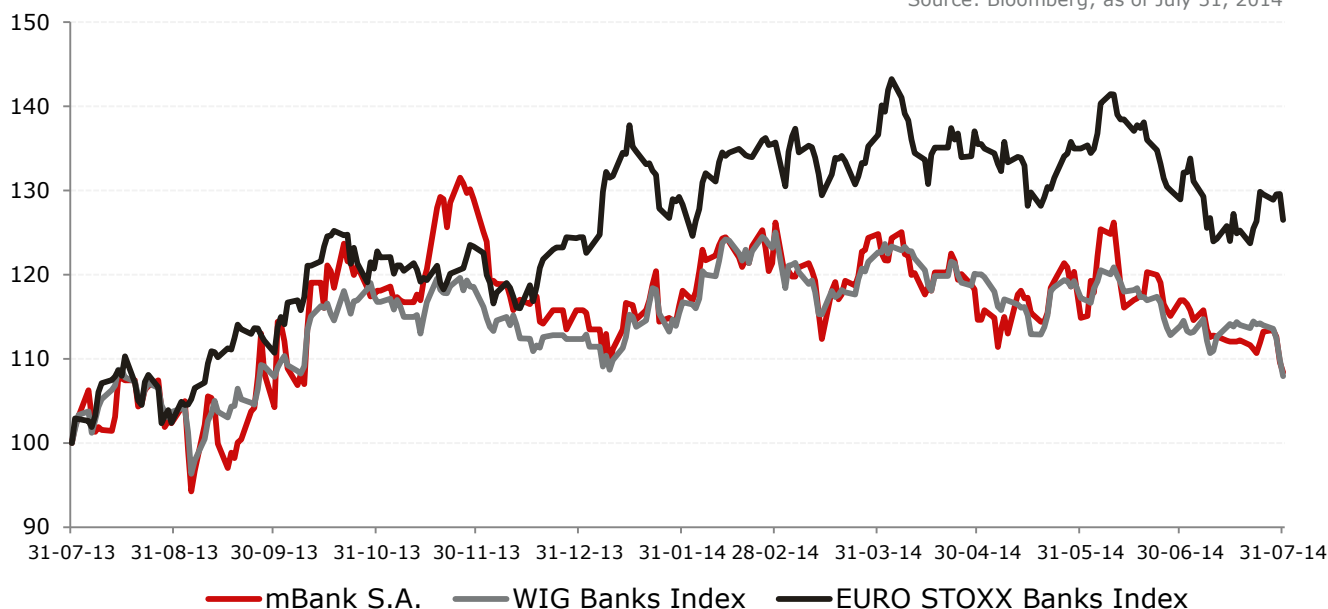


Share price performance summary

In July mBank's share price dropped by 7.33%, while the WIG Banks index decreased by 5.25%. The EURO STOXX Banks Index fell by 1.87% in the same period.

Last 12 months – chart

Source: Bloomberg; as of July 31, 2014



change in the period	Q3'13	Q4'13	2013	Q1'14	Q2'14	YtD
mBank	+17.52%	+11.09%	+53.37%	+7.80%	-6.31%	-6.40%
WIG Banks Index	+16.58%	+4.18%	+20.54%	+9.18%	-7.13%	-3.93%
EURO STOXX Banks Index	+24.11%	+12.39%	+25.87%	+9.78%	-5.63%	+1.66%

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	2 423	+8.9%	2 619	+8.1%
Net F&C income	787	835	899	+7.7%	946	+5.3%
Total income	3 571	3 674	3 885	+5.8%	4 141	+6.6%
Costs	-1 661	-1 678	-1 734	+3.3%	-1 784	+2.9%
LLPs	-445	-478	-479	+0.2%	-494	+3.2%
Profit before tax	1 465	1 518	1 671	+10.1%	1 861	+11.3%
Net profit	1 197	1 206	1 330	+10.3%	1 484	+11.6%
Loans	66 947	68 210	72 727	+6.6%	78 074	+7.4%
Assets	102 145	104 283	109 032	+4.6%	114 857	+5.3%
Deposits	57 984	61 674	65 548	+6.3%	70 366	+7.4%

Contributing research (released after December 1, 2013) by: Citi Research, Deutsche Bank, Millennium DM, Raiffeisen, UniCredit, ING Securities, DM BZ WBK, Ipopema, Goldman Sachs, IDM SA, Wood & Company, KBW, Morgan Stanley, PKO DM, J.P. Morgan, Erste Group, Espirito Santo, BoA Merrill Lynch, DI Investors, Noble Securities.

Special topic: Q2 2014 mBank Group's results compared to analysts' consensus

[in PLN M]	Market consensus				Actual Results	Difference to consensus
	MIN	Average	Median	MAX		
Net interest income	598.0	605.4	604.9	620.0	617.2	+1.9%
Net fee & commission income	230.0	243.7	242.3	254.0	243.7	0.0%
Total operating income	970.0	988.0	987.0	1,018.0	1,023.8	+3.6%
Total costs	(457.0)	(443.9)	(444.0)	(437.0)	(455.3)	+2.6%
Result before provisions	527.3	544.1	542.3	570.0	568.5	+4.5%
Loan loss provisions	(161.0)	(131.9)	(129.0)	(103.0)	(155.9)	+18.2%
Profit before tax	380.0	412.3	411.5	437.0	412.6	+0.1%
Net profit	308.0	327.2	328.0	349.0	324.8	-0.7%

Based on estimates of 17 Analysts: ING Securities, Citi Research, Ipopema, UniCredit, Espirito Santo, DM BZ WBK, Deutsche Bank, Erste Group, PKO DM, Millennium DM, Wood & Company, Morgan Stanley, Raiffeisen, DI Investors, J.P. Morgan, Trigon DM, DM BOŚ.

