

**mBank S.A. Group**  
**Consolidated Financial Report**  
**for the third quarter of 2022**



**mBank S.A. Group**

Consolidated financial report for the third quarter of 2022

Selected financial data

(PLN thousand)

**SELECTED FINANCIAL DATA**

The selected financial data presented below are supplementary information to the condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2022 and to the condensed stand-alone financial statements of mBank S.A. for the third quarter of 2022.

**Selected financial data for the mBank S.A. Group**

| SELECTED FINANCIAL DATA FOR THE GROUP                              | PLN thousand                         |                                      | EUR thousand                         |                                      |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|  | Period from 01.01.2022 to 30.09.2022 | Period from 01.01.2021 to 30.09.2021 | Period from 01.01.2022 to 30.09.2022 | Period from 01.01.2021 to 30.09.2021 |
| I. Interest income   | 5 918 609                            | 3 139 989                            | 1 262 502                            | 688 821                              |
| II. Fee and commission income                                      | 2 306 190                            | 1 991 195                            | 491 935                              | 436 809                              |
| III. Net trading income  | 70 087                               | 133 782                              | 14 950                               | 29 348                               |
| IV. Operating profit   | (608 596)                            | 1 288 809                            | (129 820)                            | 282 727                              |
| V. Profit / (loss) before income tax                               | (1 112 444)                          | 844 229                              | (237 296)                            | 185 199                              |
| VI. Net profit / (loss) attributable to Owners of mBank S.A.       | (1 537 207)                          | 452 363                              | (327 903)                            | 99 235                               |
| VII. Net profit / (loss) attributable to non-controlling interests | 145                                  | (48)                                 | 31                                   | (11)                                 |
| VIII. Cash flows from operating activities                         | 12 372 518                           | 21 058 578                           | 2 639 189                            | 4 619 629                            |
| IX. Cash flows from investing activities                           | (347 951)                            | (410 142)                            | (74 222)                             | (89 973)                             |
| X. Cash flows from financing activities                            | (3 973 600)                          | (60 110)                             | (847 611)                            | (13 186)                             |
| XI. Net increase / decrease in cash and cash equivalents           | 8 050 967                            | 20 588 326                           | 1 717 356                            | 4 516 469                            |
| XII. Basic earnings / (loss) per share (in PLN/EUR)                | (36.26)                              | 10.68                                | (7.73)                               | 2.34                                 |
| XIII. Diluted earnings / (loss) per share (in PLN/EUR)             | (36.20)                              | 10.66                                | (7.72)                               | 2.34                                 |
| XIV. Declared or paid dividend per share (in PLN/EUR)              | -                                    | -                                    | -                                    | -                                    |

| SELECTED FINANCIAL DATA FOR THE GROUP           | PLN thousand |             | EUR thousand |            |
|---|--------------|-------------|--------------|------------|
|   | As at        |             | As at        |            |
|   | 30.09.2022   | 31.12.2021  | 30.09.2022   | 31.12.2021 |
| I. Total assets                                 | 207 580 972  | 199 538 885 | 42 626 180   | 43 383 677 |
| II. Amounts due to other banks                  | 1 685 276    | 3 359 558   | 346 067      | 730 434    |
| III. Amounts due to customers                   | 173 304 623  | 159 935 129 | 35 587 626   | 34 773 042 |
| IV. Equity attributable to Owners of mBank S.A. | 11 476 938   | 13 716 050  | 2 356 758    | 2 982 139  |
| V. Non-controlling interests                    | 1 996        | 1 866       | 410          | 406        |
| VI. Registered share capital                    | 169 691      | 169 540     | 34 846       | 36 861     |
| VII. Number of shares                           | 42 422 727   | 42 384 884  | 42 422 727   | 42 384 884 |
| VIII. Book value per share (in PLN/EUR)         | 270.54       | 323.61      | 55.55        | 70.36      |
| IX. Total capital ratio (%)                     | 14.7         | 16.6        | 14.7         | 16.6       |
| X. Common Equity Tier I capital ratio (%)       | 12.1         | 14.2        | 12.1         | 14.2       |

**Selected financial data for mBank S.A.**

| SELECTED FINANCIAL DATA FOR THE BANK                    | PLN thousand                         |                                      | EUR thousand                         |                                      |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|   | Period from 01.01.2022 to 30.09.2022 | Period from 01.01.2021 to 30.09.2021 | Period from 01.01.2022 to 30.09.2022 | Period from 01.01.2021 to 30.09.2021 |
| I. Interest income                                      | 5 702 164                            | 2 722 173                            | 1 216 332                            | 597 164                              |
| II. Fee and commission income                           | 2 155 279                            | 1 856 664                            | 459 744                              | 407 297                              |
| III. Net trading income                                 | 44 463                               | 116 969                              | 9 484                                | 25 660                               |
| IV. Operating profit                                    | (337 447)                            | 1 049 565                            | (71 981)                             | 230 244                              |
| V. Profit / (loss) before income tax                    | (1 046 855)                          | 777 422                              | (223 305)                            | 170 543                              |
| VI. Net profit / (loss)                                 | (1 521 360)                          | 429 911                              | (324 522)                            | 94 310                               |
| VII. Cash flows from operating activities               | 10 838 930                           | 20 112 491                           | 2 312 058                            | 4 412 085                            |
| VIII. Cash flows from investing activities              | (291 070)                            | (342 044)                            | (62 088)                             | (75 034)                             |
| IX. Cash flows from financing activities                | (2 462 569)                          | 818 316                              | (525 292)                            | 179 514                              |
| X. Net increase / decrease in cash and cash equivalents | 8 085 291                            | 20 588 763                           | 1 724 678                            | 4 516 565                            |
| XI. Basic earnings / (loss) per share (in PLN/EUR)      | (35.88)                              | 10.15                                | (7.65)                               | 2.23                                 |
| XII. Diluted earnings / (loss) per share (in PLN/EUR)   | (35.82)                              | 10.13                                | (7.64)                               | 2.22                                 |
| XIII. Declared or paid dividend per share (in PLN/EUR)  | -                                    | -                                    | -                                    | -                                    |

| SELECTED FINANCIAL DATA FOR THE BANK       | PLN thousand |             | EUR thousand |            |
|--|--------------|-------------|--------------|------------|
|  | As at        |             | As at        |            |
|  | 30.09.2022   | 31.12.2021  | 30.09.2022   | 31.12.2021 |
| I. Total assets                            | 201 253 180  | 191 873 819 | 41 326 785   | 41 717 141 |
| II. Amounts due to other banks             | 1 706 580    | 3 420 001   | 350 441      | 743 575    |
| III. Amounts due to customers              | 173 078 509  | 159 905 991 | 35 541 195   | 34 766 707 |
| IV. Total Equity                           | 11 111 069   | 13 381 823  | 2 281 627    | 2 909 471  |
| V. Registered share capital                | 169 691      | 169 540     | 34 846       | 36 861     |
| VI. Number of shares                       | 42 422 727   | 42 384 884  | 42 422 727   | 42 384 884 |
| VII. Book value per share (in PLN/EUR)     | 261.91       | 315.72      | 53.78        | 68.64      |
| VIII. Total capital ratio (%)              | 17.4         | 19.0        | 17.4         | 19.0       |
| IX. Common Equity Tier I capital ratio (%) | 14.5         | 16.2        | 14.5         | 16.2       |

The following exchange rates were used in translating selected financial data into euro:

- for items of the statement of financial position – exchange rate announced by the National Bank of Poland as at 30 September 2022: EUR 1 = 4.8698 PLN, 31 December 2021: EUR 1 = 4.5994 PLN;
- for items of the income statement and the statement of cash flows – exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of three quarters of 2022 and 2021: EUR 1 = 4.6880 PLN and EUR 1 = 4.5585 PLN, respectively.

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## INTRODUCTION

In Q3 2022, mBank Group's results were impacted by a number of significant extraordinary factors related to public charges and the legal environment, most notably the so-called "credit holidays" and the cost of legal risk related to foreign currency mortgage loans. As a result, mBank Group recorded a pre-tax loss of PLN 2 424.3 million in the period under review, while the net loss attributable to the owners of mBank amounted to PLN 2 279.2 million. Net of the impact of the one-off factors, mBank Group's pre-tax profit in Q3 2022 amounted to PLN 1 457.1 million.

The main drivers of the financial results of mBank Group in Q3 2022 included:

- **Increase in income (net of the impact of the "credit holidays")** of PLN 2 420.4 million, i.e., +12.3% quarter on quarter, driven by an increase in net interest income;
- **Decrease in operating costs** (including depreciation) quarter on quarter to PLN 824.8 million;
- **Decrease in the cost of risk** to PLN 183.0 million, i.e., 58 basis points vs. 62 basis points in Q2 2022;
- **Costs of legal risk related to foreign currency loans** stood at PLN 2 314.3 million in Q3 2022 following a thorough review of the provisioning methodology;
- **Increase in taxes on the Group balance sheet items** quarter on quarter to PLN 176.9 million;
- **Profit before tax on the core business** (mBank Group net of the FX Mortgage Loans segment) **adjusted for the "credit holidays"** at PLN 1 299.5 million in Q3 2022;
- **Impact of public charges and extraordinary regulatory factors:**
  - suspension of execution of mortgage loan contracts granted in PLN in connection with the signing by the President of the Republic of Poland of the Act on Crowdfunding of Business Projects and Assistance to Borrowers ("credit holidays") – total impact of PLN -1 345.8 million, including PLN -1 282.3 million in interest income and PLN -63.5 million in net trading income (more information is presented in Note 3),
  - contribution to the Borrower Support Fund of PLN 184.1 million,
  - contribution to the Institutional Protection Scheme of PLN 37.2 million (PLN 390.8 million in Q2 2022),
  - provisions for future liabilities in connection with the repayment of the bridge insurance of PLN 84.0 million (Other operating expenses).
- **Continued organic growth and business expansion** as demonstrated by:
  - **number of retail clients** hitting 5 645.3 thousand (+58.7 thousand quarter on quarter);
  - **number of corporate clients** growing to 33 014 (+350 quarter on quarter).

Net loans and advances to clients stood at PLN 125 679.8 million at the end of Q3 2022, a decrease by PLN 895.8 million (-0.7%) quarter on quarter. Gross loans to corporate clients increased to PLN 55 378.9 million, up by PLN 1 402.7 million (2.6%) quarter on quarter. The volume of loans to individual customers decreased by PLN 2 262.7 million (-3.0%) quarter on quarter and amounted to PLN 73 559.8 million, largely due to adjustments related to the suspension of the performance of PLN mortgage agreements and the update of cash flow estimates related to CHF mortgage loans and the reduction of their gross carrying amount in accordance with IFRS 9.

Amounts due to clients increased by PLN 9 291.0 million or 5.7% quarter on quarter in Q3 2022. Amounts due to corporate clients increased by PLN 1 854.7 million or 3.6% quarter on quarter and stood at PLN 54 074.2 million as at 30 September 2022. Amounts due to retail clients increased by PLN 8 635.3 million or 7.9% quarter on quarter in Q3 2022 and stood at PLN 118 549.0 million.

Consequently, the loan-to-deposit ratio stood at 72.5% compared with 77.2% as at the end of June 2022.

mBank Group's capital ratios decreased in Q3 2022 compared to the end of June 2022. Total Capital Ratio stood at 14.7%, while Common Equity Tier 1 capital ratio amounted to 12.1% at the end of September 2022. In the period under review, own funds decreased due to the recognition of loss in Q3. At the same time, there was a decrease in the total risk exposure amount by PLN 0.9 billion.

In line with its ESG strategy, mBank joined the **Science Based Targets initiative (SBTi)**. mBank committed to submitting near-term carbon footprint reduction targets to SBTi within two years. This leading global institution, which helps companies set ambitious decarbonisation targets, will check whether the decarbonisation trajectory set by the Bank is consistent with the scientific evidence on global warming.

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2022

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2022

(PLN thousand)

**Summary of results of mBank Group core business in Q1-Q3 2022**

| PLN million   | Core business    | Non-core        | mBank Group      |
|---|------------------|-----------------|------------------|
| Net interest income   | 3 841.3          | 70.6            | 3 911.9          |
| Net fee, trading and other income                                 | 1 552.3          | -56.2           | 1 496.2          |
| <b>Total income</b>   | <b>5 393.7</b>   | <b>14.4</b>     | <b>5 408.1</b>   |
| <b>Total costs</b>  | <b>-2 643.6</b>  | <b>-44.5</b>    | <b>-2 688.1</b>  |
| Net impairment losses and fair value change on loans and advances | -608.7           | -37.8           | -646.4           |
| Cost of legal risk related to FX loans                            | 0.0              | -2 682.2        | -2 682.2         |
| <b>Operating profit</b>   | <b>2 141.4</b>   | <b>-2 750.0</b> | <b>-608.6</b>    |
| Taxes on the Group balance sheet items                            | -471.2           | -32.7           | -503.8           |
| <b>Profit / loss before income tax</b>                            | <b>1 670.2</b>   | <b>-2 782.7</b> | <b>-1 112.4</b>  |
| <b>Net profit / loss</b>  | <b>1 245.5</b>   | <b>-2 782.7</b> | <b>-1 537.2</b>  |
| <b>Total assets</b>   | <b>198 425.4</b> | <b>9 155.6</b>  | <b>207 581.0</b> |
| Net interest margin   | 3.73%            |                 | 3.58%            |
| Cost/Income ratio   | 49.0%            |                 | 49.7%            |
| ROE net   | 14.3%            |                 | -15.3%           |
| ROA net   | 0.9%             |                 | -1.0%            |

**Core business** – results of mBank Group excluding the FX Mortgage Loans segment.

**Total income** - calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses.

**Net impairment losses and fair value change on loans and advances** - the sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss.

**Net interest margin** – calculated by dividing net interest income by average interest earning assets. In 2022, net interest income calculated for the purpose of net interest margin excludes gains or losses on modification. Gains or losses on modification includes costs of credit holidays. Interest earning assets are a sum of cash and balances with the Central Bank, loans and advances to banks, debt securities (in all valuation methods) and loans and advances to customers (net; in all valuation methods). The average interest earning assets are calculated on the basis of the balances as at the end of each month. Net interest income is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

**Cost/Income ratio** – calculated by dividing overhead costs and depreciation by total income (excluding tax on Group's balance sheet items).

**ROE net** – calculated by dividing net profit/loss attributable to Owners of the Bank by the average equity attributable to Owners of the Bank, net of the year's results. The average equity is calculated on the basis of the balances as at the end of each month. Net profit/loss attributable to Owners of the Bank is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

**ROA net** - calculated by dividing net profit/loss attributable to Owners of the Bank by the average total assets. The average total assets are calculated on the basis of the balances as at the end of each month. Net profit/loss attributable to Owners of the Bank is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).



**Awards and distinctions received in Q3 2022**

mBank won the main prize in the Best Adaptation to New Digital Reality B2C category of the 2022 e-Commerce Polska Awards. The jury recognised mBank for its mobile onboarding process, which enables clients to easily open an account in the app without the need to visit a branch or call the bank's helpline. mBank was the first bank in Poland to use the e-ID and PIN in an effort to improve the security of the remote process for opening a bank account. The solution is available not only to clients in Poland, but also in the Czech Republic and Slovakia.

mBank was also named the Best Private Bank for Client Acquisition, CEE, in the international contest organised by Professional Wealth Management, a magazine published by the Financial Times Group. The magazine is yet another institution to appreciate mBank's remote onboarding process using the e-ID. The contest organised by Professional Wealth Management was open to institutions from the Central and Eastern Europe.

mBank won its fifth award from Polish Private Equity & Venture Capital Association (PSIK) in the Financing Bank of the Year category. The contest promotes the highest standards in the private equity/venture capital sector and PE/VC investor contribution to the development of Polish companies and the society. The award is all the more valuable to mBank as it is given by PSIK members representing the market. This year mBank received widespread recognition from private equity funds.

Global Finance magazine named mBank the best digital bank in Poland in the World's Best Corporate Digital Bank in Poland 2022 contest. For the ninth time the international jury appreciated mBank's efforts to ensure customer satisfaction and offer diverse product range and top quality service. Over the last few years the international magazine has hailed mBank the best bank in Poland or even in the Central and Eastern Europe (in 2020).

For the tenth time in a row mBank won a special prize "The Best of the Best" in the Best Annual Report 2021 contest organised by the Institute of Accountancy and Taxes (IRiP) for the best annual report in the category of financial institutions. In the recent years mBank's reports have been appreciated by market commentators, who stress their practical usefulness for shareholders and investors.

**Economy and the banking sector in Q3 2022**

Inflation remains the main theme in the Polish economy. Contrary to expectations, it continued accelerating from 15.5% in June to 17.2% in September. At the same time, stronger growth was recorded in core inflation, which approached 11% at the end of the third quarter from 9.1% in June. Price pressures are spreading widely across all components of the inflation basket. In the Bank's view, the last quarter of the year should bring a further acceleration in inflation, which is likely to peak in Q1 2023. At this point, indicating its value is a very difficult task due to a number of uncertainties in connection with energy prices, but also risk factors that will act to increase price pressures in the new year (including a steep increase in the minimum wage and tax refunds from the Polish Deal amendment).

In the real sphere, the domestic economy continued its slowdown. The annual growth rate slowed from 8.3% in Q1 to 5.5% in Q2. The third quarter most likely brought a further cooling of economic activity. This is the conclusion we can draw from the monthly data, where the growth rates of retail sales or construction output slowed noticeably. Soft indicators also imply that the bottom of economic activity is most likely still ahead. Although household incomes are being stimulated to some extent by fiscal transfers and other regulations implemented by the government, in real terms the wage bill is beginning to shrink. This, in the Bank's view, will constrain consumer purchasing power, which will add to lower economic activity in the coming quarters. In addition, it seems that consumption from refugees from Ukraine should be an increasingly less supportive factor for the demand side (they return home). A high degree of uncertainty combined with a high cost of financing in the Bank's view will also inhibit investment activity. The continued depletion of inventories is likely to be a major factor acting towards deceleration of economic growth.

The Monetary Policy Council continued its monetary tightening cycle in the third quarter. The main interest rate was raised to 6.75% (as of 30 September 2022), compared to 6.0% at the end of June. In the Bank's opinion, the monetary cycle will end near current levels and interest rates will not be lowered during the entire next year. Risk factors for such a scenario are further acceleration of inflation in 2023 or negative financial market behaviour (uncontrolled depreciation of the zloty or dynamically rising government bond yields).

The zloty weakened against the euro in the three months through September, which was largely due to the broad appreciation of the U.S. dollar. The lack of an agreement regarding the KPO (Krajowy Plan Odbudowy, National Recovery Plan) was adding to the weakness of the Polish currency. Polish government bonds largely followed the core markets. After a temporary drop in yields in August, the yields returned to increases in the last month of the third quarter. At the same time, it should be noted that despite high net borrowing needs for the next year, credit risk remains low. The high cost of money, combined with high

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real estate prices and the new Polish Financial Supervision Authority regulations, acts to the detriment of household creditworthiness. As a result, the Bank expects a reduction in the volume of credit to this sector (especially housing loans) and a stabilization of the volume of credit to the corporate sector. As for the volume of deposits, the Bank expects a decrease in the case of the corporate sector and a moderate increase in the household sector (there may be some transfers between sectors).

## Financial position of mBank Group in Q3 2022

### Profit and Loss Account of mBank Group

mBank Group's loss before tax in Q3 2022 amounted to PLN 2 424.3 million, and the net loss attributable to the owners of mBank stood as PLN 2 279.2 million. Net of the impact of extraordinary factors, mBank Group's profit before tax in Q3 2022 amounted to PLN 1 457.1 million.

| PLN M   | Q2 2022        | Q3 2022         | Change in PLN M | Change in %   | Q3 2022 adjusted |
|---|----------------|-----------------|-----------------|---------------|------------------|
| Interest income   | 2 332.1        | 1 870.2         | -461.9          | -19.8%        | 3 152.5          |
| Interest expense  | -643.7         | -1 146.0        | -502.2          | 78.0%         | -1 146.0         |
| <b>Net interest income</b>  | <b>1 688.4</b> | <b>724.2</b>    | <b>-964.1</b>   | <b>-57.1%</b> | <b>2 006.5</b>   |
| Fee and commission income   | 767.4          | 745.9           | -21.5           | -2.8%         | 745.9            |
| Fee and commission expense  | -212.1         | -224.1          | -12.0           | 5.7%          | -224.1           |
| <b>Net fee and commission income</b>                              | <b>555.3</b>   | <b>521.8</b>    | <b>-33.5</b>    | <b>-6.0%</b>  | <b>521.8</b>     |
| <b>Core income</b>  | <b>2 243.7</b> | <b>1 246.0</b>  | <b>-997.7</b>   | <b>-44.5%</b> | <b>2 528.3</b>   |
| Dividend income   | 4.0            | 0.3             | -3.7            | -92.8%        | 0.3              |
| Net trading income  | 0.9            | -26.4           | -27.3           | -/+           | 37.1             |
| Other income  | -94.9          | 20.8            | 115.7           | +/-           | 20.8             |
| Other operating income  | 83.6           | 64.2            | -19.4           | -23.3%        | 64.2             |
| Other operating expenses  | -82.5          | -230.2          | -147.7          | 179.1%        | -230.2           |
| <b>Total income</b>   | <b>2 154.8</b> | <b>1 074.7</b>  | <b>-1 080.2</b> | <b>-50.1%</b> | <b>2 420.4</b>   |
| Net impairment losses and fair value change on loans and advances | -195.0         | -183.0          | 12.0            | -6.2%         | -183.0           |
| Costs of legal risk related to foreign currency loans             | -175.1         | -2 314.3        | -2 139.2        | 1 221.8%      | 0.0              |
| Overhead costs and depreciation                                   | -1 019.4       | -824.8          | 194.7           | -19.1%        | -603.5           |
| Taxes on the Group balance sheet items                            | -167.1         | -176.9          | -9.8            | 5.9%          | -176.9           |
| <b>Profit / Loss before income tax</b>                            | <b>598.3</b>   | <b>-2 424.3</b> | <b>-3 022.5</b> | <b>+/-</b>    | <b>1 457.1</b>   |
| Income tax expense  | -368.4         | 145.1           | 513.5           | -/+           |                  |
| <b>Net profit / loss</b>  | <b>229.8</b>   | <b>-2 279.2</b> | <b>-2 509.0</b> | <b>+/-</b>    |                  |
| <b>- attributable to owners of mBank S.A.</b>                     | <b>229.7</b>   | <b>-2 279.2</b> | <b>-2 509.0</b> | <b>+/-</b>    |                  |
| - non-controlling interests                                       | 0.1            | 0.0             | -0.1            | 0.0%          |                  |
| ROA net   | 0.5%           | -4.3%           |                 |               |                  |
| ROE gross   | 17.7%          | -74.9%          |                 |               |                  |
| ROE net   | 6.8%           | -70.4%          |                 |               |                  |
| Cost / Income ratio   | 47.3%          | 76.7%           |                 |               |                  |
| Net interest margin   | 3.5%           | 4.0%            |                 |               |                  |
| Common Equity Tier 1 ratio  | 13.9%          | 12.1%           |                 |               |                  |
| Total capital ratio   | 16.4%          | 14.7%           |                 |               |                  |

Adjusted financial results net of:

- credit holidays
- Borrower Support Fund contribution to the Institutional Protection Scheme
- cost of legal risk related to FX loan

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**Core income** – calculated as the sum of net interest income and net fee and commission income.

