mFaktoring
- 5** mBank Hipoteczny



Loans to enterprises¹
(PLN M)



Deposits of enterprises¹
(PLN M)



¹ Corporate loan and deposit volumes (for mBank only) according to NBP rules (monetary reporting system – MONREP)

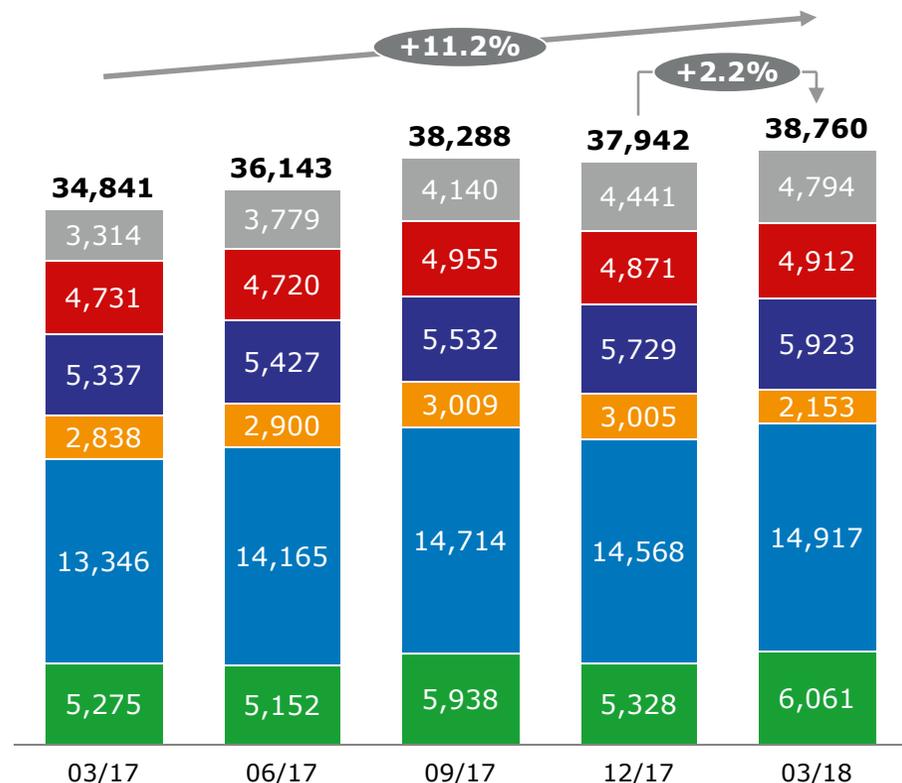
Appendix

Corporates and Financial Markets Summary of Q1/18: Loans and Deposits

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

Gross Loans to Corporate Entities
(PLN M)

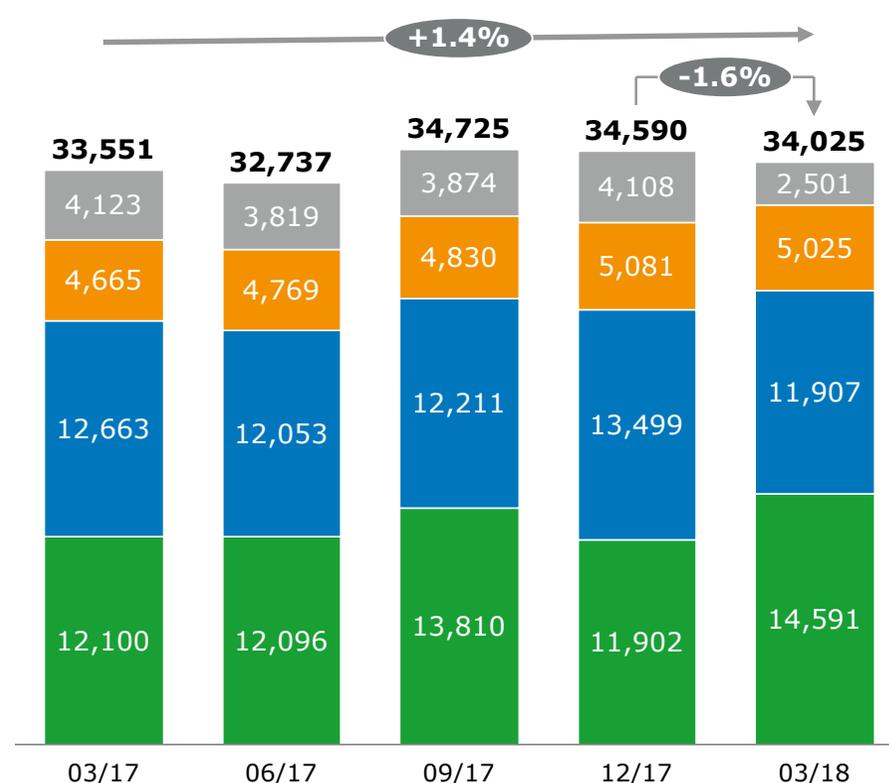
Resegmentation
starting from 2018



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

Deposits from Corporate Customers
(PLN M)

Resegmentation
starting from 2018



■ K1 ■ K2 ■ K3 ■ Other

Note: Corporate clients split: K1 – annual sales over PLN 1 B and non-banking financial institutions; K2 – annual sales of PLN 50 M to PLN 1 B; K3 – annual sales below 50 M and full accounting.

