

Strategy of mBank Group for 2021-2025



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

February 2024



Agenda



mBank Group's profile and market position

Strategic financial targets for 2025

Vision and strategic pillars for 2021-2025

- Retail banking
- E-commerce segment
- Corporate banking
- Technology, security and data
- Employees and organisation culture

ESG strategy of mBank Group

mBank Group's profile and market position



mBank Group in a snapshot: key facts and figures

General description

- Set up in 1986, **mBank** is Poland's fifth largest **universal banking group** in terms of total assets and it keeps the same position by net loans and deposits (31.12.2023). It services almost **5.7 million retail clients** in Poland, Czechia and Slovakia as well as **34.5 thou. corporate customers**.
- The offer includes **retail, SME, corporate and investment banking** as well as **other financial services** such as leasing, factoring, brokerage, wealth management, distribution of insurance, corporate finance and advisory in the scope of capital markets.
- Listed on the Warsaw Stock Exchange** since 1992 with a market value of ~EUR 5.1 billion, a member of WIG-20 index. A strategic shareholder, Germany's Commerzbank, owns 69.1% of mBank's shares.

Financial performance

PLN million	2020	2021	2022	2023
Total assets	178,861	198,373	209,892	226,981
Net loans	108,271	117,677	120,183	113,521
Deposits	133,672	157,072	174,131	185,467
Equity	16,675	13,718	12,715	13,737
Total income	5,867	6,111	7,857	10,802
Net result	104	-1,179	-703	24
Net interest margin	2.3%	2.2%	3.7%	4.2%
Cost/Income ratio	41.1%	40.2%	42.2%	28.5%
Cost of risk	1.2%	0.8%	0.7%	0.9%
ROE mBank Group	0.6%	-7.2%	-5.3%	0.2%
ROE Core Business	8.1%	12.0%	22.1%	40.0%
Tier 1 capital ratio	17.0%	14.2%	13.8%	14.7%



proven natural **ability to grow organically**, evidenced by market shares of **7.9%** in loans to non-financial sector and **9.0%** in customer deposits in Poland (31.12.2023)



best-in-class **efficiency**, anchored in advanced and flexible banking platform as well as **mobile solutions**, supporting **excellent operating performance**



favourable **demographic profile** of the retail **client base**, with the average age of **37** vs. **55** when the bank's revenue reaches its maximum



adaptive organisation (in particular to adverse conditions and local challenges) with a **strong brand**, unique culture and **engaged staff**

Premier digital solutions in both retail and corporate segment

A leading mobile banking offer for individual clients

Well-designed functionalities for client convenience



- fully **remote account opening** with e-ID or a selfie and agreement approved via a text message
- logging in and confirmation of transactions with a PIN code, fingerprint or Face ID
- contactless payments with **Google Pay** and **Apple Pay**, express transfers using telephone numbers and **BLIK**
- functionalities of **personal financial management (PFM)** and value-added services
- reminders from **Payment Assistant** and scanning of data to the transfer form from the invoices
- **quick cash loan** up to pre-approved limit in one click



87%

share of **processes** in retail banking area **initiated by the clients in digital channels** (in 2023)

82%

share of **digital channel in the sale of non-mortgage loans** (by number of pieces in 2023)

82%

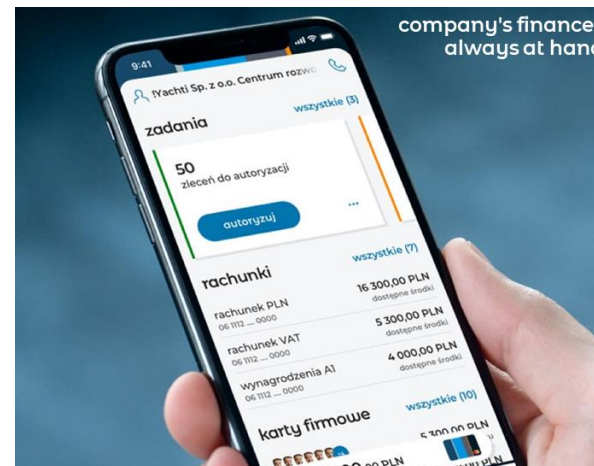
share of **clients activating mobile application in the first week** from account opening (in Q4 2023)

Best digital banking services for corporate clients

First-class digital banking offer for companies



- entirely **digital onboarding process**, with no in-person contact and printouts required
- advanced **mBank CompanyNet** transactional system, allowing for high level of personalization
- remote access and constant control via enhanced **mBank CompanyMobile** application
- **Administrator Centre** for self-managing user permissions and authorisation schemes
- electronic sending of documents, signing of agreements
- **mAuto.pl online platform** with an offer of new and used cars, financed by leasing or long-term rental



96%

share of **corporate clients having at least one user logging in to mobile application** monthly (in Q4 2023)

86%

share of **digitally opened accounts** in new acquisition using a dedicated process (in Q4 2023)

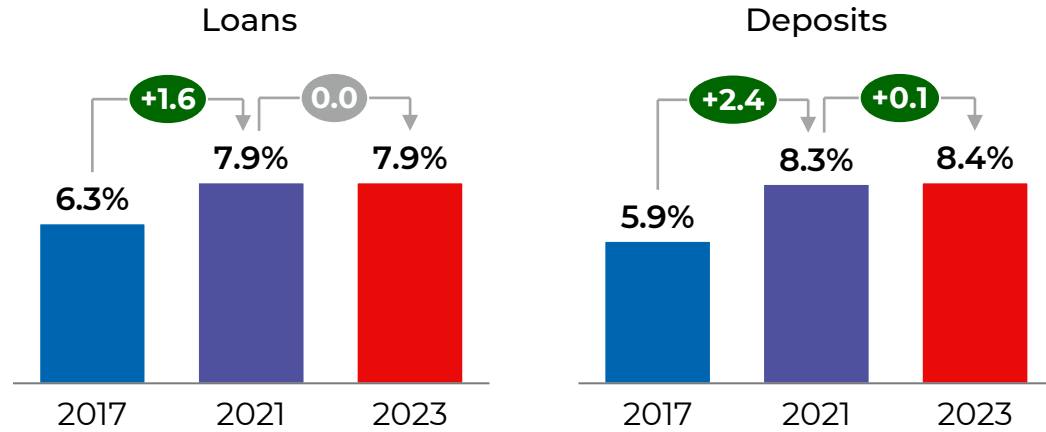
85%

share of **clients being very satisfied or satisfied** with mBank's **internet banking system** (in H1 2023)

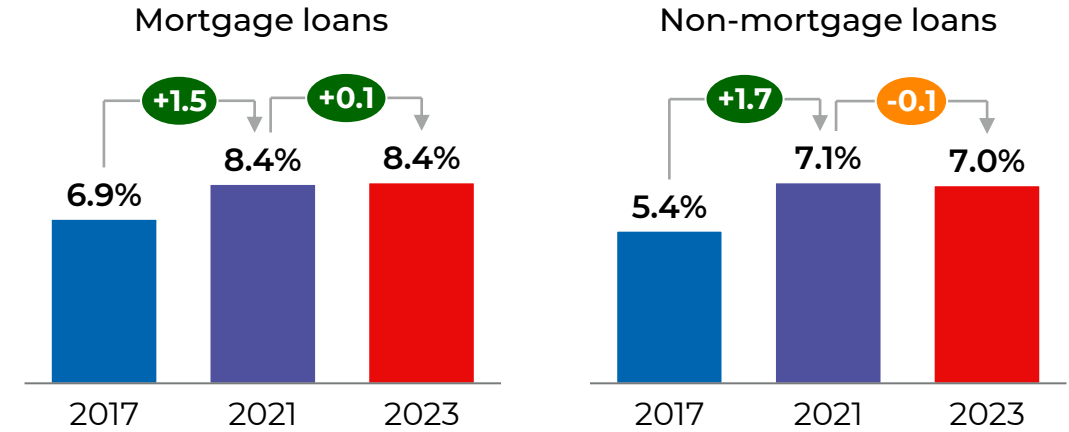
mBank Group's market shares in key strategic product categories

Successful organic growth evidenced by mBank Group's market shares in key business volumes