**Other income** – calculated as gains or losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses from non-trading equity and debt securities mandatorily measured at fair value through profit or loss.

**Total income** - calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses.

**Total overhead costs (including depreciation)** - calculated as the sum of total overhead costs and depreciation.

**Net impairment losses and fair value change on loans and advances** – the sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss.

**Net ROA** - calculated by dividing net profit/loss attributable to Owners of the Bank by the average total assets. The average total assets are calculated on the basis of the balances as at the end of each month. Net profit/loss attributable to Owners of the Bank is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

**Gross ROE** - calculated by dividing profit/loss before income tax by the average equity attributable to Owners of the Bank net of the year's results. The average equity is calculated on the basis of the balances as at the end of each month. Profit/loss before income tax is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

**Net ROE** - calculated by dividing net profit/loss attributable to Owners of the Bank by the average equity attributable to Owners of the Bank, net of the year's results. The average equity is calculated on the basis of the balances as at the end of each month. Net profit/loss attributable to Owners of the Bank is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

**Cost/Income ratio** - calculated by dividing overhead costs and depreciation by total income (excluding tax on Group's balance sheet items).

**Net interest margin** - calculated by dividing net interest income by average interest earning assets. In 2022, net interest income calculated for the purpose of net interest margin excludes gains or losses on modification. Gains or losses on modification includes costs of credit holidays. Interest earning assets are a sum of cash and balances with the Central Bank, loans and advances to banks, debt securities (in all valuation methods) and loans and advances to customers (net; in all valuation methods). The average interest earning assets are calculated on the basis of the balances as at the end of each month. Net interest income is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

### Income of mBank Group

mBank Group generated total income of PLN 1 074.7 million in Q3 2022. The total income net of the impact of the "credit holidays" reached PLN 2 420.4 million, which represents an increase by 12.3% quarter on quarter. The increase was driven by a much higher net interest income.

**Net interest income** was the main source of income of mBank Group in Q3 2022 and stood at PLN 724.2 million. Net of the impact of the "credit holidays" at PLN 1 282.3 million, net interest income increased sharply quarter on quarter (by PLN 318.1 million i.e. +18.8%) and stood at PLN 2 006.5 million. The hike in net interest income was mainly attributable to a series of interest rate rises by the Monetary Policy Council by a total of 665 bps from October 2021 until September 2022 (incl. 75 bps in Q3 2022).

**Interest income** net of the impact of the "credit holidays" increased by PLN 820.4 million or 35.2% quarter on quarter. Income on loans and advances increased by PLN 638.9 million or 32.7% quarter on quarter. Income on investment securities increased by PLN 131.7 million or 53.4% due to the increase in yields on such securities. Interest expense increased by PLN 502.2 million or 78.0% quarter on quarter, mainly due to higher deposit costs.

**Net interest margin** of mBank Group net of the impact of the "credit holidays" increased sharply quarter on quarter and stood at 4.0% in Q3 2022 compared to 3.5% in Q2 2022.

**Net fee and commission income** was the second largest income line. It decreased quarter on quarter (by PLN 33.5 million or 6.0%) and amounted to PLN 521.8 million.

**Fee and commission income** fell by PLN 21.5 million or -2.8% quarter on quarter. The biggest decrease was recorded in commissions from currency transactions (down by PLN 14.5 million i.e. -10.7% quarter on quarter). Payment cards-related fees increased by PLN 6.1 million i.e. 3.9%, due to high customer activity during the holiday period.

Fee and commission expense in Q3 2022 was higher quarter on quarter by PLN 12.0 million or 5.7%, mainly due to an increase in payment cards-related fees and cash services costs.

**Net trading income** decreased quarter on quarter and amounted to PLN -26.4 million. It includes a loss of PLN 63.5 million due to the recognition of the impact of the suspension of execution of mortgage contracts granted in PLN ("credit holidays") on hedge accounting.

**Other income** (an item including gains or losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses on non-trading equity instruments and

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debt securities mandatorily measured at fair value through profit or loss) increased quarter on quarter and amounted to PLN 20.8 million.

**Net other operating income** amounted to PLN -166.0 million and decreased quarter on quarter due to higher provisions for future commitments. It includes, among other things, the cost of a provision set up by mFinanse in connection with an inspection of the Social Insurance Institution in the amount of PLN 98.2 million (the issue is described in Item 26 of the Selected Explanatory Data), as well as the cost of a provision for the reimbursement of additional bridge insurance costs charged to customers who was granted mortgage loans for the period before the mortgage was registered in the land register in the amount of PLN 84.0 million..

### **Costs of mBank Group**

In Q3 2022, mBank Group continued its efforts to further increase efficiency as measured by the Cost/Income ratio. Total overhead costs of mBank Group (including depreciation) stood at PLN 824.8 million and decreased quarter on quarter (by PLN 194.7 million i.e. -19.1%).

| PLN M   | Q2 2022         | Q3 2022       | Change in PLN M | Change in %   |
|---|-----------------|---------------|-----------------|---------------|
| <b>Staff-related expenses</b>                                 | <b>-296.4</b>   | <b>-290.6</b> | <b>5.8</b>      | <b>-2.0%</b>  |
| <b>Material costs, including:</b>                             | <b>-199.8</b>   | <b>-183.3</b> | <b>16.5</b>     | <b>-8.3%</b>  |
| - administration and real estate services costs               | -69.9           | -74.8         | -4.9            | 7.0%          |
| - IT costs  | -60.0           | -51.5         | 8.4             | -14.0%        |
| - marketing costs   | -39.3           | -35.6         | 3.7             | -9.4%         |
| - consulting costs  | -27.0           | -16.3         | 10.6            | -39.4%        |
| - other material costs  | -3.7            | -5.0          | -1.3            | 36.7%         |
| <b>Taxes and fees</b>   | <b>-9.2</b>     | <b>-8.9</b>   | <b>0.2</b>      | <b>-2.4%</b>  |
| <b>Contributions and transfers to the Bank Guarantee Fund</b> | <b>0.3</b>      | <b>0.0</b>    | <b>-0.3</b>     | <b>-</b>      |
| <b>Contributions to the Borrower Support Fund</b>             | <b>0.0</b>      | <b>-184.1</b> | <b>-184.1</b>   | <b>-</b>      |
| <b>Contributions to the Social Benefits Fund</b>              | <b>-3.4</b>     | <b>-3.7</b>   | <b>-0.3</b>     | <b>8.6%</b>   |
| <b>Institutional Protection Scheme</b>                        | <b>-390.8</b>   | <b>-37.2</b>  | <b>353.6</b>    | <b>-90.5%</b> |
| <b>Depreciation</b>   | <b>-120.2</b>   | <b>-117.0</b> | <b>3.2</b>      | <b>-2.6%</b>  |
| <b>Total overhead costs and depreciation</b>                  | <b>-1 019.4</b> | <b>-824.8</b> | <b>194.7</b>    | <b>-19.1%</b> |
| Cost / Income ratio   | 47.3%           | 76.7%         | -               | -             |
| Employment (FTE)  | 6 999           | 6 988         | -11             | -0.2%         |

Staff-related expenses decreased quarter on quarter by PLN 5.8 million i.e. -2.0% quarter on quarter in Q3 2022 mainly due to lower social security costs. The number of FTEs in mBank Group decreased by 11.

Material costs decreased by PLN 16.5 million i.e. -8.3% quarter on quarter in Q3 2022. The main cost lines which decreased in the period under review included consulting and IT costs.

The contribution to the Borrower Support Fund amounted to PLN 184.1 million and the additional contribution to the Institutional Protection Scheme amounted to PLN 37.2 million (PLN 390.8 million in Q2). mBank Group did not book any contributions or transfers to the Bank Guarantee Fund in the period under review.

Depreciation fell by PLN 3.2 million or -2.6% quarter on quarter to PLN 117.0 million.

Cost efficiency as measured by the Cost/Income ratio was 76.7% in Q3 compared to 47.3% in Q2. The normalised Cost/Income ratio in Q3 2022 (including  $\frac{3}{4}$  of the contribution to the resolution fund and the Institutional Protection Scheme and adjusted for the impact of the credit holidays and the Borrower Support Fund) stood at 31.9% compared with 36.6% in Q2 2022.

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### **Net impairment losses and fair value change on loans and advances**

In Q3 2022, net impairment losses and fair value change on loans and advances of mBank Group (calculated as the sum of two items: impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss) stood at PLN 183.0 million. Compared with Q2 2022, impairment on and change in the fair value of loans and advances declined by PLN 12.0 million or -6.2%. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss is related to the part of the portfolio of loans and advances measured at amortised cost. Gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss are related to the credit risk of the portfolio of loans and advances measured with the use of that method.

| PLN M  | Q2 2022       | Q3 2022       | Change in PLN M | Change in %  |
|--|---------------|---------------|-----------------|--------------|
| Retail Banking   | -99.9         | -143.5        | -43.7           | 43.7%        |
| Corporate and Investment Banking   | -77.7         | -11.9         | 65.8            | -84.7%       |
| FX Mortgage Loans  | -17.1         | -29.0         | -11.9           | 69.9%        |
| Treasury and Other   | -0.3          | 1.4           | 1.8             | -/+          |
| <b>Total net impairment losses and fair value change on loans and advances</b> | <b>-195.0</b> | <b>-183.0</b> | <b>12.0</b>     | <b>-6.2%</b> |

Impairment on and change in the fair value of loans and advances in the Retail Banking segment amounted to PLN 143.5 million and rose by 43.7 million compared to the previous quarter. Lower cost of risk in Q2 2022 resulted mainly from the decrease of provisions related to the sale of a portfolio of non-performing loans.

Impairment on and change in the fair value of loans and advances in the Corporate and Investment Banking segment amounted to PLN 11.9 million, which represents a decrease by PLN 65.8 million quarter on quarter. The decrease results from a high quality of corporate loans portfolio.

### **Consolidated statement of financial position**

The balance sheet total of mBank Group stood at PLN 207 581.0 million at the end of Q3 2022 and was larger compared with the previous quarter, by 1.6%.

#### **Assets of mBank Group**

| PLN M                                       | 30.09.2021       | 30.06.2022       | 30.09.2022       | QoQ change  | YoY change   |
|---|------------------|------------------|------------------|-------------|--------------|
| Cash and balances with Central Bank         | 18 015.6         | 12 522.9         | 20 488.1         | 63.6%       | 13.7%        |
| Loans and advances to banks                 | 14 398.6         | 8 547.7          | 9 654.1          | 12.9%       | -33.0%       |
| Securities held for trading and derivatives | 3 265.3          | 3 165.9          | 3 373.1          | 6.5%        | 3.3%         |
| Net loans and advances to customers         | 119 667.1        | 126 575.7        | 125 679.8        | -0.7%       | 5.0%         |
| Investment securities                       | 47 160.9         | 45 162.2         | 39 999.6         | -11.4%      | -15.2%       |
| Intangible assets                           | 1 220.4          | 1 299.5          | 1 323.4          | 1.8%        | 8.4%         |
| Tangible assets                             | 1 537.4          | 1 494.5          | 1 464.9          | -2.0%       | -4.7%        |
| Other assets                                | 2 886.5          | 5 628.7          | 5 597.9          | -0.5%       | 93.9%        |
| <b>Total assets</b>                         | <b>208 151.8</b> | <b>204 397.1</b> | <b>207 581.0</b> | <b>1.6%</b> | <b>-0.3%</b> |

**Net loans and advances to clients** – sum of loans and advances at amortised cost, non-trading loans and advances to customers mandatorily at fair value through profit or loss and loans and advances classified as assets held for trading.

**Investment securities** – sum of financial assets at fair value through other comprehensive income, debt securities at amortised cost and non-trading debt securities and equity instruments mandatorily at fair value through profit or loss.

**Other assets** – the sum of fair value changes of the hedged items in portfolio hedge of interest rate risk, non-current assets and disposal groups classified as held for sale, investment property, current income tax assets, deferred income tax assets and other assets.

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Loans and advances to customers were the largest asset category of mBank Group at the end of Q3 2022. Their share in total assets decreased slightly to 60.5% from 61.9% at the end of Q2 2022. At the end of Q3 2022, net loans and advances to customers (a total of loans and advances measured at amortised cost, loans and advances mandatorily measured at fair value through profit or loss, and loans and advances classified as assets held for trading) amounted to PLN 125 679.8 million, which represents a quarter-on-quarter decrease by PLN 895.8 million or -0.7%.

Gross loans to corporate customers increased on a quarterly basis by 1 402.7 million, i.e. 2.6%, and reached PLN 55 378.9 million (net of reverse repo/buy-sell-back transactions and the FX effect, loans and advances to corporate customers decreased by -0.1% quarter on quarter).

The sales of loans to corporate customers decreased by -11.7% quarter on quarter and by -0.9% year on year to PLN 7 529.9 million in Q3 2022 (including new sales, limit increases, and renewals). The magnitude of the decrease of the new sales is attributable mostly to lower demand for new short-term financing.

The volume of loans to individuals decreased by PLN 2 262.7 million or -3.0% against the end of June 2022 to PLN 73 559.8 million. Gross mortgage and housing loans to individuals decreased by -4.5% quarter on quarter, largely due to adjustments related to the suspension of the execution of PLN mortgage contracts and the update of cash flow estimates related to CHF mortgage loans and the reduction of their gross carrying amount in accordance with IFRS 9.

In Q3 2022, mBank Group sold PLN 983.7 million of mortgage loans, 69.0% less than a year ago, and 54.0% less than in Q2 2022. The sales of non-mortgage loans in Q3 2022 reached PLN 2 210.5 million, representing a decrease by 18.6% compared with Q3 2021 and by 13.5% compared with Q2 2022.

Net of FX effect, loans to individuals decreased by 4.4% quarter on quarter.

At the end of Q3 2022, gross loans and advances to the public sector decreased by PLN 9.8 million, or -7.1% quarter on quarter and stood at PLN 128.7 million.

Investment securities were the second largest asset category at the end of Q3 2022. They accounted for 19.3% of total assets and stood at PLN 39 999.6 million, down by PLN 5 162.6 million or -11.4% quarter on quarter. The decrease is associated i.a. with a sale of part of the portfolio.

### **mBank Group's total liabilities and equity**

| PLN M                               | 30.09.2021       | 30.06.2022       | 30.09.2022       | QoQ change    | YoY change    |
|-------------------------------------|------------------|------------------|------------------|---------------|---------------|
| Amounts due to other banks          | 2 556.1          | 2 651.8          | 1 685.3          | -36.4%        | -34.1%        |
| Amounts due to customers            | 164 141.6        | 164 013.6        | 173 304.6        | 5.7%          | 5.6%          |
| Debt securities issued              | 15 462.9         | 12 203.8         | 9 511.5          | -22.1%        | -38.5%        |
| Subordinated liabilities            | 2 579.7          | 2 702.3          | 2 807.8          | 3.9%          | 8.8%          |
| Other liabilities                   | 6 875.2          | 9 448.1          | 8 792.9          | -6.9%         | 27.9%         |
| <b>Total Liabilities</b>            | <b>191 615.6</b> | <b>191 019.6</b> | <b>196 102.0</b> | <b>2.7%</b>   | <b>2.3%</b>   |
| <b>Total Equity</b>                 | <b>16 536.2</b>  | <b>13 377.6</b>  | <b>11 478.9</b>  | <b>-14.2%</b> | <b>-30.6%</b> |
| <b>Total Liabilities and Equity</b> | <b>208 151.8</b> | <b>204 397.1</b> | <b>207 581.0</b> | <b>1.6%</b>   | <b>-0.3%</b>  |

**Other liabilities** – the sum of financial liabilities held for trading and derivatives held for hedges, fair value changes of the hedged items in portfolio hedge of interest rate risk, liabilities held for sale, provisions, current income tax liabilities, deferred income tax liabilities and other liabilities.

In Q3 2022, amounts due to customers, which are mBank Group's principal source of funding, rose by PLN 9 291.0 million or 5.7% quarter on quarter. The share of amounts due to customers in total liabilities and equity reached 83.5%, slightly higher compared with the end of June 2022 when it amounted to 80.2%.

Amounts due to individual customers increased by PLN 8 635.3 million or 7.9% compared with Q2 2022 and reached PLN 118 549.0 million at the end of September 2022. Marginal decrease of funds in current accounts (PLN -887.8 million or -0.9% quarter on quarter) and strong increase of term deposits (PLN 9 505.7 million or +78.2% quarter on quarter) were noted.

Amounts due to corporate customers rose by PLN 1 854.7 million or 3.6% on a quarterly basis and amounted to PLN 54 074.2 million. The increase was mostly attributable to the inflow of funds into term deposits (PLN 1 808.9 million or +24.8% quarter on quarter). Funds in current accounts decreased slightly (PLN -166.4 million or -0.4%).



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Amounts due to the public sector stood at PLN 681.5 million at the end of September 2022, representing a quarter-on-quarter decrease by PLN 1 199.0 million (-63.8%). The magnitude of the decrease was attributable to the outflow of funds in term deposits (PLN -1 204.8 million or -92.2% quarter on quarter).

Another important liabilities and equity category constituted debt securities issued. They decreased on a quarterly basis by PLN 2 692.3 million or -22.1% to the level of PLN 9 511.5 million.

Amounts due to other banks stood at PLN 1 685.3 million at the end of Q3 2022, accounting for 0.8% of total liabilities and equity of mBank Group. Compared with Q2 2022, this category went down by

PLN 966.5 million or -36.4%. Lower deposits contributed the most to the decrease, including lower balances in current accounts maintained by other institutions with mBank (PLN -281.6 million, -30.4% quarter on quarter) and term deposits (PLN -181.2 million, -29.5% quarter on quarter). The decrease was also attributable to lower liabilities in respect of cash collaterals (PLN -289.8 million or -49.2% quarter on quarter).

Total equity at the end of Q3 2022 amounted to PLN 11 478.9 million. The share of equity in total liabilities and equity of mBank Group decreased quarter on quarter to 5.5% (against 6.5% at the end of June 2022). The result for the current year attributable to mBank shareholders had a major negative impact on the equity.

### Quality of the loan portfolio of mBank Group

As at 30 September 2022, the amount of non-performing receivables increased compared with the previous quarter. Performing receivables decreased slightly as well. The NPL ratio increased slightly to 4.0% compared to the end of June 2022.

The coverage ratio for non-performing receivables decreased quarter on quarter from 54.6% to 51.9% whereas coverage ratio of total receivables stood at 67.8% compared to 70.8% at the end of June 2022.

| PLN M  | 30.06.2022       | 30.09.2022       | QoQ change   |
|--|------------------|------------------|--------------|
| Impairment of non-performing loans           | -2 715.4         | -2 703.5         | -0.4%        |
| Impairment of performing loans               | -805.8           | -827.7           | 2.7%         |
| <b>Total impairment</b>                      | <b>-3 521.2</b>  | <b>-3 531.2</b>  | <b>0.3%</b>  |
| <b>Non-performing receivables</b>            | <b>4 975.8</b>   | <b>5 205.4</b>   | <b>4.6%</b>  |
| <b>Performing receivables</b>                | <b>125 116.6</b> | <b>124 005.5</b> | <b>-0.9%</b> |
| NPL ratio                                    | 3.8%             | 4.0%             |              |
| Coverage ratio of non-performing receivables | 54.6%            | 51.9%            |              |

**Impairment of non-performing loans** – accumulated impairment of loans and advances at amortised cost with impairment (stage 3 and POCI) and fair value change of loans and advances mandatorily at fair value through profit or loss in default

**Impairment of performing loans** – accumulated impairment of loans and advances at amortised cost without impairment (stage 1 and 2) and fair value change of non-default loans and advances mandatorily at fair value through profit or loss

**Non-performing receivables** - loans and advances at amortised cost with impairment (stage 3 and POCI) and loans and advances mandatorily at fair value through profit or loss in default

**Performing receivables** - loans and advances at amortised cost without impairment (stage 1 and 2) and non-default loans and advances mandatorily at fair value through profit or loss

**NPL ratio** – loans and advances at amortised cost with impairment (stage 3 and POCI) and loans and advances mandatorily at fair value through profit or loss in default in total loans and advances.

**Coverage ratio of non-performing receivables** – impairment of non-performing receivables in non-performing receivables.

