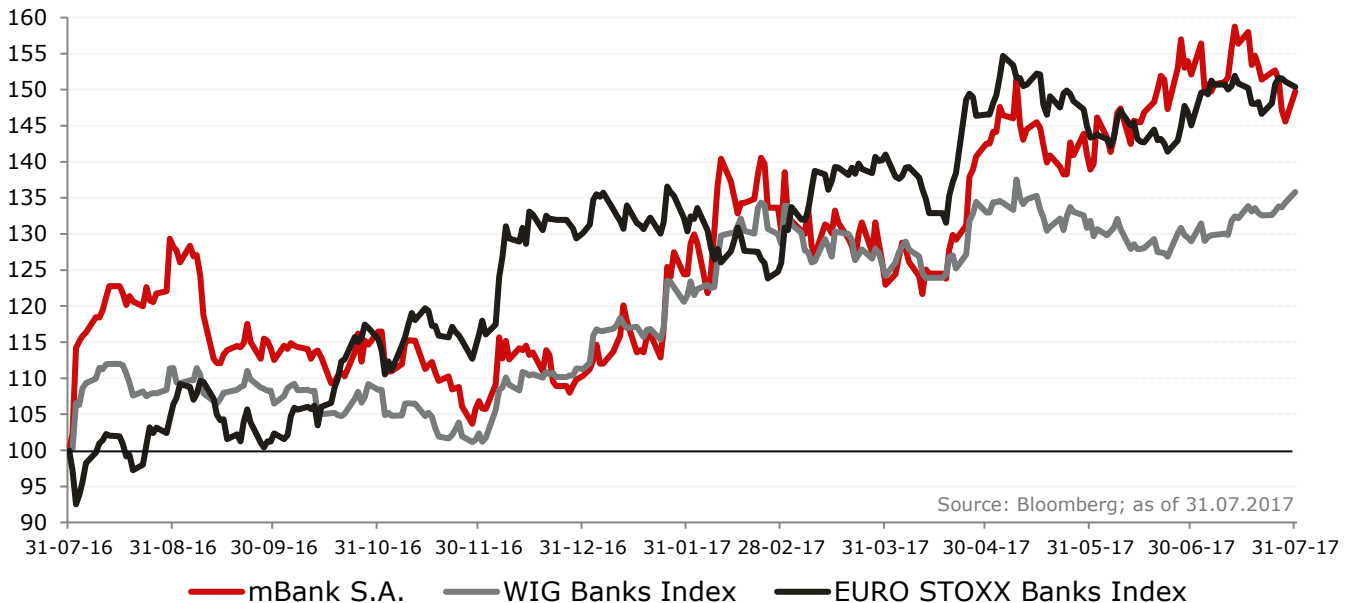


Share price performance summary

In July mBank's share price declined by 1.54%, while the WIG-Banks index went up by 5.29%. The EURO STOXX Banks Index increased by 3.68% in the same period.

Last 12 months – chart



change in the period	3Q'16	4Q'16	2016	1Q'17	2Q'17	2017YtD
mBank	+10.62%	-1.90%	+6.77%	+11.41%	+23.72%	+35.72%
WIG Banks Index	+5.37%	+4.51%	+2.90%	+11.63%	+3.86%	+22.07%
EURO STOXX Banks Index	+11.16%	+27.00%	-8.09%	+8.37%	+2.68%	+15.57%

