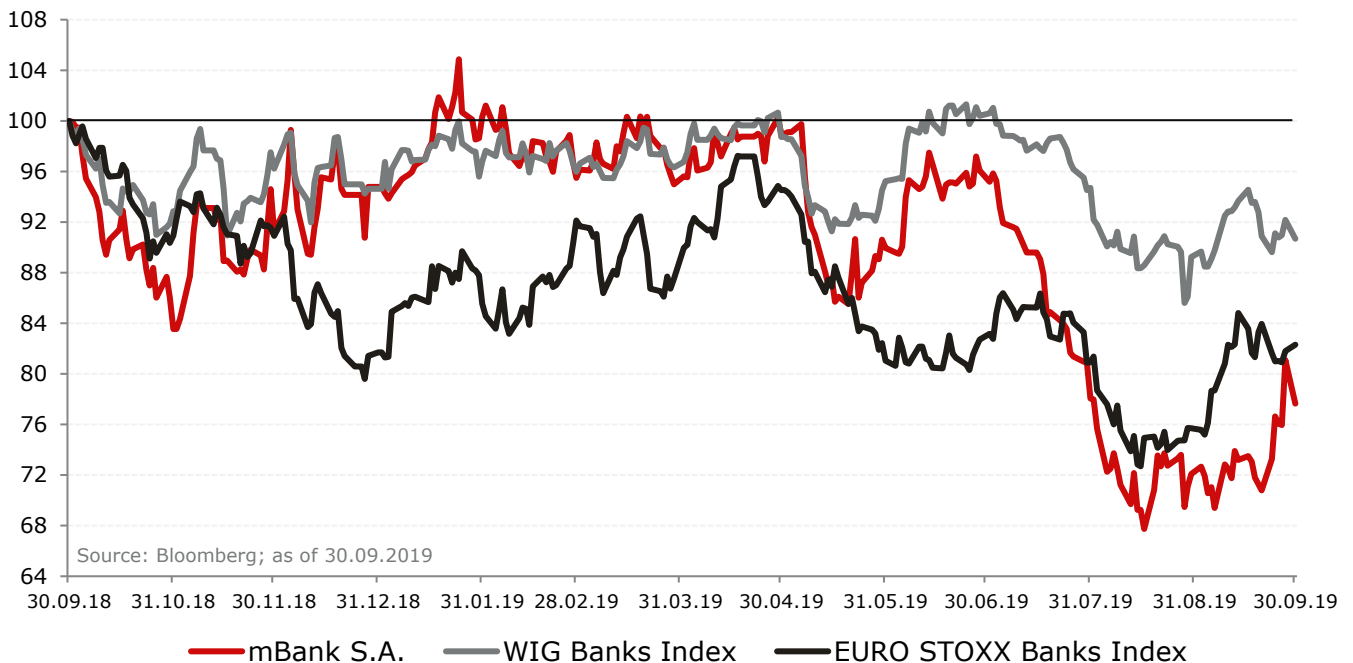


Share price performance summary

In September mBank's share price increased by 7.75%, while the WIG-Banks index went up by 1.62%. The EURO STOXX Banks Index rose by 8.73% in the same period.

Last 12 months – chart



change in the period	4Q'18	2018	1Q'19	2Q'19	3Q'19	2019yTD
mBank	-5.23%	-8.77%	+0.24%	+1.13%	-19.16%	-18.06%
WIG Banks Index	-5.37%	-12.12%	+1.78%	+4.24%	-9.69%	-4.18%
EURO STOXX Banks Index	-18.31%	-33.29%	+7.13%	-5.48%	-0.50%	+0.76%

Consensus estimates for mBank Group's results

Financials (in PLN million)	2017	2018	2019E		2020E	
			estimate	Δ vs. 2018	Estimate	Δ vs. 2019E
Net interest income	3 136	3 496	3 890	+11.3%	4 219	+8.4%
Net F&C income	992	976	968	-0.8%	1 011	+4.5%
Total income	4 454	5 059	5 258	+3.9%	5 616	+6.8%
Total costs	-2 043	-2 164	-2 308	+6.7%	-2 381	+3.2%
LLPs	-508	-694	-763	+9.9%	-837	+9.6%
Operating profit	1 903	2 201	2 187	-0.6%	2 398	+9.7%
Net profit	1 092	1 316	1 262	-4.1%	1 406	+11.4%
Net loans	84 476	94 723	101 124	+6.7%	107 036	+5.8%
Assets	131 424	145 750	155 591	+6.8%	164 262	+5.6%
Deposits	91 496	102 009	112 754	+10.5%	119 475	+6.0%

Contributing research by: Citi Research, BOŚ Brokerage, PKO Securities, Haitong Bank, IPOPEMA, Raiffeisen Centrobank, Santander Brokerage, Societe Generale, Trigon DM, Vestor DM, Wood&Company, KBW.

Note: total income includes a one-off gain on the sale of an organised part of enterprise of mFinanse (PLN 219.7 million) in 2018.

Special topic: Commerzbank's new strategy stipulates the sale of mBank

On September 26, 2019, the Supervisory Board of Commerzbank approved a new strategy "Commerzbank 5.0". Among its cornerstones, the disposal of majority stake in mBank is assumed. This would allow Commerzbank to generate the financial resources enabling a faster implementation of its strategy and the associated investments. The sale would result in a marked reduction in risk-weighted assets by ca. EUR 17 billion and a release of equity capital at Commerzbank. The planned sale of mBank would be subject to regulatory approvals. Commerzbank currently holds 69.3% of mBank's shares.

Key news regarding mBank Group**mBank's economists don't expect any rate changes in Poland in the foreseeable future**

In September, Polish Monetary Policy Council reiterated the rates would stay at current level for an extended period, with NBP governor making it quite clear that in the face of a global economic slowdown the bar for any rate changes has been set high. The national elections coming soon might insert some uncertainty, although the global story should drive the market over the medium term.