Detailed Results of mBank Group's companies in Q1/18

Subsidiaries

Appendix

mBank Group's Subsidiaries mBank Hipoteczny (mBH)

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

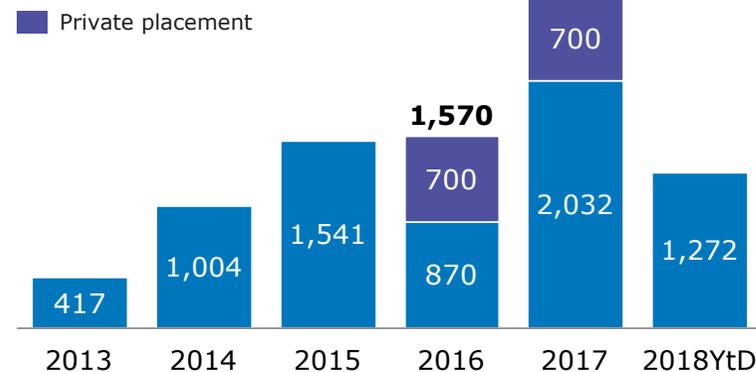
Bank Hipoteczny

established in 1999

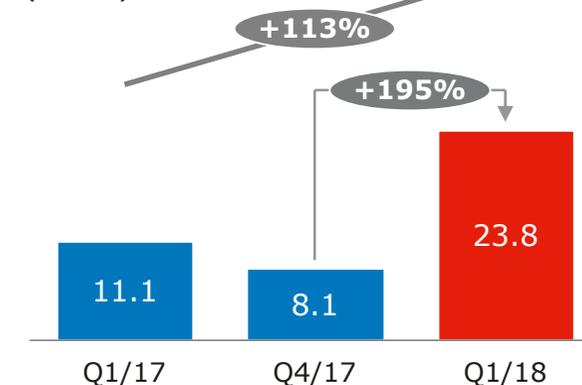
specialised mortgage bank and active issuer of covered bonds in the Polish market

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

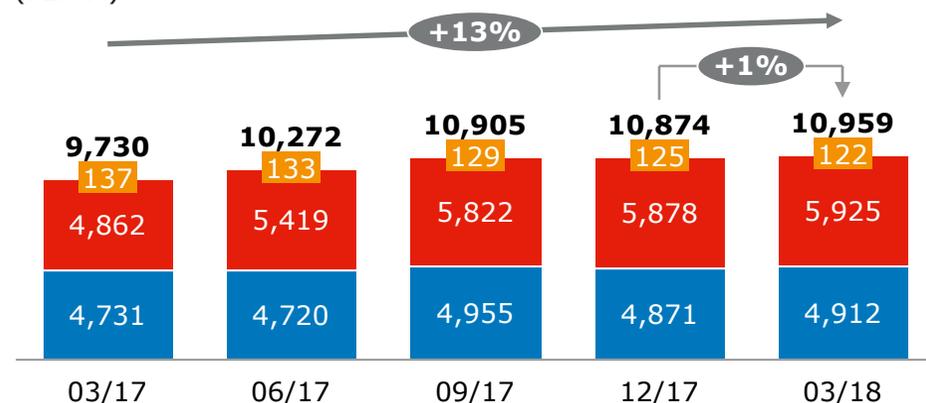
Issuance of Covered Bonds (PLN M, by year)



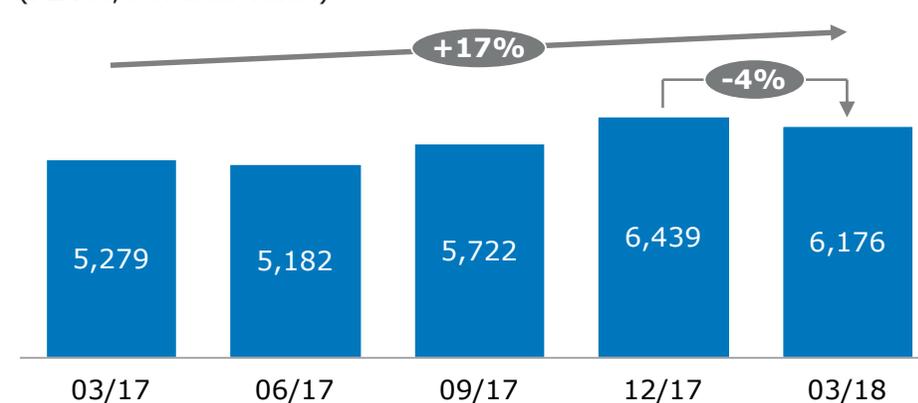
Profit before Income Tax (PLN M)



Gross loans and advances to customers (PLN M)



Outstanding amount of Covered Bonds issued (PLN M, nominal value)



Appendix

mBank Group's Subsidiaries

mBank Hipoteczny (mBH): Issuance Activity on the Covered Bonds Market

[Summary](#)
[Profit & Loss](#)
[Balance Sheet](#)
[Business Lines](#)
[Subsidiaries](#)
[Historical view](#)

