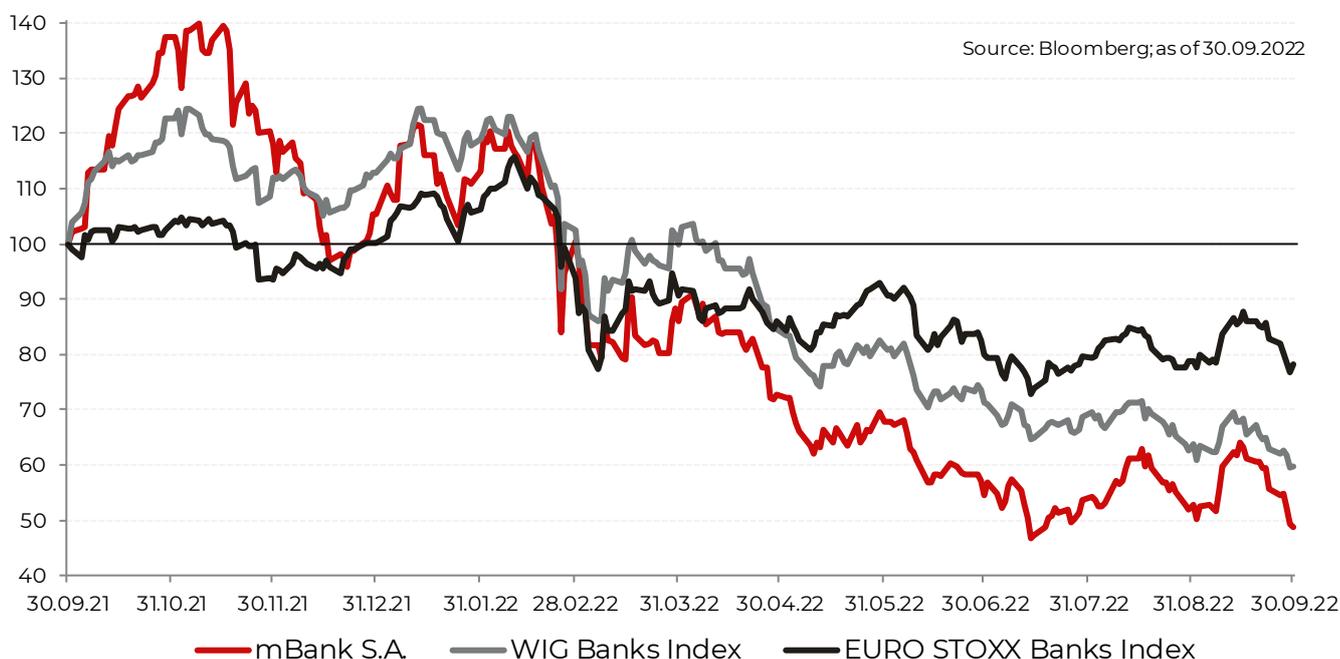


Share price performance summary

In September mBank's share price declined by 7.65%, while the WIG-Banks index dropped by 6.37%. The EURO STOXX Banks Index went slightly down by 0.75% in the same period.

Last 12 months – chart



change in the period	4Q'21	2021	1Q'22	2Q'22	3Q'22	2022 YtD
mBank	+5.40%	+141.74%	-18.47%	-36.41%	-10.77%	-53.74%
WIG Banks Index	+12.83%	+81.32%	-11.54%	-28.62%	-16.22%	-47.10%
EURO STOXX Banks Index	+0.13%	+36.15%	-9.62%	-11.82%	-1.91%	-21.82%

Consensus estimates for mBank Group's results

Financials (in PLN million)	2020	2021	2022E		2023E	
			estimate	Δ vs. 2021	estimate	Δ vs. 2022E
Net interest income	4 009	4 104	5 766	+40.5%	6 230	+8.0%
Net F&C income	1 508	1 890	2 072	+9.6%	2 104	+1.5%
Total income	5 867	6 111	7 953	+30.1%	8 504	+6.9%
Total costs	-2 411	-2 457	-2 846	+15.8%	-2 922	+2.7%
LLPs & FV change	-1 293	-879	-1 039	+18.3%	-1 349	+29.8%
Operating profit	1 141	18	1 844	104.8x	2 750	+49.2%
Net result	104	-1 179	411	-/+	1 177	+186.2%
Net loans	108 567	118 055	123 001	+4.2%	125 859	+2.3%
Assets	178 872	199 539	201 209	+0.8%	208 694	+3.7%
Deposits	137 699	159 935	162 451	+1.6%	169 237	+4.2%

Contributing research by: Citi Research, BOŚ Brokerage, PKO Securities, Erste Group, Ipopema, Pekao Brokerage, Santander Brokerage, Raiffeisen, SocieteGenerale, Trigon DM, Wood & Company.

Note: Results for 2020 and particularly for 2021 were negatively impacted by provisions for legal risk related to mortgage loans in foreign currencies (PLN 1,021.7 million and PLN 2,758.1 million, respectively).

Special topic:

Update of costs of legal risk related to FX mortgage loans and decision on settlements

mBank has released the amount of legal risk costs related to FX mortgage loans to be booked in Q3 2022 and their impact on the bank's financial performance in 2022. In addition, the bank has announced a settlement programme for all CHF borrowers due to start in October.

The legal risk costs related to FX mortgage loans in Q3 2022 amounted to PLN 2,336 million. As a result, the total value of provisions created for legal risk related to FX portfolio as of 27 September 2022 reached PLN 6,803 million. Coupled with the costs of credit holidays, which were initially estimated at PLN 1.0–1.4 billion, this is likely to push mBank Group's net result for 2022 into negative territory. Thus, the management board decided also on no dividend payment from the profit earned by mBank S.A. in 2023.