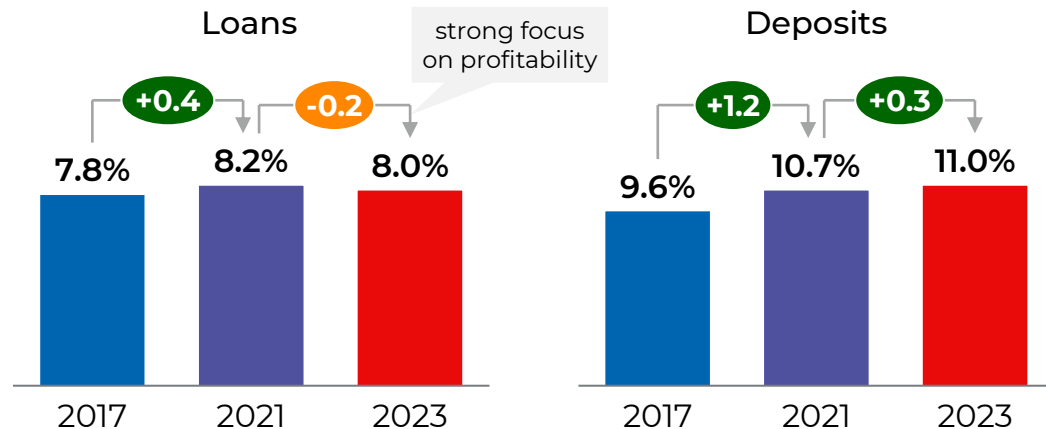
Volumes of Retail Banking in Poland



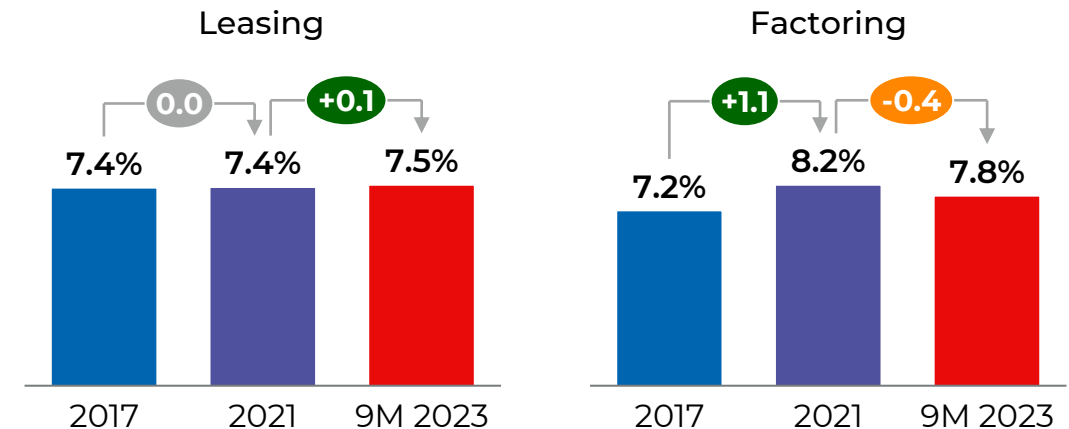
Retail lending volumes in Poland



Volumes of Corporate Banking



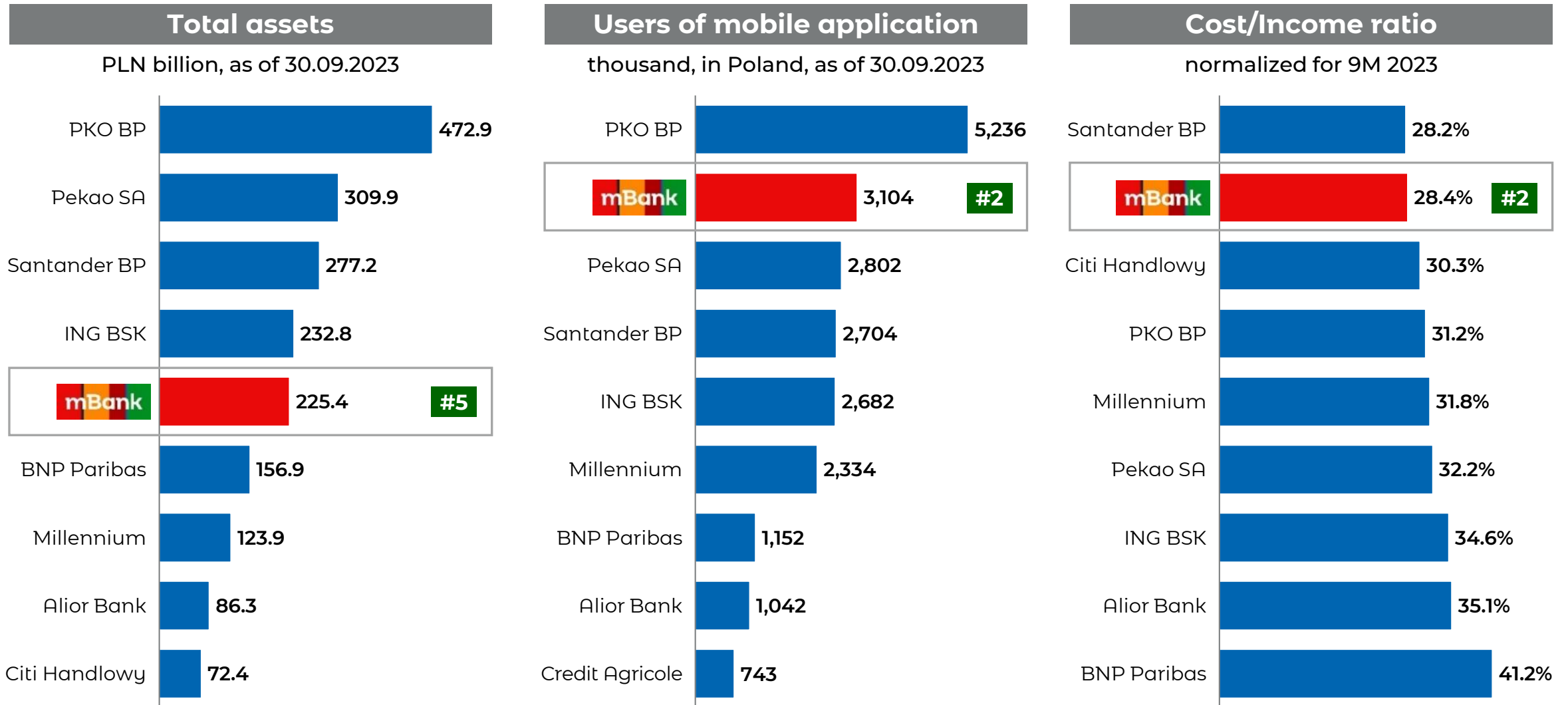
mBank Group's supplementary offer



Source: Calculation based on data published by the National Bank of Poland (NBP), Polish Leasing Association (PLA) and Polish Factors Association (PFA).

Mobile-focused model has supported mBank's efficiency advantage

Ranking of major Polish banks by key financial and business metrics



Note: Normalized C/I ratio adjusted for linear booking of the Resolution Fund over the year and without the impact of "credit holidays" as well as one-off gain for Millennium.

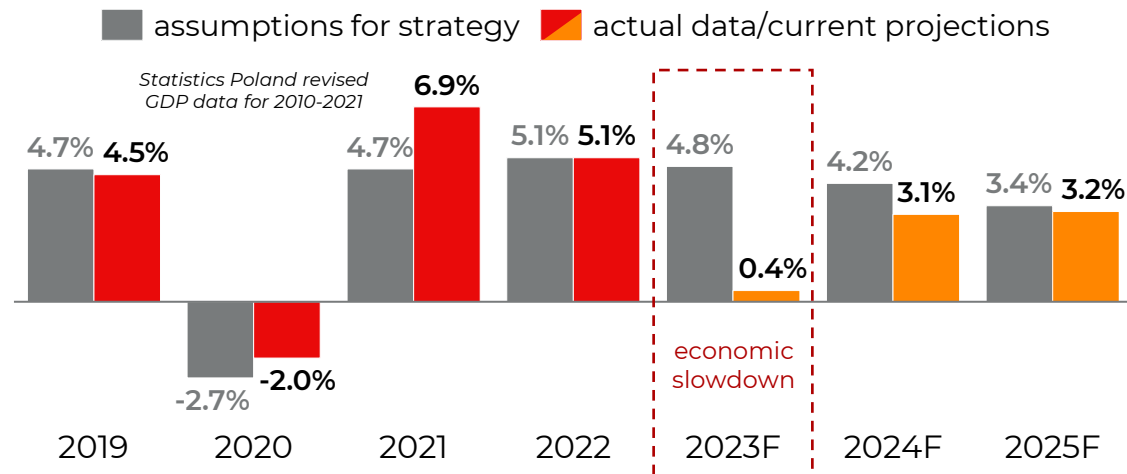
Source: Summary based on banks' consolidated financial statements, statistics provided by Puls Biznesu (as of 12.12.2023).

