

# Results of mBank Group

## Q3 2018

**Robust core income on strong business flows**

Management Board of mBank S.A.

Investor Presentation

October 30, 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 third 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 Q3/18

Business Development of Retail and Corporate Segment

Key Financials



## Analysis of the Results after Q3/18

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 Q3 2018



## Net profit of PLN 285.3 M, close to Q2/18

### Historically high core income of PLN 1,141.1 M fuelled by rising net interest income

- Net interest income at PLN 902.4 M (+13.3% YoY) on increasing volumes and changing asset mix
- Net fee and commission income at PLN 238.8 M (-6.9% YoY), amid surging client transactionality

### Total revenues exceeding PLN 1.2 B, costs impacted by projects and marketing

- Normalized Cost/Income ratio at 45.9%, confirming high efficiency, anchored in optimal platform



## Positive trends in volumes, dynamic growth in core products

- Gross loans at PLN 94.5 B (+2.0% QoQ, +6.8% YoY), expansion of both corporate and retail portfolio
- Customer deposits at PLN 102.4 B (+4.7% QoQ, +13.0% YoY), strong inflows to current accounts

### Focus on higher margin lending reflected in changing asset mix

- New production of non-mortgage loans kept at a record level of PLN 2.32 B (+41% YoY)
- Rising sales of housing loans at PLN 1.19 B (+45% YoY); constant reduction of CHF portfolio (-9.3% YoY)



## Capital ratios well above regulatory requirements and sound liquidity level

- Consolidated Tier 1 Capital Ratio at 17.32% and Total Capital Ratio at 20.21%<sup>1</sup>

### Good asset quality supported by conservative risk management approach

- Cost of risk at 82 bps, provisioning in corporate segment not skewed to any specific sectors
- Stable NPL ratio at 5.2% and improved coverage ratio at 62.1% confirming loan portfolio resilience

### Attractively-priced issuance of EUR-denominated bonds under EMTN programme

<sup>1</sup> Stand-alone capital ratios were Tier 1 Capital Ratio of 20.38% and Total Capital Ratio of 23.73%

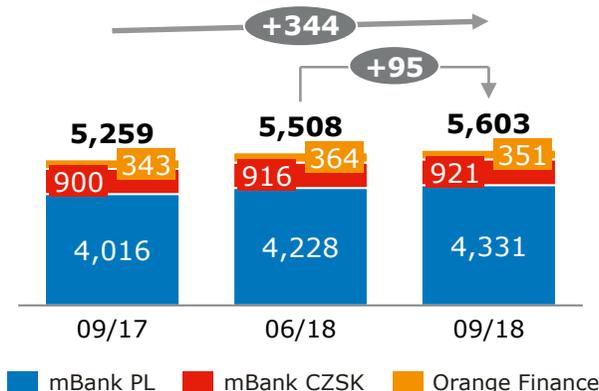
# Summary of Q3/18 in mBank Group

## Business Development of Retail Banking and Corporate Banking

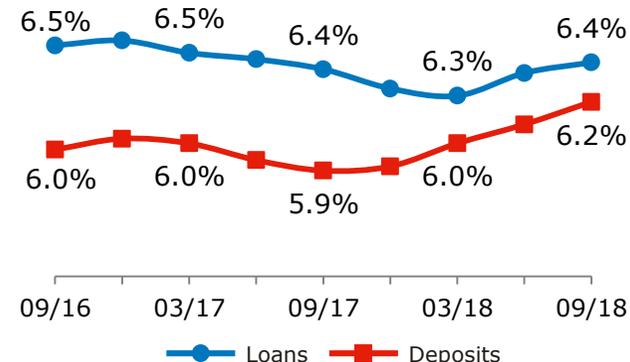
### Retail Banking

- Bank account opening via a video chat available now for both iOS and Android users
- In cooperation with Allegro, a new credit offer for micro-businesses was launched with a decision provided in 3 minutes based on historical sales and activity in the service

Number of Clients (thou.)



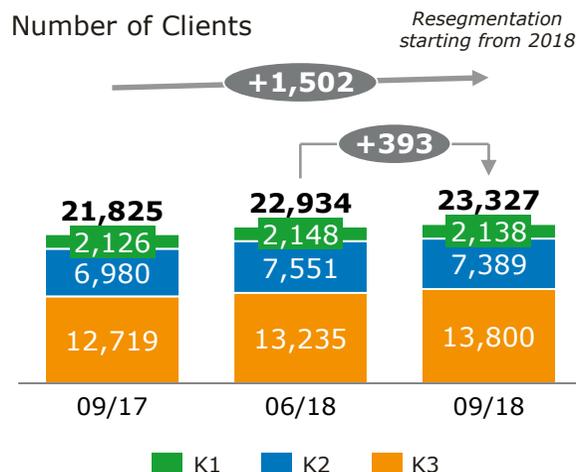
Market shares



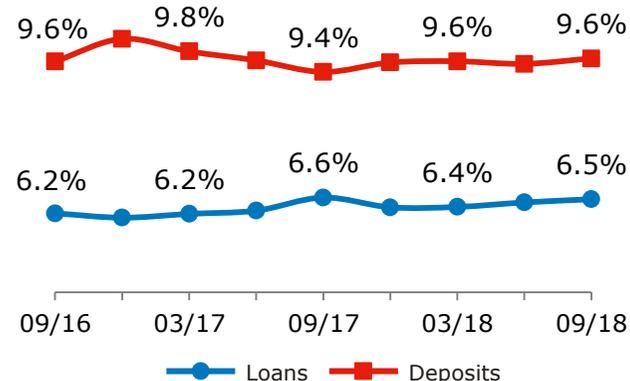
### Corporate Banking

- Significant growth of factoring turnover (+43% YoY compared to 9M'17) thanks to mobilisation of sales forces and new simple offer dedicated to K3 segment
- Launch of Qlips – an interbank solution allowing for automated sending invoices and bills from services providers to their clients via mBank

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 Q3/18 in mBank Group

## Key Financials: Profit and Loss Account

PLN million	Q3/17	Q2/18	Q3/18	change QoQ	change YoY
Net interest income	796.8	854.4	902.4	+5.6%	+13.3%
Net fee and commission income	256.5	249.0	238.8	-4.1%	-6.9%
<b>Total income</b>	<b>1,149.4</b>	<b>1,208.2</b>	<b>1,210.0</b>	<b>+0.1%</b>	<b>+5.3%</b>
<b>Total costs (excl. BFG)</b>	<b>-470.4</b>	<b>-487.9</b>	<b>-510.6</b>	<b>+4.6%</b>	<b>+8.5%</b>
Contributions to the BFG	-15.5	-20.8	-21.0	+1.0%	+35.7%
Loan loss provisions and fair value change <sup>1</sup>	-164.4	-217.1	-185.1	-14.7%	+12.6%
<b>Operating profit</b>	<b>499.1</b>	<b>482.5</b>	<b>493.3</b>	<b>+2.3%</b>	<b>-1.2%</b>
Taxes on the Group balance sheet items	-95.5	-98.3	-103.4	+5.2%	+8.2%
<b>Profit before income tax</b>	<b>403.8</b>	<b>384.5</b>	<b>390.3</b>	<b>+1.5%</b>	<b>-3.3%</b>
<b>Net profit</b>	<b>291.4</b>	<b>287.4</b>	<b>285.3</b>	<b>-0.8%</b>	<b>-2.1%</b>
Net Interest Margin	2.50%	2.56%	2.56%	0.00 p.p.	+0.06 p.p.
Cost/Income ratio	42.3%	42.1%	43.9%	+1.8 p.p.	+1.6 p.p.
Cost of Risk	0.78%	0.99%	0.82%	-0.17 p.p.	+0.04 p.p.
Return on Equity (ROE)	8.8%	8.3%	8.2%	-0.1 p.p.	-0.6 p.p.
Return on Assets (ROA)	0.89%	0.83%	0.78%	-0.05 p.p.	-0.11 p.p.

<sup>1</sup> 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 Q3/18 in mBank Group

## Key Financials: Balance Sheet

<i>PLN million</i>	<b>Q3/17</b>	<b>Q2/18</b>	<b>Q3/18</b>	<i>change QoQ</i>	<i>change YoY</i>
<b>Total assets</b>	<b>132,478</b>	<b>140,018</b>	<b>146,656</b>	+4.7% ↑	+10.7% ↑
<b>Gross loans to customers</b>	<b>88,484</b>	<b>92,680</b>	<b>94,528</b>	+2.0% ↑	+6.8% ↑
Retail client loans	48,949	51,134	51,821	+1.3% ↑	+5.9% ↑
Corporate client loans	38,288	40,756	41,972	+3.0% ↑	+9.6% ↑
<b>Customer deposits</b>	<b>90,678</b>	<b>97,794</b>	<b>102,425</b>	+4.7% ↑	+13.0% ↑
Retail client deposits	54,037	59,903	61,693	+3.0% ↑	+14.2% ↑
Corporate client deposits <sup>1</sup>	32,937	34,454	36,926	+7.2% ↑	+12.1% ↑
<b>Total equity</b>	<b>13,967</b>	<b>14,521</b>	<b>14,803</b>	+1.9% ↑	+6.0% ↑
Loan to Deposit ratio	94.3%	91.6%	89.1%	-2.5 p.p.	-5.2 p.p.
NPL ratio	5.2%	5.1%	5.2%	+0.1 p.p.	0.0 p.p.
Coverage ratio	59.1%	60.4%	62.1%	+1.7 p.p.	+3.0 p.p.
Tier 1 Capital Ratio	17.8%	17.1%	17.3%	+0.2 p.p.	-0.5 p.p.
Total Capital Ratio	20.5%	20.1%	20.2%	+0.1 p.p.	-0.3 p.p.

<sup>1</sup> Excluding repo / sell-buy-back transactions

# Agenda



## Summary of Main Trends in Q3/18

Business Development of Retail and Corporate Segment

Key Financials



## Analysis of the Results after Q3/18

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

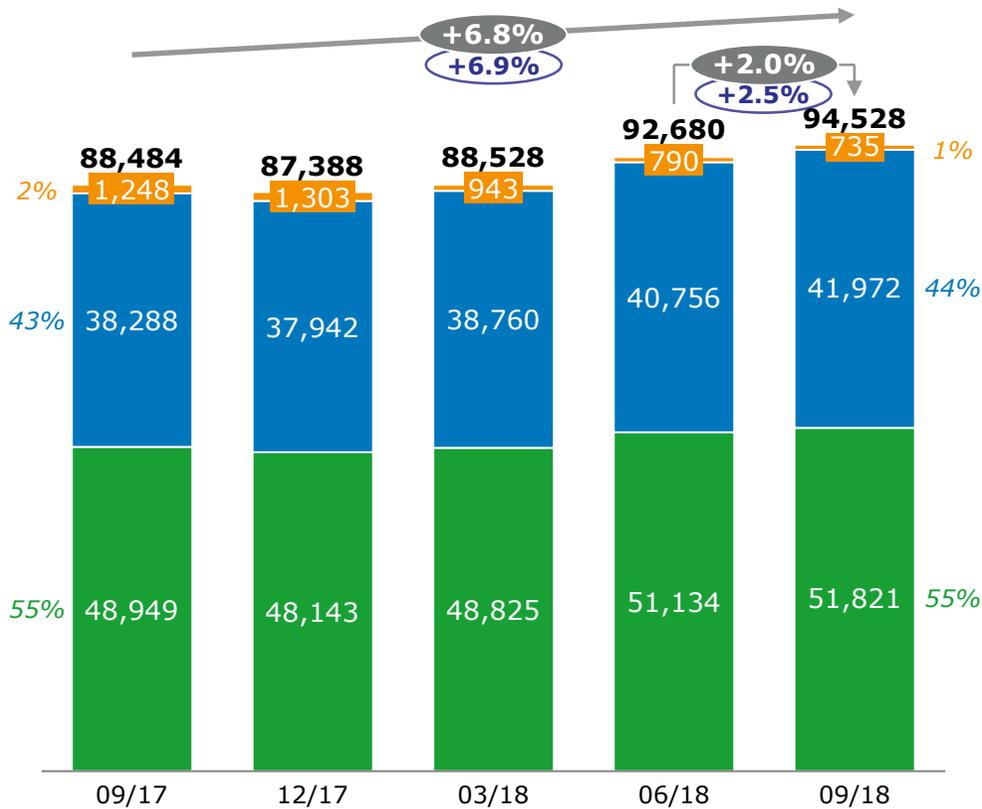
Detailed Results of Business Lines



# Results of mBank Group: Loans to customers

Upward trend in both corporate and retail loans, continuous change in asset mix

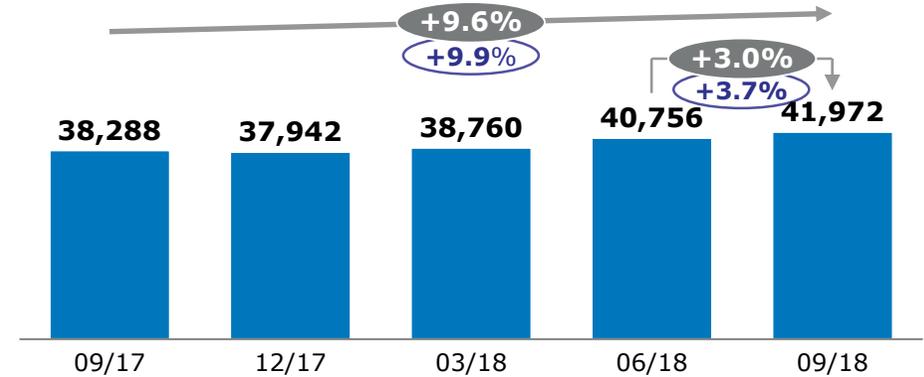
Development of Gross Loans and Advances to Customers (PLN M)



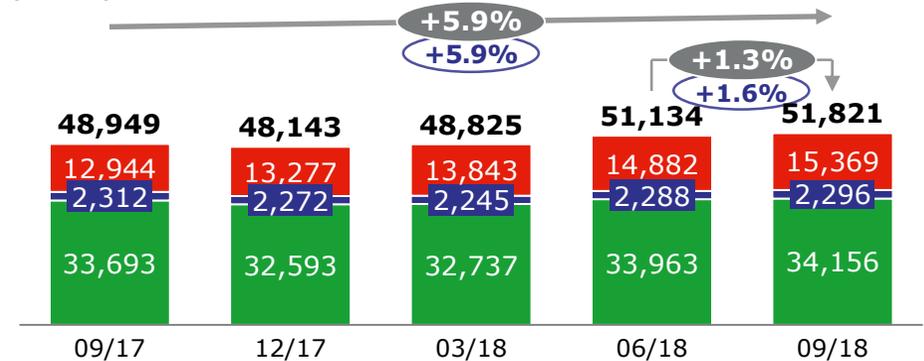
- Individual clients
- Corporate clients
- Public sector & Other receivables

+X.X% Excluding FX effect

Gross Loans to Corporate Entities (PLN M)



Gross Loans to Retail Customers (PLN M)

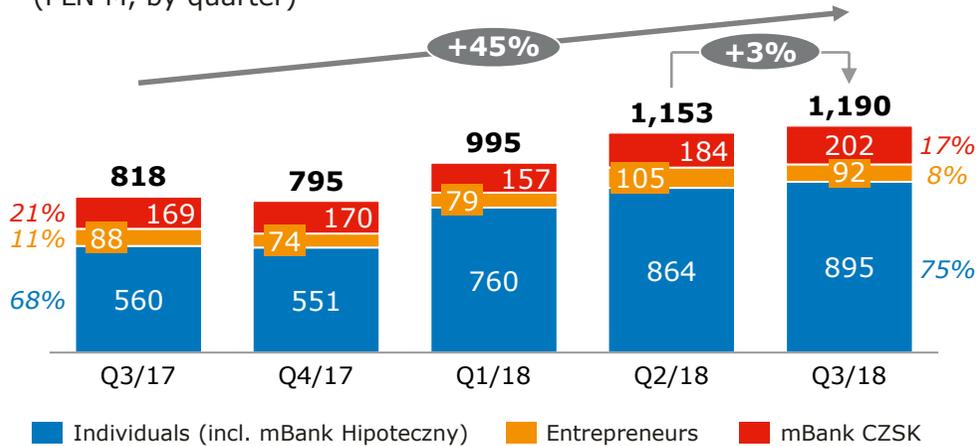


Mortgage loans: ■ to Individuals ■ to Microfirms ■ Non-mortgage loans

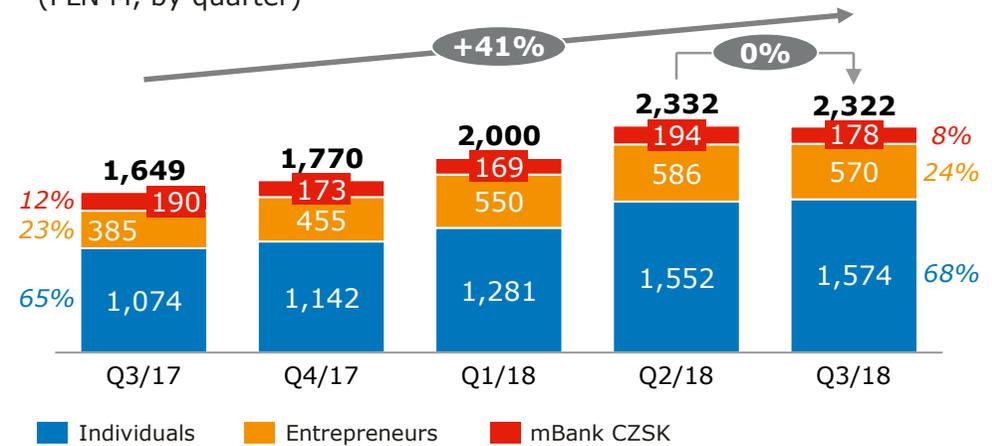
# Results of mBank Group: New lending business

Non-mortgage lending kept at record high level, rising origination of housing loans

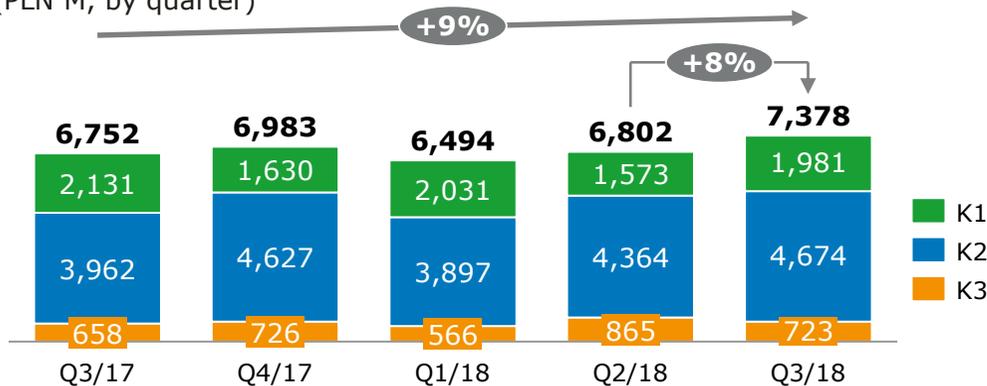
Sales of Mortgage Loans  
(PLN M, by quarter)



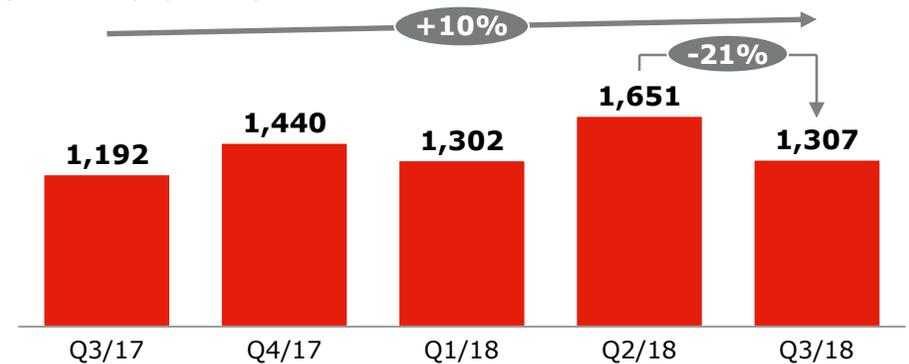
Sales of Non-mortgage Loans  
(PLN M, by quarter)



