

Strategy of mBank Group for 2020-2023

Growth fuelled by our clients



Warsaw, 12 December 2019

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Summary: What will mBank be like?

In the horizon of the strategy for 2020-2023:



We will continue mBank's **organic growth**, based on the **acquisition** of **young clients** and dynamic **companies** from prospective industries.



We will **accompany** our clients throughout their **lifecycle** and **development**, designing our products, platforms, access channels and service model according to their **needs**.



We will remain the most **convenient transactional bank** and maintain our advantage in this area by providing our customers with **ease and speed of use**, high **security standards**, advanced platform, **personalisation** and a bonus for loyalty.



We will build our offer and solutions based on the **mobile first** paradigm, increasing the share of sales and service in the **digital sphere**.



We will intensify **optimisation**, **automation** and **digitalisation** of internal processes what will translate into savings and **enhanced operational efficiency**.



We will be systematically **improving our profitability** due to rising revenues, decent cost discipline and prudent approach to risk management, while more **favourable balance sheet structure** will result in higher net interest margin.

The strategic goal of mBank Group is to keep the position among top Polish banks in terms of key financial metrics

Financial targets of mBank Group for 2020-2023

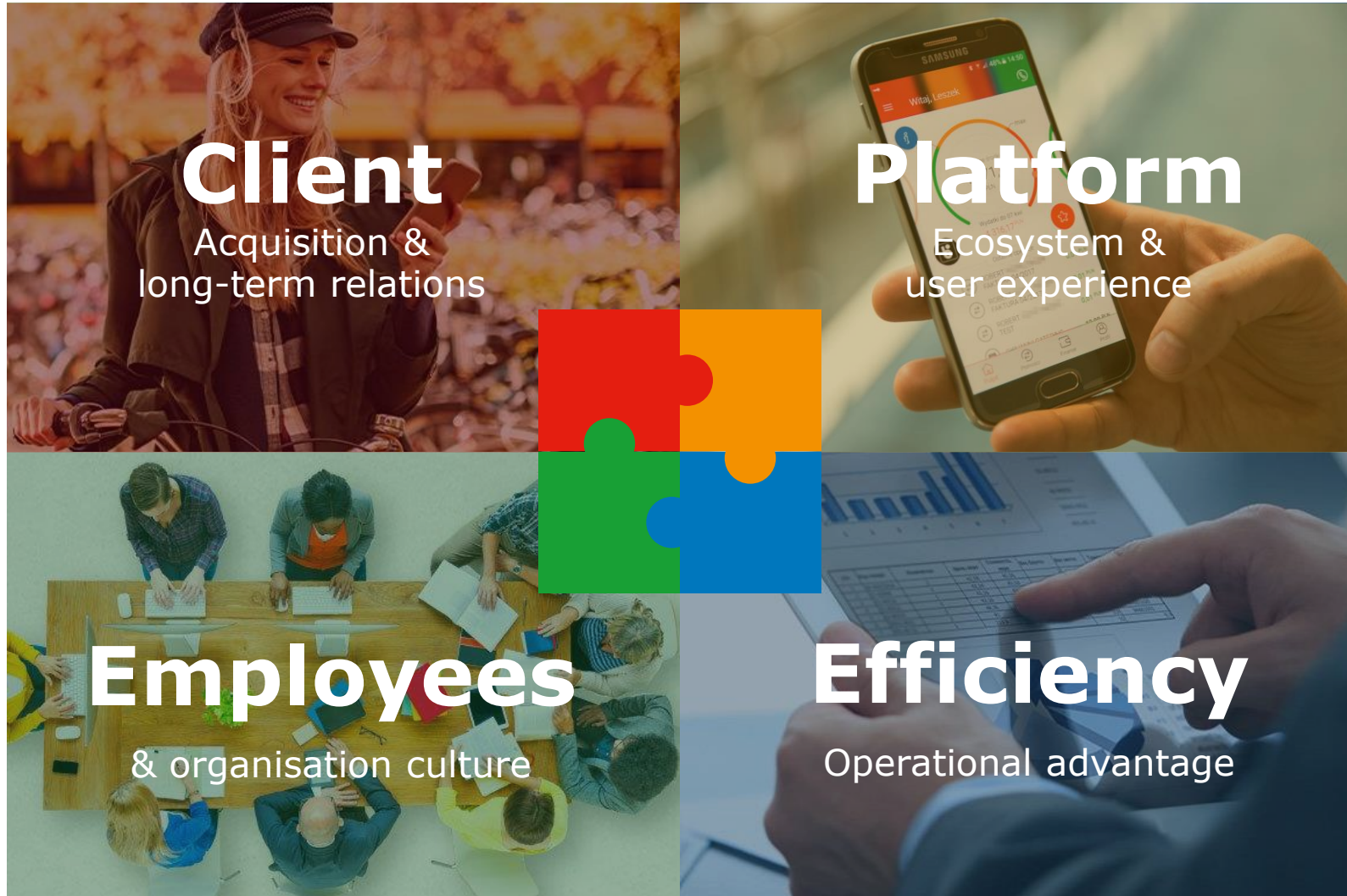
Measure	Target level	Current level
Profitability	in 2023	9M 2019 (normalised)
Net interest margin (NIM)	~ 3.0%	2.7%
Cost/Income ratio (C/I)	~ 40%	43.4%
Return on equity (ROE net)	~ 10.5%	7.9%
Stability	every year	30.09.2019
Loans/Deposits ratio	in a range of 92-94%	90.3%
Capital ratios	year-end level min 1.5 p.p. above PFSA requirements	2.2 p.p. higher for Tier 1 ratio, 2.3 p.p. for Total Capital Ratio
Growth	CAGR 2019-2023	CAGR 09.2016-09.2019
Dynamics of loans	~ 6%	8.7%
Dynamics of deposits	~ 6%	10.8%
Dynamics of total revenues	~ 8%	9.7%
Dynamics of total costs	~ 5%	6.3%

