

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

Dear Shareholders,

The year 2022 did not bring the economic stability expected after the two-year Covid-19 pandemic. The geopolitical situation changed dramatically due to Russia's armed invasion of Ukraine, making 2022 a time of incredible global uncertainty. The unbelievable human tragedy strongly affected the energy and food markets and plunged Europe into an energy crisis. In addition, two other shocks emerged. China's "zero COVID" policy had a huge impact on the global supply chains. Strict monetary tightening in the United States lifted the interest rates to the highest level since 2007. As a result, the world faced high inflation, record-high debt, falling investment, widespread hunger, while poverty reduction came to an abrupt halt. All of this is fuelling political instability.

High inflation and weakening economic growth did not spare Poland. A significant slowdown in household lending and low consumer sentiment posed an obstacle to private consumption. However, with strong liquidity and capitalisation, the Polish banking sector showed high resilience to macroeconomic shocks. An additional challenge for the industry in 2022 were the numerous government initiatives to support borrowers, including "credit holidays", assistance for customers with temporary problems provided by the Borrower Support Fund, and the plan to introduce a new benchmark replacing WIBOR. The aggregate cost of those new instruments is estimated at around PLN 13 billion for the main financial institutions in Poland.

Despite significant adversity caused by the challenging external environment, mBank Group generated record revenues in 2022 at PLN 7.8 billion, 28% more than in 2021. The largest contribution came from net interest income, which increased by 43% year on year to PLN 5.9 billion. The Group delivered excellent operating performance on its core business in 2022. However, due to significant public charges and legal costs on the CHF portfolio (PLN 3.11 billion), mBank reported a net loss of PLN 703 million. In Q4 2022, mBank launched a settlement programme offering conversion of foreign currency loans. Uncertainty related to the upcoming ruling of the Court of Justice of the European Union with regard to remuneration for the usage of capital by Swiss franc borrowers does not affect the plan to continue this programme.

The mBank Group's overall expenses were strongly raised by contributions to the institutional protection scheme (IPS) at PLN 428 million and the Borrower Support Fund at PLN 171 million. Excluding mandatory contributions, total expenses increased by 11% over 2021 and did not exceed PLN 2.5 billion. Half of the expenses were personnel costs, which increased by almost 15% year on year due to an increase in headcount in key areas and an increase in remuneration in line with the motto "our people make the difference". mBank values the competences of its employees, their commitment and the contribution they make to the bank's growth. Measures have been out in place for several years now to close the pay gap between women and men. The bank focuses on employees returning from

long-term absences; according to observations, it is at this stage that the pay gaps first form. Despite their impact on costs, these measures are necessary to continue the strategy of attracting and retaining the best-qualified employees in the financial sector. It is important to note that the strategic goal of equal representation of both genders in hiring and promotion was achieved in 2022. mBank was also included in the Bloomberg Gender-Equality Index (GEI) for the third time.

The year 2022 saw significant pressure on capital ratios. The key negative factors, with a cumulative impact of around PLN 5 billion, included: (i) legal risk costs related to CHF mortgages, (ii) “credit holidays”, (iii) contributions to the Borrower Support Fund, and (iv) contributions to the institutional protection scheme (IPS). Thanks to active governance, the Group maintained solid capital buffers in 2022, including Tier 1 ratio and TCR (3.4% and 3.5%, respectively, at 31 December 2022). The key factors that contributed to the stability of the capital position included the high profitability of the core business and two synthetic securitisation transactions on corporate loan portfolios with a total value of PLN 12.6 billion. The “K2” and “Everest” transactions are the largest synthetic securitisations in Poland, and “K2” is the largest synthetic securitisation in Central and Eastern Europe.

The bank reported high stability and safety in liquidity management. This is demonstrated by the quarterly liquidity measures, including the LCR in the range of 173%-187% and the NSFR in the range of 135%-150% in 2022.

mBank reported a 48% year on year decline in new mortgage sales to PLN 6.5 billion in 2022. Despite trends in the sector, the market share of household loans increased to 8.3%, while customer deposits with mBank grew by 11% year on year to PLN 174 billion in December 2022.

This performance was made possible by the consistent implementation of the mBank Group’s strategy for 2021-2025: “From an icon of mobility to an icon of possibility”. The strategy focuses on five areas: Retail Banking; E-commerce; Corporate Banking; Technology, Security and Data; and Employees and Organisational Culture. mBank has successfully pursued its aspiration to be a partner for clients for life. For instance, a personal finance manager function has been added to the mobile app so clients can monitor their spending in real time.

mBank intends to further capitalise on its position as a banking digitalisation leader with some of the world’s most exciting solutions for the 5.6 million demographically young customer population. The Covid-19 pandemic has changed the world and the banking sector irreversibly. Customers’ expectations of mobile banking are higher than ever before. This is why mBank is expanding its digital sales and customer service in the area of banking products and adding a range of new services available on mBank’s mobile app, such as parking, applying for social programmes, and other functions related to remote access to government services (e-government). The share of the digital channel in non-mortgage loan sales was 80% in 2022, including 55% in the mobile app.

We strongly believe that the experience of our customers - digital banking users is an important source of their satisfaction and loyalty. This is why, with a view to better monitoring and planning of their personal budgets, mBank has

implemented new personal finance management (PFM) functionalities. In 2022, in the face of the war in Ukraine, IT security processes were of particular importance. mBank has a multi-layered cyber security defence model in place to continuously identify and address vulnerabilities in the bank's infrastructure.

mBank sets its sights high when it comes to sustainability goals. In Newsweek's ranking "The World's Most Socially Responsible Banks", mBank was ranked in the Top 10 of the most socially responsible financial institutions in the world. ESG agenda, focusing on environmental, social and governance factors, is an integral part of bank's strategy. The bank supports entrepreneurs in the green transition and offers reduced margins for mortgages on properties meeting high energy efficiency standards.

The next phase of work on reducing and reporting the carbon footprint began in 2022. mBank was the first bank in Poland to join the Partnership for Carbon Accounting Financials (PCAF) in April 2022 and the Science Based Targets initiative (SBTi) in September. This will help to define the carbon footprint according to global standards, based on reliable, scientific criteria. mBank signed the UNEP-FI Commitment to Financial Health and Inclusion in December 2022. The bank will adopt and publish targets related to supporting these areas in the following year.

From the very beginning, mBank has supported victims of the war in Ukraine. The assistance was multifaceted. One important pillar was the cooperation with the Polish Centre for International Aid. mBank clients could make donations to the Centre by using a dedicated shortcut in the online banking service and mobile app. Two living spaces for refugees, a school and a kindergarten were set up. Basic banking solutions for Ukrainians were made available. We helped as a bank, as an organisation, and as individuals. Employees of mBank helped refugees individually, taking them in to their homes, supporting them in joining the Polish labour market, organising necessities. I would like to express my gratitude and appreciation to each of them.

On behalf of the entire Supervisory Board, I would like to thank the Management Board and the employees of mBank for their cooperation and commitment. I thank you, dear Shareholders, for the trust you have shown. I am certain that, despite the uncertainty affecting many aspects of socio-economic life and the dynamically changing legal environment, mBank will continue to successfully pursue its strategy "From an icon of mobility to an icon of possibility" in 2023, which will generate the expected return on investment to Shareholders and ensure stable growth of mBank and the entire Group.

Professor Agnieszka Słomka-Gołębiowska

Chairwoman of the Supervisory Board