

Letter from the Chairwoman of the Supervisory Board of mBank S.A. to the Shareholders

Dear Shareholders,

In 2021, many of the challenges facing management boards and supervisory boards were similar to those known from 2020 due to the relentless COVID-19 pandemic accompanied by lingering uncertainty. As we know, the pandemic has radically accelerated the use of technology, changing the way people work and consumers shop. In doing so, it has contributed to the creation of new businesses and the destruction of others. Never before have innovative companies looking to adapt to a challenging new environment had such easy access to capital. But COVID-19 has also deepened the erosion of trust in many institutions and exacerbated polarisation in society. As a result, relationships between the bank, its customers, and its employees, as well as mutual expectations, are being redefined.

In this challenging external environment, mBank Group's operating performance in 2021 was very strong. The high growth of business volumes translated into improved market shares in strategic segments, in particular mortgage loans and retail deposits. It also supported the growth of revenues, which increased by more than 4% year on year to a historical high of PLN 6.1 billion. Thanks to the interest rate hikes initiated in October, net interest income improved. Net fee and commission income remained on an upward trajectory and increased by as much as 25%. Combined with good cost discipline, these trends allowed us to further improve efficiency and reduce the cost/income ratio to 40%. The cost of risk normalised following large provisions against expected credit losses set up at the start of the pandemic. Best proof of the operational efficiency of the mBank Group's core business is that its net profit excluding the FX mortgage segment was PLN 1.6 billion, significantly higher than the comparable figure a year earlier.

However, the decision to increase the provisions against legal risk associated with the FX mortgage portfolio to almost PLN 2.8 billion for the full year 2021 resulted in a consolidated loss of PLN 1.2 billion. Despite the negative result, the capital and liquidity ratios remained at secure levels while the buffer on top of the regulatory requirements allows the bank to continue to grow and implement its new strategy.

The Supervisory Board has approved mBank's new strategy "From an icon of mobility to an icon of possibility" for 2021-2025. Its goals include building on our existing competitive advantages, adapting to the new environment, and addressing weaknesses. As a result, the strategy will ensure that the bank remains one of the top financial institutions in Poland while achieving an improved valuation and becoming even more attractive to shareholders and investors. The strategy will focus on five areas: Retail Banking; e-commerce; Corporate Banking; Technology, security and data and Employees and Organisational Culture.

In Retail Banking, the bank wants to be the customers' partner for life. We will focus our efforts on a precise understanding of the customers' needs and changing preferences in order to accurately reflect them in our offering. At the same time, mBank will increase its market share in the e-commerce segment. We already have a strong position in e-commerce which provides a solid base for further growth. This includes support for online merchants, both in retail and corporate banking (the segment of small and medium-sized enterprises). Corporates served by mBank will get the best electronic and mobile banking on the market based on self-service in remote channels. By 2025, 90% of clients will sign contracts electronically.

In order to accompany our customers through the various stages of their lives, we will continue to promote digital customer service and sales. Therefore, cyber security, new technologies and further automation and digitalisation remain key, combined with efficiency and prudent risk management in our business operations.

The ESG agenda which covers environmental, social and governance factors is an important integral part of mBank's new strategy. It is a complex topic including dimensions of business, regulation, work environment, organisational culture, relations with clients and business partners. It is starting to play an increasingly important role and may, in the time horizon of this strategy, become one of the most important criteria for the assessment of the bank by investors, employees and clients whose transition we will support. mBank wants to be a leader in sustainable banking. Alongside the world's largest financial institutions, mBank is the first and only Polish financial group to sign the Principles for Responsible Banking sponsored by UNEP FI. We realise that integrating environmental, social and governance (ESG) issues into the corporate strategy has now become a business imperative. Regulatory requirements, consumer and investor pressures, as well as the drive to cost savings and increased efficiency have made sustainability critical to business success. mBank will continue to support companies which make efforts to reduce their carbon footprint or radically transform their business models to gain competitive advantage and minimise their environmental impact.

2021 is the second year of the term of the Supervisory Board, which boasts a comprehensive and diverse membership aligned with the bank's overarching objectives. This has been recognised both internationally and by institutional investors: mBank has been named as an example of a company promoting a culture of diversity and participation. We are aware that the bank still has a lot of work ahead to improve its diversity but the praise we have received makes us confident that we are going in the right direction.

In conclusion, on behalf of the entire Supervisory Board, I would like to thank the Management Board and the employees of mBank for their effective cooperation. I also want to thank you, our Shareholders, for your trust. I hope that the current year will allow us to realise the potential of the mBank Group and its employees within the framework of the new strategy "From an icon of mobility to an icon of possibility". It is not easy to reconcile the often divergent interests of the bank's many stakeholder groups in an increasingly polarised world. It is therefore more important than ever that mBank focuses on the long-term prospects and the ambitious goals set out in the new strategy. I am convinced that this will provide sustainable returns for shareholders and ensure sustainable growth of the bank to the advantage of the other stakeholder groups: clients, employees, and regulators.

Professor Agnieszka Słomka-Gołębiowska
Chairwoman of the Supervisory Board