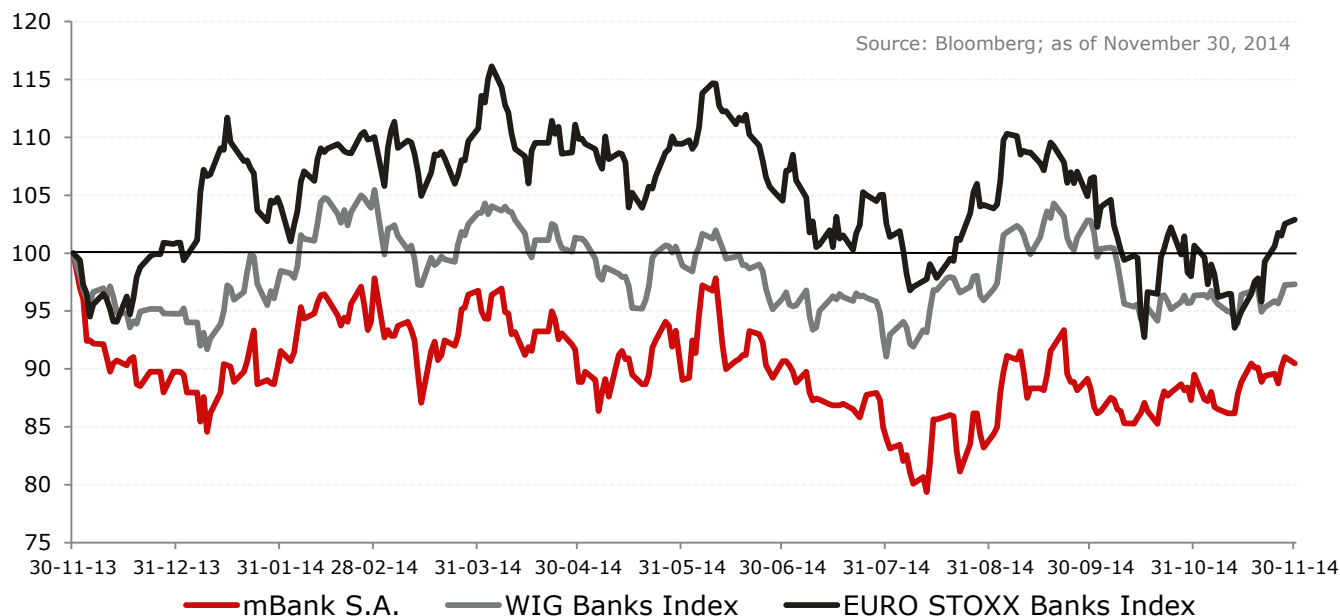


### Share price performance summary

In November mBank's share price increased by 1.08%, while the WIG Banks index grew by 1.02%. The EURO STOXX Banks Index went up by 2.22% in the same period.

#### Last 12 months – chart



change in the period	Q4'13	2013	Q1'14	Q2'14	Q3'14	YtD
mBank	+11.09%	+53.37%	+7.80%	-6.31%	-2.57%	+0.80%
WIG Banks Index	+4.18%	+20.54%	+9.18%	-7.13%	+6.99%	+2.68%
EURO STOXX Banks Index	+12.39%	+25.87%	+9.78%	-5.63%	+1.84%	+1.98%

### Consensus estimates for mBank Group's results

P&L item (in PLN M)	2012FY	2013FY	2014E		2015E	
			estimate	Δ vs. 2013A	estimate	Δ vs. 2014E
Net interest income	2 280	2 226	2 447	+9.9%	2 576	+5.3%
Net F&C income	787	835	918	+10.0%	943	+2.7%
<b>Total income</b>	<b>3 571</b>	<b>3 674</b>	<b>3 932</b>	<b>+7.0%</b>	<b>4 163</b>	<b>+5.9%</b>
<b>Costs</b>	<b>-1 661</b>	<b>-1 678</b>	<b>-1 764</b>	<b>+5.1%</b>	<b>-1 815</b>	<b>+2.9%</b>
LLPs	-445	-478	-507	+6.1%	-521	+2.7%
<b>Profit before tax</b>	<b>1 465</b>	<b>1 518</b>	<b>1 660</b>	<b>+9.3%</b>	<b>1 826</b>	<b>+10.0%</b>
<b>Net profit</b>	<b>1 197</b>	<b>1 206</b>	<b>1 312</b>	<b>+8.8%</b>	<b>1 455</b>	<b>+10.9%</b>
Loans	66 947	68 210	72 746	+6.6%	77 741	+6.9%
Assets	102 145	104 283	110 579	+6.0%	116 146	+5.0%
Deposits	57 984	61 674	65 901	+6.9%	70 508	+7.0%

Contributing research by: Citi Research, Deutsche Bank, Millennium DM, UniCredit, ING Securities, BZ WBK Brokerage, Ipopema, Raiffeisen, Goldman Sachs, Wood & Company, KBW, PKO DM, Erste Group, Espirito Santo, BoA Merrill Lynch, J.P. Morgan, BOŚ DM, Trigon DM, DI Investors, Noble Securities.