Summary of Mortgage Covered Bonds issued in 2014-2018 (public issues)

Amount	Currency	Issue date	Maturity date	Tenor (years)	Coupon
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%)
24.9 M	EUR	01-02-2017	01-02-2024	7.0	Fixed (0.94%)
500.0 M	PLN	29-09-2017	10-09-2022	5.0	WIBOR 3M + 75bps
1,000.0 M	PLN	11-10-2017	15-09-2023	5.9	WIBOR 3M + 82bps
100.0 M	EUR	30-10-2017	22-06-2022	4.6	Fixed (0.612%)
300.0 M	EUR	26-04-2018	05-03-2025	6.9	Fixed (1.073%)

Appendix

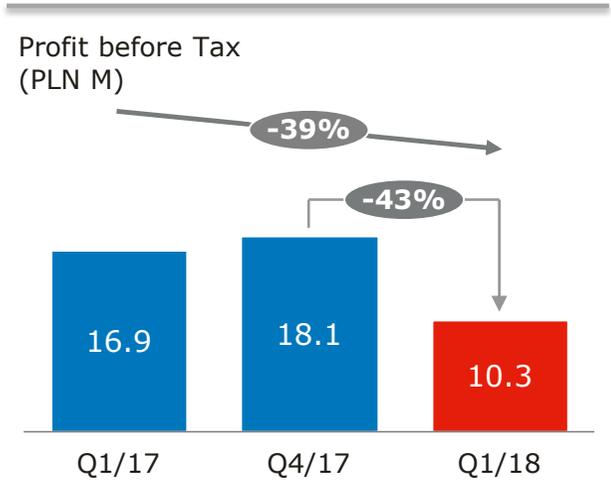
mBank Group's Subsidiaries Leasing and Factoring

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

m Leasing

established in 1991

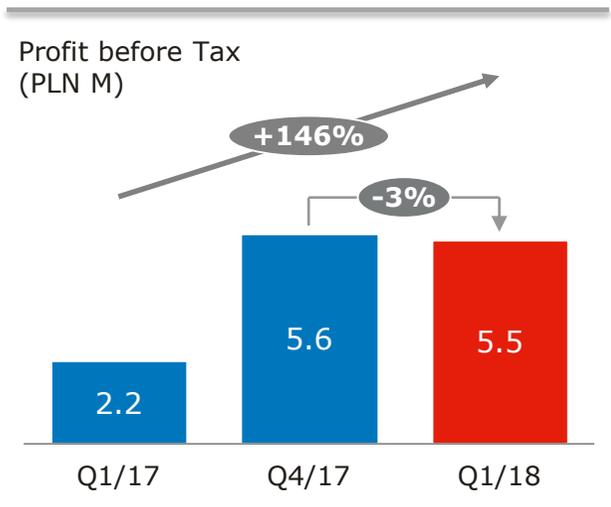
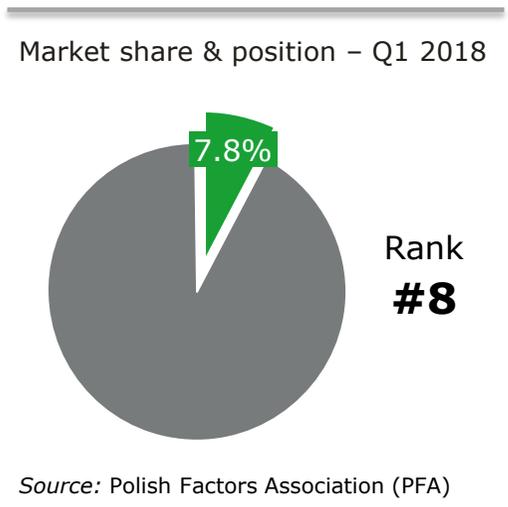
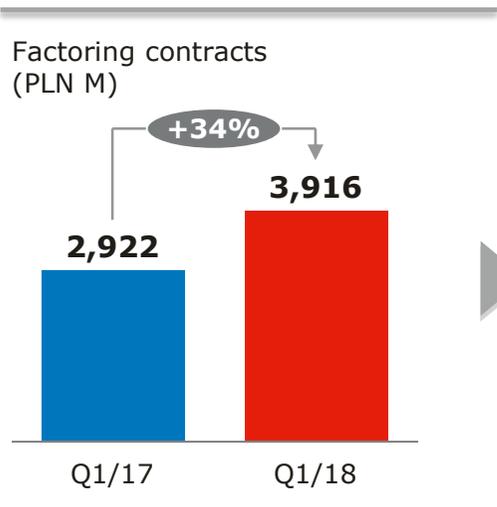
provides financial and operating leasing of cars, trucks, machinery and real estate



m Faktoring

established in 1995

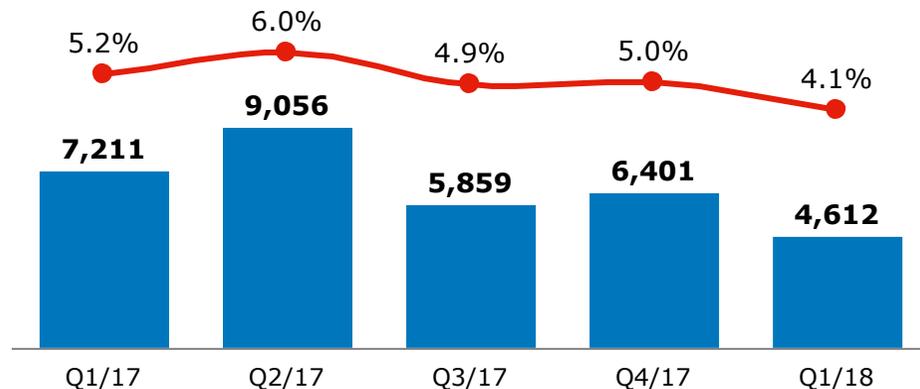
offers factoring services, incl. domestic and export recourse and non-recourse factoring and import guarantees



