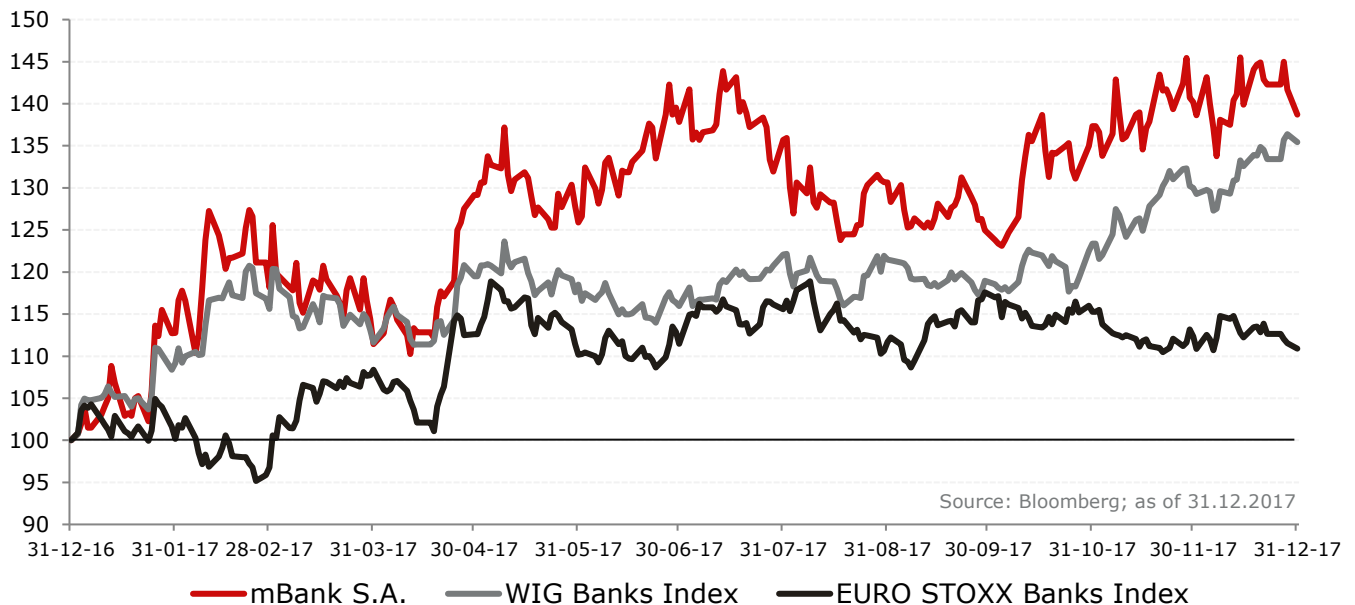


Share price performance summary

In December mBank's share price decreased by 1.06%, while the WIG-Banks index went up by 4.17%. The EURO STOXX Banks Index declined by 1.29% in the same period.

