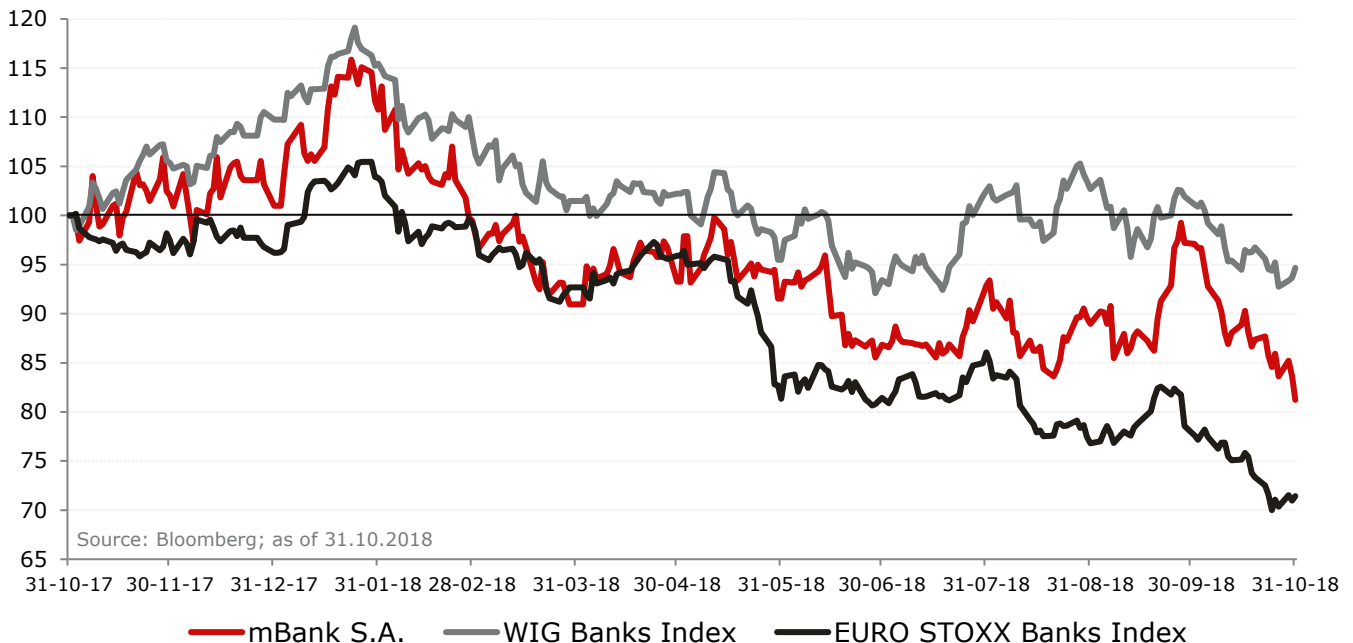


Share price performance summary

In October mBank's share price dropped by 16.44%, while the WIG-Banks index declined by 7.13%. The EURO STOXX Banks Index decreased by 9.07% in the same period.

Last 12 months – chart



change in the period	4Q'17	2017	1Q'18	2Q'18	3Q'18	2018 YtD
mBank	+10.98%	+38.70%	-9.94%	-4.54%	+11.96%	-19.57%
WIG Banks Index	+13.84%	+35.42%	-7.55%	-7.93%	+9.10%	-13.76%
EURO STOXX Banks Index	-5.71%	+10.89%	-3.67%	-12.13%	-3.53%	-25.74%

Consensus estimates for mBank Group's results

Financials (in PLN M)	2016	2017	2018E		2019E	
			estimate	Δ vs. 2017	estimate	Δ vs. 2018E
Net interest income	2 833	3 136	3 394	+8.2%	3 683	+8.5%
Net F&C income	906	992	1 022	+3.0%	1 072	+4.9%
Total income	4 295	4 454	4 930	+10.7%	5 143	+4.3%
Total costs	-1 963	-2 043	-2 128	+4.2%	-2 192	+3.0%
LLPs	-365	-508	-614	+21.0%	-656	+6.8%
Operating profit	1 967	1 903	2 187	+15.0%	2 295	+4.9%
Net profit	1 219	1 092	1 327	+21.6%	1 387	+4.5%
Net loans	81 763	84 476	90 901	+7.6%	95 751	+5.3%
Assets	133 744	131 424	140 141	+6.6%	147 109	+5.0%
Deposits	91 418	91 496	99 749	+9.0%	105 568	+5.8%

Contributing research by: Citi Research, Deutsche Bank, DM BOŚ, BZ WBK Brokerage, PKO BP Securities, Erste Group, Ipopema, Haitong, KBW, Pekao Investment Banking, Raiffeisen Centrobank, Societe Generale, Trigon DM, Vestor DM, Wood&Company.

Note: total income includes a gain on the settlement of Visa transaction (PLN 247.7 million) in 2016, and a one-off gain on the sale of an organised part of enterprise of mFinanse (PLN 219.7 million) in 2018.

Special topic:
mBank issued subordinated bonds in the total amount of PLN 750 million

On October 9, 2018, mBank issued as a private placement issuance carried out in Poland and addressed to professional clients and eligible counterparties within the meaning of MiFID II, two series of unsecured subordinated bonds having the following parameters:

	<i>1. tranche</i>	<i>2. tranche</i>
Amount and currency	PLN 550 million	PLN 200 million
Issue date	09-10-2018	09-10-2018
Call option date	10-10-2023	10-10-2025
Maturity date	10-10-2028	10-10-2030
Tenor	10.0 years	12.0 years
Coupon	WIBOR 6M + 1.8% p.a.	WIBOR 6M + 1.95% p.a.

