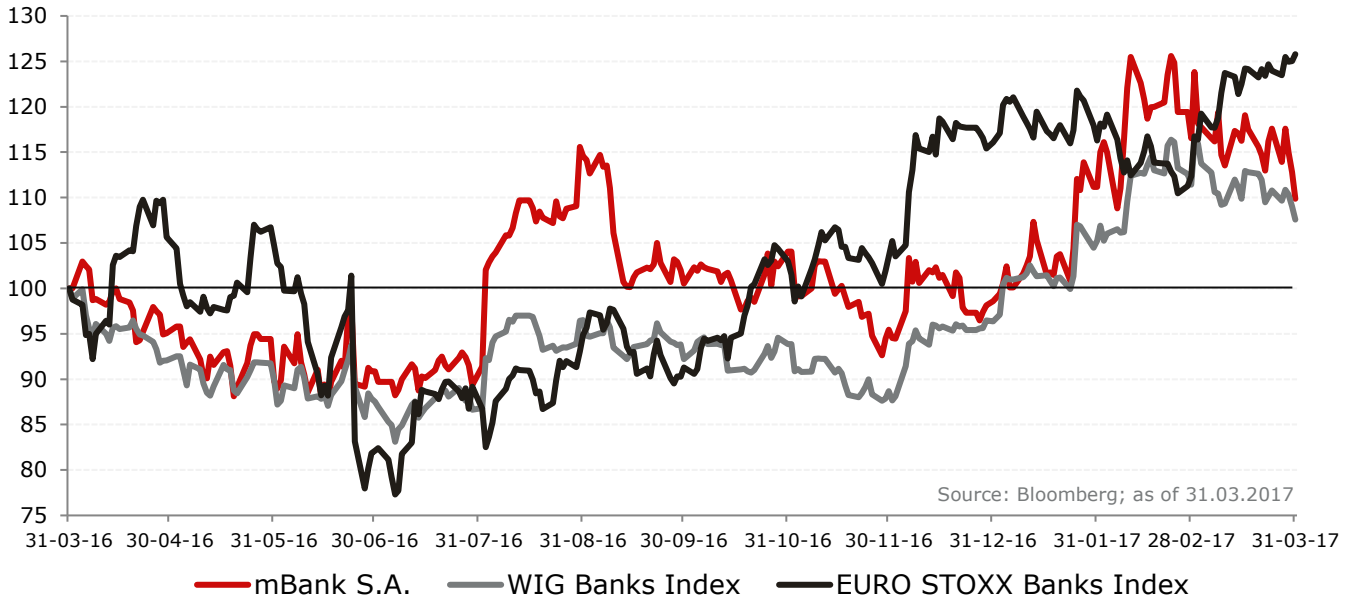


### Share price performance summary

In March mBank's share price declined by 5.73%, while the WIG-Banks index went down by 3.45%. The EURO STOXX Banks Index increased by 11.98% in the same period.

#### Last 12 months – chart



change in the period	1Q'16	2Q'16	3Q'16	4Q'16	2016	2017YtD
mBank	+8.28%	-9.13%	+10.62%	-1.90%	+6.77%	+11.41%
WIG Banks Index	+6.77%	-12.49%	+5.37%	+4.51%	+2.90%	+11.63%
EURO STOXX Banks Index	-20.72%	-17.88%	+11.16%	+27.00%	-8.09%	+8.37%

### 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	3 053	+7.8%	3 265	+7.0%
Net F&C income	897	906	953	+5.1%	998	+4.7%
<b>Total income</b>	<b>4 093</b>	<b>4 295</b>	<b>4 374</b>	<b>+1.8%</b>	<b>4 645</b>	<b>+6.2%</b>
<b>Costs</b>	<b>-2 051</b>	<b>-1 963</b>	<b>-1 999</b>	<b>+1.8%</b>	<b>-2 028</b>	<b>+1.5%</b>
LLPs	-421	-365	-499	+36.6%	-535	+7.2%
<b>Operating profit</b>	<b>1 622</b>	<b>1 967</b>	<b>1 875</b>	<b>-4.7%</b>	<b>2 081</b>	<b>+11.0%</b>
<b>Net profit</b>	<b>1 301</b>	<b>1 219</b>	<b>1 134</b>	<b>-7.0%</b>	<b>1 279</b>	<b>+12.9%</b>
Net loans	78 434	81 763	86 208	+5.4%	90 149	+4.6%
Assets	123 523	133 744	135 083	+1.0%	140 344	+3.9%
Deposits	81 141	91 418	93 579	+2.4%	98 108	+4.8%

Contributing research by: Citi Research, Deutsche Bank, BZ WBK Brokerage, Wood & Company, PKO Securities, Erste Group, Ipopema, Haitong Bank, Raiffeisen, J.P. Morgan, Pekao Investment Banking, Trigon DM, BOŚ DM, Vestor DM, Noble Securities, KBW.

