

Share price performance summary

In September mBank's share price dropped by 7.86%, while the WIG-Banks index declined by 6.47%. The EURO STOXX Banks Index went up by 0.24% in the same period.

Last 12 months – chart



change in the period	4Q'22	2022	1Q'23	2Q'23	3Q'23	2023 YtD
mBank	+47.70%	-31.67%	+3.51%	+32.54%	-2.66%	+33.55%
WIG Banks Index	+36.79%	-27.64%	+0.27%	+27.01%	-3.83%	+22.47%
EURO STOXX Banks Index	+22.08%	-4.56%	+6.35%	+5.30%	+4.19%	+16.68%

Consensus estimates for mBank Group's results

Financials (in PLN million)	2021	2022	2023E		2024E	
			estimate	Δ vs. 2022	estimate	Δ vs. 2023E
Net interest income	4,126	5,924	8,112	+36.9%	7,579	-6.6%
Net fee income	1,868	2,120	2,098	-1.0%	2,178	+3.8%
Total income	6,111	7,857	10,320	+31.3%	9,935	-3.7%
Total costs	-2,457	-3,319	-2,947	-11.2%	-3,200	+8.6%
LLPs & FV change	-879	-849	-1,165	+37.1%	-1,170	+0.4%
Operating profit	18	576	3,954	+586%	4,593	+16.2%
Net result	-1,179	-703	2,053	-/+	2,656	+29.4%
Net loans	117,677	120,183	119,494	-0.6%	124,153	+3.9%
Assets	198,373	209,892	215,549	+2.7%	225,972	+4.8%
Deposits	157,072	174,131	178,242	+2.4%	185,155	+3.9%

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

Note: Results for 2021 and 2022 were negatively impacted by high provisions for legal risk related to mortgage loans in foreign currencies (PLN 2,758 million and PLN 3,112 million, respectively).

Special topic:

mBank concluded green non-preferred senior transaction worth EUR 750 million

On September 6th, 2023, mBank successfully priced a EUR 750 million Senior Non-Preferred (NPS) Green Bonds under its EMTN programme, which was the largest ever bond transaction executed by the company. The coupon is set: (i) fixed in the amount of 8.375% p.a. during the first three years since the issue date, and (ii) floating, based on 3M EURIBOR plus a margin of 4.901% p.a. during the fourth year. The number of investors who subscribed the bonds in specific tranches amounted to 121.

The transaction was mBank's second EUR-denominated Green NPS benchmark under the Group's Green Bond Framework. Prior to transaction launch, mBank obtained Pre-issuance Verification Report from Sustainalytics and Certification from the Climate Bonds Initiative. mBank will use the net proceeds from this transaction to finance or refinance green residential buildings and renewable energy projects (wind farms and photovoltaic units). The notes have been admitted to trading on Luxembourg Stock Exchange.

Key news regarding mBank Group

Polish Monetary Policy Council cut rates by 75 bps in September 2023



Polish GDP declined by 0.6% YoY in Q2 2023. It was the second consecutive quarter with a negative annual dynamic (previously: -0.3% YoY). Weaker GDP may become a key argument for the Monetary Policy Council, when deciding on the development of interest rates. After significant contributions to the growth of GDP in 2022, inventories dragged it down in Q2 2023. Consumption was also a negative factor. On the contrary, investments (+7.8% YoY) contributed positively to the reading. mBank's analysts expect GDP to increase by 0.4% YoY in 2023 and by 3.1% YoY in 2024.

Inflation decelerated to 10.1% YoY (0.0% MoM) in August 2023, compared to 10.8% YoY (-0.2% MoM) recorded in July 2023. In September 2023, it amounted to 8.2% YoY (-0.4% MoM), according to Statistics Poland's flash estimate. The reading in August was driven by lower prices of food (-1.0% MoM), unchanged price of energy and higher price of fuel (1.9% MoM). Core inflation slowed down to 10.0% YoY. Recent government interventions impacting path of inflation included, among others, lower price of energy for enterprises, higher available limits of energy at preferential prices for households and free of charge medicaments for selected groups of patients. mBank's analysts expect inflation to reach ca. 7% YoY in October 2023. This downward trend should entice the Monetary Policy Council to cut interest rates, while in 2024 inflation might accelerate again, implicating the hikes.

