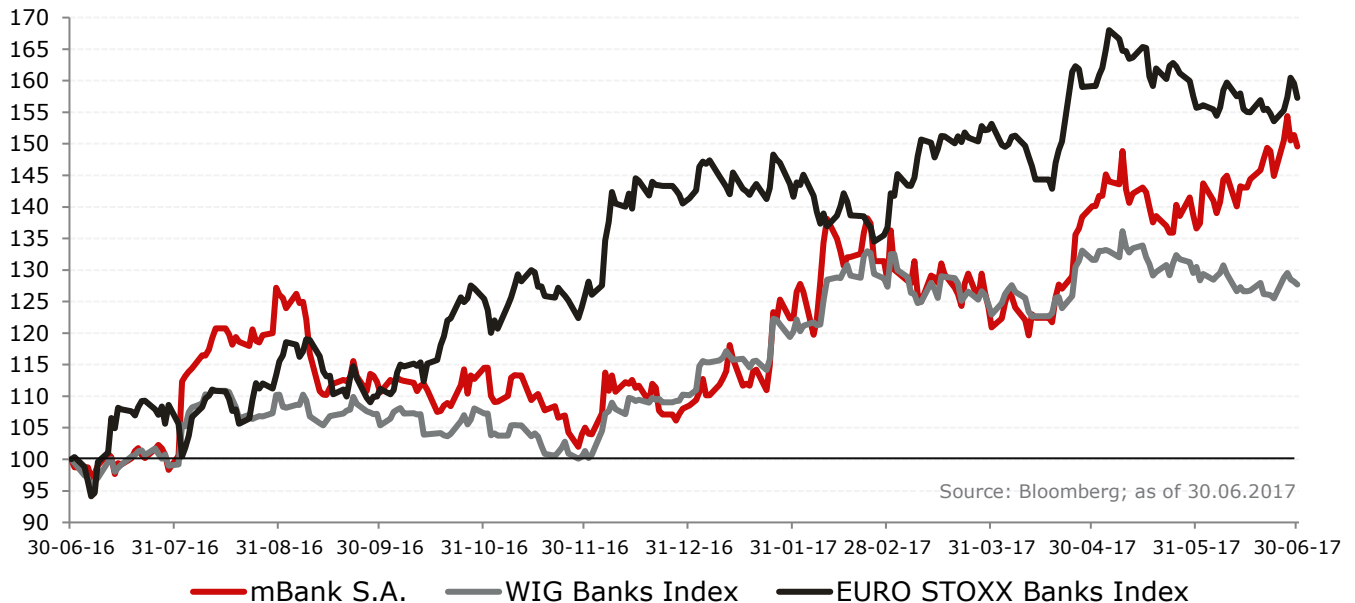


Share price performance summary

In June mBank's share price gained 9.50%, while the WIG-Banks index declined by 2.15%. The EURO STOXX Banks Index increased by 1.01% in the same period.

Last 12 months – chart



change in the period	3Q'16	4Q'16	2016	1Q'17	2Q'17	2017YtD
mBank	+10.62%	-1.90%	+6.77%	+11.41%	+23.72%	+37.84%
WIG Banks Index	+5.37%	+4.51%	+2.90%	+11.63%	+3.86%	+15.94%
EURO STOXX Banks Index	+11.16%	+27.00%	-8.09%	+8.37%	+2.68%	+11.28%

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	3 081	+8.8%	3 299	+7.1%
Net F&C income	897	906	979	+8.0%	1 027	+5.0%
Total income	4 093	4 295	4 403	+2.5%	4 693	+6.6%
Costs	-2 051	-1 963	-2 004	+2.1%	-2 040	+1.8%
LLPs	-421	-365	-487	+33.2%	-528	+8.5%
Operating profit	1 622	1 967	1 913	-2.8%	2 125	+11.1%
Net profit	1 301	1 219	1 160	-4.9%	1 312	+13.1%
Net loans	78 434	81 763	85 865	+5.0%	90 102	+4.9%
Assets	123 523	133 744	135 335	+1.2%	140 959	+4.2%
Deposits	81 141	91 418	94 137	+3.0%	99 104	+5.3%

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

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 sold a license for its electronic banking solution to a French partner**

The internationally awarded mBank's mobile and internet banking platform will be offered to other financial institutions outside Poland. The first licence has been bought by La Banque Postale, owned by the French postal service company La Poste. The license scope includes electronic platforms as well as product, process and sales know-how.

The mBox project is managed and delivered in strategic partnership with Accenture, which provides comprehensive support to the buyer in implementing the solutions. It allows to go faster to the market with a proven platform that will provide differentiation in customer experience and digital features. mBank's initiative is dedicated to banks which want to establish their digital brands much quicker than through multi-year transformation programs.



It is the first venture of this kind in the Polish finance industry. But licences for mBank's integrated solution composed of banking IT systems and retail business know-how might be granted to other companies in the future.

mBank is a model success story in retail banking. Within only a few years the internet platform created by the former BRE Bank has put it among the biggest and fastest growing banks in Poland. Today, the bank operates under the single mBank brand with PLN 130 billion assets and serves 5.5 million customers in Poland, Czech Republic and Slovakia.

