



Strategy of mBank Group for 2021-2025

From an icon of mobility, to an icon of possibility.

The past couple of years and the time of Covid-19 pandemic in particular have significantly affected the operating environment for banks in Poland and globally. As a result, mBank has been confronted with several headwinds hindering its profitability and functioning. Issues related to heritage FX mortgage loan portfolio and several months of uncertainty connected to the sale process of mBank were impacting our strategic focus and daily business.

Mounting local regulatory pressure and excessive taxation have put the Polish banking sector at a structural disadvantage. The majority of the challenges that we are currently facing are driven by changes in external factors that are outside of company's control. In this situation, mBank stays highly efficient, but its profitability is below investor expectations.

mBank's management team has prepared a new strategy for 2021-2025 that is designed to leverage on our current competitive strengths, adapt to new environment, address the weaknesses and as a result establish a bank that will continue to be ranked among top financial players in Poland, whilst reaching better valuation. Defining our aspirations, goals and initiatives, we took into account, among others, expected economic and market prospects, regulatory requirements, technological progress, evolution of consumer behaviour and its dynamics, local constraints and internal conditions.

Our mission is:

"Convenient, secure, focused on your future... mBank – more than a mobile bank."

As an integral part of our activity, we have developed a new **ESG agenda** for mBank Group. We want to remain a leader of sustainable banking in Poland. We are aware of our responsibility for climate, society, financial health of our clients and being in line with our declared ESG values. We intend to continuously reduce our environmental footprint, support energy transition of our clients and reach climate neutrality in scope 1 and 2 by 2030. Our ambition is to become a fully climate neutral organisation (scope 3) by 2050 at the latest. We will use Science Based Targets Initiative methods to calculate and limit the CO₂ emissions associated with our credit portfolio. Having integrated ESG standards into our business and risk processes, we will conduct responsible sale accompanied by clear and precise communication, transparently present the risks associated with specific financial products and continue educational campaigns on safe online banking and personal data protection. We want to build an ESG-oriented working environment and promote gender equality. We will contribute to social well-being through further cooperation with the Great Orchestra of Christmas Charity (WOŚP) and activities of mBank Foundation (mFundacja). We strive to enhance our ESG disclosure to be recognized by our shareholders and broader investment community as market leader and reference point among other financial institutions in the region.

In mBank Group's strategy for 2021-2025, we will focus on 5 areas:

- **Retail banking:** We aspire to be a leading retail banking franchise integrated with client life cycle. Our successful organic growth will continue to be fuelled by the constant acquisition of new (primarily young) clients and maturing of the existing base. We will be organized around demographic segments to develop a complete offer and value proposition precisely responding to the needs arising at different phases of the customer life. We will focus on mortgage lending expansion (through revised underwriting process), comprehensive investment offering (via own newly-established TFI), personal financial management (PFM)



tools and ecosystem of non-banking services. With a reinforced mobile-first approach, we will design mBank's contact channels aligned to a primacy of remote access and digital sales. We will support entrepreneurs and small firms by providing them with industry-customized expertise and integrated platform for managing their different business-related activities.

- **E-commerce:** Having already strong position in the e-commerce market in Poland and outstanding transactional capabilities, we aspire to be the preferred bank for merchants and online shops, as well as favourite platform for customers buying on the Internet. We see the growth opportunity in further enhancement of our offer and supplementing it with new components. We want our payment integrator Paynow to gain a significant share in processing transactional volumes. We will extend the range of value added services and financing tailored for online sellers to increase the importance of relationship with mBank and partner with them in main parts of their e-commerce activity. We also plan to modernize and extend our existing mDiscounts (mOkazje) platform.
- **Corporate banking:** We want to grow the corporate banking business, optimizing exposures towards higher profitability. We will initiate, develop and intensify the cooperation with companies from prospective industries and the fastest growing sectors of the economy, aligned with our ESG agenda. We will increase our focus on SME segment to benefit from its progressing e-commerce entry. To further improve customer satisfaction and internal efficiency, we will provide the best end-to-end digital banking experience for corporates in Poland. We will also redesign our credit process to make it supporting business development as well as ensuring prudent level of risk costs. In parallel, we intend to strengthen relationships with our clients through additional knowledge-based services, assistance of top-rated advisors and deep industry expertise.
- **Technology, security and data:** Our primary goal is to provide high quality, availability and security of mBank's services and solutions to customers. By being cloud-ready, we will strive to maintain the technological advantage of mBank in the financial sector. It will allow us to boost flexibility, foster innovation of business applications, shorten time-to-market, and enlarge the scalability of used technology. Continuous development of a multi-layer cybersecurity defence model and assuring data secrecy will remain our constant effort. We aim to offer the highest possible protection of our mobile application and deliver the most secure and client-friendly identity confirmation process in all digital channels. We will employ artificial intelligence and data science to support creation of innovative customer products and better risk assessment, as well as increase effectiveness of internal systems and workflows.
- **Employees and organisation culture:** We will create a culture where cooperation is based on trust and positive intentions. This gives people a comfortable space to experiment, innovate and make bold decisions. We will develop a best-in-class hybrid work environment. mBank's managers will acquire practical skills in managing distributed teams, while our employees will take advantage of new communication and collaboration technology. We will make people capabilities a competitive advantage for the company through a strengths-based approach to leverage individual talents and focus on future skills needed for the organisation to succeed. We will amend the remuneration scheme to make it attractive from the employee perspective and supporting company objectives.

The strategic goal of mBank Group is to keep the position among top Polish banks not only in terms of business growth, but also key financial metrics. In the coming years, our profitability will be systematically improving thanks to rising revenues, decent cost discipline and prudent approach to risk management. Favourable changes in the balance sheet structure coupled with interest rate hikes are going to translate into better margin, while a growth of total income



outpacing the dynamics of costs will ensure higher efficiency. Consequently, we assume to generate a return for the shareholders that will be attractive compared to other players in the Polish sector.

The activities of mBank Group in 2021-2025 will be focused on achieving the following **strategic financial targets**:

Efficiency

- Cost/Income ratio (C/I): ~40% in 2025

Stability

- Capital ratios: significantly above the PFSA requirements – under current regulatory regime and adopted assumptions with year-end Tier 1 levels at least 2.5 p.p. above the minima
- Cost of risk (COR): ~0.80% in the mid-term perspective

Growth

- Average annual growth rate (CAGR) in 2021-2025 at: ~8% for loans, ~8-9% for deposits and ~9-10% for total revenues

Profitability

- Net interest margin (NIM): ~2.5% in 2025
- Return on equity (ROE): above 10% in 2025

Taking into account the current limitations, mBank's long-term goal is to pay 50% of net profit as a dividend.

The Bank 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 2021-2025.

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