

Results of mBank Group Q1-Q4 2018

**Good finish of the year.
Strong business performance to persist.**

Management Board of mBank S.A.

Investor Presentation

February 7, 2019



Disclaimer

This presentation has been prepared by mBank S.A. for information purposes only and is based on the non-audited financial data for mBank Group for the fourth 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



Key Highlights of 2018 in mBank Group



Summary of Main Trends in Q4/18

Business Development of Retail and Corporate Segment

Key Financials



Analysis of the Results after Q4/18

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 2018 in mBank Group

Revenues	Recurrent total income of PLN 4,839 million at record high level
Net interest income & margin	NII increased by 11.5% to PLN 3,496 million and NIM improved by 10 bps to 2.58% driven by changing asset mix and broadly stable funding costs <ul style="list-style-type: none">▪ Gradual uptrend of loan yield thanks to rising share of higher-margin products and declining FX-denominated mortgage loan volume▪ Deposit costs kept low, supported by high share of no-interest-bearing transactional accounts
Fees & commissions	NFC went down by 1.6% to PLN 976 million, but core business expanded <ul style="list-style-type: none">▪ Fees benefited from growing client activity, strong acquisition, higher transactionality (cards and transfers), and better new lending▪ A sizable gap in commission income due to the sale of group insurance business
Costs & efficiency	Total costs of PLN 2,164 million kept under control, excellent efficiency <ul style="list-style-type: none">▪ Cost/Income ratio (excl. one-off gain) at 44.7% underpinned by optimal banking platform▪ Continued investments in future growth, higher expenses on security, IT and marketing▪ Stable contribution to the Bank Guarantee Fund
LLPs & portfolio quality	Cost of risk at 78 bps, accompanied by resilient asset quality <ul style="list-style-type: none">▪ Prudent risk management reflected in NPL ratio of 4.8%, well below the sector average
Profitability	Net profit of PLN 1,316 million lifted by one-off gain of PLN 178 million <ul style="list-style-type: none">▪ Banking tax of PLN 402 million reduced Return on Equity (ROE) by 2.9 p.p. to reported 9.5%

Key highlights of 2018 in mBank Group

Loans	<p>Solid growth of loans to PLN 97.8 billion, focus on higher-margin products</p> <ul style="list-style-type: none">▪ Excluding FX effect, gross portfolio expanded by 10.0% YoY, driven by lending acceleration in corporate segment and record high sales of retail loans (at PLN 13.6 billion, +29% YoY)▪ Continued repayment of CHF mortgage portfolio: down by CHF 398 million or 9% in 2018
Deposits	<p>Surge of deposits to PLN 102.0 billion, term structure transformation</p> <ul style="list-style-type: none">▪ Strong inflows to current and saving accounts (+19% YoY), lower share of term deposits
Capital position	<p>High capital ratios well above regulatory requirements</p> <ul style="list-style-type: none">▪ Consolidated Tier 1 Capital Ratio at 17.5% and Total Capital Ratio at 20.7% safely exceeding required levels of 13.97% and 16.88%, respectively▪ Successful replacement of subordinated instruments qualified in mBank's Tier 2 capital▪ Individual capital requirement related to the risk of FX mortgage loans revised marginally up
Funding profile	<p>A well diversified funding structure with ample liquidity levels</p> <ul style="list-style-type: none">▪ Issues of debt securities contributing to long-term financing sources: CHF 180 million and EUR 500 million 4-year senior unsecured bonds under EMTN programme and covered bonds▪ Loan-to-Deposit ratio of 92.9% allowing for comfortable business growth in 2019
Strategic initiatives	<p>Convenience of the clients as an ultimate goal of all offer enhancements</p> <ul style="list-style-type: none">▪ New functionalities added to mobile application, incl. Apple Pay, scanning of transfer data▪ Bank account opening via a video chat available for both iOS and Android users▪ Innovative API solution for e-commerce: in cooperation with Allegro and Dotpay, a launch of new credit offer for microbusinesses with a fast decision based on historical sales

Key product and offer innovations in 2018

At mBank, we are constantly working to provide the best customer experience

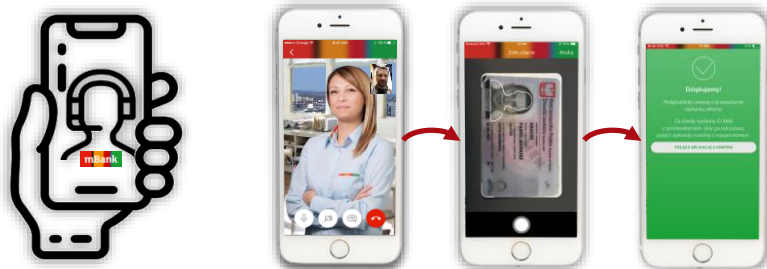
Mobile payments

Following an introduction of **Google Pay** in 2017, mBank was one of the first institutions in Poland to have launched **Apple Pay**, which allows clients to pay easily with a smartphone when shopping



Video onboarding for retail customers

Bank account opening via a video chat with mBank's consultant, without the need to visit a branch or order a courier, available for both iOS and Android users



Elements



Development of API solution for e-commerce

In cooperation with Allegro and DotPay, a launch of new credit offer for micro-businesses with a decision provided in 3 minutes based on historical sales and activity in the service



Mobile authorisation for corporate customers

Fast, convenient and safe way of confirming transactions in mBank CompanyNet in just one click instead of entering the code from token; immediate access to banking products

Summary of 2018 in mBank Group

Key Financials: Profit and Loss Account

PLN million	2016	2017	2018	change YoY
Net interest income	2,832.8	3,135.7	3,496.5	+11.5%
Net fee and commission income	906.4	992.2	975.9	-1.6%
Trading and other income ¹	556.1	325.7	586.9	+80.2%
Total income	4,295.4	4,453.6	5,059.2	+13.6%
Total costs	-1,963.3	-2,043.2	-2,163.9	+5.9%
Loan loss provisions and fair value change ²	-365.4	-507.7	-694.4	+36.8%
Operating profit	1,966.7	1,902.7	2,200.8	+15.7%
Taxes on the Group balance sheet items	-328.9	-375.3	-401.8	+7.1%
Profit before income tax	1,637.7	1,527.9	1,800.3	+17.8%
Net profit	1,219.3	1,091.5	1,316.5	+20.6%
Net Interest Margin	2.30%	2.48%	2.58%	+0.10 p.p.
Cost/Income ratio	45.7%	45.9%	42.8%	-3.1 p.p.
Cost of Risk	0.46%	0.61%	0.78%	+0.17 p.p.
Return on Equity (ROE)	10.1%	8.3%	9.5%	+1.2 p.p.
Return on Assets (ROA)	0.95%	0.83%	0.94%	+0.11 p.p.

¹ Including: in 2016 a gain on the settlement of Visa transaction (PLN 247.7 million); in 2018 a gain on the sale of an organised part of the enterprise of mFinanse (PLN 219.7 million);

² In 2018 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 2018 in mBank Group

Key Financials: Balance Sheet

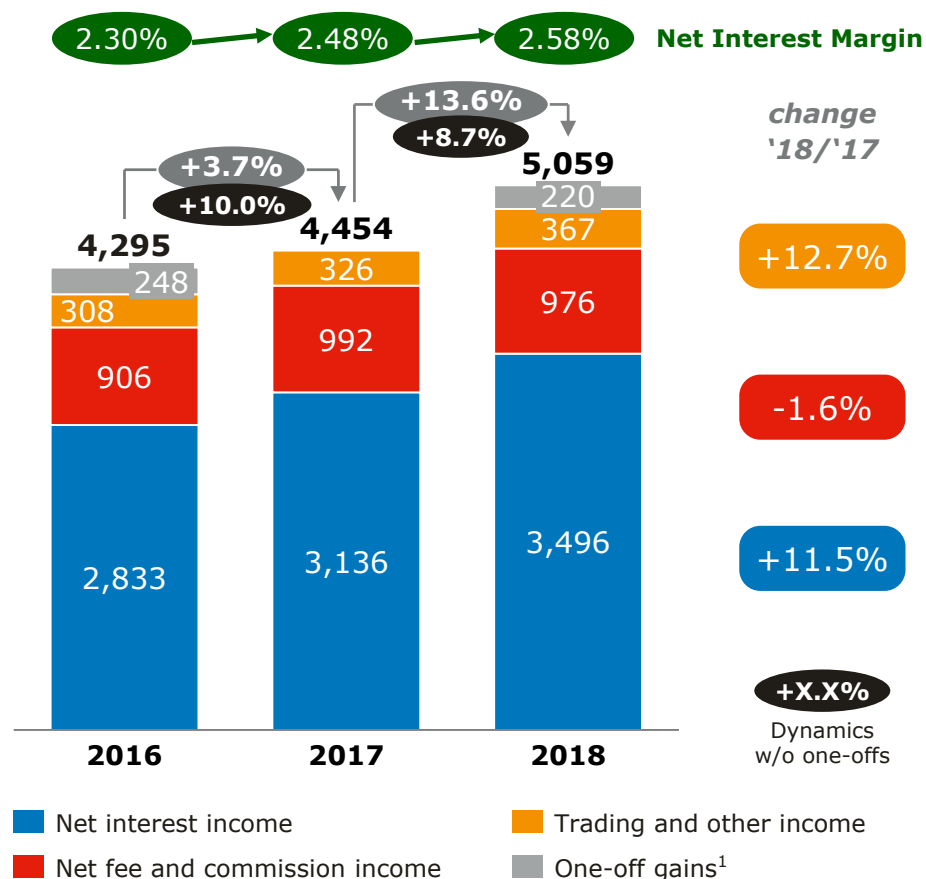
<i>PLN million</i>	2016	2017	2018	<i>change YoY</i>
Total assets	133,744	131,424	145,750	+10.9% ↑
Gross loans to customers	84,581	87,388	97,765	+11.9% ↑
Retail client loans	48,950	48,143	52,925	+9.9% ↑
Corporate client loans	34,174	37,942	44,190	+16.5% ↑
Customer deposits	91,418	91,496	102,009	+11.5% ↑
Retail client deposits	53,495	55,694	65,924	+18.4% ↑
Corporate client deposits ¹	35,783	34,150	34,633	+1.4% ↑
Total equity	13,051	14,291	15,216	+6.5% ↑
Loan to Deposit ratio	89.4%	92.3%	92.9%	+0.6 p.p.
NPL ratio	5.4%	5.2%	4.8%	-0.4 p.p.
Coverage ratio	57.1%	59.2%	62.8%	+3.6 p.p.
Tier 1 Capital Ratio	17.3%	18.3%	17.5%	-0.8 p.p.
Total Capital Ratio	20.3%	21.0%	20.7%	-0.3 p.p.

¹ Excluding repo / sell-buy-back transactions

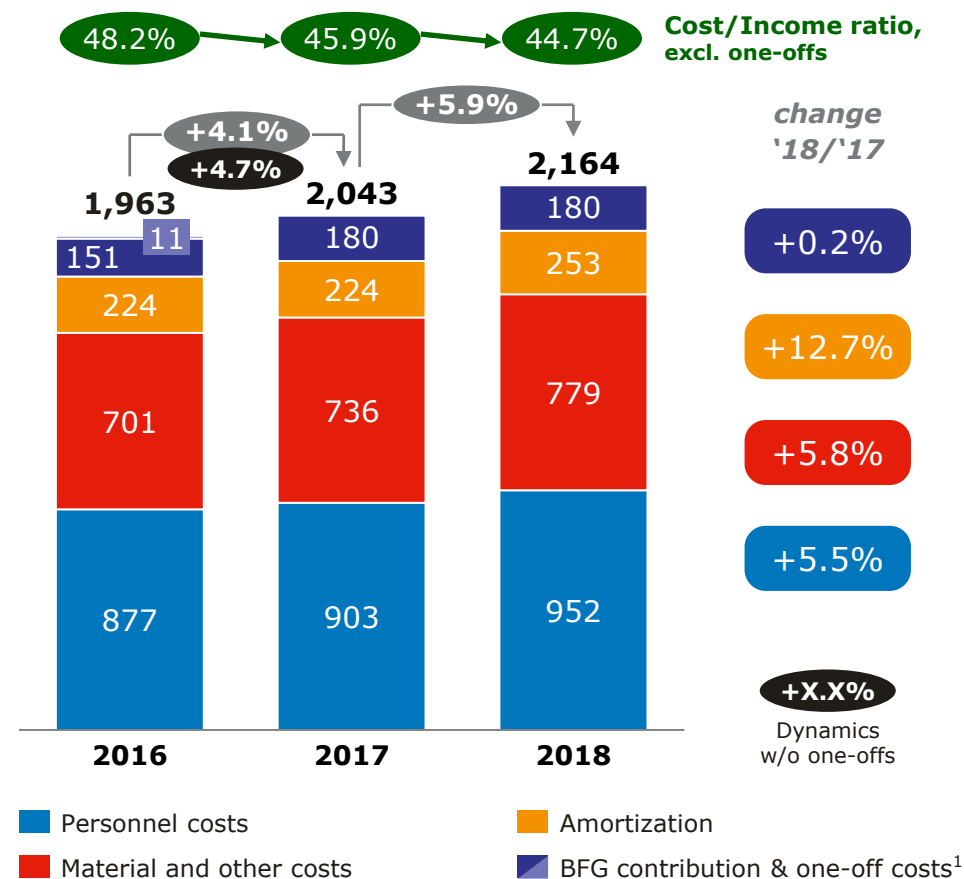
Summary of 2018 in mBank Group

Core income kept on growth trajectory, continued improvement of underlying efficiency

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



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



¹ Including: in 2016 a gain on the settlement of Visa transaction (PLN 247.7 million); in 2018 a gain on the sale of an organised part of the enterprise of mFinanse (PLN 219.7 million);

¹ Including: in 2016 additional payment to the Bank Guarantee Fund related to the bankruptcy of Cooperative Bank in Nadarzyn (PLN 10.9 million);

Agenda



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Key highlights of Q4 2018



Net profit of PLN 332.7 M, the best recurrent quarterly result in the year

Historically high core income of PLN 1,142.6 M fuelled by rising net interest income

- Net interest income at PLN 923.3 M (+11.9% YoY) on increasing volumes and changing asset mix
- Net fee and commission income at PLN 219.2 M (-6.1% YoY), amid surging client transactionality

Normalized Cost/Income ratio at 43.4%¹, confirming high efficiency

- Upward trajectory of total revenues (+4.2% QoQ), accompanied by good cost control (-1.7% QoQ)



Positive trends in volumes, dynamic growth in core products

- Gross loans at PLN 97.8 B (+3.4% QoQ, +11.9% YoY), expansion of both corporate and retail portfolio
- Customer deposits at PLN 102.0 B (-0.4% QoQ, +11.5% YoY), strong inflows to current accounts

Focus on higher margin lending reflected in changing asset mix

- New production of non-mortgage loans close to record level at PLN 2.27 B (+28% YoY)
- Rising sales of housing loans at PLN 1.28 B (+61% 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 17.47% and Total Capital Ratio at 20.69%²

Good asset quality supported by conservative risk management approach

- Cost of risk at 73 bps, provisioning spread across various sectors; full-year measure in line with guidance
- Lower NPL ratio at 4.8% and improved coverage ratio at 62.8% confirming loan portfolio resilience

Attractively-priced issuance of subordinated bonds qualified to Tier 2 capital

¹ Including ¼ of contribution to the Resolution Fund booked in Q1/18; ² Stand-alone capital ratios were Tier 1 Capital Ratio of 20.46% and Total Capital Ratio of 24.20%

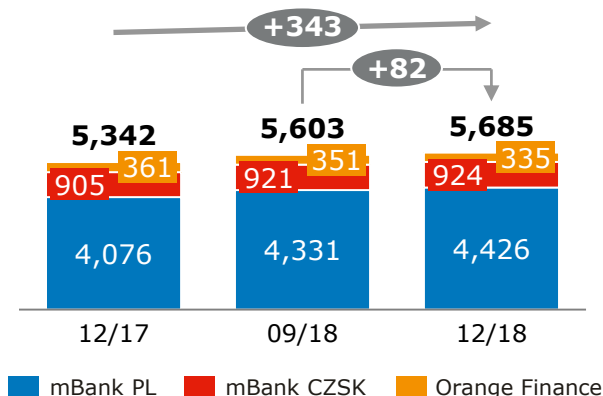
Summary of Q4/18 in mBank Group

Business Development of Retail Banking and Corporate Banking

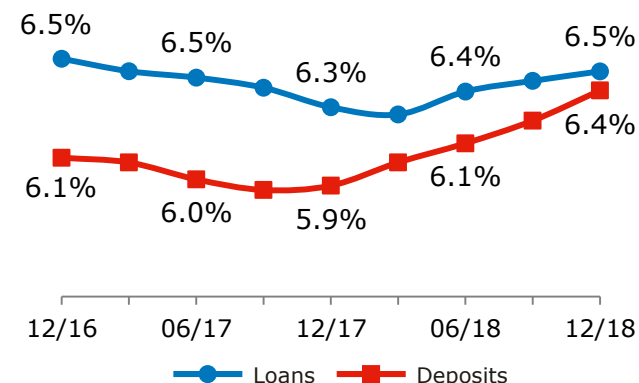
Retail Banking

- New functionality in upgraded mBank's mobile app: users can scan the data needed to fill the transfer directly from the printed invoice or computer screen
- Multicurrency option available for Visa debit card holders, allowing for link to accounts in EUR, USD, GBP and CHF

Number of Clients (thou.)



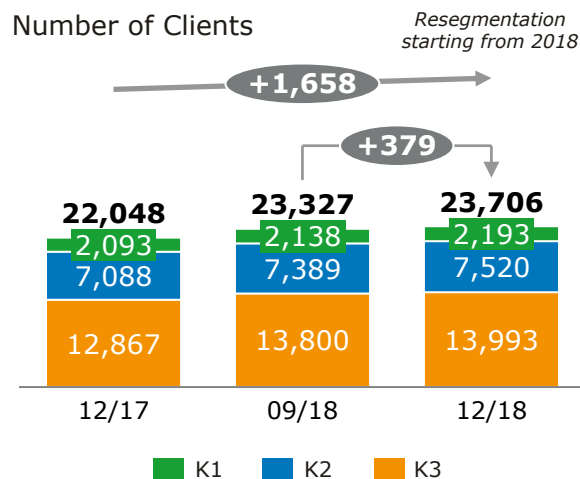
Market shares



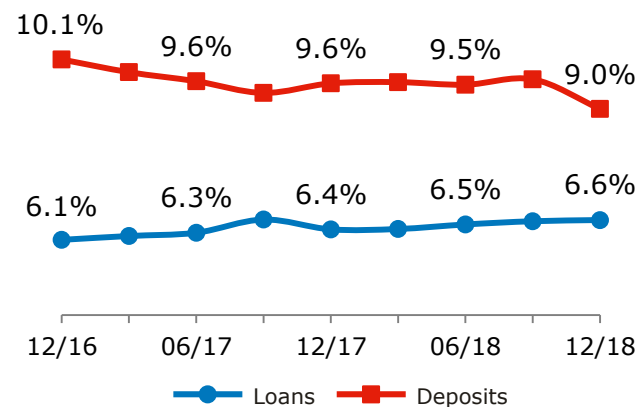
Corporate Banking

- New credit policy for financing of wind farms and photovoltaic systems aimed at supporting a development of renewable energy sources
- In 2018 edition of EUROMONEY Cash Management Survey, mBank won the category *Best Service Bank in Poland* for corporate clients

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 Q4/18 in mBank Group

Key Financials: Profit and Loss Account

PLN million	Q4/17	Q3/18	Q4/18	change QoQ	change YoY
Net interest income	825.1	902.4	923.3	+2.3%	+11.9%
Net fee and commission income	233.5	238.8	219.2	-8.2%	-6.1%
Total income	1,141.5	1,210.0	1,260.5	+4.2%	+10.4%
Total costs (excl. BFG)	-479.0	-510.6	-501.4	-1.8%	+4.7%
Contributions to the BFG	-15.5	-21.0	-21.4	+2.0%	+37.8%
Loan loss provisions and fair value change ¹	-140.0	-185.1	-170.5	-8.0%	+21.8%
Operating profit	507.0	493.3	567.2	+15.0%	+11.9%
Taxes on the Group balance sheet items	-95.4	-103.4	-101.6	-1.7%	+6.5%
Profit before income tax	411.9	390.3	466.0	+19.4%	+13.1%
Net profit	311.6	285.3	332.7	+16.6%	+6.8%
Net Interest Margin	2.57%	2.56%	2.60%	+0.04 p.p.	+0.03 p.p.
Cost/Income ratio	43.3%	43.9%	41.5%	-2.4 p.p.	-1.8 p.p.
Cost of Risk	0.66%	0.82%	0.73%	-0.09 p.p.	+0.07 p.p.
Return on Equity (ROE)	9.4%	8.2%	9.5%	+1.3 p.p.	+0.1 p.p.
Return on Assets (ROA)	0.94%	0.78%	0.91%	+0.13 p.p.	-0.03 p.p.

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'

Summary of Q4/18 in mBank Group

Key Financials: Balance Sheet

PLN million	Q4/17	Q3/18	Q4/18	change QoQ	change YoY
Total assets	131,424	146,656	145,750	-0.6% ↓	+10.9% ↑
Gross loans to customers	87,388	94,528	97,765	+3.4% ↑	+11.9% ↑
Retail client loans	48,143	51,821	52,925	+2.1% ↑	+9.9% ↑
Corporate client loans	37,942	41,972	44,190	+5.3% ↑	+16.5% ↑
Customer deposits	91,496	102,425	102,009	-0.4% ↓	+11.5% ↑
Retail client deposits	55,694	61,693	65,924	+6.9% ↑	+18.4% ↑
Corporate client deposits ¹	34,150	36,926	34,633	-6.2% ↓	+1.4% ↑
Total equity	14,292	14,803	15,216	+2.8% ↑	+6.5% ↑
Loan to Deposit ratio	92.3%	89.1%	92.9%	+3.8 p.p.	+0.6 p.p.
NPL ratio	5.2%	5.2%	4.8%	-0.4 p.p.	-0.4 p.p.
Coverage ratio	59.2%	62.1%	62.8%	+0.7 p.p.	+3.6 p.p.
Tier 1 Capital Ratio	18.3%	17.3%	17.5%	+0.2 p.p.	-0.8 p.p.
Total Capital Ratio	21.0%	20.2%	20.7%	+0.5 p.p.	-0.3 p.p.