The bank has applied to Polish Financial Supervision Authority for qualifying the bonds as the Tier 2 instruments, and consequently including them in calculation of capital ratios.

Key news regarding mBank Group
mBank's 3Q'18 GDP forecast revised down after weak industry and construction data


September data on economic activity came out on the weak side. Manufacturing output growth dropped to 2% YoY, while construction output is slowing down on annual basis and losing momentum in the middle of what would normally be a public investment spree. This has been the worst quarter for industry and construction since 3Q'16. In addition, services growth peaked before the overall economy, in 2016.

As a result, mBank's economists lowered their 3Q'18 GDP nowcast from 4.8% to 4.6% YoY, which is still a strong number. This clearly is a development expected by most economy watchers and by NBP and government officials. What is genuinely surprising is the state of the labour market. Whether caused by weaker labour demand, or by binding supply constraints, it is losing momentum at a fast clip, with the first two-month summer decline in employment since the dreadful 2012.

In September, employment in the enterprise sector slowed down to 3.2% YoY. The growth was lower than overall market expectations of 3.4%. In nominal terms, the second consecutive drop in employment was recorded that now cumulates to 6k. Average gross wage rose by 6.7% YoY in September, below the consensus of 7.1%. Unfavourable calendar effects pushed working-day-sensitive manufacturing and construction wages and growth in services did not compensate this. Curiously, the behaviour of wages is consistent with signs of lower wage pressure seen in NBP's enterprise surveys and with stable household inflation expectations. The labour supply-demand imbalance might have declined in the wake of weaker external environment. Moreover, private companies have perhaps reached the limit of their capacity to raise wages in increasingly unfavourable conditions (troubles with public investment, sharp increase in energy costs in the pipeline).

Industrial production grew in September by 2.8% YoY. The slowdown, compared to the August reading, was mostly due to the unfavourable arrangement of working days (down from 0 to -1 YoY). In general, it is still negatively affected by the foreign demand, the downturn of both the euro zone and the global economy. Construction output slowed down to 16.4% YoY, mostly

due to the calendar effect and modest high statistical base. Monthly growth, adjusted for the seasonal effects, was a meagre 0.9%. The largest yearly increase was recorded in infrastructure-related construction activity which can be attributed to investments finished before the local elections.

Retail sales grew in September by 5.6% nominally and 3.6% in real terms. The poor reading is mostly a result of low car sales, which dropped to -7% YoY from +7% in August. The strength of this slowdown suggests that it is not a macroeconomic adjustment caused by the change of consumers' or firms' expectations, or the difference in financing conditions. At the end of the year another effect resulting from tax changes for firms' cars can be observed. New amortization limits support buying expensive cars by the end of 2018 and postponing buying the cheaper ones to the next year. Taking into account disproportions in their market share it should have a negative impact on car sales in the next months of this year.

Inflation pressure eased across the board in September. Revised upwards vs the flash reading, consumer inflation fell to 1.85% (from 2.05% in August), and producer inflation to 2.9% (from 3.0% in August). The breakdown reveals lots of noise. Among the non-core categories, there were no major surprises: food +0.6% MoM, fuels +0.5% MoM, and energy +0.3% MoM. Core categories proved to be highly volatile (many of them exceeded changes of $\pm 1\%$ MoM). Some jumps were evidently seasonal (education, package holidays) or of one-off nature (telecommunications). Looking through the monthly variation the upward trend in YoY growth rates can be visible in alcoholic beverages, wearing apparel, recreation and culture and restaurant and hotels. Finally, core inflation stayed at August's level of 0.9% YoY.

mBank's economists still argue that it is core inflation along with the growth prospects for 2020 and 2021 that is going to be decisive for rates outlook in Poland. They continue to see the first rate hike in late 2019.

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

On October 17, 2018, 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 4.18 p.p. for total capital ratio. This translates into the additional capital requirements for Tier 1 capital ratio and CET1 capital ratio at 3.14 p.p. and 2.34 p.p., respectively.

Previously, as it was informed in November 2017, mBank was obliged to maintain own funds for the coverage of additional capital requirement at the level of 4.10 p.p. on the individual basis, consisting of at least 75% of Tier 1 capital, which was equivalent to 3.07 p.p.

As a result, minimum capital requirements imposed by the PFSA on mBank S.A. at the individual level amount currently to 17.31% for total capital ratio and 14.27% for Tier 1 capital ratio. mBank fulfils the PFSA requirements related to the minimum capital ratios on both the individual and consolidated levels.

Forthcoming corporate access events

12-13.11.2018	10th Annual CEEMEA 1x1 Conference by Goldman Sachs in London
22.11.2018	Banking Conference by Santander Brokerage in Warsaw
04.12.2018	7th Annual WOOD's Winter Wonderland conference in Prague

Forthcoming reporting events

February 2019	Selected non-audited financial data of mBank Group for Q4 2018
28.02.2019	Annual Financial Report of mBank Group for 2018

mBank's shares:

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 332 466
Listed on WSE since	06.10.1992
Relevant WSE indices	WIG, WIG-30, WIG-20, WIG-Banks

**mBank Analyzer
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