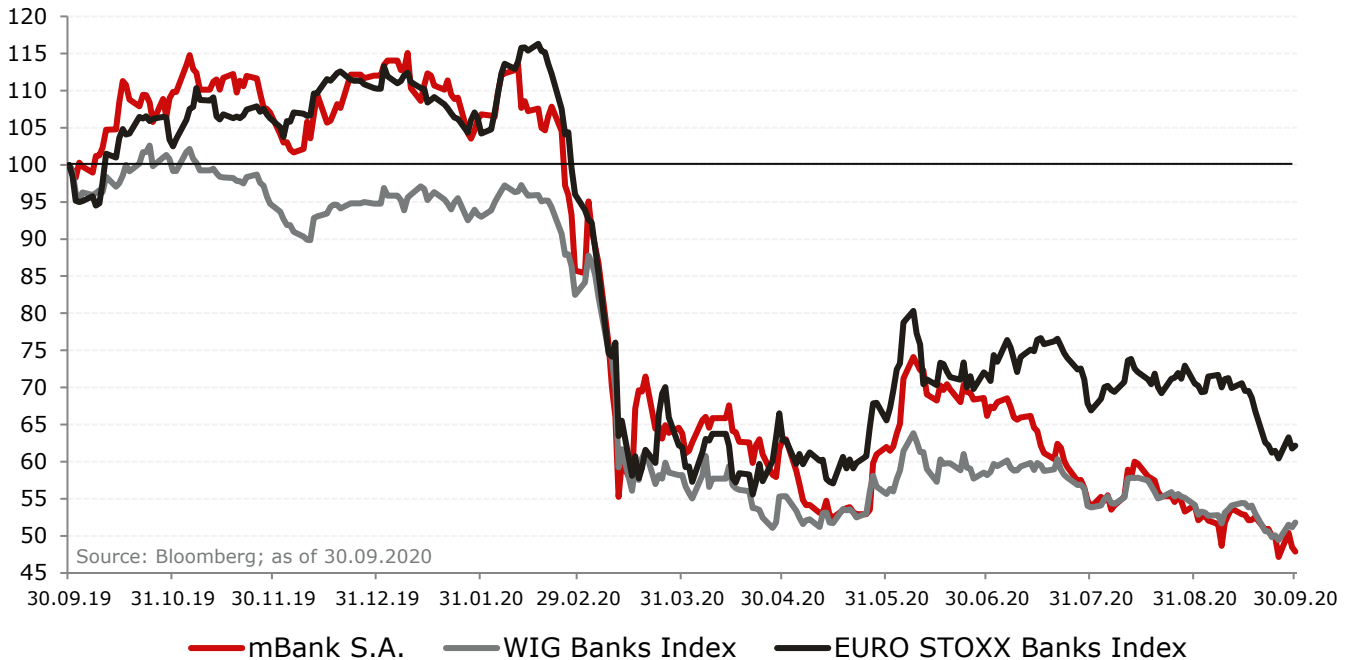


Share price performance summary

In September mBank's share price dropped by 11.54%, while the WIG-Banks index declined by 4.42%. The EURO STOXX Banks Index went down by 11.90% in the same period.

Last 12 months - chart



change in the period	4Q'19	2019	1Q'20	2Q'20	3Q'20	2020yTD
mBank	+12.03%	-8.20%	-43.04%	+3.70%	-27.65%	-57.27%
WIG Banks Index	-5.23%	-9.19%	-38.62%	+0.06%	-11.03%	-45.35%
EURO STOXX Banks Index	+10.27%	+11.11%	-43.81%	+15.61%	-13.24%	-43.65%

