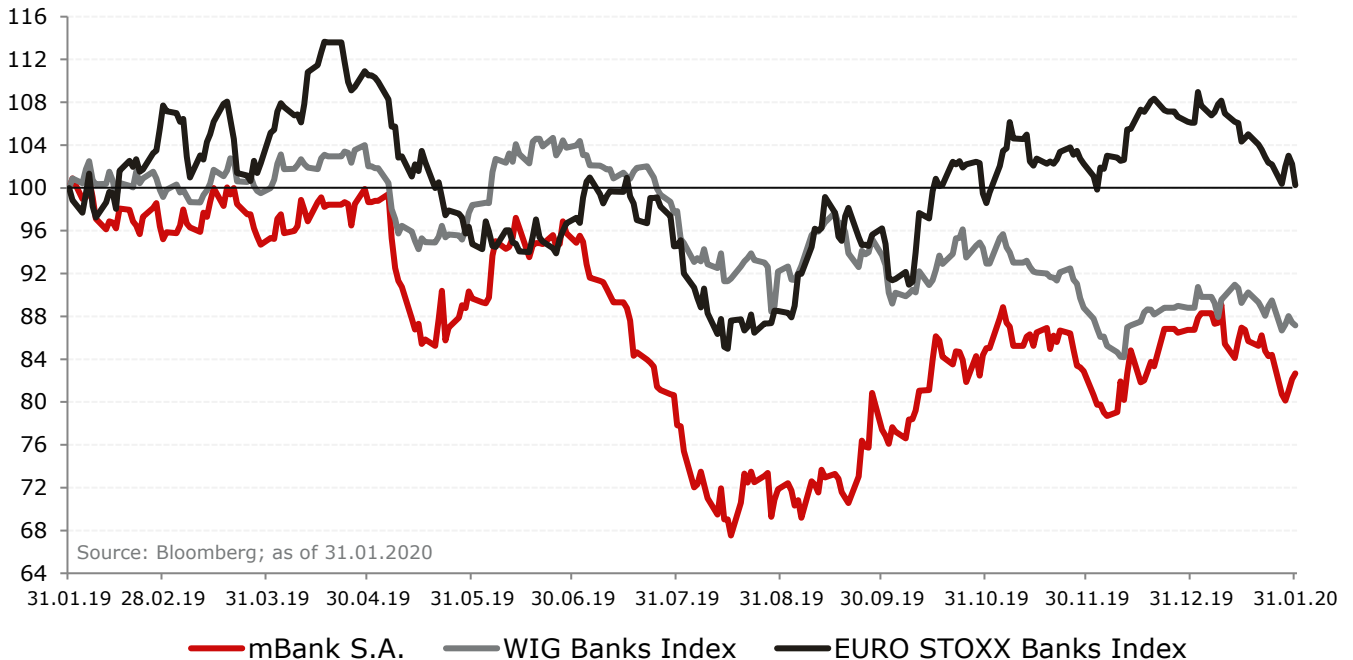


Share price performance summary

In January mBank's share price decreased by 4.67%, while the WIG-Banks index declined by 1.85%. The EURO STOXX Banks Index dropped by 5.50% in the same period.

Last 12 months – chart



change in the period	2018	1Q'19	2Q'19	3Q'19	4Q'19	2019
mBank	-8.77%	+0.24%	+1.13%	-19.16%	+12.03%	-8.20%
WIG Banks Index	-12.12%	+1.78%	+4.24%	-9.69%	-5.23%	-9.19%
EURO STOXX Banks Index	-33.29%	+7.13%	-5.48%	-0.50%	+10.27%	+11.11%