¹ Excluding repo / sell-buy-back transactions

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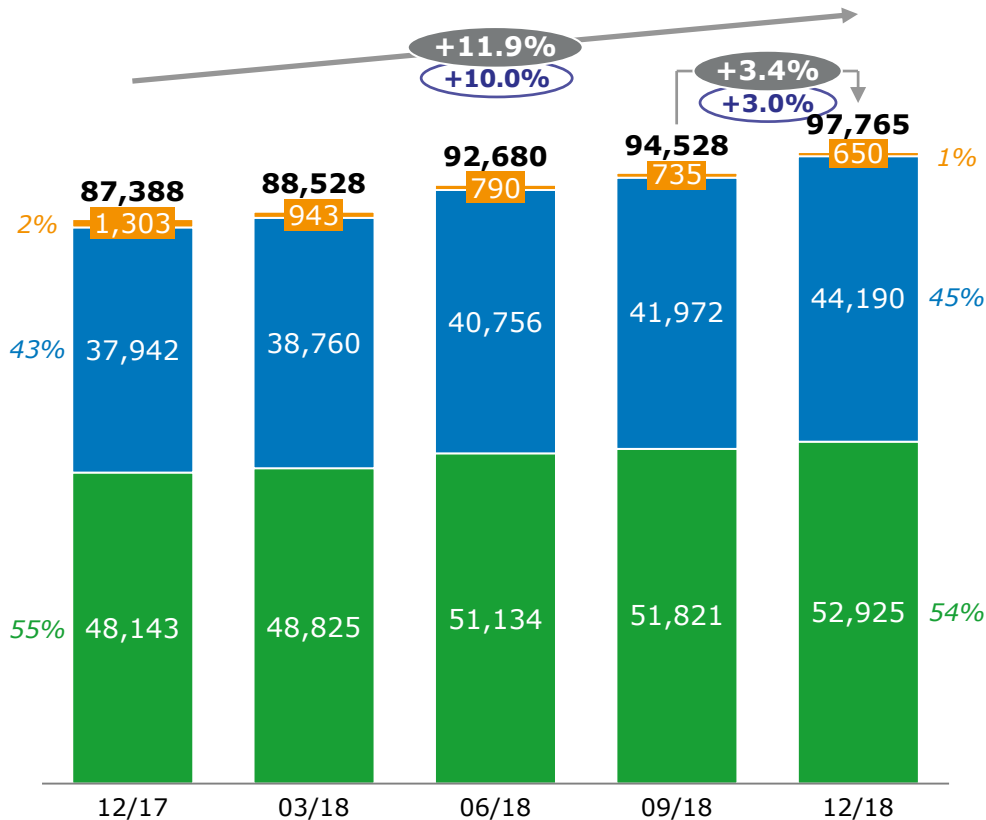
Detailed Results of Business Lines



Results of mBank Group: Loans to customers

Surging corporate and retail loans, amid continuous change in asset mix

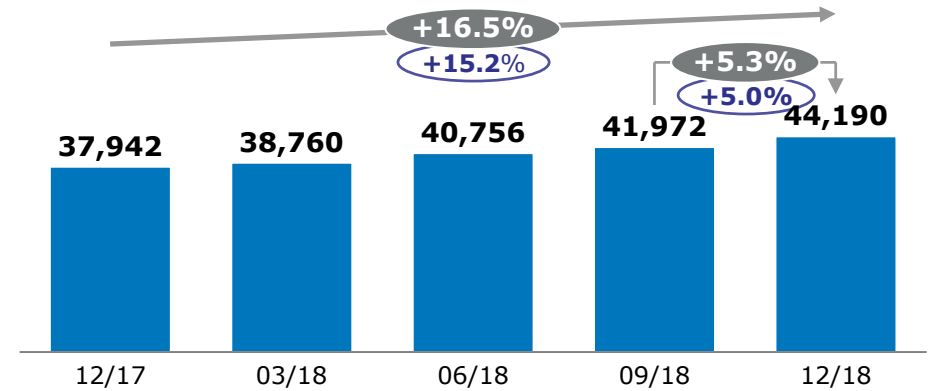
Development of Gross Loans and Advances to Customers (PLN M)



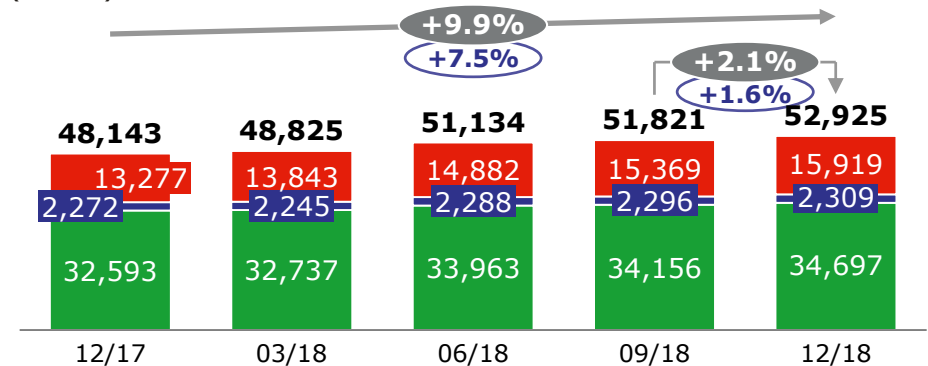
- Individual clients
- Corporate clients
- Public sector & Other receivables

+X.X% Excluding FX effect

Gross Loans to Corporate Entities (PLN M)



Gross Loans to Retail Customers (PLN M)

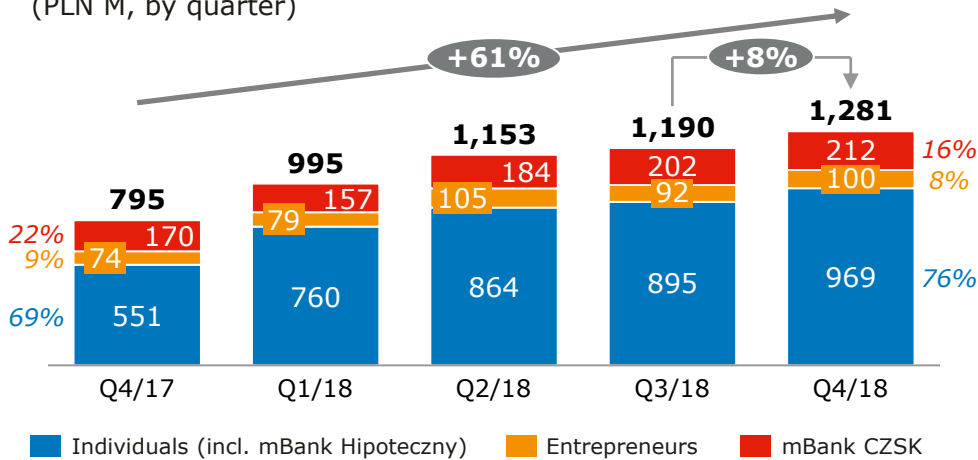


Mortgage loans: ■ to Individuals ■ to Microfirms ■ Non-mortgage loans

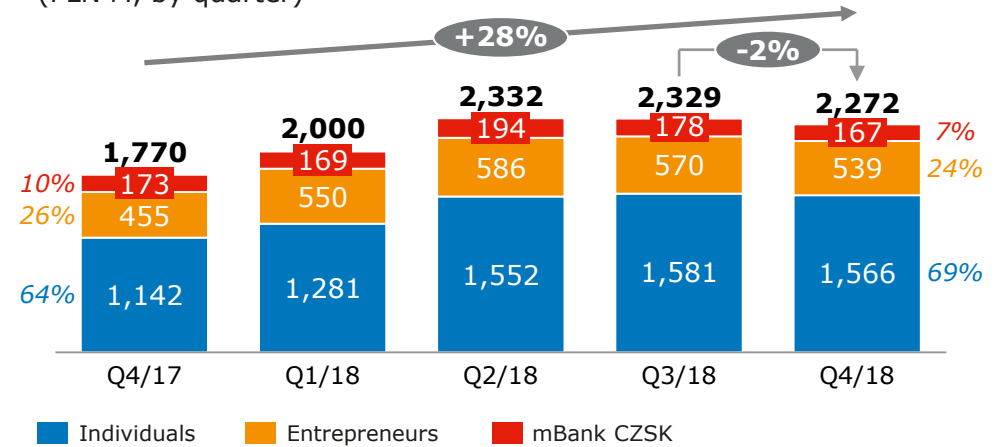
Results of mBank Group: New lending business

Rising loan origination across the board, boost of leasing driven by changing tax rules

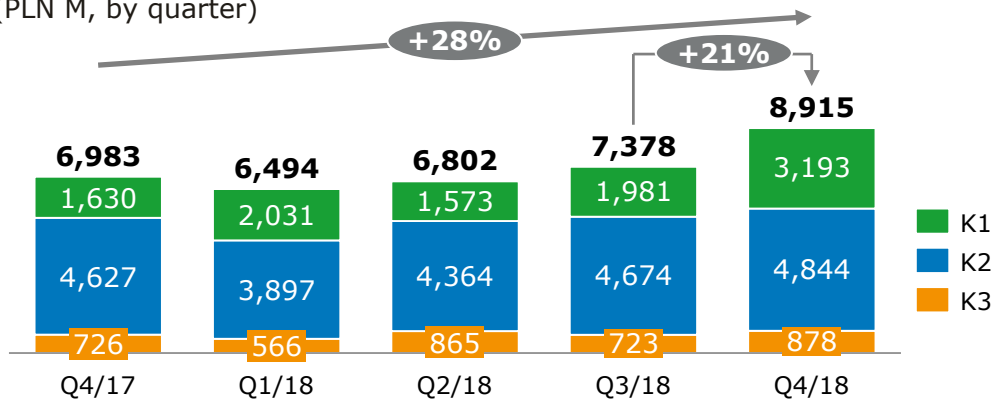
Sales of Mortgage Loans
(PLN M, by quarter)



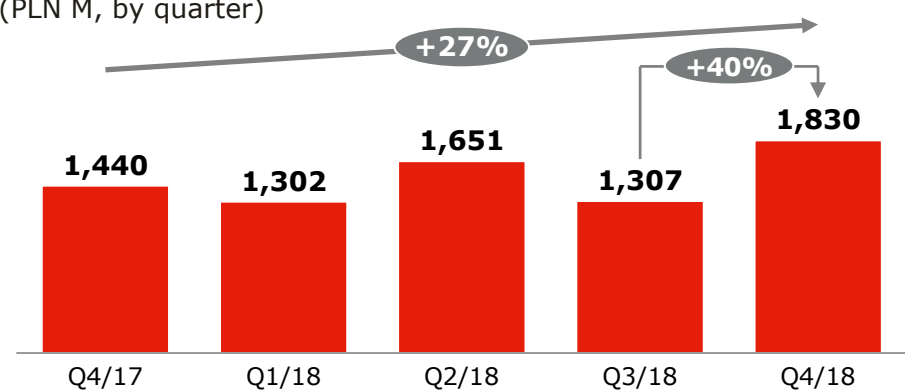
Sales of Non-mortgage Loans
(PLN M, by quarter)



Sales of Corporate Loans¹
(PLN M, by quarter)



New Leasing Contracts
(PLN M, by quarter)



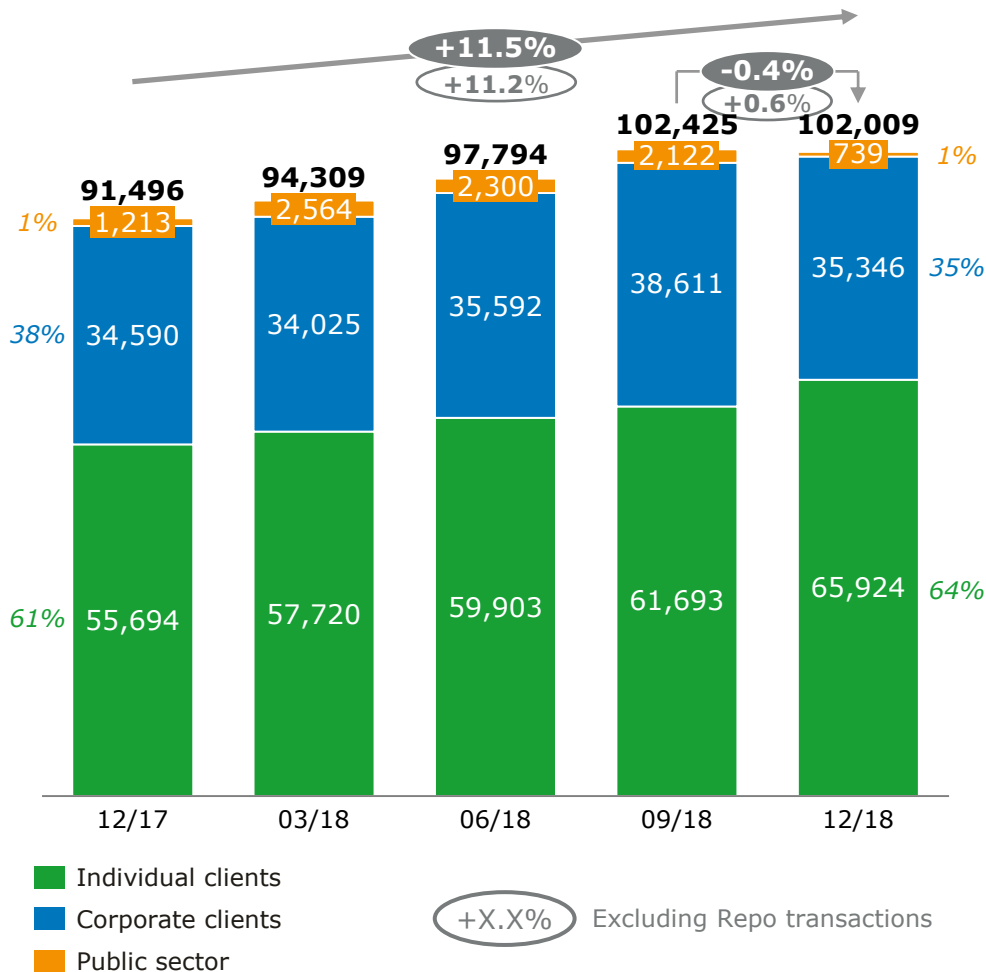
¹ Including new sale, rising and renewal

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.

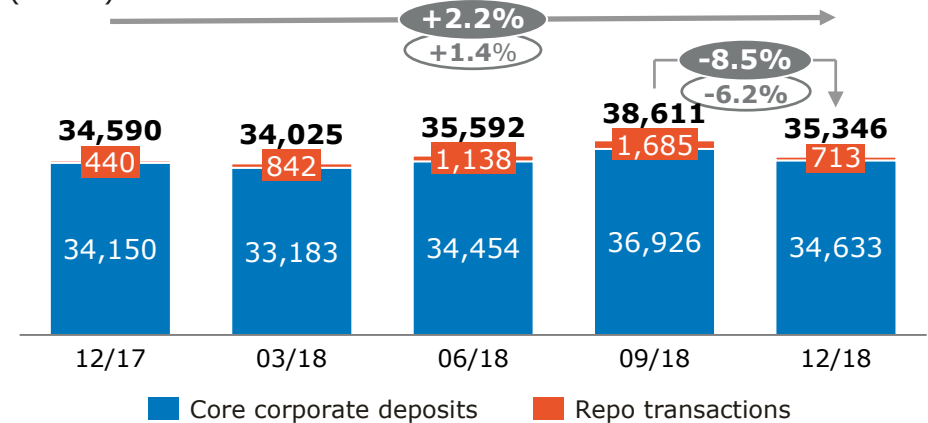
Results of mBank Group: Customer deposits

Continued strong inflows to current accounts, intentional reduction of corporate term deposits

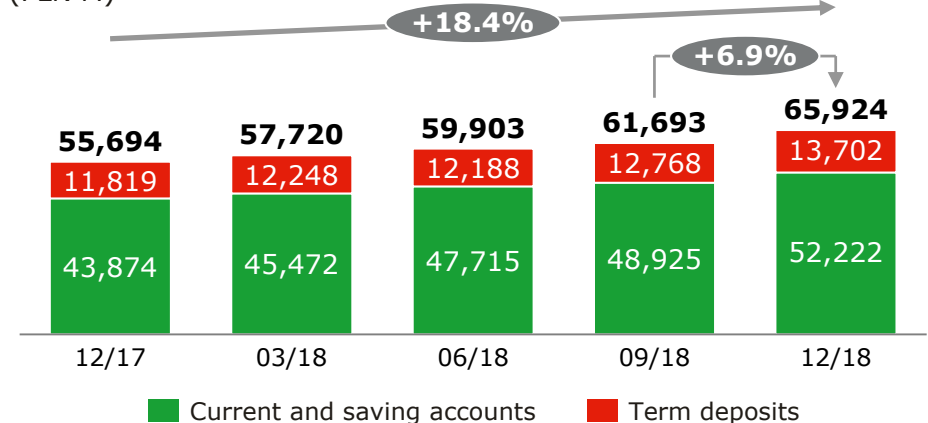
Development of Customer Deposits (PLN M)



Deposits from Corporate Entities (PLN M)



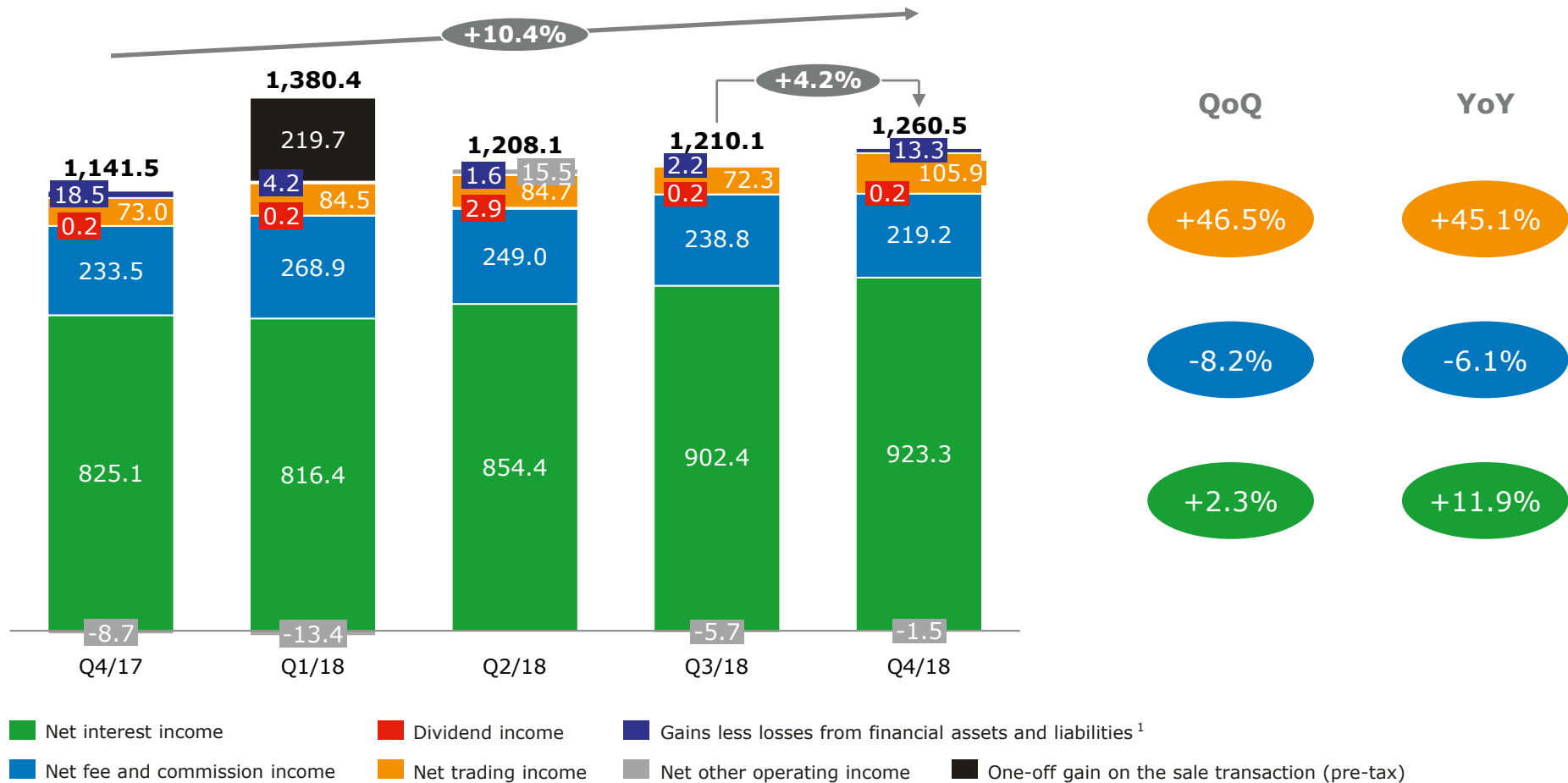
Deposits from Retail Customers (PLN M)



Results of mBank Group: Total income

Further dynamic growth of net interest income, weaker fees offset by strong trading line