Sales of Corporate Loans<sup>1</sup>  
(PLN M, by quarter)



New Leasing Contracts  
(PLN M, by quarter)



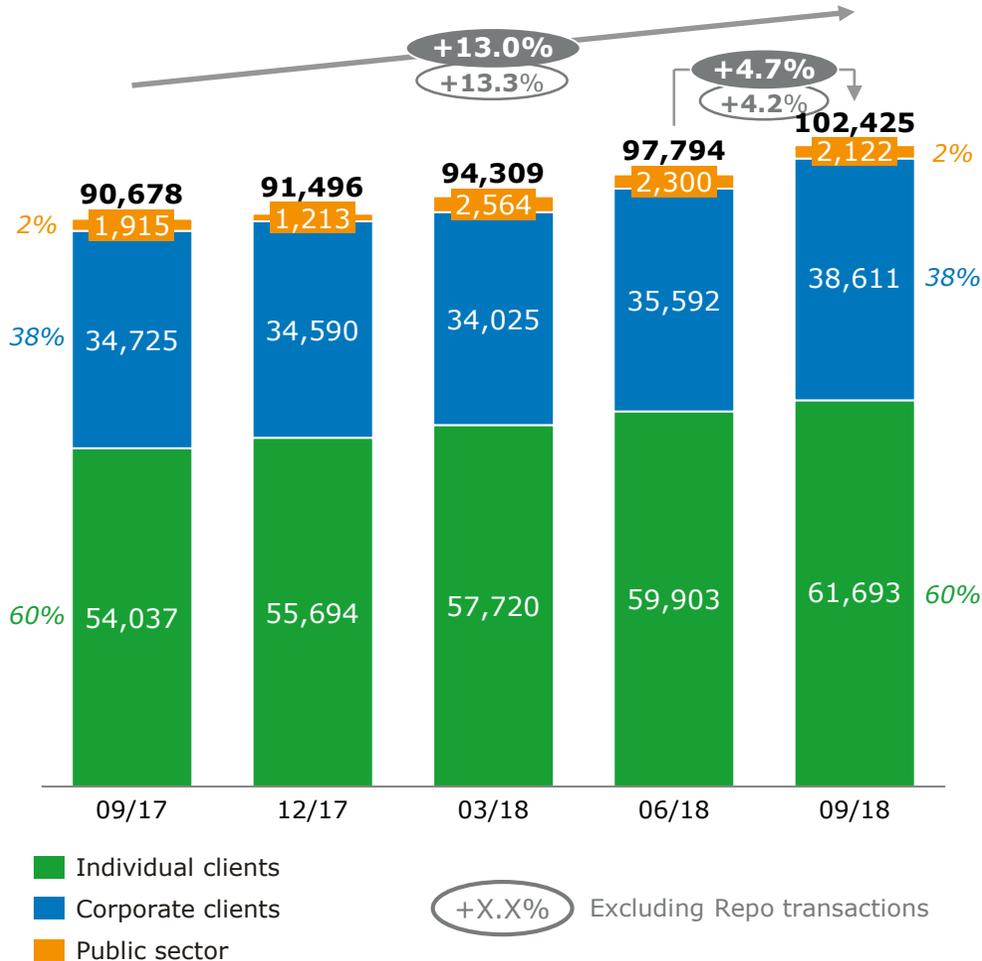
<sup>1</sup> Including new sale, rising and renewal

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.

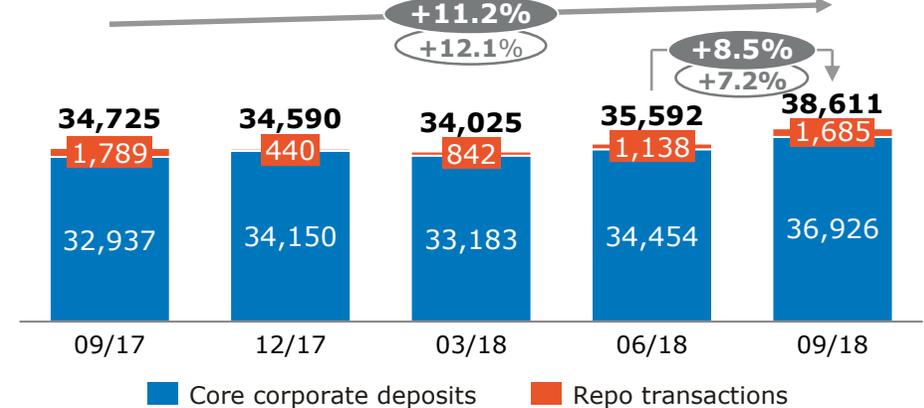
# Results of mBank Group: Customer deposits

Continued increase of deposit base driven by strong inflows to current accounts

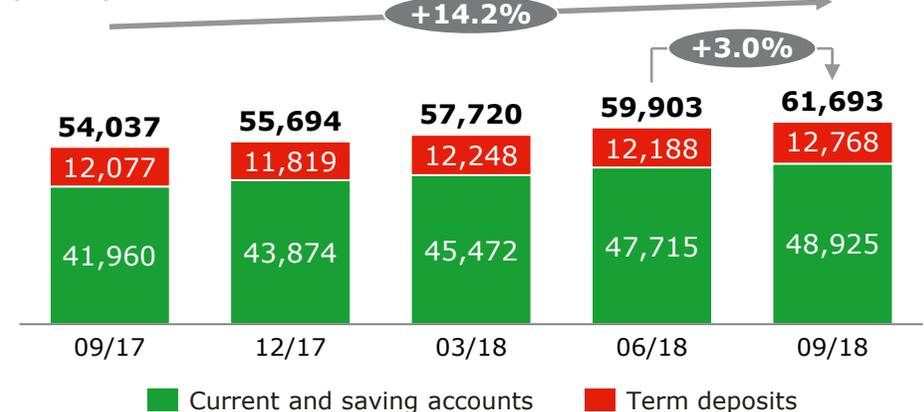
Development of Customer Deposits (PLN M)



Deposits from Corporate Entities (PLN M)



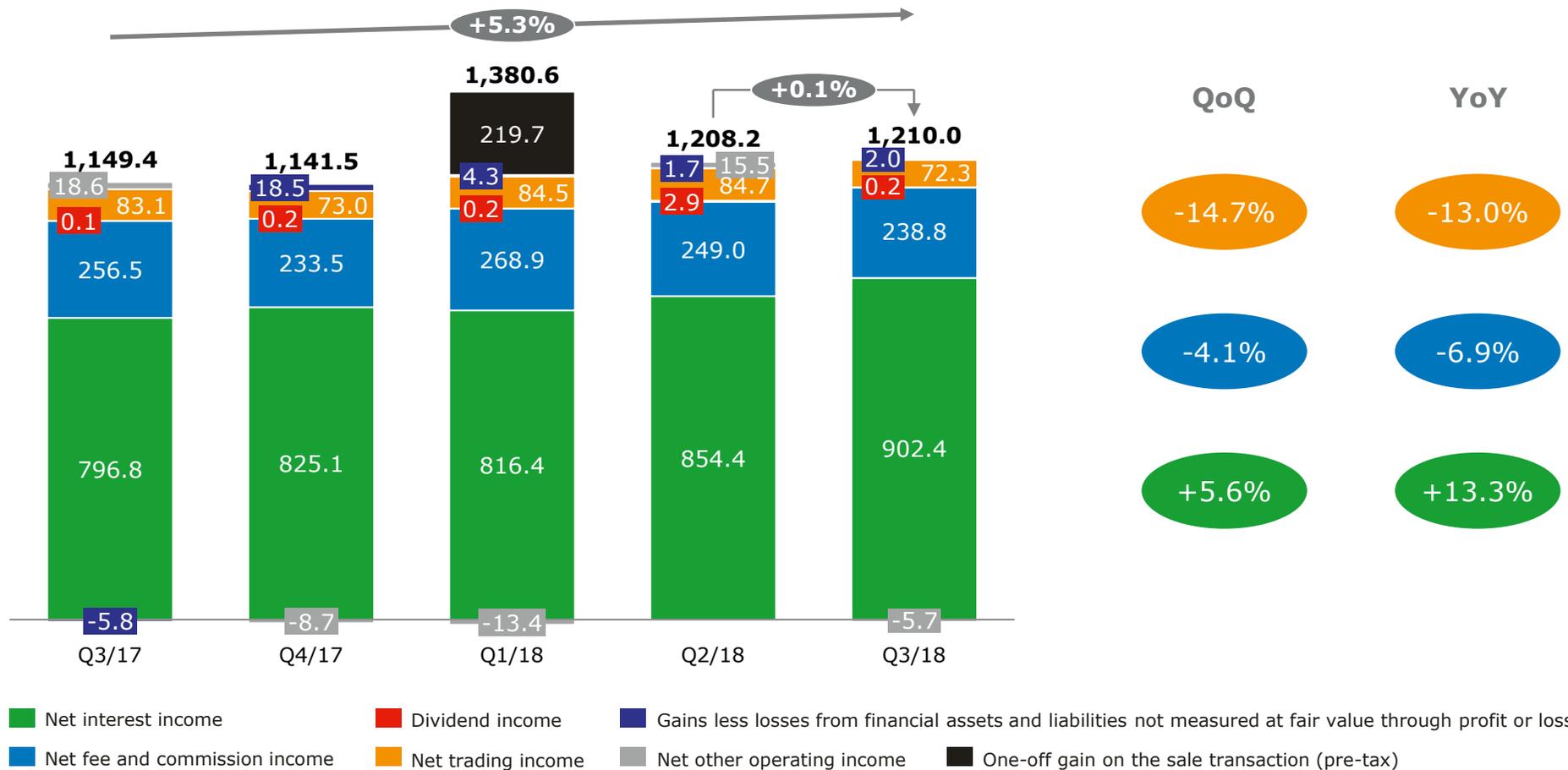
Deposits from Retail Customers (PLN M)



# Results of mBank Group: Total income

Core revenues at historically high level thanks to dynamic growth of net interest income

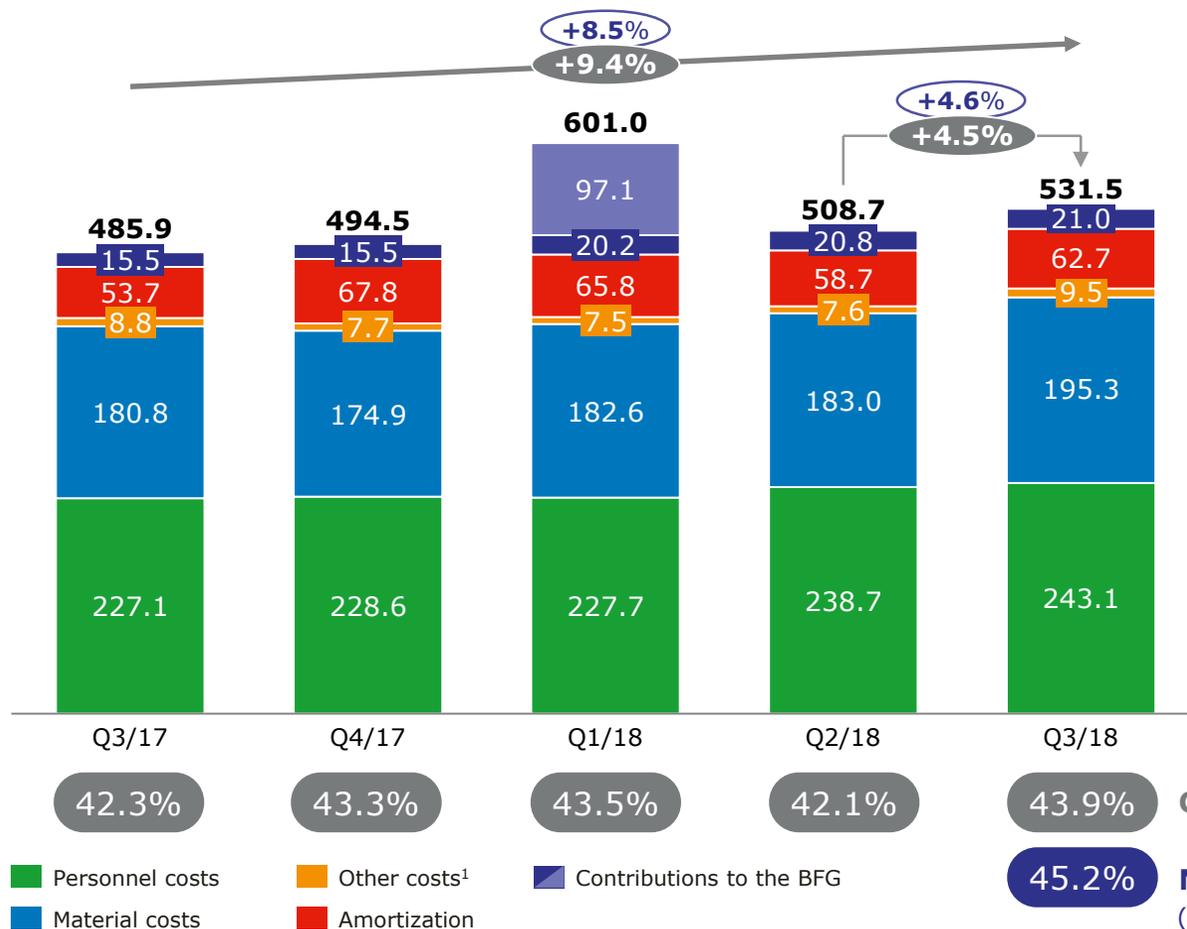
Development of mBank Group's Total Income (PLN M)



# Results of mBank Group: Total costs

Costs base reflecting investments in future growth

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



C/I ratio of mBank Group (quarterly)

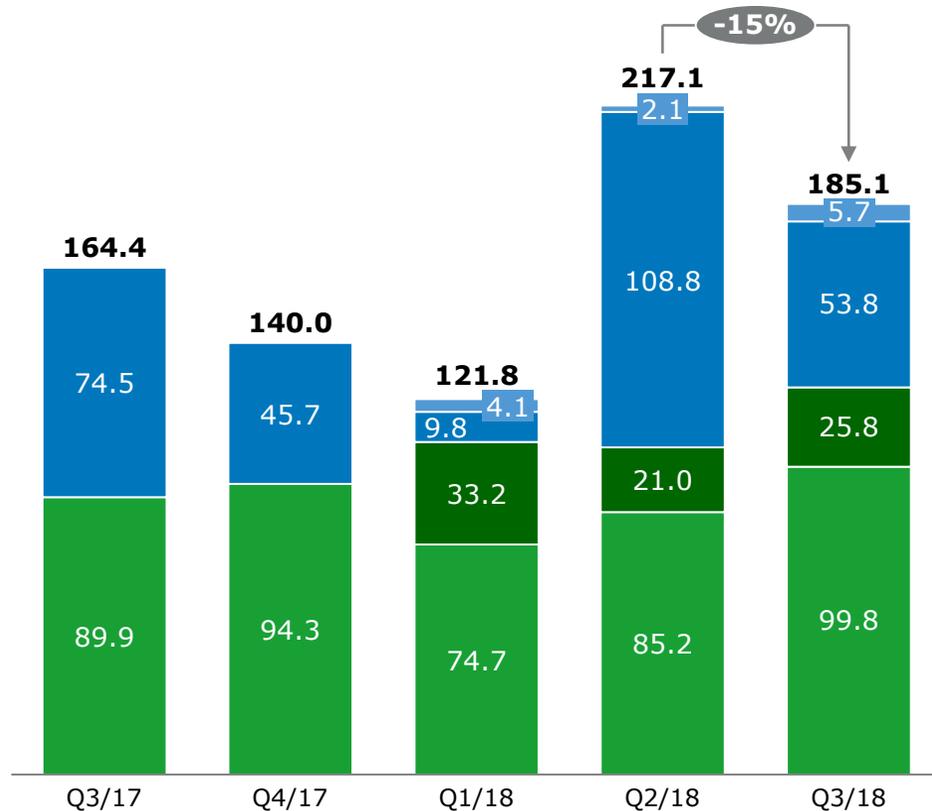
**45.2%** **Normalized C/I ratio of mBank Group for 9M/18**  
(excluding one-off gain and with ¾ Resolution Fund)

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

# Results of mBank Group: Cost of risk

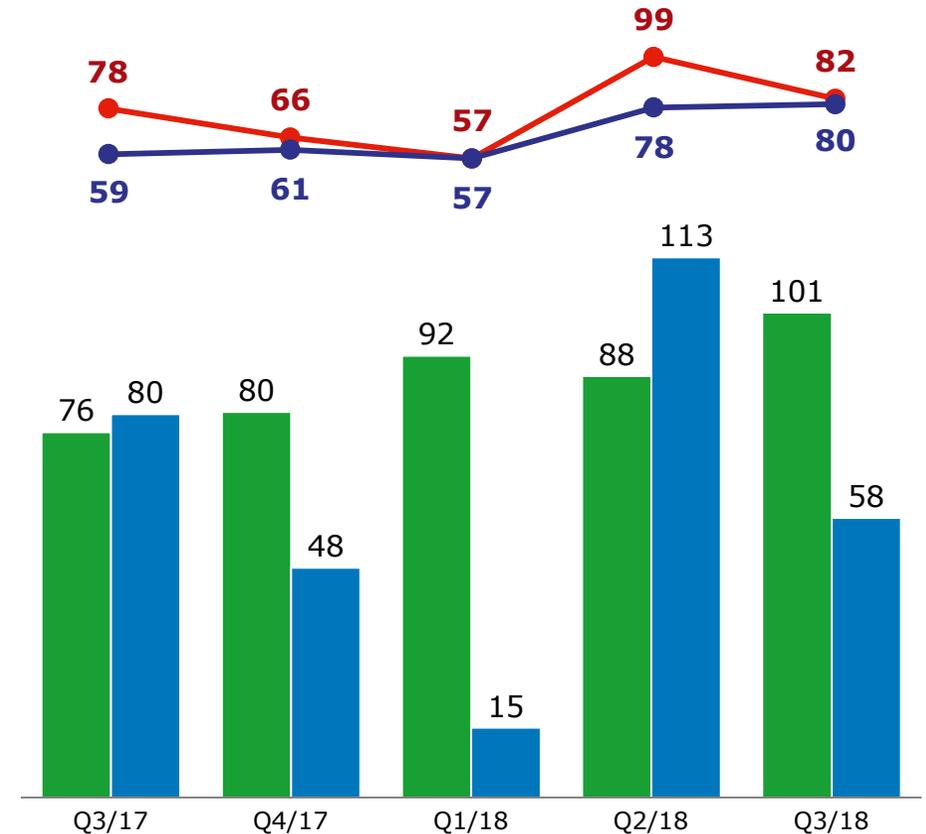
Lower cost of risk, no sector-specific factors detected

Net Impairment Losses and Fair Value Change on Loans<sup>1</sup>  
(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)



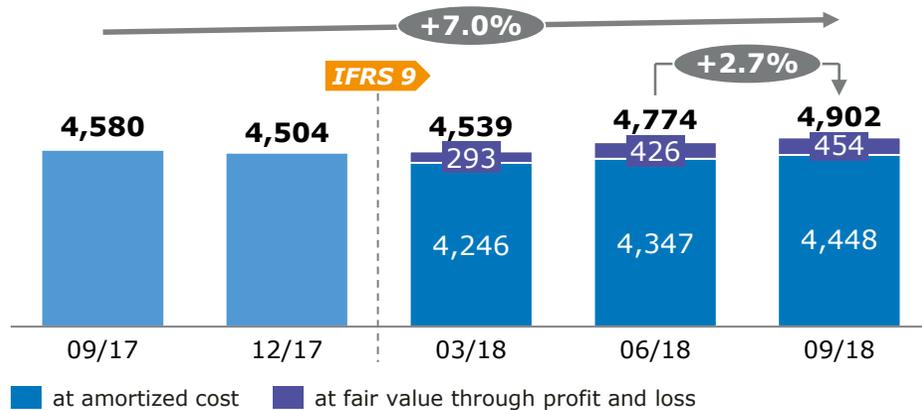
mBank Group's Cost of Risk: ● quarterly ● YtD  
■ Retail Portfolio ■ Corporate Portfolio

<sup>1</sup> 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'

