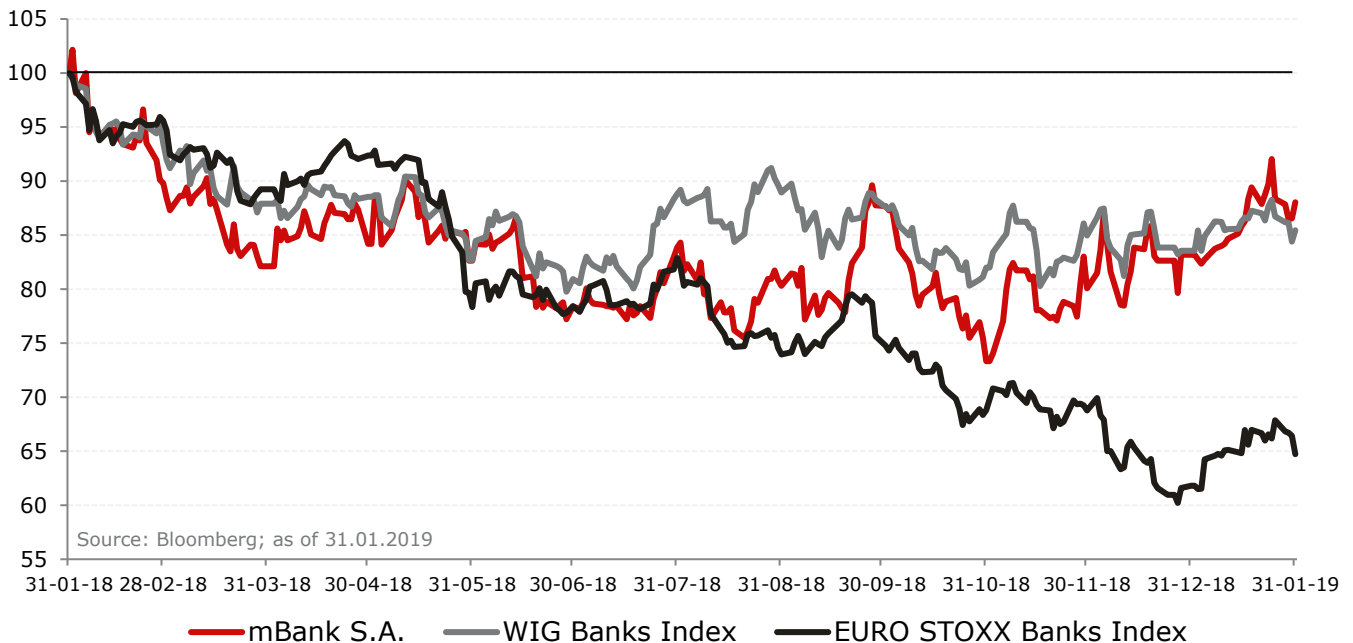


Share price performance summary

In January mBank's share price increased by 5.85%, while the WIG-Banks index went up by 2.27%. The EURO STOXX Banks Index gained 4.72% in the same period.

Last 12 months – chart



change in the period	2017	1Q'18	2Q'18	3Q'18	4Q'18	2018
mBank	+38.70%	-9.94%	-4.54%	+11.96%	-5.23%	-8.77%
WIG Banks Index	+35.42%	-7.55%	-7.93%	+9.10%	-5.37%	-12.12%
EURO STOXX Banks Index	+10.89%	-3.67%	-12.13%	-3.53%	-18.31%	-33.29%