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### Performance of segments and the business lines

The table below presents the contribution of individual business lines to the Group's loss before tax:

| PLN M  | Q2 2022      | Q3 2022         | QoQ change |
|--|--------------|-----------------|------------|
| Retail Banking                                   | 519.3        | -795.7          | +/-        |
| Corporate and Investment Banking                 | 467.8        | 668.4           | 42.9%      |
| Treasury and Others                              | -174.5       | 81.1            | -/+        |
| <b>Profit / loss before tax of core business</b> | <b>812.5</b> | <b>-46.2</b>    | <b>+/-</b> |
| FX Mortgage Loans                                | -214.3       | -2 378.1        | 1 009.8%   |
| <b>Profit / loss before tax of mBank Group</b>   | <b>598.3</b> | <b>-2 424.3</b> | <b>+/-</b> |

### Retail Banking

mBank's Retail Banking segment serves 5 645 thousand individual clients and microenterprises in Poland, the Czech Republic and Slovakia online, directly through the call centre, via mobile banking and other state-of-the-art technological solutions, as well as in a network of 364 branches. The Bank offers a broad range of products and services including current and savings accounts, accounts for microenterprises, credit products, deposit products, payment cards, investment products, insurance products, brokerage services, and leasing for microenterprises.



#### Key highlights

- The segment's result was significantly lowered by the impact of the suspension of execution of mortgage loan agreements granted in PLN ("credit holidays") at PLN 1 282.3 million and the impact of the Borrower Support Fund at PLN 184.1 million.
- Profit before income tax, excluding impact of "credit holidays" and Borrowers' Support Fund, at the level of PLN 670.6 million, increase by 29.1% on a quarterly basis.
- Increase in the share of mBank in the mortgage loans market to 8.9% quarter on quarter, while mBank's share in the non-mortgage loans market stabilized at 7.3%.
- Rise of mBank's share in retail deposits market from 8.2% to 8.7% at the end of Q3 2022.
- Continuous development of convenient digital solutions, proved by growing number of retail clients (+58.7 thou. quarter on quarter) and growing number of active users of mBank's mobile application (+5.6% quarter on quarter).
- Value of transactions made by mBank's payment cards and BLIK increased by 23.5% year on year; the number of transactions up by 16.5% year on year.
- Rising share of sales initiated in mobile channels in total non-mortgage loans sales (54.0% at the end of September 2022), while the percentage of processes initiated in digital channels by the clients grew to 81.2%.
- New functionalities in mBank's mobile application extending the range of value-added services: mBank clients have gained the possibility to pay for car parks in dozens of Polish cities and to apply for benefits from social programme "Good Start (300+)" using mBank's mobile application.



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**Key financial data:**

| PLN M   | Q2 2022        | Q3 2022       | Change in PLN M | Change in %   |
|---|----------------|---------------|-----------------|---------------|
| Net interest income   | 982.4          | -96.8         | -1 079.2        | +/-           |
| Net fee and commission income                                     | 283.6          | 258.6         | -25.0           | -8.8%         |
| Net trading income  | 17.4           | 16.6          | -0.8            | -4.6%         |
| Net other operating income  | 18.6           | -186.9        | -205.5          | +/-           |
| Other income  | -50.8          | 31.2          | 82.0            | -/+           |
| <b>Total income</b>   | <b>1 251.1</b> | <b>22.6</b>   | <b>-1 228.5</b> | <b>-98.2%</b> |
| Net impairment losses and fair value change on loans and advances | -99.9          | -143.5        | -43.7           | 43.7%         |
| Overhead costs and depreciation                                   | -538.3         | -573.1        | -34.8           | 6.5%          |
| Taxes on bank balance sheet items                                 | -93.7          | -101.7        | -8.0            | 8.6%          |
| <b>Profit / loss before tax of Retail Banking</b>                 | <b>519.3</b>   | <b>-795.7</b> | <b>-1 315.0</b> | <b>+/-</b>    |

**Other income** – calculated as gains or losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses from non-trading equity and debt securities mandatorily measured at fair value through profit or loss.

**Key business data (mBank and mBank Hipoteczny only)**

| thou.  | 30.09.2021       | 30.06.2022       | 30.09.2022       | QoQ change   | YoY change    |
|--|------------------|------------------|------------------|--------------|---------------|
| <b>Number of retail clients, including:</b>            | <b>5 480.4</b>   | <b>5 587.2</b>   | <b>5 645.9</b>   | <b>1.1%</b>  | <b>3.0%</b>   |
| Poland   | 4 457.7          | 4 548.8          | 4 604.4          | 1.2%         | 3.3%          |
| Foreign branches                                       | 1 022.7          | 1 038.4          | 1 041.6          | 0.3%         | 1.8%          |
| The Czech Republic                                     | 715.5            | 723.0            | 723.7            | 0.1%         | 1.1%          |
| Slovakia   | 307.2            | 315.5            | 317.9            | 0.8%         | 3.5%          |
| <b>Mobile application users</b>                        | <b>2 849.7</b>   | <b>3 099.7</b>   | <b>3 125.2</b>   | <b>0.8%</b>  | <b>9.7%</b>   |
| Poland   | 2 505.8          | 2 714.5          | 2 726.2          | 0.4%         | 8.8%          |
| Foreign branches                                       | 343.9            | 385.2            | 399.0            | 3.6%         | 16.0%         |
| <b>PLN M</b>   |                  |                  |                  |              |               |
| <b>Loans to retail clients, including:</b>             | <b>73 155.5</b>  | <b>75 595.4</b>  | <b>73 495.3</b>  | <b>-2.8%</b> | <b>0.5%</b>   |
| Poland   | 63 565.0         | 65 354.9         | 62 888.6         | -3.8%        | -1.1%         |
| mortgage loans   | 44 484.8         | 45 931.7         | 43 567.1         | -5.1%        | -2.1%         |
| non-mortgage loans                                     | 19 080.2         | 19 423.2         | 19 321.5         | -0.5%        | 1.3%          |
| Foreign branches                                       | <b>9 590.5</b>   | <b>10 240.5</b>  | 10 606.7         | 3.6%         | 10.6%         |
| The Czech Republic                                     | 6 649.0          | 7 147.1          | 7 334.1          | 2.6%         | 10.3%         |
| Slovakia   | 2 941.5          | 3 093.4          | 3 272.7          | 5.8%         | 11.3%         |
| <b>Deposits of retail clients, including:</b>          | <b>109 065.2</b> | <b>109 763.7</b> | <b>118 403.4</b> | <b>7.9%</b>  | <b>8.6%</b>   |
| Poland   | 93 029.1         | 93 511.4         | 101 024.0        | 8.0%         | 8.6%          |
| Foreign branches                                       | 16 036.1         | 16 252.3         | 17 379.4         | 6.9%         | 8.4%          |
| The Czech Republic                                     | 11 369.5         | 11 393.2         | 12 342.7         | 8.3%         | 8.6%          |
| Slovakia   | 4 666.6          | 4 859.1          | 5 036.7          | 3.7%         | 7.9%          |
| <b>Investment assets of mBank's individual clients</b> | <b>23 025.6</b>  | <b>18 209.6</b>  | <b>17 402.6</b>  | <b>-4.4%</b> | <b>-24.4%</b> |
| <b>thou.</b>   |                  |                  |                  |              |               |
| <b>Credit cards, including:</b>                        | <b>380.3</b>     | <b>364.2</b>     | <b>363.0</b>     | <b>-0.3%</b> | <b>-4.6%</b>  |
| Poland   | 343.4            | 328.8            | 327.8            | -0.3%        | -4.6%         |
| Foreign branches                                       | 36.9             | 35.4             | 35.2             | -0.6%        | -4.6%         |
| <b>Debit cards, including:</b>                         | <b>4 372.3</b>   | <b>4 628.7</b>   | <b>4 739.0</b>   | <b>2.4%</b>  | <b>8.4%</b>   |
| Poland   | 3 704.1          | 3 929.0          | 4 026.2          | 2.5%         | 8.7%          |
| Foreign branches                                       | 668.2            | 699.7            | 712.8            | 1.9%         | 6.7%          |

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**Corporate and Investment Banking**

The Corporate and Investment Banking segment serves 33 014 corporate clients including large enterprises (K1 - annual sales exceeding PLN 1 billion and non-banking financial institutions), mid-sized enterprises (K2 - annual sales of PLN 50 million – 1 billion) and small enterprises (K3 - annual sales below PLN 50 million), through a network of dedicated 43 branches. mBank Group's offer of products and services for corporate clients focuses on traditional banking products and services (including corporate accounts, domestic and international money transfers, payment cards, cash services, and liquidity management products), corporate finance products, hedging instruments, equity capital market (ECM) services, debt capital market (DCM) instruments, mergers and acquisitions (M&A), leasing and factoring.

**Key highlights**

- Profit before income tax increased by 42.9% quarter on quarter to PLN 668.4 million, while total income increased by 14.3% to PLN 946.0 million.
- Growth of corporate loans by 4.9% quarter on quarter and 16.4% year on year.
- mBank Group's market share in corporate loans at the level of 8.1%.
- Growing number of SME clients (K2 and K3 segments): +365 new entities in Q3 2022, thanks to development of digital and mobile services to corporate clients and support in the scope of e-commerce.
- Fifth position of mFactoring on the factoring service market in Poland among companies associated by the Polish Factors Association with a market share of 8.3%.
- mBank will finance a wind farm investment in Poland under the Power Purchase Agreement, which is a long-term contract with a fixed price between an energy producer and its consumer. The construction of the windmills will be carried out by Figene Capital, and the power consumer will be LPP, the largest Polish clothing company.

**Key financial data:**Corporate and Investment Banking:

| PLN M   | Q2 2022      | Q3 2022      | Change in PLN M | Change in %  |
|---|--------------|--------------|-----------------|--------------|
| Net interest income   | 470.9        | 558.9        | 88.0            | 18.7%        |
| Net fee and commission income                                     | 288.2        | 274.3        | -13.8           | -4.8%        |
| Net trading income  | 69.5         | 103.3        | 33.7            | 48.5%        |
| Other income  | 0.1          | -1.8         | -1.9            | +/-          |
| Net other operating income  | -1.2         | 11.3         | 12.6            | -/+          |
| <b>Total income</b>   | <b>827.4</b> | <b>946.0</b> | <b>118.6</b>    | <b>14.3%</b> |
| Net impairment losses and fair value change on loans and advances | -77.7        | -11.9        | 65.8            | -84.7%       |
| Overhead costs and depreciation                                   | -223.5       | -203.9       | 19.5            | -8.7%        |
| Taxes on bank balance sheet items                                 | -58.5        | -61.8        | -3.3            | 5.7%         |
| <b>Profit/loss before tax of Corporate and Investment Banking</b> | <b>467.8</b> | <b>668.4</b> | <b>200.6</b>    | <b>42.9%</b> |

**Other income** – calculated as gains or losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses from non-trading equity and debt securities mandatorily measured at fair value through profit or loss.

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**Key business data (Bank only):**

|  | 30.09.2021      | 30.06.2022      | 30.09.2022      | QoQ change  | YoY change   |
|--|-----------------|-----------------|-----------------|-------------|--------------|
| <b>Number of corporate clients, including:</b>   | <b>30 916</b>   | <b>32 664</b>   | <b>33 014</b>   | <b>1.1%</b> | <b>6.8%</b>  |
| K1   | 2 305           | 2 240           | 2 225           | -0.7%       | -3.5%        |
| K2   | 9 492           | 10 200          | 10 322          | 1.2%        | 8.7%         |
| K3   | 19 119          | 20 224          | 20 467          | 1.2%        | 7.1%         |
| <b>PLN M</b>                                     |                 |                 |                 |             |              |
| <b>Loans to corporate clients, including:</b>    | <b>30 408.9</b> | <b>33 756.3</b> | <b>35 398.0</b> | <b>4.9%</b> | <b>16.4%</b> |
| K1   | 6 574.0         | 6 555.5         | 6 906.9         | 5.4%        | 5.1%         |
| K2   | 19 717.7        | 21 757.6        | 22 392.2        | 2.9%        | 13.6%        |
| K3   | 3 033.3         | 3 207.4         | 3 230.2         | 0.7%        | 6.5%         |
| Reverse repo/buy sell back transactions          | 1 084.0         | 2 235.7         | 2 868.6         | 28.3%       | 164.6%       |
| <b>Deposits of corporate clients, including:</b> | <b>50 853.3</b> | <b>49 774.0</b> | <b>50 115.9</b> | <b>0.7%</b> | <b>-1.4%</b> |
| K1   | 14 788.2        | 16 358.2        | 14 217.7        | -13.1%      | -3.9%        |
| K2   | 24 343.9        | 21 355.1        | 22 613.6        | 5.9%        | -7.1%        |
| K3   | 11 660.3        | 11 749.3        | 12 995.8        | 10.6%       | 11.5%        |
| Repo transactions                                | 60.9            | 311.5           | 288.9           | -7.3%       | 374.2%       |

**Summary of results of mBank Group's subsidiaries**

In Q3 2022, the loss before tax generated by mBank Group subsidiaries amounted to PLN -400.1 million. The loss incurred by the subsidiaries is related the negative impact of "credit holidays" recognised by mBank Hipoteczny as well as to a decrease in sale volumes and a provision related to a probe of the Social Insurance Institution (Zakład Ubezpieczeń Społecznych) in mFinanse.

The table below presents the profit or loss before tax posted by individual subsidiaries in Q3 2022 compared with Q2 2022.

| PLN M                 | Q2 2022     | Q3 2022       | Change in % |
|-----------------------|-------------|---------------|-------------|
| mFinanse              | 11.4        | -91.7         | +/-         |
| mBank Hipoteczny      | 8.3         | -371.5        | +/-         |
| mLeasing <sup>1</sup> | 51.4        | 47.0          | -8.4%       |
| mFaktoring            | 13.2        | 13.6          | 3.1%        |
| Other <sup>2</sup>    | 12.0        | 2.5           | -78.9%      |
| <b>Total</b>          | <b>96.3</b> | <b>-400.1</b> | <b>+/-</b>  |

<sup>1</sup> Including LeaseLink and Asekum.

<sup>2</sup> Including Future Tech and mElements.

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**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
MBANK S.A. GROUP FOR THE THIRD QUARTER OF 2022****CONDENSED CONSOLIDATED INCOME STATEMENT**

|  | Note      | Period<br>from 01.07.2022<br>to 30.09.2022 | Period<br>from 01.01.2022<br>to 30.09.2022 | Period<br>from 01.07.2021<br>to 30.09.2021 | Period<br>from 01.01.2021<br>to 30.09.2021 |
|--|-----------|--|--|--|--|
| Interest income, including:  | 5         | 1 870 211                                  | 5 918 609                                  | 1 085 433                                  | 3 139 989                                  |
| <i>Interest income accounted for using the effective interest method</i>   |           | 1 819 662                                  | 5 795 924                                  | 961 474                                    | 2 777 231                                  |
| <i>Income similar to interest on financial assets at fair value through profit or loss</i>                             |           | 50 549                                     | 122 685                                    | 123 959                                    | 362 758                                    |
| Interest expenses  | 5         | (1 145 984)                                | (2 006 675)                                | (80 588)                                   | (226 712)                                  |
| <b>Net interest income</b>   |           | <b>724 227</b>                             | <b>3 911 934</b>                           | <b>1 004 845</b>                           | <b>2 913 277</b>                           |
| Fee and commission income  | 6         | 745 862                                    | 2 306 190                                  | 698 923                                    | 1 991 195                                  |
| Fee and commission expenses  | 6         | (224 052)                                  | (631 040)                                  | (219 485)                                  | (591 128)                                  |
| <b>Net fee and commission income</b>   |           | <b>521 810</b>                             | <b>1 675 150</b>                           | <b>479 438</b>                             | <b>1 400 067</b>                           |
| Dividend income  | 7         | 287  | 5 113                                      | 957  | 4 869                                      |
| Net trading income   | 8         | (26 398)                                   | 70 087                                     | 27 017                                     | 133 782                                    |
| Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss                       | 9         | 23 273                                     | (57 809)                                   | (2 550)                                    | (9 429)                                    |
| Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss | 10        | (6 738)                                    | (57 236)                                   | 1 114                                      | 93 229                                     |
| Other operating income   | 11        | 64 157                                     | 214 114                                    | 56 634                                     | 164 642                                    |
| Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss             | 12        | (178 701)                                  | (623 721)                                  | (197 256)                                  | (578 240)                                  |
| Costs of legal risk related to foreign currency loans  | 30        | (2 314 320)                                | (2 682 168)                                | (436 819)                                  | (751 624)                                  |
| Overhead costs   | 13        | (707 779)                                  | (2 334 402)                                | (509 461)                                  | (1 530 121)                                |
| Depreciation   |           | (116 993)                                  | (353 691)                                  | (107 036)                                  | (331 263)                                  |
| Other operating expenses   | 14        | (230 205)                                  | (375 967)                                  | (56 887)                                   | (220 380)                                  |
| <b>Operating profit</b>  |           | <b>(2 247 380)</b>                         | <b>(608 596)</b>                           | <b>259 996</b>                             | <b>1 288 809</b>                           |
| Taxes on the Group balance sheet items   |           | (176 904)                                  | (503 848)                                  | (158 594)                                  | (444 580)                                  |
| <b>Profit / (loss) before income tax</b>   |           | <b>(2 424 284)</b>                         | <b>(1 112 444)</b>                         | <b>101 402</b>                             | <b>844 229</b>                             |
| Income tax expense   | 26        | 145 070                                    | (424 618)                                  | (74 854)                                   | (391 914)                                  |
| <b>Net profit / (loss)</b>   |           | <b>(2 279 214)</b>                         | <b>(1 537 062)</b>                         | <b>26 548</b>                              | <b>452 315</b>                             |
| <b>Net profit / (loss) attributable to:</b>  |           |  |  |  |  |
| - owners of mBank S.A.   |           | (2 279 244)                                | (1 537 207)                                | 26 555                                     | 452 363                                    |
| - non-controlling interests  |           | 30   | 145  | (7)  | (48)                                       |
| <b>Net profit / (loss) attributable to Owners of mBank S.A.</b>  |           | <b>(2 279 244)</b>                         | <b>(1 537 207)</b>                         | <b>26 555</b>                              | <b>452 363</b>                             |
| <b>Weighted average number of ordinary shares</b>  | <b>15</b> | <b>42 416 322</b>                          | <b>42 395 904</b>                          | <b>42 367 220</b>                          | <b>42 367 101</b>                          |
| <b>Earnings / (loss) per share (in PLN)</b>  | <b>15</b> | <b>(53.74)</b>                             | <b>(36.26)</b>                             | <b>0.63</b>                                | <b>10.68</b>                               |
| <b>Weighted average number of ordinary shares for diluted earnings</b>   | <b>15</b> | <b>42 488 712</b>                          | <b>42 468 294</b>                          | <b>42 437 827</b>                          | <b>42 437 708</b>                          |
| <b>Diluted earnings / (loss) per share (in PLN)</b>  | <b>15</b> | <b>(53.64)</b>                             | <b>(36.20)</b>                             | <b>0.63</b>                                | <b>10.66</b>                               |

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2022

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2022

(PLN thousand)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|  | Period<br>from 01.07.2022<br>to 30.09.2022 | Period<br>from 01.01.2022<br>to 30.09.2022 | Period<br>from 01.07.2021<br>to 30.09.2021 | Period<br>from 01.01.2021<br>to 30.09.2021 |
|--|--|--|--|--|
| <b>Net profit / (loss)</b>   | <b>(2 279 214)</b>                         | <b>(1 537 062)</b>                         | <b>26 548</b>                              | <b>452 315</b>                             |
| <b>Other comprehensive income net of tax, including:</b>                                       | <b>377 322</b>                             | <b>(712 772)</b>                           | <b>(186 454)</b>                           | <b>(597 227)</b>                           |
| <b>Items that may be reclassified subsequently to the income statement</b>                     |  |  |  |  |
| Exchange differences on translation of foreign operations (net)                                | 10 779                                     | 11 469                                     | 1 640                                      | 1 997                                      |
| Cash flows hedges (net)  | 225 828                                    | (416 490)                                  | (119 866)                                  | (371 200)                                  |
| Change in valuation of debt instruments at fair value through other comprehensive income (net) | 140 715                                    | (307 751)                                  | (68 228)                                   | (239 460)                                  |
| <b>Items that will not be reclassified to the income statement</b>                             |  |  |  |  |
| Reclassification to investment properties (net)  | -  | -  | -  | 11 436                                     |
| <b>Total comprehensive income (net)</b>  | <b>(1 901 892)</b>                         | <b>(2 249 834)</b>                         | <b>(159 906)</b>                           | <b>(144 912)</b>                           |
| <b>Total comprehensive income (net), attributable to:</b>                                      |  |  |  |  |
| - Owners of mBank S.A.   | (1 901 922)                                | (2 249 979)                                | (159 899)                                  | (144 864)                                  |
| - Non-controlling interests  | 30   | 145  | (7)  | (48)                                       |

