

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

Dear Shareholders,

After the turbulences which the world, Poland, the local banking sector and our company faced in 2022, we did not enjoy a significant calming down in 2023. The number of challenges ahead of us did not diminish, and the operational environment in its macroeconomic, geopolitical, regulatory and business dimensions did not become any less uncertain and complex. The collapse of Silicon Valley Bank and several other regional banks in the United States and the acquisition of Credit Suisse by UBS in Europe reverberated widely. With these events, market attention focused on liquidity, interest rate risk, and the valuation of assets on the balance sheets of financial institutions. In Poland, despite high inflation persisting far from the target, the Monetary Policy Council decided to reduce the reference rate twice, surprising in particular with an unexpected cut by 75 basis points in September 2023. However, that did not have a material impact on lending, which remained subdued in most segments. The only exception was a rebound in mortgages due to the launch of the government's "2% Safe Mortgage" programme in the second half of the year. The availability of subsidies for eligible clients resulted in a massive increase in new sales. From the perspective of the banking sector, the key concerns included the benchmark reform and its timetable, as well as the evolution of the legal environment, with increasingly unfavourable jurisprudence in CHF mortgage cases and a trend where long-term contracts are being challenged on no grounds.

In 2023, we achieved excellent operating performance on our core business. We generated record total income of PLN 10.8 billion thanks to our highest-ever net interest income of almost PLN 8.9 billion. On a comparable basis, excluding the impact of the "credit holidays", it grew by 21.7% year on year. Active shaping of the term structure and product mix on both sides of the balance sheet, including accurate management of deposit rates, allowed for improvement of the net interest margin by almost 0.5 p.p. compared to 2022 to 4.2%. Net fee and commission income amounted to PLN 1.9 billion and was lower by 9.6% year on year. The main reason for the drop were elevated costs related to client compliance processes as well as product sale intermediaries.

Total costs at PLN 3.1 billion decreased by 7.4% year on year as a result of the base effect as the year of 2022 was burdened by extraordinary charges to the Institutional Protection Scheme (IPS) and the Borrowers' Support Fund, as well as higher payments to the Bank Guarantee Fund. Excluding these compulsory contributions, mBank Group's cost base grew by 17.0% year on year. The double-digit dynamics of personnel expenses was a function of salary increases for our employees and development of headcount, which expanded by around 300 FTEs during the year. Material costs were driven by administration, real estate, IT and marketing expenses. The capital expenditures related mainly to projects aimed at future growth and implementing new and enhancing existing functionalities of our digital platforms. Despite significant inflationary pressures, amid favourable conditions resulting from the level of interest rates, we maintained excellent efficiency, evidenced by a cost/income ratio of 28.5% and a leading position among our peers.

The higher cost of risk, which reached 93 bps in 2023, was driven by macroeconomic and market factors impacting clients as well as negative one-off effects. Following a conservative approach in assessing potential impairment, we implemented an additional trigger for classification of exposures to Stage 2 for expected losses. The increase in credit risk provisions for the retail portfolio also reflected the observed deterioration in payment discipline among entrepreneurs and small firms and the recalibration of model parameters for non-mortgage loans. Provisioning in the corporate segment was unevenly distributed over the course of the year, with a very low level in the first part of the year and a significant increase in Q4, driven by the default of two large clients. The good overall quality of our assets is confirmed by the NPL ratio, oscillating well below the average for the Polish banking sector. It stood at 4.2% at the end of 2023, supported by regular disposals of non-performing receivables.

The high result on mBank Group's ongoing business was almost entirely consumed by the huge costs of legal risks related to the portfolio of foreign currency mortgages, which have been weighing on the company's operations and profitability for several years. As a consequence of the provisions set up for these contracts in 2023 in a total amount of PLN 4.9 billion, our reported net profit stood at PLN 24 million. These figures amply demonstrate the scale of the problem caused by the pro-consumer,

unjustified and socially harmful case-law, exempting borrowers from the obligation to respect contractual commitments and share the consequences of concluded contracts. Negative judgments lead to a transfer of economic value from banks to a narrow, relatively wealthy group of privileged customers. However, if the problem of CHF loans were resolved, for example, by appropriate legislation, these funds could be added to capital and used to finance the needs of citizens and the economy. Instead, in the absence of official legislative work and in view of increasingly unfavourable jurisprudence, we have focused on the settlement programme. We concluded more than 13,300 settlements by the end of 2023, including a rising number of them with clients in litigation with the bank. These actions, together with subsequent decisions to increase provisions, brought our coverage ratio of the active CHF portfolio close to 100% at the end of 2023, strengthening protection against legal risk.

