

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

Dear Shareholders,

The year 2017 was very positive for the shareholders, customers and employees of mBank. The Bank successfully pursued the “mobile Bank” strategy for 2016-2020 approved in mid-2016. The key priorities of the mBank Group strategy implemented by the Management Board include client-centricity, mobility, and efficiency supported by mBank’s Empathy Strategy: Where We Are and Where We Are Going.

During the year, as in previous years, the Supervisory Board closely monitored and analysed the financial position and business growth of mBank, remained in regular communication with the Management Board, participated in consultations of all key business areas of the Bank. The Supervisory Board held six meetings. Similar to previous years, the Supervisory Board Members participated in the four standing committees: the Executive and Nominations Committee, the Audit Committee, the Remuneration Committee, and the Risk Committee.

The Supervisory Board welcomes the achievements of the Bank’s Management Board in pursuit of the key directions of development of mBank Group. The highlights of financial performance included the following:

- mBank Group’s income was historically high at PLN 4.5 billion in 2017, representing an increase of 3.7% year on year in nominal terms and an increase of 10.0% on a comparative basis net of one-offs;
- efficiency as measured by the cost/income ratio of 45.9% remained strong while investments in growth continued;
- the quality of the loan portfolio remained robust, well above the industry benchmark; and
- the net profit attributable to the shareholders of mBank was PLN 1,092 million, representing an increase of 6.0% year on year on a comparative basis.

In the opinion of the Supervisory Board, the growth of income driven by a higher net interest income and net fee and commission income attests to mBank Group’s solid business foundations and provides a positive prognostic for the coming years.

The Supervisory Board welcomes the changes to the Group’s funding structure implemented in 2017, including issues of covered bonds by mBank Hipoteczny, an issue of CHF bonds under the Euro Medium-Term Notes (EMTN) Programme, and optimisation of the deposit base. The Bank’s capital position continued to improve in 2017 and its capital adequacy ratios were well above the minimum capital requirements.

The Supervisory Board believes that mBank’s key assets include the client base. Acquisition of prospective clients underpins the capacity for organic growth. In 2017, mBank added 291 thousand clients to its retail customer base and more than 1.1 thousand companies to the corporate customer base.

In 2017, mBank launched a new, functional and extended version of the mobile application for retail customers and a new release of the online banking service CompanyNet for corporate customers.

In accordance with the Code of Best Practices of GPW-Listed Companies, the Supervisory Board endorses the Bank’s sponsorship policy which among others supports educational initiatives for the general public. The Supervisory Board welcomes the decision to service and support the Foundation of the Great Orchestra of Christmas Charity (WOŚP).

The mandate of the Bank's Management Board, which started on April 11, 2013, expires at the date of the Annual General Meeting in 2018. The composition of the Management Board has changed since 2013 for a number of reasons. Consequently, three of the seven members appointed five years ago have remained in office. It should be stressed that all the members sitting on the Bank's Management Board for those five years have made an invaluable contribution to the development of the Group and improvement of the market position of mBank. The Supervisory Board has always taken care to ensure that the elected members of the Management Board have extensive expertise, skills and experience necessary to serve in such function. We are glad that we have made the right choices to select a well-integrated team of leading experts at the helm of the Bank.

In conclusion, speaking on behalf of the Supervisory Board, I thank the Management Board for efficient and constructive collaboration during their mandate. I thank the Shareholders for their trust in mBank. Last but not least, I thank all Members of the Supervisory Board for their personal engagement and unique contribution to the work of the Supervisory Board. I wish the incoming Management Board every success in pursuit of the goals and targets in close co-operation with the Supervisory Board.

Maciej Leśny

Chairman of the Supervisory Board