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2022

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2022

(PLN thousand)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| <b>ASSETS</b>   | <b>Note</b> | <b>30.09.2022</b>  | <b>31.12.2021</b>  |
|---|-------------|--------------------|--------------------|
| Cash and balances with the Central Bank   |             | 20 488 126         | 12 202 266         |
| Financial assets held for trading and hedging derivatives                                 | 16          | 3 410 380          | 2 589 076          |
| Non-trading financial assets mandatorily at fair value through profit or loss, including: | 17          | 1 109 868          | 1 417 191          |
| <i>Equity instruments</i>   |             | 174 101            | 224 389            |
| <i>Debt securities</i>  |             | 43 308             | 81 128             |
| <i>Loans and advances to customers</i>  |             | 892 459            | 1 111 674          |
| Financial assets at fair value through other comprehensive income                         | 18          | 20 726 003         | 36 206 059         |
| Financial assets at amortised cost, including:  | 19          | 153 460 310        | 140 296 538        |
| <i>Debt securities</i>  |             | 19 056 147         | 16 164 103         |
| <i>Loans and advances to banks</i>  |             | 9 654 087          | 7 229 681          |
| <i>Loans and advances to customers</i>  |             | 124 750 076        | 116 902 754        |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk           |             | 1 897 835          | 1 055 478          |
| Non-current assets and disposal groups classified as held for sale                        | 20          | 31 247             | 31 247             |
| Intangible assets   | 21          | 1 323 417          | 1 283 953          |
| Tangible assets   | 22          | 1 464 949          | 1 542 250          |
| Investment properties   | 23          | 140 372            | 127 510            |
| Current income tax assets   |             | 21 034             | 28 147             |
| Deferred income tax assets  | 26          | 1 868 266          | 1 392 350          |
| Other assets  |             | 1 639 165          | 1 366 820          |
| <b>TOTAL ASSETS</b>   |             | <b>207 580 972</b> | <b>199 538 885</b> |
| <b>LIABILITIES AND EQUITY</b>   |             |                    |                    |
| <b>LIABILITIES</b>  |             |                    |                    |
| Financial liabilities held for trading and hedging derivatives                            | 16          | 3 006 258          | 2 011 182          |
| Financial liabilities measured at amortised cost, including:                              | 24          | 187 309 135        | 179 348 925        |
| <i>Amounts due to banks</i>   |             | 1 685 276          | 3 359 558          |
| <i>Amounts due to customers</i>   |             | 173 304 623        | 159 935 129        |
| <i>Debt securities issued</i>   |             | 9 511 485          | 13 429 782         |
| <i>Subordinated liabilities</i>   |             | 2 807 751          | 2 624 456          |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk           |             | 6 887              | 110 033            |
| Liabilities classified as held for sale   | 20          | 7 340              | 7 425              |
| Provisions  | 25          | 1 385 323          | 811 455            |
| Current income tax liabilities  |             | 436 793            | 61 910             |
| Deferred income tax liabilities   | 26          | 94                 | 89                 |
| Other liabilities   |             | 3 950 208          | 3 469 950          |
| <b>TOTAL LIABILITIES</b>  |             | <b>196 102 038</b> | <b>185 820 969</b> |
| <b>EQUITY</b>   |             |                    |                    |
| <b>Equity attributable to Owners of mBank S.A.</b>  |             | <b>11 476 938</b>  | <b>13 716 050</b>  |
| <b>Share capital:</b>   |             | <b>3 602 528</b>   | <b>3 593 944</b>   |
| Registered share capital  |             | 169 691            | 169 540            |
| Share premium   |             | 3 432 837          | 3 424 404          |
| <b>Retained earnings:</b>   | <b>27</b>   | <b>9 791 570</b>   | <b>11 326 494</b>  |
| - Profit from the previous years  |             | 11 328 777         | 12 505 247         |
| - Profit (loss) for the current year  |             | (1 537 207)        | (1 178 753)        |
| <b>Other components of equity</b>   | <b>28</b>   | <b>(1 917 160)</b> | <b>(1 204 388)</b> |
| <b>Non-controlling interests</b>  |             | <b>1 996</b>       | <b>1 866</b>       |
| <b>TOTAL EQUITY</b>   |             | <b>11 478 934</b>  | <b>13 717 916</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>   |             | <b>207 580 972</b> | <b>199 538 885</b> |

**mBank S.A. Group**

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(PLN thousand)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Changes in equity from 1 January to 30 September 2022

|  | Share capital            |                  | Retained earnings              |                                    | Other components of equity | Equity attributable to Owners of mBank S.A. | Non-controlling interests | Total equity       |
|--|--------------------------|------------------|--------------------------------|------------------------------------|----------------------------|---|---------------------------|--------------------|
|  | Registered share capital | Share premium    | Profit from the previous years | Profit (loss) for the current year |                            |   |                           |                    |
| <b>Equity as at 1 January 2022</b>                 | <b>169 540</b>           | <b>3 424 404</b> | <b>11 326 494</b>              | -                                  | <b>(1 204 388)</b>         | <b>13 716 050</b>                           | <b>1 866</b>              | <b>13 717 916</b>  |
| <b>Total comprehensive income</b>                  | -                        | -                | -                              | <b>(1 537 207)</b>                 | <b>(712 772)</b>           | <b>(2 249 979)</b>                          | <b>145</b>                | <b>(2 249 834)</b> |
| Issuance of ordinary shares                        | 151                      | -                | -                              | -                                  | -                          | 151   | -                         | 151                |
| Other increase or decrease in equity               | -                        | -                | -                              | -                                  | -                          | -   | (15)                      | (15)               |
| <b>Stock option program for employees</b>          | -                        | <b>8 433</b>     | <b>2 283</b>                   | -                                  | -                          | <b>10 716</b>                               | -                         | <b>10 716</b>      |
| <i>value of services provided by the employees</i> | -                        | -                | 10 716                         | -                                  | -                          | 10 716                                      | -                         | 10 716             |
| <i>settlement of exercised options</i>             | -                        | 8 433            | (8 433)                        | -                                  | -                          | -   | -                         | -                  |
| <b>Equity as at 30 September 2022</b>              | <b>169 691</b>           | <b>3 432 837</b> | <b>11 328 777</b>              | <b>(1 537 207)</b>                 | <b>(1 917 160)</b>         | <b>11 476 938</b>                           | <b>1 996</b>              | <b>11 478 934</b>  |

Changes in equity from 1 January to 31 December 2021

|  | Share capital            |                  | Retained earnings              |                                    | Other components of equity | Equity attributable to Owners of mBank S.A. | Non-controlling interests | Total equity       |
|--|--------------------------|------------------|--------------------------------|------------------------------------|----------------------------|---|---------------------------|--------------------|
|  | Registered share capital | Share premium    | Profit from the previous years | Profit (loss) for the current year |                            |   |                           |                    |
| <b>Equity as at 1 January 2021</b>                 | <b>169 468</b>           | <b>3 417 567</b> | <b>12 501 597</b>              | -                                  | <b>584 501</b>             | <b>16 673 133</b>                           | <b>1 934</b>              | <b>16 675 067</b>  |
| <b>Total comprehensive income</b>                  | -                        | -                | -                              | <b>(1 178 753)</b>                 | <b>(1 788 889)</b>         | <b>(2 967 642)</b>                          | <b>(60)</b>               | <b>(2 967 702)</b> |
| Issuance of ordinary shares                        | 72                       | -                | -                              | -                                  | -                          | 72  | -                         | 72                 |
| Other increase or decrease in equity               | -                        | -                | -                              | -                                  | -                          | -   | (8)                       | (8)                |
| <b>Stock option program for employees</b>          | -                        | <b>6 837</b>     | <b>3 650</b>                   | -                                  | -                          | <b>10 487</b>                               | -                         | <b>10 487</b>      |
| <i>value of services provided by the employees</i> | -                        | -                | 10 487                         | -                                  | -                          | 10 487                                      | -                         | 10 487             |
| <i>settlement of exercised options</i>             | -                        | 6 837            | (6 837)                        | -                                  | -                          | -   | -                         | -                  |
| <b>Equity as at 31 December 2021</b>               | <b>169 540</b>           | <b>3 424 404</b> | <b>12 505 247</b>              | <b>(1 178 753)</b>                 | <b>(1 204 388)</b>         | <b>13 716 050</b>                           | <b>1 866</b>              | <b>13 717 916</b>  |

Changes in equity from 1 January to 30 September 2021

|  | Share capital            |                  | Retained earnings              |                                    | Other components of equity | Equity attributable to Owners of mBank S.A. | Non-controlling interests | Total equity      |
|--|--------------------------|------------------|--------------------------------|------------------------------------|----------------------------|---|---------------------------|-------------------|
|  | Registered share capital | Share premium    | Profit from the previous years | Profit (loss) for the current year |                            |   |                           |                   |
| <b>Equity as at 1 January 2021</b>                 | <b>169 468</b>           | <b>3 417 567</b> | <b>12 501 597</b>              | -                                  | <b>584 501</b>             | <b>16 673 133</b>                           | <b>1 934</b>              | <b>16 675 067</b> |
| <b>Total comprehensive income</b>                  | -                        | -                | -                              | <b>452 363</b>                     | <b>(597 227)</b>           | <b>(144 864)</b>                            | <b>(48)</b>               | <b>(144 912)</b>  |
| Issuance of ordinary shares                        | 7                        | -                | -                              | -                                  | -                          | 7   | -                         | 7                 |
| Other increase or decrease in equity               | -                        | -                | -                              | -                                  | -                          | -   | (4)                       | (4)               |
| <b>Stock option program for employees</b>          | -                        | <b>1 541</b>     | <b>4 469</b>                   | -                                  | -                          | <b>6 010</b>                                | -                         | <b>6 010</b>      |
| <i>value of services provided by the employees</i> | -                        | -                | 6 010                          | -                                  | -                          | 6 010                                       | -                         | 6 010             |
| <i>settlement of exercised options</i>             | -                        | 1 541            | (1 541)                        | -                                  | -                          | -   | -                         | -                 |
| <b>Equity as at 30 September 2021</b>              | <b>169 475</b>           | <b>3 419 108</b> | <b>12 506 066</b>              | <b>452 363</b>                     | <b>(12 726)</b>            | <b>16 534 286</b>                           | <b>1 882</b>              | <b>16 536 168</b> |

**mBank S.A. Group**

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(PLN thousand)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

|   | Period<br>from 01.01.2022<br>to 30.09.2022 | Period<br>from 01.01.2021<br>to 30.09.2021 |
|---|--|--|
| <b>Profit / (loss) before income tax</b>  | <b>(1 112 444)</b>                         | <b>844 229</b>                             |
| <b>Adjustments:</b>   | <b>13 484 962</b>                          | <b>20 214 349</b>                          |
| Income taxes paid   | (331 470)                                  | (641 870)                                  |
| Depreciation, including depreciation of fixed assets provided under operating lease         | 375 208                                    | 354 417                                    |
| Foreign exchange (gains) losses related to financing activities                             | 830 208                                    | (38 838)                                   |
| (Gains) losses on investing activities  | 3 292                                      | (190)                                      |
| Dividends received  | (5 113)                                    | (4 869)                                    |
| Interest income (income statement)  | (5 918 609)                                | (3 139 989)                                |
| Interest expense (income statement)   | 2 006 675                                  | 226 712                                    |
| Interest received   | 6 060 432                                  | 3 259 069                                  |
| Interest paid   | (1 659 076)                                | (168 361)                                  |
| Changes in loans and advances to banks  | (2 846 191)                                | (510 022)                                  |
| Changes in financial assets and liabilities held for trading and hedging derivatives        | (1 267 769)                                | (494 364)                                  |
| Changes in loans and advances to customers  | (7 761 024)                                | (11 180 130)                               |
| Changes in securities at fair value through other comprehensive income                      | 15 346 659                                 | 3 153 244                                  |
| Changes in securities at amortised cost   | (2 809 742)                                | 941 827                                    |
| Changes of non-trading securities mandatorily at fair value through profit or loss          | 68 386                                     | (7 839)                                    |
| Changes in other assets   | (302 931)                                  | (37 712)                                   |
| Changes in amounts due to banks   | (1 594 019)                                | 176 120                                    |
| Changes in amounts due to customers   | 12 777 660                                 | 27 609 418                                 |
| Changes in issued debt securities   | (697 332)                                  | (11 422)                                   |
| Changes in provisions   | 573 868                                    | 336 740                                    |
| Changes in other liabilities  | 635 850                                    | 392 408                                    |
| <b>A. Cash flows from operating activities</b>  | <b>12 372 518</b>                          | <b>21 058 578</b>                          |
| Disposal of shares in subsidiaries, net of cash disposed                                    | -  | 5 147                                      |
| Disposal of intangible assets and tangible fixed assets                                     | 46 451                                     | 65 496                                     |
| Dividends received  | 5 113                                      | 4 869                                      |
| Other investing inflows   | 500  | -  |
| Acquisition of shares in subsidiaries   | -  | (10 039)                                   |
| Purchase of intangible assets and tangible fixed assets                                     | (400 015)                                  | (475 615)                                  |
| <b>B. Cash flows from investing activities</b>  | <b>(347 951)</b>                           | <b>(410 142)</b>                           |
| Issue of debt securities  | 1 465 843                                  | 3 199 950                                  |
| Issue of ordinary shares  | 151  | 7  |
| Repayments of other loans and advances  | -  | (1 358 250)                                |
| Redemption of debt securities   | (5 303 320)                                | (1 782 612)                                |
| Payments of lease liabilities   | (77 680)                                   | (72 686)                                   |
| Interest paid from loans and advances received from banks and from subordinated liabilities | (58 594)                                   | (46 519)                                   |
| <b>C. Cash flows from financing activities</b>  | <b>(3 973 600)</b>                         | <b>(60 110)</b>                            |
| <b>Net increase / decrease in cash and cash equivalents (A+B+C)</b>                         | <b>8 050 967</b>                           | <b>20 588 326</b>                          |
| Effects of exchange rate changes on cash and cash equivalents                               | 172 739                                    | 36 635                                     |
| Cash and cash equivalents at the beginning of the reporting period                          | 12 540 599                                 | 4 249 046                                  |
| <b>Cash and cash equivalents at the end of the reporting period</b>                         | <b>20 764 305</b>                          | <b>24 874 007</b>                          |



**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. Information regarding the Group of mBank S.A.**

The Group of mBank S.A. ("Group", "mBank Group") consists of entities under the control of mBank S.A. ("Bank", "mBank") of the following nature:

- strategic: shares and equity interests in companies supporting particular business segments of mBank S.A. (corporate and investment banking segment, retail banking segment as well as treasury and other segment) with an investment horizon not shorter than 3 years. The formation or acquisition of these companies was intended to expand the range of services offered to the clients of the Bank;
- other: shares and equity interests in companies acquired in exchange for receivables, in transactions resulting from composition and work out agreements with debtors, with the intention to recover a part or all claims to loan receivables and insolvent companies under liquidation or receivership.

The parent entity of the Group is mBank S.A., which is a joint stock company registered in Poland and a part of Commerzbank AG Group.

As at 30 September 2022 mBank S.A. Group covered by the Consolidated Financial Statements comprised the following companies:

**mBank S.A. – the parent entity**

Bank functions under the name of mBank S.A. with the head office located in Poland in Warsaw, Prosta 18 Street, KRS 0000025237, REGON 001254524, NIP 526-021-50-88.

According to the by-laws of the Bank, the scope of its business consists of providing banking services and consulting and advisory services in financial matters, as well as of conducting business activities within the scope described in its by-laws. The Bank operates within the scope of corporate, institutional and retail banking (including private banking) throughout the whole country and operates trade and investment activities as well as brokerage activities.

The Bank provides services to Polish and international corporations and individuals, both in the local currency (Polish Zloty, PLN) and in foreign currencies.

The Bank may open and maintain accounts in Polish and foreign banks, and can possess foreign exchange assets and trade in them.

The Bank conducts retail banking business in the Czech Republic and Slovakia through its foreign mBank branches in these countries.

As at 30 September 2022 the headcount of mBank S.A. amounted to 6 335 FTEs (Full Time Equivalents), and of the Group to 6 988 FTEs (30 September 2021: Bank 6 096 FTEs; Group 6 726 FTEs).

As at 30 September 2022 the employment in mBank S.A. was 7 375 persons, and in the Group 9 503 persons (30 September 2021: Bank 7 079 persons; Group 9 369 persons)

The business activities of the Group are conducted in the following business segments presented in detail in Note 4.

**Retail Banking segment**

- mFinanse S.A. – subsidiary
- mFinanse CZ s.r.o. – subsidiary
- mFinanse SK s.r.o. – subsidiary
- mBank Hipoteczny S.A. – subsidiary (the retail segment of the company's activity)
- mLeasing Sp. z o.o. – subsidiary (the retail segment of the company's activity)
- Asekum Sp. z o.o. – subsidiary (the retail segment of the company's activity)
- LeaseLink Sp. z o.o. – subsidiary
- mElements S.A. – subsidiary

**mBank S.A. Group**

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(PLN thousand)

**Corporate and Investment Banking segment**

- mBank Hipoteczny S.A. – subsidiary (the corporate segment of the company’s activity)
- mFaktoring S.A. – subsidiary
- mLeasing Sp. z o.o. – subsidiary (the corporate segment of the company’s activity)
- Asekum Sp. z o.o. – subsidiary (the corporate segment of the company’s activity)

**Treasury and Other segment**

- mBank Hipoteczny S.A. – subsidiary (with regard to activities concerning funding)
- mLeasing Sp. z o.o. – subsidiary (with regard to activities concerning funding)
- Future Tech Fundusz Inwestycyjny Zamknięty – subsidiary

**Other information concerning companies of the Group**

Since the beginning of 2022 the Group started to consolidate subsidiaries mFinanse CZ s.r.o. and mFinanse SK s.r.o. in relation to the start of their operating activities. The mFinanse companies in the Czech Republic and Slovakia operate in the area of financial intermediation in the sale of banking products distributed by mBank’s branches in the Czech Republic and Slovakia. The mFinanse companies in the Czech Republic and Slovakia took over the tasks that were previously carried out by mBank Branches in these countries. Moreover, in the first quarter of 2022, the Group ceased to consolidate the subsidiary G-Invest Sp. z o.o. due to its immaterial impact on financial result and on financial statements of mBank S.A. Group.

On 19 July 2021 the Bank sold 100% of shares in Tele-Tech Investment Sp. z o.o. and all bonds held by the Bank issued by that subsidiary. Hence, starting from July 2021, the Group ceased to consolidate the subsidiary Tele-Tech Investment Sp. z o.o.

The condensed consolidated financial statements of the Bank cover the following companies:

| The name of subsidiary                     | 30.09.2022                                       |                      | 31.12.2021                                       |                      | 30.09.2021                                       |                      |
|--|--|----------------------|--|----------------------|--|----------------------|
|  | Share in voting rights (directly and indirectly) | Consolidation method | Share in voting rights (directly and indirectly) | Consolidation method | Share in voting rights (directly and indirectly) | Consolidation method |
| mBank Hipoteczny S.A.                      | 100%   | full                 | 100%   | full                 | 100%   | full                 |
| mLeasing Sp. z o.o.                        | 100%   | full                 | 100%   | full                 | 100%   | full                 |
| mFinanse S.A.                              | 100%   | full                 | 100%   | full                 | 100%   | full                 |
| mFaktoring S.A.                            | 100%   | full                 | 100%   | full                 | 100%   | full                 |
| Future Tech Fundusz Inwestycyjny Zamknięty | 98.04%   | full                 | 98.04%   | full                 | 98.04%   | full                 |
| mElements S.A.                             | 100%   | full                 | 100%   | full                 | 100%   | full                 |
| Asekum Sp. z o.o.                          | 100%   | full                 | 100%   | full                 | 100%   | full                 |
| LeaseLink Sp. z o.o.                       | 100%   | full                 | 100%   | full                 | 100%   | full                 |
| mFinanse CZ s.r.o.                         | 100%   | full                 | 100%   | -                    | -  | -                    |
| mFinanse SK s.r.o.                         | 100%   | full                 | 100%   | -                    | -  | -                    |
| G-Invest Sp. z o.o.                        | 100%   | -                    | 100%   | full                 | 100%   | full                 |

The Management Board of mBank S.A. approved these condensed consolidated financial statements for issue on 7 November 2022.

## 2. Description of relevant accounting policies

The condensed consolidated financial statements of mBank S.A. Group have been prepared for the 9-month period ended 30 September 2022. Comparative data include the period from 1 January 2021 to 30 September 2021 for the condensed consolidated income statement, condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity, additionally for the period from 1 January to 31 December 2021 for the condensed consolidated statement of changes in equity, and in the case of the condensed consolidated statement of financial position, data as at 31 December 2021.

These interim condensed consolidated financial statements for the third quarter of 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Consolidated financial statements of mBank S.A. Group for 2021 published on 3 March 2022. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

In addition, selected explanatory information provide additional information in accordance with Decree of the Minister of Finance dated 29 March 2018 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws 2018, item 757).

Detailed accounting principles applied to the preparation of these condensed consolidated financial statements are presented in Note 2 to the Consolidated financial statements of mBank S.A. Group for 2021, published on 3 March 2022, with exception of the changes described below.

Starting 1 July 2022 the Group applies IFRS 9 requirements in the area of hedge accounting to all hedge relations except for fair value portfolio hedges of interest rate risk where the hedged item is designated as portion that is a currency amount.

The hedge relations, that starting 1 July 2022 are accounted for in line with IFRS 9, qualifies for hedge accounting provided that:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements,
- the hedging relationship meets all of the following hedge effectiveness requirements:
  - there is an economic relationship between the hedged item and the hedging instrument;
  - the effect of credit risk does not dominate the value changes that result from that economic relationship; and
  - the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The IFRS 9 introduces also the option to recognise in a separate component of equity part of the fair value of the hedging derivative instrument related to time value of option, forward element of a forward contract or currency basis spread, and reclassify it to profit or loss in the same periods during which the hedged expected future cash flows affect profit or loss. The Group takes advantage of this option and includes in the line „Other components of equity“ fair value changes of hedging CIRS contracts in the amount attributable to currency basis spread, provided that such fair value changes were not designated as part of the hedge relation.

The above change in accounting policy, as required by IFRS 9, was implemented prospectively from 1 July 2022 and did not have a material impact on the Group's financial statements. In particular, no hedge relationships were discontinued as a result of this change.

The preparation of the financial statements requires the application of specific accounting estimates. It also requires the Management Board to use its own judgment when applying the accounting policies adopted by the Group. The issues in relation to which a significant professional judgement is required, more complex issues, or such issues where estimates or judgments are material to the consolidated financial statements are disclosed in Note 3.

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Financial statements are prepared in compliance with materiality principle. Material omissions or misstatements of positions of financial statements are material if they could, individually or collectively, influence the economic decisions that users make on the basis of Group's financial statements. Materiality depends on the size and nature of the omission or misstatement of the position of financial statements or a combination of both. The Group presents separately each material class of similar positions. The Group presents separately positions of dissimilar nature or function unless they are immaterial.

These consolidated financial statements were prepared under the assumption that all the entities of the Group continue as a going concern in the foreseeable future, i.e. in the period of at least 12 months following the reporting date.

The Management Board, in its assessment of the appropriateness of the going concern assumption for the Bank and the Group companies, considered, inter alia, net loss incurred by the Bank and the Group in 9 months of 2022 in the amount of PLN 1 521.4 million and PLN 1 537.1 million, respectively. This loss results mainly from the legal risk costs related to FX loans in the amount of PLN 2 682.2 million (as described in detail in the Note 30), impact of credit holidays in the amount of PLN 1 345.8 million (Note 3), contributions to Institutional Protection Scheme in the amount of PLN 428.1 million and to the Borrowers Support Fund in the amount of PLN 184.1 million (Note 13).