Strategic financial targets for 2025

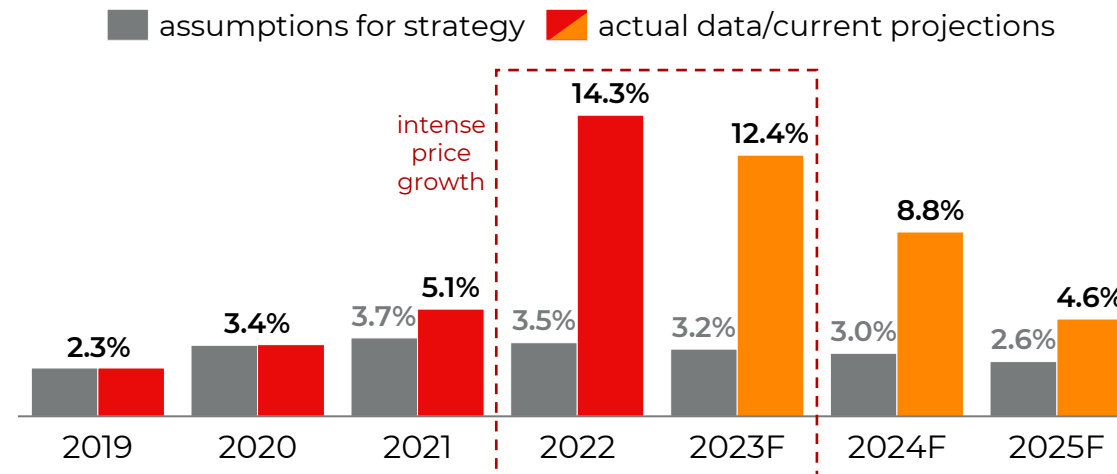


Macroeconomic conditions have changed considerably since 2021

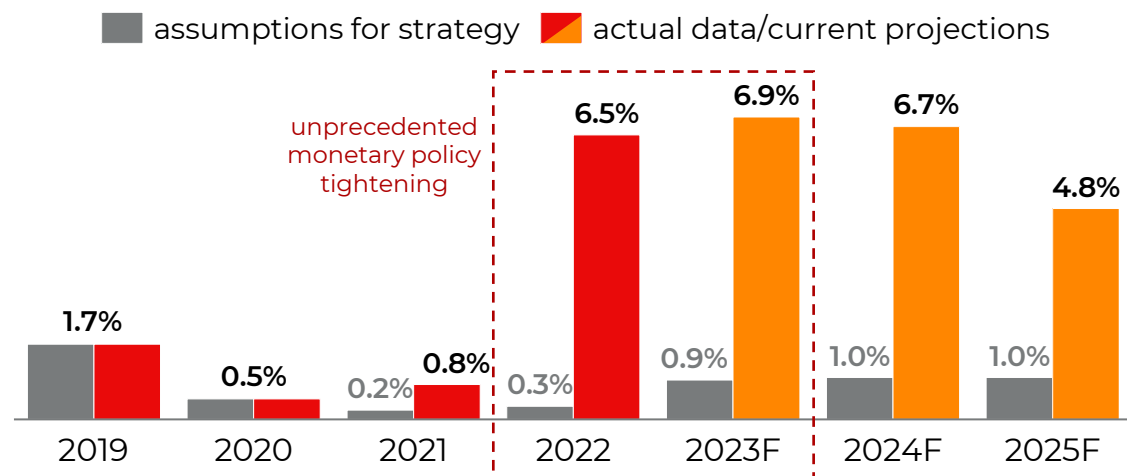
Projected GDP growth in Poland



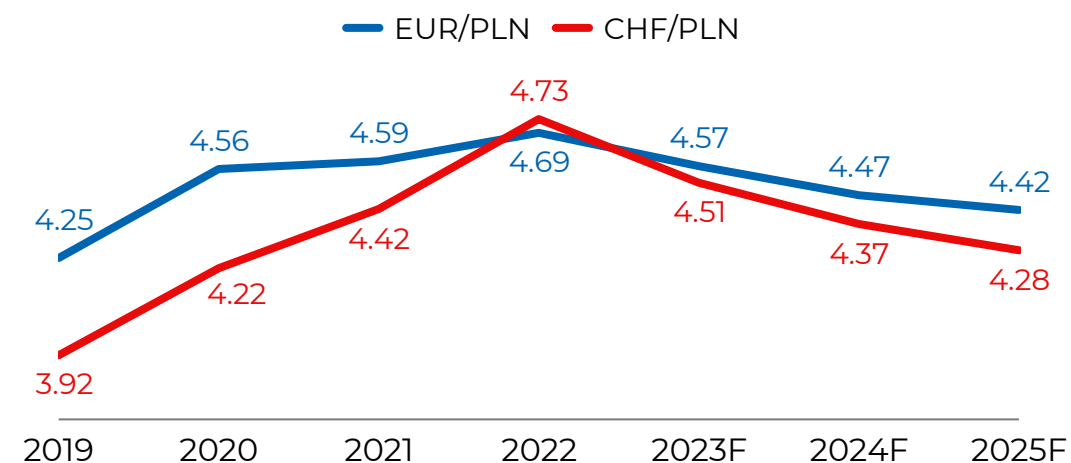
Projected path of inflation (average) in Poland



Projected path of WIBOR 3M (average) in Poland



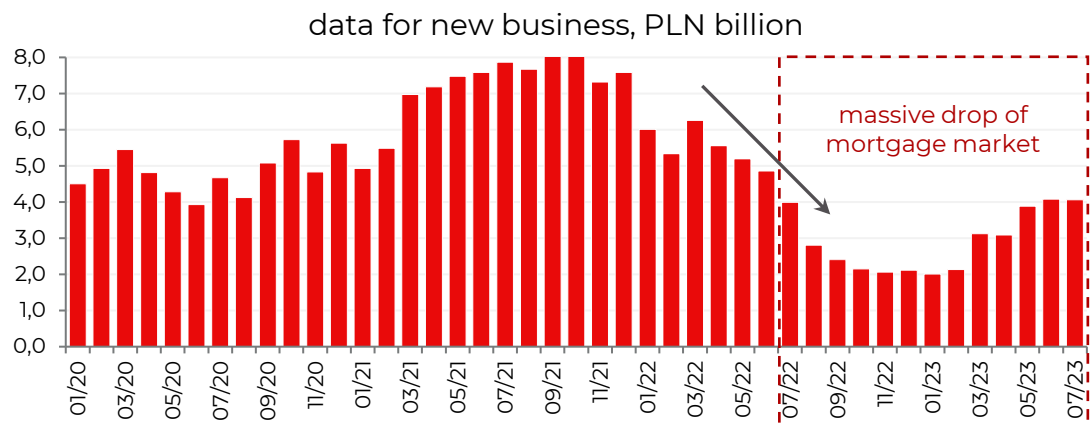
Projected development of exchange rates



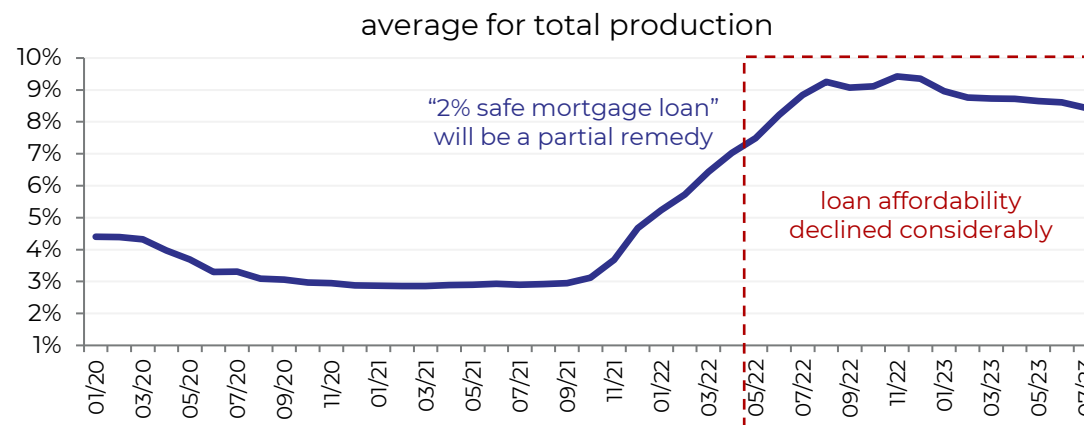
Source: mBank's Chief Economist, assumptions for the original strategy and macroeconomic projections as for mBank Group's financial planning for 2024-2027.

Expansion of loans is being strongly affected by market factors

Sales of new mortgage loans in Poland

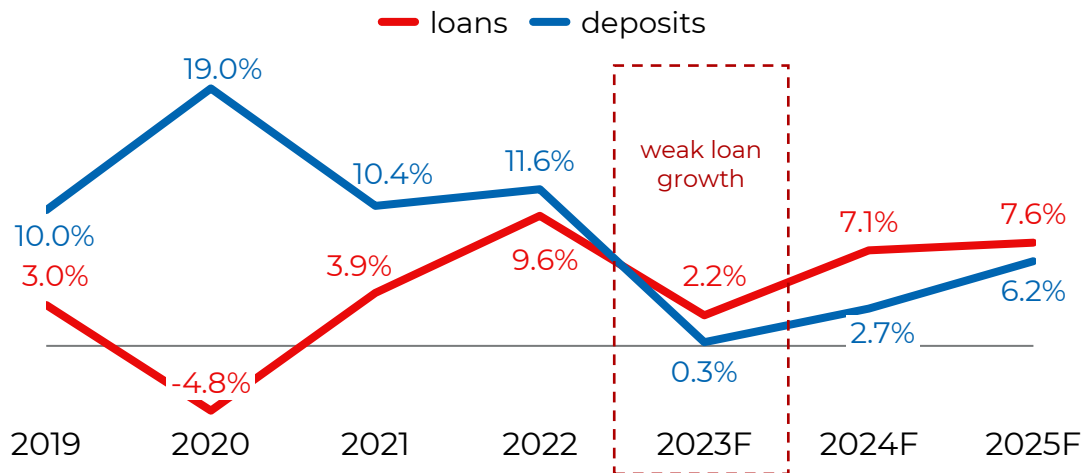


Interest rates on new loans for house purchases

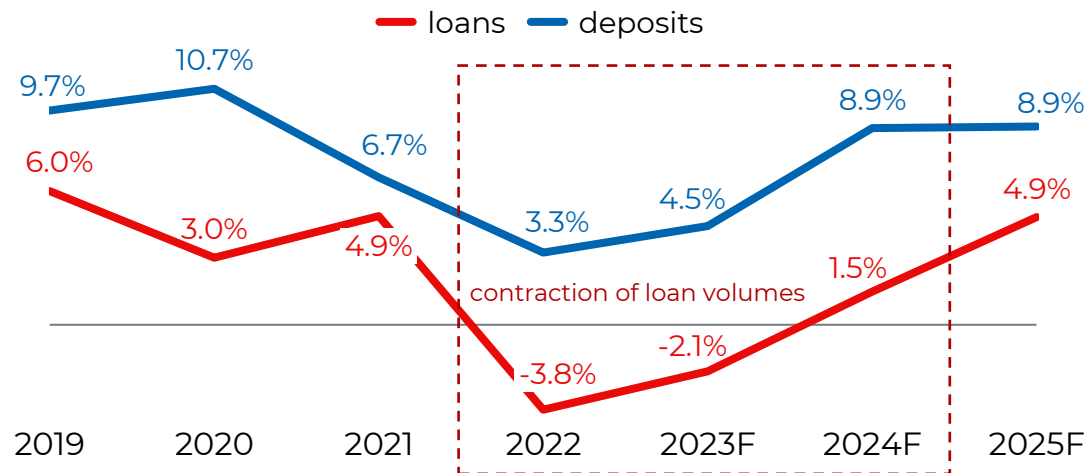


Projected annual dynamics of loan and deposit volumes for the Polish banking sector

Corporate segment



Household segment



Source: National Bank of Poland, mBank's Chief Economist, monetary aggregates projections as for mBank Group's financial planning for 2024-2027.

Polish banks have faced many challenges in operating environment

Key factors affecting operations and profitability of Polish banks

fiscal and tax burdens, sector contributions

- Starting from February 2016, a **special asset-based tax on banks** and certain other financial institutions was imposed. With the tax **rate set at 0.44% annually**, the levy is **one of the highest in Europe**.
- Due to many non-tax deductible costs (legal provisions related to CHF portfolio, banking tax, resolution fund), **effective tax rate (ETR) for banks is much higher** than the statutory one for companies (19%). **In 2022, it reached 41%**.
- **Contribution to the protection scheme (IPS)** to support the Bank Guarantee Fund in conducting the resolution of Getin Noble Bank in 2022. The aid fund formed of the **payments made by 8 largest Polish banks** translated into the cost for the sector **of PLN 3.47 billion**.

regulatory and government interventions

- In July 2022, the act introducing **three pillars of support for borrowers** came into force. They comprised:
 - so-called **“credit holidays”**, entitling for the suspension of the repayment of 8 mortgage loan instalments regardless of the financial situation of the client, **the total impact of which for the largest banks reached ca. PLN 13 billion**
 - increasing the **Borrowers' Support Fund** through an **additional contribution of PLN 1.4 billion**
 - benchmark reform aimed at **replacing WIBOR** with new WIRON rate
- **Excessive customer protection** and scrutiny with respect to the price list adjustments, undermining business model of retail banking.

unresolved issue of CHF mortgage loans

- The **first judgement by the Court of Justice of European Union (CJEU)** in the case related to Polish FX mortgage loans (*Dziubak case*) was issued in October 2019. Since then, **the legal cases against banks have been rising rapidly**.
- **Increasingly negative line of jurisprudence** observed in Polish courts has resulted in **very high CHF-related legal provisions** at banks. It is estimated that these costs **exceeded PLN 50 billion**.
- Although there are divergences in the case law to date, the **verdicts have been predominantly unfavourable to banks**.
- **No systemic solution** of this issue is currently discussed in Poland. Most **banks offer voluntary conversion of FX loans into PLN** based on the proposal of the PFSA Chairman.

