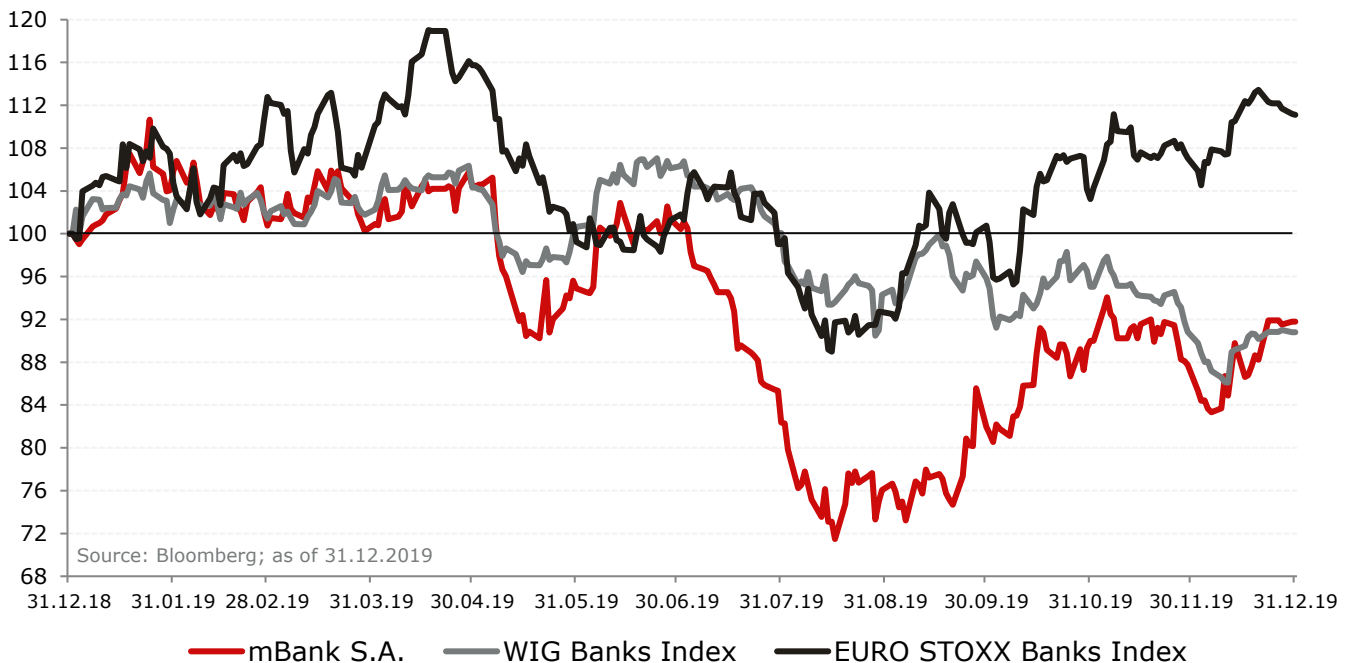


### Share price performance summary

In December mBank's share price increased by 4.62%, while the WIG-Banks index declined marginally by 0.02%. The EURO STOXX Banks Index went up by 3.77% 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	4 038	+15.5%	4 419	+9.4%
Net F&C income	992	976	943	-3.3%	987	+4.7%
<b>Total income</b>	<b>4 454</b>	<b>5 059</b>	<b>5 398</b>	<b>+6.7%</b>	<b>5 821</b>	<b>+7.8%</b>
<b>Total costs</b>	<b>-2 043</b>	<b>-2 164</b>	<b>-2 341</b>	<b>+8.2%</b>	<b>-2 445</b>	<b>+4.4%</b>
LLPs	-508	-694	-821	+18.2%	-921	+12.2%
<b>Operating profit</b>	<b>1 903</b>	<b>2 201</b>	<b>2 236</b>	<b>+1.6%</b>	<b>2 455</b>	<b>+9.8%</b>
<b>Net profit</b>	<b>1 092</b>	<b>1 316</b>	<b>1 227</b>	<b>-6.8%</b>	<b>1 373</b>	<b>+11.8%</b>
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 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: New strategy of mBank Group for 2020-2023**

On December 12, 2019, new mBank Group's Strategy for 2020-2023 titled "Growth fuelled by our clients" was announced. In this perspective, we will **focus on 4 areas**, corresponding to the key components of our business model:

- **Client (acquisition and long-term relationships):** As a bank, we will be growing organically by constantly attracting new clients (especially young and firms) and strengthening our position in the 30-45 age group. We will improve the retention of individual customers by developing products that anchor them in the bank at particular stages of their life cycle. In the corporate segment, we will shape our client portfolio by anticipating trends and changes in the market environment, while maintaining a high diversification of exposures. We will expand our knowledge of customers in order to more precisely identify and satisfy their needs by constructing a personalised offer. Continuing the assumptions of empathy, we will communicate with our clients in an understandable way and distinguish ourselves by the transparency of the offer, including our pricing policy.
- **Platform (ecosystem and user experience):** We will be constantly improving remote bank access channels and promote digital self-service. We will give the leading role to the mobile application, which will have the same scope of functionality as the Internet banking service, while contact center and outlets will play a supportive role. We will be developing the retail platform by supplementing it with value-added services and the offer of selected partners, including non-financial ones. Focused on providing convenience, ease and speed of use, we will build the best digital banking for corporations in Poland.
- **Efficiency (operational advantage):** We will maintain the technological advantage in the financial sector. We will rely on agile interdisciplinary teams to design and deliver end-to-end solutions. We will modify IT architecture using industry best practices. We will increase the digital self-service of our customers while optimising our sales network. We will improve the operational efficiency of the bank by implementing automation on a large scale and simplifying processes.
- **Employees and organisation culture:** We will ensure that the work environment and its organisation in mBank Group will foster efficiency, cooperation, high engagement and the creation of innovative solutions. We want to make managers think outside the box and inspire development, and employees who seek new solutions and take care of our clients. We will use technology to relieve employees from routine tasks and implement automated tools to facilitate compliance with regulations.

For the first time, **the ESG/CSR strategy** has also become an integral part of the document. As mBank Group, we intend to conduct our business in accordance with the principles of sustainable development. We want to educate, take care of the climate and the environment and promote prosperity.

The activities of mBank Group will be focused on achieving the following **financial targets**:

- Net interest margin (NIM): increase to ~3.0% in 2023,
- Cost/Income ratio (C/I): reduction to ~40% in 2023,
- Return on equity (ROE net): improvement to ~10.5% in 2023,
- Loans/Deposits ratio: in a range of 92-94% every year,
- Capital ratios: year-end level minimum 1.5 p.p. above the PFSA requirements,
- Average annual growth (CAGR) in 2019-2023 at: loans ~6%, deposits ~6%, total income ~8%, total costs ~5%.

Our goal is to pay 50% of net profit as a dividend.

mBank informs that the above assumptions and strategic goals do not constitute a forecast or estimate of results, including financial ones, and are only information on the planned areas of the bank's activities and potential directions of development for 2020-2023.

For more information on mBank Group's Strategy for 2020-2023, see [HERE](#).

### **Key news regarding mBank Group**

#### **mBank's economists see market pricing of future interest rate path in Poland could still react to inflation developments**



Polish economy is set to slow down considerably in 2020. Waning effects of fiscal stimulus, unfavourable EU spending calendar, retrenchment of local government investments and weaker demand outlook are to blame. That being said, consumption will remain very resilient and this makes all the difference compared to 2011-2013 cycle. mBank's current GDP growth forecast for 2020 is at 2.8% YoY.

The Polish MPC left interest rates unchanged at 1.5% and started pushing back against rate cut expectations, describing current level of interest rates as optimal. mBank's analysts don't assume any rate changes in Poland in the foreseeable future as the risks are to the downside in the overall environment.

Inflation in November increased to 2.6% YoY. Core inflation is at multi-year high, but there is limited space for further acceleration. The pass-through from wages is working in services, but wage growth has stabilized there. In addition, deflation is likely to return to core consumer goods given the global environment and the lagged relationship with local manufacturing wage growth. Inflation in services is expected to cool down after its standing-out in Europe, given the trends in the labour market and the changes in the market structure in some areas (telecommunication, waste collection, incoming electricity hikes). As for the inflation in goods, Poland is close to EU average and given the state of global manufacturing mBank's analysts foresee it is unlikely to accelerate as long as UE inflation is anchored.

Employment growth in enterprise sector accelerated to 2.6% YoY in November, while the average wage rose by 5.3% YoY. Slowdown observed in recent months has been mostly a cyclical phenomenon, resulting from lower number of unoccupied vacancies and lower wage pressure. If a jump of wages from its downward trajectory is seen, it will be only a temporary effect of higher minimum wage and probably will not affect the overall trend.

Industrial production increased in November by 1.4% YoY, above the consensus of 0.5% YoY. Compared to October the slowdown was slight, especially when looking at difference in working days (decrease from 0 to -2 YoY). Mining and energy production was better than expected. It was particularly surprising for the energy sector, as warm November should have lowered output in this category.

Retail sales in November surprised to the upside, having grown by 5.2% YoY in constant prices and by 5.9% YoY in current prices. Food sales barely decelerated (from 6.0% to 5.3% YoY), while sales in other non-specialized stores (i.e. supermarkets and similar establishments) surged from 9.6% to 14.1% YoY (new seasonal high in MoM terms). As a result, expectations of a negative payback after strong October failed to materialize. However, because of households uncertainty concerning economic situation and future inflation, labour incomes become more risky. As a result, worsening consumer's sentiment suggests higher precautionary savings and continuation of consumption slowdown in next quarters.

**Forthcoming corporate access events**

21-22.01.2020	Santander 2020 CEE Outlook Conference in Warsaw
16-17.03.2020	CEE Capital Markets Conference organised by PKO BP Securities in London

**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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For any further information, please contact the IR team.

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