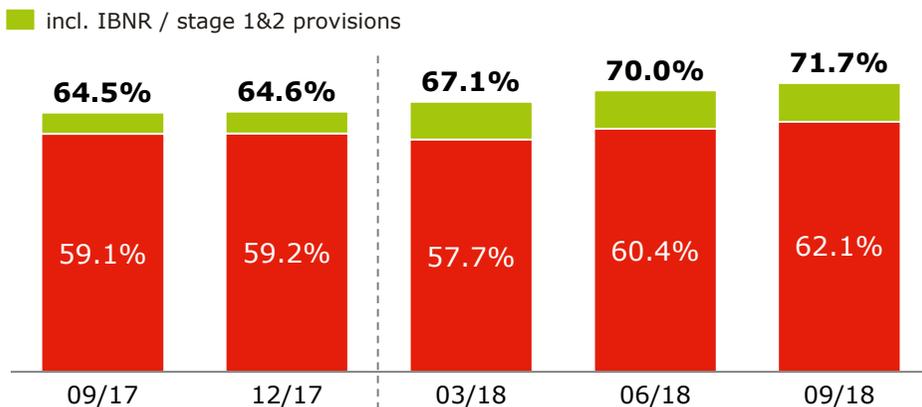
# Results of mBank Group: Loan portfolio quality

Good quality of loan portfolio evidenced by resilient risk indicators

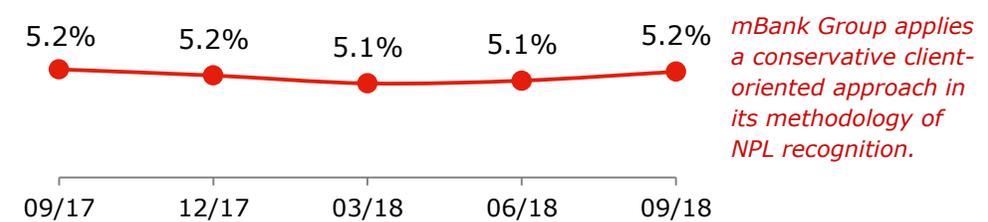
mBank Group's Impaired Loans Portfolio (PLN M)



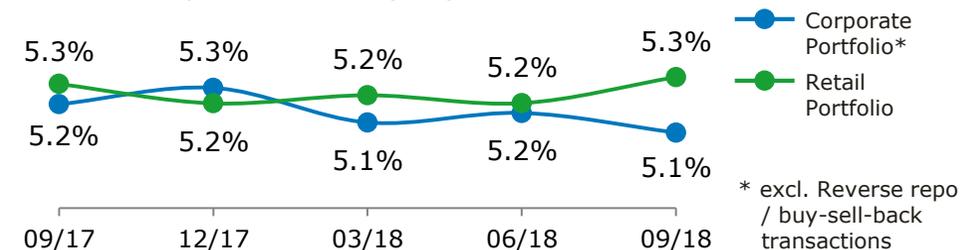
mBank Group's Coverage Ratio



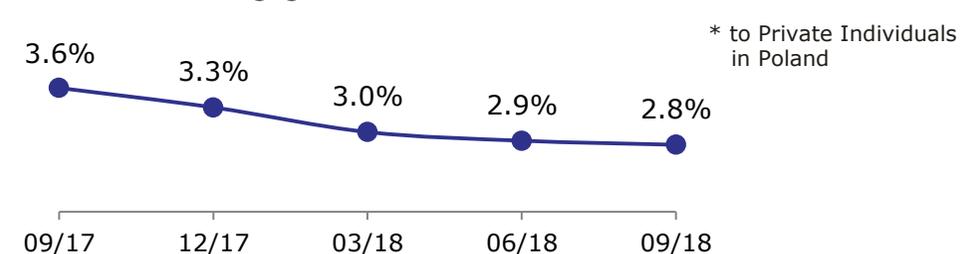
mBank Group's NPL Ratio



mBank Group's NPL Ratio by segment



NPL Ratio of Mortgage Loan Portfolio\*

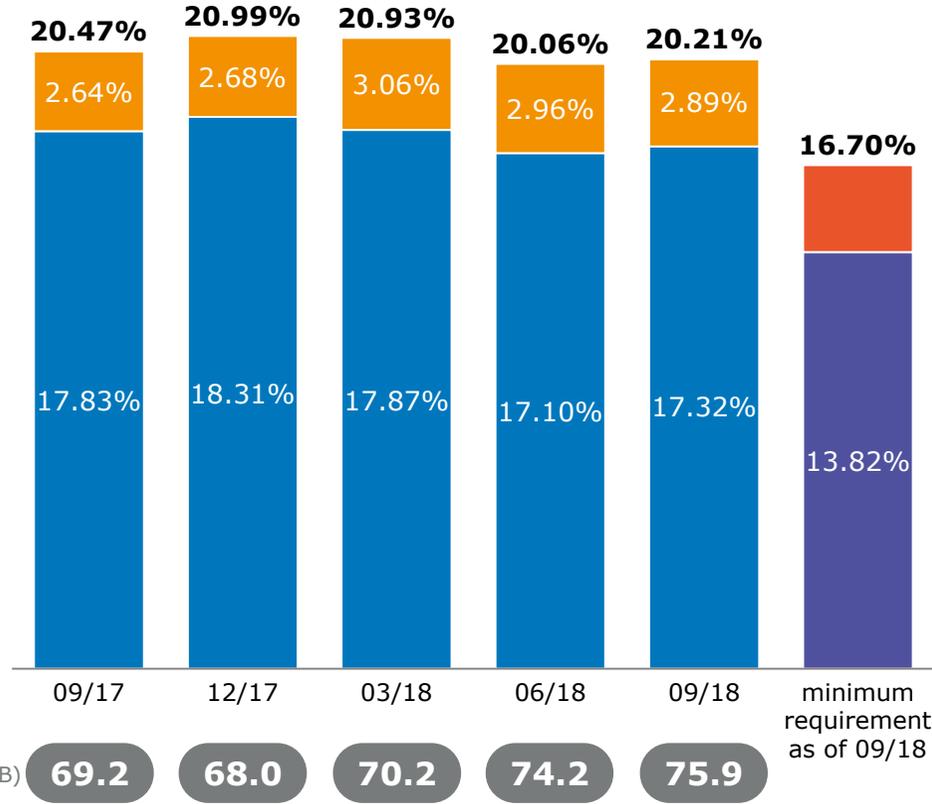


Note: Risk indicators presented for credit portfolio measured both at amortized cost and at fair value through profit or loss.

# Results of mBank Group: Key regulatory ratios

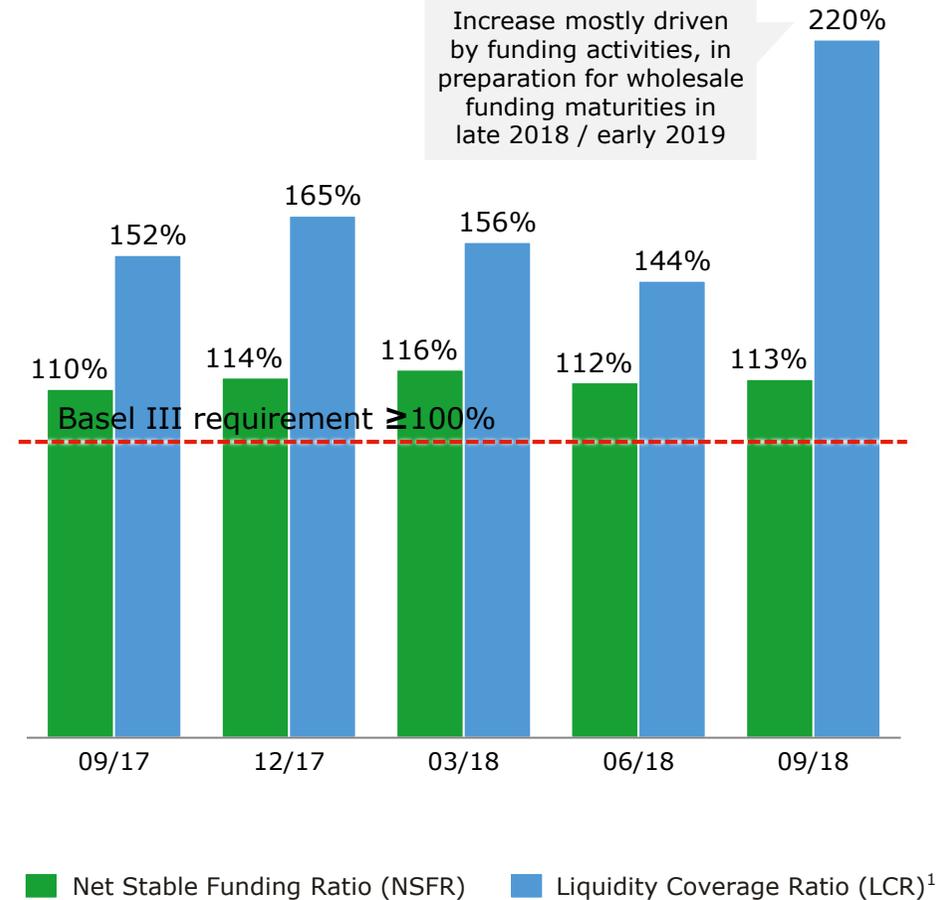
Strong capital position well above regulatory requirements

mBank Group's Total Capital Ratio



■ Tier 1 capital ratio   ■ Tier 2   (xx.x) Total risk exposure amount

mBank's NSFR and LCR



<sup>1</sup> LCR for mBank Group was at 275% as of 30.09.2018

# Agenda



## Summary of Main Trends in Q3/18

Business Development of Retail and Corporate Segment

Key Financials



## Analysis of the Results after Q3/18

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

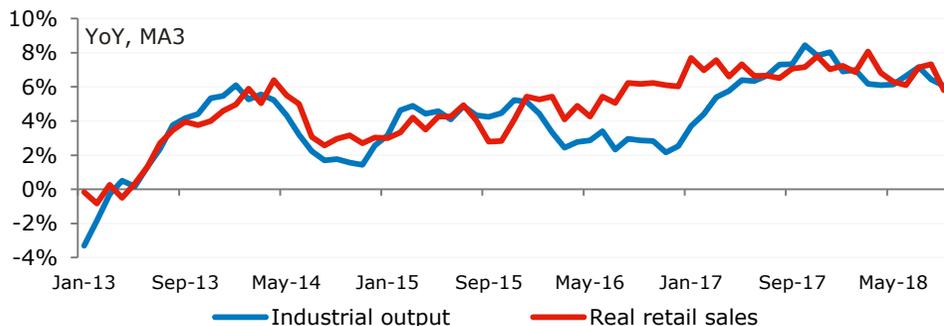
Detailed Results of Business Lines



# Macroeconomic Update (1/2)

## GDP growth peaked and will normalize in the coming quarters.

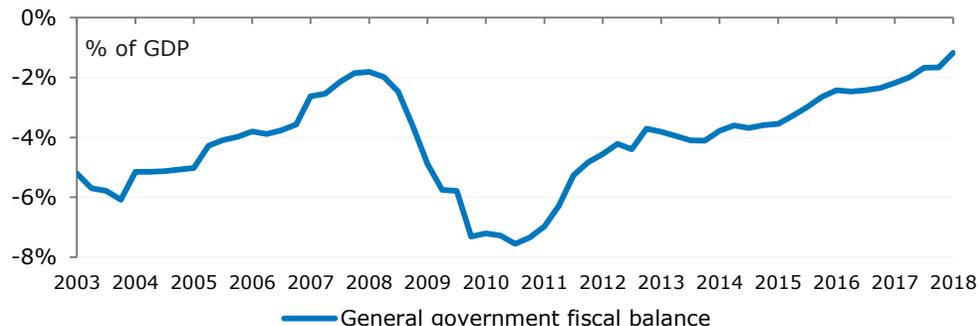
Monthly measures of economic activity have decelerated recently



- Industrial output and retail sales are both off its peaks, following softer consumer and business sentiment. Growth peaked at the turn of 2017 and 2018.

Source: GUS

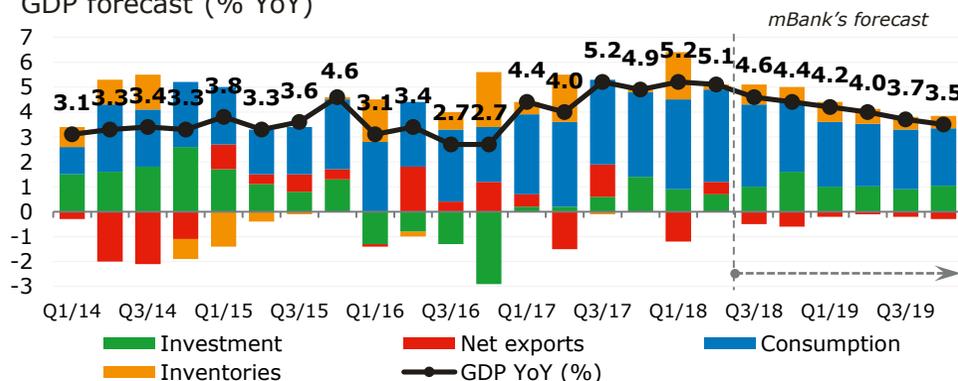
Fiscal situation remains very favourable and will continue to do so



- Fiscal statistics continue to surprise to the upside. Polish general government deficit (EU definition) might drop below 1% of GDP this year. Current growth forecasts imply no worsening next year.

Source: Eurostat

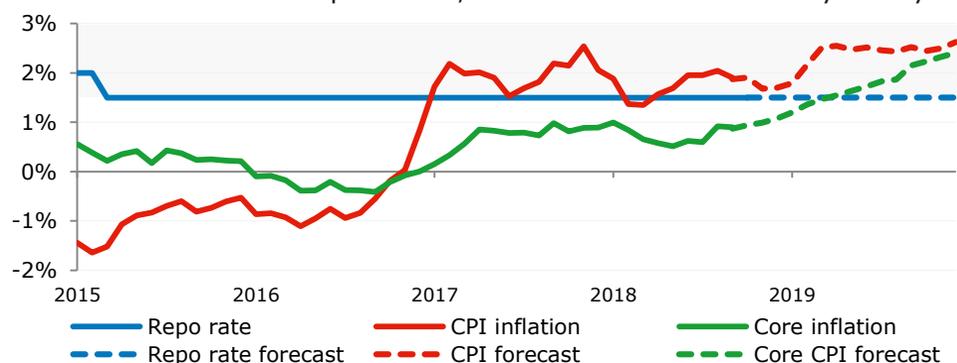
GDP forecast (% YoY)



- mBank's projected GDP path is more accurately described as „normalization” rather than „slowdown”. Absent an external negative shock, the economy is rebalancing and growth is returning to sustainable levels.

Source: GUS

Inflation set to move up in 2019, but the MPC will react very slowly



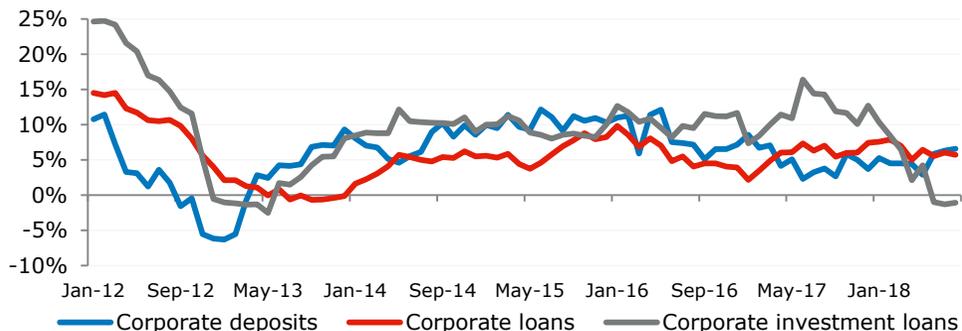
- Boosted by energy prices, inflation will hit the CPI target at the beginning of 2019 and will likely stay there throughout the year. The MPC might only react at the end of the year if core inflation rises appreciably.

Source: GUS

# Macroeconomic Update (2/2)

## Rebound in credit growth. PLN assets stable in Q3/18.

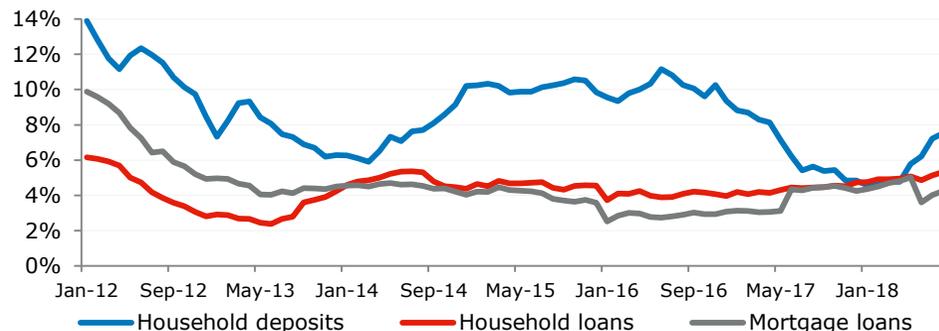
Corporate loans and deposits (% YoY, FX-adjusted)



- Corporate deposits rebounded a bit, but the pressure on profit margins is reducing their growth. Corporate lending is rising at stable pace, but with large shifts in structure (more working capital loans).

Source: NBP

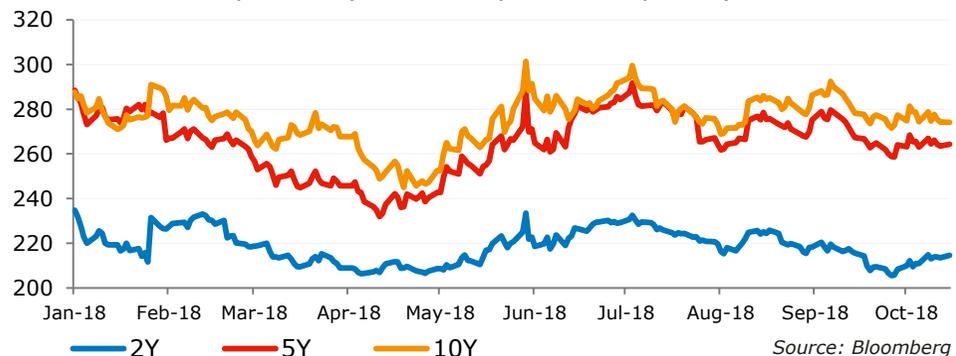
Household loans and deposits (% YoY, FX-adjusted)



- Household deposits rebounded sharply as alternative forms of saving lose their shine and nominal income growth remains solid. Mortgage lending is driving the acceleration in household credit.

Source: NBP

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



Source: Bloomberg

- Polish bonds barely sold off in Q3/18, despite unfavorable external environment. Good fiscal situation, rating upgrade by S&P and strong growth continued to support POLGBs.

PLN stabilized in the summer



Source: Bloomberg

- PLN barely changed vis-a-vis major currencies on a quarterly basis. Current levels appear to be close to the equilibrium. Going forward, weak PLN should be an important adjustment mechanism for corporates with high cost (labor, energy) pressure.

# 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%	4.8%	5.0%
Domestic demand (YoY)	2.3%	4.9%	5.6%
Private consumption (YoY)	3.9%	4.9%	4.7%
Investment (YoY)	-8.2%	3.9%	6.5%
Inflation (eop)	0.8%	2.1%	1.8%
MPC rate (eop)	1.50	1.50	1.50
CHF/PLN (eop)	4.11	3.57	3.84
EUR/PLN (eop)	4.40	4.18	4.40

### Banking sector – monetary aggregates YoY

	2016	2017	2018F
Corporate loans	5.0%	5.9%	9.7%
Mortgage loans	4.8%	-0.1%	7.3%
Non-mortgage loans	5.5%	5.3%	8.1%
Corporate deposits	7.9%	2.4%	10.5%
Retail deposits	9.7%	4.2%	7.9%

Source: mBank's estimates as of 03.10.2018.

