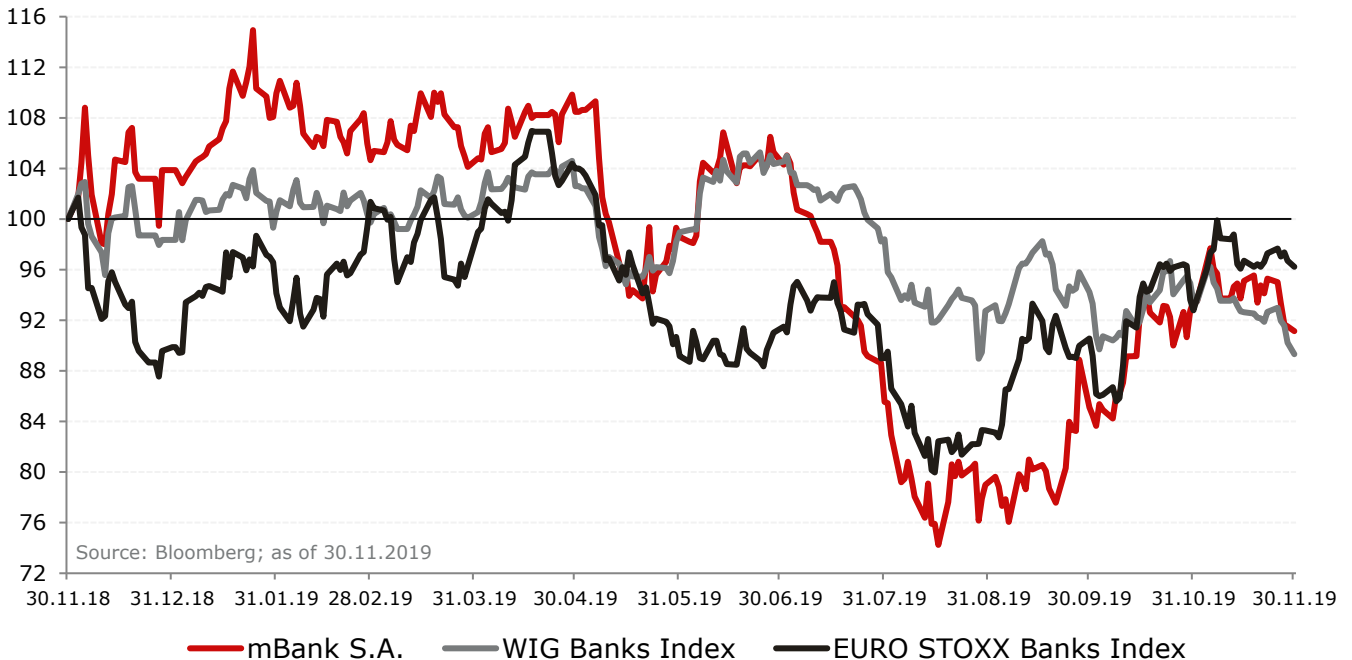


Share price performance summary

In November mBank's share price decreased by 2.51%, while the WIG-Banks index declined by 4.44%. The EURO STOXX Banks Index went up by 3.71% 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%	-12.26%
WIG Banks Index	-5.37%	-12.12%	+1.78%	+4.24%	-9.69%	-9.18%
EURO STOXX Banks Index	-18.31%	-33.29%	+7.13%	-5.48%	-0.50%	+7.08%

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	3 952	+13.0%	4 306	+8.9%
Net F&C income	992	976	947	-3.0%	987	+4.3%
Total income	4 454	5 059	5 312	+5.0%	5 684	+7.0%
Total costs	-2 043	-2 164	-2 329	+7.6%	-2 416	+3.7%
LLPs	-508	-694	-787	+13.4%	-879	+11.6%
Operating profit	1 903	2 201	2 196	-0.2%	2 390	+8.8%
Net profit	1 092	1 316	1 247	-5.3%	1 386	+11.2%
Net loans	84 476	94 723	103 671	+9.4%	110 307	+6.4%
Assets	131 424	145 750	156 762	+7.6%	166 689	+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 mFinance (PLN 219.7 million) in 2018.

Special topic: Another issuance of covered bonds by mBank Hipoteczny

mBank's mortgage arm mBank Hipoteczny successfully tapped the euro covered bonds market again and issued EUR 300 million of bonds due in September 2025. The final order book in excess of EUR 1 billion was characterized by a high degree of granularity with over 70 real money investors participating. The final re-offer spread of +43bps lay within the estimated fair value range. The coupon on this 6-year bond was fixed at 0.242%, which is one of the lowest ever to be achieved by an issuer from Poland. The investors comprised of 74 pan-European high quality accounts, dominated by Germany (48%), Nordics (29%) and Austria (9%). A small portion was allocated to CEE, Switzerland, Benelux and Iberia. The trade features a very innovative cross-currency interest rate swap which allowed mBank Hipoteczny to achieve the Aa3 rating from Moody's for this issuance.

