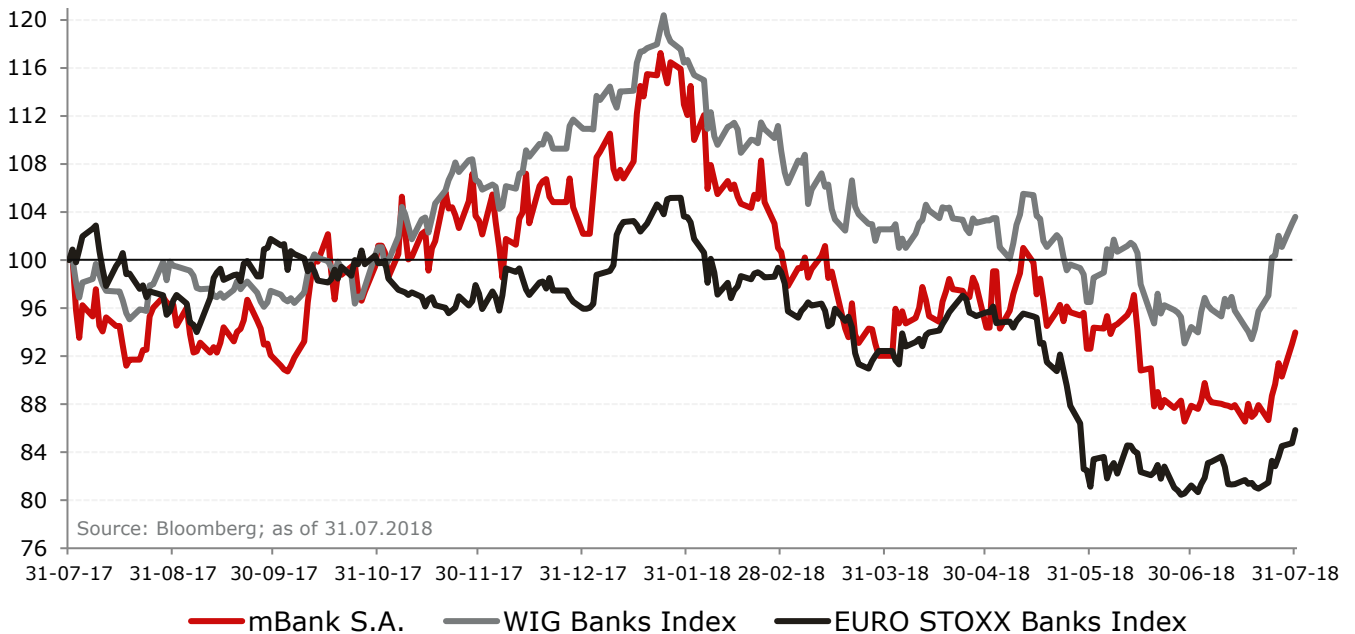


Share price performance summary

In July mBank's share price increased by 6.95%, while the WIG-Banks index surged by 9.73%. The EURO STOXX Banks Index went up by 5.69% in the same period.

Last 12 months – chart



change in the period	3Q'17	4Q'17	2017	1Q'18	2Q'18	2018 YtD
mBank	-9.33%	+10.98%	+38.70%	-9.94%	-4.54%	-8.04%
WIG Banks Index	+2.60%	+13.84%	+35.42%	-7.55%	-7.93%	-6.60%
EURO STOXX Banks Index	+5.30%	-5.71%	+10.89%	-3.67%	-12.13%	-10.54%

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%	3 663	+8.6%
Net F&C income	906	992	1 033	+4.1%	1 083	+4.9%
Total income	4 295	4 454	4 896	+9.9%	5 131	+4.8%
Total costs	-1 963	-2 043	-2 117	+3.6%	-2 180	+3.0%
LLPs	-365	-508	-586	+15.5%	-626	+6.7%
Operating profit	1 967	1 903	2 193	+15.2%	2 325	+6.0%
Net profit	1 219	1 092	1 331	+21.9%	1 413	+6.2%
Net loans	81 763	84 476	90 329	+6.9%	94 993	+5.2%
Assets	133 744	131 424	139 061	+5.8%	145 689	+4.8%
Deposits	91 418	91 496	99 199	+8.4%	104 488	+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: 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: Summary of mBank's market shares as of 30.06.2018

MARKET SHARES in Poland	06.2018	change [in p.p.]		
		MoM	QoQ	YoY
Non-financial sector				
Loans	6.4%	-0.03	+0.11	+0.02
Deposits	6.9%	-0.10	+0.05	+0.13
Enterprises				
Total loans	6.5%	-0.13	+0.10	+0.18
Total deposits	9.5%	-0.48	-0.06	-0.08
Current deposits	10.8%	-0.46	+0.07	-1.35
Term deposits	8.5%	-0.63	-0.46	+2.14
Households				
Total loans	6.4%	+0.02	+0.11	-0.07
Mortgage loans	6.9%	+0.01	+0.07	-0.25
PLN	4.1%	+0.05	+0.13	+0.29
FX	13.0%	-0.01	-0.02	-0.12
Non-mortgage loans	5.6%	+0.03	+0.16	+0.25
Total deposits	6.1%	+0.03	+0.09	+0.17
Current deposits	7.5%	+0.05	+0.12	+0.13
Term deposits	3.9%	-0.03	-0.02	-0.08