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

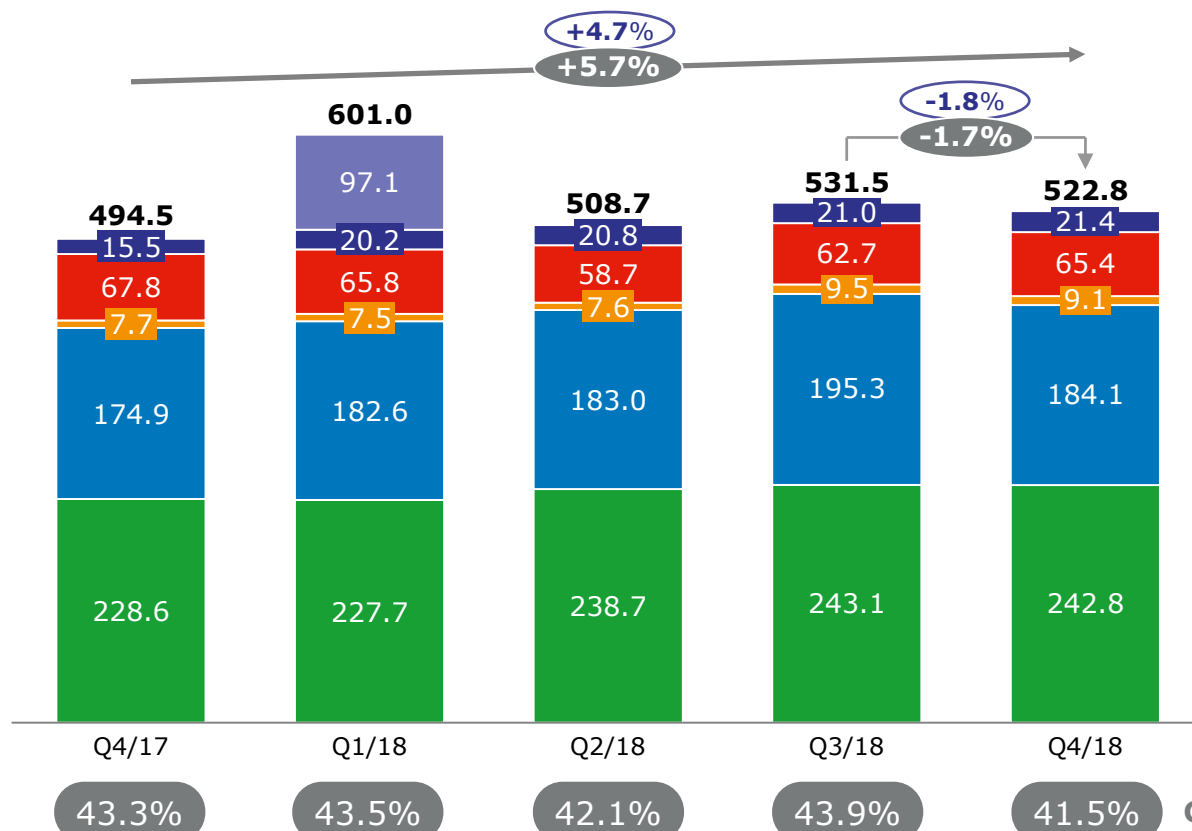


¹ Including a part of 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss' related to equity instruments and debt securities (without related to loans and advances)

Results of mBank Group: Total costs

Best-in-class efficiency level supported by good cost control

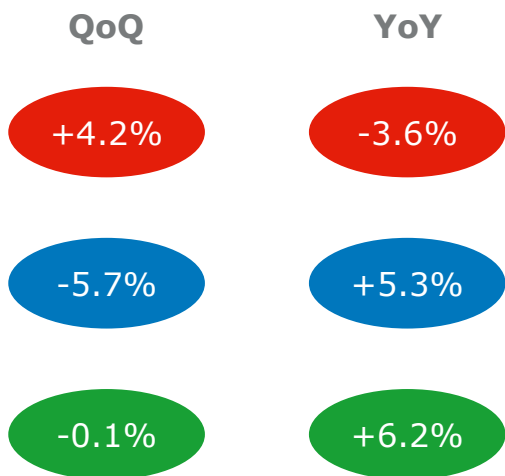
Development of mBank Group's Costs (PLN M)



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



■ Personnel costs
 ■ Other costs¹
 ■ Contributions to the BFG
■ Material costs
 ■ Amortization

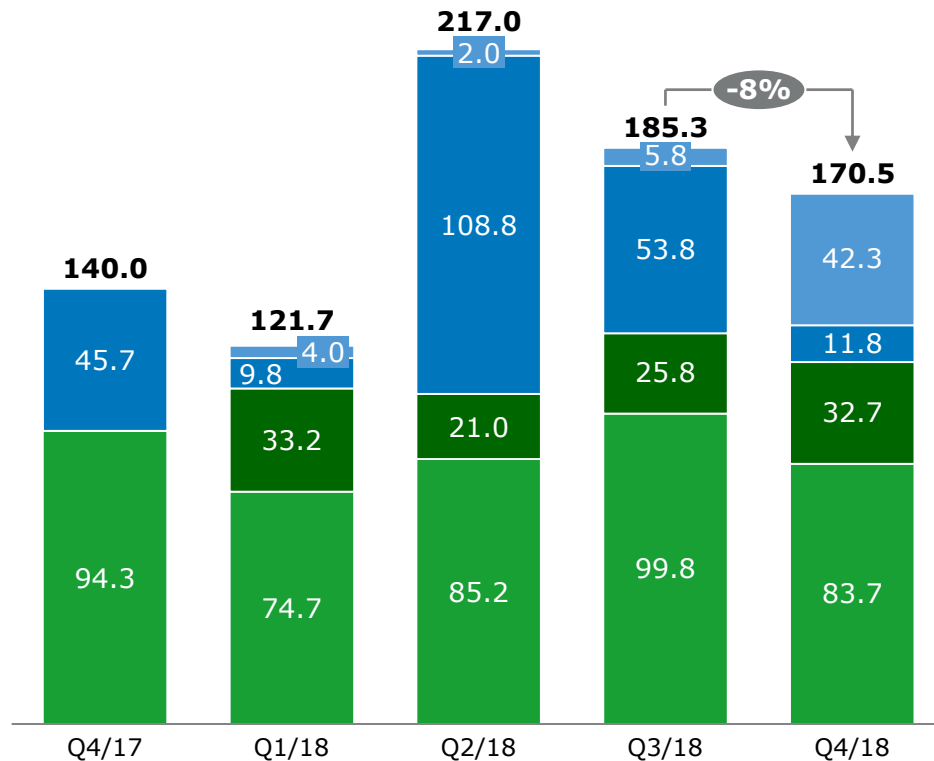
44.7% **Normalized C/I ratio of mBank Group for 2018**
(excluding one-off gain on the sale transaction)

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

Results of mBank Group: Cost of risk

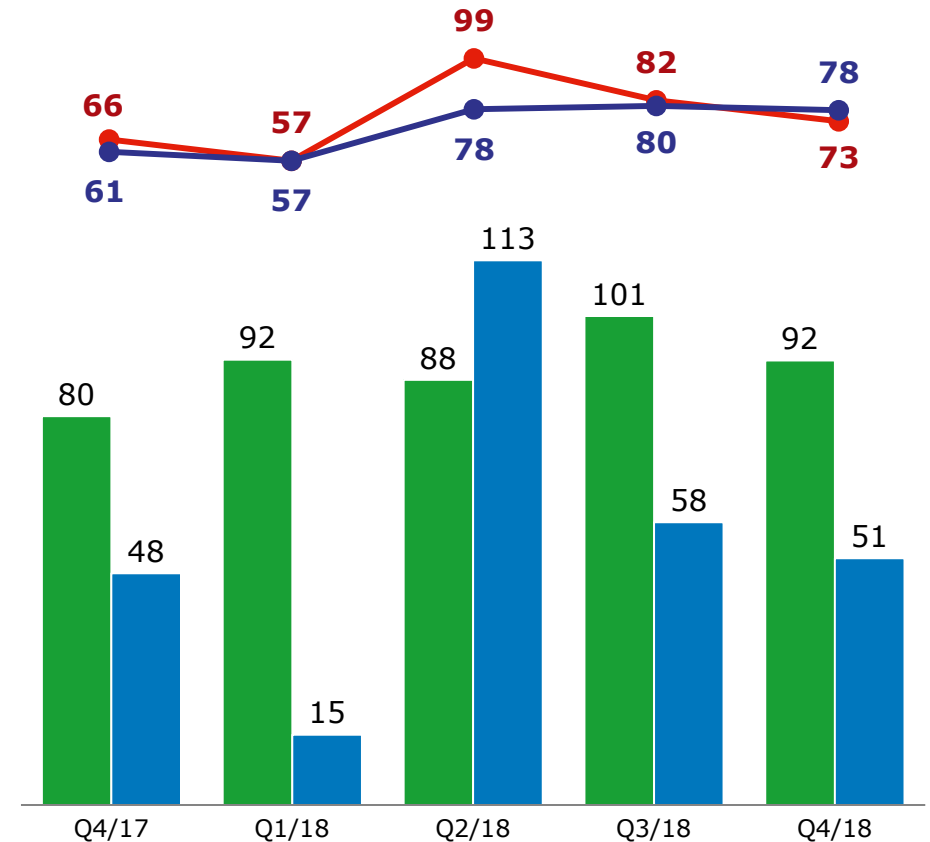
Lower cost of risk, no indication of deterioration related to specific sectors

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)



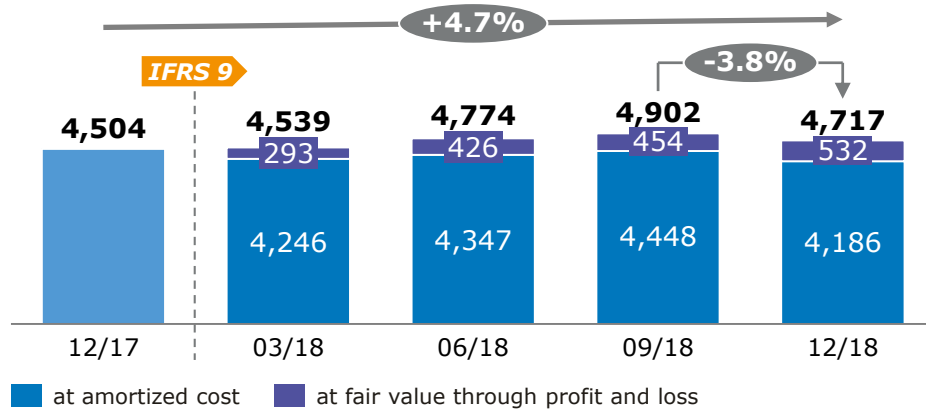
mBank Group's Cost of Risk: ● quarterly ● YtD
■ Retail Portfolio ■ Corporate Portfolio

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'

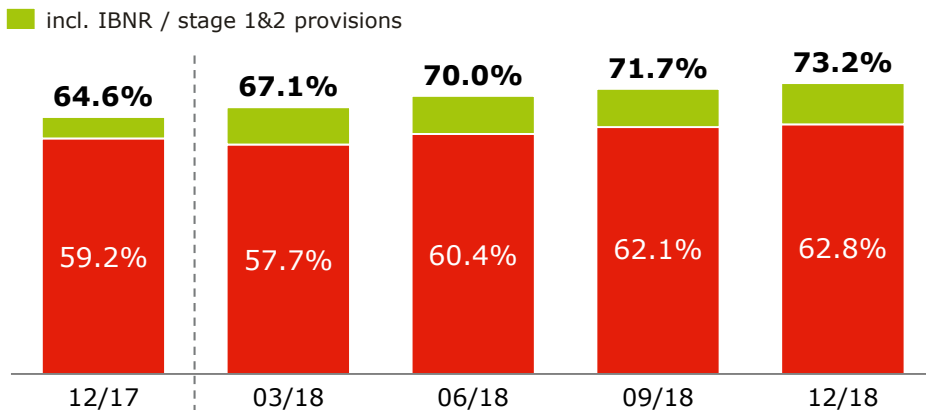
Results of mBank Group: Loan portfolio quality

Good quality of loan portfolio evidenced by resilient risk indicators

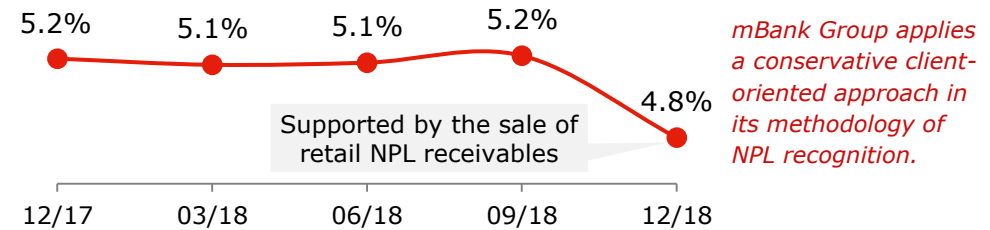
mBank Group's Impaired Loans Portfolio (PLN M)



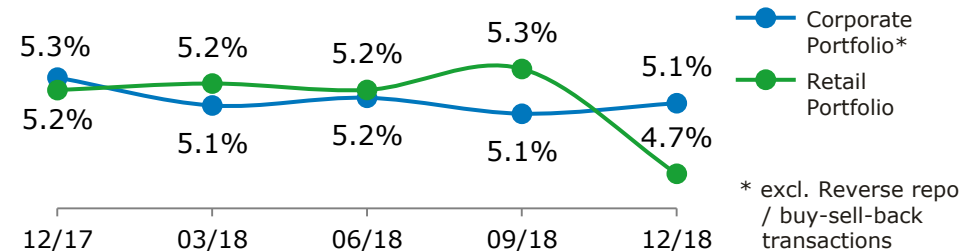
mBank Group's Coverage Ratio



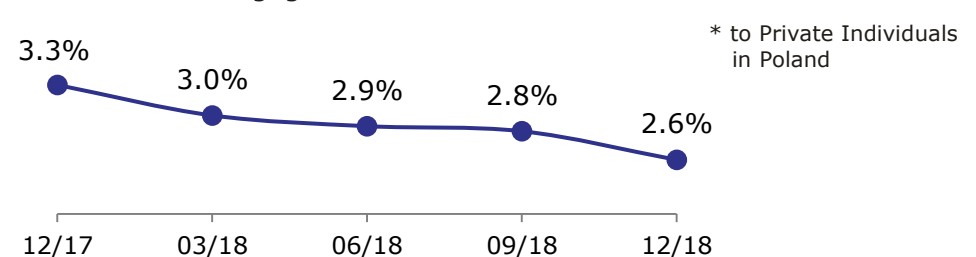
mBank Group's NPL Ratio



mBank Group's NPL Ratio by segment



NPL Ratio of Mortgage Loan Portfolio*

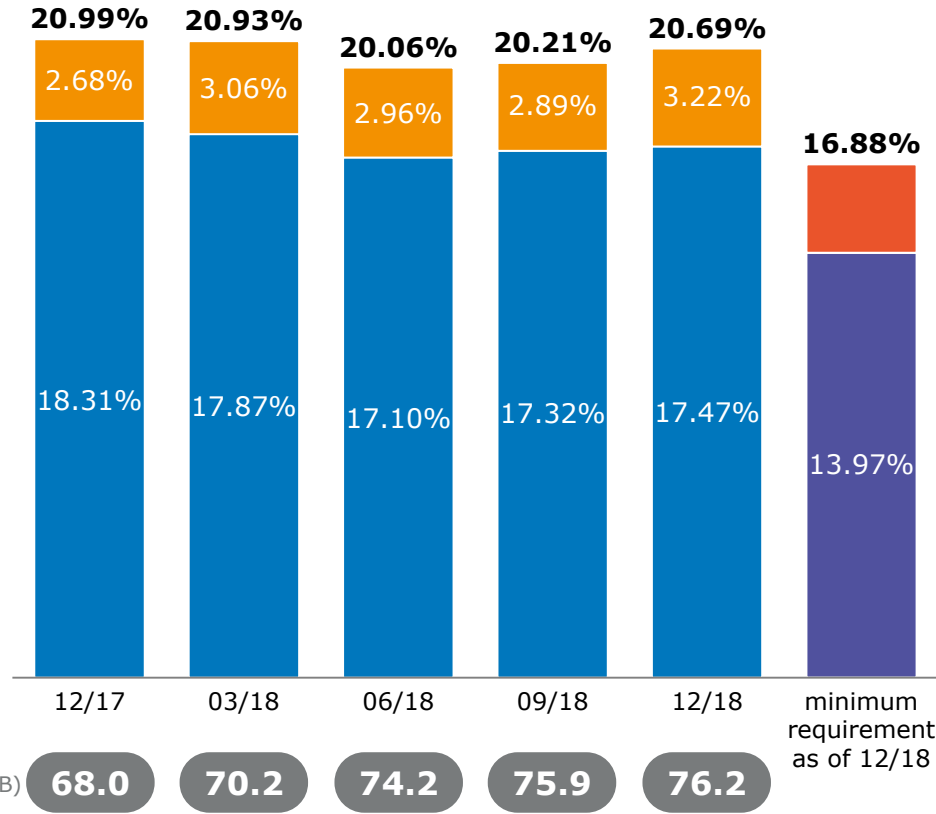


Note: Risk indicators presented for credit portfolio measured both at amortized cost and at fair value through profit or loss.

Results of mBank Group: Key regulatory ratios

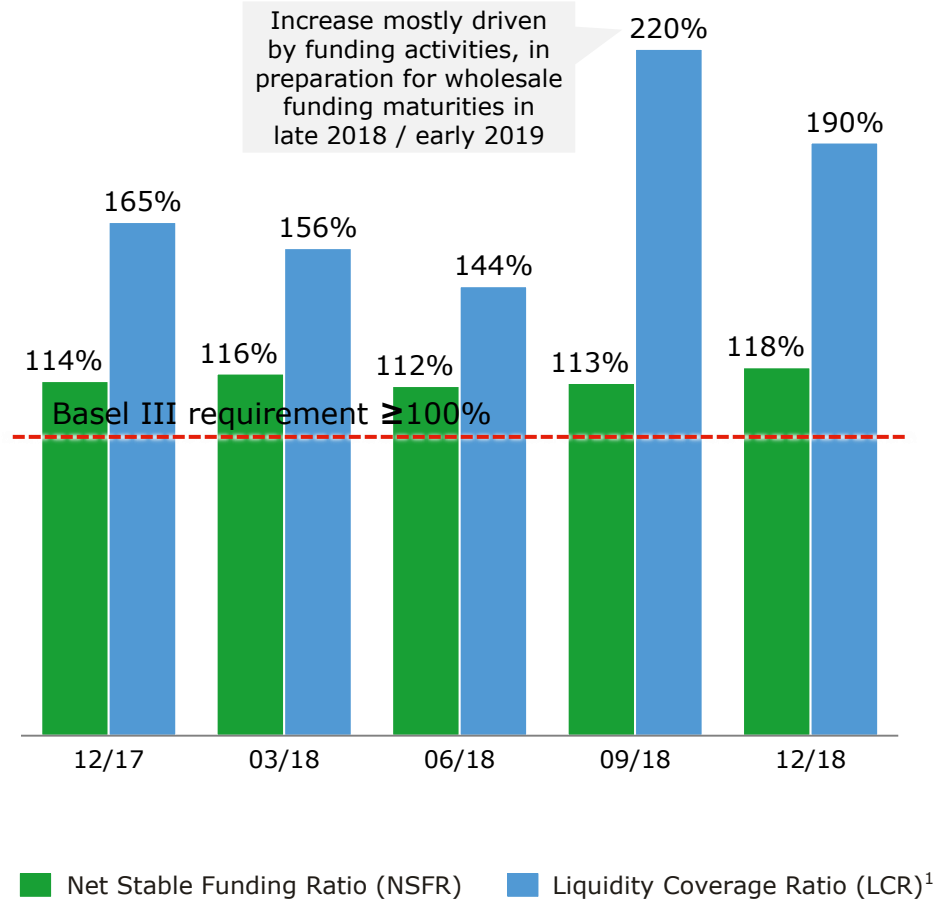
Strong capital and liquidity position allowing for business expansion

mBank Group's Total Capital Ratio



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

mBank's NSFR and LCR



■ Net Stable Funding Ratio (NSFR) ■ Liquidity Coverage Ratio (LCR)¹

¹ LCR for mBank Group was at 231% as of 31.12.2018

Agenda



Key Highlights of 2018 in mBank Group



Summary of Main Trends in Q4/18

Business Development of Retail and Corporate Segment

Key Financials



Analysis of the Results after Q4/18

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

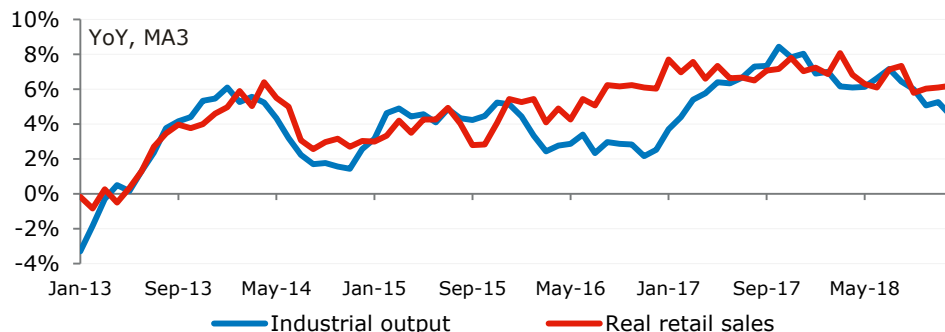
Detailed Results of Business Lines



Macroeconomic Update (1/2)

GDP growth set to drop below 4% YoY in 2019.

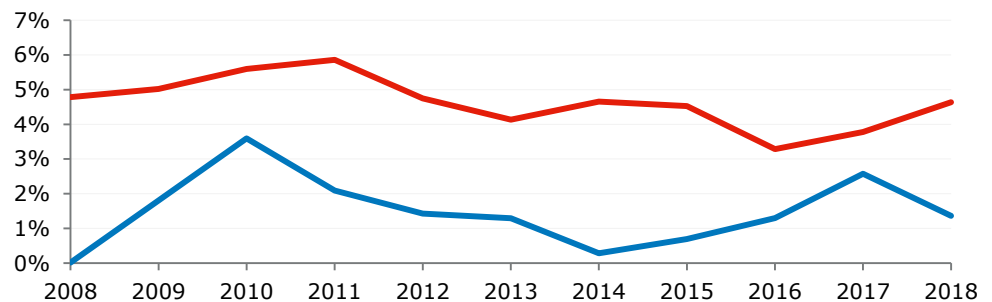
Monthly measures of economic activity have decelerated recently



- Short-term indicators turned around and slowed down considerably. Don't put too much faith in the PMI, as it is likely overstating the weakness in the economy.