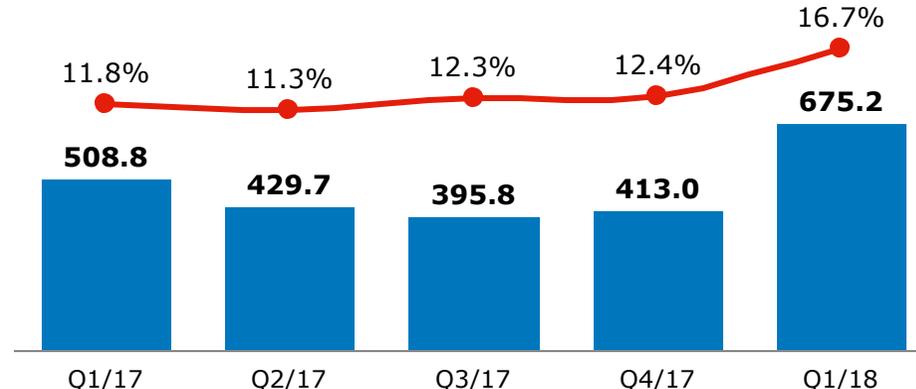
Appendix

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

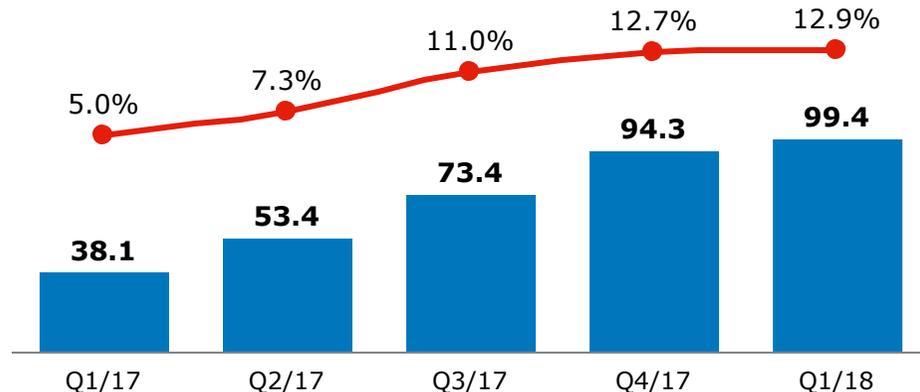
mDM Equities Trading on WSE and Market Share in Turnover (PLN M, by quarter)



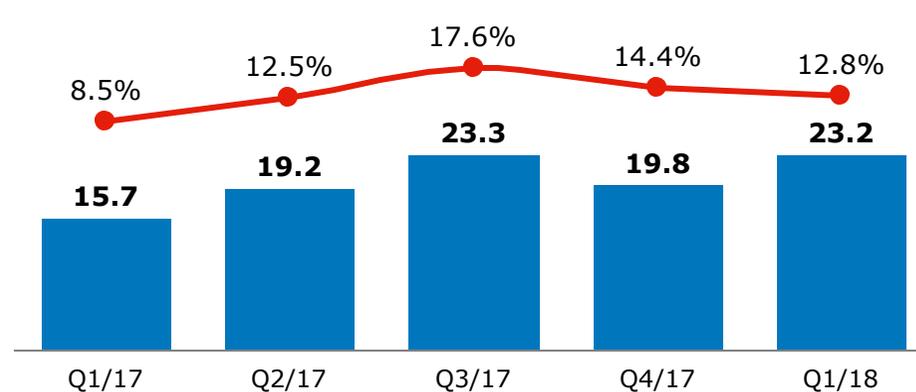
mDM Futures Trading on WSE and Market Share in Turnover (thou. of contracts, by quarter)



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)