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	4 020	+15.0%	4 419	+9.9%
Net F&C income	992	976	947	-3.0%	987	+4.3%
Total income	4 454	5 059	5 185	+2.5%	5 821	+12.3%
Total costs	-2 043	-2 164	-2 335	+7.9%	-2 445	+4.7%
LLPs	-508	-694	-806	+16.1%	-921	+14.3%
Operating profit	1 903	2 201	2 043	-7.2%	2 455	+20.2%
Net profit	1 092	1 316	1 048	-19.6%	1 373	+31.0%
Net loans	84 476	94 723	105 059	+10.9%	112 076	+6.7%
Assets	131 424	145 750	159 652	+9.5%	170 308	+6.7%
Deposits	91 496	102 009	117 263	+15.0%	125 398	+6.9%

Contributing research by: Citi Research, BOŚ Brokerage, PKO Securities, Haitong, IPOPEMA, Pekao Investment Banking, Raiffeisen Centrobank, Santander Brokerage, Societe Generale, Trigon DM, Wood&Company, KBW. Data for 2019E based on previews for 4Q'19 summed with actual figures for 9M'19 or earlier full-year estimates if we have not received the forecast for the final quarter yet.

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: mBank's sustainable activities rated favourably by Sustainalytics

Sustainalytics, a leading global ESG research and ratings provider, has assigned an ESG Risk Rating to mBank Group. In line with Sustainalytics' methodology for rating the sustainable performance of Diversified Banks, mBank was ranked 2nd out of 375 companies in the subindustry as on January 14, 2020.

Sustainalytics' ESG Risk Ratings measure a company's exposure to industry-specific material ESG risks, and how well a company is managing those risks. The firm's multi-dimensional way of measuring ESG risk combines the concepts of management and exposure to arrive at an assessment of unmanaged ESG risk that is comparable both across and within industries.

Sustainalytics' ESG Risk Ratings distinguish between five levels of risk: negligible, low, medium, high and severe. A company's final ESG Risk Rating can be scored on up to 20 material ESG issues such as human capital, business ethics, and data privacy and security.

According to Sustainalytics, mBank has low ESG risk (with a score of 13.4; the lower the score, the better the company's ESG performance). In its summary report Sustainalytics writes: *the company is at low risk of experiencing material financial impacts from ESG factors (...) and has not experienced significant controversies.*

Key news regarding mBank Group

In their recently published outlook, mBank's economists have reiterated a forecast for Polish GDP growth at 2.8% YoY in 2020



According to the preliminary reading, Poland's GDP rose by 4.0% YoY in 2019, below the market consensus of 4.2%. Using data for Q1-Q3 and latest figures, mBank's analysts estimate likely intervals for key national accounts figures in 4Q'19: GDP expanded by 2.8-3.1% YoY, household consumption by 3.5-3.8% YoY, investment by 7.2-7.3% YoY, while net exports subtracted 0.5-0.3 p.p. from the headline.

mBank's forecast for GDP growth in 2020 remains at 2.8% YoY, with risks seen symmetric. Household consumption has been quite weak at the end of 2019, which casts serious doubt on 1Q'20 spending. Further deceleration in household consumption runs against signals from retail sales and is completely inconsistent with strong consumer sentiment. 2020 will be also marked by a decline in public investment (due to the UE cycle, lower local government spending) and private investment is unlikely to compensate given the worsening demand prospects and falling capacity utilization.

In December Polish CPI inflation rose from 2.6% to 3.4% YoY, marking one of the biggest CPI surprises in history. Food prices increased by 1.2% MoM. mBank's economists expect that electricity price hikes, further raises of refuse collection fees, higher alcohol and tobacco excise tax and base effects will push inflation beyond 4.5% in 1Q'20. The exact print is subject to uncertainty related to turn-of-the-year changes in prices set by public and private enterprises and institutions. Producer prices increased by 1.0% YoY in December and any pressure is hardly visible, therefore not translating into building up in consumer goods in CPI inflation.

Industrial output rose by 3.8% YoY in December, much below market consensus of 6.0% and mBank's pessimistic estimate of 4.9% YoY. On a seasonally and calendar adjusted basis, output dropped by 2.9% MoM, bringing its momentum down to zero. Key factors were very long holiday leaves linked with public holidays, high base of unusually strong industrial output prints in previous 2 months and energy output deceleration after the November spike.