Key news regarding mBank Group**mBank's analysts see positive scenario for 2017 unthreatened**

Not only interest rates remained unchanged on June's meeting, but also Governor Glapinski expects them to remain at current levels for the whole 2018. According to the Council, Polish economy is on a sustainable growth path without any disequilibria. Even after recent strengthening, the Zloty is in a medium-term perspective quite undervalued, which does give the MPC additional reasons not to react.

Even if the Council still ignores projected by NBP core inflation growth (far above 2% in 2019), a temporary acceleration of prices coupled with persistent acceleration of wages could spark discussion about sooner-than-expected monetary tightening. Currently, markets price-in first rate hikes only in 2019.

Inflation fell to 1.9% YoY in May, in line with the flash estimate. The fact that the season begins with higher fruit prices means that this year's overall trajectory should remain high all the way till October. Stronger increases in dairy products, cereals and beverages are surprising. The decline in fuel prices (by 2% MoM) is not the last in a series. Similar decline will be recorded in June and current trajectory of oil prices suggests that the contribution from fuel prices is set to turn negative in 2H'17.

Industrial output grew in May by 9.1% YoY, slightly above market consensus. After adjusting for seasonal and calendar effects, it rose by 1.2%, thus erasing the drop in April. However, the jump in energy production means that momentum in manufacturing in May is weaker than for the whole aggregate. This is consistent with PMI readings and the thesis that companies are reducing inventories, which peaked at the turn of the year.

Retail sales disappointed again, having grown by 8.4% YoY. The key source of the surprise was the weak performance of food and beverages sales (after Easter-related slump, this category accelerated to a mere 3.5% YoY), as well as smaller than expected increase in fuel sales. On average, real retail sales growth in 2Q'17 so far marches the 1Q'17 average, suggesting that there is no material slowdown in consumption. In the following months retail sales might suffer from base effects related to disbursements of child subsidies, but one should not overestimate this effect. This is due to consumption smoothing and because of accelerating wage growth.

Employment in the enterprise sector fell in May on a monthly basis for the first time this year by 0.7k jobs. On a yearly basis employment is still growing strongly by 4.5%. Average gross wage grew by 5.4% YoY in May. Larger and more frequent wage hikes should be another factors keeping consumer sentiment elevated in the coming months.

May data are consistent with partly weaker releases in the previous months and imply softer momentum in 2Q'17 (as seen in visibly lower quarterly growth rates of both industrial output and construction spending). A purely arithmetic nowcast would put 2Q'17 GDP growth at 3.8% YoY, but one should remember that this is not materially different from the 1Q'17 figure of 4% YoY. Furthermore, medium-term growth prospects are not impacted by this set of data and mBank's economists continue to see 4%+ growth this year, owing to the rebound in public investment and strong consumer spending. Current pace of economic expansion is sitting in MPC's comfort zone. Much larger impact on rates hike expectations (the Council is foreseeing not to adjust the rate until the end of 2018) will result from rising inflation and general price pressures, which are underestimated. However, it is still too early to spot bets to the contrary in the Polish yield curve.

mBank sold its subsidiary mLocum to Archicom

On June 2, 2017, mBank signed a preliminary conditional sale of mLocum shares to stock exchange listed developer Archicom S.A. After obtaining the required approvals (e.g. from the Office of Competition and Consumer Protection UOKiK), the promised share purchase agreements will be signed, on the basis of which Archicom will become the majority shareholder of mLocum, which is expected in Q3 2017. Ultimately, after closing the second stage of the transaction, mBank will not hold any mLocum shares.



Locum

The transaction reflects the mBank Group's focus on its core financial activities, and the sale of mLocum shares to a leading industry firm will further enhance its potential and allow for its business development across Poland.

The subject of the agreement are shares representing 79.99% of the share capital of mLocum and the total number of votes at the company's general meeting, for a price of PLN 87.6 million. The transaction will be completed in two stages, the first of which will comprise 51.0% of the share capital of the company and should take place in Q3 2017. In turn, the closing of the second stage of the transaction, which concerns 28.99% of the company's shares, is planned until the end of 2018, with a possible deferment until 30 June 2020 under the agreed terms.

mLocum S.A. is a real estate developer with 17 years of experience in the primary residential property market. As one of the first companies in the industry, it has offered premises in many local markets, including Cracow, Lodz, Wroclaw, Warsaw, Poznan and Sopot. It is also an active member of the Polish Association of Developers. In addition to the implementation of residential investments, the core business of mLocum includes the management of real estate, including for housing communities.

Forthcoming corporate access events

- No conference or roadshow scheduled for July

Forthcoming reporting events

- July 27, 2017: Semi-annual Financial Report of mBank Group for H1 2017
- October 26, 2017: mBank Group Financial Report for Q3 2017
- February 8, 2018: mBank Group Financial Report for Q4 2017

mBank's shares:

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 285 676
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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