Key news regarding mBank Group

mBank's economists find the structure of 3Q'19 GDP growth weak



Poland's GDP increased by 3.9% YoY in 3Q'19, in line with the flash estimate published in mid-November and below the market consensus (4.0-4.1%). The reading also confirmed the surprisingly strong momentum outside industry and construction as GDP rose by 1.3% QoQ, while total output of the two sectors declined on a quarterly basis. The growth structure in 3Q'19 failed to meet expectations in many dimensions.

First, household consumption slowed down harder than anticipated, from 4.4% to 3.9% YoY (consensus: 4.3% YoY), mirroring the behaviour of retail sales in this period. It is worth noting that the discussed period has already included the first disbursements of the extended child subsidy programme. It is impossible to judge its impact on the economy without knowing the unknowable world in which these disbursements did not happen. However, consumption recently diverged both from income growth and from consumer sentiment as the latter would suggest record-high consumption growth. The obvious explanation for this discrepancy is that consumers adjusted their behaviour and raised precautionary savings. This calls into question whether household consumption will receive a bump from fiscal stimulus at all.

Second, investment growth has been also trending down more steeply than previously estimated. In 3Q'19 it rose by 4.7% YoY compared to the forecasts of 6.5-7.0%. In part this is due to slowing public investment, among which local government spending declined by ca. 10% YoY. This is not the full story, though. Investment net of direct local government spending contributed (in current prices) 13.2 p.p. to total investment growth in 1Q'19 and only 8.1 p.p. in the last quarter. This matches the slowdown in corporate investment in buildings and structures. At the same time, spending on machinery and equipment is not visibly slowing down. This is happening largely as expected, except for the fact the public investment cycle is turning faster than anticipated. As a result, total investment growth should drop to 2-3% YoY in 4Q'19 and turn negative in early 2020.

Local government investment spending continues to be the elephant in the room. The total swing in its contribution to GDP, measured from the peak in mid-2018 to the expected bottom in 2020, might exceed 2 p.p. If the slowdown in household consumption and problems in other public investment areas are added, GDP growth below 3% in 2020 becomes a baseline scenario. Therefore, mBank's analysts revised their forecast for GDP growth down from 3.2% to 2.8% YoY in 2020.

Employment in the enterprise sector decelerated to 2.5% YoY. In monthly terms it is the third month with a decline. Since Spring, the reasons have remained the same, including supply constraints and business cycle. Wage growth in October slowed down to 5.9% YoY, below the market consensus of 6.2% YoY. The most probable cause was a dent in wage growth in mining sector triggered by a base effect. Moreover, there could be a slight working day effect in some sectors. This reading fits the trend of a slowdown in wage growth. Next months should bring continuation, which is in line with the employment data. Lower labour demand will result in lower wage pressure.

Polish industrial output rose by 3.5% YoY in October, beating market consensus of ca. 2.5% YoY. Thus, the deceleration from September's 5.6% YoY can be attributed entirely to negative working day effect, while forecasts assumed a modest base effect to pull industrial output down faster. This did not happen since it maintained robust momentum and rose by 1.2% in October (second similar reading in a row). As a result, the underlying trend in industry is essentially unchanged at 3% YoY, matching signals from business sentiment indicators.

Construction output surprised massively to the downside. In October, it decreased by 4% YoY compared to the forecasts at ca. +5-6%, most probably due to slowdown of public investment, caused by cuts in local government expenditures, EU funds cycle and problems with infrastructural investments (roads).

mBank's additional capital buffer related to FX retail mortgage loans decreased

On November 18, 2019, mBank received the letter from the Polish Financial Supervision Authority (PFSA) concerning the recommendation to maintain an additional capital requirement related to FX mortgage loan portfolio at the Group level.

The PFSA recommended mBank to maintain at the Group level own funds for covering the additional capital requirement related to risk of foreign currency mortgage loans for households at 3.11 p.p. for the total capital ratio (TCR), at 2.33 p.p. for the Tier 1 capital ratio, and at 1.74 p.p. for the Common Equity Tier 1 capital ratio.

Previously, the additional capital requirement for mBank on the consolidated level amounted to 3.64 p.p. for the total capital ratio, 2.73 p.p. for the Tier 1 capital ratio and 2.04 p.p. for the Common Equity Tier 1 capital ratio.

mBank fulfils the PFSA requirements related to the minimum capital adequacy ratios on both the individual and consolidated levels.

mLeasing starts to finance solar panels

The new offer of mLeasing is addressed to SMEs who want to reduce electricity bills and use renewable energy sources. It allows the companies to finance the solar installation worth up to PLN 250,000 and with a capacity of up to 50kW. The maximum lease period is 6 years and the entrepreneur's own contribution should constitute 10% of the investment value. mLeasing will approve the financing within one working day.

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	42 350 367
Listed on WSE since	06.10.1992
Relevant WSE indices	WIG, WIG-30, WIG-20, WIG-Banks

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