Strategic financial targets of mBank Group for 2021-2025

The activities of mBank Group are focused on achieving the following strategic financial targets

Efficiency	Cost/Income ratio (C/I)	below 40% in 2025
Stability	Tier 1 capital ratio ¹	year-end level min 2.5 p.p. above the PFSA requirement
	Cost of risk (COR)	~0.80% in the mid-term
Growth	Loans	CAGR 2022-2025: ~3%
	Deposits	CAGR 2022-2025: ~6%
	Total revenues ²	CAGR 2022-2025: 4-5%
Profitability	Net interest margin (NIM)	above 3.0% in 2025
	Return on equity (ROE)	~14% in 2025

mBank Group's transition from best-in-class efficiency to satisfying profitability

¹ target level for capital ratios is valid under current regulatory regime and adopted assumptions

² the growth pace calculated against the level of 2022 revenues adjusted for the negative impact of "credit holidays" at PLN 9,191 million

Many unpredicted blows already materialised, but risks persist

Summary of main positive and negative factors that may impact mBank Group's activity and results

mBank Group's development and consequently achievement of its business and financial targets may be affected both **positively** and **negatively** by a number of factors.

Upside potential to the revenue trajectory and profitability may stem from:

- ↑ ability to introduce inflationary adjustment of fees and commissions for retail clientele and more stringent management of fee expenses
- ↑ a full-scale entry into e-commerce segment through establishing partnerships and a launch of marketplace platform
- ↑ a political shift in Poland following the elections in 2023 that might improve sentiment and result in better perception of the country by foreign investors
- ↑ unlocking of the EU funds for Poland and potential PLN appreciation
- ↑ normalization of the situation in the Polish judiciary system
- ↑ strengthening mBank's market appeal and position relative to state-controlled incumbents

On the negative side, the performance and market position may deteriorate due to:

- ↓ more adverse line of jurisprudence in CHF cases resulting in a need to book additional legal provisions
- ↓ faster and bigger interest rate cuts than assumed in the financial plan
- ↓ deterioration of macroeconomic conditions (lower GDP growth, high unemployment, lack of private investments) and unfavourable market development (PLN depreciation) impacting business volumes and risk profile
- ↓ persistent inflation and tight labour market putting pressure on cost base
- ↓ further government interventions causing disruption to the local economy and the banking sector
- ↓ excessive customer protection, supervisory guidelines and new regulatory requirements
- ↓ growing competitive pressure, both from other banks and new players, undermining revenues

Vision and strategic pillars for 2021-2025



Vision for mBank Group and guiding principles for the organisation

We anchor the future of mBank on seven pillars



understanding of customer needs in their life cycle and calibrating products adequately to support them in most effective way



banking secrecy and firm promise to protect customer information, personal data and financial profile of their activities



mobile access being the core medium/channel for interaction with the client



security of clients' payments and assets placed with mBank



offering a premier experience for our clients in the e-commerce universe



executing ESG agenda focused on our responsibility for climate, society and financial health of our clients




helping clients to keep their finances in order by providing them with advanced financial management capabilities



Pillars of mBank Group's strategy for 2021-2025

We are focused on 5 areas



Leading retail banking franchise integrated with client life cycle



The first-choice bank for e-commerce market participants



Best digital corporate banking for high-potential companies



Technology, security and data as a source of advantage

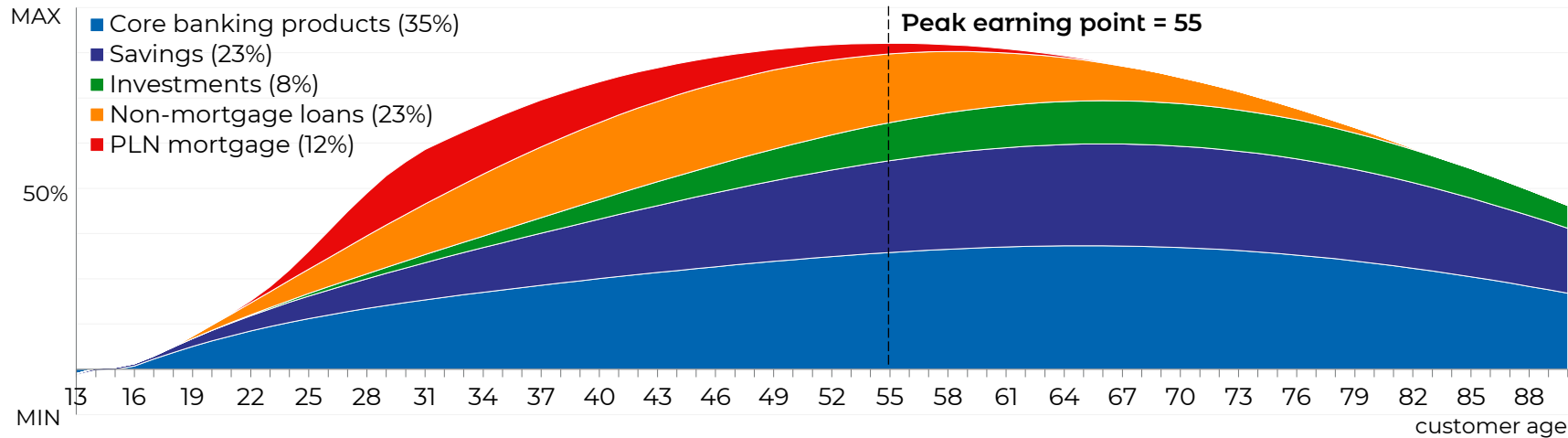


Distinctive people and organisation culture

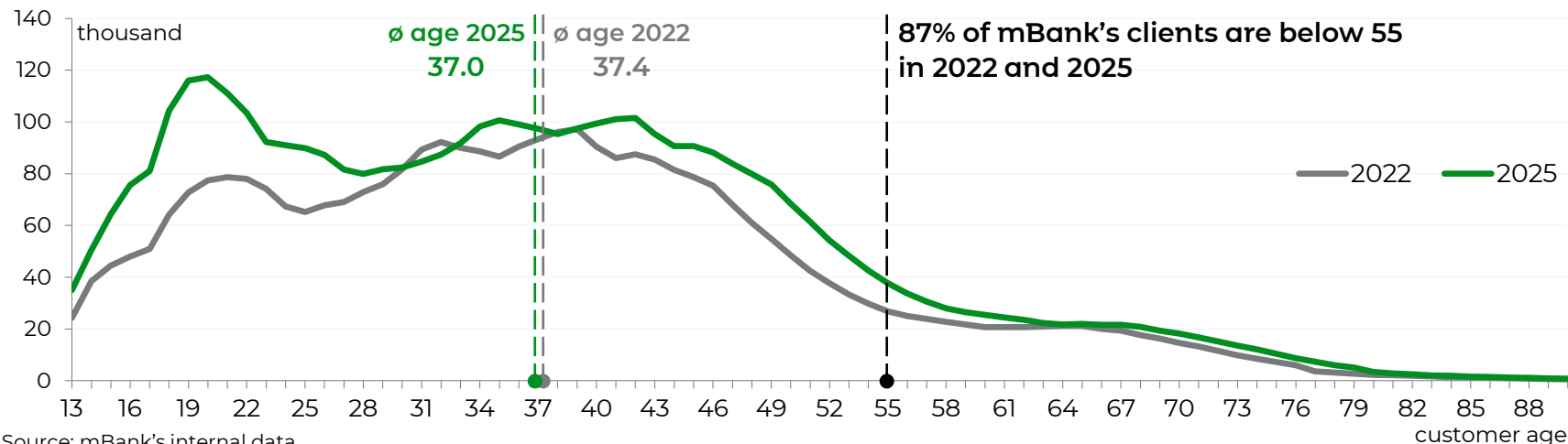
Pillars of mBank Group's strategy for 2021-2025

Leading retail banking franchise integrated with client life cycle

Net revenue per active customer – individual clients at mBank in Poland, 2022



Age distribution 2025 vs 2022 – active individual customers at mBank in Poland



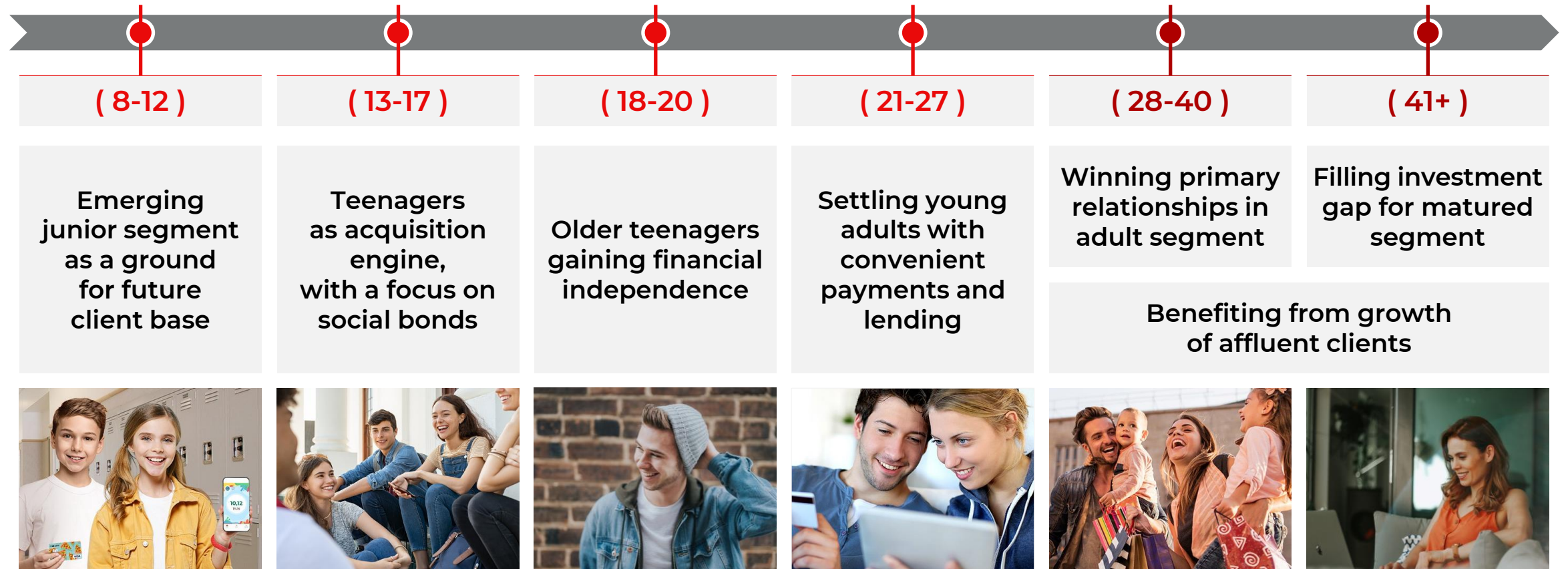
Source: mBank's internal data.