### 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) 

- Increase of personnel costs driven by labour market
- 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 Q3/18

Business Development of Retail and Corporate Segment

Key Financials



## Analysis of the Results after Q3/18

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.)	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18
Net interest income	796,762	825,112	816,424	854,351	902,370
Net fee and commission income	256,514	233,478	268,876	248,977	238,751
Dividend income	142	162	167	2,936	233
Net trading income	83,116	72,982	84,493	84,698	72,271
<i>incl. FX result</i>	87,606	67,187	71,427	79,620	69,667
Gains less losses from investment securities	-5,780	18,505	4,304	1,716	2,036
Net other operating income	18,628	-8,710	206,300	15,512	-5,680
<b>Total income</b>	<b>1,149,382</b>	<b>1,141,529</b>	<b>1,380,564</b>	<b>1,208,190</b>	<b>1,209,981</b>
<b>Total operating costs</b>	<b>-485,880</b>	<b>-494,507</b>	<b>-600,993</b>	<b>-508,654</b>	<b>-531,528</b>
<i>Overhead costs</i>	-432,140	-426,706	-535,161	-449,991	-468,808
<i>Amortisation</i>	-53,740	-67,801	-65,832	-58,663	-62,720
Loan loss provisions and fair value change <sup>1</sup>	-164,422	-139,979	-121,774	-217,065	-185,125
<b>Operating profit</b>	<b>499,080</b>	<b>507,043</b>	<b>657,797</b>	<b>482,471</b>	<b>493,328</b>
Taxes on the Group balance sheet items	-95,521	-95,412	-98,463	-98,287	-103,379
Result on entities under the equity method	192	294	289	299	308
<b>Profit before income tax</b>	<b>403,751</b>	<b>411,925</b>	<b>559,623</b>	<b>384,483</b>	<b>390,257</b>
<b>Net profit attributable to owners of mBank</b>	<b>291,414</b>	<b>311,638</b>	<b>411,000</b>	<b>287,435</b>	<b>285,279</b>

<sup>1</sup> 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.)	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18
Cash and balances with Central Bank	6,028,470	7,384,869	5,354,319	5,514,886	9,643,274
Loans and advances to banks	2,403,911	1,707,722	3,811,337	3,786,979	4,469,853
Trading securities	1,990,360	1,525,382	3,162,933	3,444,954	2,618,180
Derivative financial instruments	1,348,821	1,236,303	1,137,925	1,189,919	1,034,543
<b>Loans and advances to customers</b>	<b>85,531,969</b>	<b>84,475,844</b>	<b>85,663,383</b>	<b>89,601,410</b>	<b>91,305,536</b>
Investment securities	32,448,706	32,144,699	31,655,013	33,388,424	34,085,572
Intangible assets	636,272	710,642	692,258	703,524	722,219
Tangible fixed assets	701,845	758,738	730,463	715,542	748,167
Other assets	1,387,672	1,479,820	1,432,585	1,672,155	2,028,973
<b>Total assets</b>	<b>132,478,026</b>	<b>131,424,019</b>	<b>133,640,216</b>	<b>140,017,793</b>	<b>146,656,317</b>
Liabilities (PLN thou.)	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18
Amounts due to banks	8,451,809	5,073,351	4,475,332	4,548,768	3,887,349
Derivative financial instruments	1,014,022	1,095,365	900,830	1,110,810	946,017
<b>Customer deposits</b>	<b>90,677,502</b>	<b>91,496,027</b>	<b>94,308,572</b>	<b>97,794,387</b>	<b>102,425,018</b>
Debt securities in issue	13,685,190	14,322,852	14,414,161	16,817,711	19,083,289
Subordinated liabilities	2,204,523	2,158,143	2,157,269	2,206,733	2,202,979
Other liabilities	2,477,518	2,986,725	2,897,717	3,018,770	3,309,111
<b>Total liabilities</b>	<b>118,510,564</b>	<b>117,132,463</b>	<b>119,153,881</b>	<b>125,497,179</b>	<b>131,853,763</b>
<b>Total equity</b>	<b>13,967,462</b>	<b>14,291,556</b>	<b>14,486,335</b>	<b>14,520,614</b>	<b>14,802,554</b>
<b>Total liabilities and equity</b>	<b>132,478,026</b>	<b>131,424,019</b>	<b>133,640,216</b>	<b>140,017,793</b>	<b>146,656,317</b>

# Appendix

## Selected Financial Data mBank Group's Ratios

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

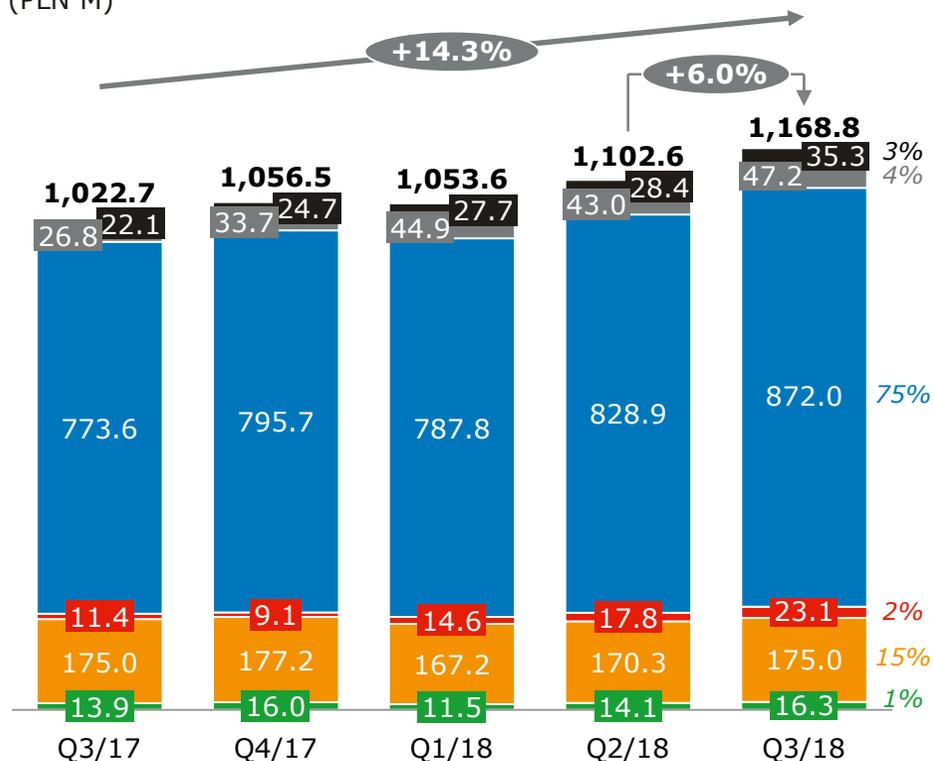
Financial Ratios	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18
Net Interest Margin ( <i>quarterly</i> )	2.50%	2.57%	2.59%	2.56%	2.56%
Net Interest Margin YtD	2.45%	2.48%	2.59%	2.57%	2.57%
Net Interest Margin YtD (excl. CHF portfolio)	2.79%	2.81%	2.89%	2.86%	2.85%
Cost to Income Ratio ( <i>quarterly</i> )	42.3%	43.3%	43.5%	42.1%	43.9%
Cost to Income Ratio YtD	46.8%	45.9%	43.5%	42.9%	43.2%
Cost of Risk ( <i>quarterly</i> )	0.78%	0.66%	0.57%	0.99%	0.82%
Cost of Risk YtD	0.59%	0.61%	0.57%	0.78%	0.80%
ROE net ( <i>quarterly</i> )	8.77%	9.36%	11.90%	8.33%	8.19%
ROE net YtD	7.95%	8.31%	11.90%	10.12%	9.47%
ROA net ( <i>quarterly</i> )	0.89%	0.94%	1.26%	0.83%	0.78%
ROA net YtD	0.80%	0.83%	1.26%	1.04%	0.95%
Loan-to-Deposit Ratio	94.3%	92.3%	90.8%	91.6%	89.1%
Total Capital Ratio	20.47%	20.99%	20.93%	20.06%	20.21%
Tier 1 Capital Ratio	17.83%	18.31%	17.87%	17.10%	17.32%
Equity / Assets	10.5%	10.9%	10.8%	10.4%	10.1%
TREA / Assets	52.2%	51.8%	52.5%	53.0%	51.8%
NPL ratio	5.2%	5.2%	5.1%	5.1%	5.2%
NPL coverage ratio	59.1%	59.2%	57.7%	60.4%	62.1%
NPL coverage ratio incl. general provisions	64.5%	64.6%	67.1%	70.0%	71.7%

# Appendix

## Selected Financial Data Profit and Loss Account: Net Interest Income

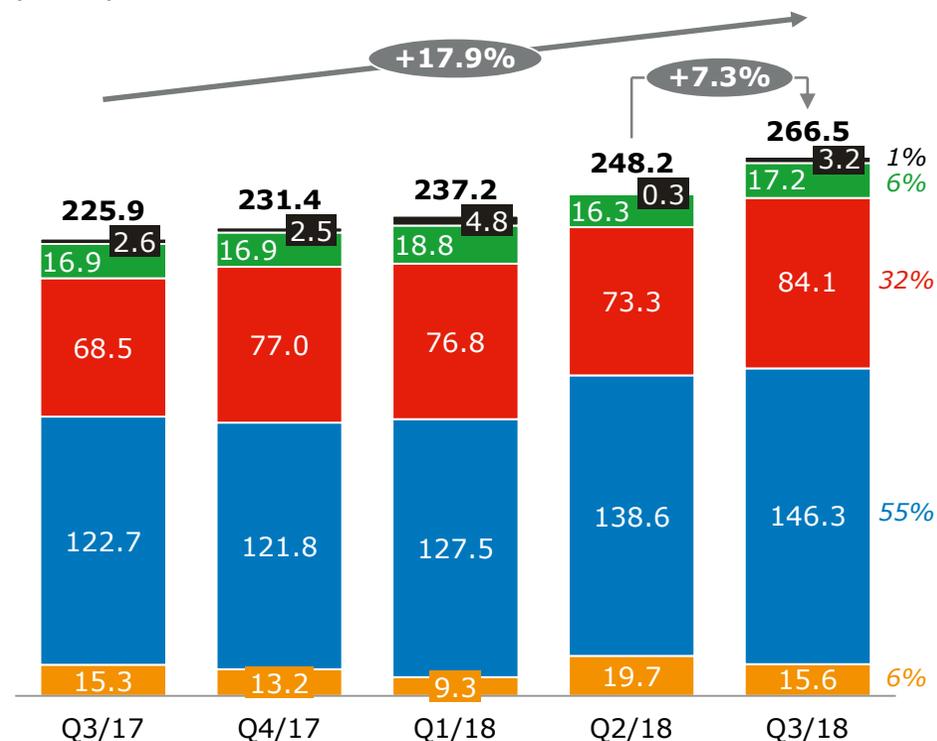
Summary
<b>Profit &amp; Loss</b>
Balance Sheet
Business Lines
Subsidiaries
Historical view

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
- Issue of debt securities
- Other

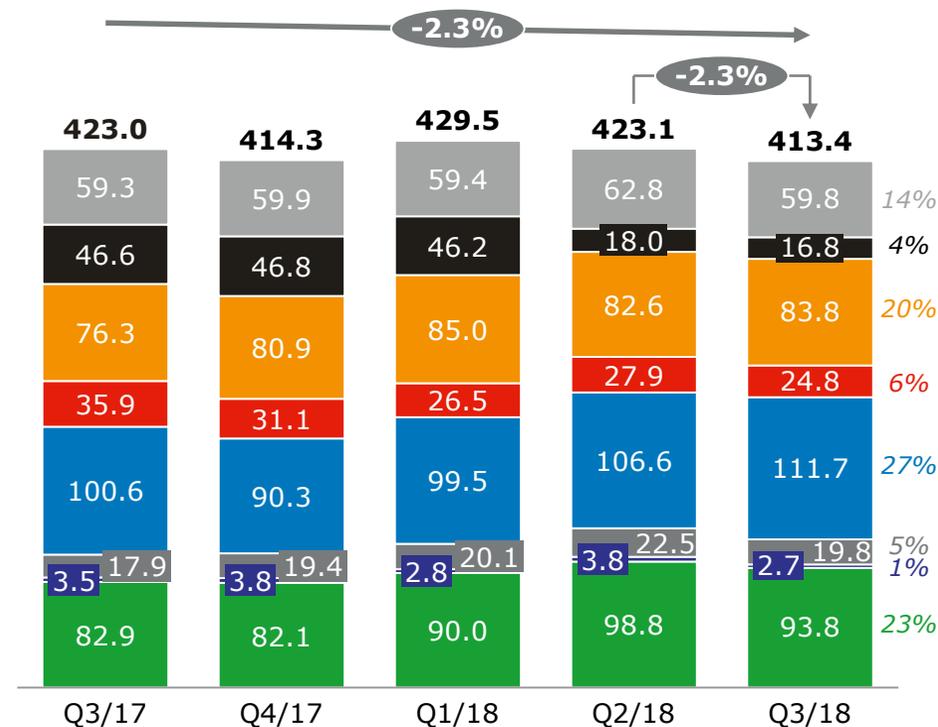
# Appendix

## Selected Financial Data

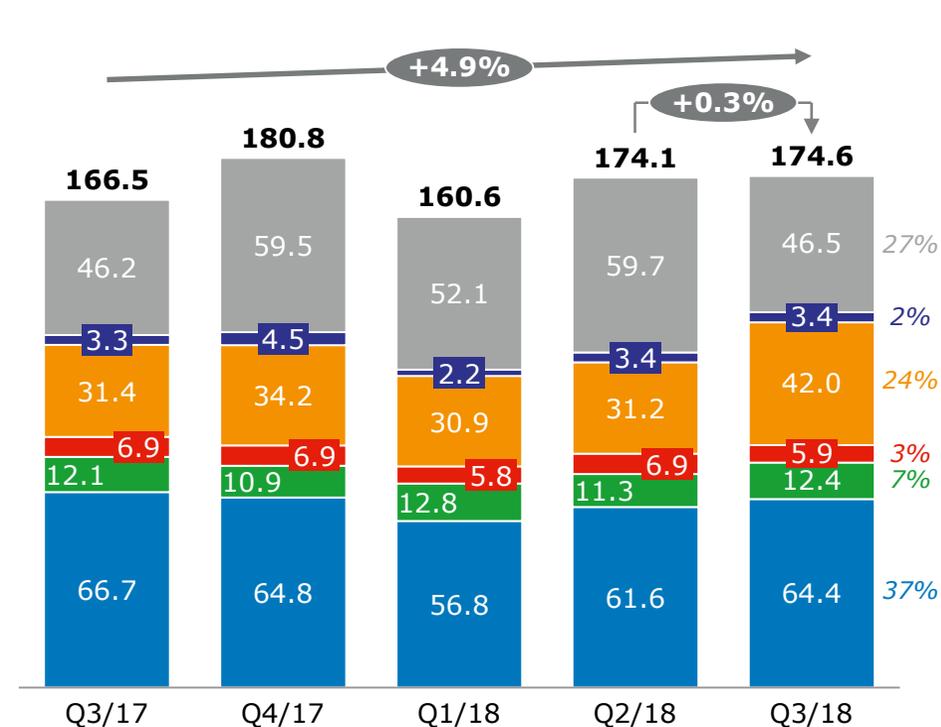
### Profit and Loss Account: Net Fee and Commission Income

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

Fee and Commission Income Structure (PLN M)



Fee and Commission Expense 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)

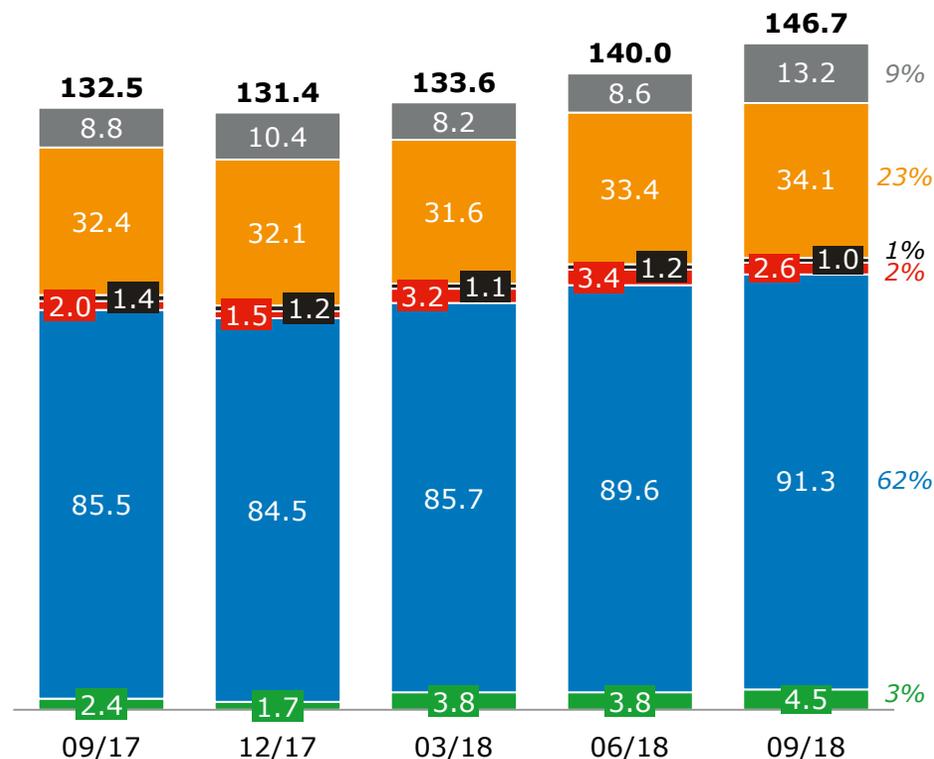
- Payment card fees
- Cash handling fees
- Discharged brokerage fees
- Commissions paid to external entities
- Fees paid to NBP and KIR
- Other (incl. insurance activity)

# Appendix

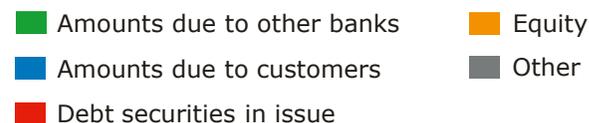
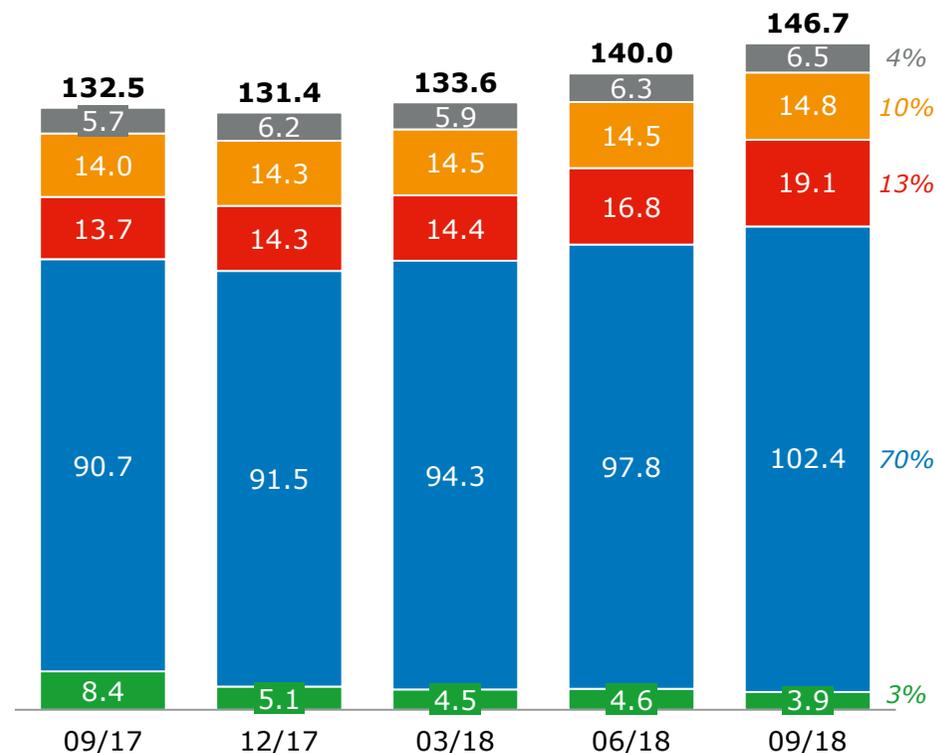
## Selected Financial Data Balance Sheet Analysis: Assets & Liabilities

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

Structure of Assets  
(PLN B)



Structure of Liabilities and Equity  
(PLN B)