**Special topic: mBank opened the first light branches in new format**

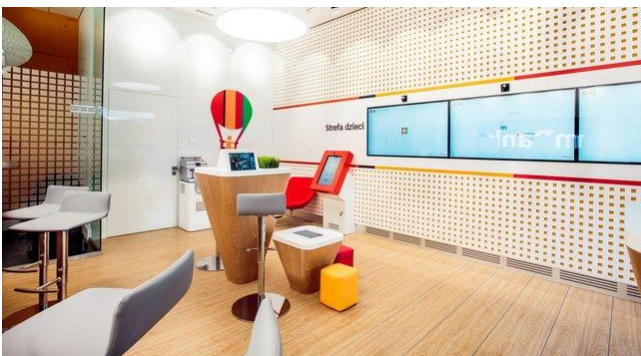


In November mBank opened its first two branches in the new light format. They are located in the shopping malls in Łódź and Szczecin. It is a part of a complex reorganising project of mBank's sales network scheduled until 2018, aimed at adjusting the existing branches and their functions to the changing behaviour of the banking clients. There will be two types of outlets in the new model of physical distribution channels – light branches and integrated advisory centres.

The investment in the bank's sales network will optimise the structure of bank branches matching the needs of a modern mobile client. The project worth over PLN 70 million, will not only positively contribute to the client acquisition, but will also bring savings of more than PLN 50 million per year, e.g. due to more efficient management of rented surfaces.

A unique format of mBank's light branches is based on a few principles. A relocation of outlets to higher customer traffic hubs, such as shopping malls, will allow for more efficient sales and cost reduction. Customers are attracted to a branch by the applied technology, including the ultra-modern, interactive screens with *kinect* function (responsive to movement) and video-walls, which in a revolutionary way change the presentation of the offer in bank branches (customers can browse the offer by touching the screens; video cameras installed above the screens help in personalization of the offer). Also, mDiscounts are available to the clients, allowing for the rebates while shopping.

Light branches are designed to provide quick and efficient service in the area of basic products (accounts, payment cards issued on the spot, cash loans as well as cash handling). Ultimately, over 40 light branches will be operating throughout the country.



**Key news regarding mBank Group**

**More rate cuts will occur and their timing is the only truly unknown variable**



In November, contrary to market consensus and expectations, the Monetary Policy Council decided to keep rates unchanged. The statement stays dovish and almost completely unchanged since October. Fresh inflation projection points to lower CPI in the whole forecast horizon. Downside revision was imposed upon GDP growth forecast as well. Polish economy is now seen rising at 2.8% rate in 2015.

In October CPI inflation dropped from -0.3% to -0.6% YoY. The result constitutes the lowest CPI reading in modern history. Declines in food prices contributed negatively to the price dynamics. Disinflation has become widespread and deeply rooted. Core inflation tumbled from 0.7% to 0.2% YoY as prices of services grew by just 0.9% YoY (slowest growth on record in this category). In the coming months CPI is set to remain in the negative territory and recent data clearly show that there is no turnaround in the trends.

Contrary to what monthly releases suggested, GDP at 3.3% YoY in Q3/14 slowed down only marginally compared to the revised Q2/14 growth rate of 3.5% YoY. However, a recent set of data showed that the economy remains sluggish and lacks momentum beyond the veil of strong GDP numbers. In spite of wage growth surprising to the upside and employment registering the best October since 2010, industrial data confirmed the stagnation, both in manufacturing and construction.

Average gross wage increased by 3.8% in October, up from 3.4% in September. Current range is consistent with neutral momentum in the most sectors of the economy, although the recent soft patch is probably coming to an end. Decent growth in real wage bill and real income (low inflation) should support consumer demand even if one takes into consideration the recent increase in savings rates. Industrial output grew by 1.6% YoY in October after a 4.2% increase in September, while construction output dropped by 1% on annual basis.

mBank's analysts believe that while the worst in the economy is probably over, a more dynamic rebound will have to wait. Flat momentum in the economy implies that the bottom in GDP growth should occur at the turn of 2014 and 2015 when base effects will be the strongest. It is still true that enterprises have no independent pricing power which negatively affects their profit margins and discourages investment.

### **New mBank and mobile application appreciated by both experts and users**



On November 12, 2014, BAI and Infosys announced the winners of the 2014 BAI-Finacle Global Banking Innovation Awards during a special ceremony at the BAI Retail Delivery 2014 conference in Chicago, USA. Award winners were chosen from 22 finalists representing 12 financial institutions from around the world. BAI's Innovation Circle Judging Panel recognized mBank as the best in the category for Channel Innovation Award Winner.



The jury appreciated project New mBank and named it the next generation digital bank, providing a unique customer experience with re-designed Internet and mobile banking fully leveraging modern technologies to deliver state-of-the-art, end-to-end customer experience and unparalleled sales effectiveness to mBank's customers.

mBank's mobile application is positively evaluated not only by the experts, but also its users. This year, at the AppAwards gala it won as many as four statues. The customers recognized it as the best financial tool for three leading mobile platforms: iOS, Android and Windows Phone; moreover in the last category the bank was also awarded by the jury.

### **mBank issued a fourth tranche of Eurobonds under its EMTN programme**

On November 20, 2014, mBank via a foreign unit mFinance France S.A. issued a fourth tranche of Eurobonds with a nominal value of EUR 500 million, maturing in 2021. The coupon was set at 2.00% per annum. The transaction settlement date was November 26, 2014. The bonds will be listed on Bourse de Luxembourg.

**Forthcoming corporate access events**

- December 1-5th, 2014: Wood's Winter in Prague – Emerging Europe Conference
- December 2-4th, 2014: UBS Global Emerging Markets One-on-One Conference

**Forthcoming reporting events**

- February 5th, 2015: mBank Group Financial Report for Q4 2014
- March 3rd, 2015: mBank Group Consolidated Annual Report for 2014

**mBank's shares:**

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 210 057
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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