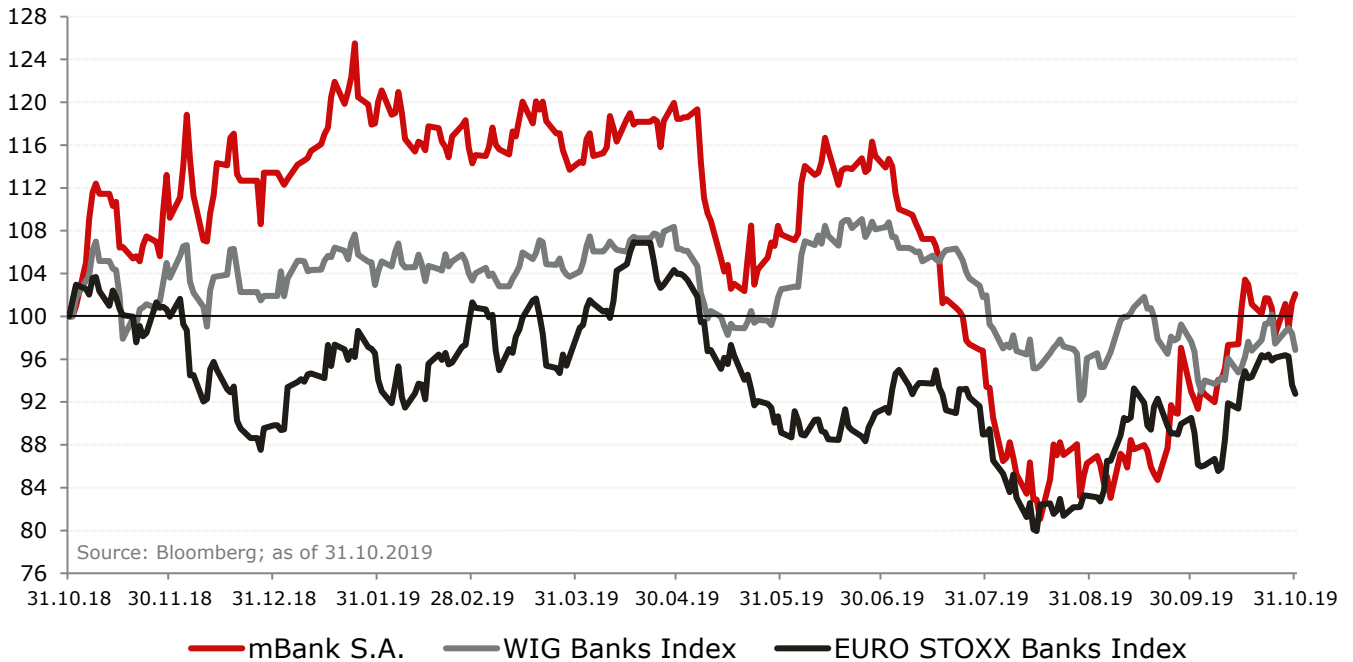


Share price performance summary

In October mBank's share price increased by 9.84%, while the WIG-Banks index declined by 0.82%. The EURO STOXX Banks Index went up by 2.47% 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%	-10.00%
WIG Banks Index	-5.37%	-12.12%	+1.78%	+4.24%	-9.69%	-4.96%
EURO STOXX Banks Index	-18.31%	-33.29%	+7.13%	-5.48%	-0.50%	+3.25%

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	3 943	+12.8%	4 287	+8.7%
Net F&C income	992	976	947	-3.0%	989	+4.4%
Total income	4 454	5 059	5 298	+4.7%	5 663	+6.9%
Total costs	-2 043	-2 164	-2 326	+7.5%	-2 408	+3.5%
LLPs	-508	-694	-782	+12.6%	-875	+11.9%
Operating profit	1 903	2 201	2 190	-0.5%	2 381	+8.7%
Net profit	1 092	1 316	1 246	-5.4%	1 381	+10.8%
Net loans	84 476	94 723	103 490	+9.2%	110 113	+6.4%
Assets	131 424	145 750	156 484	+7.4%	166 387	+6.3%
Deposits	91 496	102 009	114 202	+12.0%	121 748	+6.6%

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: mElements accepted as domestic payment institution

On October 14, 2019, the Polish Financial Supervision Authority informed about issuing a licence for mBank's subsidiary mElements to act as a domestic payment institution. Having the regulator's consent, mElements is now allowed to, i.e., all activities necessary for running accounts, initiating payments or issuing payment instruments in accordance with PSD2 rules, such as strong customer authentication requirement. mElements will also continue to cooperate with e-commerce segment sellers to measurably improve customer experience, funnel conversion and business partner loyalty through the use of API Banking solutions.