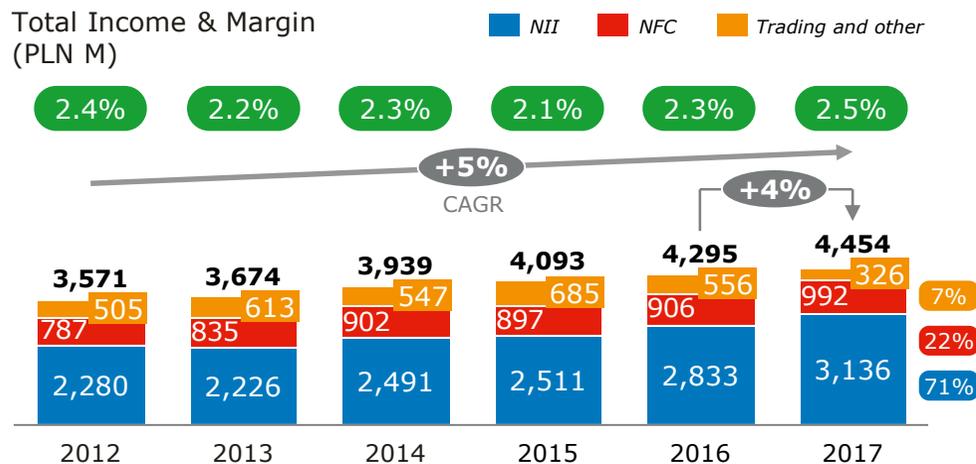
Source: mBank calculations based on WSE data (Exchange Member share in trading, including session, block and other trades).

Appendix

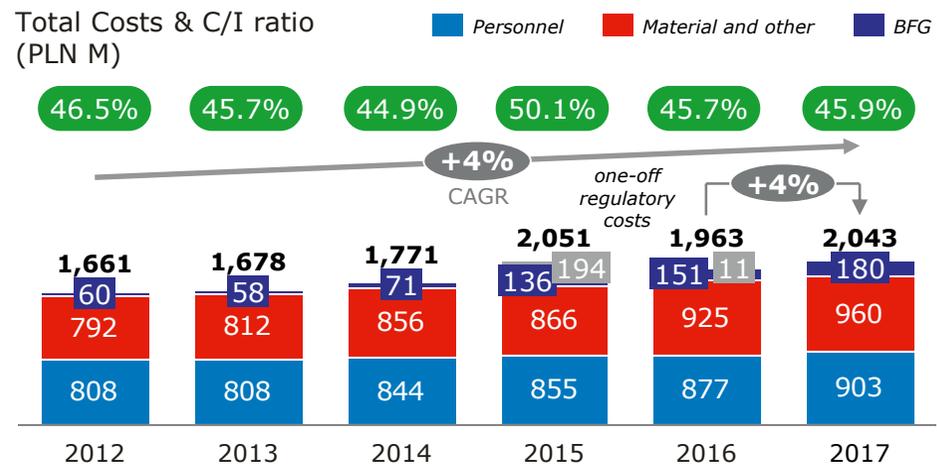
Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

mBank Group's historical performance: Profit and Loss Account

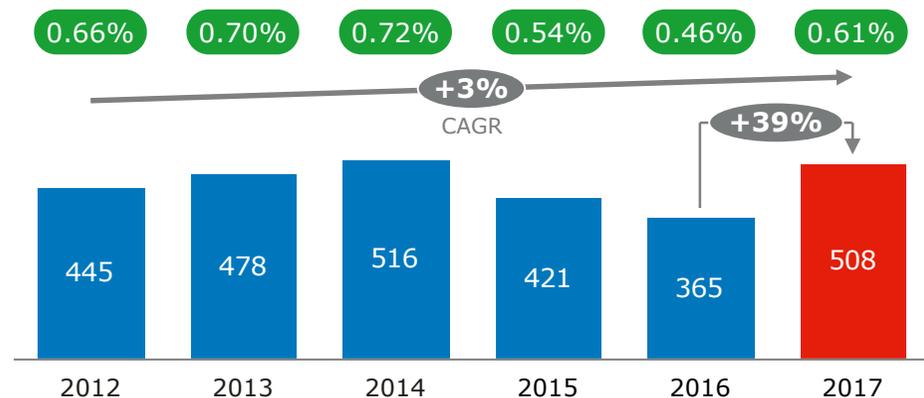
Total Income & Margin (PLN M)



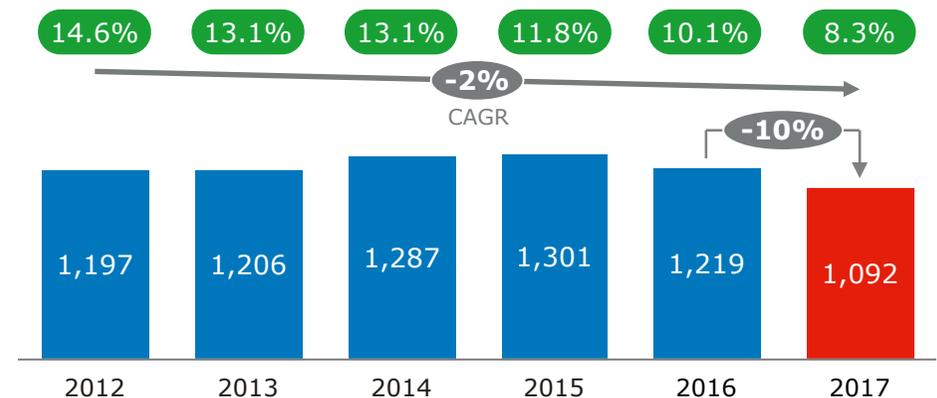
Total Costs & C/I ratio (PLN M)



Loan Loss Provisions & Cost of Risk (PLN M)



Net Profit & Return on Equity (PLN M)