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

Note: Normalised ratio (refers to Cost/Income ratio and return on equity) after 9M 2019 includes 3/4 of an annual contribution to the resolution fund, booked in total in Q1/19. For the calculation of CAGRs of revenues and costs for the period 09.2016-09.2019 the data for 4 quarters preceding the given date was used, excluding one-off events.

Four pillars of the new strategy for 2020-2023 correspond to the key components of mBank's business model

In the strategy for 2020-2023, mBank Group will focus on 4 areas



Pillars of mBank Group's strategy for 2020-2023



Client (acquisition and development of long-term relationships)



We will grow organically through the continuous acquisition of new customers, in particular young people and firms. We will strengthen our position in the most profitable age group of 30-45.

Young customers

We will maintain our position in the following segments:

- Individuals aged 13-28 years
- Start-ups
- E-commerce



Mid-sized cities

With relatively high penetration in large agglomerations, we want to strengthen our position in mid-sized cities (current share at ~7%)



Family banking

Leveraging on the social role of parents who are mBank's clients, we plan to faster enter into relations with clients aged 8-13



Professionals

We will solicit the segment of professionals providing services for other entrepreneurs (e.g. accountants)



Pillars of mBank Group's strategy for 2020-2023

Client (acquisition and development of long-term relationships)



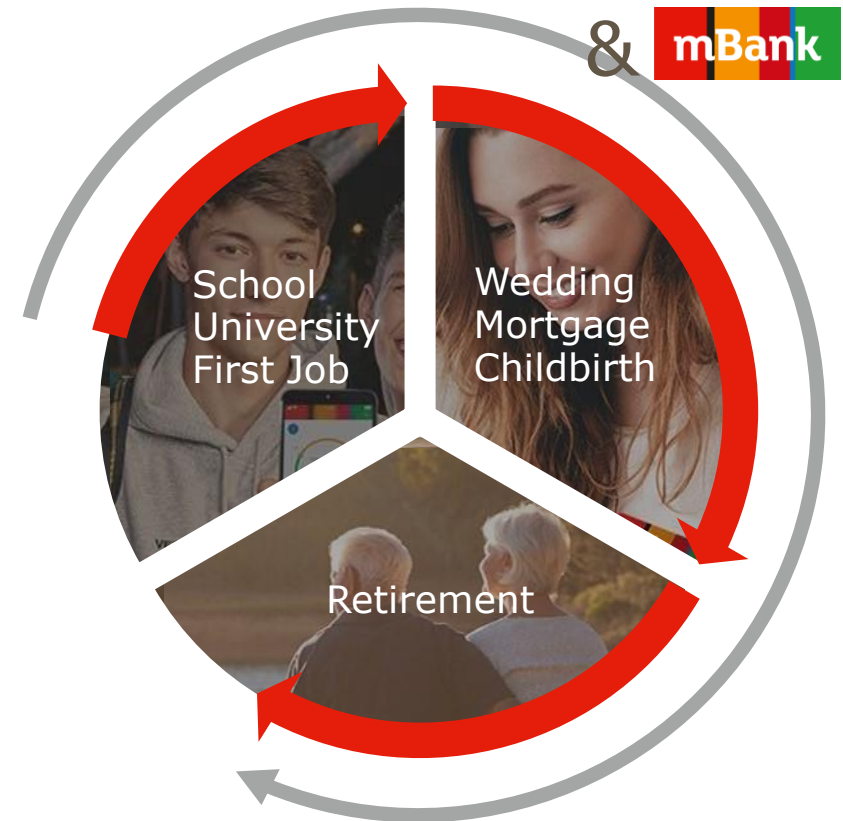
We will improve customer retention and loyalty throughout their life cycle.

