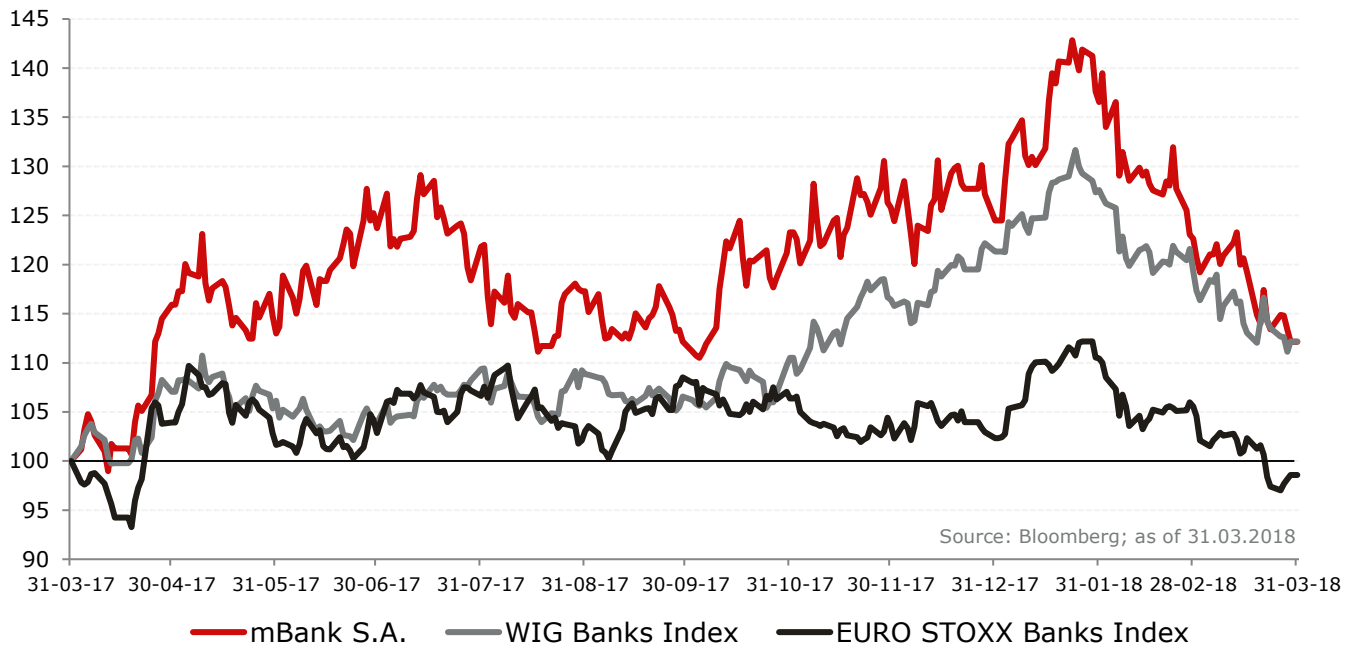


### Share price performance summary

In March mBank's share price dropped by 8.56%, while the WIG-Banks index went down by 6.00%. The EURO STOXX Banks Index decreased by 6.63% in the same period.

#### Last 12 months – chart



change in the period	1Q'17	2Q'17	3Q'17	4Q'17	2017	2018 YtD
mBank	+11.41%	+23.72%	-9.33%	+10.98%	+38.70%	-9.94%
WIG Banks Index	+11.63%	+3.86%	+2.60%	+13.84%	+35.42%	-7.55%
EURO STOXX Banks Index	+8.37%	+2.68%	+5.30%	-5.71%	+10.89%	-3.67%

### 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	3 375	+7.6%	3 716	+10.1%
Net F&C income	906	992	1 054	+6.3%	1 108	+5.1%
<b>Total income</b>	<b>4 295</b>	<b>4 454</b>	<b>4 801</b>	<b>+7.8%</b>	<b>5 194</b>	<b>+8.2%</b>
<b>Total costs</b>	<b>-1 963</b>	<b>-2 043</b>	<b>-2 093</b>	<b>+2.4%</b>	<b>-2 161</b>	<b>+3.2%</b>
LLPs	-365	-508	-561	+10.6%	-605	+7.8%
<b>Operating profit</b>	<b>1 967</b>	<b>1 903</b>	<b>2 147</b>	<b>+12.8%</b>	<b>2 428</b>	<b>+13.1%</b>
<b>Net profit</b>	<b>1 219</b>	<b>1 092</b>	<b>1 292</b>	<b>+18.4%</b>	<b>1 500</b>	<b>+16.1%</b>
Net loans	81 763	84 476	90 654	+7.3%	95 218	+5.0%
Assets	133 744	131 424	139 918	+6.5%	146 585	+4.8%
Deposits	91 418	91 496	99 298	+8.5%	104 587	+5.3%

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

Note: 2016 total income includes a gain on the settlement of Visa transaction (PLN 247.7 million).

### **Special topic: The sale of the organised part of an enterprise of mFinanse**

On March 27, 2018, mBank Group completed the sale of the organised part of an enterprise of mFinanse S.A., which was acting as an insurance agent regarding group insurance agreements.

Under the agreement concluded with investor, mBank sold 100% shares in Latona S.A. to Phoebe IVS with its registered office in Denmark, and then the bank's subsidiary mFinanse sold and transferred an organised part of the enterprise of mFinanse to Latona S.A. The maximum value of remuneration on account of the transaction is approximately PLN 491 million.

