

## **Letter of the President of the Management Board of mBank S.A. to the Shareholders**

Dear Shareholders,

2013 was a difficult time for the Polish economy and the entire financial sector. At the end of 2012, there was no doubt that the Polish economy was entering a phase of clear slowdown, which would lead to a significant interest rate easing cycle. In such environment, we looked towards 2013 as a period of major challenges for our Group: not only did we have to maintain satisfactory return on Your investment in an unfavourable market environment but also we tasked ourselves with the implementation of two ground-breaking projects in the history of the Group: rebranding and the launch of a new transactional platform for retail clients - New mBank. We closed 2013 with a slightly higher net profit compared to 2012, which was also the Group's highest ever net profit. At the same time, both the rebranding and the launch of the new transactional platform in Retail Banking were completed in accordance to the objectives set in the Bank's Strategy for 2012-2016.

Clearly, the key milestone of the past year from the perspective of the entire Group was the rebranding: the unification of the entire Group of the former BRE Bank under one common brand - mBank. This historical event closed the 27-year-long chapter of the highly acknowledged brand of BRE (formerly Bank Rozwoju Eksportu). Notwithstanding the many positive memories associated with this brand, I believe that the integration under the name of mBank, the strongest brand in our portfolio, will allow us to reach out more effectively with our offering to all groups of clients, with optimally use of the competencies of our employees and infrastructure.

In 2013, revenues generated by the Group reached nearly PLN 3.7 billion despite our interest revenue decreasing by nearly 13% in the wake of interest rate cuts. In anticipation of this unfavourable dynamic, which is typical for an economic slowdown, the Bank pursued a very prudent deposit policy which largely offset the lower revenue from lending, setting us apart from the peer group. In addition, the fee and commission income improved by 6% despite a significant reduction of interchange fees for card transactions; the increase can be attributed, among other factors, to a strong growth in the number of card transactions as well as higher commission income generated by our Corporate and Investment Banking businesses.

As a result of our continued cost discipline, the cost to income ratio decreased during the year to 45.7%, placing the Group among the most efficient institutions on the Polish market. In addition, the Group's strong efficiency should be viewed in the context of significant investments made in connection with the rebranding process and the introduction of the new transactional platform of Retail Banking.

The growth in revenues of the Group combined with continued cost discipline and a sound quality of the loan portfolio allowed the Group to generate a record-high profit before tax and net profit of PLN 1.5 billion and PLN 1.2 billion, respectively.

Retail Banking contributed the largest share of the profit before income tax (60%) and generated around 58% of Group revenues. Prudent management of deposit rates, high sales of non-mortgage loans and growing transactional activity of customers helped to improve the results of the segment. In 2013, we added nearly 235 thousand individuals to our customer base, which means that 4.4 million clients have already put their trust in us. Importantly, the growth in the number of retail customers resulted in an increase of deposit volumes of the Group in spite of a significant reduction of the offered interest rates. The value of the Retail Banking deposit portfolio stood at PLN 34.2 billion, representing an increase of 3% year on year. At the same time, our loan portfolio increased by under 2% to PLN 38.3 billion despite rapid repayments of our heritage FX mortgage loans. It is also important to note that our operations in the Czech Republic and Slovakia make increasing contributions to the balance sheet and the results of the Group. These two countries have gained the trust of nearly 700 thousand customers, attracted PLN 4.9 billion in deposits and PLN 2.1 billion in loans for the Group with growth rates much higher than those reported on the Polish market.

The segment of Corporates and Financial Markets successfully continued the strategy of growing the customer base and its transactional activity. The segment generated 39% of the profit before income tax and nearly 41% of Group revenues. Focused sales initiatives resulted in record-high acquisition of corporate clients whose number increased to 16.3 thousand. The Group's corporate deposit volumes grew by 10% and the value of corporate loans granted to the Bank's clients increased by 4%, which I consider to be a very good result in the conditions of weaker demand for investment loans.

It is also important to note that the results of our subsidiaries improved and we are back on track of growth in many areas including leasing, factoring, insurance and private banking, which is reflected in all the main income lines. I am certain that the continued integration of the subsidiaries with the Group aimed at the development of a comprehensive offer focused on customers' needs will be fundamental to our competitive advantage in the coming years.

In 2013, the Group continued its efforts geared towards diversification and strengthening of its financing profile. The strong growth rate of deposits, which stood at nearly PLN 62 billion at the end of 2013, greatly contributed to the reduction of the loans to deposits ratio to 110.6%. We are successfully confirmed our presence on the domestic and international debt markets, as demonstrated by two issues of bonds in the Swiss franc and the Czech crown at CHF 200 million and CZK 500 million as well as an issue of PLN 500 million of subordinated bonds on the Polish market. In 2014, as the first bank in Poland, we are planning to start issuing covered bonds secured with mortgages of our customers acquired by the Retail Banking Segment, to extend the maturities for financing of longer-term loans.

For many years now, our relationships with retail customers have been based on a transparent and highly functional current account, which provides quick and easy access to the broadest financial product offer on the market. In turn, our corporate clients have for more than two decades used our innovative and acknowledged offer rooted in deep relationships and understanding of their changing needs. In 2013, in both Retail and Corporate Banking Segments, the Group introduced important qualitative modifications relevant from the perspective of clients. The New mBank, which was launched in June, introduced the Polish market to unprecedented ease and transparency of all daily and more complex transactions directly linked to a functional current account. I am certain that both the online platform and its mobile arm will constitute the Bank's major competitive advantage in acquiring new clients and growing the profitability of the Group. At the same time, our Corporate and Investment Banking has successfully initiated the process of combining the offer of services on the debt and equity markets and M&A advisory within a single integrated offer for clients.

In 2013, the Bank and its subsidiaries received many awards which acknowledge the Group's quality of service, its close relationships with clients, and its innovative approach to product development. The key awards include the first place for mobile banking in the Newsweek's Friendly Bank ranking, and the prize for Best Bank in Poland in the annual Best Emerging Market Banks in CEE contest organized by Global Finance. In addition, New mBank was named the most disruptive innovation in the world in the contest "Distribution and Marketing Innovation Awards" organised by Efma and Accenture as well as won twice the prestigious "Best of Show" award in the Finovate conferences in London and New York, dedicated to innovations in the financial services industry.

I am pleased to inform You that the Group's solid profitability and capitalisation will allow us to again pay out a dividend. In 2014, we would like to continue the policy of gradual increase of dividend payments. The Shareholders should also be satisfied with the nearly 58% rate of return on the investment in the Bank's shares during 2013.

I would like to thank You, our Shareholders, for Your trust and support over the years. I also thank our clients for their loyalty and appreciation for our institution and its offer.

I thank the Supervisory Board for good co-operation and unwavering support.

I also wish to thank our employees whose deep engagement contributed to the success of the Bank and the Group's subsidiaries throughout 2013. I strongly believe that we are well prepared to take the full advantage of the rapidly recovering economy to the benefit of our clients and shareholders.

Yours faithfully,

Cezary Stypułkowski