Key facts:

- Polish population is ageing
- In 2025, the generations of 30- and 40-year olds will together make up about 30% of the population of Poland
- mBank's participation in this group is relatively high (~12%), but at the same time the strength of relations is weakening

We will:

- identify the most important stages in the customer life
- recognise life events related to the difficulties such as divorce, diseases or accidents and offer help
- retain profitable clients through **anchor products**: mortgage loans, savings and investment products





We will create a platform for cooperation with corporate clients based on partnership, convenience and professionalism.



Long-term relationship

- Direct contact is essential when establishing relations
- Availability of local advisors

Advisors' competences

- Corporate clients appreciate professional, less formal contact
- Proactive attitude of mBank's advisors
- Knowledge and the flow of experience

Process automation

- Convenient corporate banking services
- Self-servicing in corporate banking
- Development and delivery of simple solutions

Pillars of mBank Group's strategy for 2020-2023

Client (acquisition and development of long-term relationships)



We will shape the portfolio of corporate clients anticipating trends and changes in the environment.

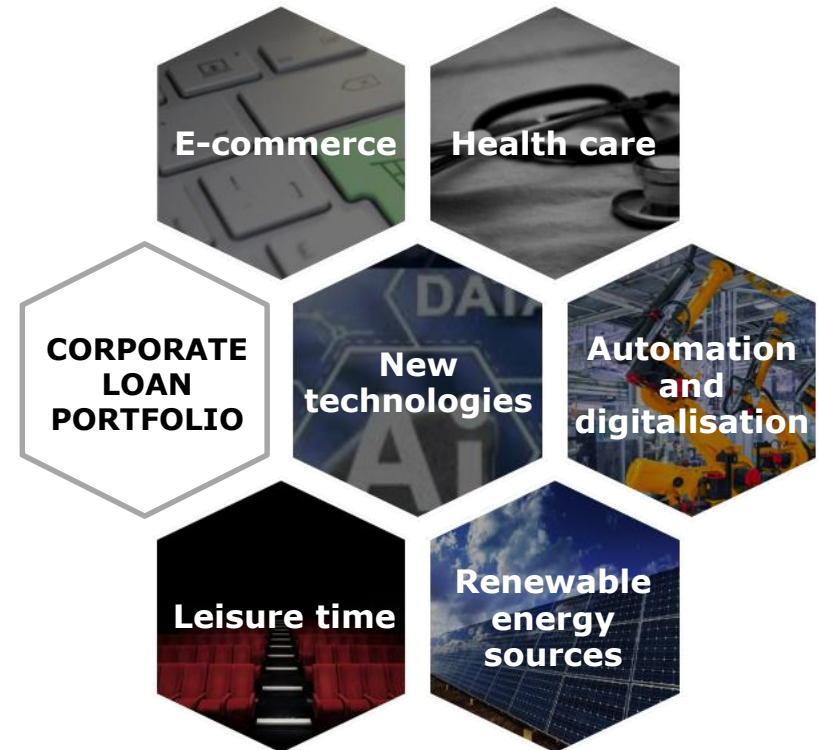
Key tasks:

- Include dynamic companies in portfolio
- Maintain individual approach to large corporations
- Develop platform connecting entrepreneurs
- Support clients in value creation (including M&As) and succession process
- Support and promote responsible companies

Implementation:

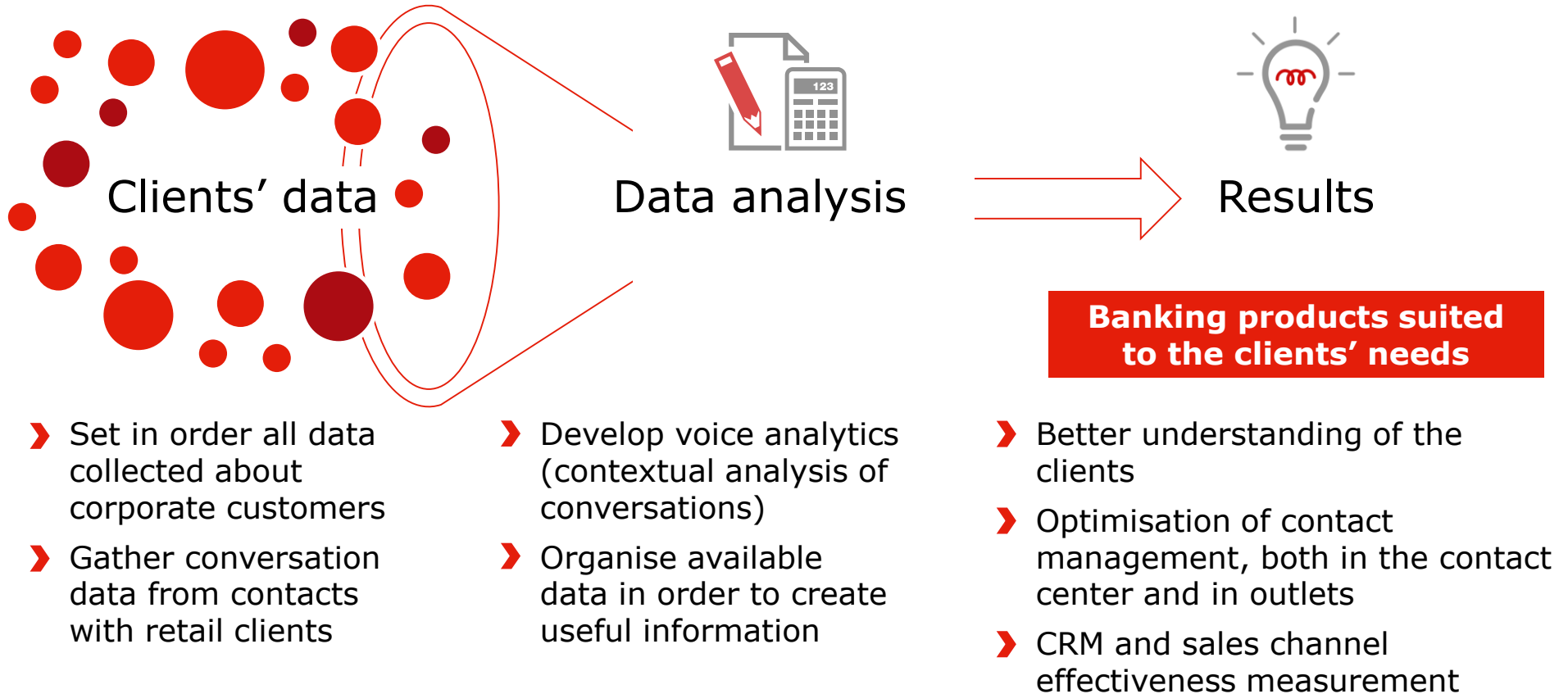
- Building industry knowledge, defining potential clients from specified industries
- Creating adequate policies, work procedures, limits and product pallets
- Conducting cross-sectional research

Preferred industries in corporate portfolio:





We will extend our knowledge about the customers in both segments.



Pillars of mBank Group's strategy for 2020-2023

Client (acquisition and development of long-term relationships)



We will increase the likelihood of recommending mBank's services by our clients.

Banking decisions of more than 60% of customers are connected with the recommendation of trusted persons.



We will:

- offer the quickest way „to get things done”
- eliminate waiting and unnecessary efforts of the customer
- appreciate loyalty
- personalise clients' experiences
- act in a predictable manner
- represent uncompromising business ethics
- provide a sense of security with reliable technological banking solutions





We will pursue the principles of empathy in contacts with customers.

- Simplify the offer in each business line, including the price list and tariffs
- Reduce the amount of marketing information - No2Spam
- Assistance in the event of failure during operations in the transaction system, using a card, etc.



We will shape the positive image of the bank and make the brand appealing for retail and corporate customers.