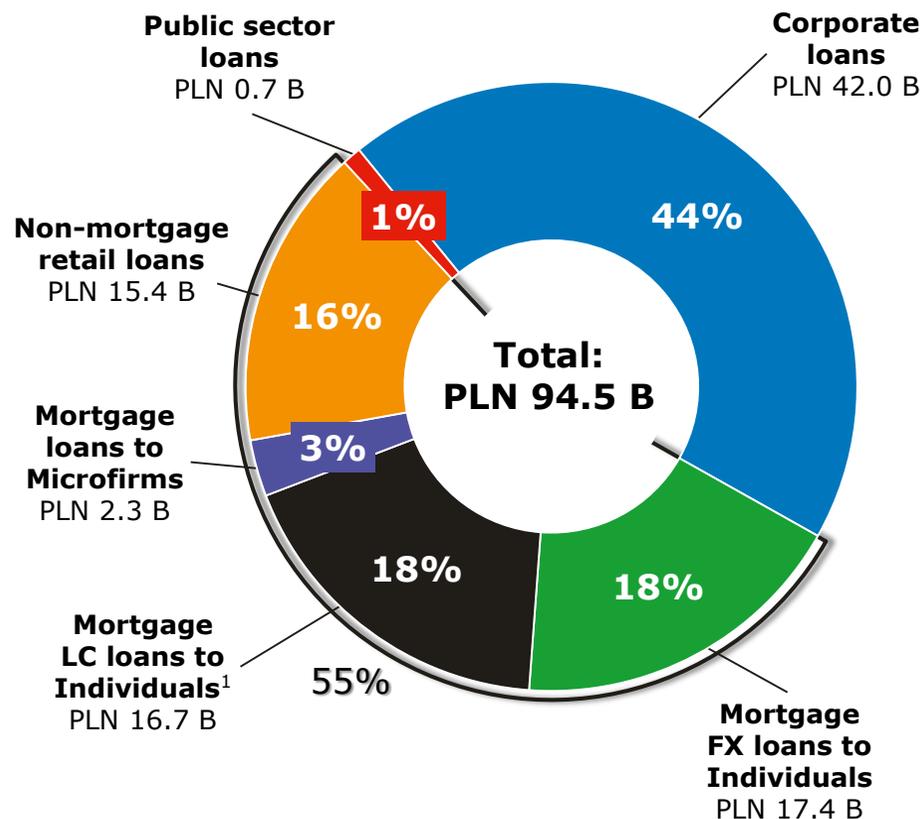
# Appendix

## Selected Financial Data

### Balance Sheet Analysis: Structure of Loans and Deposits

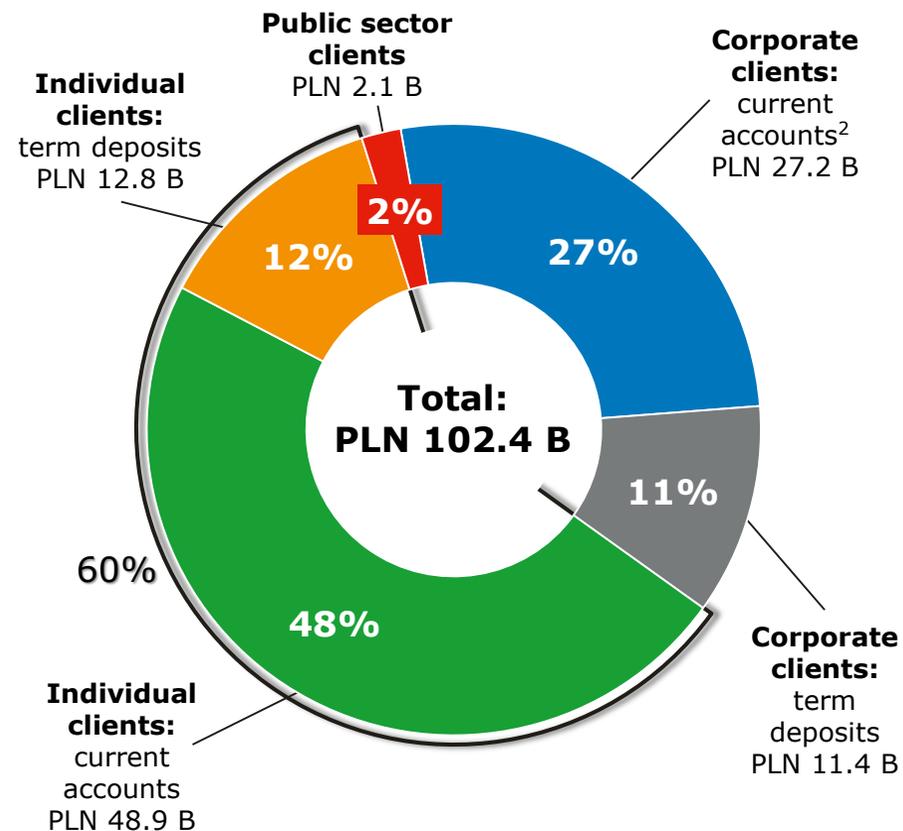
Summary
Profit & Loss
<b>Balance Sheet</b>
Business Lines
Subsidiaries
Historical view

Structure of mBank Group's Gross Loans as of 30.09.2018



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

Structure of mBank Group's Deposits as of 30.09.2018

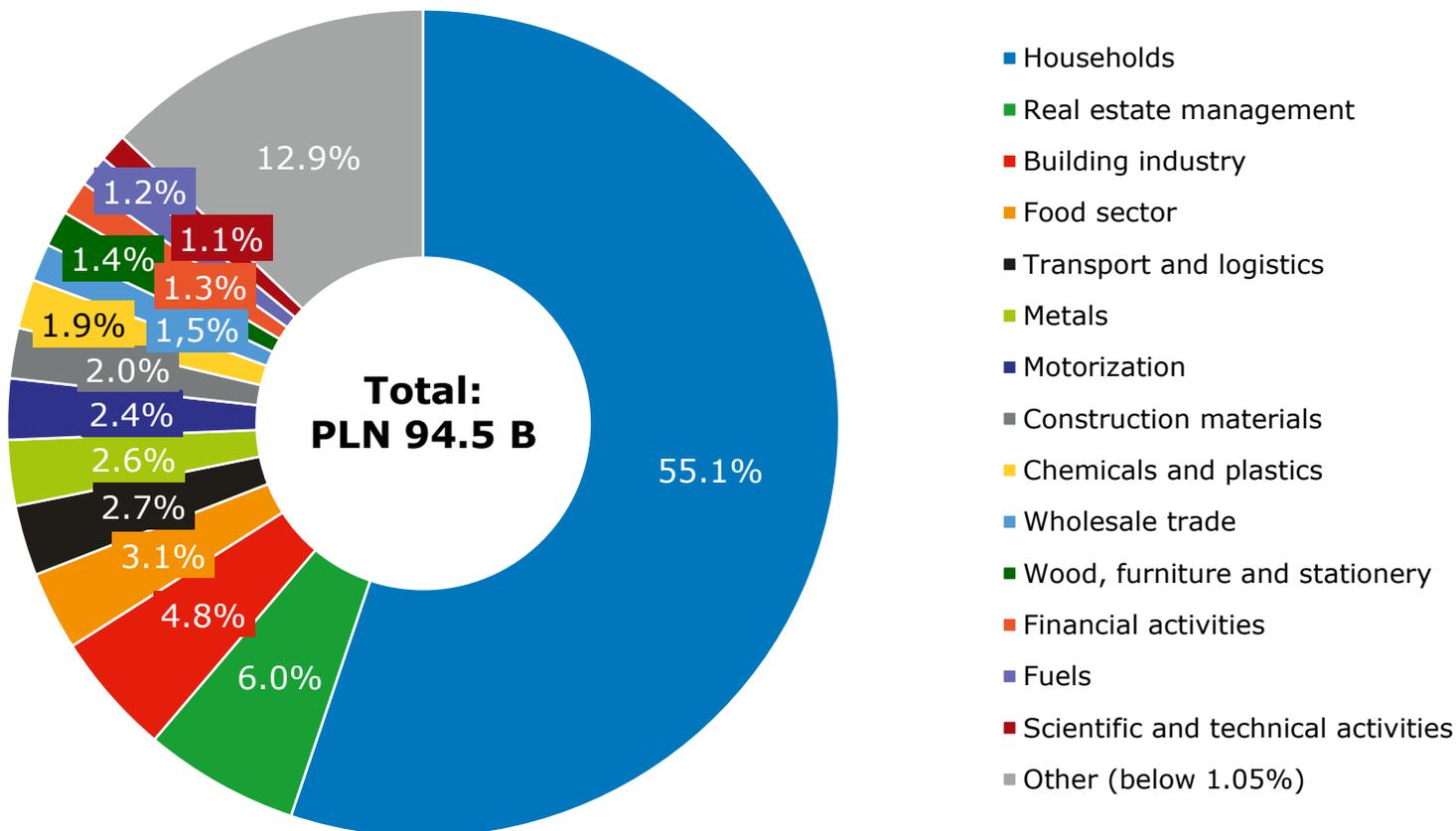


<sup>2</sup> Including repo transactions, loans and advances received, other liabilities

# Appendix

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

mBank Group's Sector Exposure by Industry  
as of 30.09.2018



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

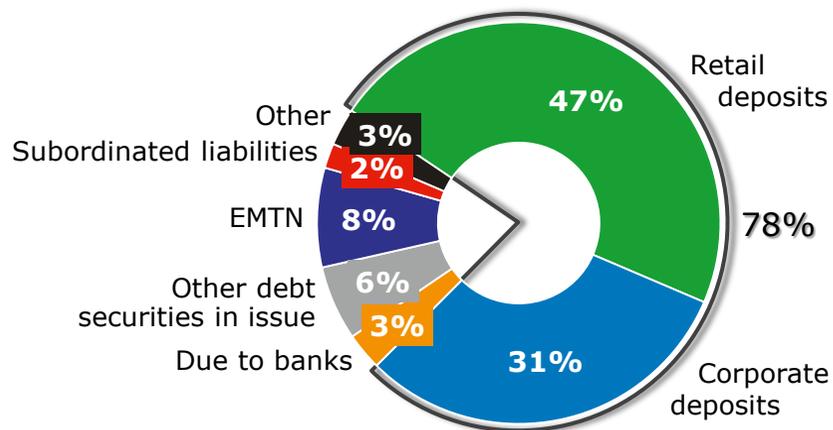
# Appendix

## Selected Financial Data

### Balance Sheet Analysis: Funding Structure and Liquidity Levels

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

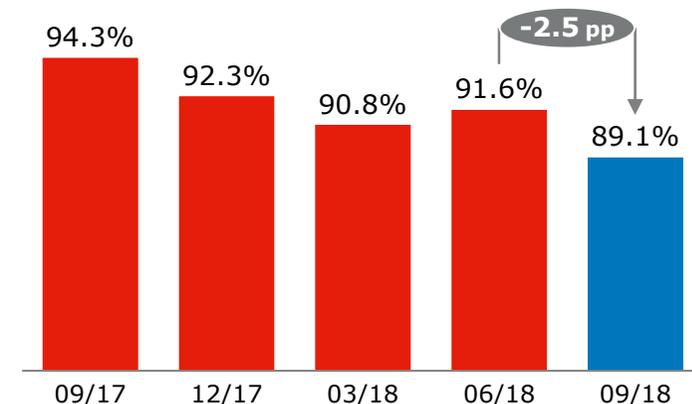
mBank Group's Funding Structure as of 30.09.2018



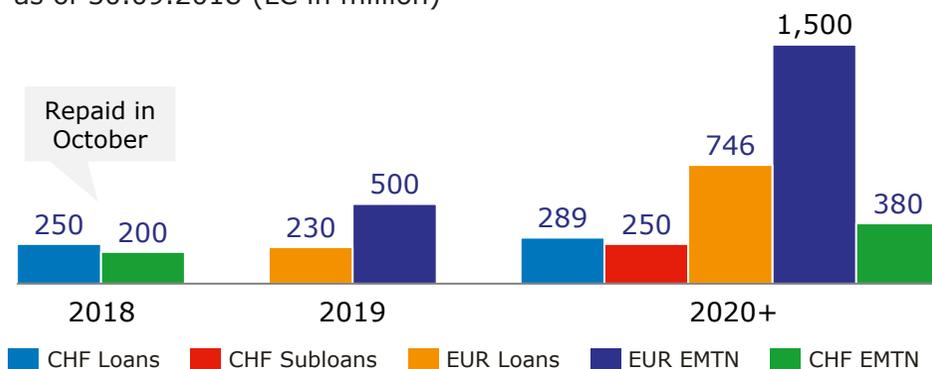
mBank's ratings

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 30.09.2018 (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%
CHF 180 M	07-06-2018	07-06-2022	4.0 Y	0.565%
EUR 500 M	05-09-2018	05-09-2022	4.0 Y	1.058%

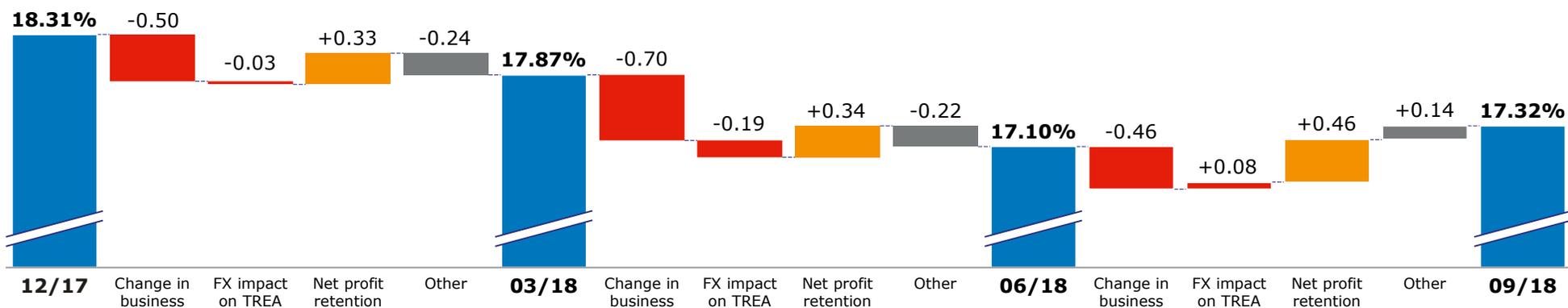
# Appendix

## Selected Financial Data

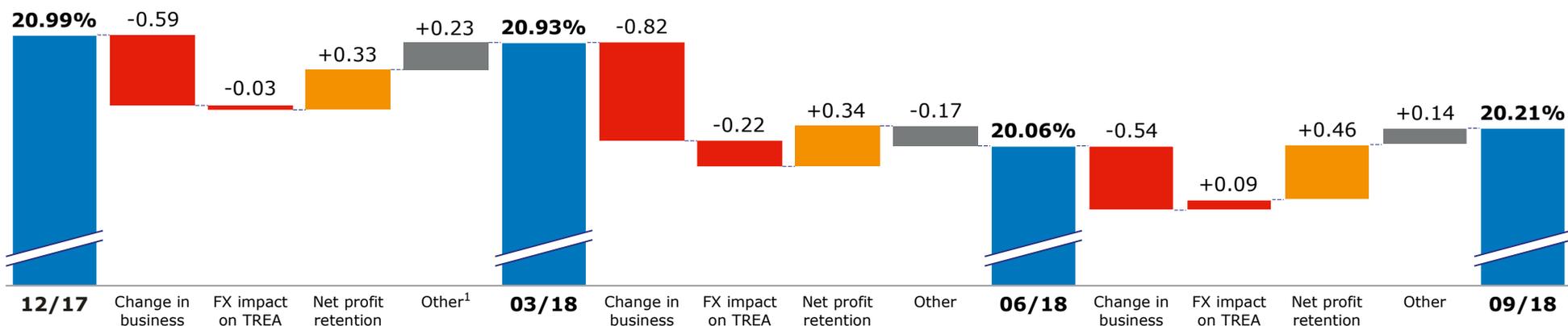
### Balance Sheet Analysis: Detailed Development of Capital Ratios

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

mBank Group's Tier 1 Capital Ratio



mBank Group's Total Capital Ratio



<sup>1</sup> Inclusion of funds from subordinated loan in Tier 2 instruments;

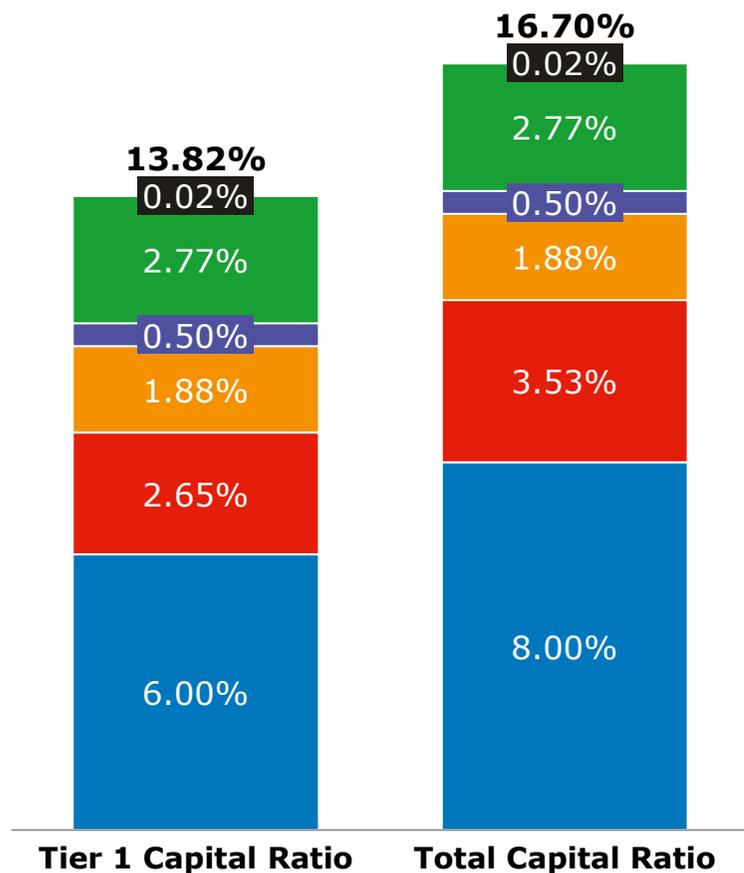
# Appendix

## Selected Financial Data

### Balance Sheet Analysis: Details of Capital Requirements

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

Regulatory capital requirements for mBank Group as of 30.09.2018



- **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 Q3/18

---

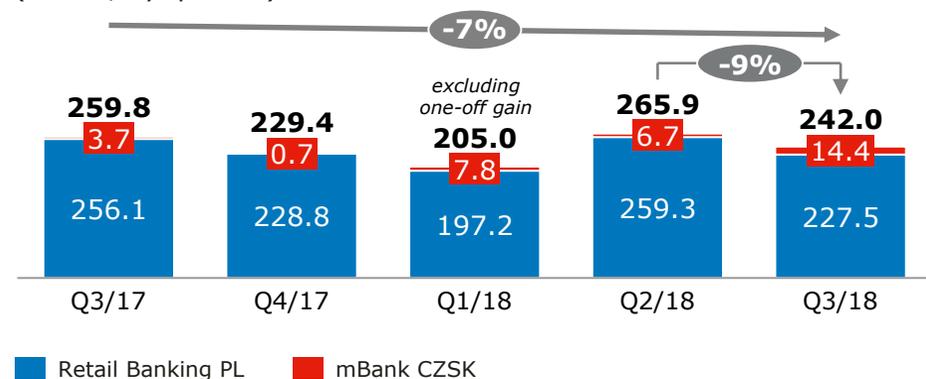
# Retail Banking

# Appendix

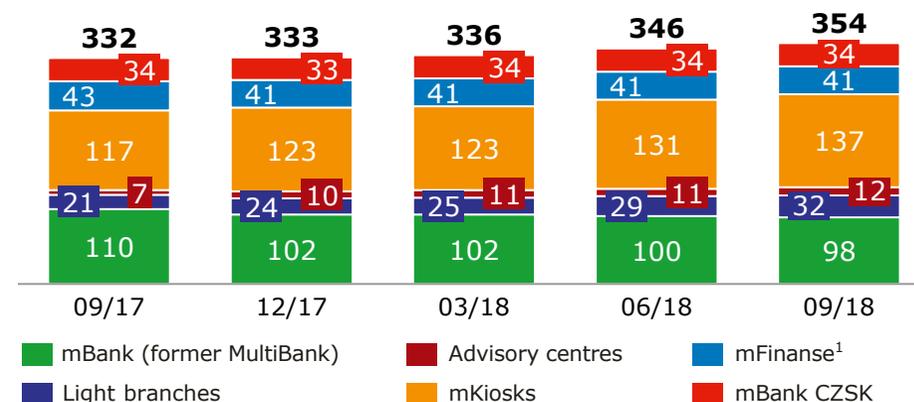
## Retail Banking Summary of Q3/18: Financial and Business Results