Source: GUS

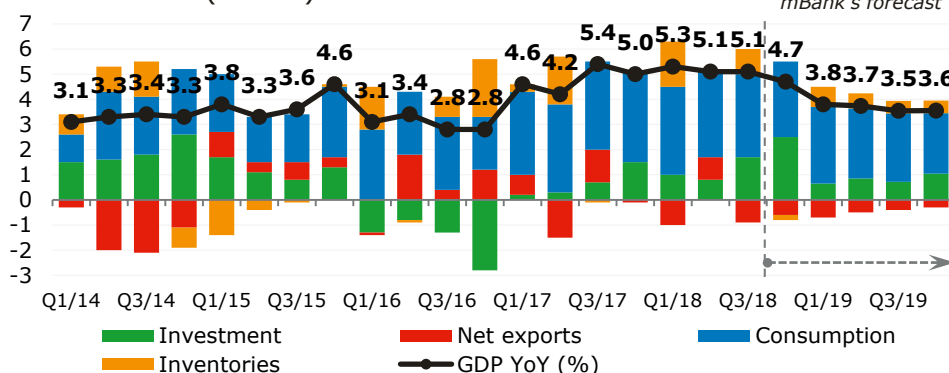
Public investment peaked in 2018



- 2018 marked the top in public investment growth. The domestic investment cycle will be less supportive from now on and in 2019 public investment will grow at a tepid pace.

Source: Eurostat

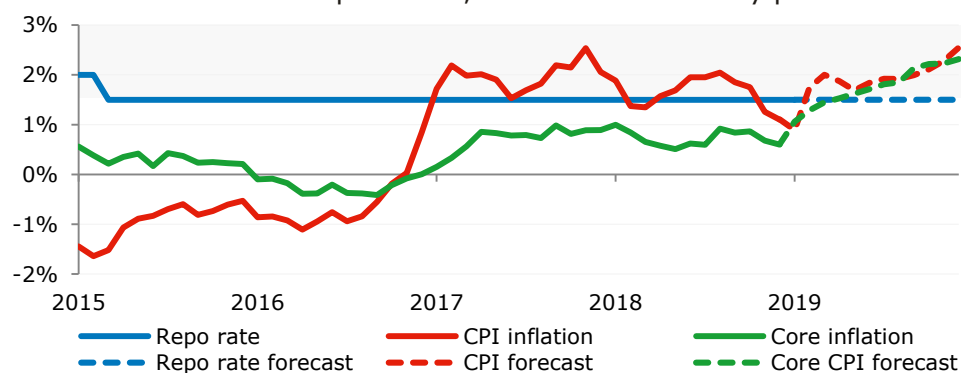
GDP forecast (% YoY)



- The slowdown in the euro area will affect Poland with a lag, along with weaker domestic demand. Growth will slow sharply in 2019 and stay close to 3.5% YoY throughout the year.

Source: GUS

Inflation set to move up in 2019, but the MPC will stay put



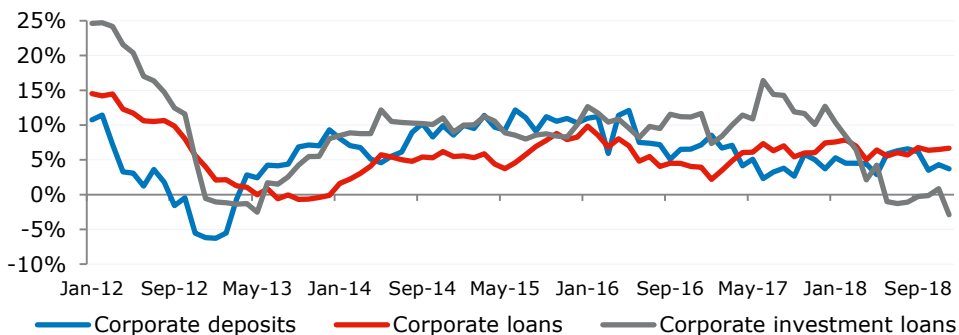
- A lot of uncertainties regarding administered prices at the beginning of 2019. Inflation will hit the target at year-end due to rising core inflation. The MPC signalled flat rates until the end of the term.

Source: GUS

Macroeconomic Update (2/2)

Rebound in credit growth. PLN assets stable in 2018.

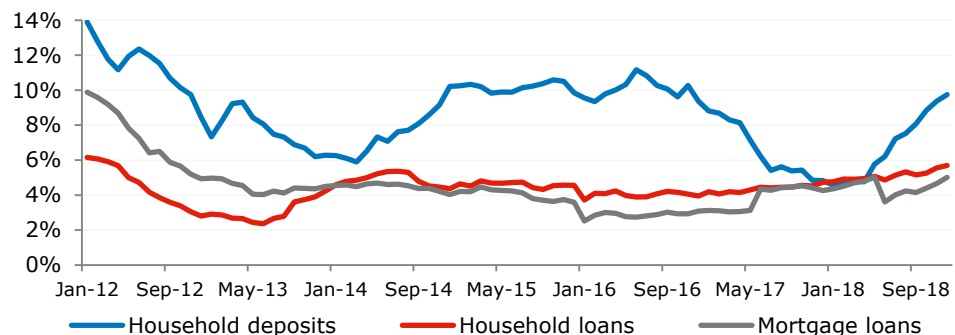
Corporate loans and deposits (% YoY, FX-adjusted)



- Corporate deposits rebounded a bit, but the pressure on profit margins is reducing their growth. Corporate lending (now dominated by current loans) will likely follow GDP growth on its way down.

Source: NBP

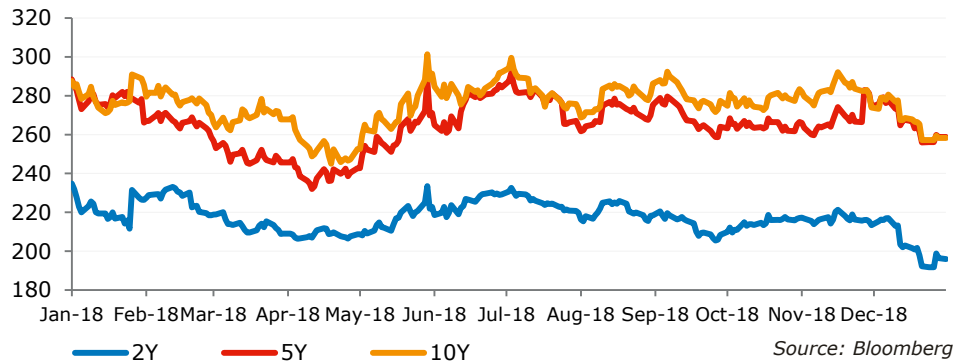
Household loans and deposits (% YoY, FX-adjusted)



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

Source: NBP

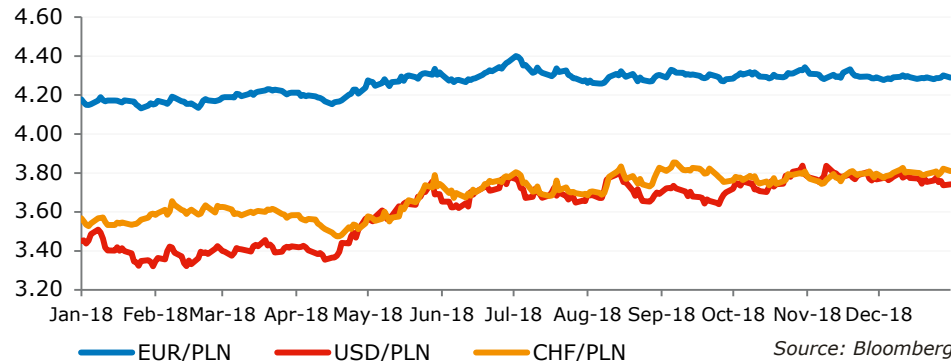
Interest rate disparities (v. Germany, in basis points) declined in Dec.



- Fears of a global slowdown forced market participants to update their interest rate outlooks. As a result, Polish yields fell massively, across the whole curve.

Source: Bloomberg

PLN remained very stable in 2018



- Record-low realized volatility in 2H'18, with average EUR/PLN rate at 4.3. With GDP growth seen as slowing, the PLN might regain its cyclicality and depreciate somewhat in early 2019.

Source: Bloomberg

2019 in forecasts and the impact on mBank Group

Macroeconomic environment and challenges for the banking sector

Key economic indicators


	2017	2018	2019F
GDP growth (YoY)	4.8%	5.1%	3.7%
Domestic demand (YoY)	4.9%	5.3%	4.1%
Private consumption (YoY)	4.9%	4.5%	3.5%
Investment (YoY)	3.9%	7.3%	4.5%
Inflation (eop)	2.1%	1.1%	2.5%
MPC rate (eop)	1.50	1.50	1.50
CHF/PLN (eop)	3.57	3.81	3.76
EUR/PLN (eop)	4.18	4.29	4.25

Banking sector – monetary aggregates YoY

	2017	2018	2019F
Corporate loans	5.9%	7.5%	7.1%
Mortgage loans	-0.1%	7.0%	5.0%
Non-mortgage loans	5.3%	6.8%	5.5%
Corporate deposits	2.4%	4.3%	6.6%
Retail deposits	4.2%	10.1%	7.8%

Source: mBank's estimates as of 06.02.2019.

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
- Adjustment of fees difficult due to fierce competition in the sector and regulatory limitations

Total costs (Slightly negative) 

- Expenses dependent from the bank's management to be kept under control
- Rising amortisation due to ongoing investments in IT

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

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Detailed Results of Business Lines



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Consolidated Profit and Loss Account

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Quarterly results (PLN thou.)	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18
Net interest income	825,112	816,424	854,351	902,370	923,329
Net fee and commission income	233,478	268,876	248,977	238,751	219,246
Dividend income	162	167	2,936	233	222
Net trading income	72,982	84,493	84,698	72,271	105,874
<i>incl. FX result</i>	<i>67,187</i>	<i>71,427</i>	<i>79,620</i>	<i>69,667</i>	<i>102,758</i>
Gains less losses from financial assets ¹	18,505	4,185	1,617	2,201	13,303
Net other operating income	-8,710	206,300	15,512	-5,680	-1,465
Total income	1,141,529	1,380,445	1,208,091	1,209,146	1,260,509
Total operating costs	-494,507	-600,993	-508,654	-531,528	-522,757
<i>Overhead costs</i>	<i>-426,706</i>	<i>-535,161</i>	<i>-449,991</i>	<i>-468,808</i>	<i>-457,380</i>
<i>Amortisation</i>	<i>-67,801</i>	<i>-65,832</i>	<i>-58,663</i>	<i>-62,720</i>	<i>-65,377</i>
Loan loss provisions and fair value change ²	-139,979	-121,655	-216,966	-185,290	-170,514
Operating profit	507,043	657,797	482,471	493,328	567,238
Taxes on the Group balance sheet items	-95,412	-98,463	-98,287	-103,379	-101,631
Result on entities under the equity method	294	289	299	308	344
Profit before income tax	411,925	559,623	384,483	390,257	465,951
Net profit attributable to owners of mBank	311,638	411,000	287,435	285,279	332,737

¹ Including a part of 'Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss' related to equity instruments and debt securities (without related to loans and advances)

² 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

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Assets (PLN thou.)	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18
Cash and balances with Central Bank	7,384,869	5,354,319	5,514,886	9,643,274	9,199,264
Loans and advances to banks	1,707,722	3,811,337	3,786,979	4,469,853	2,546,346
Trading securities	1,525,382	3,162,933	3,444,954	2,618,180	1,098,223
Derivative financial instruments	1,236,303	1,137,925	1,189,919	1,034,543	1,006,079
Loans and advances to customers	84,475,844	85,663,383	89,601,410	91,305,536	94,722,587
Investment securities	32,144,699	31,655,013	33,388,424	34,085,572	33,469,728
Intangible assets	710,642	692,258	703,524	722,219	776,176
Tangible fixed assets	758,738	730,463	715,542	748,167	785,026
Other assets	1,479,820	1,432,585	1,672,155	2,028,973	2,146,690
Total assets	131,424,019	133,640,216	140,017,793	146,656,317	145,750,119
Liabilities (PLN thou.)	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18
Amounts due to banks	5,073,351	4,475,332	4,548,768	3,887,349	3,078,387
Derivative financial instruments	1,095,365	900,830	1,110,810	946,017	981,117
Customer deposits	91,496,027	94,308,572	97,794,387	102,425,018	102,009,062
Debt securities in issue	14,322,852	14,414,161	16,817,711	19,083,289	18,049,583
Subordinated liabilities	2,158,143	2,157,269	2,206,733	2,202,979	2,474,163
Other liabilities	2,986,725	2,897,717	3,018,770	3,309,111	3,941,727
Total liabilities	117,132,463	119,153,881	125,497,179	131,853,763	130,534,039
Total equity	14,291,556	14,486,335	14,520,614	14,802,554	15,216,080
Total liabilities and equity	131,424,019	133,640,216	140,017,793	146,656,317	145,750,119

Appendix

Selected Financial Data mBank Group's Ratios

Summary
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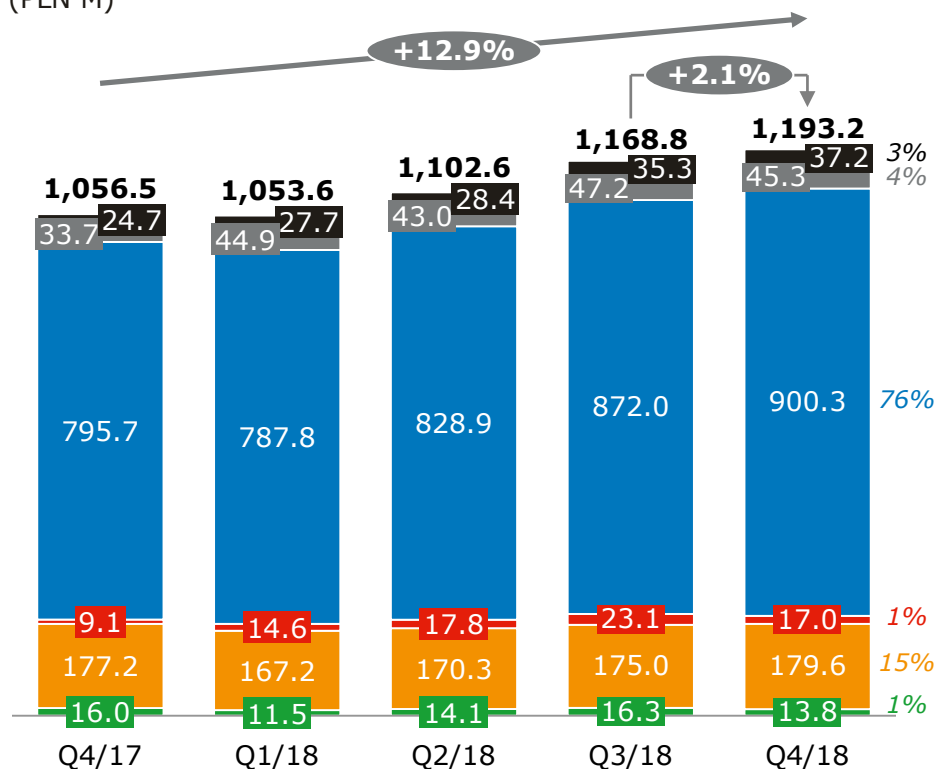
Financial Ratios	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18
Net Interest Margin (<i>quarterly</i>)	2.57%	2.59%	2.56%	2.56%	2.60%
Net Interest Margin YtD	2.48%	2.59%	2.57%	2.57%	2.58%
Net Interest Margin YtD (excl. CHF portfolio)	2.81%	2.89%	2.86%	2.85%	2.86%
Cost to Income Ratio (<i>quarterly</i>)	43.3%	43.5%	42.1%	43.9%	41.5%
Cost to Income Ratio YtD	45.9%	43.5%	42.9%	43.2%	42.8%
Cost of Risk (<i>quarterly</i>)	0.66%	0.57%	0.99%	0.82%	0.73%
Cost of Risk YtD	0.61%	0.57%	0.78%	0.80%	0.78%
ROE net (<i>quarterly</i>)	9.36%	11.90%	8.33%	8.19%	9.54%
ROE net YtD	8.31%	11.90%	10.12%	9.47%	9.49%
ROA net (<i>quarterly</i>)	0.94%	1.26%	0.83%	0.78%	0.91%
ROA net YtD	0.83%	1.26%	1.04%	0.95%	0.94%
Loan-to-Deposit Ratio	92.3%	90.8%	91.6%	89.1%	92.9%
Total Capital Ratio	20.99%	20.93%	20.06%	20.21%	20.69%
Tier 1 Capital Ratio	18.31%	17.87%	17.10%	17.32%	17.47%
Equity / Assets	10.9%	10.8%	10.4%	10.1%	10.4%
TREA / Assets	51.8%	52.5%	53.0%	51.8%	52.3%
NPL ratio	5.2%	5.1%	5.1%	5.2%	4.8%
NPL coverage ratio	59.2%	57.7%	60.4%	62.1%	62.8%
NPL coverage ratio incl. general provisions	64.6%	67.1%	70.0%	71.7%	73.2%

Appendix

Selected Financial Data Profit and Loss Account: Net Interest Income

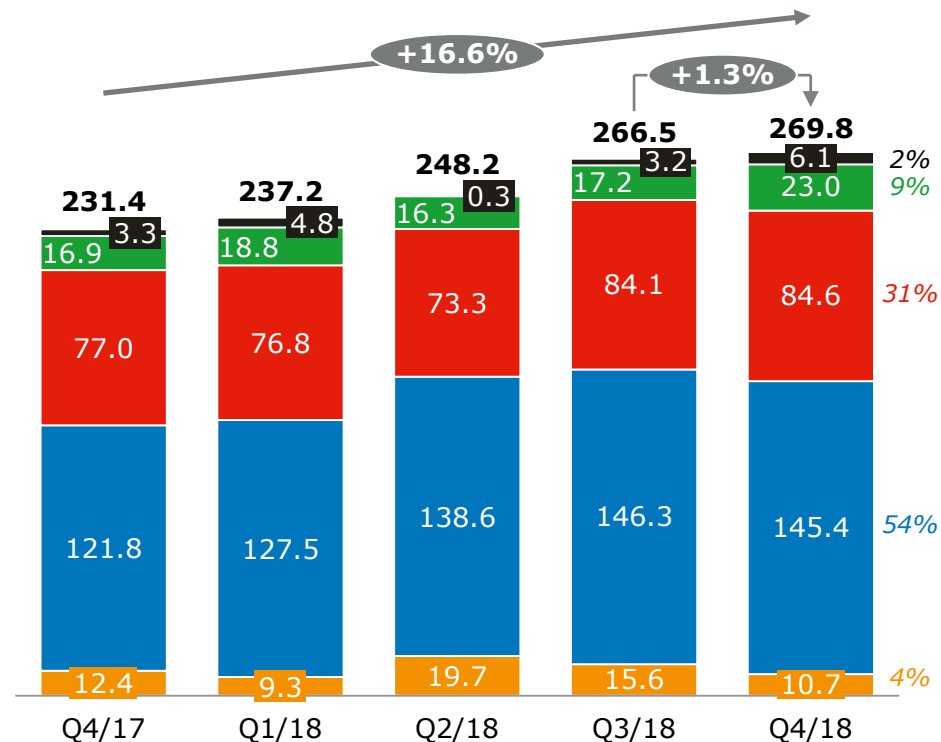
Summary
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Interest Income Structure
(PLN M)



- 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

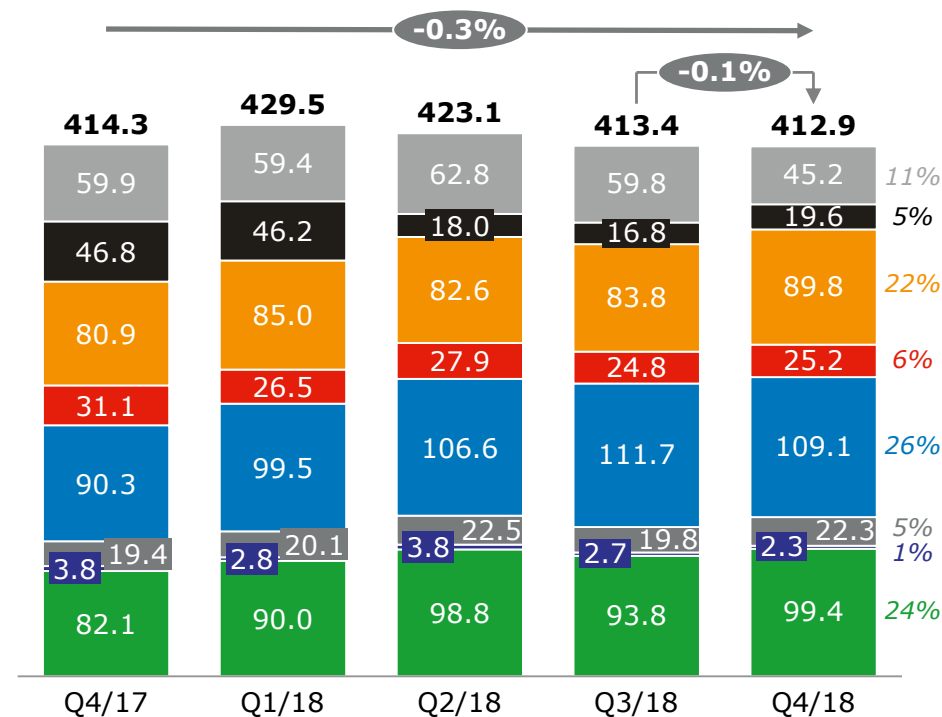
Appendix

Selected Financial Data

Profit and Loss Account: Net Fee and Commission Income

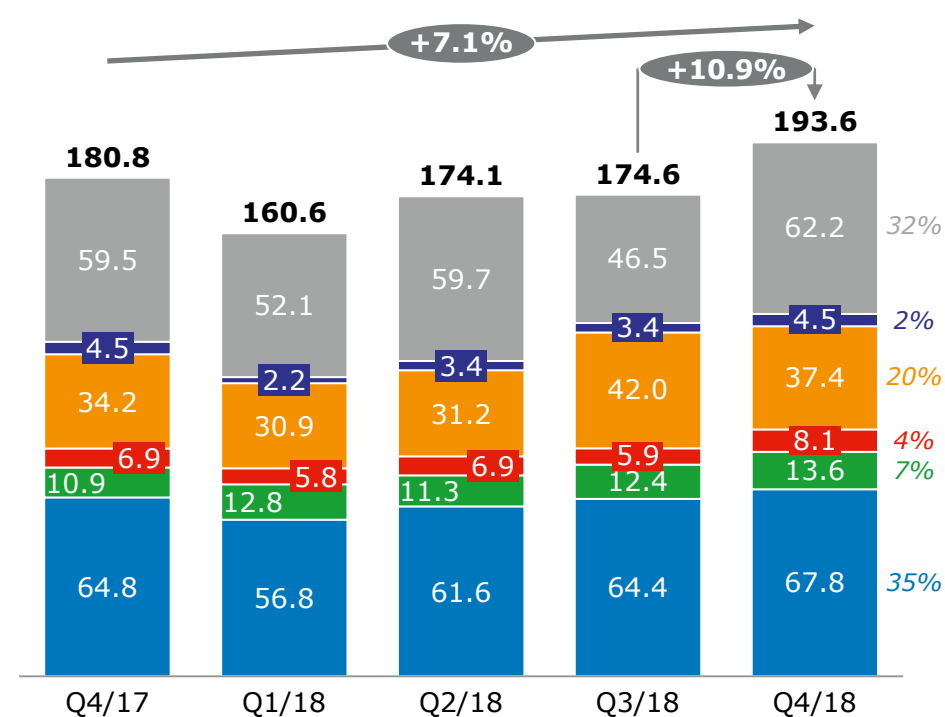
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Fee and Commission Income Structure (PLN M)



