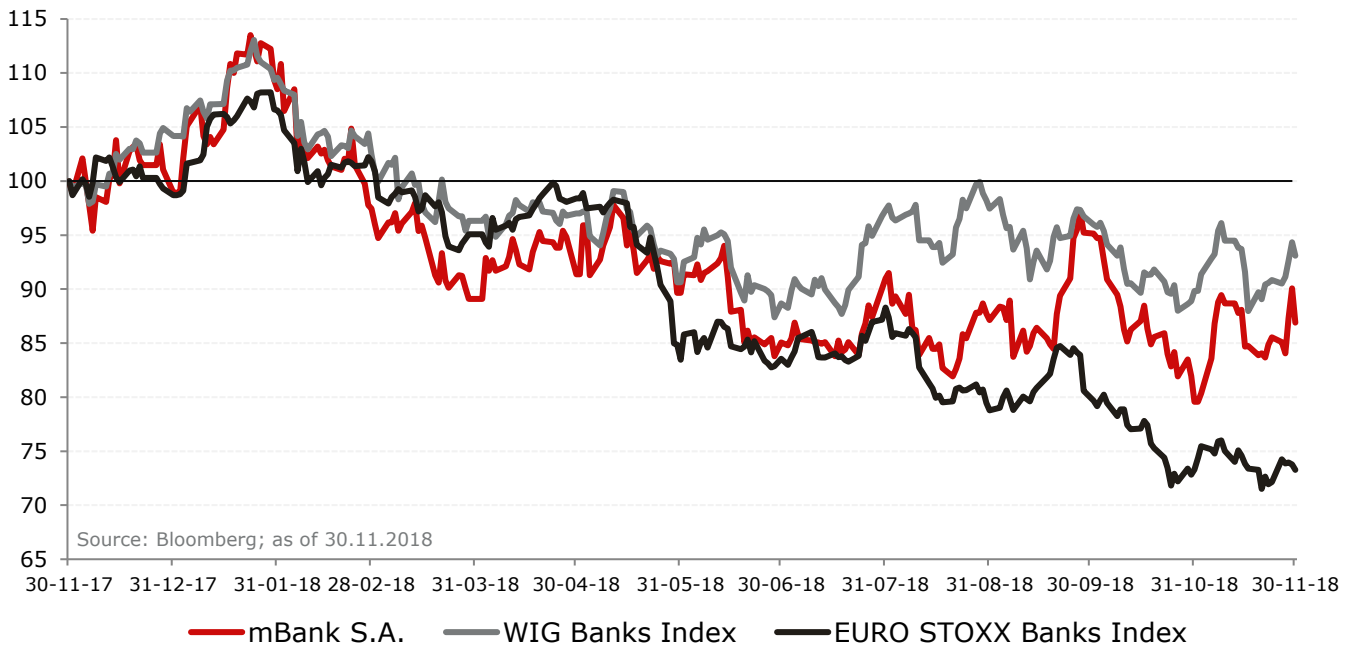


Share price performance summary

In November mBank's share price increased by 9.20%, while the WIG-Banks index went up by 3.62%. The EURO STOXX Banks Index declined marginally by 0.04% 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%	-12.17%
WIG Banks Index	+13.84%	+35.42%	-7.55%	-7.93%	+9.10%	-10.64%
EURO STOXX Banks Index	-5.71%	+10.89%	-3.67%	-12.13%	-3.53%	-25.77%

Consensus estimates for mBank Group's results

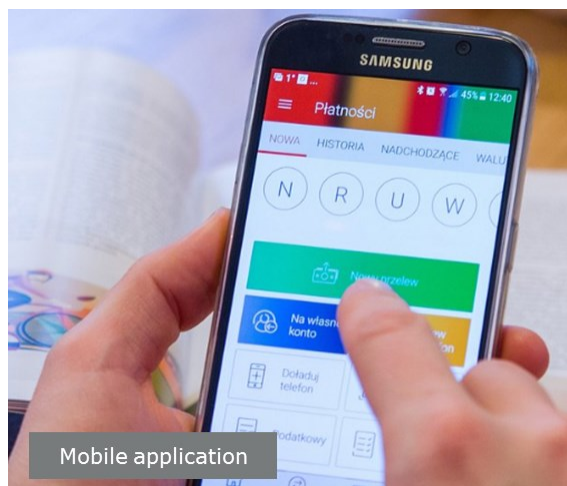
Financials (in PLN M)	2016	2017	2018E		2019E	
			estimate	Δ vs. 2017	estimate	Δ vs. 2018E
Net interest income	2 833	3 136	3 401	+8.5%	3 703	+8.9%
Net F&C income	906	992	1 019	+2.7%	1 067	+4.7%
Total income	4 295	4 454	4 929	+10.7%	5 152	+4.5%
Total costs	-1 963	-2 043	-2 133	+4.4%	-2 197	+3.0%
LLPs	-365	-508	-622	+22.4%	-660	+6.2%
Operating profit	1 967	1 903	2 175	+14.3%	2 295	+5.5%
Net profit	1 219	1 092	1 316	+20.6%	1 385	+5.2%
Net loans	81 763	84 476	90 938	+7.6%	95 788	+5.3%
Assets	133 744	131 424	140 798	+7.1%	147 788	+5.0%
Deposits	91 418	91 496	100 448	+9.8%	105 960	+5.5%

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:
New functionality in mBank's mobile application: scanning of transfer data

In upgraded version of mBank's mobile application, a new functionality was added. Clients send millions of transfers every month and many of these payments require manual filling of data. mBank has offered a simple solution to eliminate this cumbersome task. Users of the application can now scan the data needed to fill the transfer directly from the printed invoice or computer screen. Account number, name of payment beneficiary, title and other information are moved to their places on the transfer form through scanning with a smartphone camera. Client completes the action by accepting the payment.