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

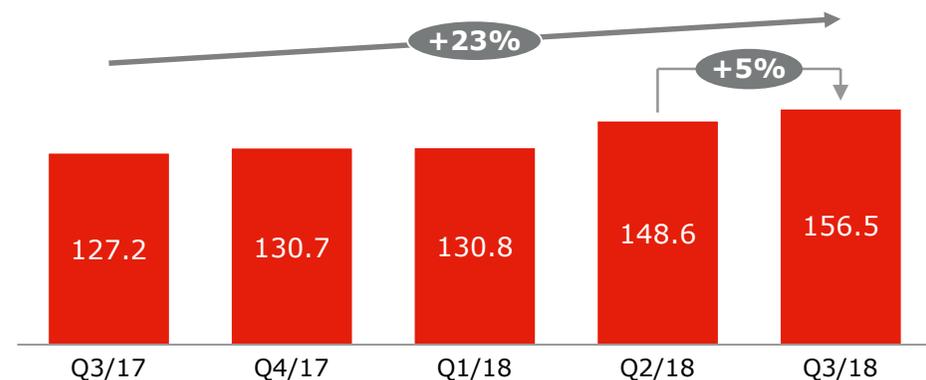
Profit before Tax of the Segment  
(PLN M, by quarter)



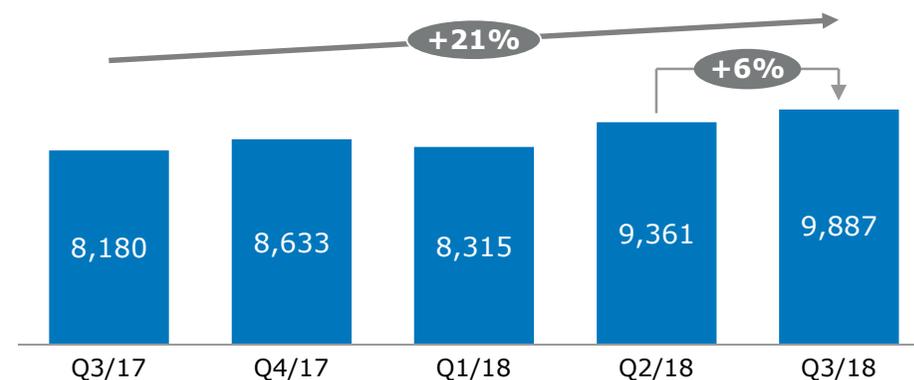
Number of Retail Service Locations



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



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



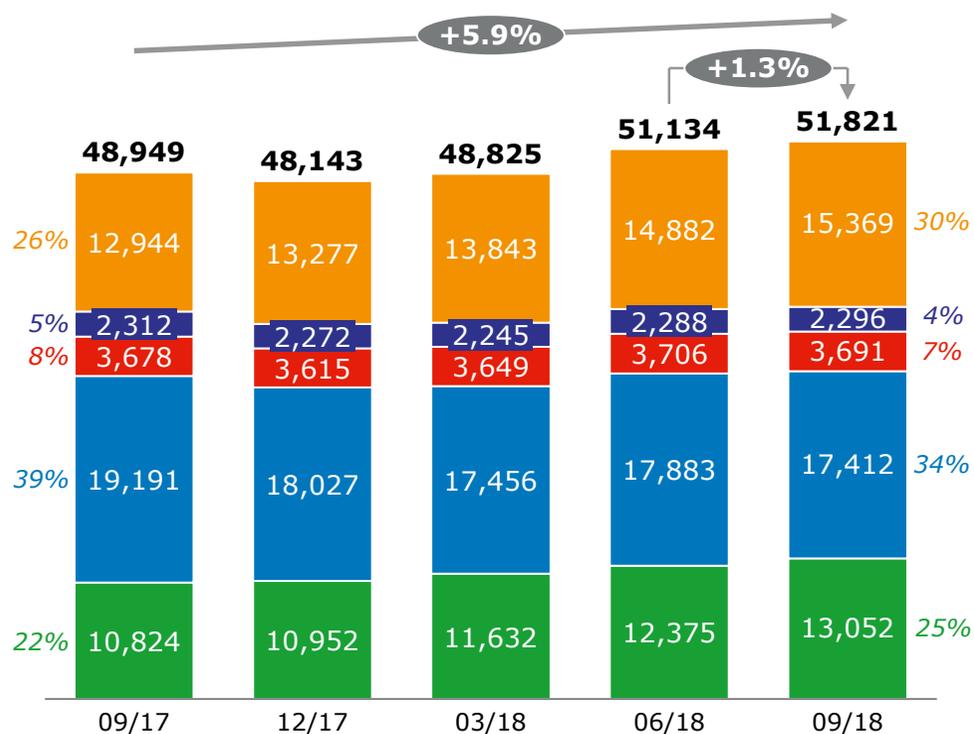
¹ Including financial centres and agency service points

# Appendix

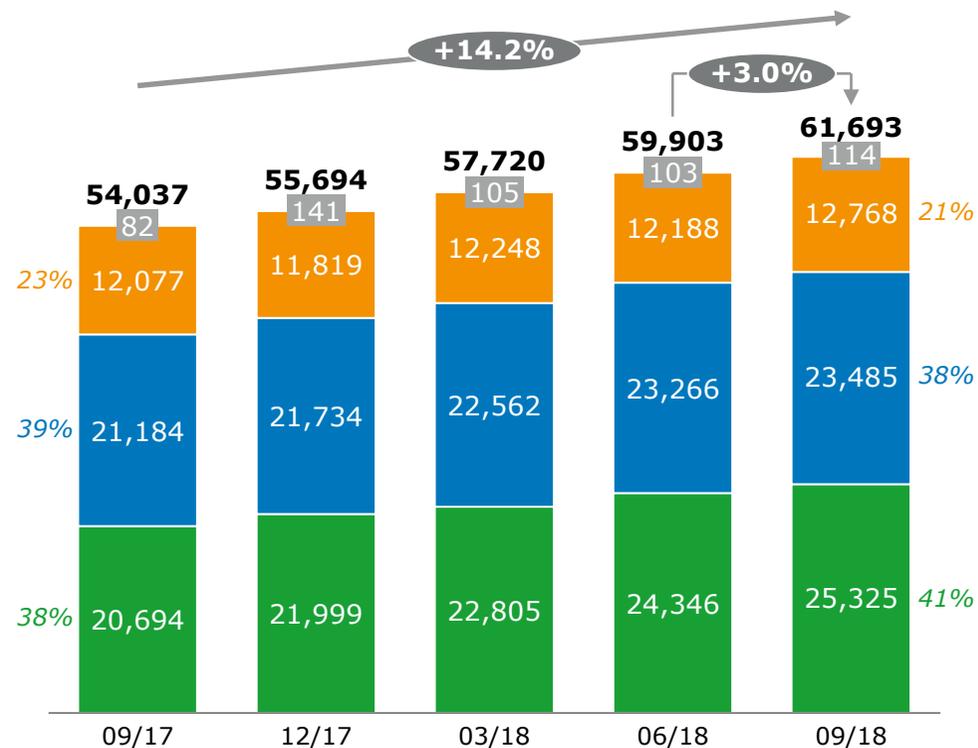
## Retail Banking Summary of Q3/18: Loans and Deposits

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

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

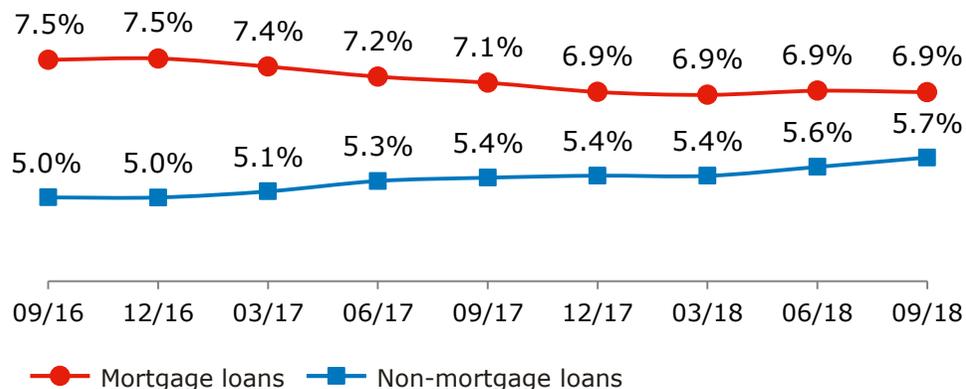
<sup>1</sup> Currency and geographical breakdown based on management information

# Appendix

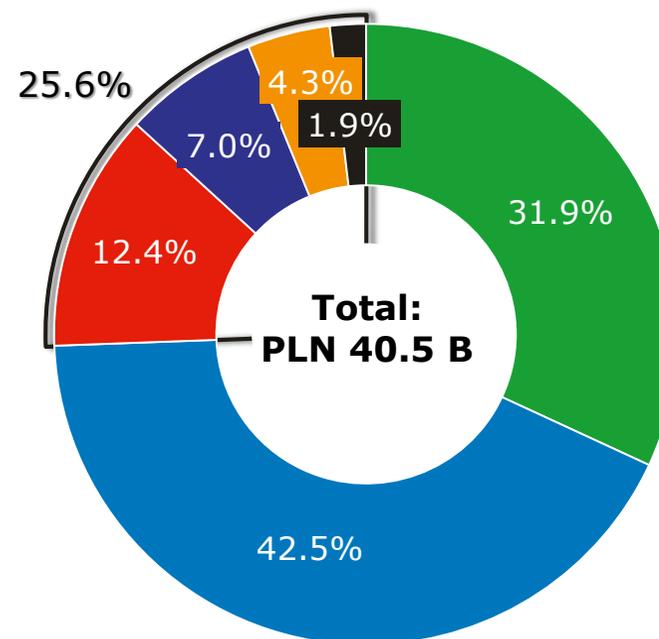
## Retail Banking Loan Portfolio Structure of mBank Group in Poland

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

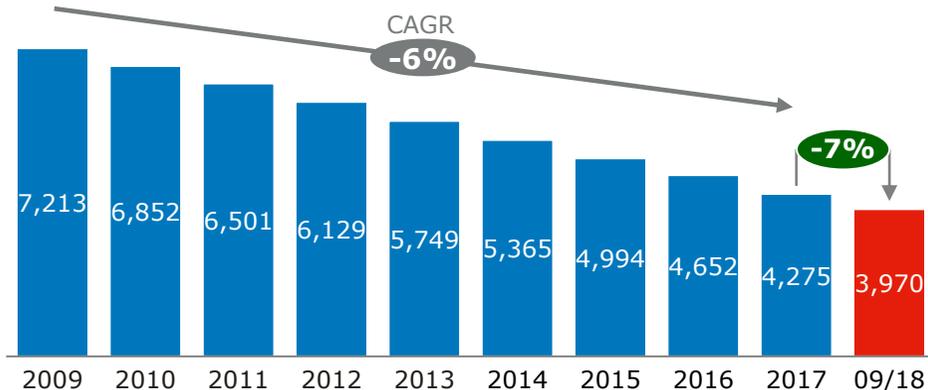
Market Shares in Household Loans in Poland



Product Structure of Retail Banking Loan Portfolio in Poland as of 30.09.2018



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



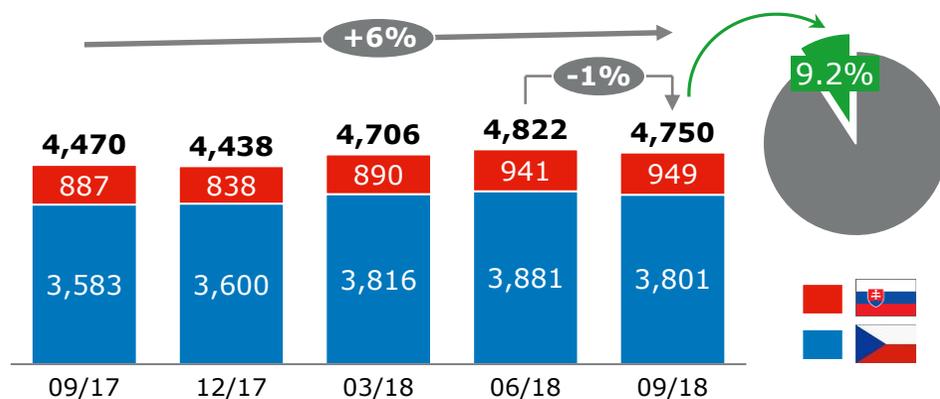
- PLN Mortgage loans
- Cash loans
- Credit cards
- FX Mortgage loans
- Credit lines
- Other

# Appendix

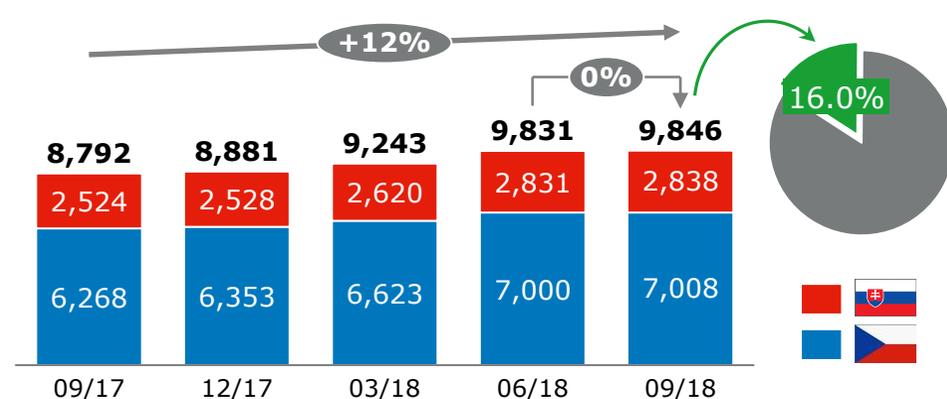
## Retail Banking mBank in the Czech Republic and Slovakia

- Summary
- Profit & Loss
- Balance Sheet
- Business Lines**
- Subsidiaries
- Historical view

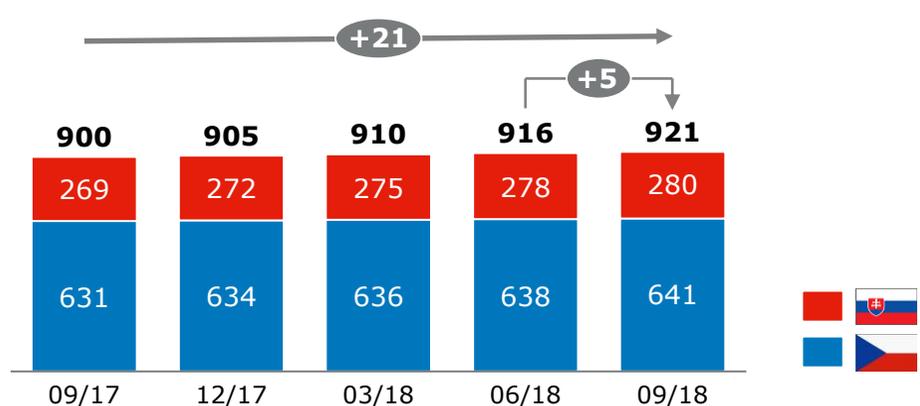
Gross Loans (PLN M) and Share in Total mBank's retail volume



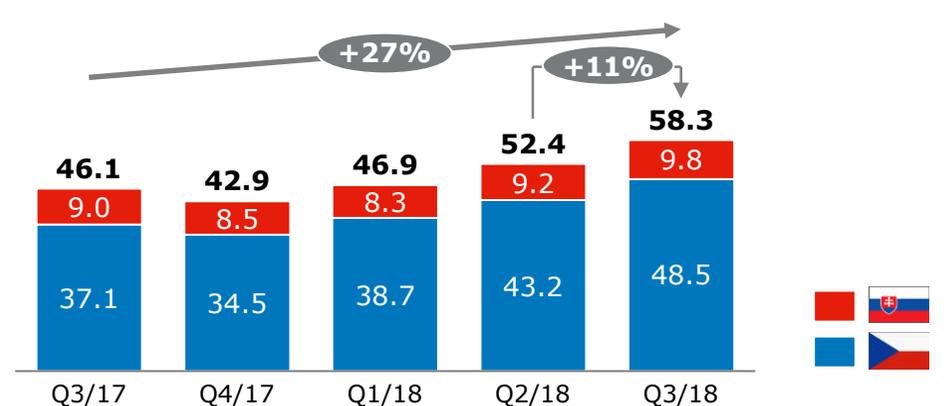
Deposits (PLN M) and Share in Total mBank's retail volume



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
<b>Business Lines</b>
Subsidiaries
Historical view

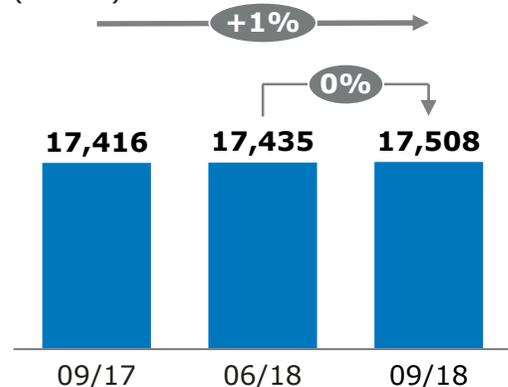


### Czech Republic

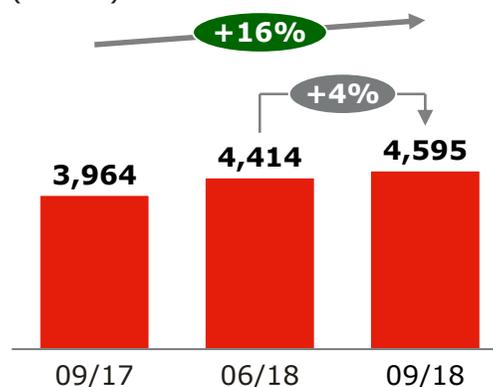
Clients:  
**641.0 thou.**

**5** light branches,  
**6** financial centres &  
**13** mKiosks

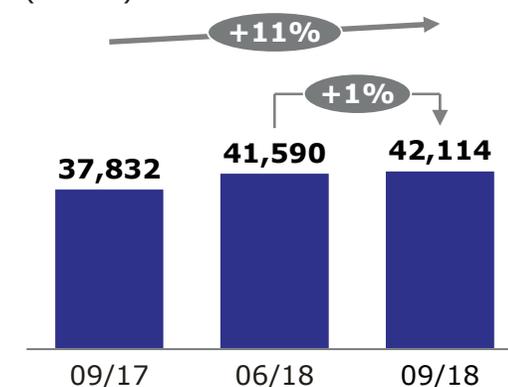
Mortgage Loans  
(CZK M)



Non-mortgage Loans  
(CZK M)



Customer deposits  
(CZK M)

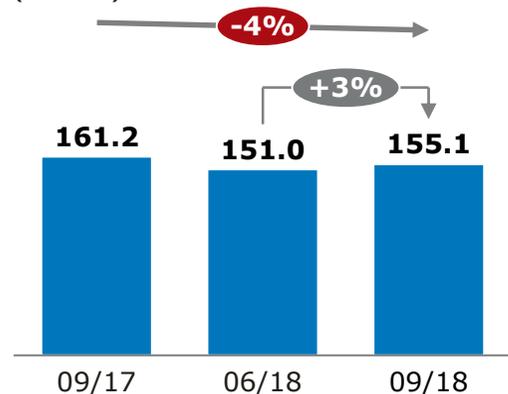


### Slovakia

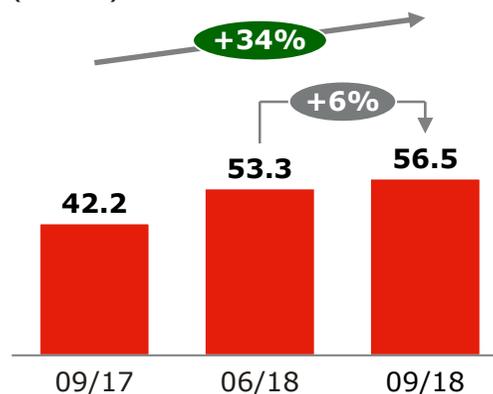
Clients:  
**280.4 thou.**

**2** light branches,  
**2** financial centres &  
**6** mKiosks

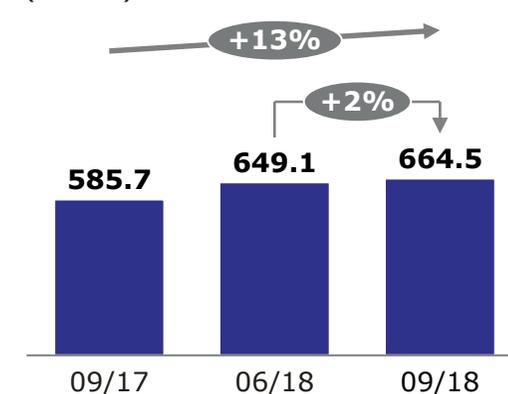
Mortgage Loans  
(EUR M)



Non-mortgage Loans  
(EUR M)



Customer deposits  
(EUR M)



Note: Volumes based on management information.