- 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)



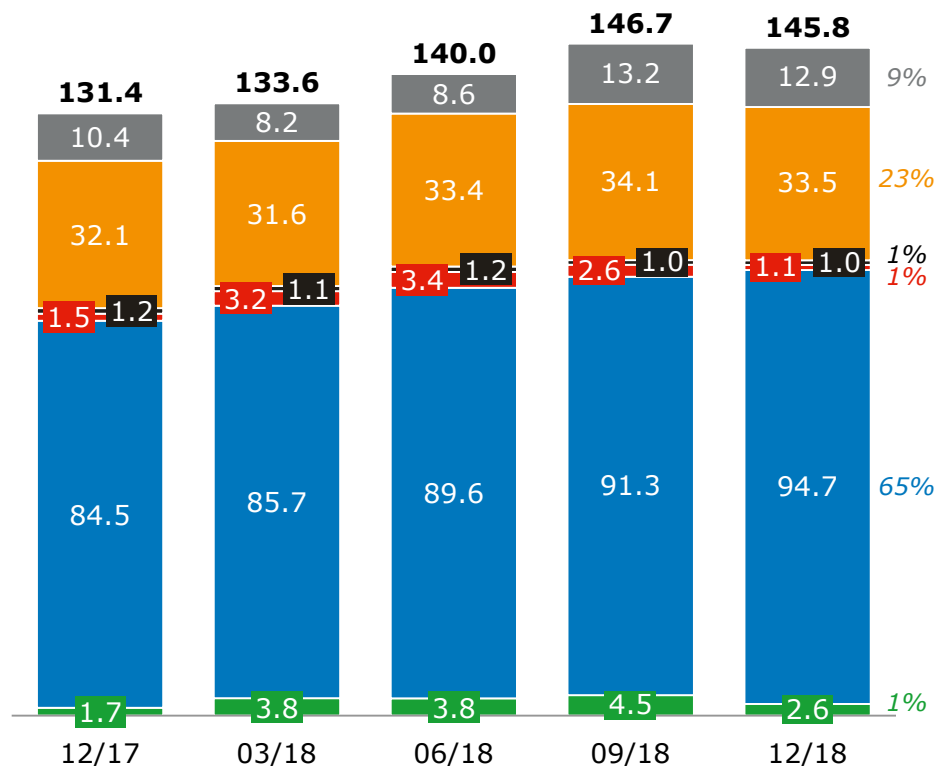
- Payment card fees
- Cash handling fees
- Discharged brokerage fees
- Commissions paid to external entities
- Fees paid to NBP and KIR
- Other (incl. insurance activity)

Appendix

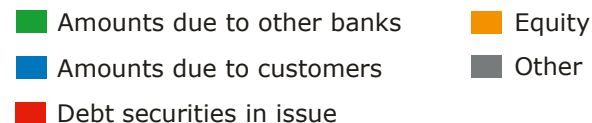
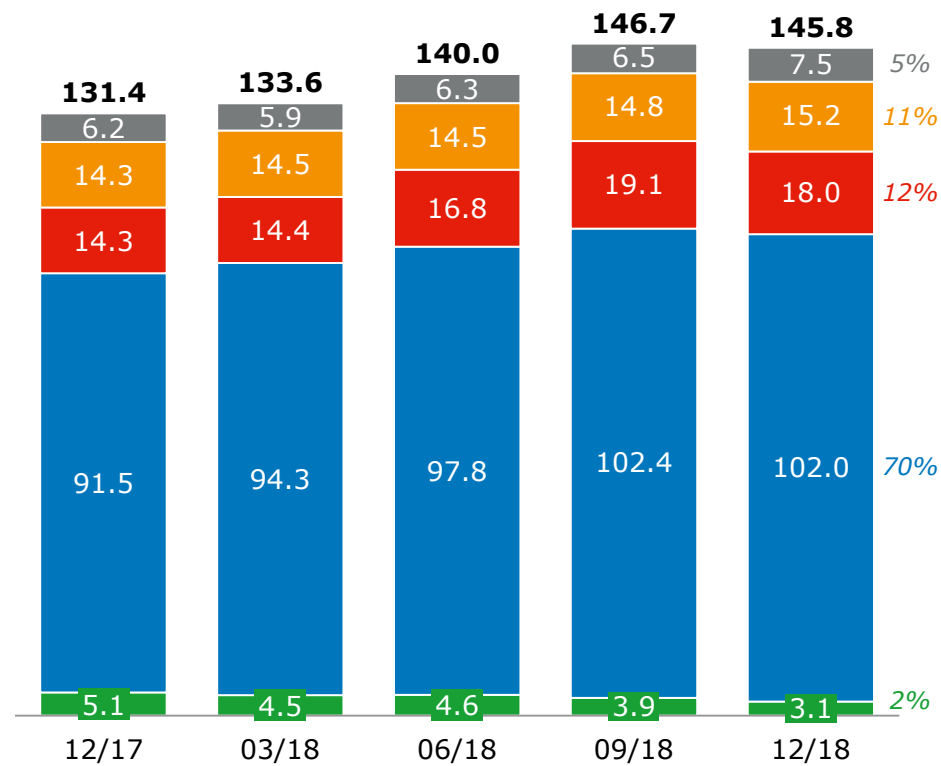
Selected Financial Data Balance Sheet Analysis: Assets & Liabilities

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Structure of Assets
(PLN B)



Structure of Liabilities and Equity
(PLN B)



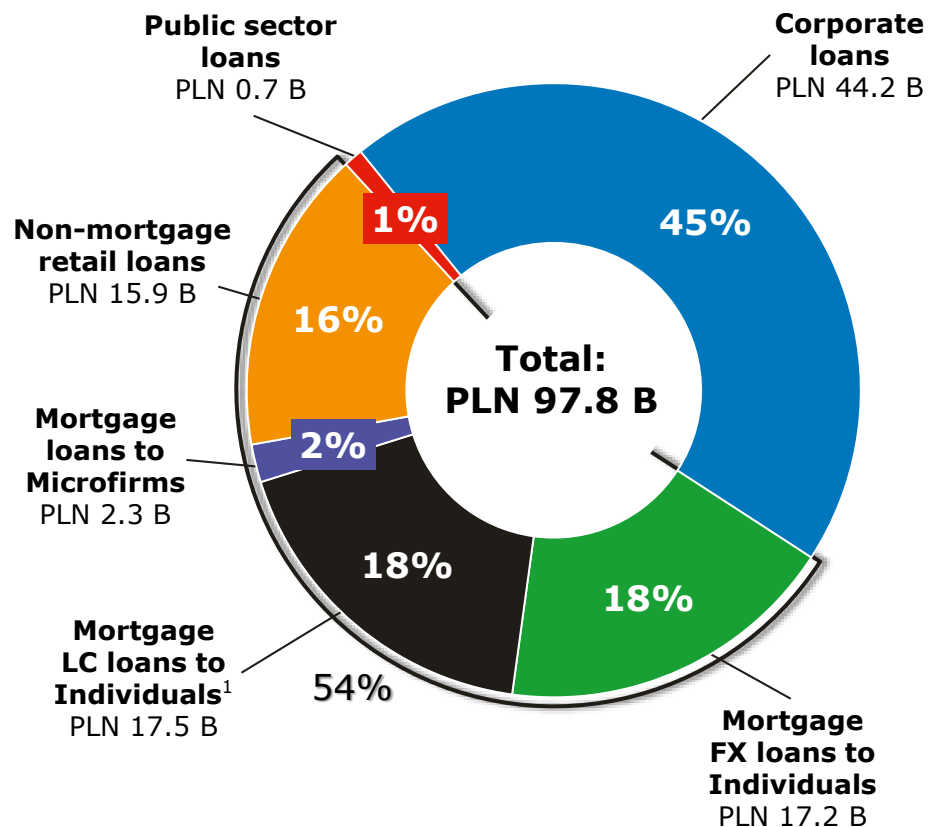
Appendix

Selected Financial Data

Balance Sheet Analysis: Structure of Loans and Deposits

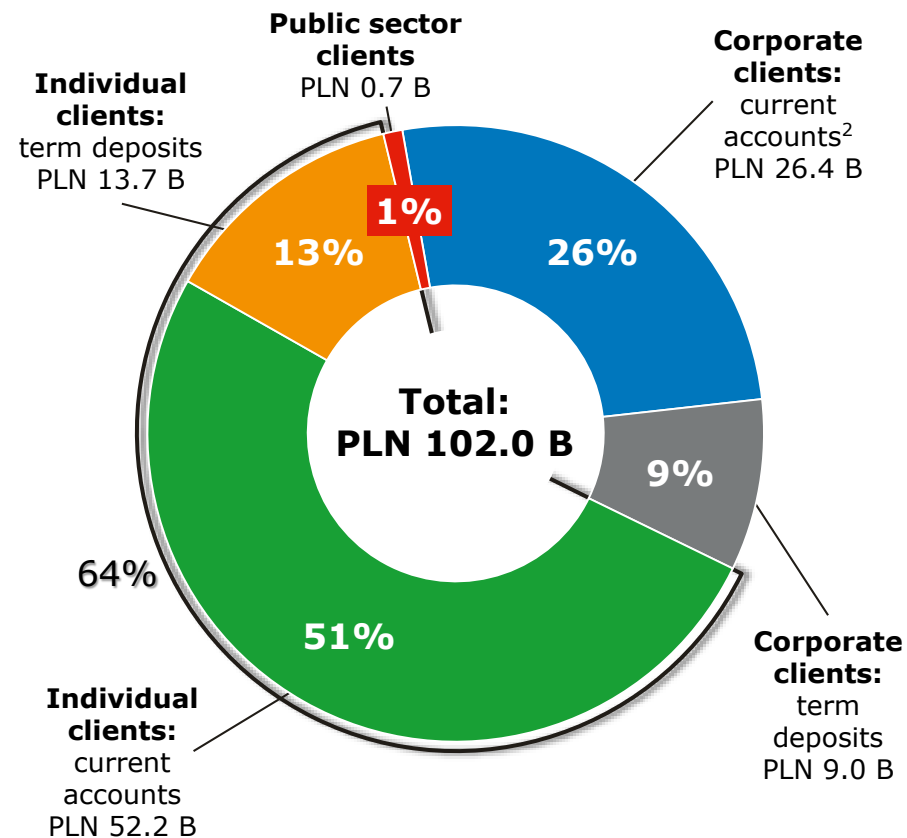
Summary
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Structure of mBank Group's Gross Loans as of 31.12.2018



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

Structure of mBank Group's Deposits as of 31.12.2018



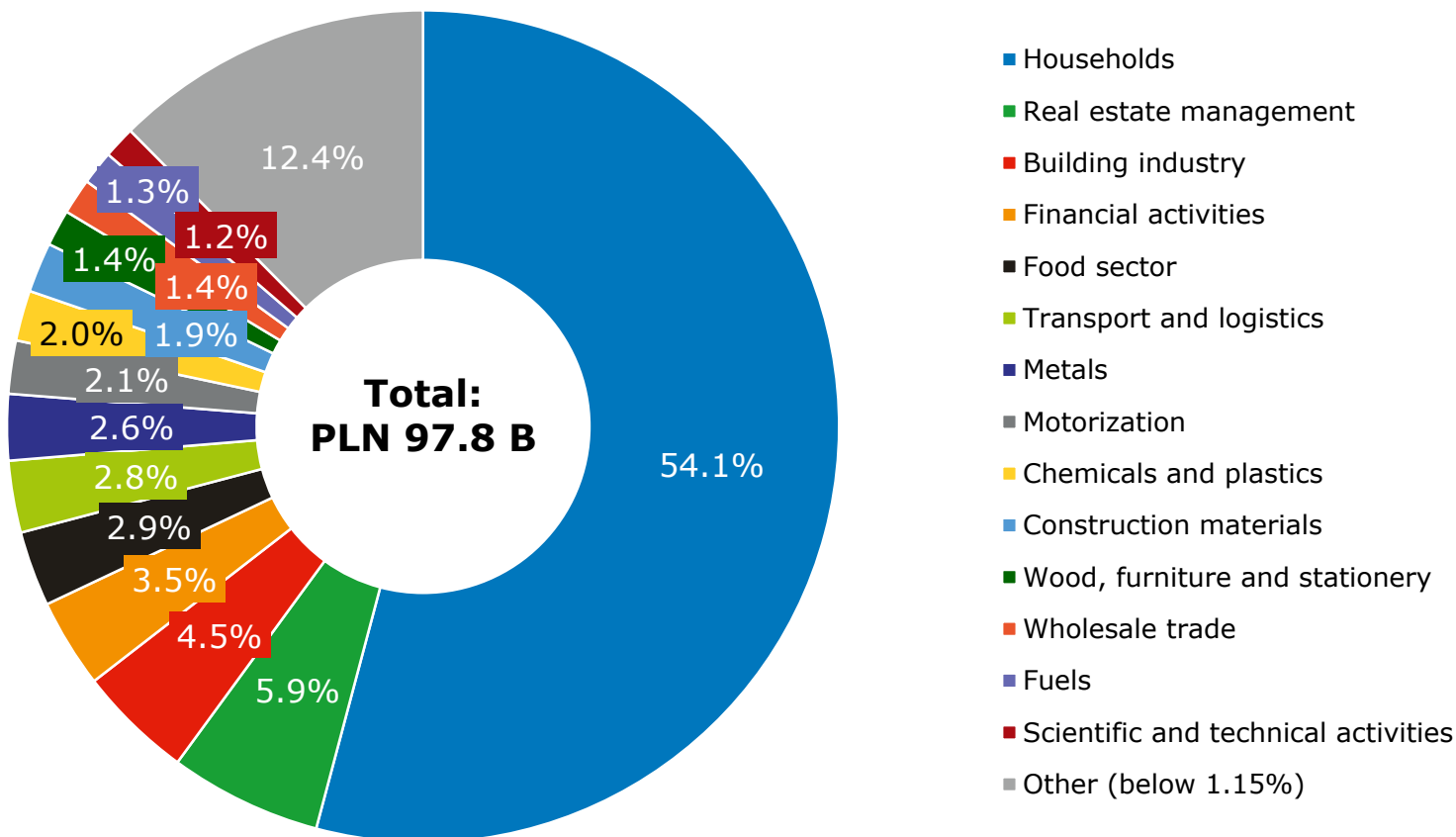
² Including repo transactions, loans and advances received, other liabilities

Appendix

Selected Financial Data Balance Sheet Analysis: Loan Portfolio Structure

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mBank Group's Sector Exposure by Industry
as of 31.12.2018



A well diversified loan portfolio with granular structure

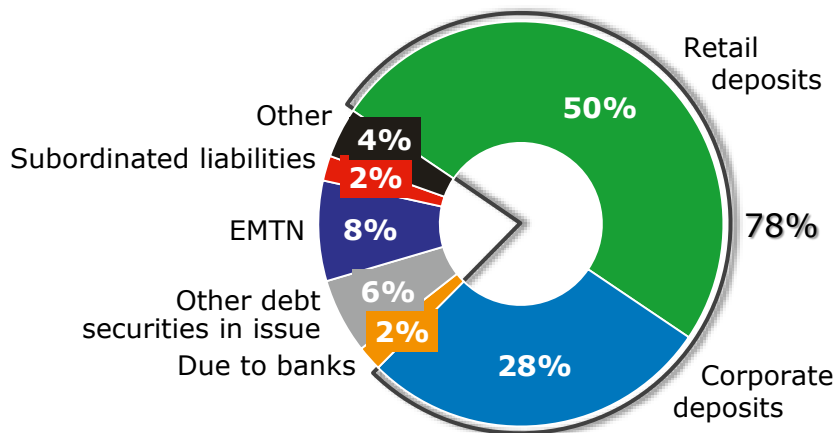
Appendix

Selected Financial Data

Balance Sheet Analysis: Funding Structure and Liquidity Levels

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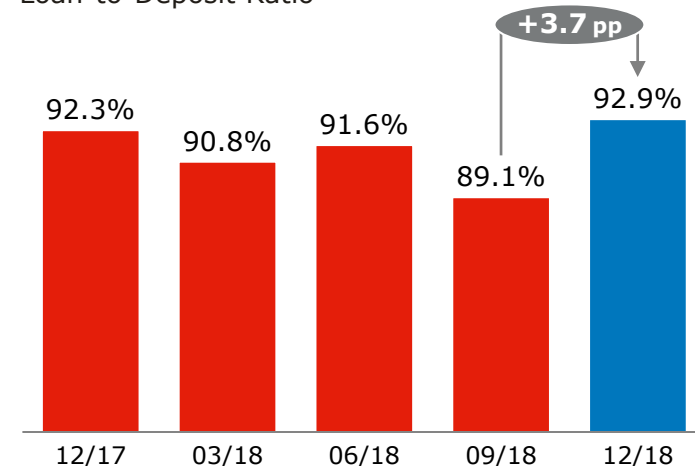
mBank Group's Funding Structure as of 31.12.2018



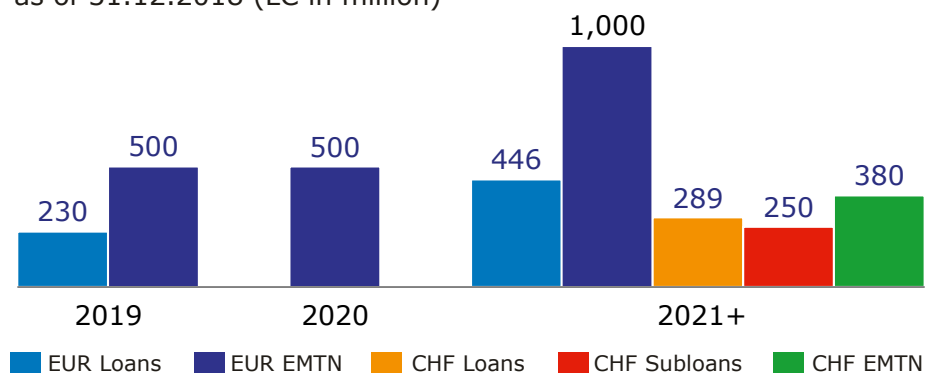
mBank's ratings

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 31.12.2018 (LC in million)



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

Issue size	Issue date	Maturity date	Tenor	Coupon
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%

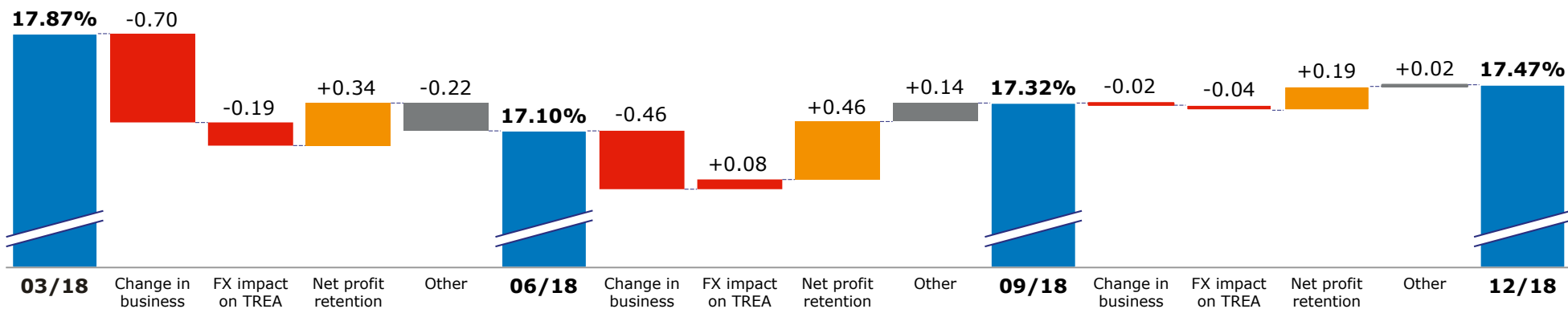
Appendix

Selected Financial Data

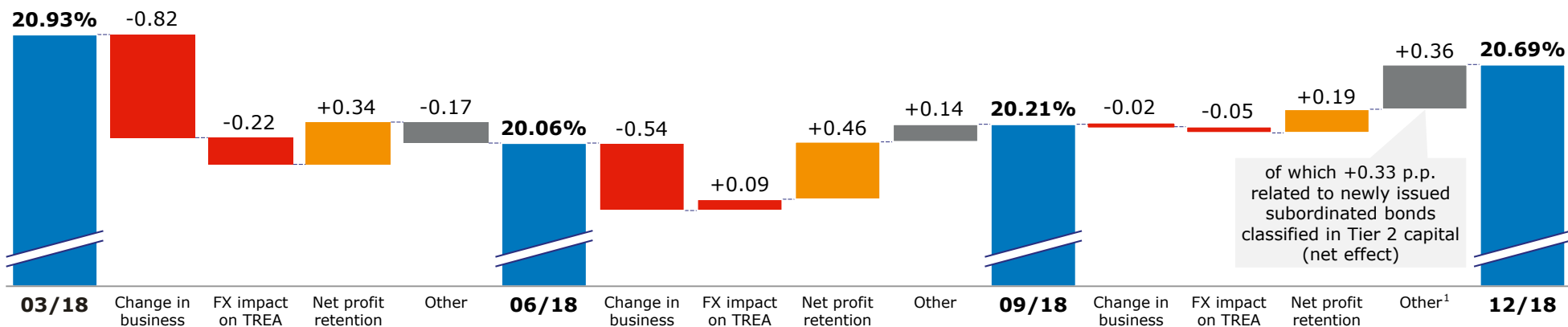
Balance Sheet Analysis: Detailed Development of Capital Ratios