- Market share in corporate loans has oscillated around 6.5%, with monthly fluctuations of +/-0.1 percentage point
- Market share in total housing loans impacted by the constant reduction of FX mortgage portfolio
- Market share in non-mortgage lending on growth trajectory
- Market share in total retail deposits has continued to improve on inflows to current accounts, confirming high transactionality of mBank's clients

Source: mBank's calculation based on data published by the National Bank of Poland (monetary reporting system – MONREP).

Key news regarding mBank Group
mBank's analysts upgraded their forecast for GDP growth in 2Q'18 to 5.3-5.4% YoY


In light of June data, mBank's analysts slightly upgraded their GDP forecast for 2Q'18, and now they believe that GDP growth will have reached 5.3-5.4% YoY, making it the best quarter since 2008 and an improvement over 1Q'18 (5.1% YoY). The revision is mainly due to better-than-expected construction spending figures, but industry remained fairly strong recently, bucking European trends to some extent.

In addition, over the past three months, the economy has maintained solid momentum, which strengthens the case for acceleration. Household consumption had a decisive contribution to GDP growth, as indicated by solid wage bill and employment growth as well as buoyant consumer sentiment.

In June, after a revision of the flash reading, CPI inflation rose from 1.7% to 2.0% YoY, in line with initial market consensus. It was primarily driven by higher fuel prices. Core CPI accelerated to 0.6% YoY and all measures of underlying price pressure remain muted. While the breakdown of inflation indicates that services prices re-accelerated a bit, one still should see the current levels as inconsistent with the state of the economy and historical relations between macroeconomic variables.

During June's MPC meeting, the rhetoric stayed dovish and the new set of inflation projections looks as if it was tailored to suit the current MPC view. Governor Glapinski has become more confident that rates will stay flat until the end of 2020. It seems a brave call given the macro

environment. Easy MPC rhetoric rests on two pillars: current low core inflation and 2020 inflation forecast that is close to target.

Unless services regain their time-tested sensitivity to wage growth or second round effects of current commodity price spike appear, the scope for acceleration in core consumer prices must be judged as limited. From the MPC's point of view, the data are broadly neutral for the mid-term inflation outlook. mBank's analysts continue to expect the first rate hike in late 2019.

Sold industrial output rose by 6.8% YoY in June, beating market consensus of 6.3% YoY. The acceleration compared to May is a result of more favourable calendar and warm weather in June boosting energy output (up from 7.9% to 13.6% YoY). On the other hand, the modest statistical base from last year (ca. 1 p.p.) has put a drag on annual industrial output figures. Given the abovementioned factors and neutral momentum (+0.1% MoM seasonally adjusted), it is certain that Polish industry has already peaked in annual terms. This is not equivalent to a slowdown, though.

Construction output surprised positively after noting yearly growth of 24.7%, more than market consensus at around 21%. Positive momentum from previous month was sustained. Incoming local election could boost local governments' spending, which are set to peak at the turn of 2Q'18 and 3Q'18. On the other hand, growth in the next months could be inhibited by bottlenecks, such as labour shortages and failed tenders for public investment (due to unrealistically low prices).

Employment in June surprised to the upside with a dynamic of 3.7% YoY, so did average nominal wage growth at 7.5% YoY. However, mBank's economists still expect that the growth of employment is set to weaken in coming months due to supply constraints. It is already visible in a broader perspective (employment growth in February-July this year is +36k vs +42k last year) and it is really hard to see any relief in sight since labour pool is very shallow.

Retail sales grew by 8.2% YoY in constant prices and by 10.3% in nominal terms, beating market consensus by a wide margin. The details of the releases indicate that there are three major sources of the surprise. First, car sales growth surprised to the upside, having accelerated from -0.9% to 6.7%, no doubt with high contribution of favourable working day difference. Food sales with annual growth of 5.7% YoY matched the previous month's result (5.6% YoY). Finally, sales of furniture and household appliances surged from 6.5% to 15.1% YoY. Overall durable goods sales growth has risen to double digits, making June one of the strongest months in the current cycle.

Forthcoming corporate access events

27.08.2018	<i>Best of Poland</i> conference in Frankfurt organized by mBank's Brokerage
10-11.09.2018	Pekao's 15th Annual Emerging Europe Investment Conference in Warsaw

Forthcoming reporting events

30.10.2018	mBank Group Financial Report for Q3 2018
28.02.2019	Annual Financial Report of mBank Group for 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](#)

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