Consensus estimates for mBank Group's results

Financials (in PLN million)	2018	2019	2020E		2021E	
			estimate	Δ vs. 2019	estimate	Δ vs. 2020E
Net interest income	3 496	4 003	3 940	-1.6%	3 906	-0.9%
Net F&C income	1 258	1 271	1 374	+8.2%	1 413	+2.8%
Total income	5 080	5 524	5 497	-0.5%	5 484	-0.2%
Total costs	-2 164	-2 329	-2 416	+3.7%	-2 459	+1.8%
LLPs & FV change	-694	-794	-1 608	+102.6%	-1 406	-12.6%
Operating profit	2 201	2 014	1 161	-42.3%	1 203	+3.6%
Net profit	1 303	1 010	293	-71.0%	291	-0.8%
Net loans	94 766	105 347	107 969	+2.5%	111 916	+3.7%
Assets	145 781	158 721	177 759	+12.0%	183 670	+3.3%
Deposits	102 009	116 661	135 159	+15.9%	140 469	+3.9%

Contributing research by: Citi Research, BOŚ Brokerage, PKO Securities, Haitong, Pekao Brokerage, Raiffeisen Centrobank, Santander Brokerage, Societe Generale, Trigon DM, DM BDM, Wood & Company (only reports issued after the outbreak of COVID-19 pandemic).

Note: In 2018 total income included a one-off gain on the sale of an organised part of enterprise of mFinanse (PLN 219.7 million). Results for 2019 were under negative impact of provisions for legal risk related to FX loans (PLN 387.8 million).

Special topic: Request of the Polish Financial Supervision Authority to the Financial Stability Committee to express an opinion concerning the other systemically important institution buffer imposed on mBank S.A.

In the course of administrative proceedings conducted by the Polish Financial Supervision Authority (PFSA), on 22 September 2020 mBank received a letter, in which the PFSA asks the Financial Stability Committee (FSC) to express its opinion regarding the amount of the other systemically important institution (O-SII) buffer imposed on the bank.

As part of the review of the adequacy of the O-SII buffer, the PFSA indicated that the assessment of systemic importance of mBank is the basis to impose on the bank the O-SII buffer in the amount equivalent to 0.50% of the total risk exposure amount. mBank is currently required to maintain the O-SII buffer in the amount equivalent to 0.75% of the total risk exposure amount. A final decision will be taken by the PFSA after obtaining the FSC's position.

Key news regarding mBank Group

mBank analysts have revised their GDP forecast for 2020 from -4.2% to -3.1% and for 2021 from 4.6% to 4.9%, keeping the square root-shaped rebound trajectory



Despite the assumed rise of COVID-19 cases in autumn and winter, households are expected to navigate better among the possible temporary restrictions and economic impact is not seen to be as severe as in March and April. Companies are foreseen to introduce more elasticity in relations with employees and counterparties, enforced further by an absence of public aid under "new normal" circumstances.

Public investment fuelled by the EU funds from an "old" perspective and initiation of spending from Next Generation EU fund shall improve the investments' forecast visibly, starting from the end of 2021. Consumption in 2020 is expected to be under pressure given the higher unemployment rate and ceasing of public aid. Although private consumption can accelerate in 2021, public spending is expected to be trimmed, including freeze of wages in public administration and job cuts. Net exports, contributing strongly to GDP in Q2 2020, are expected to normalise in the coming months.

Polish PMI fell to 50.6 points in August, halting the V-shaped rebound. The reading lags behind mBank analysts' forecast, but is not believed to bring disastrous implications. After rapid growth of the ratio along with realizing the deferred consumption, its current trajectory suggests a slight slowdown back to normal levels. This remains true despite the PMI exceeding 50 points, which in theory represents economic expansion.

Industrial output in August rose by 1.5% YoY, which was below both mBank analysts' expectations (3.6%) and market consensus (2.8%). Nevertheless, the reading causes no major concern given its upward trend. Industrial output has emerged from the post-COVID downturn, although at slower pace than expected. Key driver is production of consumption goods (12.7% YoY), while energy-linked goods and investment goods fell by -5.7% YoY and -1.6% YoY, respectively. The catching-up after lockdown period is already coming to an end. Producers' prices fell by 1.2% YoY. High base from the previous year was the main reason for the negative reading, expected to be followed by deflation in coming months.