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mBank Group's Tier 1 Capital Ratio



mBank Group's Total Capital Ratio



¹ Inclusion of new subordinated bonds in Tier 2 instruments: mBank issued PLN 550 million and PLN 200 million, while performed an early redemption of PLN 500 million maturing in 2023;

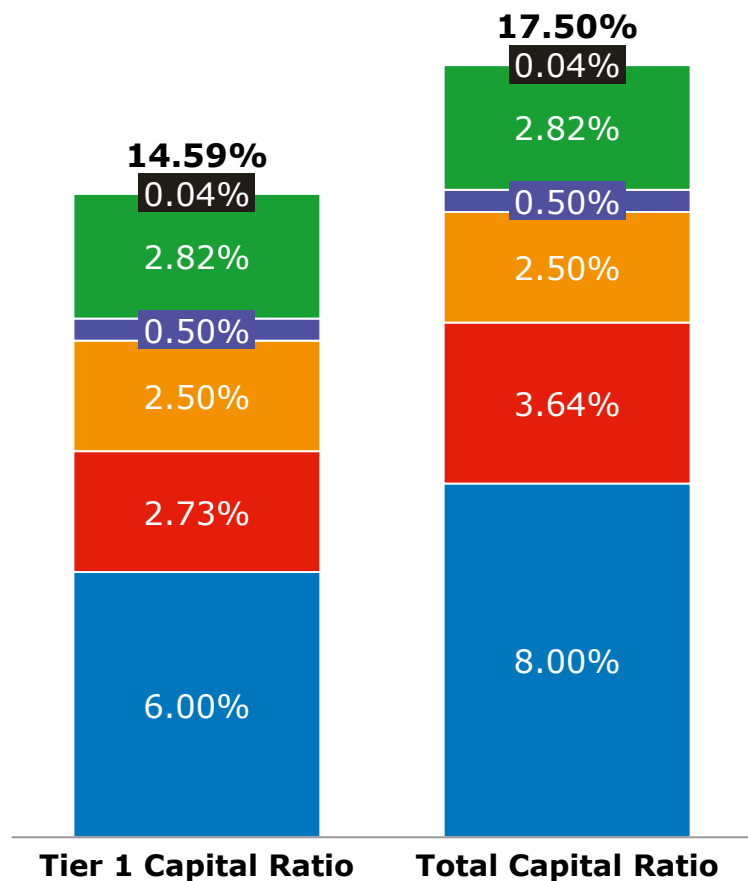
Appendix

Selected Financial Data

Balance Sheet Analysis: Details of Capital Requirements

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Regulatory capital requirements for mBank Group starting from 01.01.2019



- 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 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 Q4/18

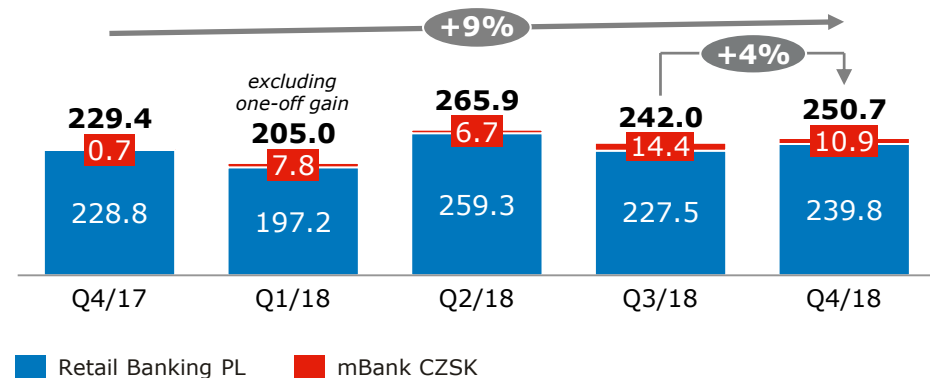
Retail Banking

Appendix

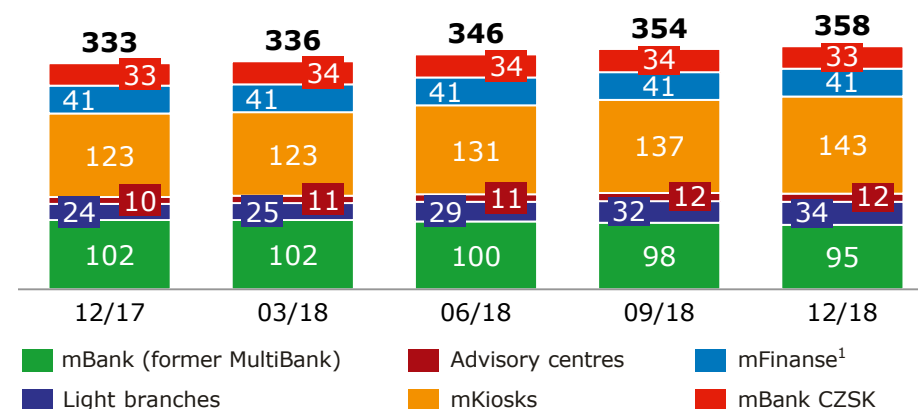
Retail Banking Summary of Q4/18: Financial and Business Results

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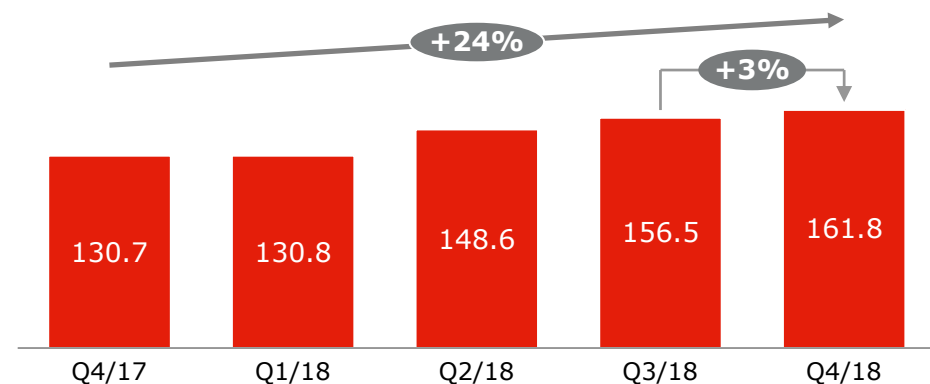
Profit before Tax of the Segment
(PLN M, by quarter)



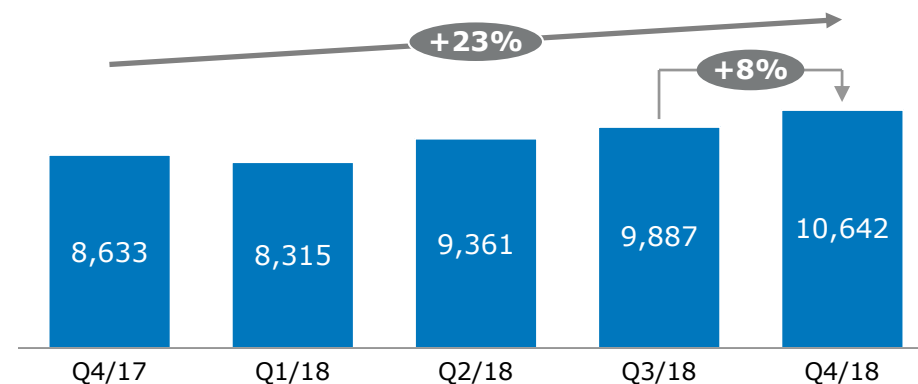
Number of Retail Service Locations



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



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



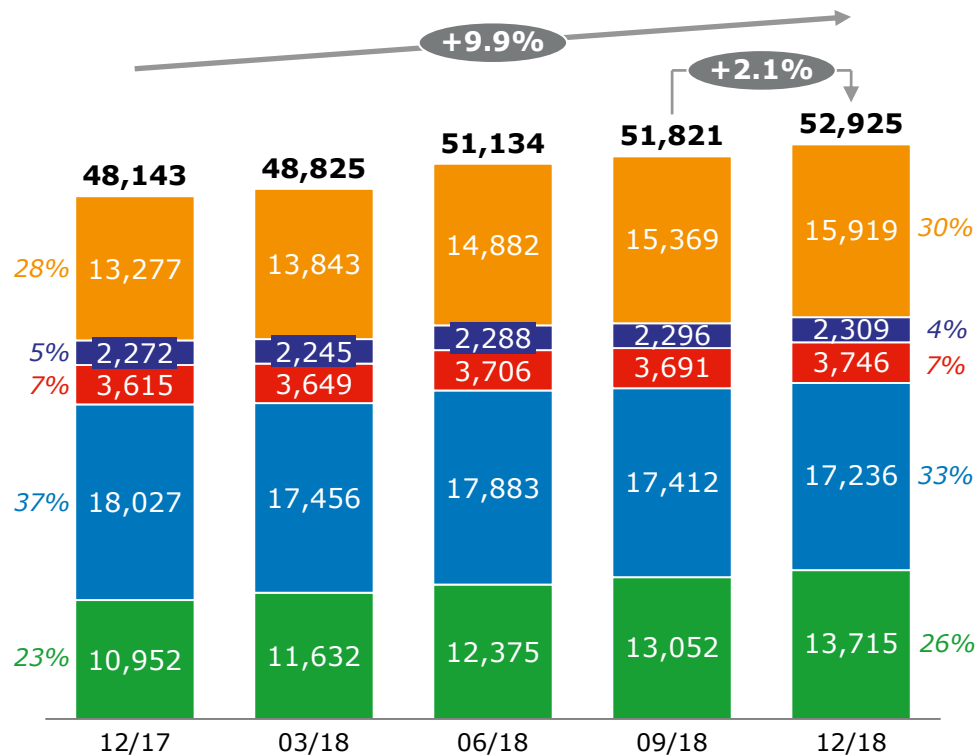
¹ Including financial centres and agency service points

Appendix

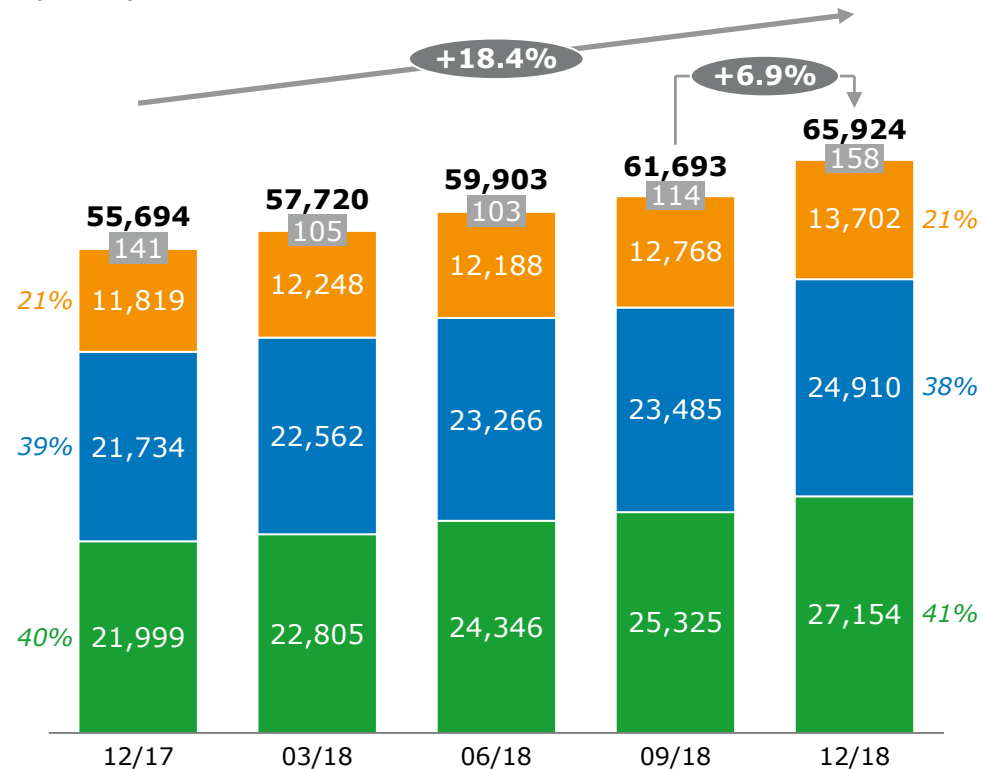
Retail Banking Summary of Q4/18: Loans and Deposits

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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

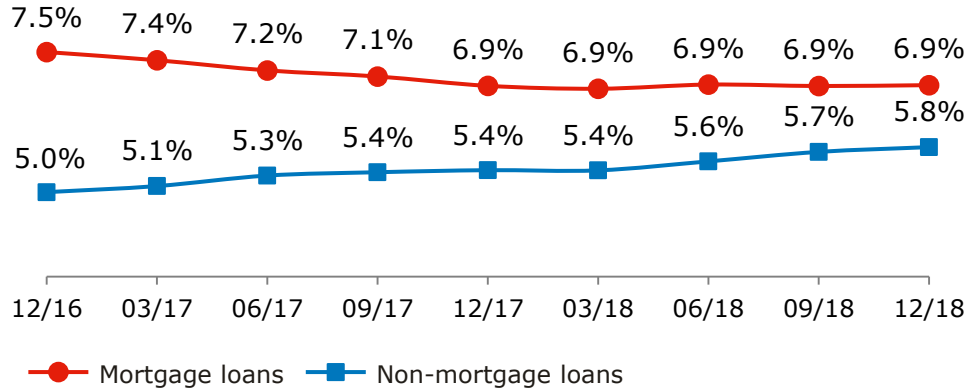
¹ Currency and geographical breakdown based on management information

Appendix

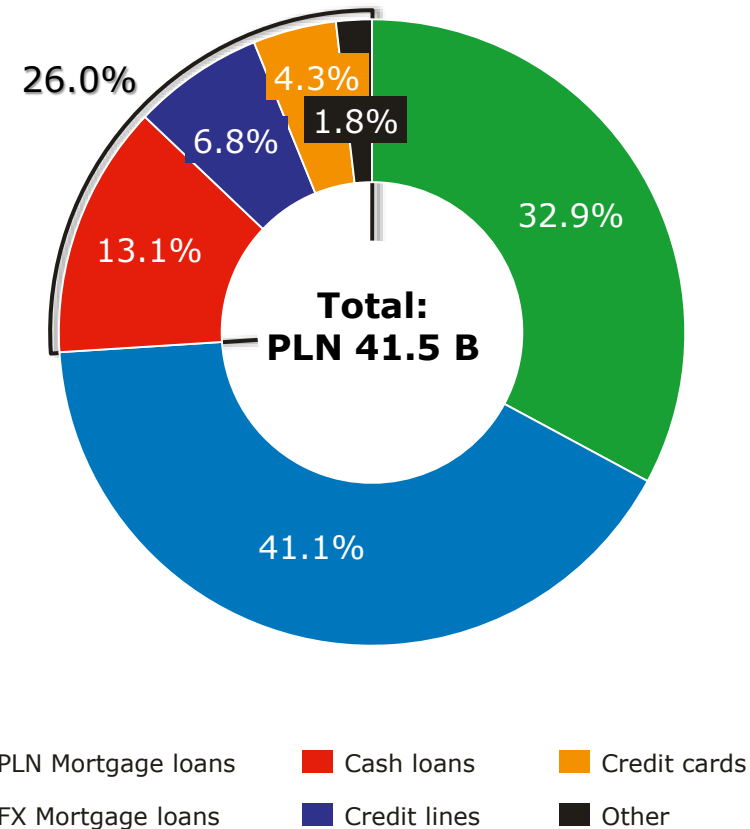
Retail Banking Loan Portfolio Structure of mBank Group in Poland

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Subsidiaries
Historical view

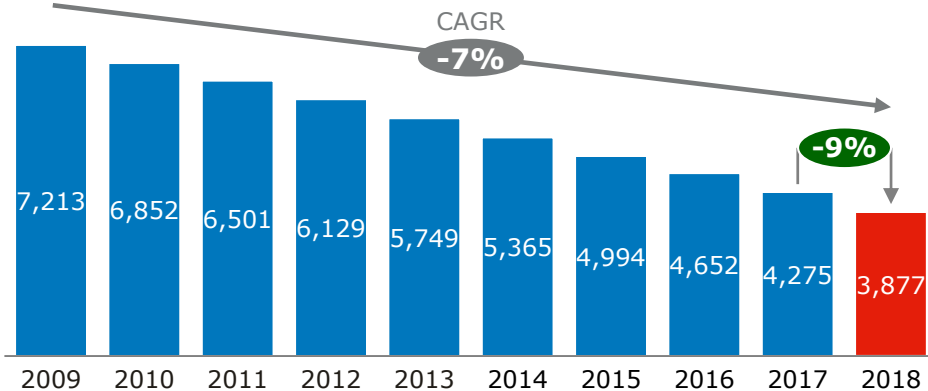
Market Shares in Household Loans in Poland



Product Structure of Retail Banking Loan Portfolio in Poland as of 31.12.2018



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

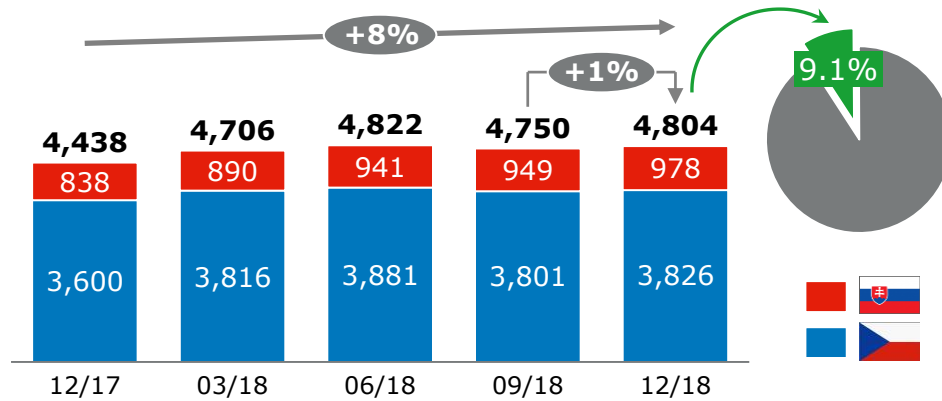


Appendix

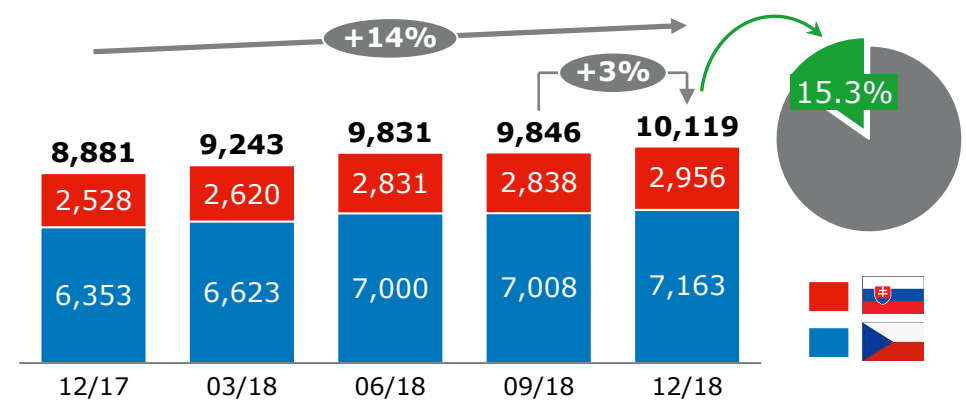
Retail Banking mBank in the Czech Republic and Slovakia

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

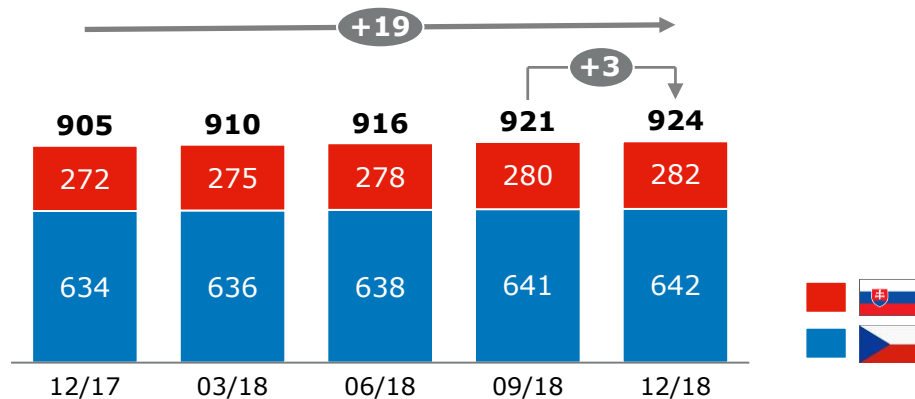
Gross Loans (PLN M) and Share in Total mBank's retail volume



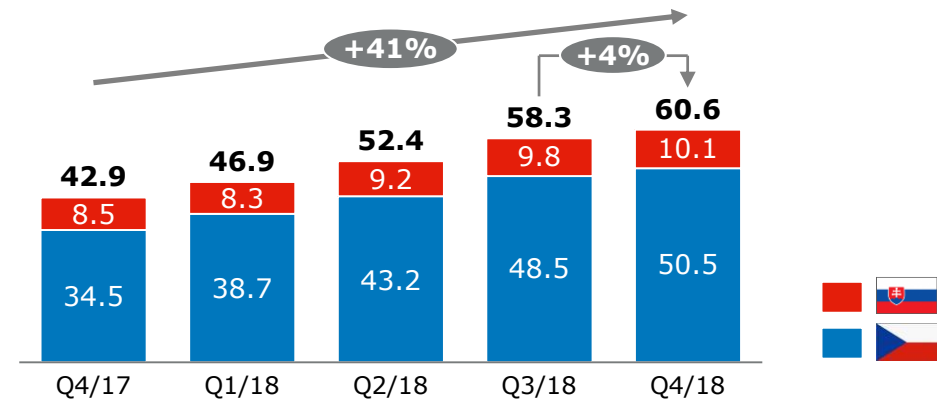
Deposits (PLN M) and Share in Total mBank's retail volume



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
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Subsidiaries
Historical view

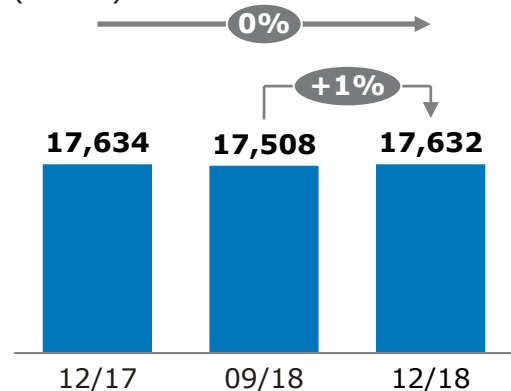


Czech Republic

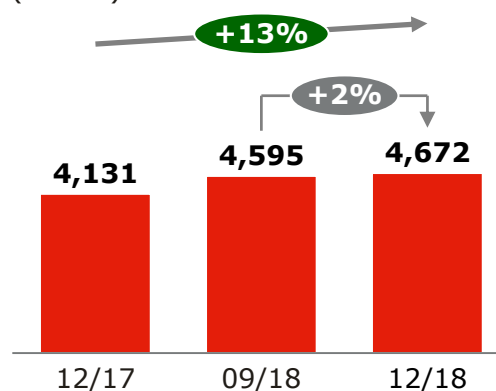
Clients:
642.2 thou.