## Detailed Results of the Business Lines in Q3/18

---

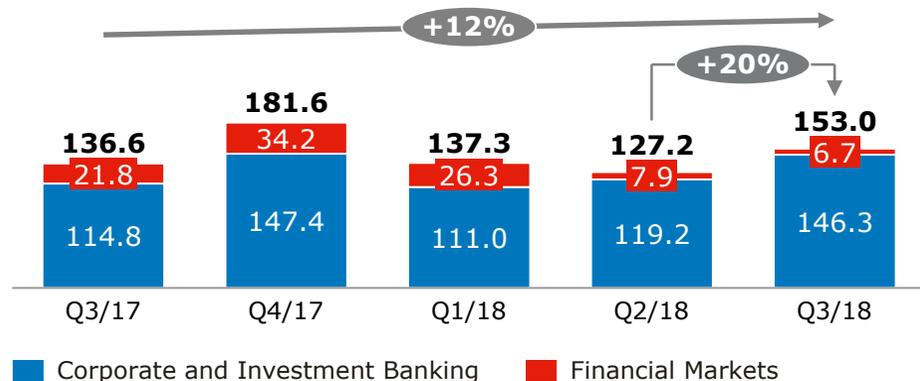
# Corporates & Financial Markets

# Appendix

## Corporates and Financial Markets Summary of Q3/18: Financial and Business Results

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

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

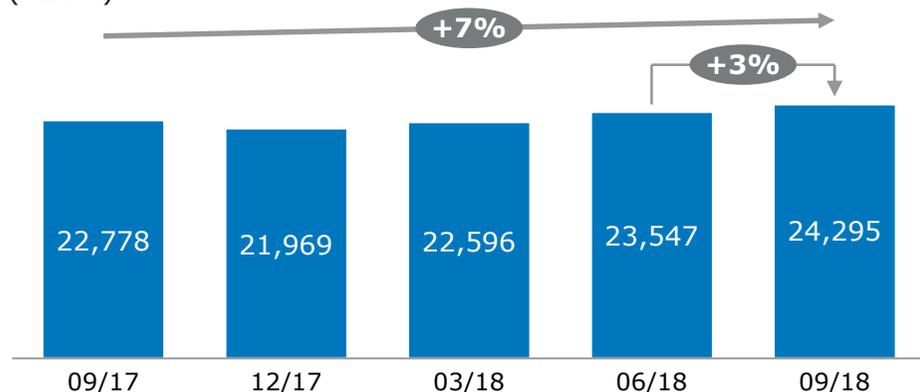


Number of Corporate Service Locations

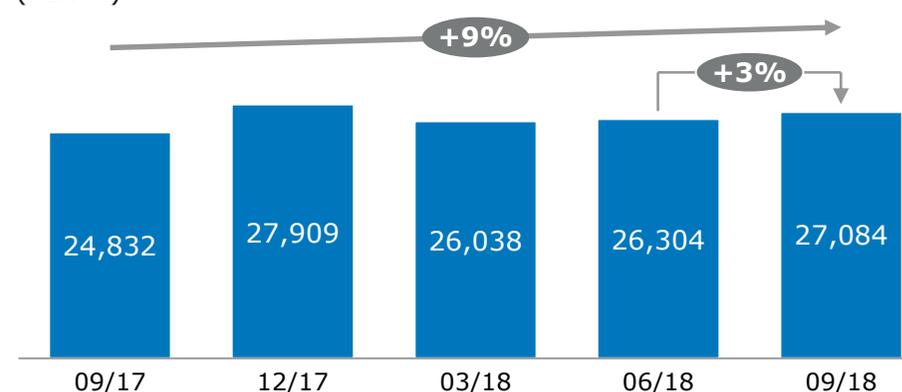
- 29 mBank's branches, incl. 10 advisory centres
- 17 mBank's offices, incl. 1 advisory centre
- 21 mLeasing
- 8 mFaktoring
- 5 mBank Hipoteczny



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



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



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

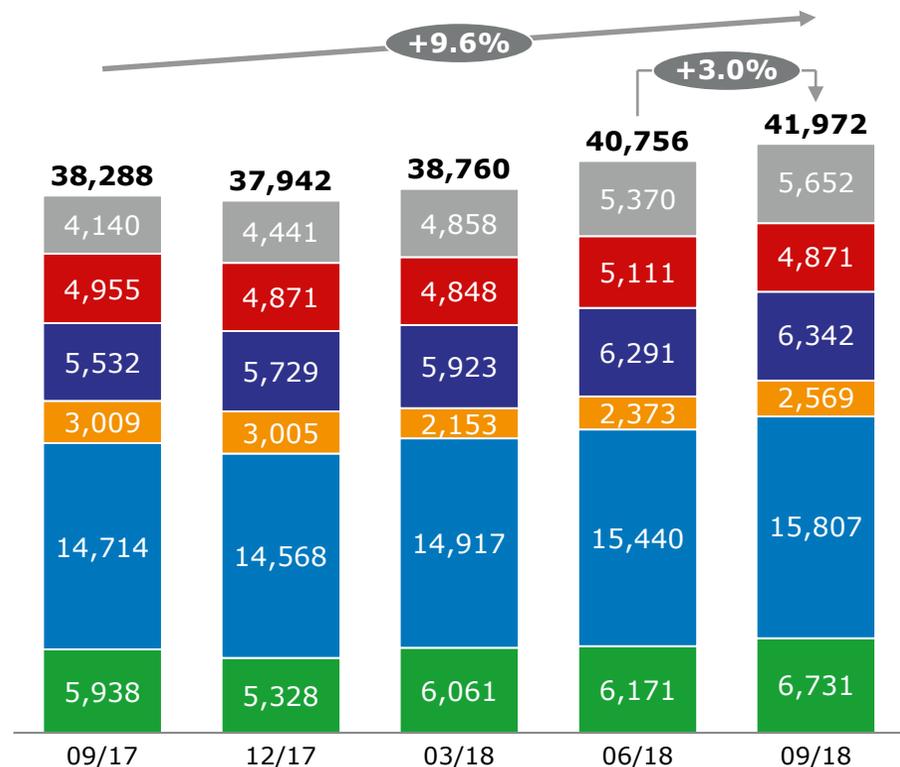
# Appendix

## Corporates and Financial Markets Summary of Q3/18: Loans and Deposits

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

Gross Loans to Corporate Entities  
(PLN M)

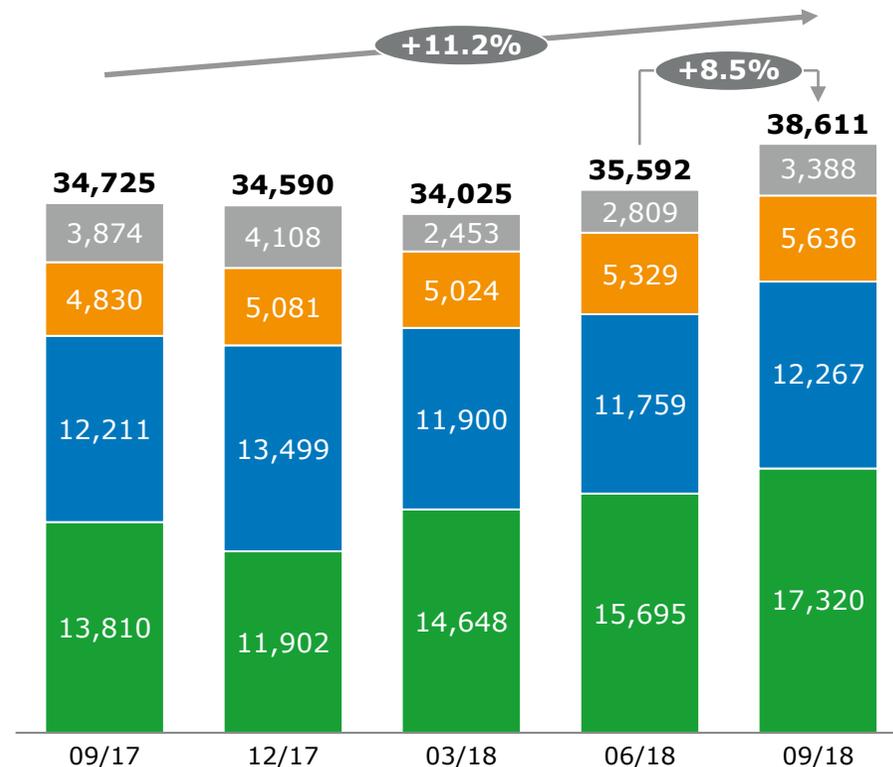
Resegmentation  
starting from 2018



■ 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 Q3/18

---

## Subsidiaries

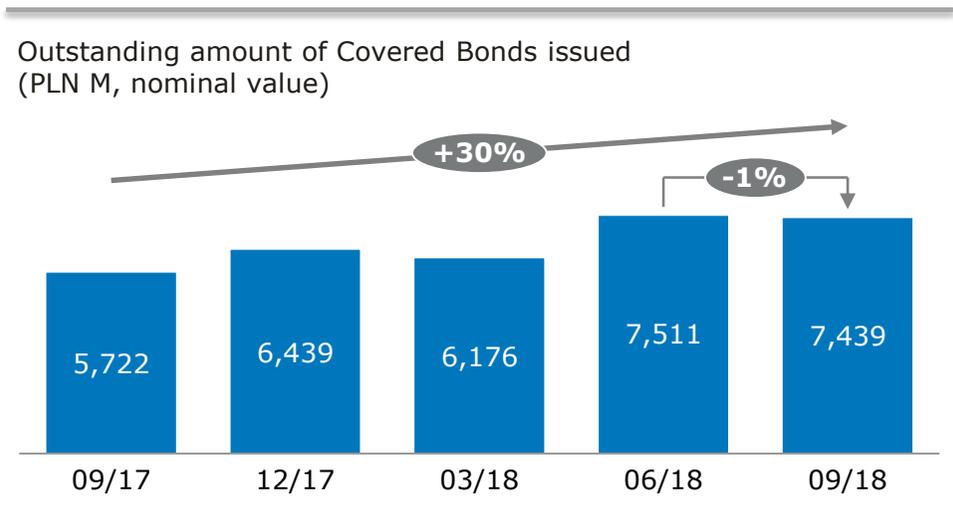
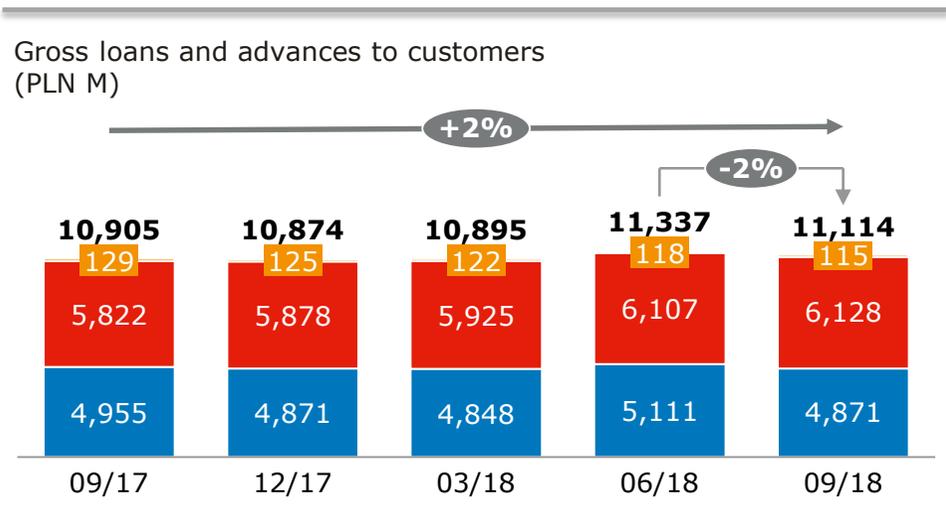
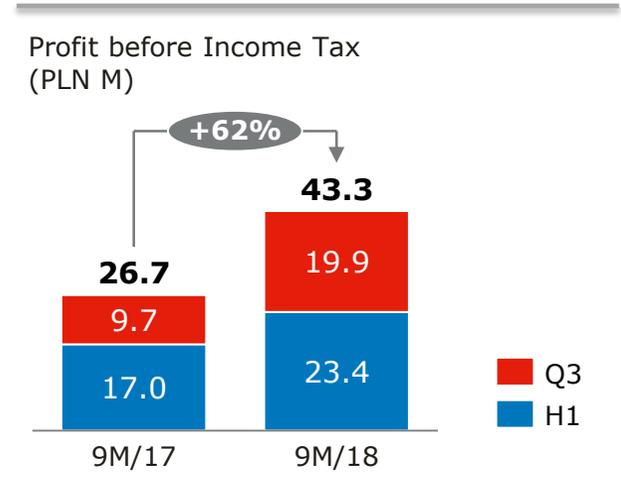
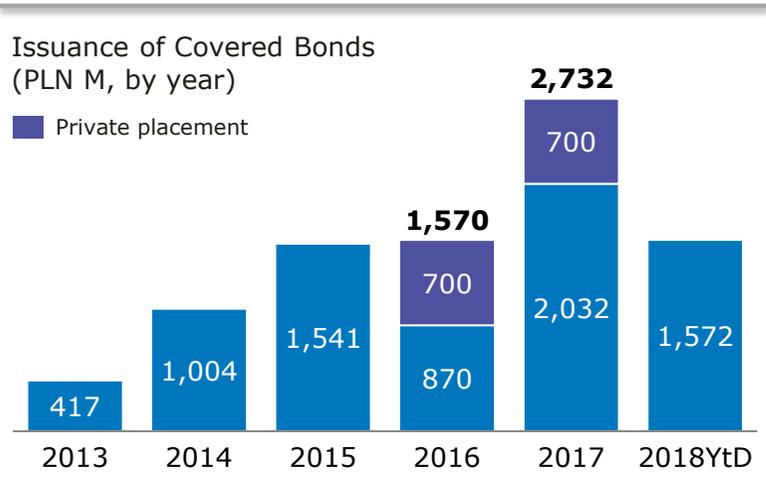
# Appendix

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

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

**m 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



# 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%)
300.0 M	PLN	22-06-2018	10-06-2024	6.0	WIBOR 3M + 58bps

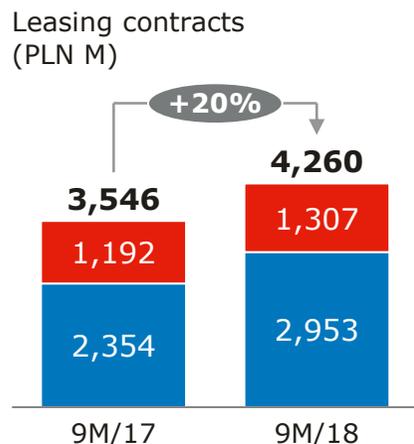
# Appendix

## mBank Group's Subsidiaries Leasing and Factoring

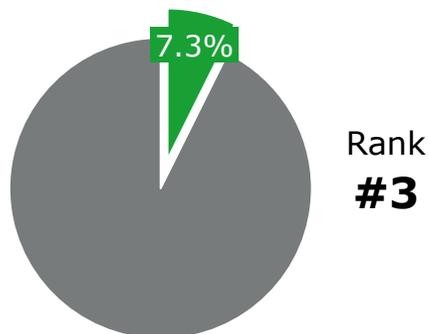
**m Leasing**

established in 1991

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

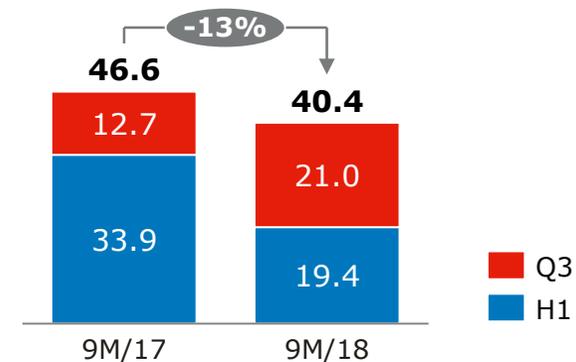


Market share & position – 9M 2018



Source: Polish Leasing Association (PLA)

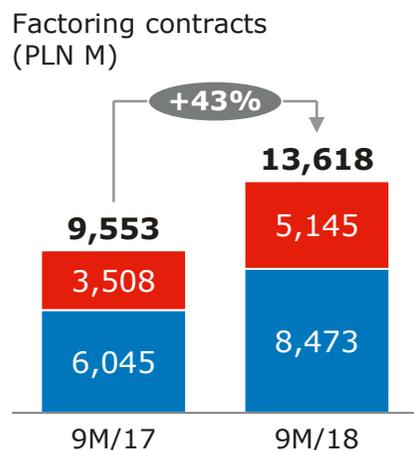
Profit before Tax (PLN M)



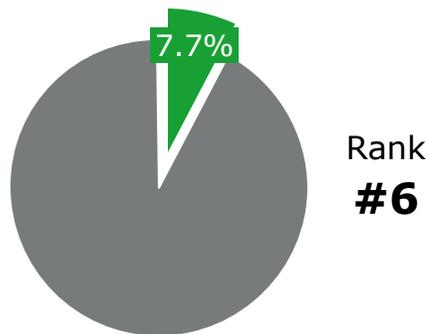
**m Faktoring**

established in 1995

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

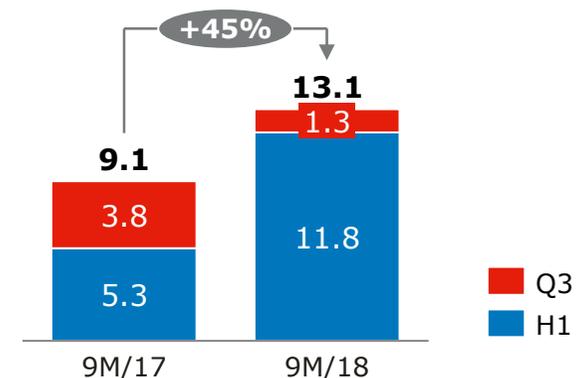


Market share & position – H1 2018  
[data for 9M 2018 not available]



Source: Polish Factors Association (PFA)

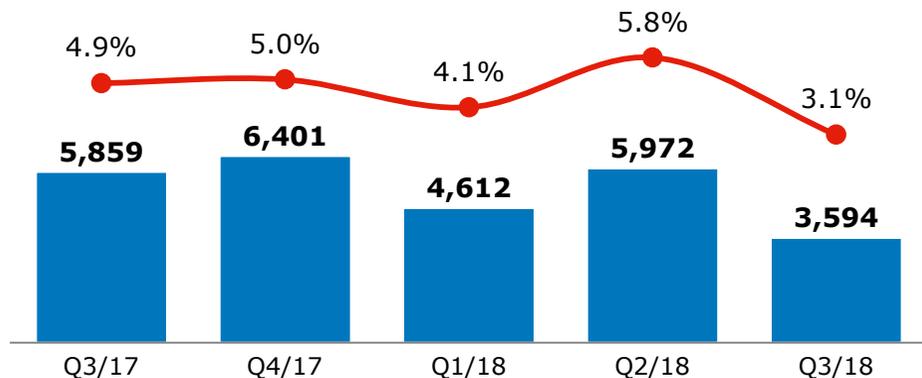
Profit before Tax (PLN M)