Retail sales in December increased by 5.7% YoY in real terms and 7.5% YoY nominally, but better-than-expected reading does not disrupt a downside trend. mBank's analysts expect deceleration of consumption driven by more moderate growth of nominal wages and overall cautiousness that has been infecting consumers for some months now.

Average gross wage rose by 6.2% YoY in December, beating forecasts by a slim margin. The acceleration from weak November was mainly due to favourable working day difference and shifts in mining bonus payments. Nominal wage growth is slowing down and the culprit is weakening labour demand. The upcoming January print will be primarily influenced by the major minimum wage hike (by 15%). According to mBank's analysts, it might offer a one-time shift to average wage, but it will not change the negative trend. Employment growth amounted to 2.6% YoY and the trend is believed to be pointing downwards. Wages are already running below broadest productivity measures, contrary to what was happening in 2018. It strengthens the MPC's view that inflation is inevitably heading towards target after the jump in early 2020.

Spring is set to bring some moderation to CPI prints due to base effects and slowing economy, but at the moment mBank's analysts do not foresee inflation returning to target before 2021. Current and future CPI development will give the Council some food for thought and embolden (or even enlarge) the hawkish wing. MPC exhibits unprecedented preference for sustaining GDP growth over reacting to what it sees as an external and temporary negative supply shock.

Information on events impacting mBank Group's results in 4Q'19

On January 16, 2020, we informed in the current report about the increase of provision for legal risk related to the mortgage loan portfolio in CHF and the impact of early repayment of retail loans on the bank's results in 4Q'19.

The portfolio provision for legal risk related to the indexation clauses in mortgage and housing loans indexed with the CHF rate, created in 4Q'19, amounted to PLN 293 million. Additionally, in connection with the verdict of the Court of Justice of the European Union regarding the consumer's right to reduce the cost of loan in the event of early repayment of the amount due under the loan agreement, the negative impact of early repayments of retail loans on the bank's gross profit in 4Q'19 amounted to PLN 78 million, of which PLN 68 million reduced net interest income and PLN 10 million increased other operating expenses.

We also said that mBank Group's recurrent operating results in 4Q'19, i.e. not including the above events, have improved compared to the results achieved in the previous quarters of 2019.

New products for retail and corporate clients

Since January 2020, mBank's retail clients who own a Garmin watch with NFC function, can pay with a new feature, Garmin Pay. This free-of-charge service is available for Mastercard and Visa cards. In few simple steps customers may add their card to the Garmin Pay wallet.

For our SME clients, in cooperation with Bank Gospodarstwa Krajowego (BGK), we introduced a Biznesmax guarantee together with a supplement to the interest. BGK issues its guarantee within the programme of supporting the entrepreneurship financed by the EU.

Biznesmax guarantee allows for a free collateral of 80% of the investment loan amount (maximum of EUR 2.5 million guarantee per client), which reduces the cost of credit. Additionally, the SMEs using the BGK's guarantee, can receive supplement to the interest for the first 3 years after disbursement of the loan. Biznesmax guarantee can be used for all investments helping companies to become more innovative and competitive but mBank especially supports pro-ecological investments, including renewable energy.

Forthcoming corporate access events

16-17.03.2020	CEE Capital Markets Conference organised by PKO BP Securities in London
23.03.2020	Financial Sector in Poland - 2020 outlook conference by Pekao IB in Warsaw

Forthcoming reporting events

06.02.2020	Selected non-audited financial data of mBank Group for Q4 2019
28.02.2020	Annual Financial Report of mBank Group for 2019
30.04.2020	mBank Group Financial Report for Q1 2020
30.07.2020	Semi-annual Financial Report of mBank Group for H1 2020
29.10.2020	mBank Group Financial Report for Q3 2020

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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