- mBank's current customer demographic profile is a consequence of our digital operating model, value proposition, and brand positioning since the start of retail operations.
- The age structure is a strongly ally in driving up our business volumes and, as a result, the revenues.
- mBank will experience significant growth of average profitability per customer. The average age of our clients is currently 37. This is well below the age at which the bank's revenue per client reaches its maximum level (age of 55). This demographic effect will naturally contribute to multiplication of mBank's value in the coming years.

Pillars of mBank Group's strategy for 2021-2025

Leading retail banking franchise integrated with client life cycle

Deep understanding of customer base resulting in precise segmentation



Acquisition fuelled by young segments



Monetization driven by customer base maturing

Pillars of mBank Group's strategy for 2021-2025

Leading retail banking franchise integrated with client life cycle



We will be further growing organically through the acquisition of new (primarily young) clients and accompany them throughout the whole life cycle, providing precisely calibrated value proposition.

We will support demographic-anchored growth by developing adequate value proposition:

key components of the offer

- **Payment Assistant 2.0** eliminating inconvenience of manual bill payments and subscription management, thanks to accurate notifications and automation tool, enabling one-click payments and monitoring of their status
- **digital mortgage loan process** for mBank's transactional individual clients
- convenient and secure payment tools in e-commerce and POS transactions, supplemented by **one-click non-mortgage lending**
- expansion of the "members get members" model among young people by launching an **ambassador program** to support new acquisition

communication and sales

- We will prepare a **list of needs and likely banking product purchases for each cohort**, starting from today to decades ahead.
- Such prospective coverage will be a framework of the conversation that our advisors will follow.



strategic targets

- increase the number of active individual clients in Poland by an additional 1.05 million by the end of 2025 compared to 3.05 million as of December 2020
- upgrade junior mobile banking application by adding next functionalities in order to acquire 300 thousand of youngest clients by the end of 2025
- develop an advanced digital process for mortgage loan sales and application processing by 2025, whereas the level of new production will depend on the capital position of mBank Group

Pillars of mBank Group's strategy for 2021-2025

Leading retail banking franchise integrated with client life cycle



We will develop a comprehensive investment offering suited to the needs of each client segment to contribute to their long-term asset growth and benefit from the revenue potential of this area.

We will expand investments and wealth management as a response to emerging customer needs:

aligned approach

- We have introduced **new customer segmentation** with the defined service model for each group.
- In order to address the needs of all segments, we will implement **digital-first approach in distribution of investments with personal services aligned to specifics of these groups.**



modern and comprehensive investment solutions

- We have established **own investment funds company (mTFI)** that will allow for greater operational flexibility and eliminate reputational risk.
- We aspire to be the leader in **modern and purposeful investment solutions**, in particular **ESG-compliant** and **megatrend** ones.
- We will develop “**one-click investment strategy**” as the easiest way to invest with mBank and introduce online-only investment solutions.
- We will **set up various strategic alliances** with well-known, recognized foreign investment entities to supplement mBank's asset allocation and geographic diversification, as well as gain access to liquid markets.

strategic targets

achieve the growth of assets under management (AUM) at PLN 1.5 billion annually in 2022-2025 to have PLN 7.0 billion in total in 2025 (compared to PLN 3.2 billion at the end of 2022)
increase the share of clients in mBank's lower affluent and mass segment having at least one investment product to 50% by 2025 (within investment eligible clients)

Pillars of mBank Group's strategy for 2021-2025

Leading retail banking franchise integrated with client life cycle

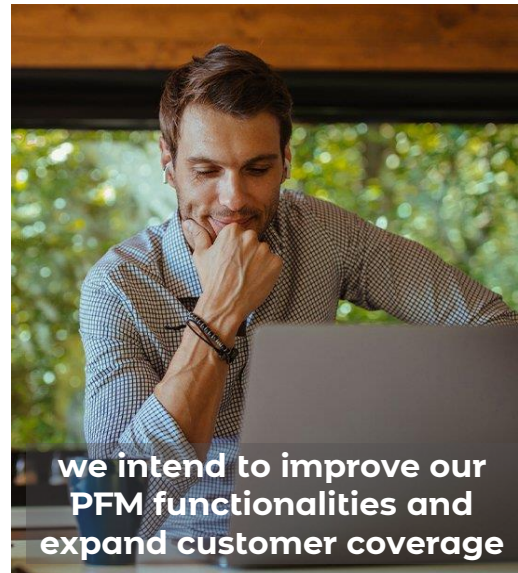


We will help our customers to wisely manage their current and future finances by providing well-structured information on their inflows, spending and assets.

We want to make **personal financial management (PFM)** a cornerstone of our offering:

development of PFM solution

- The multi-stage development of PFM started with the **automatic reports** summarizing what happened with customer's money and balances.
- Next statements will include **spending trends, dependences of expenses and income**, information on a **cash surplus or shortage**.
- Further release of reports will be enriched with insights, like **spending alerts** or **limits for categories**.



value for the customer

- Transforming raw data into valuable knowledge presented in a form of **convenient tips and reports, supporting the management of current and future financial situation**, will be the **key to solidify long-term relationships with our customers**.
- PFM will give customers an ultimate **control over their budgets, cash flows, savings and investments** as well as will **support them in preparation for life-cycle events** (purchase of house, children education, retirement).

strategic targets

have 50% of customers actively using PFM functionalities on regular basis in 2025

reach 4-star score (on the five-level scale) in regard to PFM service from its active users in 2025

Pillars of mBank Group's strategy for 2021-2025

Leading retail banking franchise integrated with client life cycle



We will boost digital sales and service by enabling to easily fulfil all needs on a mobile device with a support of premium contact center if needed.

mBank's future growth will be anchored in digital channels and mobile banking:

transformation of service model, keeping professional human support

- We intend to consistently improve remote identity confirmation to offer the **most intuitive account opening process** to our clients.
- Our advisors in branches and contact center will **assist, guide and support customers to primarily use self-service** via digital channels.
- We have introduced **agile branch setup**, where employees can switch between various working modes. We will monitor their performance in order to **optimise our footprint**.
- mBank's **contact center** will reach **the highest standards** in servicing complex scenarios.

enhanced CRM system

- We will apply **personalized approach in communication and sales**.
- We will use **contextual events and demographic characteristics**. By looking for patterns and similarities to other people, we will be able to **predict undiscovered needs** for products and services.

strategic targets

- ▶ become a mobile-first bank with 65% of sales and service executed via mobile devices in 2025
- ▶ improve digital onboarding process and have 50% of retail customers (18+) acquired remotely in 2025
- ▶ reach digitalisation ratio (calculated as a proportion of applications/orders for products and services executed in digital channels compared to such actions in all channels) of 90% by 2025
- ▶ raise the share of cashless branches within mBank's network to 50% in 2025
- ▶ automate 30% of the traffic to contact center with voice/chat bots till 2025

Pillars of mBank Group's strategy for 2021-2025

Leading retail banking franchise integrated with client life cycle

→ We will continue to develop an ecosystem of non-banking services to strengthen the intensity of relationship with customers through providing them with additional utility and convenience.

We will focus on delivering the most wanted value-added services:

e-government

- We will continue to **integrate new e-government services**.
- We will remain dynamically reacting to all new **public schemes accessible online**, such as family benefits (Rodzina 500+, Dobry start 300+), pandemic-related state support for enterprises (PFR Financial Shield), and other.



commercial services

- We will **link our mobile application with a range of lifestyle services**.
- **Major categories** to be successively added are: health service providers, utility companies (energy and gas providers), telecommunication companies, but also public transport, parking and highway tickets, events, etc.



bancassurance

- We will evolve bancassurance area by offering **standalone insurances tailored to the needs of particular demographic segments**.
- We will adjust sales and aftersales processes to the **mobile-first approach**, target our offer to get **contextual visibility** in many **additional touchpoints** (e.g. shopping platforms).



strategic target

have 2.8 million of individual customers and 200 thousand firms in retail segment actively using at least one value-added service offered by mBank by 2025

Pillars of mBank Group's strategy for 2021-2025

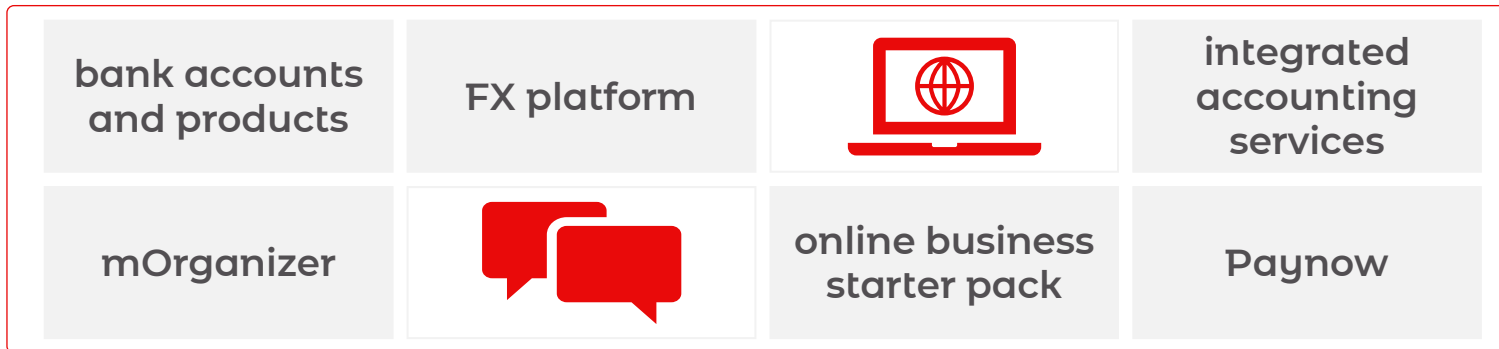
Leading retail banking franchise integrated with client life cycle

→ We will support entrepreneurs and small firms to grow their business by providing them with both the industry-customized expertise and integrated platform for managing financial, accounting and administrative issues.