The results for 9 months of 2022 were influenced by extraordinary events listed above. The profitability of core business model of the Group in 9 months of 2022 after eliminating the impact of those events remained high.

It should be emphasized that despite the net loss in the 9 months of 2022, in accordance with the applicable provisions regarding recovery plans, in particular Article 142(2) of the Banking Law, the prerequisite related to significant deterioration of the financial situation of the Bank and the Group has not been met. Recovery plan indicators in the areas of liquidity, capital and assets quality demonstrate the safe situation of the Bank and the Group.

Therefore, as of the date of approving these consolidated financial statements, the Bank Management Board has not identified any events that could indicate that the continuation of the operations by the Group is endangered in the period of at least 12 months from the reporting date.

### New standards, interpretations and amendments to published standards

#### Standards and interpretations endorsed by the European Union

Published Standards and Interpretations which have been issued and binding for the first time in the reporting period covered by the financial statements

| Standards and interpretations  | Description of the changes   | The beginning of the binding period | Impact on the Group's financial statements in the period of initial application                      |
|--|--|-------------------------------------|--|
| Annual Improvements to IFRS Standards 2018-2020                                  | Annual Improvements include changes to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, Illustrative Examples accompanying IFRS 16 Leases and IAS 41 Agriculture. The amendment to IFRS 9 clarifies which fees the entity includes when it applies the '10 percent test' in assessing whether to derecognise a financial liability. The amendment to IFRS 16 removes the illustration of payments from the lessor relating to leasehold improvements.      | 1 January 2022                      | The application of the amended standard will have no significant impact on the financial statements. |
| Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use | Amendments to IAS 16 prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.  | 1 January 2022                      | The application of the amended standard will have no significant impact on the financial statements. |
| Amendments to IAS 37 Onerous contracts – Cost of Fulfilling the Contract         | Amendments to IAS 37 specifies which costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.  | 1 January 2022                      | The application of the amended standard will have no significant impact on the financial statements. |
| Amendments to IFRS 3 Reference to the Conceptual Framework                       | Amendments to IFRS 3 replaced references to the Framework with references to the 2018 Conceptual Framework. They also added a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of conceptual framework) to identify the liabilities it has assumed in business combination. Moreover, the standard added an explicit statement that an acquirer does not recognise contingent asset acquired in a business combination. | 1 January 2022                      | The application of the amended standard will have no significant impact on the financial statements. |

**Published Standards and Interpretations which have been issued but are not yet binding or have not been adopted early**

| Standards and interpretations  | Description of the changes  | The beginning of the binding period | Impact on the Group's financial statements in the period of initial application                      |
|--|---|-------------------------------------|--|
| Amendment to IAS 8, Definition of Accounting Estimates   | In amendment to IAS 8, the definition of a change in accounting estimates was replaced with a definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The introduction of a definition of accounting estimates and other amendments to IAS 8 was aimed to help entities distinguish changes in accounting policies from changes in accounting estimates.       | 1 January 2023                      | The application of the amended standard will have no significant impact on the financial statements. |
| Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies                    | Amendments to IAS 1 and IFRS Practice Statement 2 are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments introduce the requirement to disclose material accounting policy information instead of significant accounting policies with some clarifications and examples how an entity can identify material accounting policy information.   | 1 January 2023                      | The application of the amended standard will have no significant impact on the financial statements. |
| Amendments to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction | The amendments to the standards require that the entities recognise in the financial statements deferred tax assets and liabilities resulting from transactions, other than business combinations, in which equal amounts of deductible and taxable temporary differences arise on initial recognition.   | 1 January 2023                      | The application of the amended standard will have no significant impact on the financial statements. |
| IFRS 17, Insurance contracts   | IFRS 17 defines a new approach to the recognition, valuation, presentation and disclosure of insurance contracts. The main purpose of IFRS 17 is to guarantee the transparency and comparability of insurers' financial statements. IFRS 17 introduces a number of significant changes in relation to the existing requirements of IFRS 4. They concern, among others: methods for the valuation of insurance liabilities, recognition revenues and result from insurance contract. | 1 January 2023                      | The application of the amended standard will have no significant impact on the financial statements. |
| Amendments to IFRS 17, Insurance contracts, Deferral of effective date and credit cards                | Amendments to IFRS 17 include a two-year deferral of the effective date and the fixed expiry date of the temporary exemption from applying IFRS 9 granted to insurers meeting certain criteria. Preparers of financial statements are no longer required to apply IFRS 17 to certain credit cards and similar arrangements, and loans that provide insurance coverage.  | 1 January 2023                      | The application of the amended standard will have no significant impact on the financial statements. |
| Amendments to IFRS 17, Insurance contracts and IFRS 9  | The amendment to the standards introduces optional facilities to minimize the accounting mismatch between financial assets and liabilities presented in the comparative data of the financial statements of entities applying IFRS 17 and IFRS 9 for the first time.  | 1 January 2023                      | The application of the amended standard will have no significant impact on the financial statements. |

**Standards and interpretations not yet endorsed by the European Union**

These financial statements do not include standards and interpretations listed below which await endorsement of the European Union.

| Standards and interpretations  | Description of the changes   | The beginning of the binding period | Impact on the Group's financial statements in the period of initial application                      |
|--|--|-------------------------------------|--|
| Amendments to IAS 1, Classification of liabilities as current or non-current | Amendments to IAS 1 affect the requirements for the presentation of liabilities in the financial statements. In particular, they explain one of the criteria for classifying liabilities as non-current.                         | 1 January 2023                      | The application of the amended standard will have no significant impact on the financial statements. |
| Amendments to IFRS 16 Leasing  | Amendment to IFRS 16 requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. | 1 January 2024                      | The application of the amended standard will have no significant impact on the financial statements. |

**3. Major estimates and judgments made in connection with the application of accounting policy principles**

The Group applies estimates and adopts assumptions which impact the values of assets and liabilities presented in the subsequent period. Estimates and assumptions, which are continuously subject to assessment, rely on historical experience and other factors, including expectations concerning future events, which seem justified under the given circumstances.

## Provisions for legal risks relating to indexation clauses in mortgage and housing loans in CHF

Detailed information on the impact of legal risk related to CHF mortgage and housing loans is provided in Note 30.

### Impact of credit holidays on the financial result of the Group

On 14 July 2022, the President of the Republic of Poland signed the Act on crowdfunding for business ventures and aid to borrowers, which introduces the possibility of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays"). Credit holidays may apply to a single contract concluded in Polish zlotys for the financing of real estate intended to meet one's own housing needs. Borrowers are entitled to suspend 8 monthly instalments: 2 monthly instalments in each of the third and fourth quarter of 2022 and 1 monthly instalment in each of the four quarters of 2023. Credit holidays apply to both the principal and interest portions of the loan. Deadlines for repayment of instalments are extended without any additional interest for the suspension periods.

In third quarter 2022, the Group recognised the impact of credit holidays in the total amount of PLN 1 345.8 million, out of which PLN 1 282.3 million decreased the interest income of the Group and PLN 63.5 million related to the effect on hedge accounting and decreased the net trading income.

To calculate the impact of credit holidays, the Group estimated that customers owning 86.9% of the value of assumed eligible mortgage loan portfolio applied or will apply for the credit holidays and they will request on average 7.5 months of credit holidays.

By 30 September 2022, customers owning 80.0% of the value of the assumed eligible mortgage loan portfolio had submitted applications applying for an average of 6.4 months of credit holidays.

The Group will revise its estimates of the cost of credit holidays as of 31 December 2022 when the actual figures for half of the instalments that can be suspended are known.

### Impairment of loans and advances

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the income statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions, on the basis of which the estimated cash flow amounts and their anticipated timing are determined, are regularly verified. If the current value of estimated cash flows (discounted recoveries from payments of capital, discounted recoveries from interests, discounted recoveries from off-balance sheet liabilities and discounted recoveries from collaterals for on-balance and off-balance sheet loans and advances, weighed by the probability of realization of specific scenarios) for portfolio of loans and advances and for off-balance sheet liabilities which are impaired as of 30 September 2022, change by +/- 10%, the estimated loans and advances and off-balance sheet liabilities impairment would either decrease by PLN 70.1 million or increase by PLN 79.2 million (as at 31 December 2021: PLN 61.6 million and PLN 71.2 million). This estimation was performed for portfolio of loans and advances and for off-balance sheet liabilities individually assessed for impairment on the basis of future cash flows due to repayments and recovery from collateral – Stage 3. The rules of determining write-downs and provisions for impairment of credit exposures have been described under Note 3.3.6 of Consolidated financial statements of mBank Group S.A. for 2021, published on 3 March 2022.

### Actions taken in relation to the current situation in Ukraine

In the third quarter of 2022, the Group conducted a portfolio review in connection with Russia's aggression against Ukraine. The review concerned the Group's involvement in war countries (Ukraine, Russia) or in conflict-related countries (Belarus), taking into account sanctions imposed by the European Union, the United Kingdom and the USA.

As a result of the review, as of 30 September 2022, credit exposure and expected credit losses were determined in the mentioned countries, as shown in the table below.

| Country      | Direct exposure as at 30 September 2022 |              |            |          |                            |          |          |          |  |              |              |          |               |
|--------------|---|--------------|------------|----------|----------------------------|----------|----------|----------|--|--------------|--------------|----------|---------------|
|              | Balance sheet gross exposure            |              |            |          | Off-balance sheet exposure |          |          |          | Accumulated impairment / off-balance loan loss provision |              |              |          |               |
|              | Stage 1                                 | Stage 2      | Stage 3    | POCI     | Stage 1                    | Stage 2  | Stage 3  | POCI     | Stage 1  | Stage 2      | Stage 3      | POCI     |               |
| Ukraine      | -                                       | -            | -          | -        | -                          | -        | -        | -        | -  | -            | -            | -        | -             |
| Russia       | -                                       | -            | 150        | -        | -                          | -        | -        | -        | -  | -            | (150)        | -        | 48 725        |
| Belarus      | -                                       | 2 307        | -          | -        | -                          | -        | -        | -        | -  | (906)        | -            | -        | -             |
| <b>Total</b> | <b>-</b>                                | <b>2 307</b> | <b>150</b> | <b>-</b> | <b>-</b>                   | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b>   | <b>(906)</b> | <b>(150)</b> | <b>-</b> | <b>48 725</b> |



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There was also identified an indirect exposure: a balance sheet exposure of PLN 496.3 million and an off-balance sheet exposure of PLN 290.3 million towards corporate clients whose business is indirectly exposed to the risk of Russia's aggression towards Ukraine.

Indirect risk concerns companies where at least 30% of exports or imports is connected to countries affected by the war crisis or whose main shareholder is a resident of the risk country or the collateral of transaction is located in the country of risk. Data regarding indirect exposure is presented in the table below.

| Country      | Indirect exposure as at 30 September 2022 |               |               |          |                            |              |          |          |  |              |                 |          |
|--------------|---|---------------|---------------|----------|----------------------------|--------------|----------|----------|--|--------------|-----------------|----------|
|              | Balance sheet gross exposure              |               |               |          | Off-balance sheet exposure |              |          |          | Accumulated impairment / off-balance loan loss provision |              |                 |          |
|              | Stage 1                                   | Stage 2       | Stage 3       | POCI     | Stage 1                    | Stage 2      | Stage 3  | POCI     | Stage 1  | Stage 2      | Stage 3         | POCI     |
| Ukraine      | 91 740                                    | 7 207         | 1 977         | -        | 117 121                    | 250          | -        | -        | (291)  | (139)        | (861)           | -        |
| Russia       | 309 970                                   | 26 846        | 52 879        | -        | 169 765                    | 1 200        | -        | -        | (1 078)  | (158)        | (52 821)        | -        |
| Belarus      | 5 381                                     | 177           | 141           | -        | 1 930                      | -            | -        | -        | (14)   | (1)          | (104)           | -        |
| <b>Total</b> | <b>407 091</b>                            | <b>34 230</b> | <b>54 997</b> | <b>-</b> | <b>288 816</b>             | <b>1 450</b> | <b>-</b> | <b>-</b> | <b>(1 383)</b>   | <b>(298)</b> | <b>(53 786)</b> | <b>-</b> |

### Additional cost of risk due to the current situation in Ukraine

The models used to calculate the expected credit losses take into account the current macroeconomic forecasts reflecting the economic changes in the country caused by Russia's invasion of Ukraine. The Group will continue to analyse the impact of the situation in Ukraine on the cost of risk in the next quarters.

### Fair value of derivatives and other financial instruments

The fair value of financial instruments not listed on active markets is determined by applying valuation techniques. All models are approved prior to being applied and they are also calibrated in order to assure that the obtained results indeed reflect the actual data and comparable market prices. As far as possible, observable market data originating from an active market are used in the models. Methods for determining the fair value of financial instruments are described in Note 2.7 of Consolidated financial statements of mBank Group for 2021, published on 3 March 2022.

### Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available, against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

### Income tax in interim financial statements

Income tax in interim financial statements is accrued in accordance with IAS 34. Interim period tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Due to the loss before tax incurred by the Group in the three quarters of 2022, the calculation of the average annual effective income tax rate for 2022 required the use of a forecast of profit before tax for the full fiscal year adjusted for the impact of costs of legal risk related to FX loans, as well as a forecast of permanent differences in the carrying and tax values of assets and liabilities. The projected annual effective tax rate calculated this way used to accrue income tax expense for the three quarters of 2022 was 27.1%. For the three quarters of 2021, the projected annual effective tax rate was 46.4%. The greatest impact on the value of the average annual effective income tax rate in comparison to the nominal income tax rate in the third quarter of 2022 was due to the banking tax and the impact of credit holidays on the results of the Group.

### Revenue and expenses from sale of insurance products bundled with loans

Revenue from sale of insurance products bundled with loans are split into interest income and fee and commission income based on the relative fair value analysis of each of these products.

The remuneration included in fee and commission income is recognised partly as upfront income and partly as income deferred over time based on the analysis of the stage of completion of the service. Expenses directly linked to the sale of insurance products are recognised using the same pattern.

### Liabilities due to post-employment employee benefits

The costs of post-employment employee benefits are determined using an actuarial valuation method. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality

rates and other factors. Due to the long-term nature of these programmes, such estimates are subject to significant uncertainty.

### Leasing classification

The Group as lessor makes judgement classifying lease agreements as finance lease or operating lease based on the economic substance of the transaction basing on professional judgment whether substantially all the risk and rewards incidental to ownership of an asset were transferred or not.

The Group as a lessee makes certain estimates and calculations that have an impact on the valuation of lease liabilities and right-of-use assets. They include, among others: determination of the duration of contracts, the interest rate used to discount future cash flows and the depreciation rate of right-of-use assets.

## 4. Business segments

Following the adoption of "management approach" of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Bank's Management Board (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses their performance.

The classification by business segments is based on client groups and product groups defined by homogenous transaction characteristics. The classification is consistent with sales management and the philosophy of delivering complex products to the Bank's clients, including both standard banking products and more sophisticated investment products. The method of presentation of financial results coupled with the business management model ensures a constant focus on creating added value in relations with clients of the Bank and Group companies and should be seen as a primary division, which serves the purpose both managing and perceiving business within the Group.

The Group conducts its business through different business segments, which offer specific products and services targeted at specific client groups and market segments. The Group currently conducts its operations through the following business segments:

- **The Retail Banking segment**, which offers a full range of products and services to individual customers, including Private Banking customers and micro-businesses. The key products and services offered to customers in this segment include lending products (mortgage loans, overdrafts, cash loans, car loans, credit cards), deposit products (current and savings accounts, term deposits), debit cards, insurance products, brokerage services, investment advice, asset management services and leasing services. The results of the Retail Banking segment include the results of foreign branches of mBank in the Czech Republic and Slovakia. The Retail Banking segment also includes the results of mFinanse S.A., mFinanse CZ s.r.o., mFinanse SK s.r.o., LeaseLink Sp. z o.o. and mElements S.A., as well as the results of retail segments of mLeasing Sp. z o.o., Asekum Sp. z o.o. and mBank Hipoteczny S.A.
- **The Corporate and Investment Banking segment**, which offers financial services to small, medium and large-sized companies, public sector entities, financial institutions and banks. The key products offered to these customers include transactional banking (cash management, current accounts, term deposits, internet banking, trade finance services, letters of credit and guarantees), working capital and investment loans, project finance, structured and mezzanine finance services as well as custody, leasing and factoring services. The products of this segment include operations in foreign currencies, capital and derivatives markets, both proprietary and on behalf of customers, as well as services for arranging and financing securities issues, financial consulting and brokerage services for financial institutions. The Corporate and Investment Banking segment also generates result of foreign exchange risk management. This segment includes the results of the following subsidiaries: mFactoring S.A., G-Invest Sp. z o.o. before its deconsolidation, Tele-Tech Investment Sp. z o.o. before its deconsolidation as well as the results of corporate segments of mLeasing Sp. z o.o., Asekum Sp. z o.o. and mBank Hipoteczny S.A.
- **The Treasury and Other segment** consists primarily of treasury and money markets operations, liquidity and interest rate risks management of the Bank and its investment portfolio. The results of the segment include the result of internal settlements of fund transfer pricing, the result of items classified as hedge accounting and results not allocated to other segments. This segment also includes the results of mLeasing Sp. z o.o. and mBank Hipoteczny S.A. with regard to activities concerning funding and the results of Future Tech Fundusz Inwestycyjny Zamknięty.
- **FX Mortgage Loans segment** consists primarily of foreign currency mortgage loans with indexation clauses granted to individual customers. These types of loans are no longer offered to customers. The segment's assets include only the portfolio of active mortgage loans originally granted in foreign currencies (mainly in CHF, EUR and USD). The segment's liabilities do not include the financing of the portfolio of such loans, which was included in the liabilities of other segments.



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The principles of segment classification of the Group's activities are described below.

Transactions between the business segments are conducted on regular commercial terms.

Internal fund transfers between the Bank's units are calculated at transfer rates based on market rates. Transfer rates are determined on the same basis for all operating units of the Bank and their differentiation results only from currency and maturity structure of assets and liabilities. Internal settlements concerning internal valuation of funds transfers are reflected in the results of each segment.

The separation of assets and liabilities of a segment, as well as of its income and costs, is done on the basis of internal information prepared at the Bank for the purpose of management accounting. Assets and liabilities for which the units of the given segment are responsible as well as income and costs related to such assets and liabilities are attributed to individual business segments. The financial result of a business segment takes into account all income and cost items attributable to it.

The business operations of particular companies of the Group are fully attributed to the appropriate business segments (including consolidation adjustments).

The primary basis used by the Group in the segment reporting is business line division. In addition, the Group's activity is presented by geographical areas broken down into Poland and foreign countries depending on the place of origin of income and expenses. Foreign countries segment includes activity of mBank's foreign branches in Czech Republic and Slovakia as well as the activity of subsidiaries mFinanse CZ s.r.o. and mFinanse SK s.r.o.

Due to the allocation of part of costs related to fees to BFG to FX Mortgage Loans segment from the beginning of 2022, the comparative figures for the period from 1 January to 30 September 2021 have been revised appropriately.