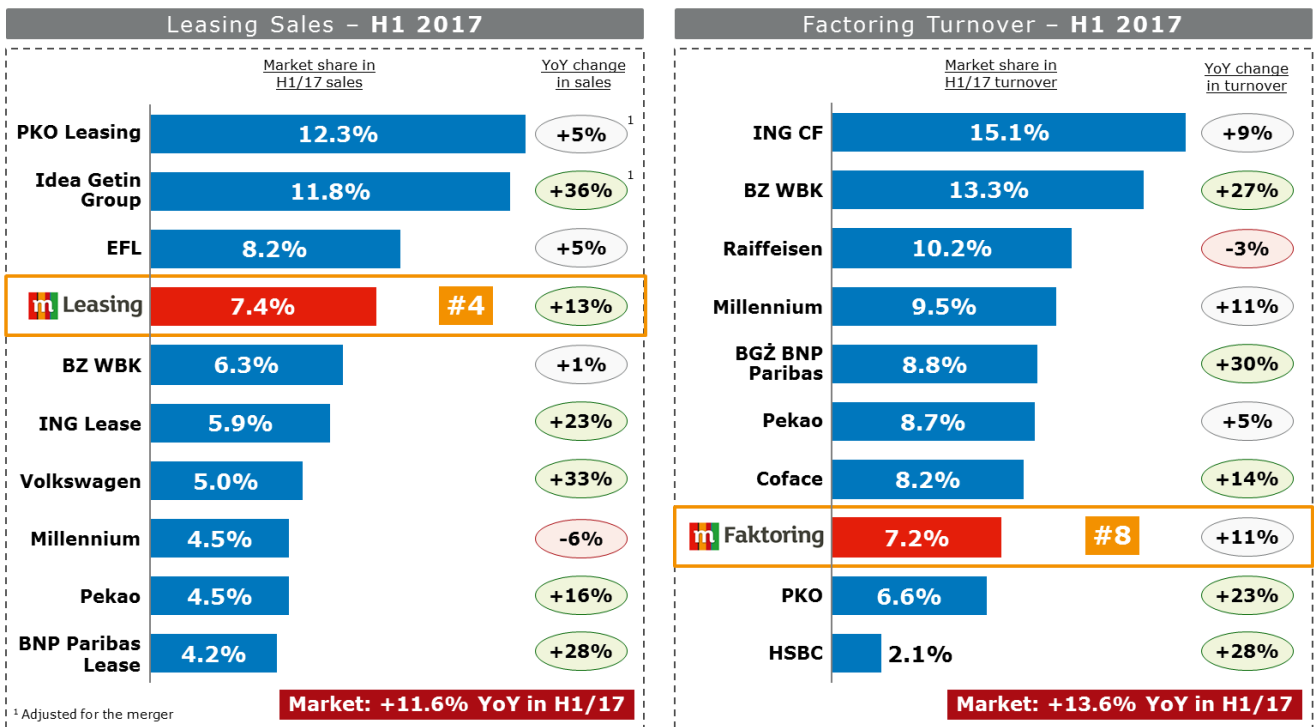
Consensus estimates for mBank Group's results

Financials (in PLN M)	2015	2016	2017E		2018E	
			estimate	Δ vs. 2016	estimate	Δ vs. 2017E
Net interest income	2 511	2 833	3 073	+8.5%	3 288	+7.0%
Net F&C income	897	906	996	+9.9%	1 048	+5.2%
Total income	4 093	4 295	4 399	+2.4%	4 691	+6.6%
Costs	-2 051	-1 963	-2 007	+2.2%	-2 041	+1.7%
LLPs	-421	-365	-468	+28.1%	-517	+10.5%
Operating profit	1 622	1 967	1 924	-2.2%	2 132	+10.8%
Net profit	1 301	1 219	1 162	-4.7%	1 313	+13.0%
Net loans	78 434	81 763	85 526	+4.6%	89 853	+5.1%
Assets	123 523	133 744	135 902	+1.6%	142 133	+4.6%
Deposits	81 141	91 418	93 677	+2.5%	98 871	+5.5%

Contributing research by: Citi Research, DM BOŚ, BZ WBK Brokerage, PKO BP Securities, Erste Group, Haitong Bank, Ipopema, J.P. Morgan, KBW, BofA Merrill Lynch, Noble Securities, Pekao Investment Banking, Raiffeisen Centrobank, 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: mBank's position on Polish leasing and factoring market after 1H'17



Source: mBank's calculations based on data from Polish Leasing Association (PLA) and Polish Factors Association (PFA).