Last 12 months – chart



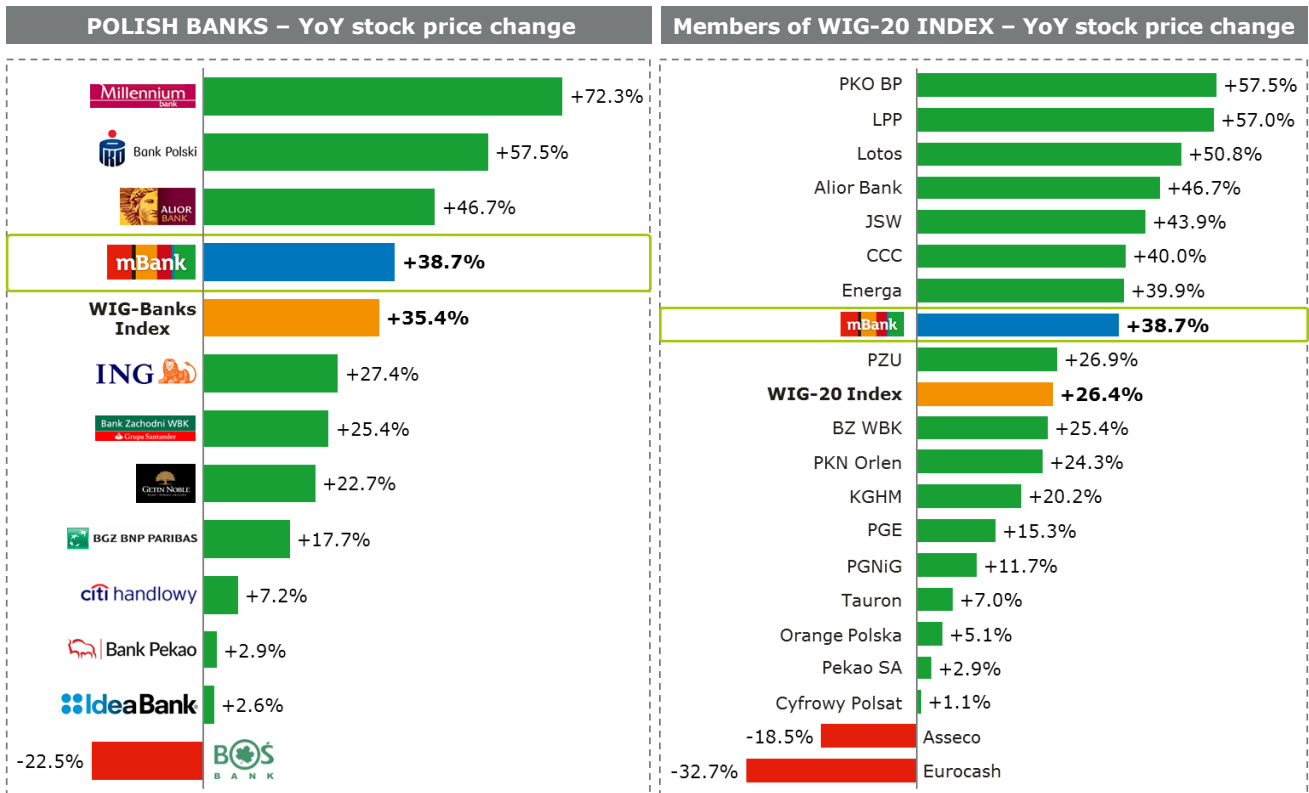
change in the period	2016	1Q'17	2Q'17	3Q'17	4Q'17	2017
mBank	+6.77%	+11.41%	+23.72%	-9.33%	+10.98%	+38.70%
WIG Banks Index	+2.90%	+11.63%	+3.86%	+2.60%	+13.84%	+35.42%
EURO STOXX Banks Index	-8.09%	+8.37%	+2.68%	+5.30%	-5.71%	+10.89%

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	3 126	+10.3%	3 355	+7.3%
Net F&C income	897	906	1 020	+12.5%	1 071	+5.0%
Total income	4 093	4 295	4 484	+4.4%	4 795	+6.9%
Costs	-2 051	-1 963	-2 036	+3.7%	-2 084	+2.4%
LLPs	-421	-365	-498	+36.3%	-545	+9.4%
Operating profit	1 622	1 967	1 951	-0.8%	2 166	+11.0%
Net profit	1 301	1 219	1 135	-7.0%	1 318	+16.1%
Net loans	78 434	81 763	86 651	+6.0%	91 655	+5.8%
Assets	123 523	133 744	135 505	+1.3%	141 904	+4.7%
Deposits	81 141	91 418	95 092	+4.0%	100 565	+5.8%

Contributing research by: Citi Research, Deutsche Bank, DM BOŚ, BZ WBK Brokerage, PKO BP Securities, Erste Group, Ipopema, J.P. Morgan, KBW, BofA Merrill Lynch, Pekao Investment Banking, Raiffeisen Centrobank, 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: 2017 share price performance summary


Source: Bloomberg.

