

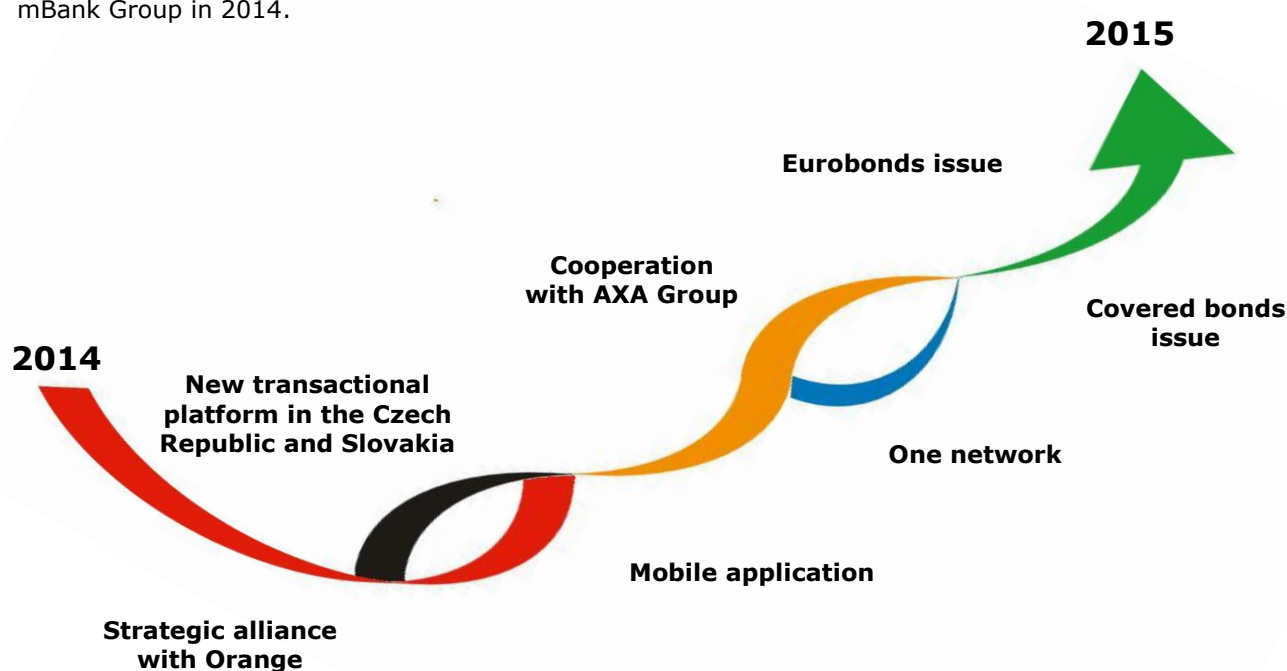
3. mBank Group Strategy and plans for the coming years

3.1. mBank Group Strategy for 2012-2016

The Group has pursued the objectives of the "One Bank" Strategy since July 2012. The underlying principles of the One Bank strategy provided for improvement of the long-term capacity of generating income and profits within a sound balance sheet with a strong technological support for client relationships and an enhanced integration backed by brand unification and a uniform branch infrastructure. Selected key achievements of the "One Bank" Strategy include:

- improved structure of mBank's balance sheet, in particular a reduced loan to deposit ratio and increasing diversification of funding supported by an EMTN issue programme and the strategic repositioning of mBank Hipoteczny including the launching of the programme of financing of retail housing loans with issues of covered bonds;
- providing all mBank clients in Poland, the Czech Republic and Slovakia with an innovative online banking offering well ahead of current customer experience standards (New mBank) along with a top-class mobile banking application following the launch of New mBank;
- implementation of an organizational set up of Corporate and Investment Banking integrated around K2 client needs. This is a foundation for mBank long-term focus on deepening relationships with K2 clients through offering a full range of corporate finance solutions within an integrated institution;
- targeted development of relations with the SME segment supported by an integration of competences related to SME services including sales management and business development within a specialized unit in the Bank's Retail Banking area;
- increasing integration focused on synergies across different parts of the banking business and Group subsidiaries, in particular: implementation of the uniform mBank brand across the Group, and a project under implementation to unify and reorganise the retail and corporate branch network covering the range of financial services provided by Group subsidiaries.

A number of steps initiated or completed in 2014 derived from the goals of the "One Bank" Strategy are summarised at the picture below. For more information please see section 2.3. Key Projects of mBank Group in 2014.



Plans and Strategy implementation in 2014

The cornerstone of the "One Bank" Strategy covering the period until 2016 is integration of mBank Group, reflected, especially, in the symbolic unification of the Group's brands. In the following years, mBank will focus on strengthening its leading position in mobile and transactional banking.

From the clients' perspective, the most visible aspect of the integration from the outside is the ongoing reorganisation of retail and corporate branch network aimed at enhancing the availability of the Group's product portfolio and opening of a branch network addressed to all clients of the "former" mBank. Between 2015 and 2018 the Bank will be gradually restructuring its branch network, taking into account the experience gained in the course of the reorganisation and clients' needs while deciding on the design, equipment and functionalities of the branches. The ongoing project of branch network reorganisation does not provide for increasing the number of the Bank's branches, but is intended to better utilize its current physical presence in order to become more convenient to clients. Branches constitute an important channel of client acquisition and cross-selling of mBank Group products and services. At the same time, the Bank is successfully developing sales outside traditional touchpoints. mBank's sales structure already reflects the intended relation between different banking offer distribution channels expected by the market. According to these expectations, the importance of remote channels, i.e. Internet and mobile platforms, will keep growing. Functionalities of mBank's modern Internet banking platform, as well as the most convenient access to mobile banking backed by the Group's inborn ability to quickly develop innovative, technologically advanced solutions favourably position mBank for future challenges. The flexibility of mBank's platform was proved by accomplishments such as the creation of the ultra-modern mBank transaction platform (New mBank) in only 10 months and the development of the Orange Finance banking application which took only 8 months.