The EU Court of Justice ruling on the FX loans, scheduled for October 3, strong dollar and thin liquidity are a toxic combination for the PLN. Polish currency stays under pressure also because of global factors, including weak German Manufacturing PMI data, which raised new fears of a slowdown in global growth, the trade war issue and Brexit worries. New wave of global monetary easing makes Polish rates relatively higher and the economy is holding very well given the global slowdown of economic activity.

Consumer prices rose in August by 2.9% YoY. The combination of high food prices and base effects are set to push inflation above target in the year's end. The issue of electricity prices will make its comeback in January. Therefore, inflation might accelerate even further at the beginning of 2020. Core inflation, which reached a fresh 7-year high of 2.2% YoY in August 2019, was attributable mainly to services prices – the acceleration there has been broad-based and durable this year, but there is some positive contribution from more stable categories like refuse collection and telecommunications. Also, core goods are no longer in deflation.

The overall path of inflation is one of temporary upshot in 1Q'20 and return to target by the end of 2020. No acceleration in electricity pricing is expected even though costs for large enterprises have been marked-to-market since July 2019. Inflation picture in industry is far different from the one experienced by consumers. Cost absorption at the very low level of production constitutes an anchor for price growth at the consumer level, at least in goods, which is not expected to change soon. mBank's estimate of the impact of minimum wage changes on the inflation is around 0.2 p.p. next year.

Polish industrial output declined by 1.3% YoY in August, below market consensus of 1.5% YoY. The slowdown vis-a-vis July (when output rose by 5.8% YoY) is primarily the result of unfavourable working day difference (down from +1 to -1 YoY), but the surprise itself is completely attributable to weakening industrial momentum. In seasonally and calendar adjusted terms industrial output went down by 1.2% MoM. Provided that September does not bring a miracle, 3Q'19 will be the weakest quarter for Polish industry since the beginning of 2012. While automotive production clocked a roughly 10% decline in annual terms, the weakness in industry is by no means limited to one sector. Main downtrend factors in

manufacturing sentiment indicators are attributable to the ongoing retrenchment in external demand coupled with the downturn in public investment.

Employment in the enterprise sector slowed down from 2.7% YoY in July to 2.6% YoY in August. On a monthly basis, almost 8 thousand jobs were lost, which makes last August the worst such month since 2011. Furthermore, this is not a one-off, but rather the extension of a long-established downtrend, seen both in hard (multiple measures of employment, vacancies and job offer counts) and soft indicators (various business sentiment and hiring intention surveys). This should be seen as a result of slowing labour demand, itself a byproduct of a broader tendency seen in macroeconomic data for Poland, and on-going contraction in labour supply. Average gross wage rose by 6.8% YoY in August, matching market consensus.

September brings further increase in consumer sentiment indicators, lifting the average index (equally weighed current and leading sentiment) to a new all-time high. It is an indirect proof that the slowdown seen in key labour market metrics is not seen as significant by households and is not translating into worsening of expectations regarding their future financial situation. Unemployment is also not a concern at the moment.

Last month's set of data confirms the status quo in the Polish economy. Employment is systematically slowing down, but nominal wage growth is hovering near recent highs. At the same time, increase of current labour income, along with the expected distribution of social transfers later this year and sky-high consumer sentiment, all point to brisk consumption growth in 2H'19 and support mBank's GDP forecast of 4.6% YoY on average this year.

mBank downgraded by S&P Global Ratings

On September 25, 2019, S&P Global Ratings lowered mBank's long-term issuer credit rating from 'BBB+' to 'BBB' and long-term resolution counterparty rating from 'A-' to 'BBB+'. The short-term rating was affirmed at 'A-2'. Moreover, S&P changed the rating outlook from 'negative' to 'developing'.

As a result of the above rating action, the long-term issuer credit rating is now in line with mBank's stand-alone credit profile (SACP). Before the rating action, the long-term rating was higher than mBank's stand-alone credit profile by one notch. It resulted from S&P's assessment that mBank is a strategically important subsidiary of Commerzbank, which implies a high probability of extraordinary support. The agency verified this assessment in connection with Commerzbank's announcement about ongoing works on the Commerzbank 5.0 strategy, which provides for the sale of a majority stake in mBank.

The 'developing' outlook indicates that the rating agency may raise, lower, or affirm the ratings over the next 12-24 months, depending on the implications of the sale process of mBank.

Changes in mBank's Supervisory Board

In September 2019, two changes in the Supervisory Board of mBank were announced. On September 3, 2019, the company released information about the death of Janusz Fiszer, member of the Supervisory Board. Moreover, on September 19, 2019, Maciej Leśny, Chairman of mBank's Supervisory Board, received a letter of resignation from Andre Carls. He decided to resign as member of the Supervisory Board and member of the Executive and Nomination Committee, Remuneration Committee and Audit Committee of the Supervisory Board as of September 30, 2019. Mr. Carls did not give reasons for his resignation. Following the changes, the bank's Supervisory Board is currently composed of 10 members.

Forthcoming corporate access events

02.10.2019	European Financials Conference by mBank Dom Maklerski in Warsaw
03.12.2019	8th Annual WOOD's Winter Conference in Prague

Forthcoming reporting events

30.10.2019	mBank Group Financial Report for Q3 2019
06.02.2020	Selected non-audited financial data of mBank Group for Q4 2019
03.03.2020	Annual Financial Report of mBank Group for 2019

mBank's shares:

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 348 437
Listed on WSE since	06.10.1992
Relevant WSE indices	WIG, WIG-30, WIG-20, WIG-Banks

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