5 light branches,
6 financial centres &
13 mKiosks

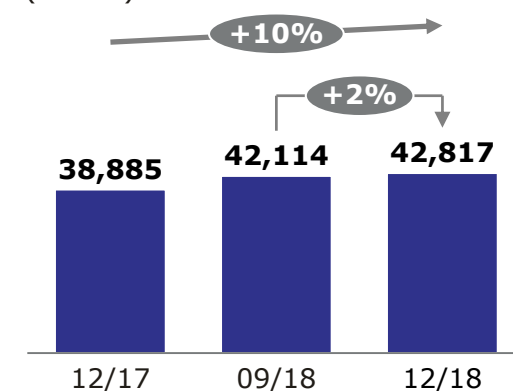
Mortgage Loans
(CZK M)



Non-mortgage Loans
(CZK M)



Customer deposits
(CZK M)

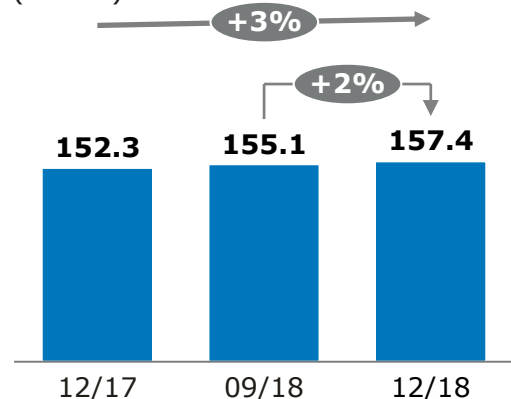


Slovakia

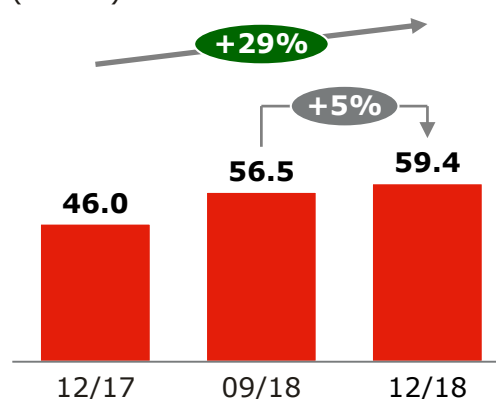
Clients:
282.1 thou.

2 light branches,
2 financial centres &
5 mKiosks

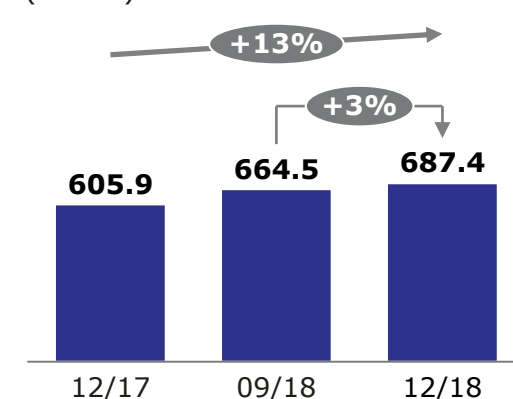
Mortgage Loans
(EUR M)



Non-mortgage Loans
(EUR M)



Customer deposits
(EUR M)



Note: Volumes based on management information.

Detailed Results of the Business Lines in Q4/18

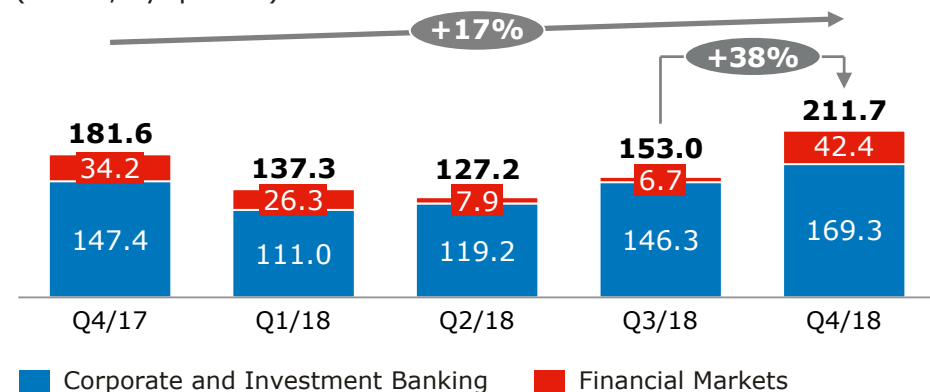
Corporates & Financial Markets

Appendix

Corporates and Financial Markets Summary of Q4/18: Financial and Business Results

Summary
Profit & Loss
Balance Sheet
Business Lines
Subsidiaries
Historical view

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

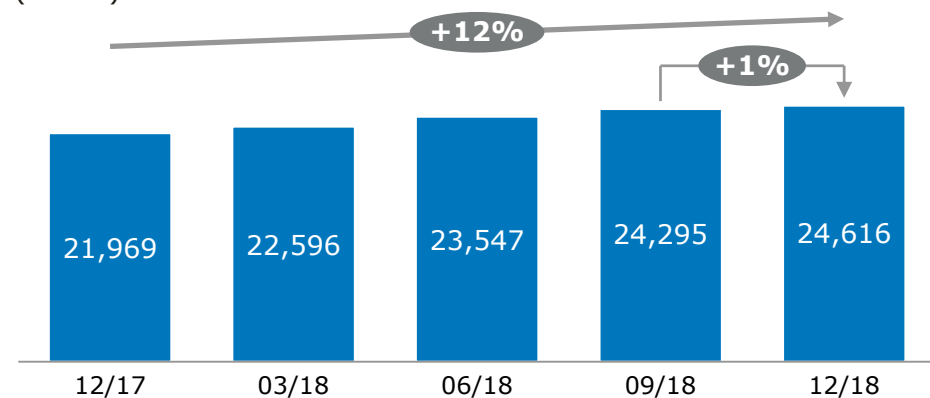


Number of Corporate Service Locations

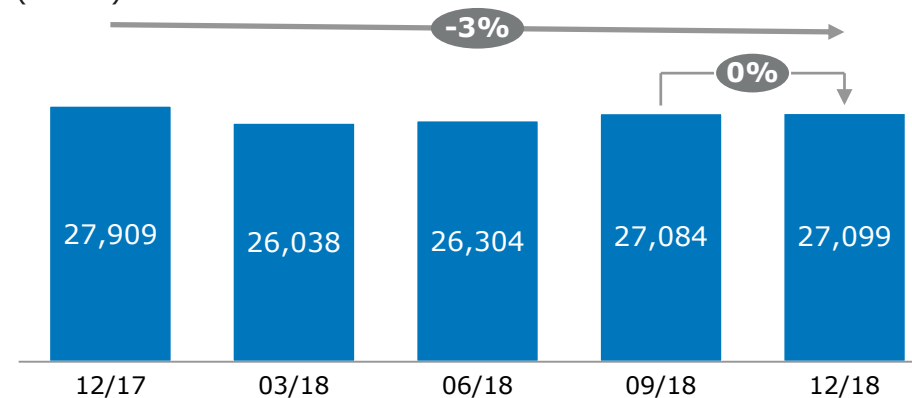
- 29** mBank's branches, incl. 10 advisory centres
- 17** mBank's offices, incl. 1 advisory centre
- 21** mLeasing
- 8** mFaktoring
- 5** mBank Hipoteczny



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)

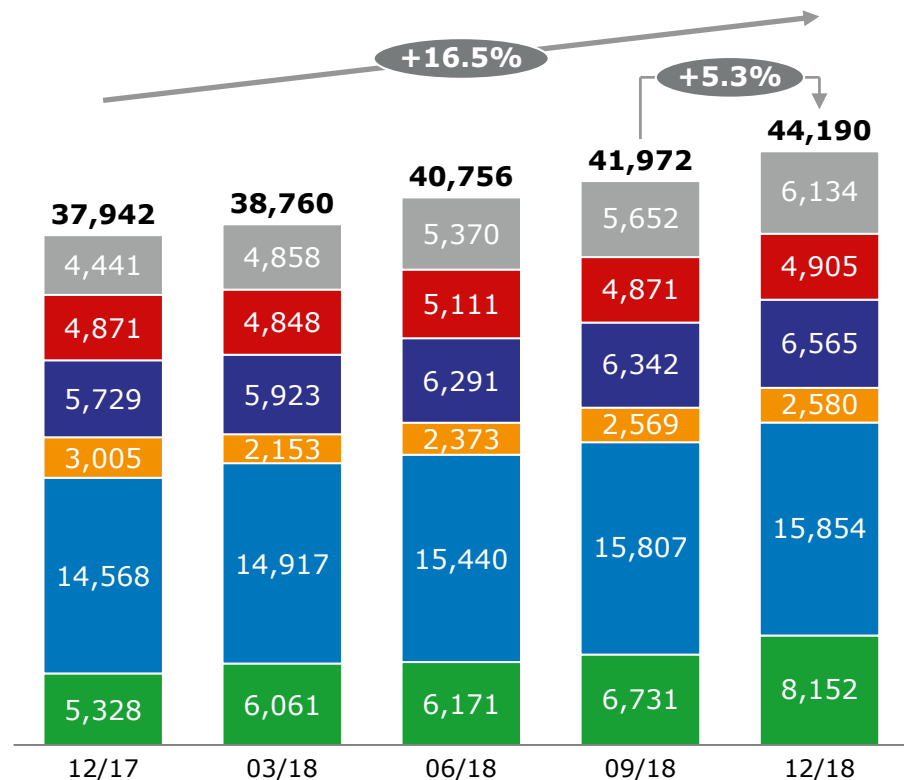
Appendix

Corporates and Financial Markets Summary of Q4/18: Loans and Deposits

Summary
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Gross Loans to Corporate Entities
(PLN M)

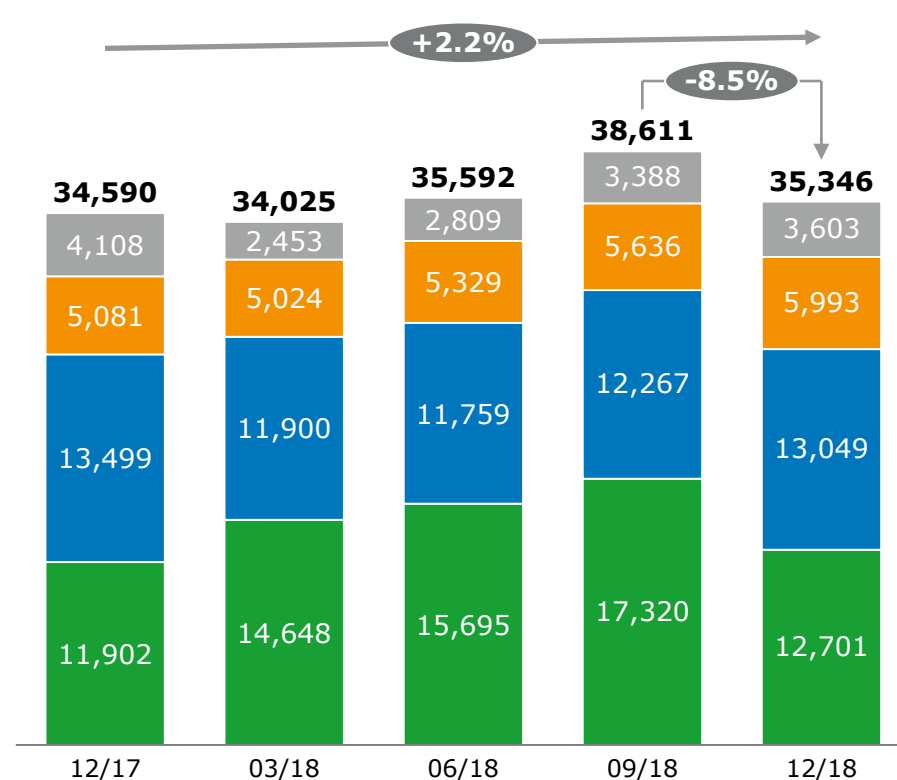
Resegmentation
starting from 2018



■ 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 Q4/18

Subsidiaries

Appendix

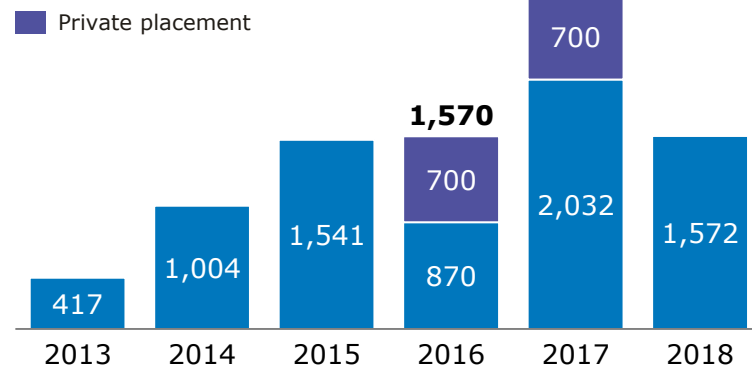
mBank Group's Subsidiaries mBank Hipoteczny (mBH)

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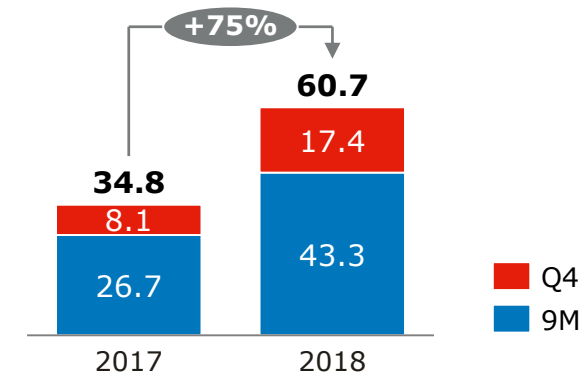
m Bank Hipoteczny
established in 1999
specialised mortgage bank and active issuer of covered bonds in the Polish market

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

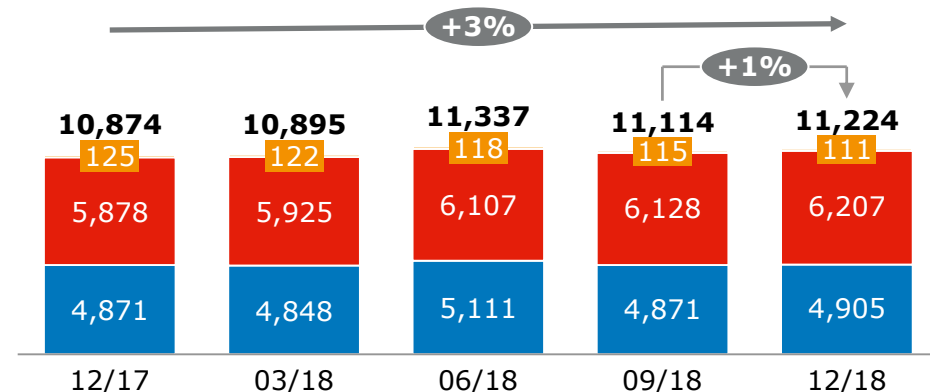
Issuance of Covered Bonds (PLN M, by year)



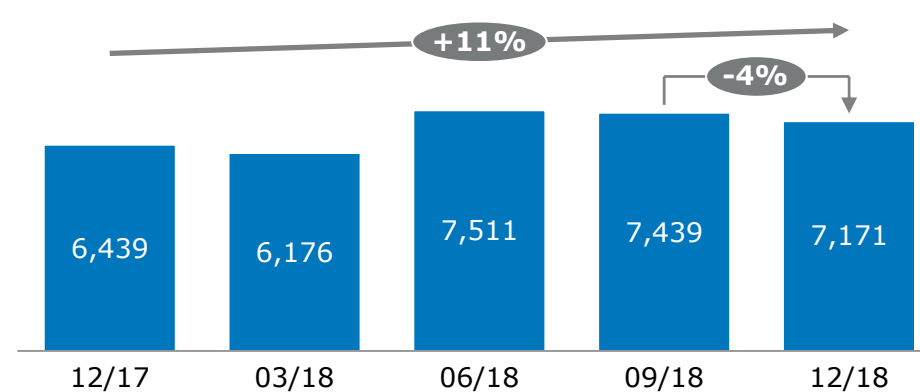
Profit before Income Tax (PLN M)



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](#)
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[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

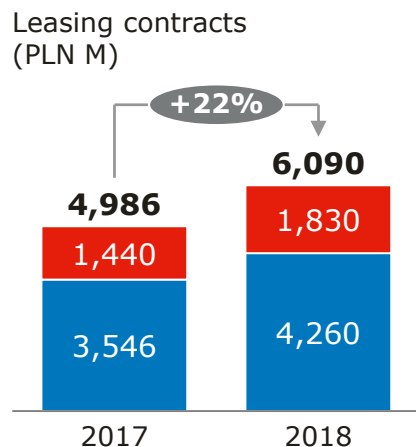
mBank Group's Subsidiaries Leasing and Factoring

Summary
Profit & Loss
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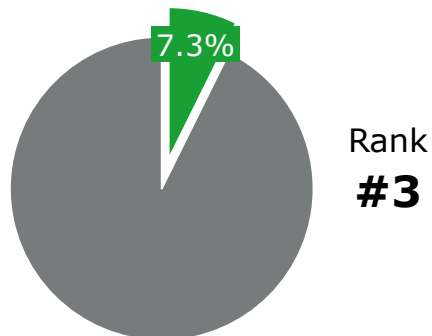
m Leasing

established in 1991

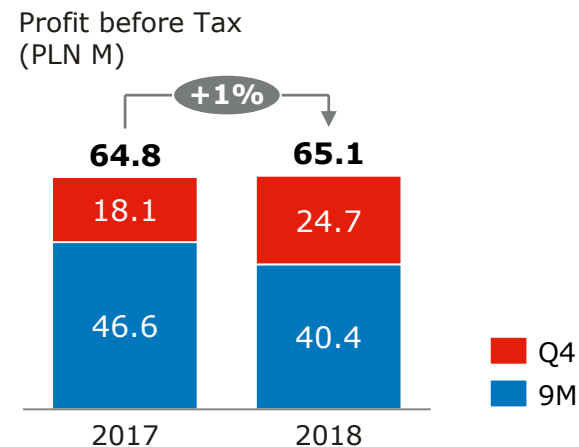
provides financial and operating leasing of cars, trucks, machinery and real estate



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



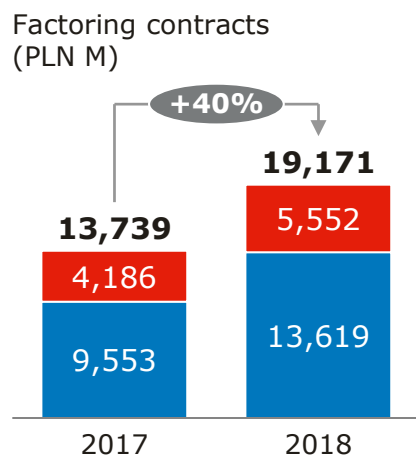
Source: Polish Leasing Association (PLA)



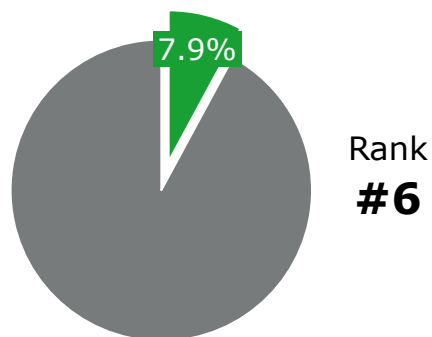
m Faktoring

established in 1995

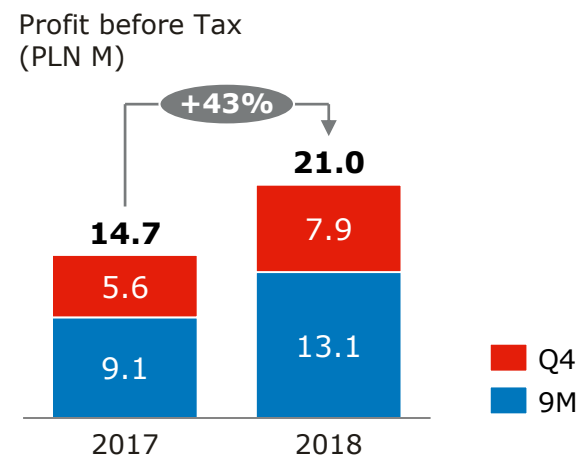
offers factoring services, incl. domestic and export recourse and non-recourse factoring and import guarantees