- Strengthen the image of mBank as a professional institution
- Rely more on feedback provided by customers, change the organisation to meet their expectations
- Improve the most important points of contact



Pillars of mBank Group's strategy for 2020-2023

Platform (ecosystem & user experience)



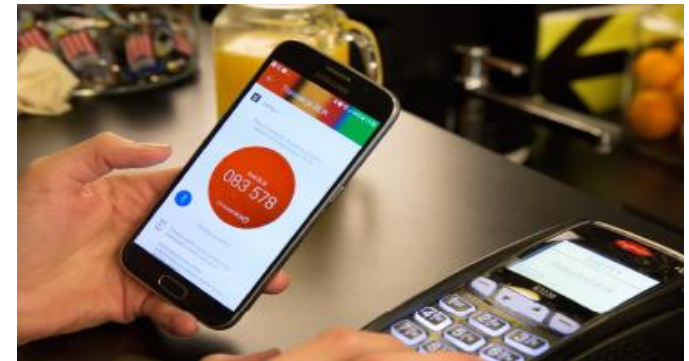
We will continuously improve remote bank access channels using the digital first (mobile first) approach.

We will focus on:

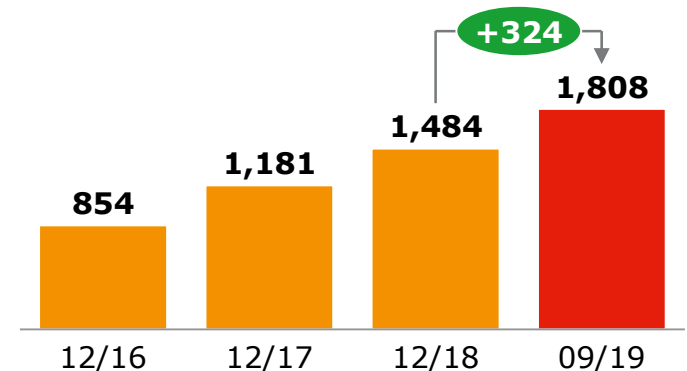
- revolutionary digital assistance in the service model: all frontline employees will become part of the digital channels
- e-Commerce UX (user experience), digital assistance and personalisation of price offers
- omni-sale with better reporting, change management and sales control
- API model for extended range of the sales platform, incl. e-commerce

Leading role of mobile application

Contact Center and branches as a support function



Active Users of mBank's Mobile App (thou.)



Distribution model transformation:
80% of sales in own digital channels & API and 50% in mobile mode in 4 years

Pillars of mBank Group's strategy for 2020-2023

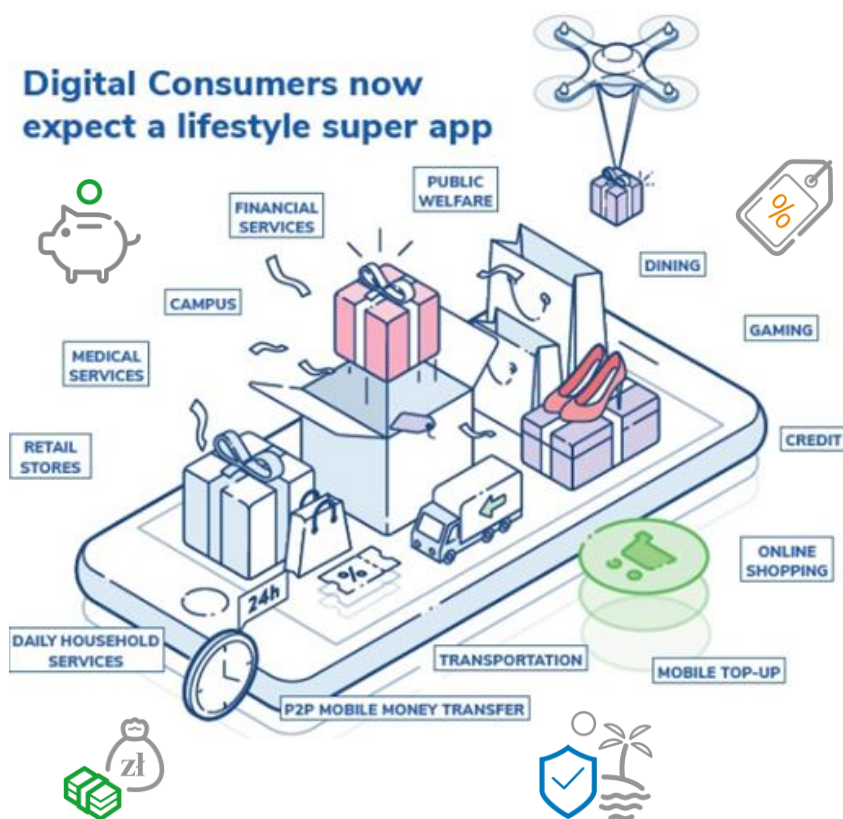
Platform (ecosystem & user experience)



We will develop mBank's retail platform by complementing it with additional products and services, including non-financial ones, in order to ensure complete customer service.