Under the current Strategy, the Group's activities until 2016 are to focus on the following financial objectives:

Strategy for 2012-2016	
Financial objectives	As at the end of 2014
Loan to deposit ratio: c. 115% by 2016	103.0%
Net Stable Funding Ratio (NSFR): min. 110%	109%
Core Tier I ratio: c. 11%	12.2%*
Cost to income ratio (C/I): max. 48%	44.9%
Gross ROE: min. 15%	16.9%
Net ROA: min. 1.4%	1.1%

* Common Equity Tier 1 Capital Ratio calculated in line with Basel 3 rules.

Plans for 2015 and the following years

In 2015 mBank's activities will first and foremost focus on strengthening the Bank's leading position in mobile and transactional banking.

mBank's strong position in transactional banking is reflected by, among others, its high share in the market of non-cash payments reaching 12.2% at the end of 2014. The current efforts of mBank relating to the development of payment cards are aimed at, among others, increasing the share of transactions with the use of mBank cards in the total number of transactions concluded on the

market. In 2014 mBank retail banking clients made card payments worth over PLN 17.6 billion, setting an all-time record and marking a 18.5% increase against 2013. This was accompanied by a continuing drop in the average value of a single transaction as clients are more and more often using cards for small-item shopping.

Coming in line with current trends, in 2014, mBank focused on the development of mobile banking, at the same time offering an innovative approach to application introduction process. The mobile application was built from scratch with actual needs of clients in the limelight. It was given a positive reception by clients, which directly translated into the number of mBank mobile users, giving the Bank the first place in Poland in terms of the number of mobile banking clients (892 thousand at the end of 2014). The Bank is still working on further development of the application and adding new functionalities, including those proposed by clients. In 2015, mBank will give the highest priority to mobile payments and bringing into compliance the functionalities of its mobile banking application and Internet platform. The Bank will focus on purely mobile scenarios in order to enable users to perform them in no more than 30 seconds. mBank wants its mobile application to always keep up with global trends.

Another milestone in the implementation of the "One Bank" Strategy will be the completion of migrating former MultiBank clients to the mBank platform. This will enable a more precise segmentation of mBank Group clients. It will be also reflected in improved cost efficiency, allowing for a more effective adjustment of the Bank's offer, increased effectiveness of the technological development of the transaction platform and marketing communication in the part of mBank's portfolio addressed to individuals.

In 2015, mBank Group will continue its efforts towards obtaining diversified, long-term and attractively priced funding for its business by means of issues of covered bonds by mBank Hipoteczny and next tranches of eurobonds under the EMTN programme. The Bank plans to issue covered bonds worth an estimated PLN 1.5 billion in 2015.

mBank Group will focus also on improving the profitability of assets by changing the structure of loans and reducing the foreign currency portfolio, which is of an even greater importance in the environment of low interest rates. The Group's current achievements in this respect are described in more detail please see section 1.5. mBank Group before and after the financial crisis.

mBank, if necessary, will also support its CHF borrowers with a package of workout solutions. This will include, among others, the application of a negative LIBOR rate to all CHF borrowers, lower FX spreads, amendments to the repayment schedule with the possibility of deferring the repayment of the principal amount by 12 months, extending the term of the loan, a flexible repayment schedule, etc.

mBank is planning to formally update its strategy in 2016. New strategic objectives will be based on the main pillars of the "One Bank" Strategy. The heart of mBank's new business strategy will be its clients. The Bank will be to an even greater extent guided by clients' needs which will be better identified and anticipated. mBank will thus strategically position itself as a client-centric institution which, while serving clients, draws on its knowledge of their needs. mBank has already started the implementation of a systematized customer satisfaction measurement process. Activities aimed at carrying out regular identification of client needs and clients' assessment of the Bank have been initiated in the Corporate Banking and Financial Markets areas. Systematic measurement of customer satisfaction and responding to changing expectations of corporate clients will contribute to strengthening the relationship with the Group's clients. Moreover, mBank intends to use this expertise to deepen its relationship with retail banking clients. Stronger relationship with clients should yield a more dynamic increase in mBank's revenues in the following years.

To promote this growth, mBank will also launch business initiatives which are going to focus on the acquisition of new clients and more intense cooperation with clients for whom mBank is not the primary financial institution. The areas of strategic focus for mBank Group in 2015 and in the following years will be:

- Acquisition of new retail clients and activation of the existing Retail Banking clients with special attention to the segment of young clients.

- Increasing revenues generated by mBank's foreign branches in the Czech Republic and Slovakia through dynamic client base development and sale of high-margin products on these markets.
- Systematizing the Group's approach to relationships with affluent clients - a strategy involving integration of solutions addressed to affluent, private banking and wealth management clients in order to better respond to the expectations of this segment.
- Stronger presence in the SME sector by using mBank's current advantages, i.e. unique Internet banking experience, mobility and speed of banking processes.
- Client acquisition in the K3 segment focused on the most promising companies and improved segmentation of clients between retail and corporate customer service models.
- Cultivating relationships with K2 corporate clients by strengthening mBank's position in arranging debt issues and issues of shares, as well as on the M&A market.
- More flexible cooperation with the largest K1 companies drawing on the expertise of and relationship with Commerzbank.