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Business segment reporting of the activities of mBank S.A. Group for the period from 1 January to 30 September 2022 – data regarding consolidated income statement

| period from 1 January to 30 September 2022   | Retail Banking | Corporate and Investment Banking | Treasury and Other | FX Mortgage Loans  | Total figure for the Group |
|--|----------------|----------------------------------|--------------------|--------------------|----------------------------|
| Net interest income  | 1 822 234      | 1 410 898                        | 608 198            | 70 604             | 3 911 934                  |
| - sales to external clients  | 1 946 044      | 1 495 162                        | 363 711            | 107 017            | 3 911 934                  |
| - sales to other segments  | (123 810)      | (84 264)                         | 244 487            | (36 413)           | -                          |
| Net fee and commission income  | 849 148        | 864 933                          | (27 868)           | (11 063)           | 1 675 150                  |
| Dividend income  | -              | -                                | 5 113              | -                  | 5 113                      |
| Trading income   | 50 932         | 274 689                          | (245 204)          | (10 330)           | 70 087                     |
| Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss                       | (37 238)       | (1 956)                          | (18 622)           | 7                  | (57 809)                   |
| Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss | (2 152)        | (4 496)                          | (50 588)           | -                  | (57 236)                   |
| Other operating income   | 84 152         | 92 048                           | 37 721             | 193                | 214 114                    |
| Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss             | (415 423)      | (169 810)                        | (721)              | (37 767)           | (623 721)                  |
| Costs of legal risk related to foreign currency loans  | -              | -                                | -                  | (2 682 168)        | (2 682 168)                |
| Overhead costs   | (1 363 176)    | (623 709)                        | (303 545)          | (43 972)           | (2 334 402)                |
| Amortisation   | (235 656)      | (113 548)                        | (3 941)            | (546)              | (353 691)                  |
| Other operating expenses   | (240 421)      | (65 594)                         | (34 976)           | (34 976)           | (375 967)                  |
| <b>Operating profit</b>  | <b>512 400</b> | <b>1 663 455</b>                 | <b>(34 433)</b>    | <b>(2 750 018)</b> | <b>(608 596)</b>           |
| Taxes on Group balance sheet items   | (285 883)      | (175 613)                        | (9 702)            | (32 650)           | (503 848)                  |
| <b>Gross profit / (loss) of the segment</b>  | <b>226 517</b> | <b>1 487 842</b>                 | <b>(44 135)</b>    | <b>(2 782 668)</b> | <b>(1 112 444)</b>         |
| Income tax   |                |                                  |                    |                    | (424 618)                  |
| Net profit / (loss) attributable to Owners of mBank S.A.   |                |                                  |                    |                    | (1 537 207)                |
| Net profit / (loss) attributable to non-controlling interests  |                |                                  |                    |                    | 145                        |

Business segment reporting of the activities of mBank S.A. Group for the period from 1 January to 30 September 2021 – data regarding consolidated income statement

| period from 1 January to 30 September 2021   | Retail Banking   | Corporate and Investment Banking | Treasury and Other | FX Mortgage Loans | Total figure for the Group |
|--|------------------|----------------------------------|--------------------|-------------------|----------------------------|
| Net interest income  | 1 962 874        | 797 014                          | 56 027             | 97 362            | 2 913 277                  |
| - sales to external clients  | 1 567 188        | 771 730                          | 468 936            | 105 423           | 2 913 277                  |
| - sales to other segments  | 395 686          | 25 284                           | (412 909)          | (8 061)           | -                          |
| Net fee and commission income  | 720 934          | 711 688                          | (29 948)           | (2 607)           | 1 400 067                  |
| Dividend income  | -                | -                                | 4 869              | -                 | 4 869                      |
| Trading income   | 27 400           | 175 375                          | (31 147)           | (37 846)          | 133 782                    |
| Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss                       | (5 870)          | (3 473)                          | (88)               | 2                 | (9 429)                    |
| Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss | (1 975)          | 2 731                            | 92 473             | -                 | 93 229                     |
| Other operating income   | 60 351           | 89 232                           | 14 112             | 947               | 164 642                    |
| Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss             | (336 251)        | (241 679)                        | (3 003)            | 2 693             | (578 240)                  |
| Costs of legal risk related to foreign currency loans  | -                | -                                | -                  | (751 624)         | (751 624)                  |
| Overhead costs   | (915 511)        | (551 504)                        | (32 767)           | (30 339)          | (1 530 121)                |
| Amortisation   | (218 670)        | (105 438)                        | (6 539)            | (616)             | (331 263)                  |
| Other operating expenses   | (59 056)         | (99 359)                         | (53 272)           | (8 693)           | (220 380)                  |
| <b>Operating profit</b>  | <b>1 234 226</b> | <b>774 587</b>                   | <b>10 717</b>      | <b>(730 721)</b>  | <b>1 288 809</b>           |
| Taxes on Group balance sheet items   | (206 565)        | (165 948)                        | (31 808)           | (40 259)          | (444 580)                  |
| <b>Gross profit / (loss) of the segment</b>  | <b>1 027 661</b> | <b>608 639</b>                   | <b>(21 091)</b>    | <b>(770 980)</b>  | <b>844 229</b>             |
| Income tax   |                  |                                  |                    |                   | (391 914)                  |
| Net profit / (loss) attributable to Owners of mBank S.A.   |                  |                                  |                    |                   | 452 363                    |
| Net profit / (loss) attributable to non-controlling interests  |                  |                                  |                    |                   | (48)                       |

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Business segment reporting of the activities of mBank S.A. Group – data regarding consolidated statement of financial position

| 30.09.2022                 | Retail Banking | Corporate and Investment Banking | Treasury and Other | FX Mortgage Loans | Total figure for the Group |
|----------------------------|----------------|----------------------------------|--------------------|-------------------|----------------------------|
| Assets of the segment      | 70 442 454     | 53 002 377                       | 74 980 589         | 9 155 552         | <b>207 580 972</b>         |
| Liabilities of the segment | 119 761 303    | 55 066 250                       | 20 661 228         | 613 257           | <b>196 102 038</b>         |

| 31.12.2021                 | Retail Banking | Corporate and Investment Banking | Treasury and Other | FX Mortgage Loans | Total figure for the Group |
|----------------------------|----------------|----------------------------------|--------------------|-------------------|----------------------------|
| Assets of the segment      | 68 388 768     | 47 369 348                       | 72 477 859         | 11 302 910        | <b>199 538 885</b>         |
| Liabilities of the segment | 112 159 963    | 47 507 690                       | 25 726 898         | 426 418           | <b>185 820 969</b>         |

Information about geographical areas of the activities of mBank S.A. Group for the period from 1 January to 30 September 2022 and for the period from 1 January to 30 September 2021

|  | period from 1 January to 30 September 2022 |                   |                    | period from 1 January to 30 September 2021 |                   |                    |
|--|--|-------------------|--------------------|--|-------------------|--------------------|
|  | Poland                                     | Foreign Countries | Total              | Poland                                     | Foreign Countries | Total              |
| Net interest income  | 3 610 376                                  | 301 558           | <b>3 911 934</b>   | 2 723 764                                  | 189 513           | <b>2 913 277</b>   |
| Net fee and commission income  | 1 617 116                                  | 58 034            | <b>1 675 150</b>   | 1 371 210                                  | 28 857            | <b>1 400 067</b>   |
| Dividend income  | 5 113                                      | -                 | <b>5 113</b>       | 4 869                                      | -                 | <b>4 869</b>       |
| Trading income   | 66 815                                     | 3 272             | <b>70 087</b>      | 131 078                                    | 2 704             | <b>133 782</b>     |
| Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss                       | (57 809)                                   | -                 | <b>(57 809)</b>    | (9 429)                                    | -                 | <b>(9 429)</b>     |
| Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss | (57 116)                                   | (120)             | <b>(57 236)</b>    | 93 253                                     | (24)              | <b>93 229</b>      |
| Other operating income   | 210 602                                    | 3 512             | <b>214 114</b>     | 162 008                                    | 2 634             | <b>164 642</b>     |
| Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss             | (613 129)                                  | (10 592)          | <b>(623 721)</b>   | (581 222)                                  | 2 982             | <b>(578 240)</b>   |
| Costs of legal risk related to foreign currency loans  | (2 682 168)                                | -                 | <b>(2 682 168)</b> | (751 624)                                  | -                 | <b>(751 624)</b>   |
| Overhead costs   | (2 210 880)                                | (123 522)         | <b>(2 334 402)</b> | (1 420 804)                                | (109 317)         | <b>(1 530 121)</b> |
| Amortisation   | (343 567)                                  | (10 124)          | <b>(353 691)</b>   | (321 498)                                  | (9 765)           | <b>(331 263)</b>   |
| Other operating expenses   | (370 440)                                  | (5 527)           | <b>(375 967)</b>   | (217 655)                                  | (2 725)           | <b>(220 380)</b>   |
| <b>Operating profit</b>  | <b>(825 087)</b>                           | <b>216 491</b>    | <b>(608 596)</b>   | <b>1 183 950</b>                           | <b>104 859</b>    | <b>1 288 809</b>   |
| Taxes on Group balance sheet items   | (465 824)                                  | (38 024)          | <b>(503 848)</b>   | (414 814)                                  | (29 766)          | <b>(444 580)</b>   |
| <b>Gross profit / (loss) of the segment</b>  | <b>(1 290 911)</b>                         | <b>178 467</b>    | <b>(1 112 444)</b> | <b>769 136</b>                             | <b>75 093</b>     | <b>844 229</b>     |
| Income tax   |  |                   | (424 618)          |  |                   | (391 914)          |
| Net profit / (loss) attributable to Owners of mBank S.A.   |  |                   | (1 537 207)        |  |                   | 452 363            |
| Net profit / (loss) attributable to non-controlling interests  |  |                   | 145                |  |                   | (48)               |

Information about geographical areas of the activities of mBank S.A. Group as at 30 September 2022 and as at 31 December 2021

|  | 30.09.2022  |                   |                    | 31.12.2021  |                   |                    |
|--|-------------|-------------------|--------------------|-------------|-------------------|--------------------|
|  | Poland      | Foreign Countries | Total              | Poland      | Foreign Countries | Total              |
| <b>Assets of the segment, including:</b> | 196 794 264 | 10 786 708        | <b>207 580 972</b> | 188 653 175 | 10 885 710        | <b>199 538 885</b> |
| - fixed assets                           | 2 872 946   | 55 792            | <b>2 928 738</b>   | 2 917 533   | 36 180            | <b>2 953 713</b>   |
| - deferred income tax assets             | 1 866 218   | 2 048             | <b>1 868 266</b>   | 1 390 472   | 1 878             | <b>1 392 350</b>   |
| <b>Liabilities of the segment</b>        | 178 556 461 | 17 545 577        | <b>196 102 038</b> | 169 906 654 | 15 914 315        | <b>185 820 969</b> |

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**5. Net interest income**

|  | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|--|------------|----------------------------------|----------------------------------|
| <b>Interest income</b>   |            |                                  |                                  |
| <b>Interest income accounted for using the effective interest method</b>                         |            | <b>5 795 924</b>                 | <b>2 777 231</b>                 |
| Interest income of financial assets at amortised cost, including:                                |            | 5 271 808                        | 2 657 727                        |
| - <i>Loans and advances</i>  |            | 5 883 216                        | 2 435 666                        |
| - <i>Debt securities</i>   |            | 315 105                          | 219 700                          |
| - <i>Cash and short-term placements</i>  |            | 239 463                          | 2 306                            |
| - <i>Gains or losses on non-substantial modification (net)</i>                                   |            | (1 286 812)                      | (6 211)                          |
| - <i>Other</i>   |            | 120 836                          | 6 266                            |
| Interest income on financial assets at fair value through other comprehensive income, including: |            | 524 116                          | 119 504                          |
| - <i>Debt securities</i>   |            | 524 116                          | 119 504                          |
| <b>Income similar to interest on financial assets at fair value through profit or loss</b>       |            | <b>122 685</b>                   | <b>362 758</b>                   |
| Financial assets held for trading, including:  |            | 30 321                           | 15 096                           |
| - <i>Loans and advances</i>  |            | 2 701                            | 2 362                            |
| - <i>Debt securities</i>   |            | 27 620                           | 12 734                           |
| Non-trading financial assets mandatorily at fair value through profit or loss, including:        |            | 92 364                           | 37 731                           |
| - <i>Loans and advances</i>  |            | 92 364                           | 37 731                           |
| Interest income on derivatives classified into banking book                                      |            | -                                | 63 329                           |
| Interest income on derivatives concluded under the fair value hedge                              |            | -                                | 85 519                           |
| Interest income on derivatives concluded under the cash flow hedge                               |            | -                                | 161 083                          |
| <b>Total interest income</b>   |            | <b>5 918 609</b>                 | <b>3 139 989</b>                 |

The item Gains or losses on non-substantial modification (net) includes a loss of PLN 1 282.3 million resulting from the recognition of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays"). More information on this subject is presented in Note 3.

The amount of interest income, presented under Cash and short-term placement, includes mainly interest income on the mandatory reserve. The item Other includes mainly interest income on cash-collateral.

|   | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|---|------------|----------------------------------|----------------------------------|
| <b>Interest expenses</b>  |            |                                  |                                  |
| Financial liabilities held for trading                                |            | (8 935)                          | (7 466)                          |
| Financial liabilities measured at amortised cost, including:          |            | (1 267 172)                      | (199 412)                        |
| - <i>Deposits</i>   |            | (945 775)                        | (39 401)                         |
| - <i>Loans received</i>   |            | (4 224)                          | (3 501)                          |
| - <i>Issue of debt securities</i>                                     |            | (207 819)                        | (111 656)                        |
| - <i>Subordinated liabilities</i>                                     |            | (81 448)                         | (40 616)                         |
| - <i>Other financial liabilities</i>                                  |            | (26 002)                         | (1 907)                          |
| - <i>Lease liabilities</i>  |            | (1 904)                          | (2 331)                          |
| Interest expenses on derivatives classified into banking book         |            | (77 354)                         | -                                |
| Interest expenses on derivatives concluded under the fair value hedge |            | (293 687)                        | -                                |
| Interest expenses on derivatives concluded under the cash flow hedge  |            | (337 454)                        | -                                |
| Other   |            | (22 073)                         | (19 834)                         |
| <b>Total interest expense</b>   |            | <b>(2 006 675)</b>               | <b>(226 712)</b>                 |

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**6. Net fee and commission income**

|  | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|--|------------|----------------------------------|----------------------------------|
| <b>Fee and commission income</b>   |            |                                  |                                  |
| Payment cards-related fees   |            | 470 433                          | 348 988                          |
| Credit-related fees and commissions  |            | 455 238                          | 397 399                          |
| Commissions from currency transactions   |            | 382 920                          | 296 307                          |
| Commissions from bank accounts   |            | 303 860                          | 273 477                          |
| Commissions from money transfers   |            | 165 382                          | 137 037                          |
| Fees from brokerage activity and debt securities issue   |            | 138 666                          | 182 064                          |
| Commissions for agency service regarding sale of insurance products of external financial entities |            | 116 846                          | 96 719                           |
| Commissions due to guarantees granted and trade finance commissions                                |            | 81 403                           | 72 935                           |
| Commissions for agency service regarding sale of other products of external financial entities     |            | 62 017                           | 73 593                           |
| Fees from cash services  |            | 41 133                           | 33 449                           |
| Commissions on trust and fiduciary activities  |            | 25 285                           | 24 343                           |
| Fees from portfolio management services and other management-related fees                          |            | 19 453                           | 20 861                           |
| Other  |            | 43 554                           | 34 023                           |
| <b>Total fee and commission income</b>   |            | <b>2 306 190</b>                 | <b>1 991 195</b>                 |

|  | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|--|------------|----------------------------------|----------------------------------|
| <b>Fee and commission expense</b>                                      |            |                                  |                                  |
| Payment cards-related fees   |            | (217 336)                        | (192 307)                        |
| Commissions paid to external entities for sale of the Group's products |            | (125 935)                        | (124 223)                        |
| Commissions of insurance products                                      |            | (10 938)                         | (11 793)                         |
| Commissions paid for sale of external financial entities' products     |            | (29 012)                         | (23 845)                         |
| Discharged brokerage fees  |            | (27 489)                         | (29 927)                         |
| Cash services  |            | (36 776)                         | (30 709)                         |
| Fees to NBP, KIR and GPW Benchmark                                     |            | (14 703)                         | (12 104)                         |
| Other discharged fees  |            | (168 851)                        | (166 220)                        |
| <b>Total fee and commission expense</b>                                |            | <b>(631 040)</b>                 | <b>(591 128)</b>                 |

**7. Dividend income**

|   | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|---|------------|----------------------------------|----------------------------------|
| Non-trading financial assets mandatorily at fair value through profit or loss |            | 4 213                            | 3 805                            |
| Investments in non-consolidated subsidiaries                                  |            | 900                              | 1 064                            |
| <b>Total dividend income</b>  |            | <b>5 113</b>                     | <b>4 869</b>                     |

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**8. Net trading income**

|   | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|---|------------|----------------------------------|----------------------------------|
| <b>Foreign exchange result</b>  |            | <b>(3 786)</b>                   | <b>110 717</b>                   |
| Net exchange differences on translation                                     |            | (370 029)                        | 3 972                            |
| Net transaction gains / losses  |            | 366 243                          | 106 745                          |
| <b>Gains or losses on financial assets and liabilities held for trading</b> |            | <b>130 864</b>                   | <b>42 816</b>                    |
| Derivatives, including:   |            | 127 431                          | 39 712                           |
| - <i>Interest-bearing instruments</i>                                       |            | 106 044                          | 25 231                           |
| - <i>Market risk instruments</i>  |            | 21 387                           | 14 481                           |
| Equity instruments  |            | (606)                            | -                                |
| Debt securities   |            | 3 797                            | 4 349                            |
| Loans and advances  |            | 242                              | (1 245)                          |
| <b>Gains or losses from hedge accounting</b>                                |            | <b>(56 991)</b>                  | <b>(19 751)</b>                  |
| Net profit on hedged items  |            | 1 421 263                        | 415 440                          |
| Net profit on fair value hedging instruments                                |            | (1 416 757)                      | (429 566)                        |
| Ineffective portion of cash flow hedge                                      |            | (61 497)                         | (5 625)                          |
| <b>Net trading income</b>   |            | <b>70 087</b>                    | <b>133 782</b>                   |

The foreign exchange result includes profit/(loss) on forward contracts, options, futures and recalculated assets and liabilities denominated in foreign currencies. The result on derivative transactions of interest bearing instruments includes the result of swap contracts for interest rates, options and other derivatives. The result of the market risk instruments operations include profit/(loss) on: bond futures, index futures, security options, stock exchange index options, and options on futures contracts as well as the result from securities forward transactions, commodity futures and commodity swaps.

The Group applies fair value hedge accounting and cash flow hedge accounting. Detailed information on hedge accounting are included in Note 16.

The item Ineffective portion of cash flow hedge includes a loss of PLN 63.5 million resulting from the recognition of the impact of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays") on the hedge accounting. More information on this subject is presented in Note 3.

**9. Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss**

|   | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|---|------------|----------------------------------|----------------------------------|
| Equity instruments  |            | (24 794)                         | (88)                             |
| Debt securities   |            | (10 298)                         | 1 178                            |
| Loans and advances  |            | (22 717)                         | (10 519)                         |
| <b>Total gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</b> |            | <b>(57 809)</b>                  | <b>(9 429)</b>                   |

The position Equity instruments in the period from 1 January to 30 September 2022 includes the effect of the change in the valuation of the companies Polski Standard Płatności Sp. z o.o., Krajowa Izba Rozliczeniowa S.A. and Biuro Informacji Kredytowej S.A. The change in valuation was due to an update of the parameters used in the valuation models of these companies resulting mainly from changes in market conditions in comparison to the end of 2021.

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**10. Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss**

|   | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|---|------------|----------------------------------|----------------------------------|
| Gains less losses from derecognition, including:  |            | (57 236)                         | 92 890                           |
| - <i>Financial assets measured at fair value through other comprehensive income</i>   |            | (55 259)                         | 92 330                           |
| - <i>Financial assets at amortised cost</i>   |            | (1 977)                          | 487                              |
| - <i>Financial liabilities at amortised cost</i>  |            | -                                | 73                               |
| Gains less losses related to sale and revaluation of investments in subsidiaries and associates                               |            | -                                | 339                              |
| <b>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</b> |            | <b>(57 236)</b>                  | <b>93 229</b>                    |

**11. Other operating income**

|  | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|--|------------|----------------------------------|----------------------------------|
| Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories |            | 47 737                           | 61 934                           |
| Income from services provided  |            | 11 752                           | 9 005                            |
| Net income from operating lease and right-of-use assets in sublease                                      |            | 6 544                            | 3 747                            |
| Rental income from investment properties   |            | 8                                | 2                                |
| Income from revaluation of investment properties to fair value   |            | 12 862                           | -                                |
| Income due to release of provisions for future commitments   |            | 15 129                           | 8 515                            |
| Income from recovering receivables designated previously as prescribed, remitted or uncollectible        |            | 3 891                            | 2 219                            |
| Income from compensations, penalties and fines received  |            | 328                              | 442                              |
| Net revenues from the sale of an organised part of the company mFinanse S.A.                             |            | 30 600                           | 27 100                           |
| Net revenues from the sale and revaluation of investments in subsidiaries and associates                 |            | 16 699                           | -                                |
| Other  |            | 68 564                           | 51 678                           |
| <b>Total other operating income</b>  |            | <b>214 114</b>                   | <b>164 642</b>                   |

Income from services provided is earned on non-banking activities.

Net income from operating lease consists of income from operating lease, income from right-of-use assets in sublease and related depreciation cost of fixed asset provided by the Group under operating lease and right-of-use assets in sublease, incurred to obtain revenue.

Net income from operating lease and right-of-use assets in sublease generated for the three quarters of 2022 and for the three quarters of 2021 is presented below.

|  | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|--|------------|----------------------------------|----------------------------------|
| <b>Net income from operating lease, including:</b>   |            |                                  |                                  |
| - Income from operating lease  |            | 22 841                           | 20 948                           |
| - Income from right-of-use assets in sublease  |            | 5 220                            | 5 953                            |
| - Depreciation cost of fixed assets provided under operating lease and right-of-use assets in sublease |            | (21 517)                         | (23 154)                         |
| <b>Total net income from operating lease</b>   |            | <b>6 544</b>                     | <b>3 747</b>                     |

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**12. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss**

|  | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|--|------------|----------------------------------|----------------------------------|
| <b>Financial assets at amortised cost, including:</b>  |            | <b>(651 842)</b>                 | <b>(523 472)</b>                 |
| - Debt securities  |            | (758)                            | (1 753)                          |
| <i>Stage 1</i>   |            | (758)                            | (1 753)                          |
| - Loans and advances   |            | (651 084)                        | (521 719)                        |
| <i>Stage 1</i>   |            | 20 436                           | (140 624)                        |
| <i>Stage 2</i>   |            | (35 238)                         | 70 494                           |
| <i>Stage 3</i>   |            | (635 658)                        | (467 360)                        |
| <i>POCI</i>  |            | (624)                            | 15 771                           |
| <b>Financial assets at fair value through other comprehensive income, including:</b>               |            | <b>812</b>                       | <b>(1 458)</b>                   |
| - Debt securities  |            | 812                              | (1 458)                          |
| <i>Stage 1</i>   |            | 224                              | (3 324)                          |
| <i>Stage 2</i>   |            | 588                              | 1 866                            |
| <b>Commitments and guarantees given</b>  |            | <b>16 285</b>                    | <b>(53 310)</b>                  |
| <i>Stage 1</i>   |            | 3 930                            | (7 779)                          |
| <i>Stage 2</i>   |            | 539                              | 22 464                           |
| <i>Stage 3</i>   |            | 6 348                            | (69 456)                         |
| <i>POCI</i>  |            | 5 468                            | 1 461                            |
| <b>Liabilities from the issue of bonds linked to credit risk (CLN bonds)</b>                       |            | <b>11 024</b>                    | <b>-</b>                         |
| <b>Net impairment losses on financial assets not measured at fair value through profit or loss</b> |            | <b>(623 721)</b>                 | <b>(578 240)</b>                 |

In case when exposures are reclassified between stages, impairment on financial assets not measured at fair value through profit or loss is presented without netting, with the entire amount of the existing allowance released in the stage before the reclassification and the entire amount of the created allowance recognized in the stage after the exposure is reclassified.

