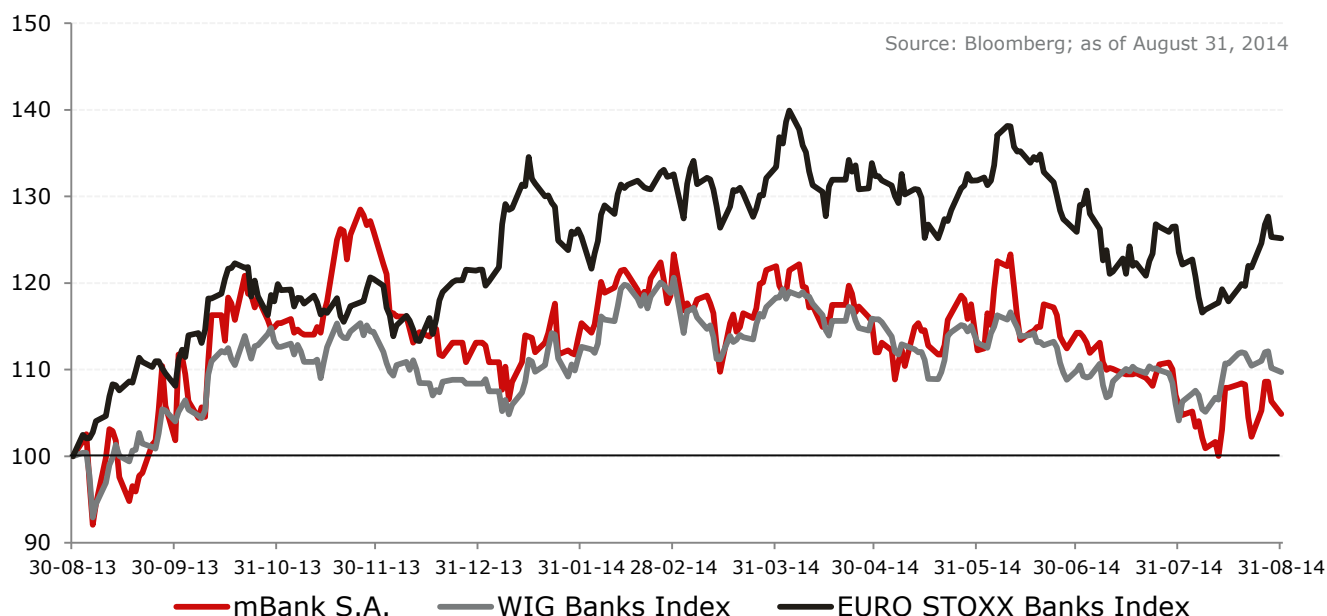


### Share price performance summary

In August mBank's share price decreased by 0.96%, while the WIG Banks index went up by 5.35%. The EURO STOXX Banks Index increased by 1.31% in the same period.

#### Last 12 months – chart



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%	-7.30%
WIG Banks Index	+16.58%	+4.18%	+20.54%	+9.18%	-7.13%	+1.22%
EURO STOXX Banks Index	+24.11%	+12.39%	+25.87%	+9.78%	-5.63%	+3.00%

### 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	2 430	+9.2%	2 610	+7.4%
Net F&C income	787	835	905	+8.4%	952	+5.2%
<b>Total income</b>	<b>3 571</b>	<b>3 674</b>	<b>3 905</b>	<b>+6.3%</b>	<b>4 142</b>	<b>+6.1%</b>
<b>Costs</b>	<b>-1 661</b>	<b>-1 678</b>	<b>-1 744</b>	<b>+3.9%</b>	<b>-1 795</b>	<b>+2.9%</b>
LLPs	-445	-478	-477	-0.1%	-491	+2.8%
<b>Profit before tax</b>	<b>1 465</b>	<b>1 518</b>	<b>1 683</b>	<b>+10.9%</b>	<b>1 855</b>	<b>+10.2%</b>
<b>Net profit</b>	<b>1 197</b>	<b>1 206</b>	<b>1 337</b>	<b>+10.8%</b>	<b>1 478</b>	<b>+10.5%</b>
Loans	66 947	68 210	72 817	+6.8%	78 091	+7.2%
Assets	102 145	104 283	109 377	+4.9%	115 249	+5.4%
Deposits	57 984	61 674	65 508	+6.2%	70 316	+7.3%

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

**Special topic: Successful issuance activity of mBank's mortgage unit in 2014**

**The latest PLN 500 million covered bond issuance by mBank Hipoteczny has one of the tightest spreads in the market in 2013 and 2014.**

mBank's mortgage unit, which initially planned to sell PLN 200 million of the notes, decided to increase the amount after demand exceeded PLN 1 billion. The mortgage-backed bonds were sold at 93 basis points over the Warsaw Interbank Offered Rate (WIBOR), and had maturities of 8 to 8.5 years. Only bank and corporate bonds issued by BGK, PGE and BOŚ Bank (three specific transactions) were priced tighter, but the tenors of financing were shorter.