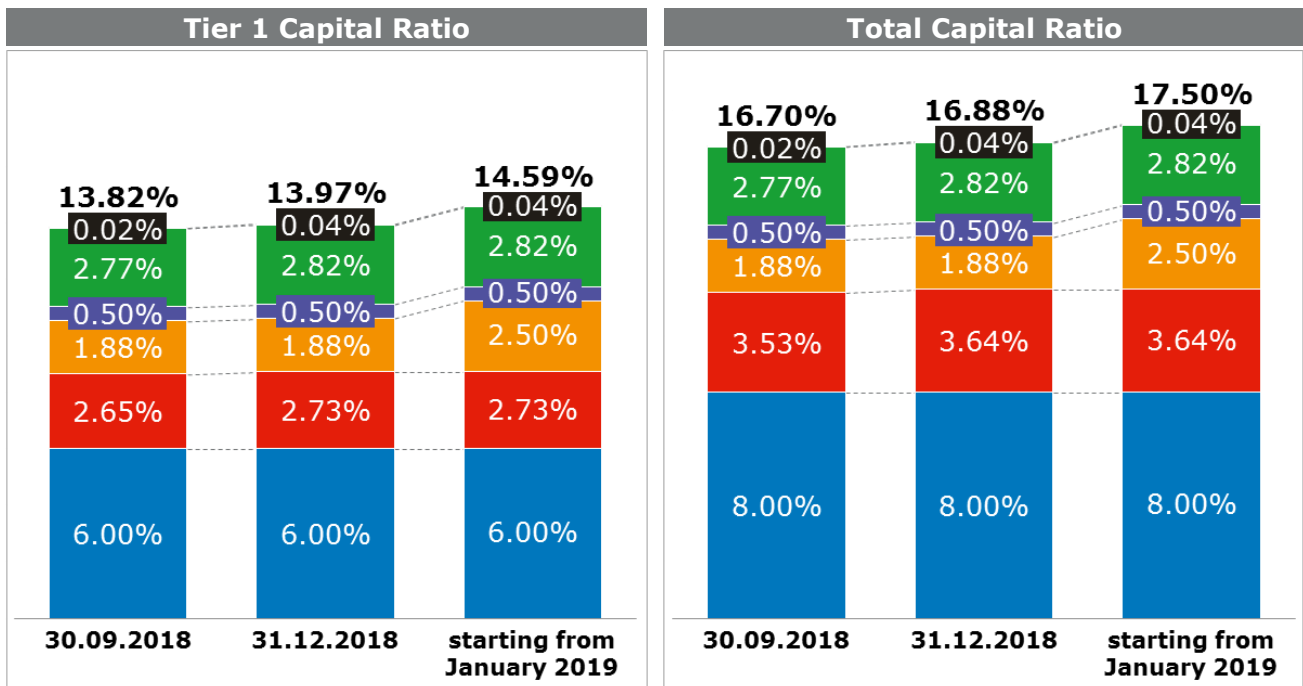
Consensus estimates for mBank Group's results

Financials (in PLN M)	2016	2017	2018E		2019E	
			estimate	Δ vs. 2017	estimate	Δ vs. 2018E
Net interest income	2 833	3 136	3 480	+11.0%	3 768	+8.3%
Net F&C income	906	992	997	+0.5%	1 046	+5.0%
Total income	4 295	4 454	5 025	+12.8%	5 189	+3.3%
Total costs	-1 963	-2 043	-2 161	+5.8%	-2 230	+3.2%
LLPs	-365	-508	-681	+34.1%	-708	+4.0%
Operating profit	1 967	1 903	2 184	+14.8%	2 252	+3.1%
Net profit	1 219	1 092	1 310	+20.0%	1 344	+2.6%
Net loans	81 763	84 476	91 489	+8.3%	96 584	+5.6%
Assets	133 744	131 424	143 749	+9.4%	151 147	+5.1%
Deposits	91 418	91 496	102 738	+12.3%	108 686	+5.8%

Contributing research by: Citi Research, Deutsche Bank, DM BOŚ, Santander 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: Evolution of regulatory capital requirements for mBank Group



- *Countercyclical Capital Buffer* is calculated as the weighted average of the countercyclical buffer rates that apply in the countries where the relevant credit exposures of the Group are located.
- *Systemic Risk Buffer* determined at 3.0% in Poland; for mBank it applies only to domestic exposures.
- *Other Systemically Important Institution (O-SII) Buffer*
- *Conservation Capital Buffer* is equal for all banks in Poland; the implementation was gradual: it was raised from 1.25% to 1.875% from 01.01.2018 and to 2.5% from 01.01.2019.
- *Individual additional Pillar 2 capital requirement for risk related to FX retail mortgage loans*
- *CRR Regulation minimum level* based on EU Regulation

Key news regarding mBank Group

mBank's economists find weak December data sealing the downtrend in GDP growth



Weak data for December shifted GDP nowcasts slightly. mBank's analysts now expect Poland's economy to have grown by 4.8% YoY in 4Q'18 and this forecast is subject to downside risks due to uncertain behaviour of inventories at the end of the year. With modestly worse consumption prospects and public investment peaking in annual terms in 2018, GDP growth set to drop below 4% YoY in 2019.