We want to relieve business owners of their daily routine tasks, so that they can focus on their core activity:

business command centre

a **single business control panel** instead of services dispersed across multiple applications (for accounting, organisational or marketing activities)



professional support

- a nationwide **network of cooperating certified accountants** (OSCBR), offering also tax and legal expertise
- education through **webinars, blog posts, online sessions** with experts
- **centres of competence** providing consulting services adjusted to business specifics and situation of different groups of entrepreneurs

strategic targets

reach 20-30% market share in new acquisition of sole proprietors (self-employed) and limited liability companies by 2025
become the only bank of choice for 85% of business clients serviced within mBank's Retail Banking area by 2025

Pillars of mBank Group's strategy for 2021-2025

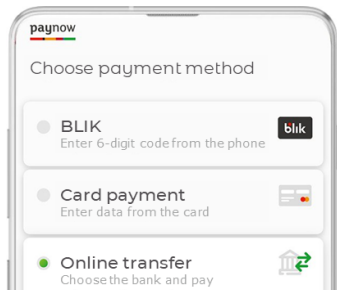
The first-choice bank for e-commerce market participants

→ We want Paynow to become a significant player in online payments, with market share reflecting the share of mBank's consumers in Polish e-commerce.

The organic growth path of Paynow will be based on the following elements:

superior payment processing capabilities

- **quickest settlements** of a large number of simultaneous transactions what is particularly demanded by specific segments of e-commerce (e.g. tickets for events)



Processed payments volume has been constantly growing:
PLN 2,039 M in 2023, +120% YoY

exclusive features to enrich merchants value chain

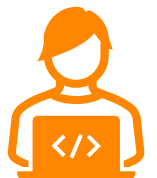
- **one-click payments** to increase convenience for customers when shopping at particular e-shops
- mechanisms supporting shopping cart conversion and sales volume
- **marketing automation** improving effectiveness of campaigns directed towards customers



scalable and cost-efficient solution

- the **cloud architecture** which Paynow is based on allows for efficient and easy business expansion as well as ensures the lower cost base

Dedicated team specialized in e-commerce merchants and targeted marketing will accelerate acquisition of new customers.



strategic target → achieve at least 10% share in the market of online payment providers in 2025 based on the unique position of mBank in the e-commerce segment, adapted to the requirements of leading sellers

Pillars of mBank Group's strategy for 2021-2025

The first-choice bank for e-commerce market participants



We will modernize and extend our existing mDiscounts (mOkazje) platform to make it more attractive e-commerce solution for both online buyers and sellers.

We aspire to be the favourite platform for our customers buying on the Internet:

unique position in Polish e-commerce

Out of all banks in Poland, mBank is best-positioned to succeed on this market with:

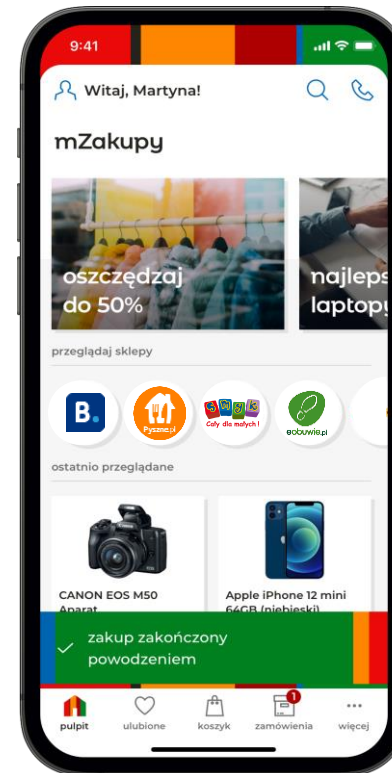
- ~25% of all local e-commerce transactions done by our clients
- a customer base active in digital channels (including more than 3.1 million users of mobile application)
- already wide recognition of our shopping-related offering of mDiscounts (with 2.7 million of clients having given marketing consent)



mOkazje



mDiscounts 2.0



- We plan to reshape our existing mDiscounts (mOkazje) platform into **more modern marketplace**, providing a delightful digital shopping experience for both mBank's individual customers and merchants from SME segment.
- In addition to attractive prices for items from selected categories, we will provide **a benefit of secured online shopping**, thanks to delayed payment option, free delivery.
- Our preferable option is development in cooperation with a reliable partner with proven expertise.

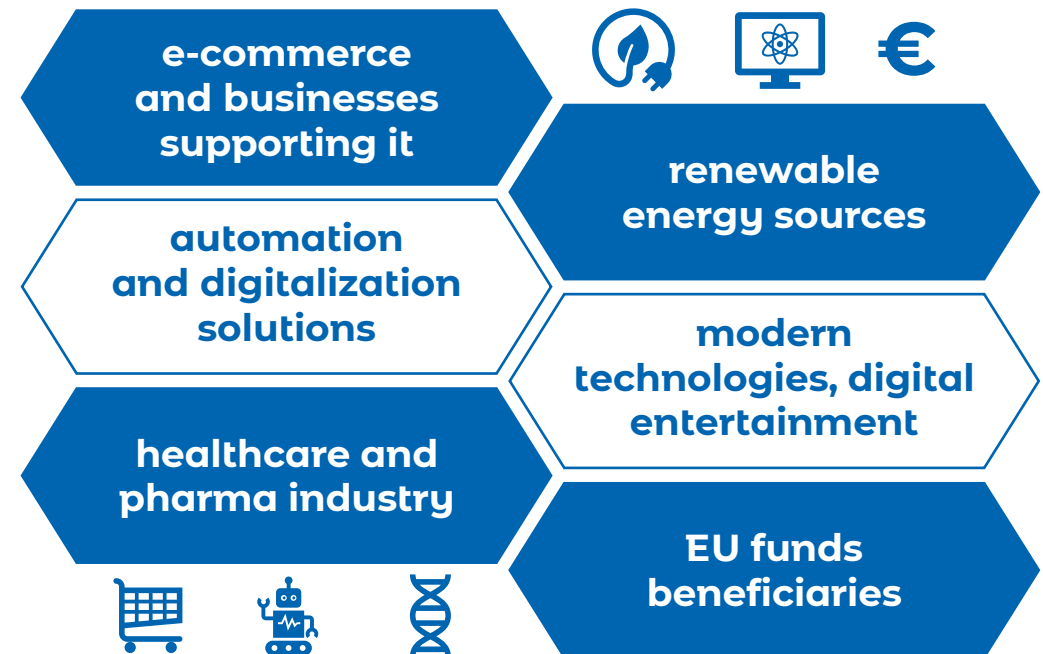
Pillars of mBank Group's strategy for 2021-2025

Best digital corporate banking for high-potential companies

→ We will initiate, develop and intensify the cooperation with companies from prospective industries and the fastest growing sectors of the economy as well as continue to support socially responsible business and energy transformation.

- We will create **dedicated financing rules for fast developing industries**. Clients will be offered with additional products and services tailored to the specifics of their business. We will apply **adequate credit assessment policies**.
- We want to acquire leaders in their respective industries. With **close cooperation between business and risk area**, the network of our customer relationship managers will be supported by a team of sector analysts.
- We **focus on energy transformation** by providing a full scope of corporate and investment banking products to **companies striving to conduct more sustainable business**. We continue financing of renewable energy, waste management and energy efficiency projects, develop ESG-linked products and arrange the issuance of green bonds.

We want to be more involved in:



strategic target

rise mBank's involvement into financing of the prospective industries (defined above) to PLN 13 billion in 2025 from PLN 4.3 billion at the end of 2020

Pillars of mBank Group's strategy for 2021-2025

Best digital corporate banking for high-potential companies



We will contribute to the growth of SME segment in Poland and benefit from its progressing e-commerce entry and higher profitability.

We will focus on 3 main dimensions:

digital journey

- early identification of client needs to **adequately adjust service model (remote/hybrid/local)** at the acquisition phase
- extensive **self-service digital offering** to eliminate the need to visit a branch or contact personally
- active **usage of data analytics** in after-sales service to provide customers with better calibrated advice on products and services

operational effectiveness and excellence

- promotion of internet banking
- development of pre-approved credit products and **improved time-to-agreement** in the process
- focus on **most efficient collaterals** (BGK guarantees and mortgages), supporting high capital efficiency
- locally-based **relationship managers dedicated to** contacts with credit customers, requiring **customised offering**

business growth

- expansion of customer base, **higher cross-sell index** and proportion of active, profitable relationships thanks to distinctive transactionality
- **cooperation with mLeasing and mFactoring** and constant increase of the base of shared clients
- a **joint dedicated offer** in a fast and light process, followed by one credit decision encompassing all products

strategic target

maintain a growth rate of mBank's SME segment (K3) at 8% per year in the area of client acquisition, credit volumes and revenues

Pillars of mBank Group's strategy for 2021-2025

Best digital corporate banking for high-potential companies

→ We will amplify our leading position in investment banking on the Polish market. We will strengthen relationships with our corporate customers through additional knowledge-based services and assistance of top-rated advisors.

A long-term and responsible investment banking model with a strong compliance culture:

strong internal competences...