Based on the accounting approach applied towards the recognition of the result on the transaction, mBank Group will be booked in 1Q'18 a one-off net profit on the transaction in the amount of PLN 177 million. Due to the nature of the transaction the recognition of the part of the remuneration in the future will depend on the performance of the business sold. This may lead to the additional net profit of up to maximum PLN 192 million over the period of approximately 6 years from the closing of the transaction.

The transaction is a continuation of the process aimed at simplifying the organisational structure of mBank Group, which the first phase was the sale of BRE Ubezpieczenia TUiR in 2015. As the bank perceives the insurance products as an integral part of financial services provided for its clients, mBank and mFinanse will further develop the sale of insurance based on the individual model.

### **Key news regarding mBank Group**

#### **mBank's analysts found latest figures supporting strong GDP growth**



Latest data releases have heralded that GDP growth was sizeable in 1Q'18 (mBank's analysts forecast 4.9% YoY), with strong contributions from both investment and household consumption, while wage growth remains high. CPI inflation declined from 1.9% to 1.4% YoY in February, below market consensus (1.8% YoY) and every forecast.

The deceleration in inflation can primarily be attributed to lower food prices, which dropped by 0.4% MoM. Fuel prices behaved in line with expectations, having fallen by 1.6% MoM and compounding the mild base effect from the previous year. The second source of the surprise lies in core categories. The February CPI release also brought a new set of CPI basket weights, but the revision was broadly neutral for inflation.

The February upset in inflation clearly shifts the path of inflation forecasted for 2018. First, current circumstances stipulate that core inflation will remain below 1% YoY until mid-year and CPI will peak at 2.1% YoY in July. By December strong base effects in food prices will have brought inflation back to 1.5% YoY.

Industrial output rose by 7.4% YoY, and the mild slowdown compared to January is a result of less favourable calendar effect. Due to sharply colder weather (it was the coldest February since 2012), energy output accelerated from 3.7% to 14.1% YoY, boosting total industrial production by 0.9 percentage points. At the same time, this also explains the surprisingly strong momentum (+1.3% MoM seasonally adjusted), which hides a relatively underwhelming performance of manufacturing. Producer prices returned to negative territory in February (-0.2% YoY). Huge drop on monthly basis was generated by oil and coke related prices that dropped by 4.3% MoM.

Employment in the enterprise sector grew by 3.7% YoY and average gross wage went up by 6.8% YoY in February. Retail sales rose by 7.9% YoY in nominal terms and by 7.7% in constant prices, and little changed from January's print. However, car sales decelerated from 12.5% to 3.1% YoY, while fuel sales accelerated briskly from 3.5% to 9.5% YoY.

Current disposable income flow is sufficient to keep household consumption growing at 1-1.2% QoQ and ca. 4.5-5% YoY for the foreseeable future. Consumer sentiment is still hovering near all-time highs. At the same time, household spending remains relatively unlevered, which suggests that its high level could be supported even if incomes decelerate.

In March the MPC did not change interest rates in Poland and was deepening its dovish tone. In short, everything is accelerating in the economy, except for inflation. This way the conditional forward guidance of stable rates was extended through 2018, 2019 and even 2020. In addition, there was a mention that the next MPC move on rates may be down, not up.

### **mBank allowed to pay of up to 20% of 2017 net profit**

mBank received an individual recommendation of the Polish Financial Supervision Authority, dated March 16, 2018, to increase the own funds by retaining at least 80% of the net profit generated by the bank in 2017. At the same time, the PFSA confirmed that mBank meets the requirements for dividend payment of up to 20% of the net profit for 2017.

In accordance with the draft resolution No. 3 of the XXXI Ordinary General Meeting, which will be held on April 12, 2018, the dividend recommended by the Management Board of the bank and accepted by the Supervisory Board is PLN 217.9 million, i.e. PLN 5.15 per share. This amount constitutes 20% of mBank's stand-alone net profit generated in 2017, which is in line with the recommendation of the PFSA.

### **Early redemption of subordinated bonds and drawdown of new loan in CHF**

On March 21, 2018, mBank early redeemed two series of perpetual subordinated bonds in the total amount of CHF 250 million. The bonds had been purchased solely by Commerzbank AG, and as of the repurchase date they were redeemed. The reason for the early redemption was the fact that the funds received via bonds were no longer included in Tier II capital for the calculation of regulatory ratios.

In connection, mBank received subordinated loan in the amount of CHF 250 million based on the agreement signed with Commerzbank AG on November 27, 2017. According to terms of the agreement, the disbursement of the loan as well as the repurchase of subordinated bonds occurred by way of netting of the related claims.

The repayment of the loan will occur 10 years after the drawdown date, with a possibility of prepayment falling on the last day of each interest period but not earlier than 5 years after the drawdown date subject to the permission from the Polish Financial Supervision Authority.

On March 29, 2018, mBank received an approval of the PFSA for inclusion of the funds obtained from this subordinated loan in the bank's Tier II capital.

**Forthcoming corporate access events**

9-10.04.2018	Raiffeisen Centrobank AG Institutional Investor Conference in Zürs
14.06.2018	WOOD's Emerging Europe Financials Conference in Warsaw

**Forthcoming reporting events**

10.05.2018	mBank Group Financial Report for Q1 2018
31.07.2018	Semi-annual Financial Report of mBank Group for H1 2018
30.10.2018	mBank Group Financial Report for Q3 2018

**mBank's shares:**

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 312 122
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](#)

For any further information, please contact the IR team.

**E-mail address:** [investor.relations@mbank.pl](mailto:investor.relations@mbank.pl)mBank S.A.  
Analysis and Investor Relations Department  
ul. Senatorska 18  
00-950 Warszawa