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 issued CHF 200 million of 6-year bonds under EMTN programme**

Issuer	mFinance France S.A.	<p>On March 14, 2017, mBank via its foreign unit mFinance France S.A. issued a sixth tranche of Eurobonds with a nominal value of CHF 200 million, maturing in 2023. This 6-year transaction was priced at a level of Mid Swaps + 115bps and the coupon was set at 1.005% per annum. Bookrunners were UBS, Credit Suisse and Commerzbank.</p> <p>The transaction settlement date was March 28, 2017. The tranche was rated at "BBB" by both S&amp;P Global Ratings and Fitch Ratings. The bonds are listed on SIX Swiss Exchange.</p> <p>Three other EUR-denominated bonds maturing in 2019, 2020 and 2021, as well as a CHF-denominated transaction maturing in 2018 are currently outstanding.</p>
Guarantor	mBank S.A.	
Format	Senior Unsecured Debt out of EMTN programme	
Issue rating	BBB (Fitch) / BBB (S&P)	
Issue size	CHF 200 million	
Maturity date	28th March 2023	
Launch date	14th March 2017	
Reoffer spread	MS+115bps	
Coupon	1.005% p.a.	
Listing	SIX Swiss Exchange	

**Key news regarding mBank Group**
**mBank's analysts have revised upwards its GDP growth forecast for 2017**


2017 began with spectacular performance of manufacturing, construction and retail sales. It was quite obvious for several weeks that 1Q'17 is set to be substantially better in terms of growth rate than 4Q'16. Recent business activity indicators have seemed to corroborate the fact it is unlikely to be a temporary boost but rather a beginning of a sustainable shift upwards. Consequently, mBank's economists have raised their forecast of 2017 GDP growth to 4.0%.

All categories of investment are helped by statistical base but some new momentum in monthly data on investment goods has also been observed. Moreover, housing market stays on the back foot with record high housing starts and permits, supported by the phase of the cycle (still low rates but high consumer confidence). In terms of private consumption, child benefits may have changed consumer behaviour a lot and brought confidence to households. It is going to be seen in both wage bargaining (helped by shrinking labour supply and rising inflation) and spending patterns (more savings, higher likelihood of consumption smoothing, higher propensity to spend out of current income). mBank's analysts think that episode of lower growth of real incomes in 2H'17 is going to affect private consumption growth in negligible extent and 4% on average stays in focus for the whole 2017.

In February, inflation rose to 2.2% YoY from the revised reading of 1.7% in January. Food prices shot up, reflecting broader European trends (supply limitations in Spain). The increase of core inflation (to 0.3% in February) is broad-based and can be traced to a number of different categories (recreation and culture, tobacco products, transport services, housing). mBank's analysts are betting that it will continue to rise in the coming months. This is supported by both macro fundamentals (consumption outlook, strong and tight labour market) and typical short-term correlates such as surging producer prices and environment conducive for their pass-through into consumer prices. At the end of the year core inflation will close on 1.5% YoY.

Employment in enterprise sector rose in February by 4.6% YoY. Such employment growth was recently seen in 2007 and 2008. At the same time, wage growth stayed relatively low (+4.0% YoY), dampened partially by working days effect in manufacturing. Looking at the experience of past years, such an equilibrium is hardly sustainable and mBank's economists expect wage growth to accelerate substantially in the coming months. The labour market is at the verge of pro-inflationary transformation. Currently long times spend in the search for job by the unemployed mirror rather structural than cyclical factors. Firms are able to fill vacancies at spectacular pace while unemployment rate falls fast.

Construction is set up for a good year as base effects are very favourable, residential construction indicators are close to pre-crisis highs, and railway and local government spending will likely increase markedly this year. All in all, mBank's analysts are expecting a 7-10% increase in construction output in 2017.

Polish MPC kept rates on hold during its March meeting, as expected. It assesses that „the risk of inflation running persistently above the target in the medium term is limited“. In February it was „low“, hence there was a slight upgrade. All hawkish accents were in the statement, while the tone of the post-meeting conference was decisively dovish. Governor Glapiński belittled the recent increases in inflation as exogenous, transient, driven by commodity prices and irrelevant for monetary policy. The scenario for inflation foresees acceleration until March or April and stabilization later on. Its implications for real interest rates (current projection assumes a record-long period of negative real rates in Poland) are not troubling the Council. mBank's economists expect the beginning of a tightening cycle in early 2018.

### **mBank's long-term rating raised to BBB+ by S&P Global Ratings**



On March 28, 2017, S&P Global Ratings raised mBank's long-term issuer credit rating from 'BBB' to 'BBB+' following the upgrade of Commerzbank AG from 'BBB+' to 'A-' and S&P's expectation that mBank remains Commerzbank's strategically important subsidiary. Long-term rating of mBank was removed from CreditWatch, where it was placed with positive implications on December 15, 2016.

The outlook on mBank's long-term rating after the rating upgrade is negative, which reflects the negative outlook on Commerzbank's rating.

Along with the upgrade of mBank, S&P's rating of bonds issued by mFinance France under the Euro Medium Term Note Programme (EMTN) was also raised to 'BBB+'.

**Forthcoming corporate access events**

- April 3-4, 2017: *Polish Innovation and Growth* conference organized by Wood&Company in Stockholm connected with Scandinavian roadshow

**Forthcoming reporting events**

- April 27, 2017: mBank Group Financial Report for Q1 2017
- July 27, 2017: Semi-annual Financial Report of mBank Group for H1 2017
- October 26, 2017: mBank Group Financial Report for Q3 2017

**mBank's shares:**

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 280 127
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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