The increase of the costs of legal risk was mainly driven by changes in assumptions regarding the forecasted court scenarios, as well as the size of the borrower population which in the opinion of the bank will file a lawsuit or settle in the future.

At the same time, mBank announced its plan to offer settlements to all clients having active CHF mortgage loan contracts. The offer will comprise a loan currency conversion and a reduction of the outstanding balance. To borrowers who decide to convert their mortgage loans into PLN, the bank will additionally offer a semi-fixed interest rate, lower than the standard interest rate offered to clients. This will eliminate the foreign currency risk and the interest rate risk in the next five years. The settlement programme will be introduced in stages, starting in October 2022.

Key news regarding mBank Group

Downside risks for Polish Gross Domestic Product mount



Growth of Polish Gross Domestic Product (GDP) in Q3 2022 is estimated to reach 2.5-3.5% YoY, according to mBank's analysts. Although a few calculations showed 4.0% YoY, current models do not incorporate several downside risks. Official monthly statistics do not comprise services, while industry data exclude companies employing less than 9 persons. Data on inventories is insufficient, and their decline has a negative impact on GDP dynamics. The economic growth in 2022 is expected at 4.0% YoY.

Inflation surged to 17.2% YoY and 1.6% MoM in September 2022, compared to 16.1% YoY (0.8% MoM) in August 2022, according to flash estimate and confirmed data of Statistics Poland, respectively. On a monthly basis, the top drivers behind the August value were the prices of food (+1.6% MoM), energy (+3.8% MoM), and fuel (-8.3% MoM). Although in some categories the prices of food declined, the pace of cuts did not match the expected seasonal trend, implicating further increases. Price of coal (+12.1% MoM, +90% YtD) was the key contributor to the growth of the energy prices. Core inflation equalled to almost 10% YoY in September 2022, according to mBank's analysts. Seasonally adjusted core inflation is estimated to have reached 1.0% MoM. The upward trend will be additionally supported by the steep hike of minimal wage planned for January 2023. Until then, core inflation is anticipated to amount to ~10% YoY. In September 2022, the Monetary Policy Council increased interest rates by 25 bps.

Industrial production rose by 10.9% YoY in August 2022, and its seasonally adjusted dynamics reached +0.7% MoM. Despite the companies were turning inventories into sold goods, the production did not decelerate yet. mBank's analysts believe the industrial production growth will not preserve. It is losing momentum, and will either return to the long-term trend in a pessimistic scenario, or on a slightly more positive note, it will move parallel to it. Demand continues strong.

Producer Price Index (PPI) remained unchanged compared to July 2022 and amounted to 25.5% YoY in August 2022. The value for July was revised up.

Retail sales grew by 4.2% YoY in August 2022. In seasonally adjusted terms, it increased by 0.7% MoM. In view of weak consumer sentiment and negative real wages, the reading is regarded favourably. Looking at the monthly dynamics, most of the categories followed the recent upward trend. Continued resolute of bottlenecks in supply chains and pent-up demand lead to further expected improvement of the statistics. Sales of fuel relatively reversed the pattern as a consequence of fuel prices. mBank's analysts believe that outlook for retail sales seems to be negative. Key drivers behind the foreseen slowdown are elevated inflation, high interest rates, decelerating GDP growth, and uncertainty.

Employment advanced by 2.4% YoY in August 2022. The number of FTEs decreased by 5.7 thousand MoM, roughly in line with the same period in the previous years. mBank's analysts believe that the oncoming recession poses the greatest risk to the labour market. However, the impact of several factors remains unclear. Those include downward change in stocks as an unprecedented driver of a decelerating GDP, potential disruptions in the production processes, possible interventions of the government in the job market in case of growing unemployment, and the war in Ukraine. To sum up, mBank's analysts forecast there will be no visible strong growth or decline in the employment, while the unemployment rate will slowly rise in the next quarters. Wages increased by 12.7% YoY in August 2022, below the consensus of 13.7% YoY. Compared to July 2022, no significant one-off bonuses were paid in August. Salaries have been slowing down, although their annual growth rate still remains high. On one hand, it could signal a loosening of the wage pressure. However, recent changes in the personal income tax suggest companies paid bonuses (including also overdue ones) in July due to favourable conditions. Therefore, wages are expected to continue to increase.

mBank will finance a wind investment in Poland under a PPA

mBank will provide the financing for the construction of wind farms under the Power Purchase Agreement (PPA), which is a long-term contract with a fixed price between an energy producer and its consumer, ensuring a bank financing to the company building the installation. The construction of the windmills will be carried out by the listed company Figene Capital, and the power consumer will be LPP, which is the largest Polish clothing company, owner of popular brands including Reserved, House and Cropp.

Responsibility for the climate is a part of mBank's ESG agenda developed within the strategy for 2021-2025. According to it, the goal is to provide PLN 10 billion of financing to green industries. In H1 2022, mBank granted more than PLN 700 million to finance the construction of photovoltaic and wind farms.

Forthcoming corporate access events

04-05.10.2022	WOOD's EME NYC Conference
24-25.11.2022	Annual Financial Sector Conference by Santander Brokerage Poland
06.12.2022	WOOD's Winter Wonderland - EME Conference in Prague

Forthcoming reporting events

08.11.2022	mBank Group Financial Report for Q3 2022
09.02.2023	Selected non-audited financial data of mBank Group for Q4 2022
02.03.2023	Annual Financial Report of mBank Group for 2022

mBank's shares:

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 422 727
Listed on WSE since	06.10.1992
Relevant WSE indices	WIG, WIG-20, WIG-30, WIG-Banks, WIG-ESG

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