**13. Overhead costs**

|   | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|---|------------|----------------------------------|----------------------------------|
| Staff-related expenses                                    |            | (881 311)                        | (797 981)                        |
| Material costs, including:                                |            | (557 225)                        | (496 632)                        |
| - <i>costs of administration and real estate services</i> |            | (214 429)                        | (192 040)                        |
| - <i>IT costs</i>   |            | (160 046)                        | (139 212)                        |
| - <i>marketing costs</i>                                  |            | (105 484)                        | (99 316)                         |
| - <i>consulting costs</i>                                 |            | (65 003)                         | (55 378)                         |
| - <i>other material costs</i>                             |            | (12 263)                         | (10 686)                         |
| Taxes and fees  |            | (26 622)                         | (24 813)                         |
| Contributions and transfers to the Bank Guarantee Fund    |            | (245 914)                        | (202 657)                        |
| Contributions to the Borrowers Support Fund               |            | (184 056)                        | -                                |
| Contributions to the Social Benefits Fund                 |            | (11 203)                         | (8 038)                          |
| Institutional Protection Scheme                           |            | (428 071)                        | -                                |
| <b>Total overhead costs</b>                               |            | <b>(2 334 402)</b>               | <b>(1 530 121)</b>               |

In 2022, the Bank, together with other commercial banks, became a participant in the protection scheme referred to in Article 4.1.9a of the Banking Law Act of 29 August 1997 (Banking Law). Accordingly, the Bank credited the aid fund with a total contribution of PLN 428 071 thousand, which was charged to overheads costs.

In addition, by the resolution of the Bank Guarantee Fund Council of 4 May 2022, the obligation to pay the contributions due for 2022 to the mandatory deposit guarantee scheme for banks and branches of foreign banks was suspended until 31 October 2022. Therefore, the Bank Guarantee Fund did not specify the



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amount of contributions to the obligatory deposit guarantee system made by banks and branches of foreign banks due for the second and third quarter of 2022.

On 26 October 2022 the Council of the Bank Guarantee Fund adopted a resolution on the reduction of the target level of funds for the deposit guarantee system in banks. BFG informed that the condition specified in Art. 294 paragraph 1 of the BFG Act with regard to the non-collection of contributions to the Bank Guarantee Fund, was met.

Therefore, in the second and third quarter of 2022, the Bank did not recognise the cost of these contributions in the financial result.

In the third quarter of 2022, the Group also recognised the cost of contributions to the Borrowers Support Fund in the amount of PLN 184 056 thousand. The obligation to pay a contribution to the Borrowers Support Fund in 2022 was introduced by the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers.

Staff-related expenses for the three quarters of 2022 and for the three quarters of 2021 is presented below.

|  | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|--|------------|----------------------------------|----------------------------------|
| Wages and salaries   |            | (705 908)                        | (646 003)                        |
| Social security expenses                                   |            | (127 844)                        | (116 113)                        |
| Employee contributions related to post-employment benefits |            | (756)                            | -                                |
| Remuneration concerning share-based payments, including:   |            | (10 972)                         | (6 505)                          |
| - share-based payments settled in mBank S.A. shares        |            | (10 716)                         | (6 010)                          |
| - cash-settled share-based payments                        |            | (256)                            | (495)                            |
| Other staff expenses                                       |            | (35 831)                         | (29 360)                         |
| <b>Staff-related expenses, total</b>                       |            | <b>(881 311)</b>                 | <b>(797 981)</b>                 |

## 14. Other operating expenses

|  | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|--|------------|----------------------------------|----------------------------------|
| Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories                                      |            | (38 266)                         | (58 397)                         |
| Provisions for future commitments  |            | (215 470)                        | (79 292)                         |
| Costs arising from provisions created for other receivables (excluding loans and advances)   |            | (1 648)                          | (1 468)                          |
| Donations made   |            | (6 150)                          | (4 831)                          |
| Compensation, penalties and fines paid   |            | (2 952)                          | (7 335)                          |
| Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the period        |            | (4 359)                          | (493)                            |
| Direct operating expenses (including repairs and maintenance) arising from investment properties that did not generate rental income during the period |            | -                                | (51)                             |
| Debt collection expenses   |            | (22 103)                         | (26 358)                         |
| Losses on sale and revaluation of investments in subsidiaries and associates   |            | (22 080)                         | -                                |
| Other operating costs  |            | (62 939)                         | (42 155)                         |
| <b>Total other operating expenses</b>  |            | <b>(375 967)</b>                 | <b>(220 380)</b>                 |

The item Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories includes mainly the costs of mLeasing Sp. z o.o. from the sale of leasing items.

For the period ended 30 September 2022, the item Provisions for future commitments includes, among other things, the cost of a provision set up by mFinanse in connection with an inspection of the Social Insurance Institution in the amount of PLN 98 223 thousand (the issue is described in Item 26 of the Selected Explanatory Data), as well as the cost of a provision in the amount of PLN 84 000 thousand for the reimbursement of additional bridge insurance costs charged to customers who were granted mortgage loans for the period before the mortgage was registered in the land register. The obligation to reimburse such costs stems from the amendment to the Law on Mortgage Loan and Supervision of Mortgage Loan Brokers and Agents, which came into effect on 17 September 2022.

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**15. Earnings / (losses) per share**

| the period   | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|--|----------------------------------|----------------------------------|
| <b>Basic:</b>  |                                  |                                  |
| Net profit attributable to Owners of mBank S.A.  | (1 537 207)                      | 452 363                          |
| Weighted average number of ordinary shares   | 42 395 904                       | 42 367 101                       |
| <b>Net basic profit per share (in PLN per share)</b>   | <b>(36.26)</b>                   | <b>10.68</b>                     |
| <b>Diluted:</b>  |                                  |                                  |
| Net profit attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share | (1 537 207)                      | 452 363                          |
| Weighted average number of ordinary shares   | 42 395 904                       | 42 367 101                       |
| Adjustments for:   |                                  |                                  |
| - share options  | 72 390                           | 70 607                           |
| Weighted average number of ordinary shares for calculation of diluted earnings per share               | 42 468 294                       | 42 437 708                       |
| <b>Diluted earnings per share (in PLN per share)</b>   | <b>(36.20)</b>                   | <b>10.66</b>                     |

**16. Financial assets and liabilities held for trading and hedging derivatives****Financial assets held for trading and hedging derivatives**

|  | 30.09.2022       | 31.12.2021       |
|--|------------------|------------------|
| <b>Derivatives, including:</b>   | <b>2 309 677</b> | <b>1 952 028</b> |
| - Derivatives held for trading classified into banking book            | 427 697          | 111 404          |
| - Derivatives held for trading classified into trading book            | 2 172 281        | 1 954 329        |
| - Derivatives designated as fair value hedges                          | 138 251          | 217 809          |
| - Derivatives designated as cash flow hedges                           | 107 133          | 120 789          |
| - Offsetting effect  | (535 685)        | (452 303)        |
| <b>Equity instruments</b>  | <b>5 623</b>     | <b>-</b>         |
| - Non-financial corporations   | 5 623            | -                |
| <b>Debt securities</b>   | <b>1 057 805</b> | <b>596 622</b>   |
| - General governments, including:                                      | 718 434          | 248 906          |
| <i>pledged securities</i>  | 233 262          | 72 888           |
| - Credit institutions  | 50 432           | 27 459           |
| - Other financial corporations   | 106 591          | 141 329          |
| - Non-financial corporations   | 182 348          | 178 928          |
| <b>Loans and advances</b>  | <b>37 275</b>    | <b>40 426</b>    |
| - Corporate customers  | 37 275           | 40 426           |
| <b>Total financial assets held for trading and hedging derivatives</b> | <b>3 410 380</b> | <b>2 589 076</b> |

The above note includes government bonds and treasury bills subject to pledge in sell/buy back transactions.

**Financial liabilities held for trading and hedging derivatives**

|   | 30.09.2022       | 31.12.2021       |
|---|------------------|------------------|
| Derivatives, including:   | 2 553 224        | 1 926 408        |
| - Derivatives held for trading classified into banking book                 | 799 948          | 352 464          |
| - Derivatives held for trading classified into trading book                 | 2 187 324        | 1 886 280        |
| - Derivatives designated as fair value hedges                               | 2 490 096        | 1 057 232        |
| - Derivatives designated as cash flow hedges                                | 896 228          | 541 315          |
| - Offsetting effect   | (3 820 372)      | (1 910 883)      |
| Liabilities from short sale of securities                                   | 453 034          | 84 774           |
| <b>Total financial liabilities held for trading and hedging derivatives</b> | <b>3 006 258</b> | <b>2 011 182</b> |

## Derivative financial instruments

The Group has the following types of derivative instruments:

Forward currency transactions represent commitments to purchase foreign and local currencies, including outstanding spot transactions.

Futures for currencies and interest rates are contractual commitments to receive or pay a specific net value, depending on currency rate of exchange or interest rate variations, or to buy or sell a foreign currency or a financial instrument on a specified future date for a fixed price established on the organised financial market. Because futures contracts are collateralised with cash or fair-valued securities and the changes of the face value of such contracts are accounted for daily in reference to stock exchange quotations, the credit risk is marginal.

FRA contracts are similar to futures except that each FRA is negotiated individually and each requires payment on a specific future date of the difference between the interest rate set in the agreement and the current market rate on the basis of theoretical amount of capital.

Currency and interest rate swap contracts are commitments to exchange one cash flow for another. Such a transaction results in swap of currencies or interest rates (e.g. fixed to variable interest rate) or combination of all these factors (e.g. cross-currency interest rate swaps – CIRS). Except from currency swaps there is no exchange of principal at the origin and maturity of the transaction. The credit risk of the Group consists of the potential cost of replacing swap contracts if the parties fail to discharge their liabilities. This risk is monitored daily by reference to the current fair value, proportion of the face value of the contracts and market liquidity. The Group evaluates the parties to such contracts using the same methods as for its credit business, to control the level of its credit exposure.

Currency and interest rate options are agreements, pursuant to which the selling party grants the buying party the right, but not an obligation, to purchase (call option) or sell (put option) a specific quantity of a foreign currency or a financial instrument at a predefined price on or by a specific date or within an agreed period. In return for accepting currency or interest rate risk, the buyer offers the seller a premium. An option can be either a public instrument traded at a stock exchange or a private instrument negotiated between the Group and a customer (private transaction). The Group is exposed to credit risk related to purchased options only up to the balance sheet value of such options, i.e. the fair value of the options.

Market risk transactions include futures contracts as well as commodity options, stock options and index options.

Face values of certain types of financial instruments provide a basis for comparing them to instruments disclosed in the statement of financial position but they may not be indicative of the value of the future cash flows or of the present fair value of such instruments. For this reason, the face values do not indicate the level of the Group's exposure to credit risk or price change risk. Derivative instruments can have positive value (assets) or negative value (liabilities), depending on market interest or currency exchange rate fluctuations. The aggregate fair value of derivative financial instruments may be subject to strong variations.

## Hedge accounting

The Group applies fair value hedge accounting and cash flow hedge accounting. Detailed information on hedge accounting are presented below.

In accordance with the IFRS9 provisions, only on the day of initial application the Group had the opportunity to choose as its accounting policy element to continue to apply the IAS 39 hedge accounting requirements instead of the IFRS 9 requirements.

The Group decided to continue from 1 January 2018, to apply the hedge accounting requirements in accordance with IAS 39. These requirements were consistently applied until 30 June 2022. Starting 1 July 2022 the Group applies the IFRS 9 hedge accounting requirements with the exception described below.

The fair value portfolio hedges of interest rate risk, where the hedged item is designated as portion that is a currency amount, continue to be accounted for in line with IAS 39 requirements.

The Group determines the hedge ratio based on the nominal value of the hedged item and hedging instrument and it is 1:1 (except for mortgage bonds issued by mBank Hipoteczny (mBH) at mBank Group hedging relationship, for which the hedged ratio was determined based on BPV (Basis Point Value) and the fair value hedge of loan portfolios granted by mBank's Czech Branch, where the nominal value of hedging instruments is determined at an amount lower than the nominal value of the hedged item in order to take into account the risk of prepayment).

The sources of hedge ineffectiveness for hedging relationships for which the ineffectiveness arises include mismatch of cash flow dates and repricing periods, base mismatch (e.g. different WIBOR), nominal

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mismatch in case when the hedge ratio is different than 1:1, CVA/DVA mismatch which is in hedging instrument and is not in hedged instrument and mismatch due to initial valuation of hedging instruments if a previously acquired derivative was included in hedging relationship.

### **Fair value hedge accounting**

The Group applies fair value hedge accounting, under which the only kind of hedged risk is the risk of changes in interest rates.

At the end of each month, the Group evaluates effectiveness of the applied hedging by carrying out analysis of changes in fair value of the hedged and hedging instruments in respect of the hedged risk in order to confirm that hedging relationships are effective.

#### Description of the hedging relation

The Group hedges against the risk of change in fair value:

- fixed interest rate eurobonds issued by mFinance France S.A. (mFF), subsidiary of mBank, acquired by the Bank in the substitution process. The hedged risk results from changes in interest rates,
- mortgage bonds issued by mBank Hipoteczny (mBH), a subsidiary of mBank. The hedged risk results from changes in interest rates,
- fixed interest rate loans received by mBank from European Investment Bank. The hedged risk results from changes in interest rates,
- fixed interest bonds issued by mBank. The hedged risk results from changes in interest rates,
- senior non-preferred bonds issued by mBank – fixed interest rate during five years since the issue date. The hedged risk results from changes in interest rates,
- part of the fixed interest rate mortgage portfolio granted by mBank's foreign branch in the Czech Republic. The hedged risk results from changes in interest rates,
- part of the portfolio of deposits modelled by the Bank in PLN with economic characteristics of fixed rate deposits. The hedged risk results from changes in interest rates,
- part of the fixed interest rate mortgage portfolio granted by mBank Hipoteczny. The hedged risk results from changes in interest rates.

#### Hedged items

The hedged items are:

- one tranche of fixed interest rate eurobonds issued by mFF, acquired by the Bank in the substitution process, with a total nominal value of CHF 200 000 thousand,
- fixed interest rate mortgage bonds issued by mBH with a nominal value of EUR 426 900 thousand,
- fixed interest rate loans received by mBank from European Investment Bank with a nominal value of CHF 113 110 thousand, CHF 175 560 thousand and CHF 138 388 thousand,
- fixed rate bonds issued by mBank S.A. with a nominal value of CHF 125 000 thousand,
- senior non-preferred bonds issued by mBank S.A., fixed rate during five years since the issue date, with nominal value of EUR 500 000 thousand,
- part of the fixed interest rate mortgage portfolio, denominated in CZK, granted by mBank's foreign branch in the Czech Republic,
- part of the portfolio of deposits modelled by the Bank in PLN with economic characteristics of fixed rate deposits,
- part of the fixed interest rate mortgage portfolio, granted by mBank Hipoteczny.

#### Hedging instruments

IRS and Overnight Index Swap are the hedging instruments swapping the fixed interest rate for a variable interest rate.

#### Presentation of the result from hedged and hedging transactions

Fair value adjustment of the hedged assets and liabilities as well as valuation of the hedging instruments are recognised in the income statement as trading income, with the exception of interest income and costs of the interest element of the valuation of hedging instruments, which are presented in the item Interest income / expense on derivatives concluded under the fair value hedge.

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### The total result of fair value hedge accounting recognised in the income statement

|   | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|---|------------|----------------------------------|----------------------------------|
| Interest income / expense on derivatives concluded under the fair value hedge accounting (Note 5) |            | (293 687)                        | 85 519                           |
| Net profit on hedged items (Note 8)   |            | 1 421 263                        | 415 440                          |
| Net profit on fair value hedging instruments (Note 8)   |            | (1 416 757)                      | (429 566)                        |
| <b>The total results of fair value hedge accounting recognised in the income statement</b>        |            | <b>(289 181)</b>                 | <b>71 393</b>                    |

### Cash flow hedge accounting

#### Cash flow hedge accounting of the part of loans at a variable interest rate indexed to the market rate portfolio, granted by the Bank

The Group applies cash flow hedge accounting of the part of loans at a variable interest rate indexed to the market rate portfolio, granted by the Bank. An Interest Rate Swap is the hedging instrument changing the variable interest rate to a fixed interest rate. The interest rate risk is the hedged risk within applied by the Group cash flow hedge accounting. The ineffective portion of the gains or losses on the hedging instrument is presented in Note 8 in the position Other net trading income and result on hedge accounting. Portion of the gains or losses on the hedging instrument that is an effective hedge, is presented in the statement of comprehensive income as "Cash flow hedges (net)".

The period from October 2022 to August 2029 is the period in which the cash flows are expected, and when they are expected to have an impact on the result.

#### Cash flow hedges in relation to mortgage loans and mortgage bonds issued by mBank Hipoteczny

The Group applies hedge accounting with respect to cash flows of the portfolio of mortgage loans denominated in PLN and mortgage bonds denominated in EUR issued by mBank Hipoteczny. The purpose of the hedging strategy is to eliminate the risk of volatility of cash flows generated by mortgage loans in PLN due to changes in reference interest rates and mortgage bonds denominated in a convertible currency due to exchange rate changes using currency interest rate swaps (CIRS).

As part of hedge accounting, the Group designates a hedged item consisting of:

- parts of the portfolio of housing loans for retail customers entered in the collateral register for mortgage covered bonds, denominated in PLN with an interest rate indexed to 3M WIBOR, the loan margin is excluded from collateral,
- mortgage bonds issued by the mBank Hipoteczny in EUR with a fixed interest rate.

As hedging instruments, the Group uses CIRS derivative transactions in which, as a party to the transaction, it pays variable interest flows in PLN increased by a margin and receives fixed interest rates in EUR and the denominations are exchanged at the beginning and at the end of the transaction. As transactions concluded by a mortgage bank, CIRS transactions are subject to entry in the register of covered bond collateral. In addition, if the bank's bankruptcy is announced by the court, it will not be immediately terminated, it will last until the end of the original maturity on the conditions specified on the date of the transaction (they will not be extended beyond the original maturity).

The Group hedges the interest rate risk and currency risk within one economic relationship between the concluded CIRS transactions and part of the loan portfolio in PLN and mortgage bonds financing them in EUR. For the purposes of cash flow hedge accounting, the Group simultaneously establishes two hedging relationships:

- by decomposing the part of the actual CIRS transaction securing the portfolio of loans in PLN with a variable interest rate (hedging against interest rate risk) and,
- by decomposing the actual portion of the CIRS transaction securing the liability in EUR (hedging against currency risk).

For the purpose of calculating changes in the fair value of future cash flows of items being hedged, the Group uses the "hypothetical derivative" method, which assumes the possibility of reflecting the hedged item and the characteristics of the risk being hedged in the form of a derivative. The valuation principles are analogous to the principles for the valuation of interest rate derivatives, however, as required by the IFRS 9, features that do not exist in the hedged item, such as currency basis spread, are not included in the valuation.

Due to the fact that currency basis spread needs to be included in valuation of CIRS contracts, the Group applies the option in IFRS 9 to separate this element from the fair value of hedging instruments and defers it in "Other components of equity" in the line "Cost of hedging".

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In the case of established relationships, the period in which cash flows are expected and when they should be expected to influence the results is the period from October 2022 to September 2025.

The following note presents other comprehensive income due to cash flow hedges for the period from 1 January to 30 September 2022 and for the period from 1 January to 30 September 2021.

|  | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|--|------------|----------------------------------|----------------------------------|
| <b>Other gross comprehensive income from cash flow hedge at the beginning of the period</b>        |            | <b>(617 534)</b>                 | <b>517 444</b>                   |
| Unrealised gains / losses included in other gross comprehensive income during the reporting period |            | (770 519)                        | (291 759)                        |
| The amount transferred in the period from comprehensive income to profit and loss                  |            | 256 334                          | (166 513)                        |
| - <i>net interest income</i>   |            | 337 454                          | (161 083)                        |
| - <i>foreign exchange result</i>   |            | (81 120)                         | (5 430)                          |
| <b>Accumulated other gross comprehensive income at the end of the reporting period</b>             |            | <b>(1 131 719)</b>               | <b>59 172</b>                    |
| Deferred income tax on accumulated other comprehensive income at the end of the reporting period   |            | 215 027                          | (11 242)                         |
| <b>Accumulated other net comprehensive income at the end of the reporting period</b>               |            | <b>(916 692)</b>                 | <b>47 930</b>                    |
| Impact on other comprehensive income in the reporting period (gross)                               |            | (514 185)                        | (458 272)                        |
| Deferred tax on cash flow hedges   |            | 97 695                           | 87 072                           |
| <b>Impact on other comprehensive income in the reporting period (net)</b>                          |            | <b>(416 490)</b>                 | <b>(371 200)</b>                 |

|  | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|--|------------|----------------------------------|----------------------------------|
| <b>Gains / losses recognised in comprehensive income (gross) during the reporting period, including:</b>           |            |                                  |                                  |
| Unrealised gains / losses included in other comprehensive income (gross)   |            | (514 185)                        | (458 272)                        |
| Results of cash flow hedge accounting recognised in the income statement   |            | (317 831)                        | 160 888                          |
| - <i>amount included as interest income / expense in income statement during the reporting period (Note 5)</i>     |            | (337 454)                        | 161 083                          |
| - <i>ineffective portion of hedge recognised included in other net trading income in income statement (Note 8)</i> |            | (61 497)                         | (5 625)                          |
| - <i>foreign exchange result</i>   |            | 81 120                           | 5 430                            |
| <b>Impact on other comprehensive income in the reporting period (gross)</b>  |            | <b>(832 016)</b>                 | <b>(297 384)</b>                 |

**17. Non-trading financial assets mandatorily at fair value through profit or loss**

|  | 30.09.2022       | 31.12.2021       |
|--|------------------|------------------|
| <b>Equity instruments</b>  | <b>174 101</b>   | <b>224 389</b>   |
| - Other financial corporations   | 122 137          | 164 823          |
| - Non-financial corporations   | 51 964           | 59 566           |
| <b>Debt securities</b>   | <b>43 308</b>    | <b>81 128</b>    |
| - Other financial corporations   | 43 308           | 81 128           |
| <b>Loans and advances</b>  | <b>892 459</b>   | <b>1 111 674</b> |
| - Individual customers   | 761 264          | 948 636          |
| - Corporate customers  | 131 147          | 162 898          |
| - Public sector customers  | 48               | 140              |
| <b>Total non-trading financial assets mandatorily at fair value through profit or loss</b> | <b>1 109 868</b> | <b>1 417 191</b> |
| Short-term (up to 1 year)  | 756 763          | 940 089          |
| Long-term (over 1 year)  | 353 105          | 477 102          |