Key news regarding mBank Group
mBank's analysts see November numbers confirming 4Q'17 to be not worse than 3Q'17


November data continued to come on the positive side. Industrial output is growing at a fast pace, while construction output and retail sales surprised to the upside significantly. mBank's analysts estimate that GDP rose by 4.8-5.0% in 4Q'17, with no visible slowdown compared to the previous quarter. Meanwhile, the labour market continues to look healthy.

According to the final release, Polish CPI rose significantly in November to 2.5% YoY from 2.1% in October. After looking into details, food prices grew faster than expected (higher butter prices and an enormous rise in egg prices) and fuel prices increased considerably (+2.9%). Core inflation grew from +0.8% to +0.9% on a yearly basis.

In the next few months inflation is set to fall on the back of base effects. Core inflation should continue to grow in the background, reflecting the build-up in inflationary pressures. If the suspicions regarding the rise in retail margins are confirmed, there is a case to be made in favour of accelerating core inflation. This, in turn, would be indicative of enterprises adjusting to higher labour costs.

Employment in enterprise sector grew in November by 4.5% on a yearly basis beating both market consensus. On a monthly basis more than 17k jobs were added, which is the best result since PKD classification was introduced in 2004. On the other hand, average wage grew by 6.5% YoY and despite a deceleration after stellar growth in October (7.4%, highest result in this year) was expected, a scope of the drop is slightly greater.

Industrial output rose by 9.1% YoY in November, but momentum remains neutral (ca. 0% MoM on a seasonally adjusted basis). The combination of base effects and unfavourable calendar will push headline growth to zero in December. Looking through these gyrations, mBank's analysts remain optimistic regarding the outlook for industrial output as both domestic and industrial demand are growing at a fast pace.

Construction output surprised positively after growing by 19.8% on a yearly basis. This is a slightly lower outcome than in October, however the circumstances are completely different. After seasonally adjusting, construction output grew by 3.2% on a monthly basis, thus escaping three month of stagnation.

Retail sales rose by 10.2% YoY in November. Surprises bloom all over the board with durable, semi-durable and non-durable goods growing faster than forecast. Consumption is going to stay strong onwards and be close in dynamic terms to the results of 2017.

During the December meeting, the Monetary Policy Council left interest rates unchanged. However, the Council lowered the interest paid on mandatory reserves held by commercial banks from 1.35% to 0.50% (equal to the official deposit rate). This move should be seen as a technical one and its only impact will be a fiscal one. Lower interest paid on reserves will boost the NBP's profit by ca. PLN 360 million and reduce the banking sector's profit by a commensurate amount.

The MPC will continue to see the data as confirmation of its optimistic outlook and voice disbelief in its impact on the inflation outlook as long as inflation does not breach the target in a sustainable manner. It seems that the MPC is less and less willing to make a move, and the higher the inflation and GDP growth, the more dovish the rhetoric. However, as stronger inflationary signals emerge, the MPC might be forced to consider a change in its stance earlier than it currently anticipates, i.e. in 2H'18.

Polish FSA determined FX-related buffers for mBank Group

On December 15, 2017, mBank received the decision of the Polish Financial Supervision Authority related to fulfilling by the bank at consolidated level an additional capital requirement for covering the risk related to the foreign currency mortgage loans for households at 3.53 p.p. for total capital ratio. Moreover, for Tier 1 capital ratio and CET1 capital ratio the additional capital requirements amount to 2.65 p.p. and 1.98 p.p., respectively.

As a result, minimum capital requirements imposed by the PFSA on mBank at the consolidated level amount to 13.42% for Tier 1 capital ratio and 17.30% for total capital ratio.

In addition, the PFSA informed the bank, that as a result of stress tests conducted by the regulator, an individual add-on for mBank S.A. used in the commercial banks' dividend policy, measuring the bank's sensitivity to an unfavourable macroeconomic scenario, defined as the difference between the TCR in the reference scenario and the TCR in the shock scenario including supervisory adjustments, amounts to 0.00%.

Forthcoming corporate access events

17-19.01.2018	dbAccess 12th Annual CEEMEA Conference in London
20-21.03.2018	CEE Capital Markets Conference by PKO Securities and GPW 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

**mBank Analyzer
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