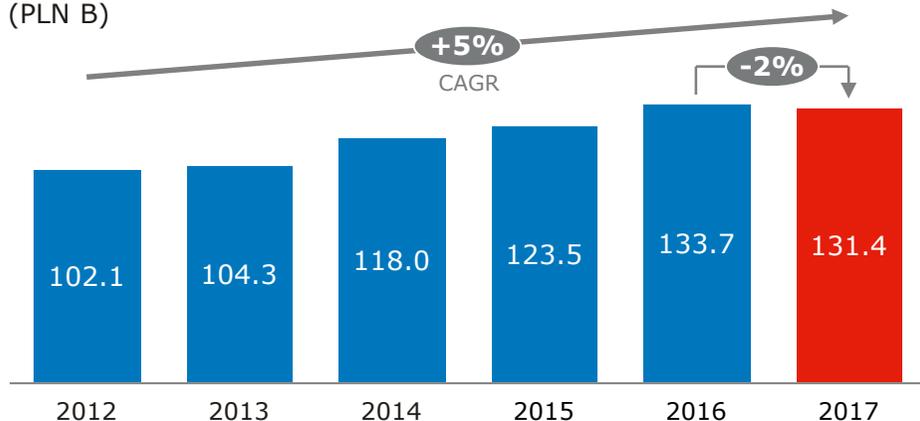


Appendix

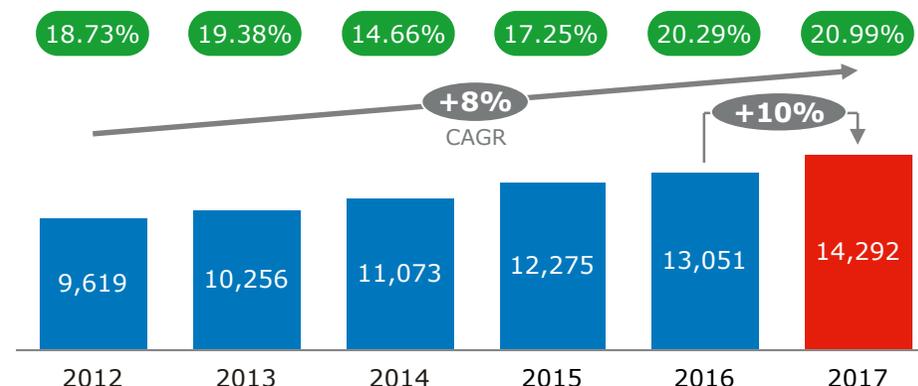
Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

mBank Group's historical performance: Balance Sheet

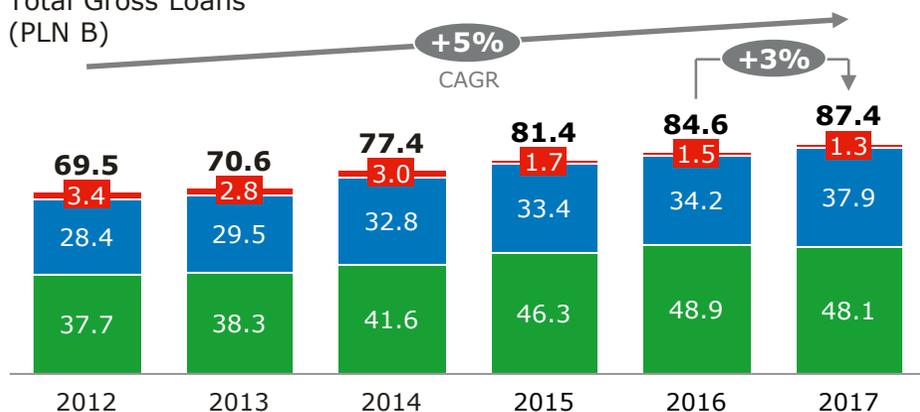
Total Assets
(PLN B)



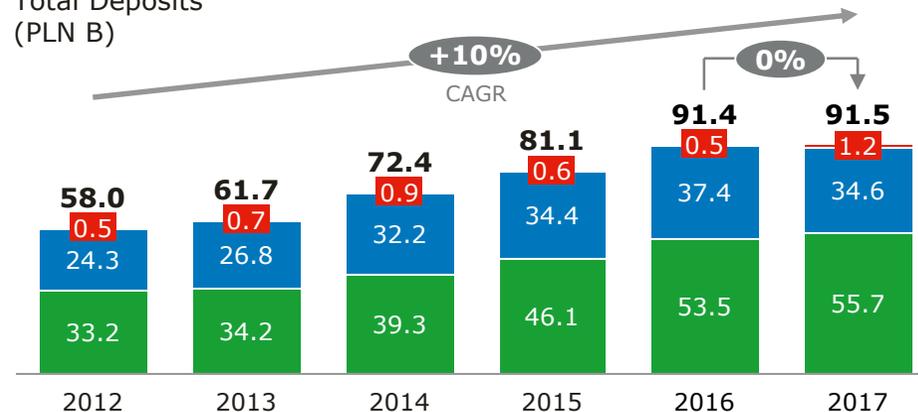
Equity & Total Capital Ratio
(PLN M)



Total Gross Loans
(PLN B)



Total Deposits
(PLN B)