We continued to pay a lot of attention to capital management last year. Relevant measure which helped to rebuild our position was the completion of the third synthetic securitisation. This transaction involved a portfolio of retail non-mortgage loans worth PLN 10.0 billion and was the largest of its kind in the CEE region including Austria. In parallel, we focused on reducing the total risk exposure amount (TREA) through other activities, mainly by taking a more selective approach towards new exposures. As a result, the consolidated Tier 1 capital ratio reached 14.7% and the total capital ratio (TCR) was equal to 17.0% at the end of 2023. In line with our expectations, we received the Polish Financial Supervision Authority's decision in December, lifting the capital buffer related to our foreign currency mortgage portfolio, which had been in place for many years. In the final months, it was set at 1.18 p.p. for the TCR. Consequently, the surplus over the minimum regulatory requirements automatically increased and exceeded 5.5 p.p. for each of the capital ratios. Furthermore, among our key achievements in 2023 was the issuance of green bonds in the non-preferred senior format worth EUR 750 million, the largest ever completed by a Polish bank. This transaction not only allows us to meet the MREL requirements but also confirms our ability to raise funding in international markets and attests to our positive perception among debt investors. We believe that the genuine and undistorted results of mBank Group excluding the foreign currency mortgage segment, which we have been presenting for several years, provide the opportunity to assess the actual strength of our business model and its ability to generate positive financial results.

In 2023, we still recorded a visible disproportion between the dynamics of business volumes. Gross loans, net of the FX effect, fell by 3.1% to PLN 117 billion. Apart from accounting adjustments linked to the portfolio of foreign currency mortgages reducing their carrying value, the main driver was a slowdown in new lending due to a greater focus on margins and stricter management of risk-weighted assets in view of the bank's capital position. This led to a minor drop in our market shares to 7.9% in household loans and 8.0% in corporate segment. Customer funds held with mBank increased by 6.5% against December 2022 to PLN 185 billion. Despite an evolution of their term structure in favour of interest-bearing deposits, we maintained a proportion of transactional accounts more favourable than that of our local peers. Our market share in total retail deposits reached 8.4%, while for enterprises it rose slightly to 11.0%. mBank's organic growth is fuelled by the continued acquisition of new (mainly young) clients and the maturing of the existing base. At the end of 2023, we served 5.7 million clients in three markets, of which over 3.6 million were actively using our mobile application. We also managed corporate accounts for 34,500 entities.

In view of the major changes in the external environment and the operating conditions since the adoption of our strategy "From an icon of mobility to an icon of possibility" in autumn 2021, we conducted its comprehensive review in the middle of the implementation horizon. We concluded that no modifications need to be made to the main development directions, which we confirmed as valid. We only adjusted selected elements and measures as necessary. These included mBank Group's strategic financial targets, which were updated, incorporating a new set of macroeconomic parameters as well as other factors impacting the business, volumes, current activities and resources. By 2025, we aim to maintain excellent operational efficiency, ensure stability, achieve the defined growth rates, and provide satisfactory profitability. In response to growing stakeholder expectations, the revision of the ESG section of the strategy resulted in a wider range of changes. We assigned our objectives and actions to three pillars which directly relate to the environmental, social and governance dimensions. We will reduce greenhouse gas emissions generated directly by ourselves and by the loan portfolio we finance. We encourage our clients to use products and services which promote sustainability and support the energy transition. By integrating ESG standards into our

business and risk management processes, we will conduct responsible sales accompanied by clear and precise communication and we will transparently present financial products. We plan to continue educational campaigns on safe online banking. With the development of functionalities dedicated to personal finance management (PFM), we support the financial health of mBank's clients. We want to create an ESG-oriented work environment, promote diversity and inclusiveness, and ensure gender equality.

In line with our strategic aspiration to be the leading retail banking franchise integrated with client life cycle, we are organising ourselves around demographic segments and developing our offering and value proposition accordingly. With the launch of our own investment fund company mTFI in 2023, we expanded our range of investment products, in particular targeting long-term retirement savings, what was supported by a dedicated campaign. We enhanced the mobile application, providing broader personalisation opportunities and faster navigation, and added new functionalities within personal finance management to increase convenience and intensity of use. A parallel strategic direction is to deliver the best digital corporate banking for high-potential companies. With the introduction of appropriate financing policies and limits, we are becoming more involved in prospective industries, such as renewable energy sources (RES), e-commerce, automation and digitalisation solutions, modern technologies, as well as healthcare and pharmaceuticals. We are fundamentally redesigning the credit process in line with the paradigm of making it intuitive, digital and automated. In order to facilitate and improve client satisfaction with daily service, we were developing the mobile application for corporate users, introducing among others an innovative foreign exchange module with extensive possibilities for customisation by clients depending on individual preferences.

Two new members joined mBank's Management Board in 2023. The position of Vice-President and CFO was taken on by Pascal Ruhland. In order to better respond to current trends regarding supervised institutions and the demands placed on them, we separated a dedicated division in the organisational structure that brings together compliance, legal, financial crime prevention, personal data protection, and HR functions. Julia Nusser was appointed to lead this area. As a result, our management team has grown to seven people. I believe that with the current composition, equipped with a variety of competences, we will effectively contribute to the further development of mBank and the constant increase of company value, responding appropriately to emerging challenges. Better investor perception of Poland and improved sentiment towards the sector, amid some mitigation of risks, resulted in a significant increase in stock market valuations. Our share price gained 80.7% in 2023, compared to the rally by 76.9% recorded by the WIG-Banks index, offsetting earlier losses. A range of external factors will still affect performance this year but I hope that the general approach will turn rational and a partnership dialogue will be opened with banks as an important part of the economy.

Last but not least, I would like to thank our Shareholders for the trust you have placed in us, and for your belief in the strong foundations of our business model and its potential for the future. We will make every effort to deliver the best possible results in the long term.

Yours sincerely,

Cezary Stypułkowski