- We will further enhance our **consulting competences** to support companies in finding the **right responses** to market challenges and transformative demands.
- We are investing in the **knowledge and professionalism** of our experts to create additional value for customers by proposing **solutions best suited to their needs**.

advanced
expertise

access to
market
information

extensive
experience

customer
trust

... to offer the best services

- We aspire to be a **relevant player in IPO listings**. In parallel, we want to remain very **active in tender offers and share buy-backs** and maintain a strong position in this less cyclical segment of the ECM market.
- We will continue to support our clients in **acquisitions, disposals and other equity transactions** with the full scope of available services, including **corporate and M&A advisory** both on public and private side.
- We will be prepared to supplement equity component with **leverage financing** to create and derive more value from these complex transactions.

strategic
target

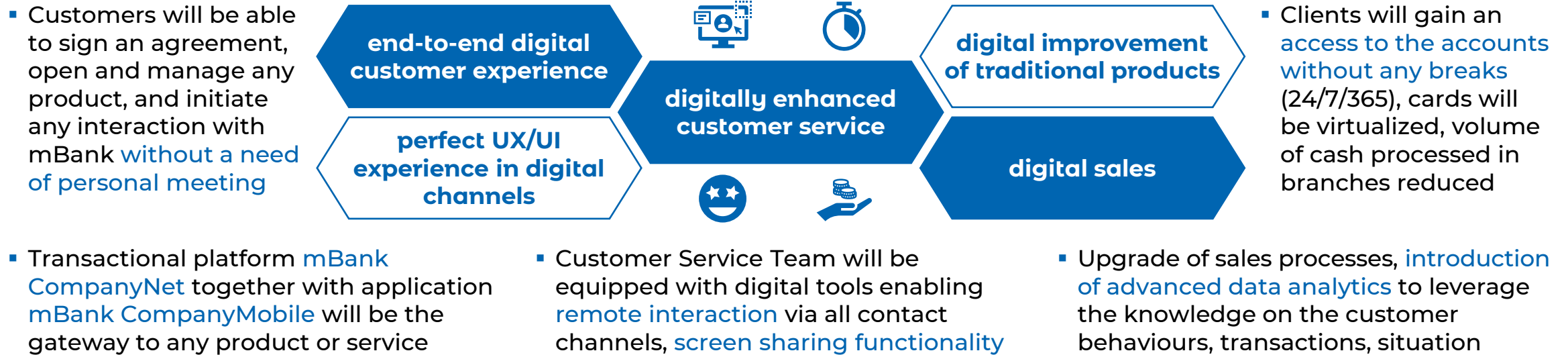
have mBank's customer advisors to be rated as the best on the market in initiating and offering solutions that create value for corporate customers

Pillars of mBank Group's strategy for 2021-2025

Best digital corporate banking for high-potential companies

→ We will provide the best end-to-end digital banking experience for corporate customers in Poland.

We focus on the 5 areas:



strategic targets

- make digital onboarding a dominant form of new account opening for corporate customers, achieving the level of 90% of digitally opened accounts in 2025
- boost mobile banking penetration and its usage among corporate customers, with an increase of companies having mBank CompanyMobile application to 90% of total base in 2025
- improve the quality of digital services and customer support, reflected in a growth of Net Promoter Score (NPS) for these aspects to 40 in 2025

Pillars of mBank Group's strategy for 2021-2025

Best digital corporate banking for high-potential companies



We will redesign credit process for corporate clients to make it more predictable, supporting business development as well as ensuring safe and adequate level of risk costs.

We will transform our credit process comprehensively for the benefit of the client:

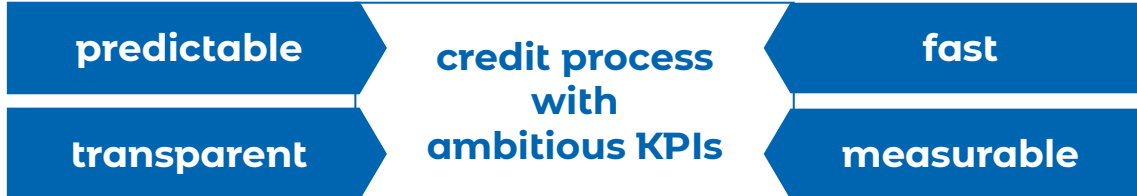
digitization and automation

- ePlatform for paperless communication with the clients in end-to-end process, **integration of key systems** (internet banking, internal and external databases with bank's internal credit workflow system)
- development of **advanced data analytics** for ongoing early warning signals and automated decisions for smaller exposures
- further automation of loan agreement preparation
- automated monitoring of exposures, based on data already available in the bank



internal reorganisation

- **simplification and standardization** of information required from the client
- **redefinition of roles and responsibilities** in the process; its automation will allow relationship managers to focus more on acquisition and customer advisory
- establishment of **strong cooperation culture** between all process participants



have over 50% of K2 and most of K3 clients using simplified credit process after the completion of all project initiatives implementation

Pillars of mBank Group's strategy for 2021-2025

Best digital corporate banking for high-potential companies



We will grow the profitable corporate banking business, taking care of capital and cost efficiency (both at the level of the business line and the individual customer relationships).

- We have reviewed the portfolio and continue the cooperation with companies for which the assumed AROR threshold is fulfilled. The permanently inefficient customer relationships are selectively, but consequently, reduced.
- We use AROR in pricing decisions and planning the relations with particular customers. To integrate this approach on the product level, we have implemented supporting tools in the CRM system.
- Simplification and centralisation of internal processes, development of remote channels, and wider digital availability of products for customers will increase employment efficiency. We will automate time-consuming and repetitive tasks to gain more time for creative activities.
- We will be tracking our productivity measured by a relation of corporate banking revenues to allocated staff.

We have introduced a new metric:

$$\text{adjusted revenues on risk weighted assets}$$
$$AROR = \frac{\text{revenues} - \text{banking tax} - \text{cost of risk}}{\text{risk weighted assets (RWA)}}$$

There are 3 possible outcomes :

$$AROR < \text{zero} \leq AROR < \text{threshold} \leq AROR$$

- ↓ credit not to be granted, exposure to be reduced
- further analysis needed, conditional decision
- ↑ minimum criteria met, positive assessment

strategic target

improve the profitability of mBank's corporate and investment banking area through optimising risk weighed assets and increasing revenues to reach the assumed AROR level in 2025

Pillars of mBank Group's strategy for 2021-2025

Technology, security and data as a source of advantage



We will provide high quality, availability, security and stability of mBank's solutions and services to customers on a continuous basis.

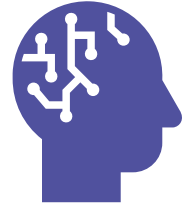
We will focus on 2 main areas to improve stability:

quality of software delivery

- increase the level of maturity of the software development process through continuous monitoring and automation of security controls, implementation of multi-level quality gates and further automation of all types of tests
- adopt these new processes in the area of both software and infrastructure development (IaaS)
- implement new architectural standards in order to raise the scale of building new and adopting existing reusable design patterns and components

improved incident response

- redesign our current incident response model according to the best market practices including SRE (Site Reliability Engineering) and world class observability tools and practices
- increase the focus of our DevOps teams on security by implementing automatic detection of security gaps, continuous monitoring of software development processes and standardisation of infrastructure



strategic targets

make our digital channels available 24/7/365 at ~99.5% by 2025
follow a unified way of designing IT solutions according to all standards of high availability, security and operability to be executed

Pillars of mBank Group's strategy for 2021-2025

Technology, security and data as a source of advantage



We will maintain the technological advantage of mBank in the financial sector by being cloud-ready, allowing for flexibility, scalability of technology and swift adaptation to business needs.

We will develop hybrid cloud environment to enable flexibility of running workloads:

transformation to reach the cloud-ready state

We need to further re-architect mBank's solutions as well as:

- expand IaaS capabilities (infrastructure as a service, private cloud) to support cloud-readiness of the organisation
- migrate applications developed internally to hybrid cloud technology stack (containerisation)
- hone practical skills to leverage PaaS Cloud Services to accelerate time-to-market and innovations
- create principles of using standard third-party cloud applications (SaaS)
- adopt a standardised way of implementing SaaS and PaaS based solutions in mBank, according to all security, regulatory and operational requirements

benefits from the cloud

- boosting innovation of business solutions
- enabling faster time-to-market
- enlarging the scalability of used technology
- improving efficiency and utilisation of our IT resources
- increasing attractiveness of mBank as a digital institution and employer



strategic targets

have 50% of key systems developed internally to be cloud-ready and run on hybrid cloud (private or public) by 2025

ensure 100% of own newly developed systems to be cloud-ready and run on hybrid cloud starting by 2025

Pillars of mBank Group's strategy for 2021-2025

Technology, security and data as a source of advantage

➔ We will address the full threat lifecycle and thus providing highest possible security to mBank's clients and employees by continuous development of a multi-layer cybersecurity defence model for both on-premise and cloud solutions.

We will constantly work to limit the risk of the threats materialising and improve the effectiveness of response:

adequate cybersecurity solutions

We act proactively, searching for weaknesses in mBank's infrastructure and addressing vulnerabilities before they are exploited. We also plan to:

- strengthen 'security by design' paradigm in relation to regular tests of the code of created applications
- continuously educate our security team
- extend our monitoring and response systems with AI/ML

anti-fraud and scams prevention

To protect our clients' money against criminals, we plan to:

- enhance our customer profiling solutions based on data obtained from internal and external sources
- use artificial intelligence in the processes of analysing customer behaviours
- use behavioural biometrics in fraud prevention

strategic targets

- monitor 80% of critical systems running in the cloud and processing protected data by 2025
- test 80% of new, critical applications developed at mBank in terms of security of its code
- conduct comprehensive Red Team's tests verifying the level of organisation's security and resistance to emerging cyber threats at least twice a year
- connect 80% of onboarding processes to the anti-fraud system by 2025

Pillars of mBank Group's strategy for 2021-2025

Technology, security and data as a source of advantage

→ We will provide the highest possible protection of mobile application serving as a digital key to all mBank's channels with the state-of-the-art security solutions. We will deliver the most secure and client-friendly identity confirmation process in all digital channels.