Key news regarding mBank Group

mBank's economists find headline and core inflation right on target, good industrial production data



Polish economy is set to slow down considerably next year. Waning effects of fiscal stimulus, unfavourable EU spending calendar, retrenchment of local government investment and weaker investment outlook are to blame. However, consumption will remain very resilient and this makes all the difference compared to 2011-2013 cycle. mBank's revised forecasts call for GDP growth of 3.2% YoY in 2020.

According to the flash reading, inflation in October fell from 2.6% to 2.5% YoY, in line with market consensus. Available details indicate that food price increased by 0.3% MoM, fuel price decreased by 0.9% MoM and energy price increased by 0.2% MoM.

October reading is a local minimum in inflation. Next months should come with further increases. The precise inflation level in 1Q'20 will depend on the decision on (un)freezing energy price for households and expected natural gas price decreases (regulator did not provide any details on providers price applications). However, it does not matter if inflation at the beginning of the year is closer to 3% or 4%. More important is its trajectory that is expected to show a quick decrease. None of models in NBP will demonstrate a permanent effect of inflationary shock as a result of utilities or food prices.

Core inflation is at a quite high level, compared to its empirical distribution since 2003. However, one needs to remember that: (i) core inflation finally normalized after periods of low levels and (ii) it has historically been kept quite low due to the restrictive central bank policy, which reacted to the negative supply shocks. The structure of the Polish economy (more stable exchange rate, structure of debt in foreign currencies and investors of debt denominated in PLN), as well as foreign investors' perception (it is no longer a classic emerging market, but on its way to be a developed market), makes the relatively loose monetary policy (compared to previous standards) more sustainable. So far, MPC has recognized those changes quite well. Global low interest rates are also supporting the current NBP policy, making it appearing as quite a restrictive one (compared e.g. to the euro area).

In September retail sales increased by 4.3% YoY in real terms which was a negative surprise for the market, but usually big surprises in food sales are corrected next month. Another good news is that it is rather not possible to witness large, structural change in one single drop in monthly sales as it would take time. However, analysts do not know what causes such shifts in food sales and they are neither regular nor seasonal.

Industrial production in September increased by 5.6% YoY in real terms. The seasonally adjusted index also improved by 1.5% MoM. Acceleration (compared to the negative reading

from the previous month) is the result of working days difference, a positive base from the previous year, and normalization in certain categories, which poorly behaved in August (like other transport equipment). Momentum in manufacturing improved slightly (or at least stabilized). Weak business climate indicators will weaken readings in the coming months, but one can still be optimistic about the end of 2019, mostly due to domestic factors (private investments, consumption). Moreover, Polish production falls slowly which allows enterprises to adapt to the macroeconomic environment. It also makes the narrative of strong and optimistic consumer impact reasonable. Without a new negative shock, the scenario from 2012-2013 and strong contraction of the entire economy is very unlikely. It also explains quite smooth GDP path for the next quarters.

More surprising is the producer price index which unexpectedly increased to 0.9% YoY from 0.7% in the previous month. It is not the effect of changes in some price processes in production (neither manufacturing, nor the energy producers), but the revision of the previous reading. Core prices in manufacturing are still close to declines and there are currently no factors that could change it. With every month, the story of the impact of electricity prices on prices in industrial production, falsifies.

In mBank's analysts opinion, this set of data will be neutral for the MPC. Its reaction function implies that as long as a downward trajectory of GDP growth is the baseline scenario, inflation increases (including the core one) will be treated as temporary and the policy of stable interest rates will be considered as optimal.

mBank's O-SII buffer increased to 0.75%

Being a domestically systemic bank, mBank had its other systemically important institution (O-SII) capital buffer updated from 0.50% up to 0.75%. An increase results from an annual review performed by the Polish FSA according to the methodology of European Banking Authority. It is primarily based on the size, importance, complexity (or cross-border activities) and interconnectedness of particular institutions in the sector.

mBank downgraded by Fitch Ratings

On October 15, 2019, mBank's Long-Term Issuer Default Rating was downgraded by Fitch agency from 'BBB' to 'BBB-' and placed on Rating Watch Positive (RWP). The downgrade follows the announcement of a new strategy by Commerzbank, comprising sale of its stake in mBank. Consequently, under Fitch's assessment of no potential parental support from the majority shareholder, mBank's Long-Term Issuer Default Rating corresponds to its individual rating, i.e. Viability Rating ('bbb-'). The positive inclination of mBank's RWP reflects expectation that the PFSA shall require Commerzbank to retain the risks associated with mBank's portfolio of foreign-currency mortgage loans as well as require that mBank's buyer would be of no weaker credit profile than the current parent of the company.

Forthcoming corporate access events

03.12.2019	8th Annual WOOD's Winter Conference in Prague
21-22.01.2020	Santander 2020 CEE Outlook Conference in Warsaw

Forthcoming reporting events

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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