■ Individual clients
 ■ Corporate clients
 ■ Public sector and other

■ Individual clients
 ■ Corporate clients
 ■ Public sector

mBank's share price performance

Banking stocks declined in 1Q'18 due to delaying interest rate hikes

mBank's index membership and weights*

WIG-30	WIG30	2.411%
WIG-20	WIG20	2.681%
WIG	WIG	1.772%
WIG-Banks	WIGbanki	6.062%
WIG-Poland	WIGPoland	1.813%

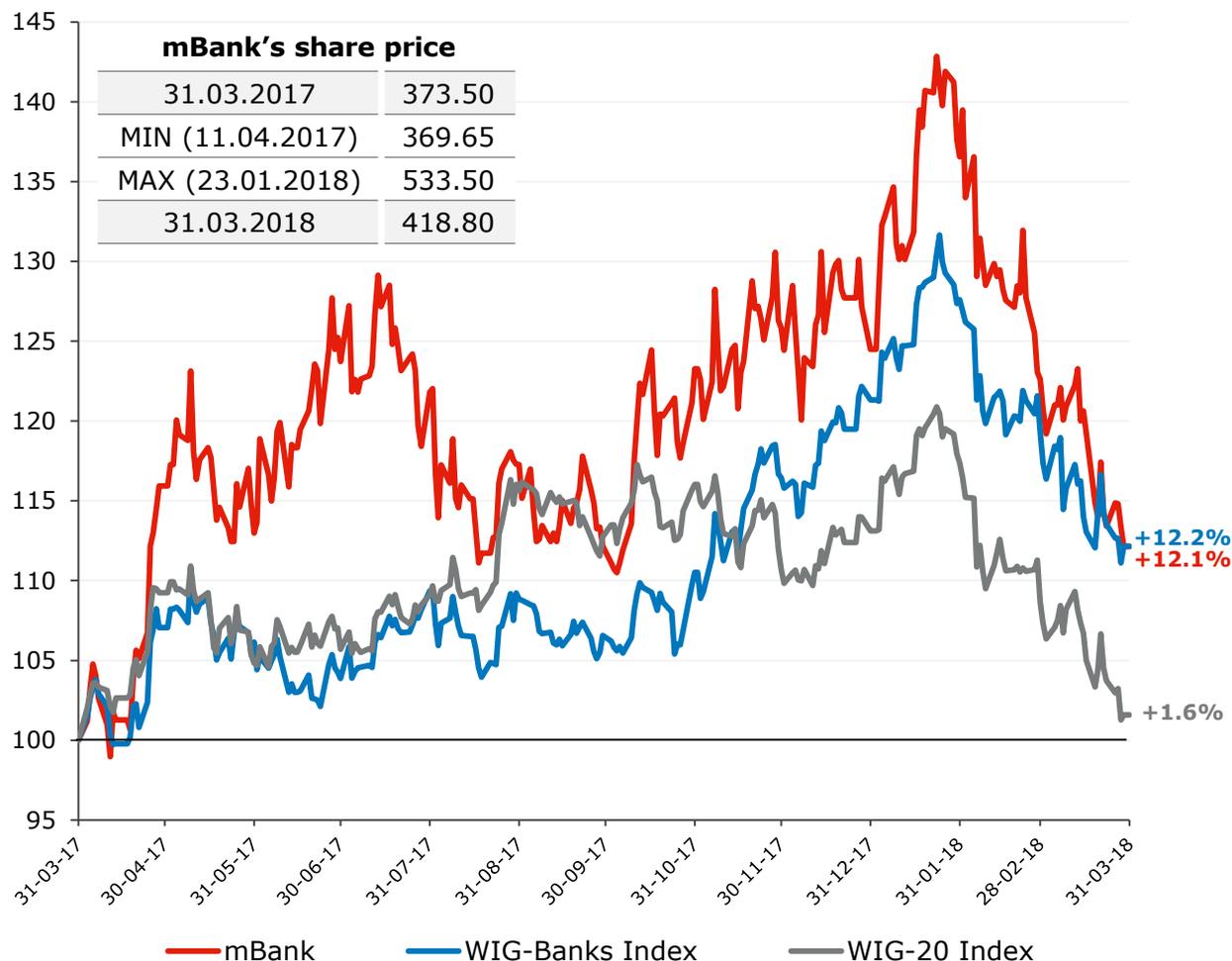
* Share in index as of 29.03.2018

- 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	42 312 122

Source: WSE, Bloomberg (data as of 31.03.2018).

mBank's share performance v. main indices (rebased to 100) – last 12 months



mBank's Mobile Banking

Focus on client convenience through well-designed functionalities

mBank launched a new mobile application in April 2017

Key functionalities of the app, inspired by users' opinions and habits, include:

- **Android Pay** (for both Visa and MasterCard holders) for contactless payments with a phone in POS;
- The possibility of **logging in with a fingerprint**;
- A display with **a pace of the client's spending** to help the users control their budget;
- **Payment Assistant** – reminders of regular payments, allowing the users to quickly settle invoices;
- **mLine in a click** – connection with consultants directly from the application, without the need of ID and telecode;



- **Mobile authorisation** – confirmation of operations made in the transaction system via the mobile application (instead of entering the code received in text message);
- **Quick cash loan** with a decision in 1 minute from request submission, based on pre-approved limit determined for the client;
- **Express transfers** using telephone numbers within the BLIK system;