Industrial production receded by 2.0% YoY in August 2023, disappointing mBank's analysts who expected a stronger rebound than the observed 0.6% MoM. They point to improving production of consumer goods and continuous good performance of investment goods. Producer Price Index (PPI) sank to -2.8% YoY in August 2023. However, PPI rose by 0.1% MoM for the first time this year. mBank's analysts believe that with exception of industrial processing, all other categories will continue to record declines. The price of crude oil and weak PLN in September will drive inflation up.

Retail sales contracted by 2.7% YoY in August 2023, above the consensus predicting worse value (-3.9% YoY). For the second consecutive month, the MoM dynamic turned positive (to 2.8%), further supporting assumption of mBank's analysts that the trend of retail sales passed its local minimum. The reading comprised positive developments in almost all major categories tracked

by Statistics Poland. Furthermore, it did not result from base effects. With the revival of consumption, retail sales should close the remaining gap to the long-term trend, driven by falling inflation and rising nominal wages.

Employment remained unchanged YoY in August 2023. The number of FTEs was lower by 11 thousand MoM. Employment in industrial processing was the key contributor to the decrease. Furthermore, average employment edged down by 28 thousand FTEs since the beginning of the year. Wages in August 2023 rose by 11.9% YoY. Although the trend of their seasonally adjusted monthly dynamics decelerated, mBank's analysts point to the distorting character of one-off bonuses and rewards received by the employees in the mining and energy sectors in July. They believe that nominal growth of wages will carry on in 2024 at a level close to 10% YoY, driving the inflation up.

Settlement of mBank's third synthetic securitization transaction

On September 27th, 2023, mBank finalized a synthetic securitization transaction based on retail non-mortgage loan portfolio denominated in PLN with a total value of PLN 9,963 million (as of June 30th, 2023). It is the largest ever synthetic securitization in the CEE region (incl. Austria).

The transaction will improve mBank Group's CET 1 capital ratio by approximately 0.9 p.p. at the consolidated level, when referenced to reported figures at the end of June 2023. The majority of the impact will be recognized in the results for Q3 2023.

As part of the transaction, mBank transferred a significant part of the credit risk of a selected securitized portfolio to foreign financial investors, while the credit exposure remains on the balance sheet of the bank. The risk transfer of the securitized portfolio was performed through a credit protection instrument, in the form of Credit Linked Notes (CLNs). The total nominal value of CLNs issued by mBank amounted to PLN 731 million. They were introduced to trading on Vienna MTF operated by Wiener Börse AG.

'2% Safe Mortgage' subsidized by the government is now available for mBank's clients

Starting from September 14th, 2023, mBank's clients can apply for mortgage loans which are subsidized by the government. The loan is available for applicants who meet several conditions, including an age criterion (clients have to be younger than 45 years old) and a property rights criterion (the loan is applicable only for the first purchase of a house or an apartment). Maximum amount which can be granted is PLN 500,000 or PLN 600,000 for a married couple or an applicant raising at least one child. The programme assumes subsidies for the first 10 years of the loan agreement. After this period, the rate will change from a fixed rate to a variable rate, unless the client will apply for maintaining the fixed rate.

mBank informed about updated costs of legal risk related to FX mortgage loans

The legal risk costs related to FX mortgage loans in CHF booked by mBank in Q3 2023 amounted to PLN 1,061 million. As a result, the estimated preliminary net result for Q3 2023 will be negative, while the gross result will be positive. At the same time, strong performance of the core business continued. Assuming no other unforeseen negative events, the expected gross result for 9 months of 2023 will be positive and the net result will be close to zero.

The increase of the costs of legal risk was mainly driven by the updates to the expected distribution of court judgements, estimated cost of the settlement programme as well as amendments of other model and market parameters.

Forthcoming corporate access events

05.12.2023	WOOD's Winter Wonderland - EME Conference in Prague
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Forthcoming reporting events

31.10.2023	mBank Group Financial Report for Q3 2023
08.02.2024	Selected non-audited financial data of mBank Group for Q4 2023
01.03.2024	Annual Financial Report of mBank Group for 2023

mBank's shares:

ISIN	PLBRE0000012
Bloomberg	MBK PW
Number of shares issued	42 465 167
Listed on WSE since	06.10.1992
Relevant WSE indices	WIG, WIG-20, WIG-30, WIG-Banks, WIG-ESG

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