Employment in August rebounded to -1.5% YoY from -2.3% YoY in July. New job positions originated partly from returning to full employment after termination of furlough aid at the end of July. Still, improved readings represent catching-up after the pandemic and still lag behind

employment from January. Next months are forecasted to show lower dynamics than in August. However, it can be assumed that labour market has been relatively lightly hit by the pandemic. Unemployment rate might still go up, but mainly due to statistical adjustments along with registrations of persons who used the solidarity fund and at the time of PFR shield settlements in spring 2021. Nevertheless, an expected increase of economic activity at that time shall be sufficient to absorb the unemployed cohort relatively easily.

Average wage increased by 4.1% YoY in August compared with 3.8% YoY in the previous month. A rise owes strongly to returning from temporary absences and coming back to full-time employment. No wage pressure is expected in the next few months as the companies are saving and households fear redundancies more than before the pandemic.

The final reading of inflation confirmed the flash indicator of 2.9% YoY for August. The strongest negative contributors were food prices (-1.2% MoM) and clothing, while fuel prices increased by 3.3% MoM. Base inflation in August slowed down to 4.0% YoY compared with 4.3% in the previous month, meaning the first drop since December 2018. It originated among others from stabilization of prices in the services sector, which were inflated by additional fees for adjusting to the sanitary regime, as well as first signs of economic downturn. Base inflation is foreseen to continue downward trend, falling even below 1% in some months. Nevertheless, the interest rates are expected to be kept at the level of 0.1% in 2020 and 2021, which stems also from the MPC dovish communication and remaining the rates unchanged during the September meeting.

Open banking solutions at mBank

Clients with an account at mBank, who hold their basic account in a different bank, can be granted with a cash loan in a simplified process, without documenting the monthly salary on paper. mBank introduced a possibility to confirm the salary with the use of AIS service under the revised Payment Services Directive (PSD2). AIS (Account Information Services) offers an access to the bank account and allows to collect information on transactions, including salary inflows, directly from the customer's bank account. Thus, the client who is salaried in a different bank, can easily obtain a cash loan, without even leaving home.

Clients can apply for a cash loan on the internet platform or mobile application or do it at the branch with the assistance of an advisor. Clients do not have to prepare any special documentation or statements. All they need to do is to log in to their account and choose their salary account. After the client's approval, mBank will download the data necessary to make a credit decision.

Financing by mFactoring even easier with a BGK guarantee

mFactoring S.A., a factoring subsidiary of mBank, launched a recourse factoring service with the BGK guarantee. With this facility available, financing of company's activities is even easier and accessible to more companies. The service protects them from payment backlogs and helps to keep good financial liquidity in the hard times of the pandemic.

BGK guarantee protects up to 80% of the financing limit and can cover up to PLN 250 million of factoring limit granted by mFactoring. New service is offered to companies of all sizes across different industries, with both local and foreign business partners, until the end of 2020. The amount of available financing is limited and is a part of BGK's support for the Polish enterprises, aimed at mitigating the negative impact of Covid-19 pandemic.

Forthcoming corporate access events

01-02.10.2020	European Financials Conference (mBank Brokerage House/Commerzbank)
26-27.11.2020	2020 Annual Financial Sector Conference (Santander Brokerage House)
01-04.12.2020	WOOD's Winter Wonderland

Forthcoming reporting events

29.10.2020	mBank Group Financial Report for Q3 2020
09.02.2021	Selected non-audited financial data of mBank Group for Q4 2020
26.02.2021	Annual Financial Report of mBank Group for 2020

mBank's shares:

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 365 259
Listed on WSE since	06.10.1992
Relevant WSE indices	WIG, WIG-30, WIG-20, WIG-Banks, WIG-ESG

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For any further information, please contact the IR team.

E-mail address: investor.relations@mbank.plmBank S.A.
Analysis and Investor Relations Department
ul. Senatorska 18
00-950 Warszawa