We will provide personalised offer:

- Savings, investments and retirement-oriented products benefiting from mBank's partnerships
- Innovative lending:
 - fast credit decisions and effective use of the transaction-related moments for distribution of consumer loans through mobile channels
 - offering the most convenient and fastest mortgage loan on the market
- Enriching the platform with value-added services while keeping it simple and transparent
- Selective use of API and cooperation with mAccelerator as well as test value recognition with customers



Source: Picture: the RS2 report *Open Retailing and Open Banking – Payments Industry Challenges*.

Pillars of mBank Group's strategy for 2020-2023

Platform (ecosystem & user experience)



We will build the best digital banking offer for corporations in Poland.



Pillars of mBank Group's strategy for 2020-2023

Efficiency (operational advantage)



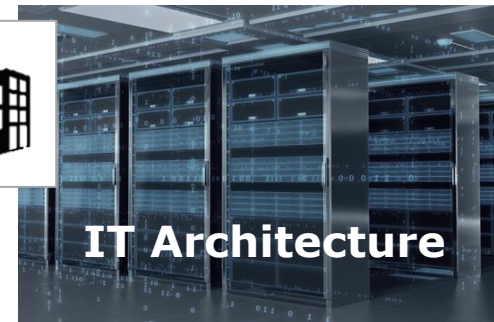
We will maintain our technological advantage in the financial sector. We will optimise our IT architecture using leading solutions.



Technology advantage

We will:

- expand our business-technology team
- invest more in the development of competences of our employees (both technical and soft skills)
- provide interdisciplinary teams ensuring end-to-end solution delivery
- continue to make our structure and work organisation more flexible



IT Architecture

We will:

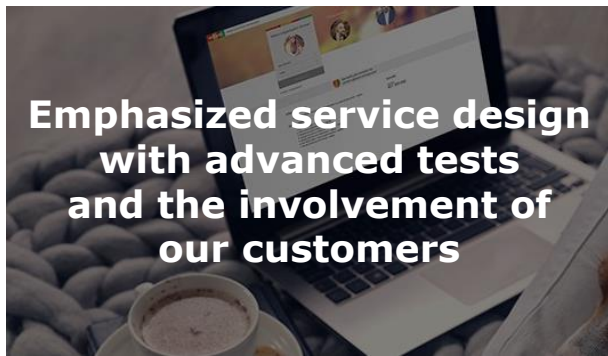
- migrate key applications to a modern technological pile based on micro-services and containers by 2023
- increase the automation of IT processes
- transfer existing systems to other, cheaper platforms
- release the potential of a public cloud computing

Pillars of mBank Group's strategy for 2020-2023

Efficiency (operational advantage)



**We will increase the scope of customer digital self-service.
We will optimise our sales network.**



**Emphasized service design
with advanced tests
and the involvement of
our customers**

- Digital Assistant and adaptive user interface
- Automated NPS and FCR measurement
- Improve customer experience in omniservice



Physical network

- Maintain the number of branches at the 2020 level
- Adjust the design and equipment and adapt it to habits of our customers



Contact center

- Implement automatic text and voice assistants
- Safe contact with the bank on popular instant messengers available



Mobile First

- Outlays of mobile applications and browser services for entrepreneurs
- Personalisation of interfaces with AI support

Pillars of mBank Group's strategy for 2020-2023

Efficiency (operational advantage)



We will improve the operational efficiency of the bank by implementing automation on a large scale and simplifying processes.



Centralisation of operational processes

- Process takeover entirely by specialised operating units
- Relieve the burden of business units
- End-to-end process owned by one person only

Simplification of internal processes

- Set a definition of process ownership
- Measurement of costs of processes in the organisation
- Elimination of paper documentations flow
- Educating employees in various systems in the bank

Unified methodology for managing operations

- Methodology based on best market practices
- Central measurement system
- State-of-the-art analytical and process engineering tools

Pillars of mBank Group's strategy for 2020-2023

Efficiency (operational advantage)

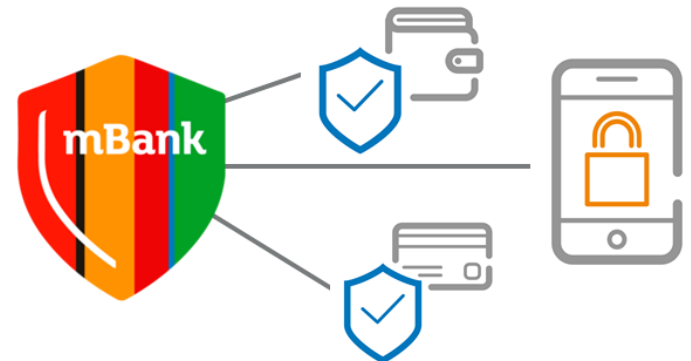


We will shorten the time of issuing opinions and internal consultations in implementing new solutions, while maintaining full alignment with regulations and compliance requirements.