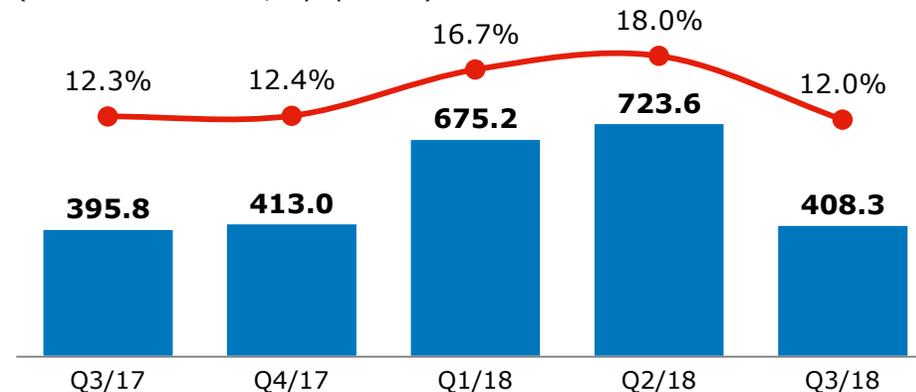
# Appendix

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

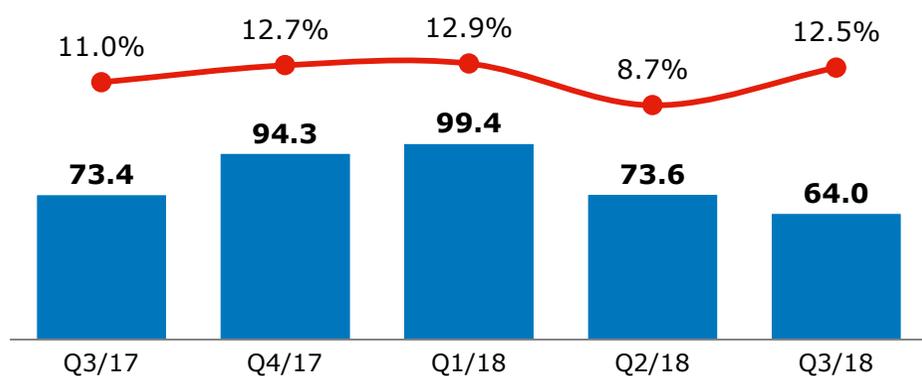
mDM Equities Trading on WSE and Market Share in Turnover (PLN M, by quarter)



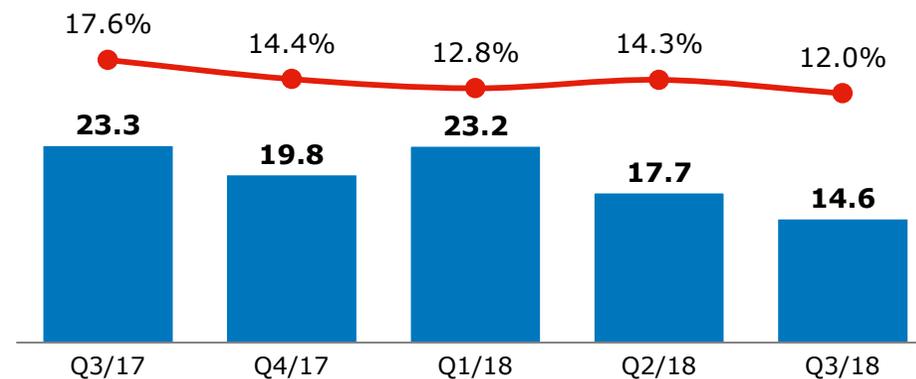
mDM Futures Trading on WSE and Market Share in Turnover (thou. of contracts, by quarter)



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).

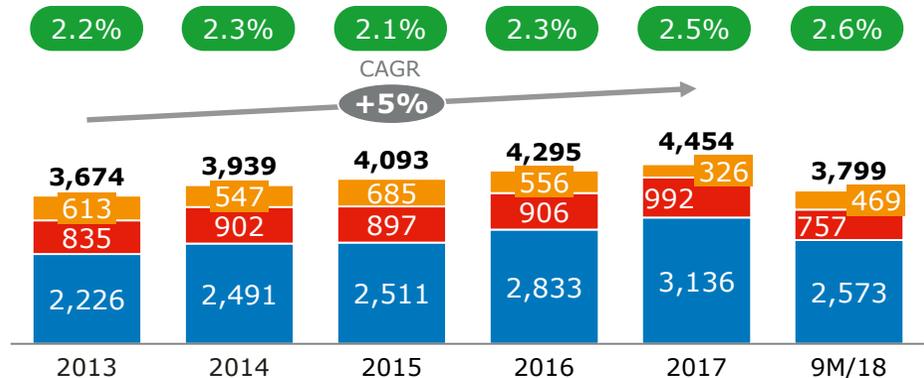
# Appendix

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

## mBank Group's historical performance: Profit and Loss Account

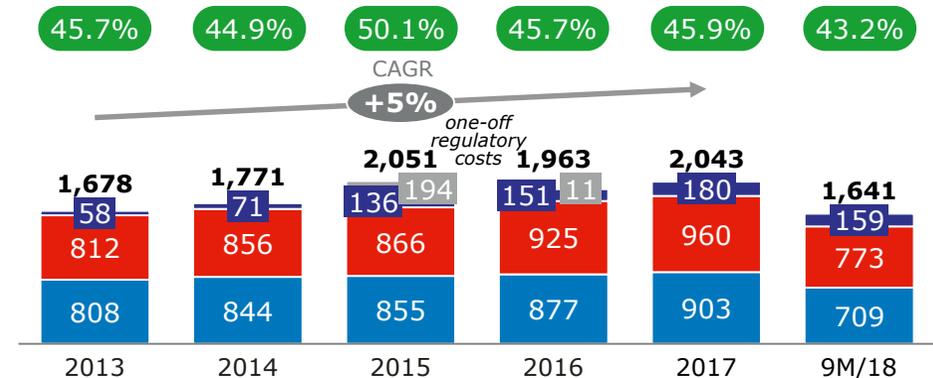
Total Income & Margin (PLN M)

■ NII ■ NFC ■ Trading and other



Total Costs & C/I ratio (PLN M)

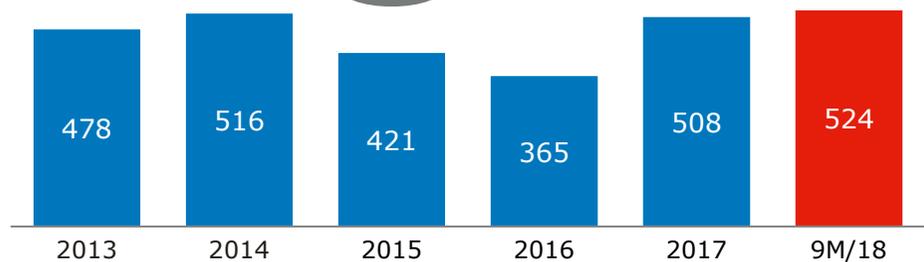
■ Personnel ■ Material and other ■ BFG



Loan Loss Provisions & Cost of Risk (PLN M)

0.70% 0.72% 0.54% 0.46% 0.61% 0.80%

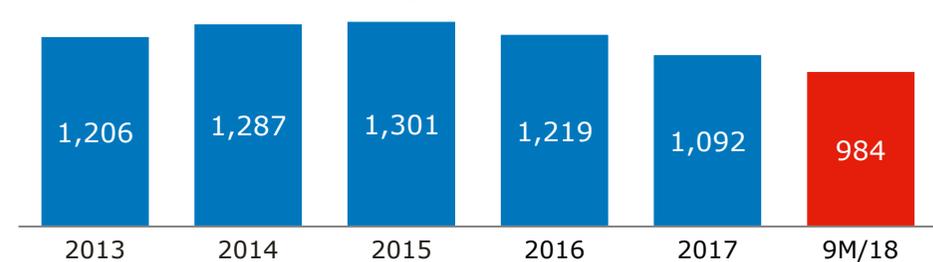
CAGR +2%



Net Profit & Return on Equity (PLN M)

13.1% 13.1% 11.8% 10.1% 8.3% 9.5%

CAGR -2%

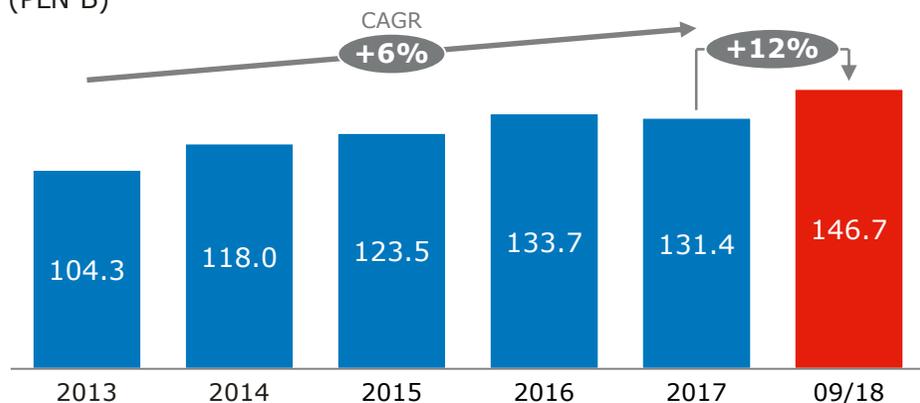


# Appendix

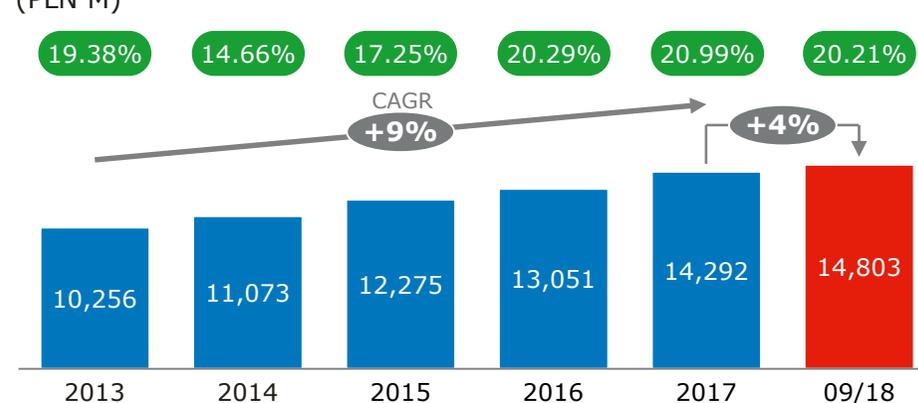
Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
<b>Historical view</b>

## mBank Group's historical performance: Balance Sheet

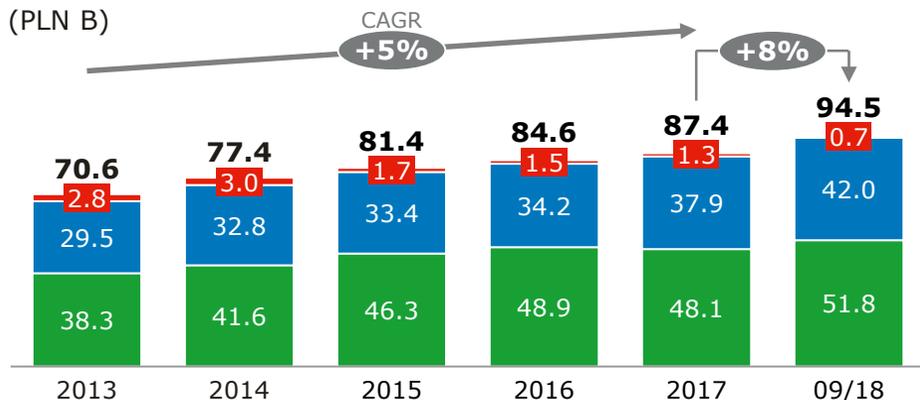
Total Assets  
(PLN B)



Equity & Total Capital Ratio  
(PLN M)

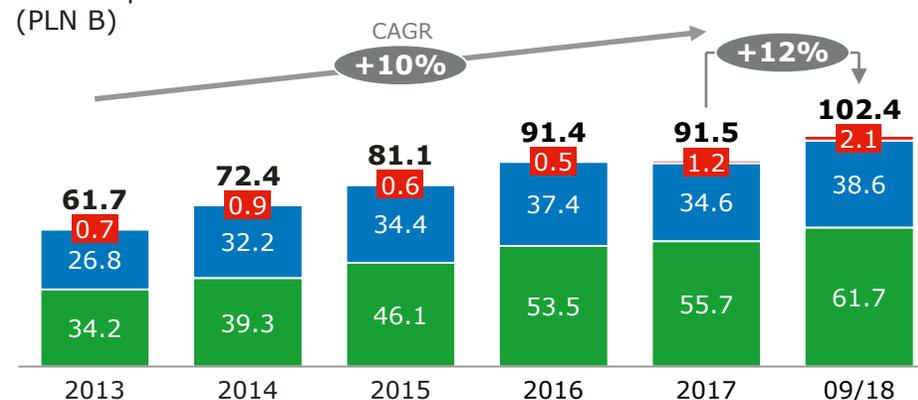


Total Gross Loans  
(PLN B)



Individual clients Corporate clients Public sector and other

Total Deposits  
(PLN B)



Individual clients Corporate clients Public sector

# mBank's share price performance

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

mBank's index membership and weights\*

WIG-30	<b>WIG30</b>	2.597%
WIG-20	<b>WIG20</b>	2.786%
WIG	<b>WIG</b>	1.947%
WIG-Banks	<b>WIGbanki</b>	6.682%
WIG-Poland	<b>WIGPoland</b>	1.989%

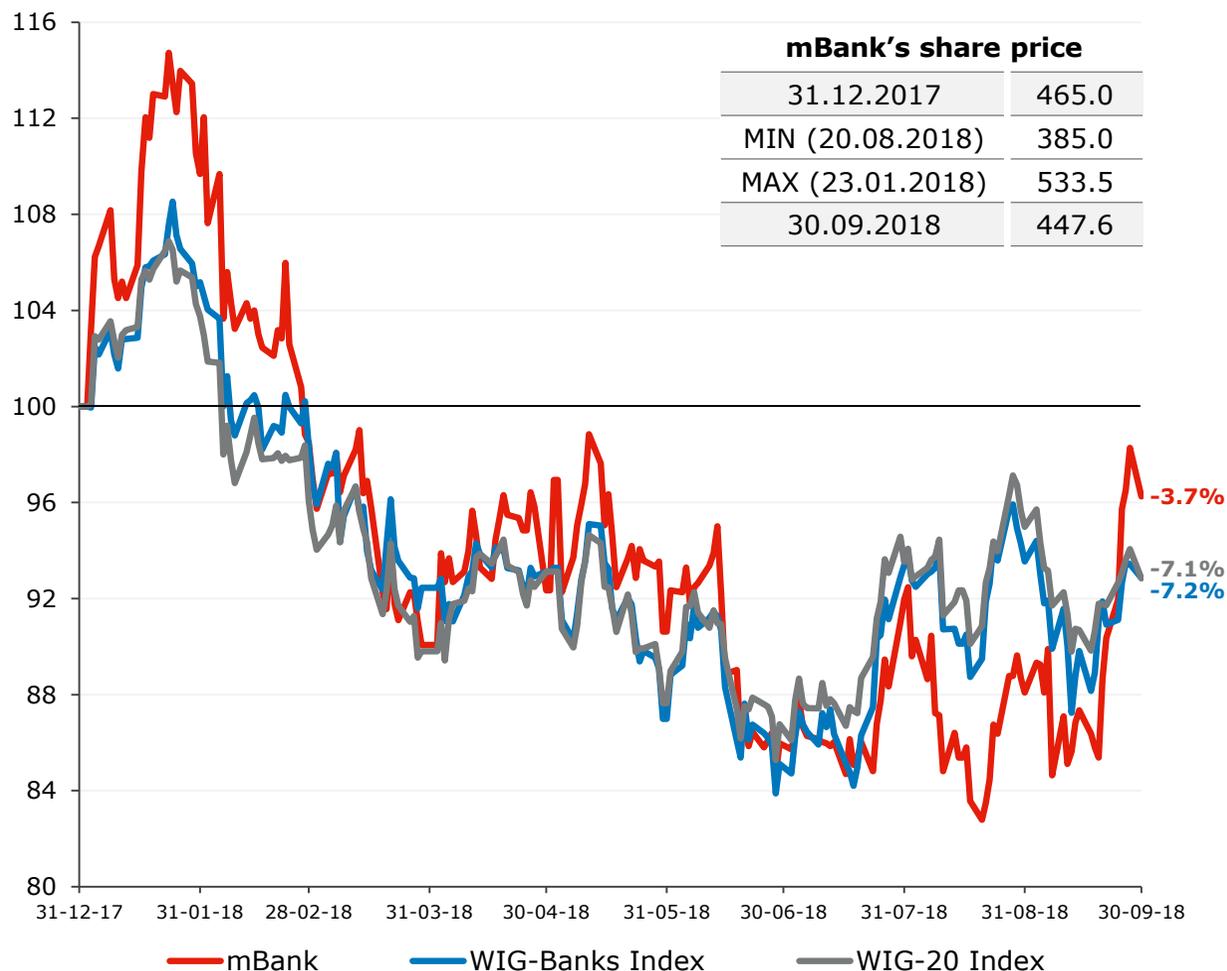
\* Share in index as of 28.09.2018

- 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 69.34% of shares

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 332 466

Source: WSE, Bloomberg (data as of 30.09.2018).

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



# 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** and **Apple Pay** (for 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;

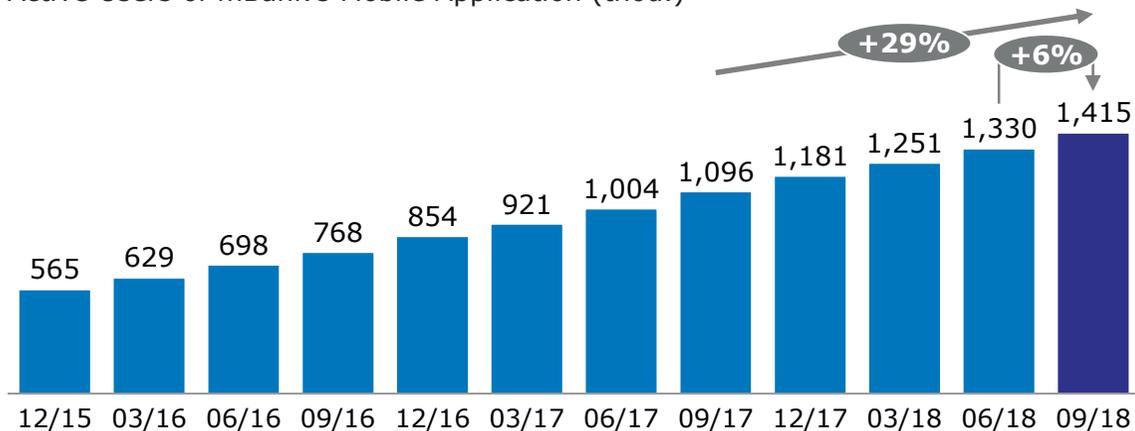


In July 2017 the share of clients who logged in to their accounts via mobile devices exceeded the logins from computers; in September 2018 it reached 59%, compared to 55% in December 2017, 37% in 2016 and 28% in 2015.



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

# Contact details

## mBank's Investor Relations at your service:

E-mail address: [investor.relations@mbank.pl](mailto: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](mailto:ernest.pytlarczyk@mbank.pl)

### **Joanna Filipkowska**

Deputy Head of Investor Relations

Direct dial: +48 22 829 04 53  
E-mail: [joanna.filipkowska@mbank.pl](mailto:joanna.filipkowska@mbank.pl)

### **Paweł Lipiński**

Direct dial: +48 22 829 15 33  
E-mail: [pawel.lipinski@mbank.pl](mailto:pawel.lipinski@mbank.pl)

### **Marta Polańska**

Direct dial: +48 22 438 31 09  
E-mail: [marta.polanska@mbank.pl](mailto:marta.polanska@mbank.pl)

### **Magdalena Rosińska**

Direct dial: +48 22 829 14 19  
E-mail: [magdalena.rosinska@mbank.pl](mailto:magdalena.rosinska@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)

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