Key news regarding mBank Group
Polish economy defied expectations of a slowdown in 3Q'18, mBank's analysts said


GDP rose by 5.1% YoY in 3Q'18, beating market consensus of 4.6-4.7%. On a sequential basis the figure was also impressive, with a growth of 1.7% QoQ. In addition, revised quarterly figures for the 1Q'16-2Q'18 period were published. Overall, they match the annual revisions released in October and indicate that economic growth in Poland peaked at a higher level in 3Q'17 (5.4% YoY as compared to the first estimate of 4.7%).

For the second consecutive month, the final reading of inflation proved to be a tad higher than the flash release. Inflation in October came out at 1.8% YoY. Within non-core measures, a delicate rises in food and energy prices and moderate growth in motor fuel prices were observed. Core inflation accelerated to 0.9% and the scenario of its slow uptrend movement should be still regarded as a baseline one. mBank's analysts think core inflation may reach 2.4% by the end of 2019, while NBP's own forecast of this inflation measure is even higher and this path may be subject to (upward) revision due to higher GDP. Next months are set to bring decreases in CPI inflation that owe much to the dynamics in fuel market, with the level close to 1.4-1.5% by the year's end.

October turned out to be better than expected in most economic aggregates. Positive surprises ranged from wages to industrial production and retail sales. Data suggest that GDP will remain strong in 4Q'18. Risks for the consumption in the end of 2018 will probably not realize.

Employment in the enterprise sector increased by 3.2% YoY in October, therefore the dynamics remained at the same level as a month before. In monthly terms there were 2k posts added (which is the weakest result since October 2012). Only due to the seasonal effects it was not another month of decreasing number of employees in absolute terms. Average gross wage rose by 7.6% YoY, above market consensus of 6.5% YoY.

Industrial output surprised to the upside and rose by 7.4% YoY in October, beating market forecasts (6.5-6.6% YoY). The acceleration from September's level of 2.8% YoY is a result of favourable calendar effect (working day difference rose from -1 to +1 YoY). The momentum has, however, picked up (+1.2% MoM seasonally adjusted). The October result is not strong

enough to warrant any change in the overall assessment of trends. Polish industry did slow down, from ca. 8% YoY at the turn of the year to ca. 5% YoY at the moment. The combination of local and global factors suggests that it will not be re-accelerating in a sustainable fashion anytime soon.

Construction output accelerated in October, growing by 22.4% YoY, more than the market consensus of 21.0%. Such an increase was due mostly to the positive effect of working days and to relatively high temperatures in the month. The largest yearly growth was recorded in the construction of buildings. The result can be considered as an effect of investments finished before the local elections, however it should be the last month when this effect played an important role in construction output. End of local public investments together with supply barriers may affect negatively future readings.

Retail sales in October increased by 9.7% YoY in nominal terms. After the regulatory driven surge in car registrations in August that immediately found their way only to dealer's car parks, increased demand took them finally home.

The November meeting of the Polish Monetary Policy Council did not bring any changes to interest rates, with key NBP rate still kept at the historic low of 1.5%. Central bank raised this year's GDP growth forecast from 4.6% to a very consensual 4.8% YoY. Projection for inflation in 2018 remained unchanged at 1.8%, but CPI is now seen to grow by 3.25% in 2019 (previously 2.7%) and 2.9% in 2020 (previously 2.8%). The rhetoric of governor Glapiński was unequivocally dovish and consistent with the previous press conferences. In particular, even in the worst-case scenario of high electricity price hike he does not see any need to react and start a tightening cycle in 2019. If nothing unexpected happens, the same applies to 2020. The MPC is willing to tolerate relatively high (although still within the target band) inflation to the extent its predecessors weren't.

Polish FSA revised up FX-related buffer for mBank Group

On November 30, 2018, mBank received a 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 3.64 p.p. for total capital ratio. This translates into the additional capital requirements for Tier 1 capital ratio and Common Equity Tier 1 capital ratio at 2.73 p.p. and 2.04 p.p., respectively.

Previously, as it was informed in December 2017, mBank was obliged to maintain own funds for the coverage of additional capital requirement at the level of 3.53 p.p. on the consolidated level, consisting of at least 75% of Tier 1 capital, which was equivalent to 2.65 p.p.

As a result, minimum capital requirements imposed by the Polish regulator on mBank Group amount currently to 16.83% for total capital ratio and 13.92% 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

04.12.2018	7th Annual WOOD's Winter Wonderland conference in Prague
18-19.03.2019	CEE Capital Markets Conference by PKO Securities and GPW in London

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	42 336 982
Listed on WSE since	06.10.1992
Relevant WSE indices	WIG, WIG-30, WIG-20, WIG-Banks

**mBank Analyzer
Annual Report online**Newsletter archive – [click here](#)

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