In H1 2014, mBank Hipoteczny issued 4 series of mortgage bonds denominated in euro with a total value of EUR 50.5 million, concentrating its issuing activity on foreign markets.

In particular, in February 2014, mBank Hipoteczny issued the first series of 15-year mortgage bonds in euro. It is the longest maturity among corporate debt securities ever issued by Polish issuers. The success of this issue was not a one-time event as reflected by 2 subsequent issues of mortgage bonds with a 15-year maturity in March and May. The demand of foreign investors was growing with every issue, which has been proven by an increase in the nominal value of the issued mortgage bonds from EUR 7.5 million to EUR 20 million.

mBank's mortgage unit has issued PLN 710.7 million of covered bonds since the beginning of the year and maintains its plan to sell a total of PLN 1 billion of such notes in 2014. The transactions not only helped the bank to cut the financing costs, but also better match maturity and currency of assets and liabilities.

**Summary of mortgage covered bonds issued by mBank Hipoteczny in 2014**

Amount	Currency	Issue date	Maturity date	Tenor	Coupon
7 500 000	EUR	17-02-2014	15-02-2018	4.0 Y	EURIBOR 6M +80bps
8 000 000	EUR	28-02-2014	28-02-2029	15.0 Y	Fixed (3.50%)
15 000 000	EUR	17-03-2014	15-03-2029	15.0 Y	Fixed (3.50%)
20 000 000	EUR	30-05-2014	30-05-2029	15.0 Y	Fixed (3.20%)
300 000 000	PLN	28-07-2014	28-07-2022	8.0 Y	WIBOR 6M + 93bps
200 000 000	PLN	04-08-2014	20-02-2023	8.5 Y	WIBOR 6M + 93bps

**Key news regarding mBank Group**

**According to mBank's analysts, questioning the merits of rate cuts is pointless**



For the first time in modern history, Polish inflation dropped below zero in July, from 0.3% in June to -0.2%. The downtrend in food prices was continued. Housing prices were unchanged, energy prices remained stable as well. Fuel prices increased moderately. Hikes in mobile phone charges translated into a modest increase in communications prices. Thus, core CPI declined from 1.0% to 0.4%.

Newly introduced sanctions and the Russian embargoes will facilitate low levels in food prices, extending monthly declines into August, September and possibly further. Negative inflation readings are here to stay at least until Autumn. GDP growth declined from 3.4% in the previous quarter to 3.2% in Q2. However, mBank's analysts are convinced that current weakening in growth might be something more than a 1-2 quarter soft patch.

The string of July data brought no major surprises. Average gross wage increased by 3.5% YoY in July. As far as real wages (up by 3.7% YoY) and real wage bill (up by 4.5% YoY) are concerned, the sharp drop in inflation cushioned recent slowdown in nominal wage growth.

Employment in the private sector rose in July by 0.8% YoY. Although slowing GDP should not induce lay-offs, rising uncertainty about the future prospects of the economy (plummeting trade with the east, geopolitical risks and a soft patch in EU) may make entrepreneurs wary of hiring (it will also contribute to reduced demand for capital goods). As a result, exceeding annual 1% growth rate of employment seems doubtful.

Industrial output grew by 2.3% YoY in July. The result is actually relatively good, given the drag from mining (-8.1% YoY) and energy (-3.7% YoY) sectors - hence, manufacturing accelerated to 3.3% YoY. Nevertheless, one cannot ignore the bigger picture. Firstly, industrial output remains in stagnation (lasting nine months already) and its momentum remains very close to zero. Secondly, industries with highest exposure to Russia and Ukraine (food, chemicals, transport equipment excl. cars) are suffering from recessionary environment beyond Polish eastern border. Third, a particularly unfavourable arrangement of working days will depress industrial output further in August - a zero growth is not unlikely.

In such circumstances (weaker GDP, possibility of a more persistent output gap, lower and lower prices) mBank's analysts see it is high time to think about a new monetary cycle, not only a corrective cut in September. Recent comments from MPC members indicate that the Council may opt to wait a little bit longer for confirmation of the slowdown. One month sooner or later does not make any difference from the market's point of view. Rate cut is going to trigger expectations for a whole easing cycle beyond 50 bps currently priced in.

### **mBank as the first Polish bank joined Instagram service**



mBank once again outstripped the market in reaching for the innovative ways of communication with the clients. As the only financial institution in Poland, it has got an account on Instagram - a popular online photo-sharing and social networking service. mBank also encourages its customers to the activity on the profile, rewarding the authors of the most interesting photos with mobile gadgets.

During the competition mBank promotes the use of city bicycles, as a summer alternative for transport in crowded cities and a good proposal for spending free time. Bikes with mBank logo are already available in eight Polish cities.

mBank is an icon of mobile banking and has confirmed it by actions taken both in the product (new transactional banking service in the Internet and mobile application) and communication areas. mBank was a pioneer in the field of online communication with the customers through a blog and a forum. As one of the first financial institutions it appeared also on Facebook and Twitter. Now, mBank is showing the bank from the inside on Instagram, sharing photos taken during the sponsored events, as well as pictures taken by the employees.

**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  
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