We will evolve mBank's remote services to ensure full security for clients:

mobile security

- We want to deliver upgraded solutions that are invisible for our clients and at the same time able to learn their behavioural patterns in order to detect possible anomalies on their mobile devices.
- We will implement RASP-like (Realtime Application Self-Protection) mechanism and behavioural biometrics as an additional technology supporting authorisation.



digital identity

- Traditional methods of identity confirmation using a password or a PIN code may no longer be sufficient.
- We will implement solutions that authenticate a client by using an electronic layer of documents such as ID card, passport, etc.
- We will promote digital identity services as allowing for convenient authentication at various moments of client-bank interaction.



strategic targets

- ▶ have 80% of mobile clients protected by RASP-like mechanism by 2025
- ▶ provide 80% of clients who consented to behavioural biometrics with additional protection while authorising operations
- ▶ use digital identity solutions in major business process requiring onboarding by 2025
- ▶ redesign at least one high-risk process to use digital identity by 2025

Pillars of mBank Group's strategy for 2021-2025

Technology, security and data as a source of advantage



We will employ artificial intelligence and data science to support creation of innovative customer products, better risk assessment, increase effectiveness of internal systems and workflows as well as maintain mBank's image of the technological and digital leader.

We will utilise AI technologies to support mBank's offer development and security solutions:

AI/ML applications

- **automated client support agents** (relying on voice analysis technology and natural language processing), working as personal finance assistants in some interaction scenarios (e.g. in contact center)
- **detection of fraudulent banking transactions**, focusing primarily on internet banking and development of online infrastructure, such as systems for customer behaviour analytics to mitigate the risk of impersonation attacks
- **prediction of churn** in retail and corporate banking, by implementing network powered classification algorithms and increasing data coverage
- **process mining techniques** for optimisation of internal business processes

right set-up

- streamline the management of internal projects utilising artificial intelligence technologies
- attract more data science and machine learning specialists
- use AI/ML to both design customer products or services and to make business processes more efficient

strategic targets

create and deploy at least four products or services in both retail and corporate banking based on artificial intelligence (AI) engines by 2025

launch at least one client-oriented product or service using external machine learning (ML) cloud-based systems with large repositories of data and pre-trained models by 2025

Pillars of mBank Group's strategy for 2021-2025

Distinctive people and organisation culture

→ We will create culture where cooperation is based on trust and positive intentions.

mBank's culture of trust and good intentions is defined by 5 key values:



strategic target

be among the best employers both in Europe and Poland, and reach the engagement score in the top quartile for reference area (current 3-year benchmark for Poland) in 2023-2025

Pillars of mBank Group's strategy for 2021-2025

Distinctive people and organisation culture



We will develop best-in-class hybrid work environment.

Key components of mBank's hybrid workplace will include:

Flexible and adaptive workplace model

highly productive work environment and response to employees' needs



Smart working mindset combined with top skills and practices

performance evaluation based on outputs; leaders skilled in managing distributed teams



Advanced workplace technology and digitized people processes

top communication and collaboration technology widely adopted by employees



- **Hybrid workplace academy:** deploy world's top know-how on individual, team and managerial level
- **Hybrid-ready employee journey:** improve and digitize people HR processes
- **Employee health and well-being:** provide support to the employees in terms of physical and mental health

strategic target

reach *hybrid workplace index* (defined by a set of questions from Pulse Check employee survey that track perception of hybrid workplace) at the level of 80% of favourable assessment in 2023-2025

Pillars of mBank Group's strategy for 2021-2025

Distinctive people and organisation culture

→ We will make people capabilities a competitive advantage for the bank.

Our staff-based advantage over competitors will be based on:

Strengths-based approach

to leverage individual talents and foster innovation



Focus on future skills

needed for the organization to succeed



T-shape philosophy

combining high level of competence with curious mindset



- providing employees with talent diagnosis and advisory, re-modelling individual development processes
- use technology to manage employee capabilities in a strategic, data-driven way; role-changing facilitation; advanced employee analytics to fast identify and match people with jobs
- new methods of motivation adequate for younger generations with managers being the coach, engaging them in important tasks and projects, showing the purpose in daily work

strategic target

maintain *talent index* (defined by a set of questions from Pulse Check employee survey that reflect the voice of employees and managers) at the level above 70% of favourable assessment in 2023-2025

Philosophy of risk management at mBank Group

The risk management strategy of mBank is based on three pillars

supporting sustainable growth

We indicate the directions of expansion to build a diversified loan portfolio with a significant share of prospective sectors.

- » We actively support business growth, based on an appropriate pricing policy that reflects the client's risk profile and secures profitability.
- » In our credit policies and decisions, we take into account the impact on the natural environment. We use effective and consistent algorithms to assess clients.



pursuing prudent and stable risk management

We shape a safe and profitable balance sheet, managing risk in mBank Group in an integrated manner.

- » Integrating the business needs and risk principles, with the regulatory requirements, we provide a framework for risk management across the bank.
- » We make decisions taking into account return on capital, and base on high-quality information from consistent internal and external databases.



transforming and developing the Risk Area

Thanks to automation, digitalization and efficient processes, we are ready to increase the scale of business.

- » We apply a broader perspective, expand our competences, and develop skills related to data analysis and processing.
- » We promote the development of a risk culture at mBank, its broad understanding and the importance of multi-faceted looking into the future.



ESG strategy of mBank Group



ESG strategy of mBank Group for 2021-2025

ESG aspects play a crucial role in the way we manage our organisation

As a financial institution, we have a particular responsibility and a key role to play in supporting global and national efforts in dealing with the transformation towards sustainable development and especially climate neutral economy.



By further integrating ESG aspects into our priorities, activity, management and risk processes, we aim to:



reduce to zero greenhouse gas emissions generated both directly by ourselves and by the credit portfolio we finance



support sustainable growth with both financial and non-financial benefit of the society and our clients



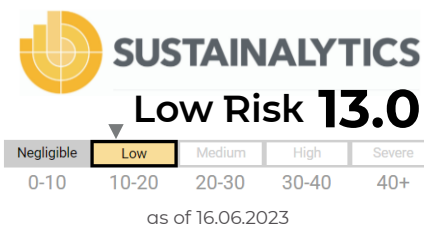
build credible relationships and strengthen the trust of our stakeholders by acting transparently and in line with ESG values

Our ESG efforts are guided by objectives defined in the **EU Sustainable Finance Action Plan** and the **European Green Deal**.

Over the years, mBank has reaffirmed its commitment to a sustainable future by surpassing mandatory ESG regulations and actively participating in leading voluntary initiatives.

We have applied global best practices, exemplified by alignment with the **UN Sustainable Development Goals (SDGs)**, the **UNEP FI Principles for Responsible Banking** and the **Science Based Targets initiative (SBTi)**.

ESG ratings¹



Bloomberg GEI
Gender-Equality Index

WIG-ESG index
on WSE in Poland

We have defined **strategic directions** for the coming years in three dimensions: **environment, social, and governance**.

¹ please see [the webpage](#) for disclaimer statements

ESG strategy of mBank Group for 2021-2025

Environmental pillar

Our role

We are actively partnering our clients to lead the way in green and transition finance, simultaneously integrating sustainable practices into mBank's internal operations.

Reducing greenhouse gases (GHG) emissions of our loan portfolio, steered by SBTi as the most prominent driver to become net-zero

- ▶ transform our loan portfolio to reach net-zero by 2050
- ▶ make a decision regarding portfolios covered by SBTi and their decarbonization methods
- ▶ submit an application with decarbonization targets to SBTi for validation till 30.09.2024



Limiting own GHG emissions by decarbonizing our operations

- ▶ become net zero in own operations by 2040
- ▶ use clean energy, with minimum 80% of the electric energy purchased for the needs of the bank coming from renewable sources from 2023 onwards
- ▶ plan the transition of mBank's car fleet to vehicles powered by green energy



ESG strategy of mBank Group for 2021-2025

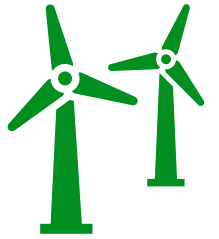
Environmental pillar

Our role

We are actively partnering our clients to lead the way in green and transition finance, simultaneously integrating sustainable practices into mBank's internal operations.

Partnering with our clients by offering products and services to stimulate their sustainable and green activities

- ▶ provide **PLN 10 billion** of green financing (for renewable energy sources, decarbonization, circular economy, e-mobility, etc.) by the end of 2025, including PLN 5 billion from mBank and PLN 5 billion from other sources such as consortia and green bonds issues arranged for clients
- ▶ increase the yearly **sale of mortgage loans** for real estates compliant with the NZEB-10% (Nearly Zero Energy Building) standard to **14%** in 2024 and **18%** in 2025 of total mBank's mortgage loan production (by volume)
- ▶ offer **at least 50%** of investment solutions manager within mBank Group promoting environmental or social characteristics ("light green" in line with Art. 8 of SFDR) by 2025
- ▶ issue **green bonds** as defined in the mBank S.A. Green Bond Framework in the amount of **PLN 5 billion** until the end of 2025



ESG strategy of mBank Group for 2021-2025

Social pillar

Our role

We are supporting clients' financial health and fostering inclusive banking along with establishing an organisational culture that is rooted in ESG values.

Providing an attractive work environment that ensures diversity, equity and inclusion

- ▶ ensure **gender balance** in the succession program (at **minimum 45%** of a given gender) and reduce the **pay gap** (keeping it below 5%)



Ensuring balanced gender representation at mBank Group

- ▶ increase the level of **gender representation** in managerial bodies of mBank's main subsidiaries (including mLeasing, mFaktoring, mBank Hipoteczny, mTFI, mFinanse) **to 40%** by the end of 2026

Making social impact through fostering financial health and education of our clients

- ▶ continue **financial education** and promote **responsible management of personal finance** among clients by growing the number of users of dedicated functionalities in mBank's mobile and internet services



ESG strategy of mBank Group for 2021-2025

Governance pillar

Our role

We are developing internal solutions which facilitate the transition towards sustainable development with a specific emphasis on robust risk management and transparency.

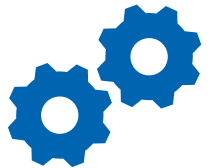
Enhancing our corporate governance by ESG aspects

- ▶ have all TOP 100 managers (at mBank and main subsidiaries) with goals related to ESG at a **10%** weight in their Objective and Key Results



Integrating environmental, social and governance risks with mBank's risk management

- ▶ incorporate ESG into credit and Internal Capital Adequacy Assessment Process documentation, and perform materiality assessment of ESG risk each year



Promoting transparency and ESG standards among our business partners

- ▶ have **70%** of eligible partners and suppliers (under central purchasing process) to be compliant with the 10 Principles of the UN Global Compact by 2025



Our mission:

***Convenient, secure,
focused on your future...***

***mBank – more than
a mobile bank.***



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