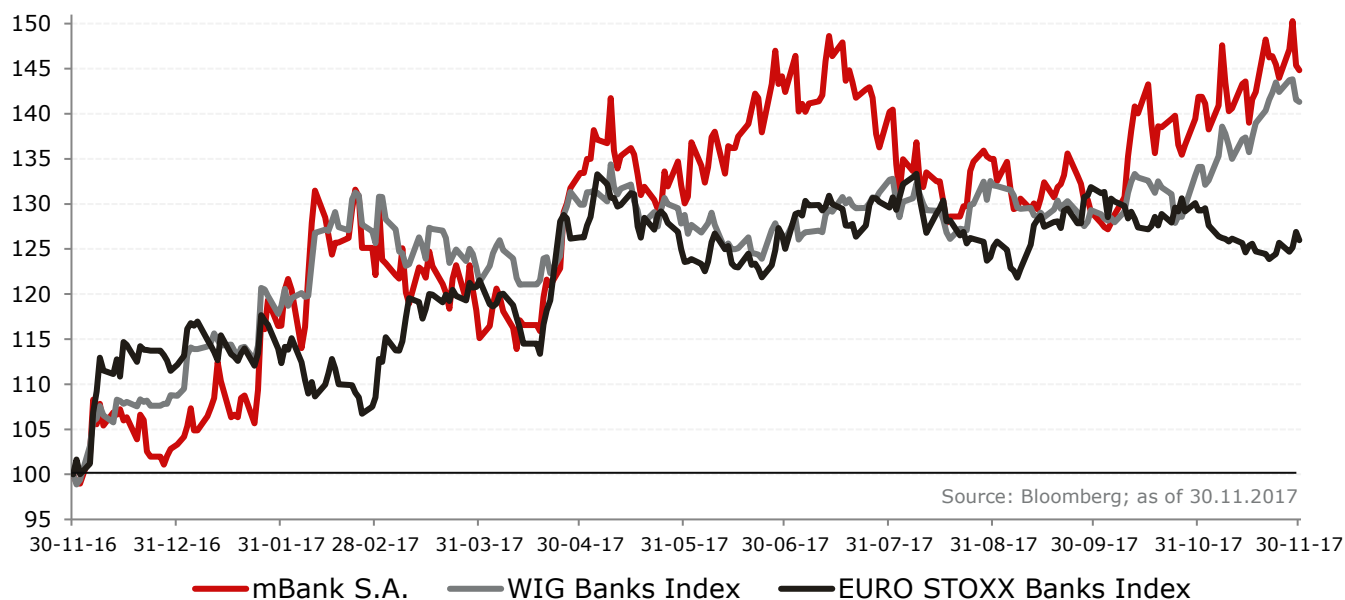


Share price performance summary

In November mBank's share price increased by 2.07%, while the WIG-Banks index went up by 5.37%. The EURO STOXX Banks Index declined by 2.54% in the same period.

Last 12 months – chart



change in the period	4Q'16	2016	1Q'17	2Q'17	3Q'17	2017YtD
mBank	-1.90%	+6.77%	+11.41%	+23.72%	-9.33%	+40.19%
WIG Banks Index	+4.51%	+2.90%	+11.63%	+3.86%	+2.60%	+30.00%
EURO STOXX Banks Index	+27.00%	-8.09%	+8.37%	+2.68%	+5.30%	+12.34%

Consensus estimates for mBank Group's results

Financials (in PLN M)	2015	2016	2017E		2018E	
			estimate	Δ vs. 2016	estimate	Δ vs. 2017E
Net interest income	2 511	2 833	3 111	+9.8%	3 330	+7.0%
Net F&C income	897	906	1 010	+11.4%	1 066	+5.6%
Total income	4 093	4 295	4 441	+3.4%	4 741	+6.8%
Costs	-2 051	-1 963	-2 020	+2.9%	-2 067	+2.3%
LLPs	-421	-365	-475	+29.9%	-530	+11.8%
Operating profit	1 622	1 967	1 946	-1.0%	2 144	+10.1%
Net profit	1 301	1 219	1 153	-5.4%	1 307	+13.3%
Net loans	78 434	81 763	86 314	+5.6%	91 201	+5.7%
Assets	123 523	133 744	136 217	+1.8%	142 740	+4.8%
Deposits	81 141	91 418	94 448	+3.3%	99 954	+5.8%

Contributing research by: Citi Research, DM BOŚ, BZ WBK Brokerage, PKO BP Securities, Erste Group, Ipopema, J.P. Morgan, KBW, BofA Merrill Lynch, Raiffeisen, Societe Generale, Trigon DM, Vestor DM, Wood&Company.

Note: 2015 costs of mBank Group included an additional contribution to the Bank Guarantee Fund (PLN 141.7 million) to cover the cost of payments to deposit holders of bankrupt Cooperative Bank in Wołomin and a contribution to the support fund for distressed mortgage borrowers (PLN 52.1 million).

Special topic: A new investment in mAccelerator's portfolio

mAccelerator, a fund powered by mBank with over EUR 50 million under management, invested recently in Digital Teammates – a start-up which builds software helping large companies automate their mundane, everyday tasks. Digital Teammates are currently implementing their solution in mBank, where first four robots are performing the assigned work.

In reality Digital Teammate is a piece of software that acts in a similar fashion to a human employee working in front of a desktop computer. Digital Teammate can use a virtual mouse to navigate between windows and click on buttons in applications. It can use a virtual keyboard to enter data, type emails or work on documents.



Digital Teammate doesn't require changes in underlying IT systems, because it uses existing applications, just like any human employee with proper training only much faster and with less errors. Digital Teammate is delighted to perform tedious, repetitive tasks, requiring a lot of manual typing from one system to another.