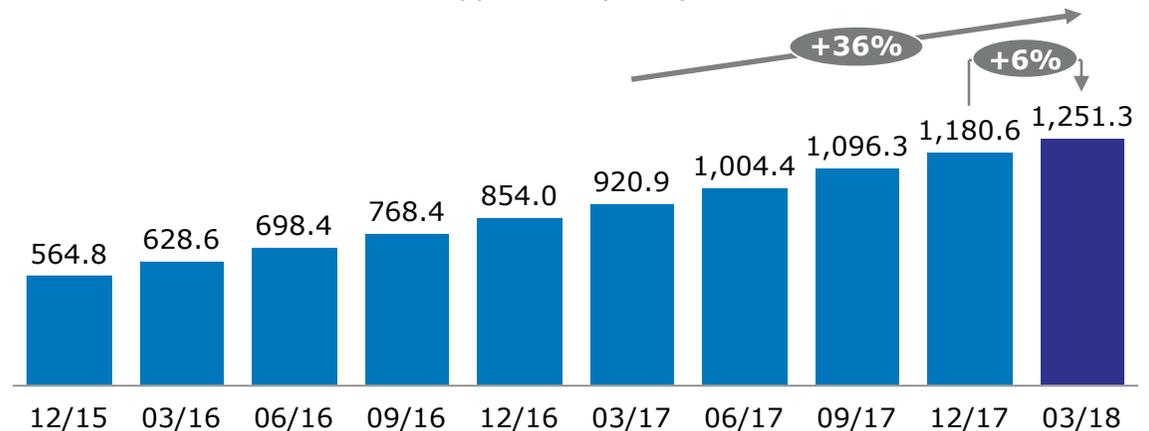


In July 2017 the share of clients who logged in to their accounts via mobile devices exceeded the logins from computers; in December 2017 it reached 55%, compared to 37% in 2016 and 28% in 2015.



The number of mobile application users at mBank is the second highest among Polish banks.

Active Users of mBank's Mobile Application (thou.)



mBank Group's Strategy for 2016-2020

Specific business actions will be based on three strategy pillars

1

Empathy

- **Offer the best customer experience** i.e. give clients what they need just in time they need
- **Make banking easy**
- **Focused customer acquisition** oriented on **development of active client base**, incl. mBank's aspiration to acquire 1/3 of the young entering the banking market
- **Broaden the sources of information about the client** to target our offer more precisely

2

Mobility

- **Be the point of reference** in terms of **mobile banking**
- **Offer the best** (most convenient, hassle-free, intuitive and engaging) **mobile application on the banking market**
- **Enhance 'mobile first' distribution approach** within the multichannel model
- **Minimize the functionality gap** between mobile and internet
- **Expand base of active mobile app users** and sales via mobile channel

3

Efficiency

- **Grow while keeping the FTE base at current level**
- **Increase average revenues per client** every year
- **Enhance assets profitability** through an active management of balance sheet structure
- **Strengthen funding independence** through rising volume of covered bonds and clients transactional deposits
- Simplify, streamline, automate and **digitalise all processes to be a paperless bank**

New mission emphasizes focus on being close to clients and taking advantage of the mobile revolution

„To help. Not to annoy. To delight... Anywhere.“

mBank Group's Strategy for 2016-2020

Financial performance targets – 5 key measures

	Financial measure	Target point
1	Cost efficiency: Cost/Income ratio	Top3 in Poland, every year to be one of three most efficient listed banks in Poland
2	Owner's capital profitability: Return on Equity (ROE net)	Top3 in Poland, every year to be among the three most profitable listed banks in Poland, assuming ROE adjusted for dividend payment
3	Balance sheet profitability: Return on Assets (ROA net)	Top3 in Poland, in 2020 to be one of three listed banks in Poland with the highest ROA
4	Capital position in terms of core capital: CET 1 ratio	Maintain CET 1 ratio min. 1.5 p.p. above capital requirement for mBank and the ability to pay dividend every year
5	Financial stability and liquidity: Loan-to-Deposit ratio	Maintain L/D ratio at the level not significantly higher than 100% , every year

Contact details

mBank's Investor Relations at your service:

E-mail address: investor.relations@mbank.pl

Ernest Pytlarczyk

Head of Analysis and Investor Relations,
Chief Economist

Direct dial: +48 22 829 14 34
E-mail: ernest.pytlarczyk@mbank.pl

Joanna Filipkowska

Deputy Head of Investor Relations

Direct dial: +48 22 829 04 53
E-mail: joanna.filipkowska@mbank.pl

Paweł Lipiński

Direct dial: +48 22 829 15 33
E-mail: pawel.lipinski@mbank.pl

Marta Polańska

Direct dial: +48 22 438 31 09
E-mail: marta.polanska@mbank.pl

Monika Zaręba

Direct dial: +48 22 829 08 18
E-mail: monika.zareba@mbank.pl

Investor Relations website: www.mbank.pl/en/investor-relations/

mBank Analyzer: analyzer.mbank.pl

mBank S.A.
Analysis and Investor Relations Department
ul. Senatorska 18
00-950 Warszawa