Market share & position – 2018



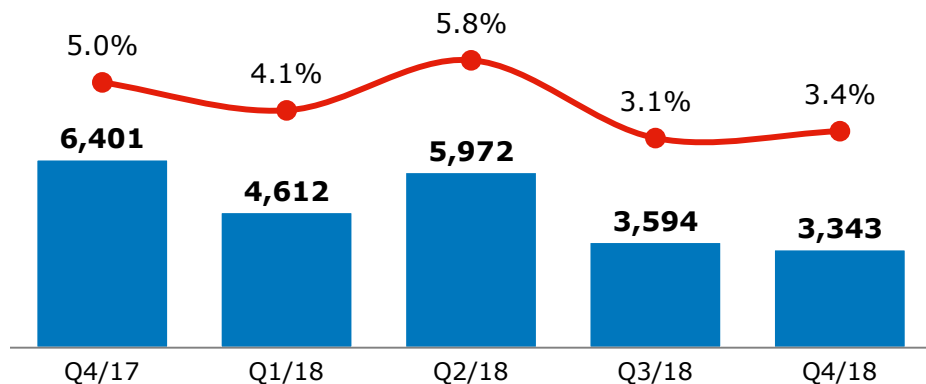
Source: Polish Factors Association (PFA)



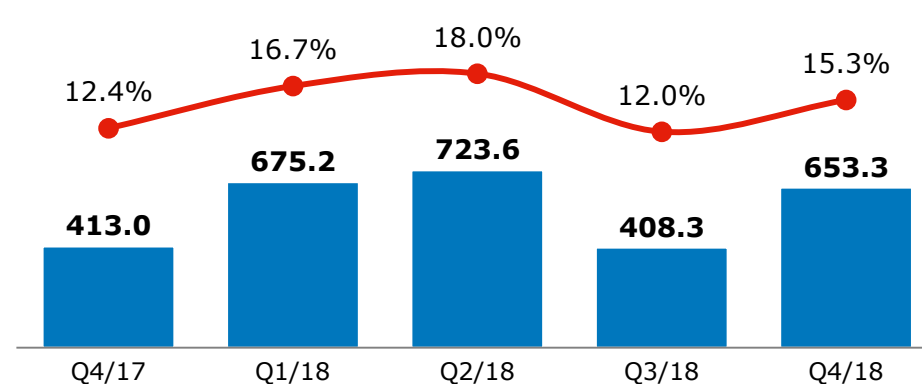
Appendix

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

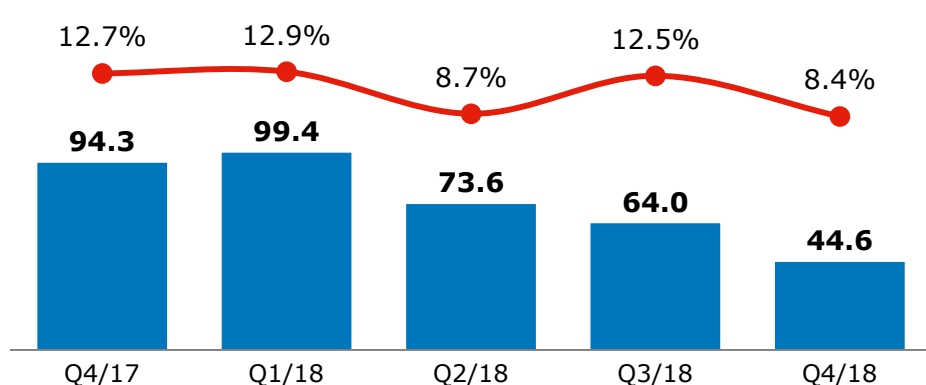
mDM Equities Trading on WSE and Market Share in Turnover (PLN M, by quarter)



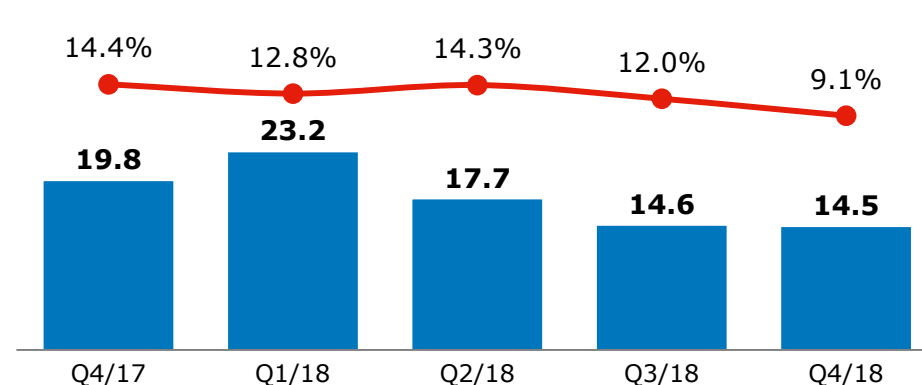
mDM Futures Trading on WSE and Market Share in Turnover (thou. of contracts, by quarter)



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)



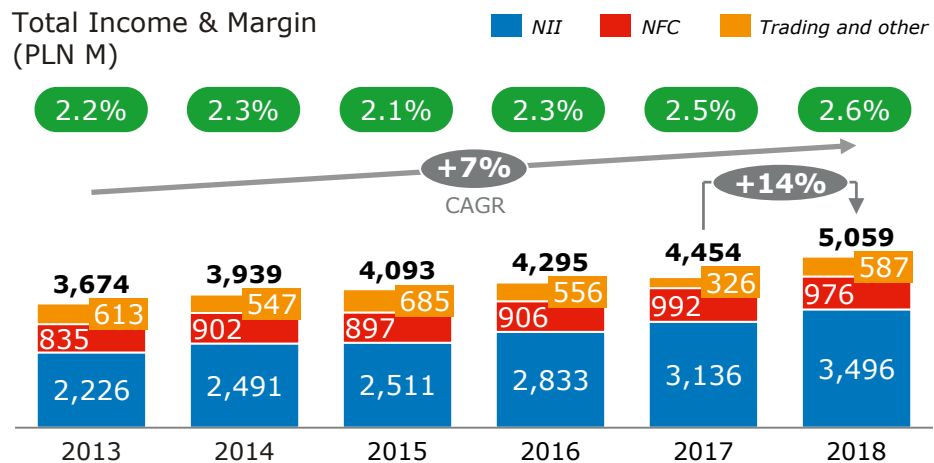
Source: mBank calculations based on WSE data (Exchange Member share in trading, including session, block and other trades).

Appendix

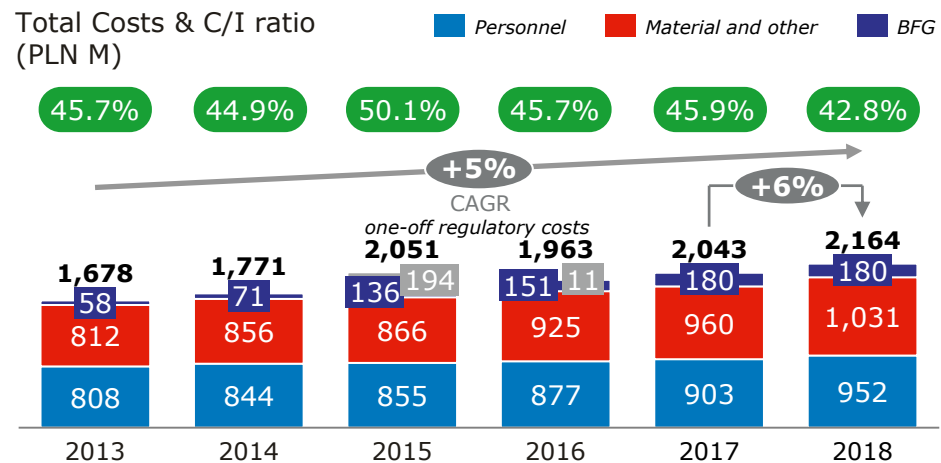
Summary
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mBank Group's historical performance: Profit and Loss Account

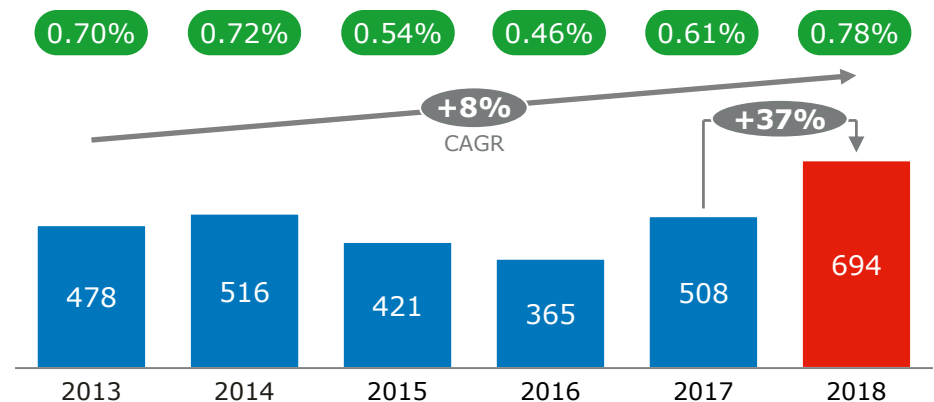
Total Income & Margin (PLN M)



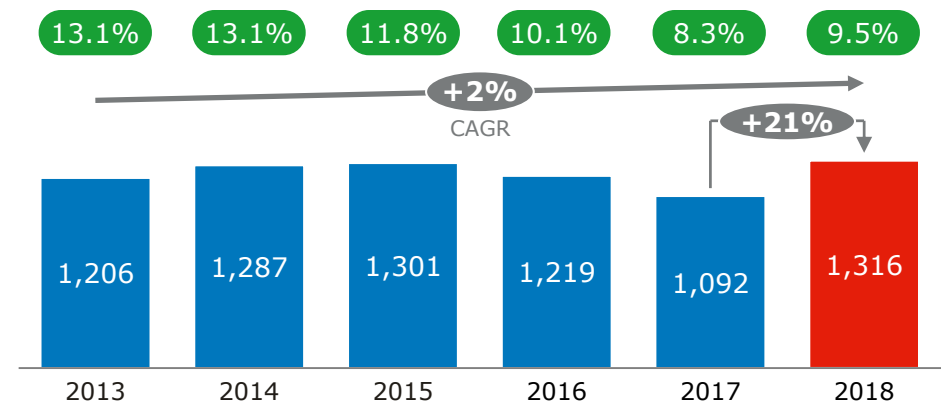
Total Costs & C/I ratio (PLN M)



Loan Loss Provisions & Cost of Risk (PLN M)



Net Profit & Return on Equity (PLN M)

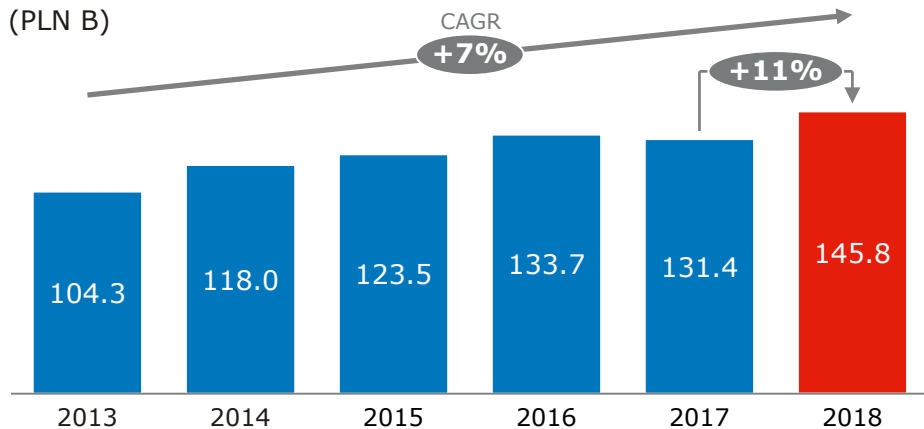


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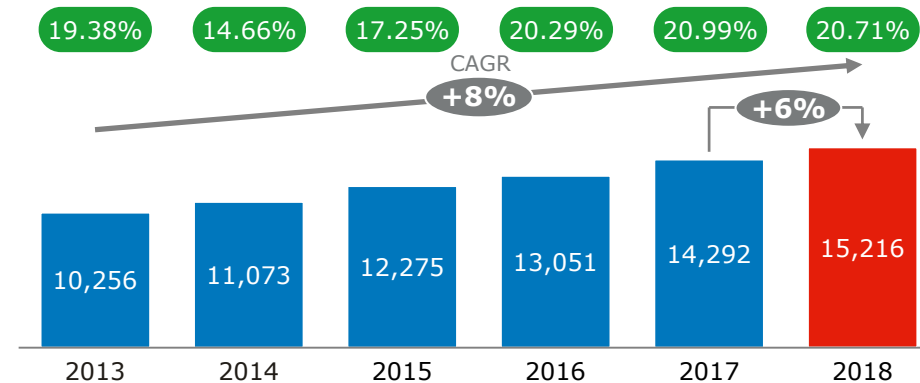
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mBank Group's historical performance: Balance Sheet

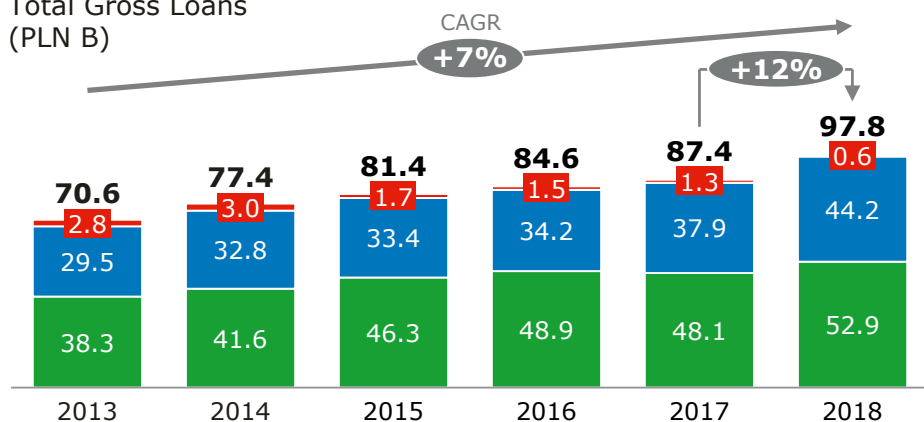
Total Assets (PLN B)



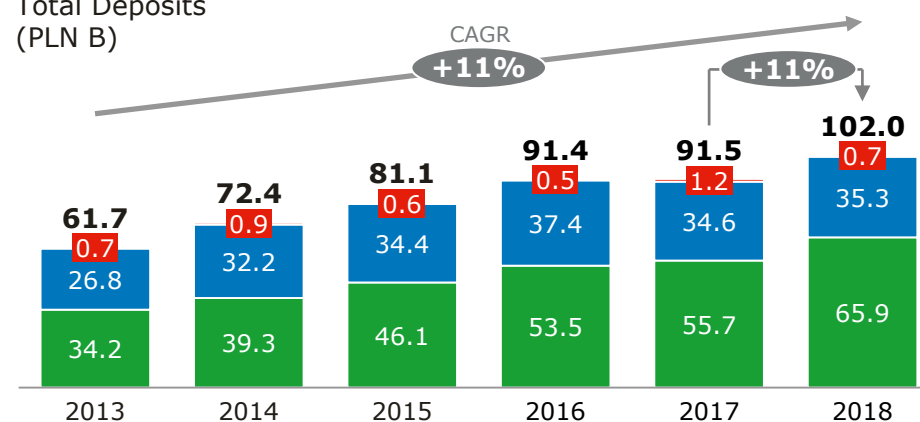
Equity & Total Capital Ratio (PLN M)



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

Higher volatility and no clear trends observed in share prices in 2H'18

mBank's index membership and weights*

WIG-30	WIG30	2.487%
WIG-20	WIG20	2.631%
WIG	WIG	1.906%
WIG-Banks	WIGbanki	6.643%
WIG-Poland	WIGPoland	1.952%

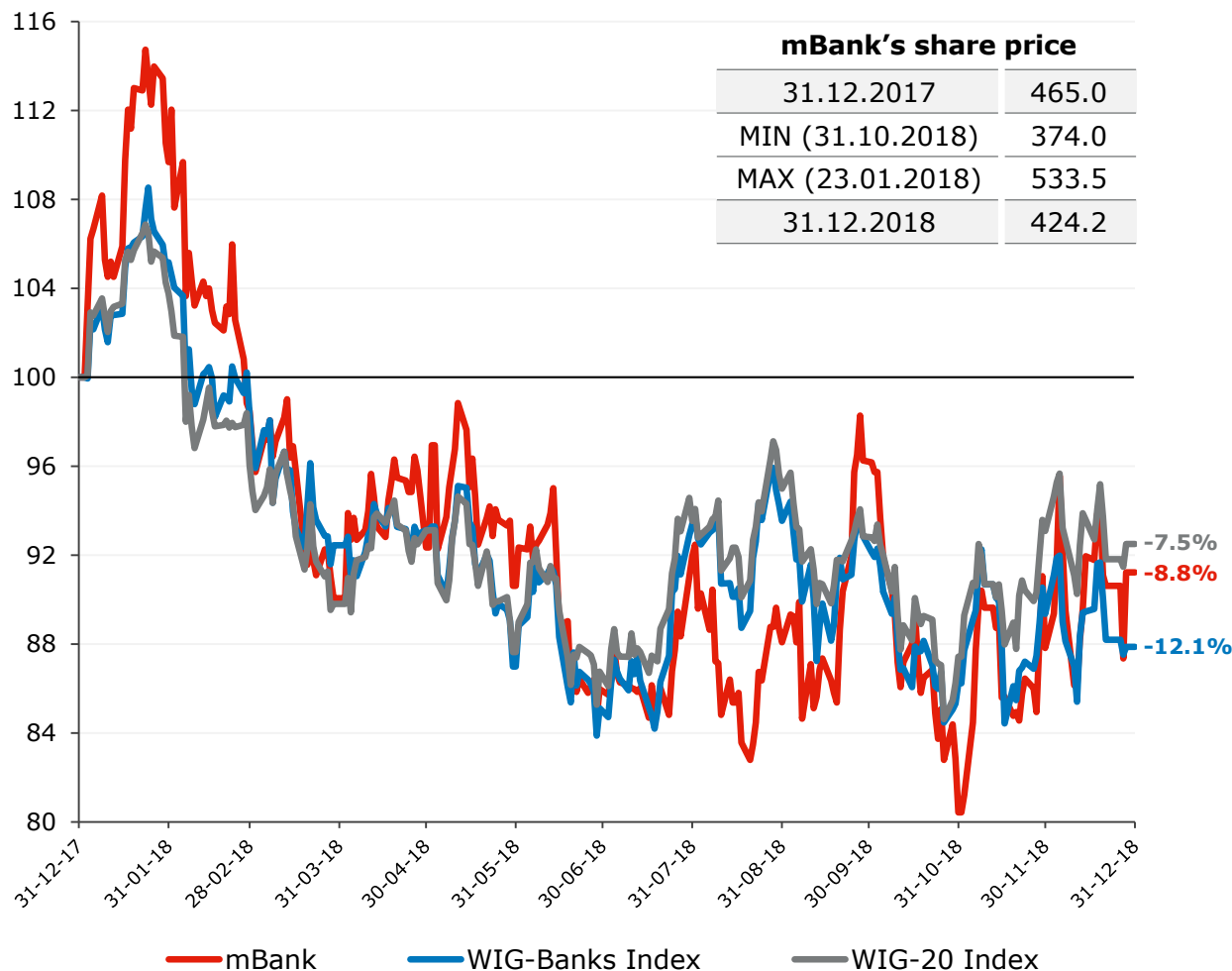
* Share in index as of 28.12.2018

- 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 69.33% of shares

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 336 982

Source: WSE, Bloomberg (data as of 31.12.2018).

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;

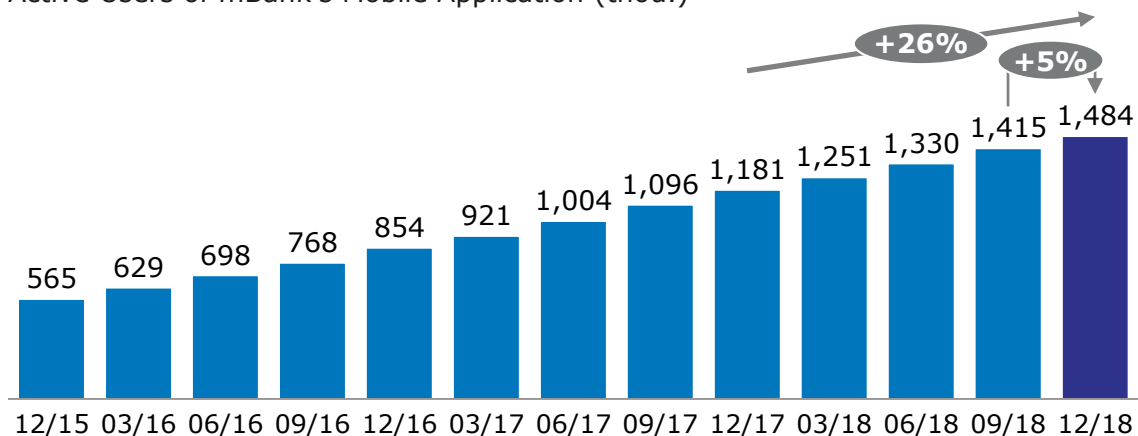


In July 2017 the share of clients who logged in to their accounts via mobile devices exceeded the logins from computers; in December 2018 it reached 62.5%, compared to 55% in December 2017, 37% in 2016 and 28% in 2015.



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: 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

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