Key news regarding mBank Group

mBank's analysts see goldilocks economy perception to prevail



After the complete set of data for 2Q'17 it is safe to state that GDP growth decelerated a bit towards 3.8%. This move is not meaningful and economy is on track to generate 4% GDP growth in the next quarters but its composition is going to shift towards larger flow of investment at the cost of consumption. Inflation in June was at 1.5% YoY, in line with the flash estimate.

Food prices increased by 0.1% MoM and fuel prices fell by 4.1%. In general, consumer services prices increased in June (health, transport, package holidays, hotels, restaurants and miscellaneous categories like hairdressers), while core consumer goods typically declined in price (clothing, passenger cars, various small-weight items). mBank's economists reiterate their opinion that June's 1.5% marks the local bottom in inflation. In the coming months inflation will be lifted by higher food prices (the impact of cold Spring will be felt in seasonal fruit and vegetables) and rising core inflation.

Employment in the enterprise sector disappointed slightly, having grown by 4.3% YoY in June. On a monthly basis employment was close to the usual seasonal pattern of job creation. Nevertheless, it was enough to push total employment over 6 million for the first time in history. June data look solid and, coupled with strong employment forecasts from the NBP's business sentiment surveys, suggests that labour demand is growing robustly. As indicated on multiple occasions, labour supply is the major problem. The resulting imbalance might not be corrected at the current wage level. Average gross wage grew by 6% YoY in June, much above market consensus and it was the highest reading since 2009, excluding the one-time surge driven by the increase in disability pension contributions in 2012.

Sold industrial output grew by 4.5% YoY. The slowdown relative to May figure is purely a result of less favourable calendar (difference in working days). The details of the release have a few positive surprises – weakness in mining and energy production (both in annual and monthly terms) mean that manufacturing performed a bit better than what the headline number would suggest. On a monthly basis, industrial output grew by seasonally adjusted 0.7%, thereby confirming weaker momentum in 2Q'17. The overall trend in industrial output is remarkably stable over the medium term.

Retail sales decelerated to 6% YoY in June. So far the negative, statistical base effects connected with the last year's launch of 500+ support programme are muted, but mBank's economists expect them to be gradually more visible in the next months. Having said that, it has to be noted that overall consumption weakness is an impossible scenario, since households are well-supported by record high growth of nominal incomes and still low inflation. Only slight deceleration of consumption growth towards 4.0-4.2% is foreseen in 2H'17.

July meeting of the Monetary Policy Council brought no changes to interest rates, just as widely expected. The NBP raised its 2017 GDP growth forecast substantially, likely due to higher starting point and stronger consumer spending, while 2018 and 2019 forecasts were changed only slightly. CPI projections for 2017 were revised down to account for the latest decline in fuel prices, but the 2018-2019 trajectory of inflation was shifted slightly upward. Thus, it is of little surprise that governor Glapinski expects the Council to start discussing rate hikes in the latter half of 2018. Markets so far agree with his assessment and price in the first hike at the beginning of 2019.

Proposed fuel tax hike had been abandoned hence the odds of inflation running persistently above 2% before 2Q'18 diminished. Digging deeper, core inflation gradually rises along with the demand for labour whereas bargaining position of low-skilled workers improves. The increases of wages are set to intensify in the coming months. That would constitute a good story to join the more hawkish ECB in 2018 after a possible step back in the very near term. Until then goldilocks economy perception prevails.

Forthcoming corporate access events

- August 28, 2017: Best of Poland – Polish Capital Market Day in Frankfurt organized by mBank Dom Maklerski and WSE
- September 11-12, 2017: 14th Annual Emerging Europe Investment Conference in Warsaw

Forthcoming reporting events

- October 26, 2017: mBank Group Financial Report for Q3 2017
- February 8, 2018: mBank Group Financial Report for Q4 2017
- March 2, 2018: Annual Financial Report of mBank Group for 2017

mBank's shares:

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 285 676
Listed on WSE since	06.10.1992
Relevant WSE indices	WIG, WIG-30, WIG-20, WIG-Banks

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