We will provide highest cyber security standards.

- Maintain investments in educational programs for the clients in the field of security
- Continue to intensively develop solutions protecting our customers
- Focus on the latest technologies, including machine learning, artificial intelligence, biometrics and other



Pillars of mBank Group's strategy for 2020-2023

Employees and organisation culture



Technology-supported work environment that inspires to be innovative will be built on three key levels:



People

We will:

- coach smart **managers** who know how to inspire development, bring out value from diversity and encourage to care about clients through strategic thinking, innovation and willingness to take up challenges
- encourage **employees** to experiment, be open to technologies, automate processes and look for new solutions
- be regulations-compliant and empathic



Technology

We will:

- increase work efficiency by providing employees with the best applications, software and IT equipment
- automate simple and repetitive tasks and focus on value-adding activities
- implement RegTech solutions to help employees comply with procedures and regulatory requirements
- use HR technologies and predictive analytics to make informed decisions about investing in people



Culture of cooperation

We will:

- promote our desired values
- apply feedback to all HR processes throughout the employee's life cycle
- focus on breaking down hierarchical structures
- use tools supporting mobility and agile methods
- implement *Objectives and Key Results system*
- increase the diversity of characters, personalities, experiences, gender and age

mBank's CSR strategy will drive us to benefit our customers, employees, the environment and the society

Corporate Social Responsibility and Sustainable Development Strategy of mBank

Top aim

➤ Be among top three leaders of social responsibility in the banking sector

Direction guidelines

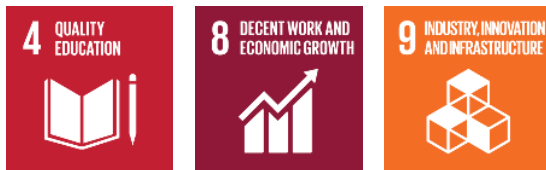
➤ Sustainable Development Goals (SDGs) set by the United Nations

Focus areas

➤ Bank-relevant SDGs chosen from 17 universal objectives, organised in 3 areas:

For the first time, the CSR strategy has also become an integral part of the document.

mBank educates



mBank cares about the climate and the environment



mBank promotes prosperity



Key CSR goals (1/3): mBank educates



We support the development of mathematical education and equalize educational opportunities for young people.

Organisation and support of national competitions and grant programmes

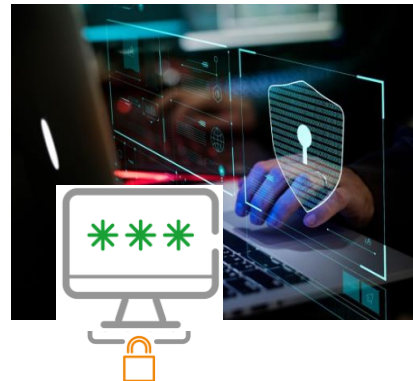


Equal chances for high quality education



We teach how to use online and mobile banking safely. We make customers more sensitive to cybercrime threats in the banking area.

Protection of customer data and clients' finances



Social and educational campaigns



Key CSR goals (2/3): mBank cares about the climate and the environment



We limit our indirect impact.



Credit policy regarding industries relevant in the context of EU climate policy

Eco-supportive products in each customer segment



mBank in the ESG Index (GPW)



We limit our direct impact.

Measurement and reduction of our carbon footprint



Reduced footprint of our car fleet



Waste segregation & recycling



Reduction of energy consumption



Saving water, paper and office supplies



Suppliers' selection by ESG standards



Key CSR goals (3/3): mBank promotes prosperity



We support organisations that work for social welfare.



We are accessible to clients with disabilities (inclusive banking).



We act ethically.



We communicate with our customers in a fair, clear and transparent way.



We ensure diversity and equal opportunities.