Key news regarding mBank Group
Major developments of mBank Group in Q2 2014

During Q2 2014, mBank Group generated a profit before income tax of PLN 412.6 million, representing a decrease of 5.5% QoQ. Net profit attributable to the shareholders of mBank dropped by 3.8% QoQ and reached PLN 324.8 million.

The main factors determining the changes in the results were as follows:

- **Record high total revenues** at PLN 1,023.8 million, up by 7.0% compared with Q1 2014. This growth was driven by strong core income, as net interest income increased by 4.4% and net fee and commission income grew by 0.9% QoQ. Also net trading income improved further.
- **Increase of operating expenses** (including amortisation and depreciation) compared to the previous quarter, which stood at PLN 455.3 million, mainly due to higher marketing and logistic costs. However, a more dynamic growth of income relative to costs allowed the Group to improve its efficiency measured by the cost/income ratio which reached 44.5% in Q2 2014 compared to 45.0% in Q1 2014.
- **Higher risk costs** at 88 bps in Q2 2014. Net impairment losses on loans and advances increased to PLN 155.9 million, driven by higher provisions in both Retail Banking and the Corporates and Financial Markets area.
- **Continued organic growth and business expansion** as demonstrated by: **growth of the retail customer base**, which reached 4,490 thousand (+62.8 thousand clients compared to Q1 2014); **increase in the number of corporate customers** to record high 17,006 (+406 clients compared to Q1 2014).

Net loans and advances to customers stood at PLN 70,137.2 million at the end of Q2 2014 and were lower by 1.1% compared to the end of Q1 2014. The change was mainly driven by a decrease of volume of reverse repo / buy-sell-back transactions (core volume increased by 2.4% QoQ). Gross loans to corporate clients and to individual clients stood at PLN 30,564.5 million and PLN 39,664.2 million, respectively. **Customer deposits** slightly decreased by 0.5% QoQ and reached PLN 63,293.7 million. Retail deposits grew by 2.7% to PLN 35,726.0 million

while corporate deposits dropped by 5.2% to PLN 26,595.1 million. As a result, the loan to deposit ratio of mBank Group fell compared to the previous quarter and reached 110.8%.

The Group's Basel III **capital ratios** remained at a safe level. Total capital ratio at the end of June 2014 stood at 15.79%, while Common Equity Tier 1 capital ratio at 13.20%.

mBank's analysts continue to expect a cut in interest rates



Polish economy is slowly falling into a pothole, facilitated by overly restrictive monetary policy. Compared to the Czech Republic and Hungary, Polish rates are the highest, central bank projections the lowest and exchange rate the strongest on a relative basis. Right now the play is not about the economic slowdown but about its duration.

The market reactions to the weaker data (bond yields fell even as core markets moved in the opposite direction) confirms how strong the local macroeconomic factors are.

Retail sales grew in June by 1.2% YoY, down from 3.8% in May. The reading was not anticipated at all (the lowest expectation stood at 3.1% and market consensus 4.1%). Factors responsible for deceleration are rather of seasonal and one-off nature. In particular, growth rates of food sales, sales in non-specialized stores and clothing category were seasonally (surprisingly) low. However, upward trend in retail sales seems to be broken. Not the labour market but excessive incentives to save in the form of high real interest rates are a more probable cause of on-going weakness in retail sales.

Falling exports to the eastern markets, weakness in construction and investment (effects of favourable weather in Q1 and frontloading car purchases due to VAT discount window) meet the undesirable but nevertheless real increase in the propensity to save. Even now a flattening in consumption growth is witnessing.

Referring to the latest report of the National Bank of Poland, inflation projections were subject to the biggest revisions. Running contrary to March projections (which assumed an upward-sloping path in Q2), inflation slowed down markedly in the second quarter and is expected to fall into negative territory in the summer, mostly due to food prices. This obviously cannot last forever and, with stable prices of energy sources and soft commodities, as well as due to demand effects taking hold in core categories, CPI should begin to grow in the second half of the year. Nevertheless, it must be noted that the central path stays below the NBP's CPI target of 2.5% throughout the entire forecast horizon. As a result, interest rates will most probably be adjusted in Autumn accordingly.

mBank named *The Best Corporate/Institutional Internet Bank in Poland*



On July 17, 2014, Global Finance magazine announced the winners in the "World's Best Internet Banks" competition in Central & Eastern Europe. mBank was recognized as "The Best Corporate/Institutional Internet Bank in Poland" as well as awarded in two sub-categories. As a result, mBank CompanyNet was regarded as the best corporate internet platform in Poland, mBank CompanyMobile as best mobile application in CEE Region, and mFX as best transactional platform for the foreign exchange in CEE Region.

Winning banks were selected based on the following criteria: strength of strategy for attracting and servicing online customers, success in getting clients to use web offerings, growth of online customers, breadth of product offerings, evidence of tangible benefits gained from Internet initiatives, and web site design and functionality.

Forthcoming corporate access events

- September 16-17th, 2014: KBW European Financials Conference in London

Forthcoming reporting events

- October 30th, 2014: mBank Group Financial Report for Q3 2014
- 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	42 207 402
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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