December CPI grew by 1.1% YoY, just as the flash estimate indicated, but below market consensus of 1.2%. Detailed price data did not bring any major surprises. Food prices rose by 0.7% MoM, fuels cheapened by 3.3% MoM, while residential energy prices increased slightly. Core inflation decelerated to 0.6% YoY in December from 0.7% in the previous month. Seasonal increases in the prices of airline fares, books, newspapers and package holidays indeed occurred, but were offset by cheaper insurance prices, relatively low alcohol prices and generally small increases in large categories such as hotels and restaurants and education.

Employment in enterprise sector literally ground to a halt in December recording 0% MoM dynamic. That reduced annual growth to 2.8%. It is a mix of the mature character of the cycle

and several symptoms of business climate cooling as well as a bit relaxed supply problems. Average gross wage rose by a mere 6.1% YoY, much below market consensus (7.3%). The weakness extended beyond the shifts in mining's bonuses. Wages have not accelerated since the beginning of 2017.

Industrial output rose by 2.8% YoY in December, significantly below market consensus (4.5-5%). This happened despite the lack of calendar effects (zero annual difference in working days for the second month in a row) as the slowdown is the result of weak momentum and high statistical base in manufacturing and mining. Relatively warm December did not prevent energy output from rising by an impressive 13.4% YoY. Nevertheless, the trend in industrial output remains negative.

Construction output in December was higher by 12.2% YoY, also below the market consensus (15.1%). Output adjusted for the seasonal effects increased by 11.4% annually, but it decreased in monthly terms by 0.2%. Therefore, the last quarter of 2018 was effectively a period of stagnation. The largest yearly growth was recorded in construction of buildings (24.2%), and civil engineering works (11.4%).

Retail sales increased by a mere 3.9% YoY (in constant prices), much below market consensus (6.9%). In current prices sales rose by 4.7% YoY as real and price effects worked in tandem towards the slowdown. Fuels sales decelerated from 16% to 11% YoY due to a strong price effect (this factor will weigh on nominal sales in January as well). Sales of food dropped by 1.4% YoY (from +3.9% YoY in November).

The January meeting of the Polish Monetary Policy Council resulted in flat interest rates. The statement resembled the previous one, and the governor Glapinski again extended the forward guidance, this time till the "end of the MPC's term" (i.e. until 2021). The mix of growth risks and low inflation is enough to close the doors for the increase of interest rates. There will be no hikes: neither in 2019, nor in 2020. At the same time, the MPC informed that they do not even consider cutting interest rates (risk for the banking sector).

Stress-test parameter for mBank has been determined at 2.55 p.p.

On January 18, 2019, mBank received a letter from the Polish Financial Supervision Authority regarding the assumptions of the dividend policy for 2019.

The criteria for dividend payment up to 75% of the profit generated in the previous year are in line with the criteria published by the regulator in its position of January 15, 2019, regarding the general assumptions of dividend policy. The criteria for dividend payment up to 100% of the profit generated in the previous year, additionally take into account the bank's sensitivity to the unfavourable macroeconomic scenario (ST parameter).

The Bank's sensitivity to the unfavourable macroeconomic scenario was defined as a difference between the total capital ratio (TCR) in the reference and shock scenarios at the end of the forecast period (2020). The indicator was determined on the basis of the results of stress tests, taking into account supervisory adjustments. Due to the stability of the balance sheet assumed this year, i.e. the inability of the banks to react to the adversely changing external environment, the ST indicator has been reduced by the current level of the capital conservation buffer of 2.5 p.p. valid from January 2019. The Polish FSA informed mBank that its individual stress-test add-on amounts to 5.05 p.p. After deducting the capital conservation buffer, the ST parameter for the bank stands at 2.55 p.p.

Forthcoming corporate access events

18-19.03.2019	CEE Capital Markets Conference by PKO Securities and GPW in London
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Forthcoming reporting events

07.02.2019	Selected non-audited financial data of mBank Group for Q4 2018
27.02.2019	Annual Financial Report of mBank Group for 2018
30.04.2019	mBank Group Financial Report for Q1 2019
30.07.2019	Semi-annual Financial Report of mBank Group for H1 2019
30.10.2019	mBank Group Financial Report for Q3 2019

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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