Support for entrepreneurial women



Periodic audit by the Polish Language Foundation



Gramy razem



Continued cooperation with WOŚP



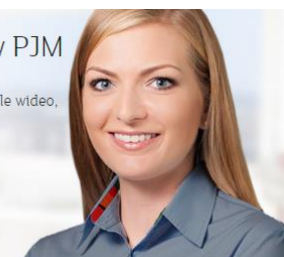
mBank's Code of Conduct 2.0

mBank's Diversity Policy

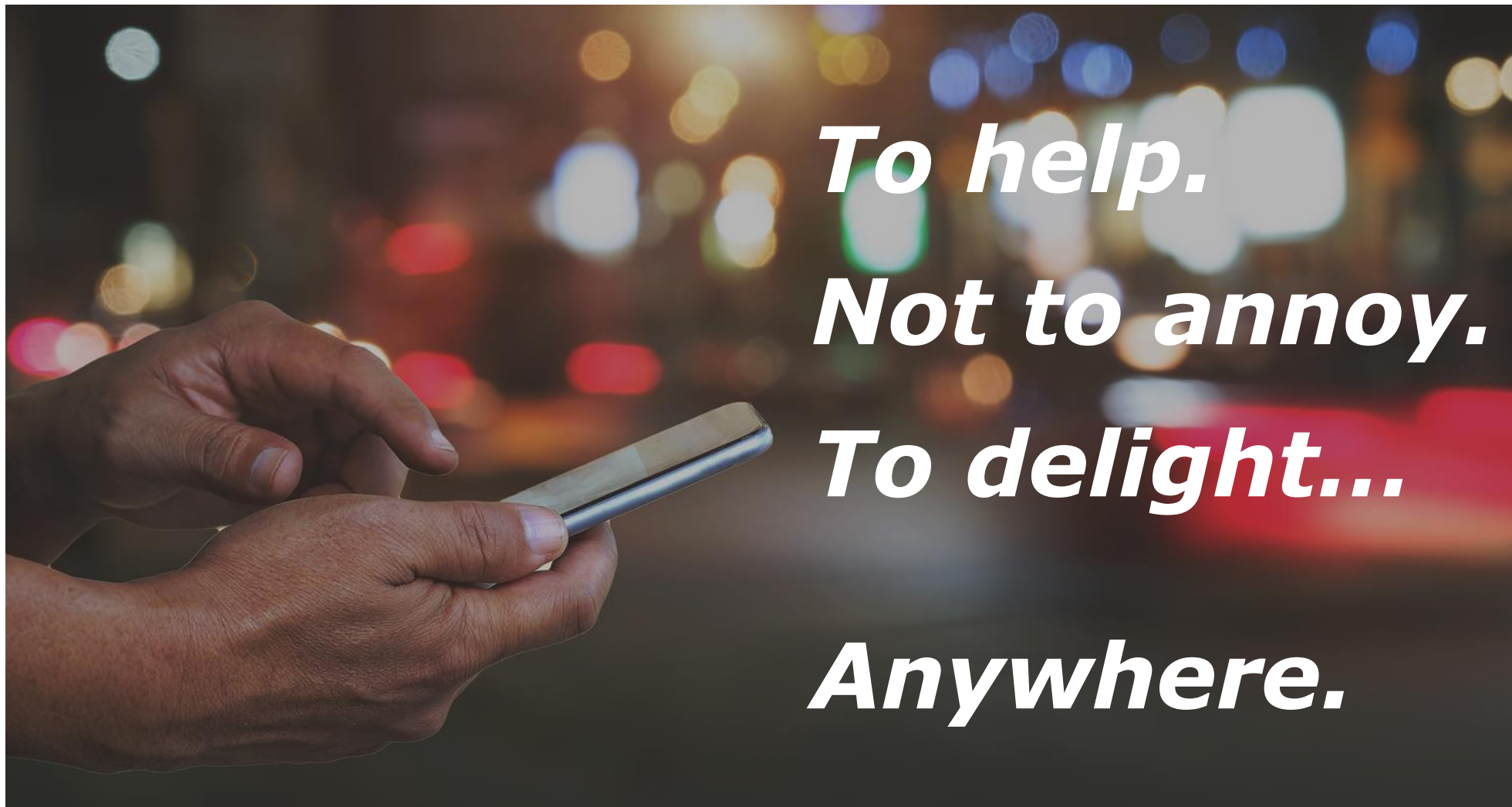


Eksperct online w PJM

Połącz się z Ekspertem w kanale wideo, w Polskim Języku Migowym.



All objectives defined in the new strategy are part of mBank's mission, which remains:



*To help.
Not to annoy.
To delight...
Anywhere.*