Digital Teammates, founded in October 2017, is a fast-growing pure-play Robotic Process Automation (RPA) company based in Poland (Warsaw and Łódź). The team is formed by a unique mix of experienced IT and operations executives accompanied by passionate experts with deep knowledge of software engineering processes and optimization of operations.

mAccelerator, established by mBank in February 2017, is aimed at the development and commercialization of technology for financial institutions. The idea is to incubate projects on the bank's platform and customers first, and then to scale on wider global market.

Key news regarding mBank Group

mBank's analysts see recent bets on monetary tightening beginning in 3Q'18 premature



According to the final estimate, Polish GDP accelerated from 4.0% (revised) to 4.9% YoY in 3Q'17, above market consensus of 4.5%. On seasonally adjusted basis, GDP grew by 1.2% QoQ. Final CPI release confirmed the flash reading of 2.1% YoY in October. A deeper decline in inflation was prevented by higher prices of non-core items. There has been an unusually high increase in food prices (+0.9% MoM).

In addition, residential heating fuel prices rose for the second month in a row, this time by 2.4% MoM. In addition, there was no seasonal correction in clothing and footwear prices and as a result, this category appears to be accelerating markedly.

Core inflation should remain below 1% in the coming months and will return to uptrend in Spring. This will coincide with a general uptrend in consumer prices, after a hiatus period at the turn of the year. A correction in food prices (from already high levels) and a decline in oil prices due to supply response of U.S. shale to the current episode of oil price hikes, both will bring inflation down to 1.5-1.6% YoY in 1Q'18.

Industrial output rose by 12.3% YoY in October, beating market consensus and even the most optimistic forecasts. The reasons for such a big acceleration should be clear in retrospect: favourable calendar effect (working day difference leaped from -1 to +1 YoY), base effects and clear momentum in the previous month. On a seasonally adjusted basis, industrial output rose by 1.7% MoM. Due to the arrangement of statistical bases and working days, output is likely to slow down materially in the coming months. Nevertheless, the uptrend in industry is very steep and the final quarter of 2017 is likely to bring at least as high YoY growth as the previous one.

Construction output disappointed yet again, having risen by 20.3% YoY, compared to market consensus of 23%. Such a high growth rate is misleading due to base effects, though. On a seasonally adjusted basis, output declined slightly for the third month in a row and thus, there is absolutely no momentum in construction. This weakness can be traced back to delays in public investment and supply constraints faced by construction companies (i.e. lack of workforce). Moreover, there is still no evidence that machinery and equipment investment returned to growth and exceeded its 2015 peak.

With 8.0% YoY growth, retail sales surprised to the downside, but still perspectives for private consumption are bright. Labour market is tight and consumers show high degree of confidence. Moreover, consumers got used to some degree of improvement of their consumption. Therefore, even if anything happens to real disposable income (higher inflation, slower growth due to supply constraints on the labour market) consumption is to stay here as households would ultimately turn to bank credit to compensate for real income loss.

Strong GDP data has already been internalized by the MPC and will remain neutral for monetary policy outlook as long as inflationary pressures remain modest. In light of the outcome of the last MPC meeting and the expected decline in inflation at the turn of the year (it might be deeper than the NBP forecasts at the moment), mBank's analysts believe that recent bets on monetary tightening in Poland beginning in 3Q'18 are premature, and it is more likely that the market will move its expected rate path backward, with first rate hike prices in at the beginning of 2019.

Polish FSA revised up FX-related buffer for mBank S.A.

On 22 November 2017, mBank received a decision of the Polish Financial Supervision Authority related to fulfilling by the bank at stand-alone level an additional capital requirement for covering the risk related to the foreign currency mortgage loans for households at 4.10 p.p. for total capital ratio. This translates into the additional capital requirements for Tier 1 capital ratio and CET1 capital ratio at 3.07 p.p. and 2.29 p.p., respectively.

Previously, as it was informed in October 2016, mBank was obliged to maintain own funds for the coverage of additional capital requirement at the level of 3.81 p.p. on the individual basis, consisting of at least 75% of Tier 1 capital, which was equivalent to 2.86 p.p.

As a result, minimum capital requirements imposed by the PFSA on mBank S.A. at the individual level amount currently to 13.84% for Tier 1 capital ratio and 17.87% for total capital ratio. mBank fulfils the PFSA requirements related to the minimum capital ratios on both the individual and consolidated levels.

mBank may face OSII buffer hike to 0.75%

In the administrative procedure conducted by the Polish Financial Supervision Authority, on 23 November 2017, mBank received a decision in which the regulator asked the Financial Stability Committee to express its opinion on: (i) the imposition on mBank S.A. the other systemically important institution (OSII) buffer in the amount equivalent to 0.75% of the total risk exposure amount (TREA), and (ii) the repeal in full point 2 of the decision of PFSA of 4 October 2016, in which the regulator identified mBank S.A. as the other systemically important institution and imposed on the bank both on an individual and consolidated basis, the OSII buffer in the amount equivalent to 0.5% of TREA. The final decision will be made after the position is taken by the authority from which the opinion is dependent.

Forthcoming corporate access events

08.12.2017	6th Wood's Winter Emerging Europe conference in Prague
17-19.01.2018	dbAccess 12th Annual CEEMEA Conference in London

Forthcoming reporting events

08.02.2018	mBank Group Financial Report for Q4 2017
02.03.2018	Annual Financial Report of mBank Group for 2017

mBank's shares:

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 312 122
Listed on WSE since	06.10.1992
Relevant WSE indices	WIG, WIG-30, WIG-20, WIG-Banks

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