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**18. Financial assets at fair value through other comprehensive income**

| 30.09.2022   | Carrying amount   | Gross carrying amount including valuation to fair value |         |         |      | Accumulated impairment |         |         |      |
|--|-------------------|---|---------|---------|------|------------------------|---------|---------|------|
|  |                   | Stage 1   | Stage 2 | Stage 3 | POCI | Stage 1                | Stage 2 | Stage 3 | POCI |
| <b>Debt securities</b>   | <b>20 726 003</b> | <b>20 733 991</b>                                       | -       | -       | -    | <b>(7 988)</b>         | -       | -       | -    |
| - Central banks  | 9 987             | 9 989   | -       | -       | -    | (2)                    | -       | -       | -    |
| - General governments, including:  | 18 263 513        | 18 266 432  | -       | -       | -    | (2 919)                | -       | -       | -    |
| <i>pledged securities</i>  | 647 871           | 647 871   | -       | -       | -    | -                      | -       | -       | -    |
| - Credit institutions  | 342 963           | 343 326   | -       | -       | -    | (363)                  | -       | -       | -    |
| - Other financial institutions, including:                                     | 1 419 954         | 1 420 613   | -       | -       | -    | (659)                  | -       | -       | -    |
| <i>pledged securities</i>  | 386 739           | 386 739   | -       | -       | -    | -                      | -       | -       | -    |
| - Non-financial corporations   | 689 586           | 693 631   | -       | -       | -    | (4 045)                | -       | -       | -    |
| <b>Total financial assets at fair value through other comprehensive income</b> | <b>20 726 003</b> | <b>20 733 991</b>                                       | -       | -       | -    | <b>(7 988)</b>         | -       | -       | -    |

|                                 |           |
|---------------------------------|-----------|
| Short-term (up to 1 year) gross | 6 609 754 |
|---------------------------------|-----------|

|                               |            |
|-------------------------------|------------|
| Long-term (over 1 year) gross | 14 124 237 |
|-------------------------------|------------|

| 31.12.2021   | Carrying amount   | Gross carrying amount including valuation to fair value |               |         |      | Accumulated impairment |              |         |      |
|--|-------------------|---|---------------|---------|------|------------------------|--------------|---------|------|
|  |                   | Stage 1   | Stage 2       | Stage 3 | POCI | Stage 1                | Stage 2      | Stage 3 | POCI |
| <b>Debt securities</b>   | <b>36 206 059</b> | <b>36 170 934</b>                                       | <b>43 948</b> | -       | -    | <b>(8 235)</b>         | <b>(588)</b> | -       | -    |
| - Central banks  | 8 495 243         | 8 496 392   | -             | -       | -    | (1 149)                | -            | -       | -    |
| - General governments, including:  | 25 251 680        | 25 255 273  | -             | -       | -    | (3 593)                | -            | -       | -    |
| <i>pledged securities</i>  | 644 292           | 644 292   | -             | -       | -    | -                      | -            | -       | -    |
| - Credit institutions  | 230 663           | 230 836   | -             | -       | -    | (173)                  | -            | -       | -    |
| - Other financial institutions, including:                                     | 1 642 579         | 1 600 096   | 43 948        | -       | -    | (877)                  | (588)        | -       | -    |
| <i>pledged securities</i>  | 107 957           | 107 957   | -             | -       | -    | -                      | -            | -       | -    |
| - Non-financial corporations   | 585 894           | 588 337   | -             | -       | -    | (2 443)                | -            | -       | -    |
| <b>Total financial assets at fair value through other comprehensive income</b> | <b>36 206 059</b> | <b>36 170 934</b>                                       | <b>43 948</b> | -       | -    | <b>(8 235)</b>         | <b>(588)</b> | -       | -    |

|                                 |            |
|---------------------------------|------------|
| Short-term (up to 1 year) gross | 15 609 611 |
|---------------------------------|------------|

|                               |            |
|-------------------------------|------------|
| Long-term (over 1 year) gross | 20 605 271 |
|-------------------------------|------------|

The above note includes government bonds pledged under the Bank Guarantee Fund (BFG) and government bonds pledged as collateral for the loans received from the European Investment Bank (EIB).

The above note also includes bonds issued by EIB that are pledged in relation to the securitization transaction described in the Note 24.



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**Movements in expected credit losses allowance on financial assets at fair value through other comprehensive income**

| Change from 1 January to 30 September 2022     | As at the beginning of the period | Transfer to Stage 1 | Transfer to Stage 2 | Transfer to Stage 3 | New financial assets originated or purchased | Financial assets derecognised during the period | Changes in credit risk | Other movements | As at the end of the period |
|--|-----------------------------------|---------------------|---------------------|---------------------|--|---|------------------------|-----------------|-----------------------------|
| <b>Debt securities</b>                         | <b>(8 823)</b>                    | -                   | -                   | -                   | <b>(4 769)</b>                               | <b>6 591</b>                                    | <b>(1 010)</b>         | <b>23</b>       | <b>(7 988)</b>              |
| Stage 1  | (8 235)                           | -                   | -                   | -                   | (4 769)                                      | 6 003   | (1 010)                | 23              | (7 988)                     |
| Stage 2  | (588)                             | -                   | -                   | -                   | -  | 588   | -                      | -               | -                           |
| <b>Expected credit losses allowance, total</b> | <b>(8 823)</b>                    | -                   | -                   | -                   | <b>(4 769)</b>                               | <b>6 591</b>                                    | <b>(1 010)</b>         | <b>23</b>       | <b>(7 988)</b>              |

| Change from 1 January to 31 December 2021      | As at the beginning of the period | Transfer to Stage 1 | Transfer to Stage 2 | Transfer to Stage 3 | New financial assets originated or purchased | Financial assets derecognised during the period | Changes in credit risk | Other movements | As at the end of the period |
|--|-----------------------------------|---------------------|---------------------|---------------------|--|---|------------------------|-----------------|-----------------------------|
| <b>Debt securities</b>                         | <b>(5 665)</b>                    | -                   | -                   | -                   | <b>(11 956)</b>                              | <b>9 180</b>                                    | <b>(382)</b>           | -               | <b>(8 823)</b>              |
| Stage 1  | (3 754)                           | (125)               | 327                 | -                   | (11 956)                                     | 6 868   | 405                    | -               | (8 235)                     |
| Stage 2  | (1 911)                           | 125                 | (327)               | -                   | -  | 2 312   | (787)                  | -               | (588)                       |
| <b>Expected credit losses allowance, total</b> | <b>(5 665)</b>                    | -                   | -                   | -                   | <b>(11 956)</b>                              | <b>9 180</b>                                    | <b>(382)</b>           | -               | <b>(8 823)</b>              |

**Explanation of changes in the financial instruments gross carrying amount impacting the changes on expected credit losses allowance**

| Change from 1 January to 30 September 2022 | As at the beginning of the period | Transfer to Stage 1 | Transfer to Stage 2 | Transfer to Stage 3 | New financial assets originated or purchased | Financial assets derecognised during the period | Other movements  | As at the end of the period |
|--|-----------------------------------|---------------------|---------------------|---------------------|--|---|------------------|-----------------------------|
| <b>Debt securities</b>                     | <b>36 214 882</b>                 | -                   | -                   | -                   | <b>516 061</b>                               | <b>(15 689 305)</b>                             | <b>(307 647)</b> | <b>20 733 991</b>           |
| Stage 1                                    | 36 170 934                        | -                   | -                   | -                   | 516 061                                      | (15 645 357)                                    | (307 647)        | 20 733 991                  |
| Stage 2                                    | 43 948                            | -                   | -                   | -                   | -  | (43 948)  | -                | -                           |
| <b>Gross carrying amount, total</b>        | <b>36 214 882</b>                 | -                   | -                   | -                   | <b>516 061</b>                               | <b>(15 689 305)</b>                             | <b>(307 647)</b> | <b>20 733 991</b>           |

| Change from 1 January to 31 December 2021 | As at the beginning of the period | Transfer to Stage 1 | Transfer to Stage 2 | Transfer to Stage 3 | New financial assets originated or purchased | Financial assets derecognised during the period | Other movements | As at the end of the period |
|---|-----------------------------------|---------------------|---------------------|---------------------|--|---|-----------------|-----------------------------|
| <b>Debt securities</b>                    | <b>35 503 726</b>                 | -                   | -                   | -                   | <b>17 565 388</b>                            | <b>(17 062 393)</b>                             | <b>208 161</b>  | <b>36 214 882</b>           |
| Stage 1                                   | 35 392 158                        | -                   | (43 749)            | -                   | 17 565 388                                   | (16 950 825)                                    | 207 962         | 36 170 934                  |
| Stage 2                                   | 111 568                           | -                   | 43 749              | -                   | -  | (111 568)                                       | 199             | 43 948                      |
| <b>Gross carrying amount, total</b>       | <b>35 503 726</b>                 | -                   | -                   | -                   | <b>17 565 388</b>                            | <b>(17 062 393)</b>                             | <b>208 161</b>  | <b>36 214 882</b>           |

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**19. Financial assets at amortised cost**

| 30.09.2022                                      | Carrying amount    | Gross carrying amount |                  |                  |                | Accumulated impairment |                  |                    |               |
|---|--------------------|-----------------------|------------------|------------------|----------------|------------------------|------------------|--------------------|---------------|
|   |                    | Stage 1               | Stage 2          | Stage 3          | POCI           | Stage 1                | Stage 2          | Stage 3            | POCI          |
| <b>Debt securities</b>                          | <b>19 056 147</b>  | <b>19 058 951</b>     | -                | -                | -              | <b>(2 804)</b>         | -                | -                  | -             |
| - General governments, including:               | 13 498 379         | 13 500 451            | -                | -                | -              | (2 072)                | -                | -                  | -             |
| <i>pledged securities</i>                       | 1 132 489          | 1 132 489             | -                | -                | -              | -                      | -                | -                  | -             |
| - Credit institutions                           | 2 130 849          | 2 131 178             | -                | -                | -              | (329)                  | -                | -                  | -             |
| - Other financial corporations, including:      | 3 426 919          | 3 427 322             | -                | -                | -              | (403)                  | -                | -                  | -             |
| <i>pledged securities</i>                       | 567 711            | 567 711               | -                | -                | -              | -                      | -                | -                  | -             |
| <b>Loans and advances to banks</b>              | <b>9 654 087</b>   | <b>9 502 351</b>      | <b>153 995</b>   | -                | -              | <b>(581)</b>           | <b>(1 678)</b>   | -                  | -             |
| <b>Loans and advances to customers</b>          | <b>124 750 076</b> | <b>114 526 413</b>    | <b>8 574 573</b> | <b>4 836 239</b> | <b>200 354</b> | <b>(418 671)</b>       | <b>(384 891)</b> | <b>(2 671 265)</b> | <b>87 324</b> |
| Individual customers                            | 70 786 035         | 66 459 879            | 3 773 796        | 2 443 053        | 121 771        | (224 025)              | (273 051)        | (1 521 276)        | 5 888         |
| Corporate customers                             | 53 836 593         | 47 938 991            | 4 800 777        | 2 392 116        | 78 583         | (194 281)              | (111 840)        | (1 149 189)        | 81 436        |
| Public sector customers                         | 127 448            | 127 543               | -                | 1 070            | -              | (365)                  | -                | (800)              | -             |
| <b>Total financial assets at amortised cost</b> | <b>153 460 310</b> | <b>143 087 715</b>    | <b>8 728 568</b> | <b>4 836 239</b> | <b>200 354</b> | <b>(422 056)</b>       | <b>(386 569)</b> | <b>(2 671 265)</b> | <b>87 324</b> |
| Short-term (up to 1 year) gross                 | 51 928 210         |                       |                  |                  |                |                        |                  |                    |               |
| Long-term (over 1 year) gross                   | 104 924 666        |                       |                  |                  |                |                        |                  |                    |               |

| 31.12.2021                                      | Carrying amount    | Gross carrying amount |                  |                  |                | Accumulated impairment |                  |                    |               |
|---|--------------------|-----------------------|------------------|------------------|----------------|------------------------|------------------|--------------------|---------------|
|   |                    | Stage 1               | Stage 2          | Stage 3          | POCI           | Stage 1                | Stage 2          | Stage 3            | POCI          |
| <b>Debt securities</b>                          | <b>16 164 103</b>  | <b>16 166 149</b>     | -                | -                | -              | <b>(2 046)</b>         | -                | -                  | -             |
| - General governments, including:               | 11 517 053         | 11 518 593            | -                | -                | -              | (1 540)                | -                | -                  | -             |
| <i>pledged securities</i>                       | 1 361 945          | 1 361 945             | -                | -                | -              | -                      | -                | -                  | -             |
| - Credit institutions                           | 2 172 167          | 2 172 454             | -                | -                | -              | (287)                  | -                | -                  | -             |
| - Other financial corporations, including:      | 2 474 883          | 2 475 102             | -                | -                | -              | (219)                  | -                | -                  | -             |
| <i>pledged securities</i>                       | 462 075            | 462 075               | -                | -                | -              | -                      | -                | -                  | -             |
| <b>Loans and advances to banks</b>              | <b>7 229 681</b>   | <b>7 230 664</b>      | -                | -                | -              | <b>(983)</b>           | -                | -                  | -             |
| <b>Loans and advances to customers</b>          | <b>116 902 754</b> | <b>109 282 960</b>    | <b>6 223 882</b> | <b>4 339 863</b> | <b>234 159</b> | <b>(434 872)</b>       | <b>(346 255)</b> | <b>(2 440 501)</b> | <b>43 518</b> |
| Individual customers                            | 70 391 454         | 67 884 443            | 2 038 199        | 2 231 602        | 141 139        | (249 886)              | (203 492)        | (1 459 152)        | 8 601         |
| Corporate customers                             | 46 359 179         | 41 246 748            | 4 185 683        | 2 107 192        | 93 020         | (184 825)              | (142 763)        | (980 793)          | 34 917        |
| Public sector customers                         | 152 121            | 151 769               | -                | 1 069            | -              | (161)                  | -                | (556)              | -             |
| <b>Total financial assets at amortised cost</b> | <b>140 296 538</b> | <b>132 679 773</b>    | <b>6 223 882</b> | <b>4 339 863</b> | <b>234 159</b> | <b>(437 901)</b>       | <b>(346 255)</b> | <b>(2 440 501)</b> | <b>43 518</b> |
| Short-term (up to 1 year) gross                 | 43 706 225         |                       |                  |                  |                |                        |                  |                    |               |
| Long-term (over 1 year) gross                   | 99 771 452         |                       |                  |                  |                |                        |                  |                    |               |

The above note includes government bonds pledged under BFG, securities pledged as sell/buy back transactions, government bonds pledged as collateral for the loans received from EIB.

The above note also includes bonds issued by EIB that are pledged in relation to the securitization transaction described in the Note 24.

The item Loans and advances granted to individual clients also includes loans granted to microenterprises serviced by mBank S.A. Retail Banking.

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**Loans and advances to customers**

| Loans and advances to customers<br>30.09.2022   | Gross carrying amount | including:           |                     |                  |
|---|-----------------------|----------------------|---------------------|------------------|
|   |                       | Individual customers | Corporate customers | Public customers |
| Current accounts                                | 15 434 633            | 8 232 547            | 7 196 485           | 5 601            |
| Term loans, including:                          | 92 154 679            | 64 150 194           | 27 881 473          | 123 012          |
| - housing and mortgage loans to natural persons | 49 359 295            | 49 359 295           |                     |                  |
| Reverse repo or buy/sell back                   | 2 868 613             | -                    | 2 868 613           | -                |
| Finance leases                                  | 13 460 303            | -                    | 13 460 303          | -                |
| Other loans and advances                        | 3 668 319             | -                    | 3 668 319           | -                |
| Other receivables                               | 551 032               | 415 758              | 135 274             | -                |
| <b>Total gross carrying amount</b>              | <b>128 137 579</b>    | <b>72 798 499</b>    | <b>55 210 467</b>   | <b>128 613</b>   |

| Loans and advances to customers<br>30.09.2022   | Accumulated impairment | including:           |                     |                  |
|---|------------------------|----------------------|---------------------|------------------|
|   |                        | Individual customers | Corporate customers | Public customers |
| Current accounts                                | (856 872)              | (702 121)            | (154 740)           | (11)             |
| Term loans, including:                          | (2 012 564)            | (1 310 343)          | (701 067)           | (1 154)          |
| - housing and mortgage loans to natural persons | (552 086)              | (552 086)            |                     |                  |
| Finance leases                                  | (470 198)              | -                    | (470 198)           | -                |
| Other loans and advances                        | (44 614)               | -                    | (44 614)            | -                |
| Other receivables                               | (3 255)                | -                    | (3 255)             | -                |
| <b>Total accumulated impairment</b>             | <b>(3 387 503)</b>     | <b>(2 012 464)</b>   | <b>(1 373 874)</b>  | <b>(1 165)</b>   |

|                                    |                    |                   |                   |                |
|------------------------------------|--------------------|-------------------|-------------------|----------------|
| <b>Total gross carrying amount</b> | <b>128 137 579</b> | <b>72 798 499</b> | <b>55 210 467</b> | <b>128 613</b> |
| Total accumulated impairment       | (3 387 503)        | (2 012 464)       | (1 373 874)       | (1 165)        |
| <b>Total carrying amount</b>       | <b>124 750 076</b> | <b>70 786 035</b> | <b>53 836 593</b> | <b>127 448</b> |

|                                 |            |
|---------------------------------|------------|
| Short-term (up to 1 year) gross | 39 598 234 |
| Long-term (over 1 year) gross   | 88 539 345 |

| Loans and advances to customers<br>31.12.2021   | Gross carrying amount | including:           |                     |                  |
|---|-----------------------|----------------------|---------------------|------------------|
|   |                       | Individual customers | Corporate customers | Public customers |
| Current accounts                                | 13 231 330            | 7 922 189            | 5 307 704           | 1 437            |
| Term loans, including:                          | 89 597 975            | 63 986 776           | 25 459 798          | 151 401          |
| - housing and mortgage loans to natural persons | 49 819 031            | 49 819 031           |                     |                  |
| Reverse repo or buy/sell back                   | 187 630               | -                    | 187 630             | -                |
| Finance leases                                  | 13 002 698            | -                    | 13 002 698          | -                |
| Other loans and advances                        | 3 661 169             | -                    | 3 661 169           | -                |
| Other receivables                               | 400 062               | 386 418              | 13 644              | -                |
| <b>Total gross carrying amount</b>              | <b>120 080 864</b>    | <b>72 295 383</b>    | <b>47 632 643</b>   | <b>152 838</b>   |

| Loans and advances to customers<br>31.12.2021   | Accumulated impairment | including:           |                     |                  |
|---|------------------------|----------------------|---------------------|------------------|
|   |                        | Individual customers | Corporate customers | Public customers |
| Current accounts                                | (841 689)              | (669 456)            | (172 229)           | (4)              |
| Term loans, including:                          | (1 849 134)            | (1 234 473)          | (613 948)           | (713)            |
| - housing and mortgage loans to natural persons | (457 412)              | (457 412)            |                     |                  |
| Finance leases                                  | (425 486)              | -                    | (425 486)           | -                |
| Other loans and advances                        | (61 801)               | -                    | (61 801)            | -                |
| <b>Total accumulated impairment</b>             | <b>(3 178 110)</b>     | <b>(1 903 929)</b>   | <b>(1 273 464)</b>  | <b>(717)</b>     |

|                                    |                    |                   |                   |                |
|------------------------------------|--------------------|-------------------|-------------------|----------------|
| <b>Total gross carrying amount</b> | <b>120 080 864</b> | <b>72 295 383</b> | <b>47 632 643</b> | <b>152 838</b> |
| Total accumulated impairment       | (3 178 110)        | (1 903 929)       | (1 273 464)       | (717)          |
| <b>Total carrying amount</b>       | <b>116 902 754</b> | <b>70 391 454</b> | <b>46 359 179</b> | <b>152 121</b> |

|                                 |            |
|---------------------------------|------------|
| Short-term (up to 1 year) gross | 35 889 157 |
| Long-term (over 1 year) gross   | 84 191 707 |

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**The currency structure of housing and mortgage loans granted to natural persons**

|   | 30.09.2022        | 31.12.2021        |
|---|-------------------|-------------------|
| <b>Net housing and mortgage loans to natural persons (in PLN thousand), including:</b>                        | <b>48 807 209</b> | <b>49 361 619</b> |
| - PLN   | 31 801 871        | 30 388 783        |
| - CHF   | 7 016 986         | 9 063 602         |
| - EUR   | 4 280 785         | 4 307 671         |
| - CZK   | 5 496 661         | 5 407 924         |
| - USD   | 195 670           | 174 919           |
| - Other   | 15 236            | 18 720            |
| <b>Net housing and mortgage loans to natural persons in original currencies (main currencies in thousand)</b> |                   |                   |
| - PLN   | 31 801 871        | 30 388 783        |
| - CHF   | 1 383 639         | 2 037 497         |
| - EUR   | 879 047           | 936 572           |
| - CZK   | 27 760 914        | 29 232 022        |
| - USD   | 39 503            | 43 083            |

The table above presents currency breakdown of net carrying value of housing and mortgage loans measured at amortised cost granted to natural persons and excludes loans measured at fair value through profit or loss.

**The concentration structure of carrying amounts of mBank Group's exposure**

| Lp. | Sector                              | Gross amount | %      | Gross amount | %      |
|-----|-------------------------------------|--------------|--------|--------------|--------|
|     |                                     | 30.09.2022   |        | 31.12.2021   |        |
| 1.  | Individual customers                | 72 798 499   | 56.81% | 72 295 383   | 60.21% |
| 2.  | Real estate                         | 7 036 698    | 5.49%  | 6 661 564    | 5.55%  |
| 3.  | Construction                        | 5 359 283    | 4.18%  | 4 677 025    | 3.89%  |
| 4.  | Financial activities                | 4 448 121    | 3.47%  | 1 879 984    | 1.57%  |
| 5.  | Food sector                         | 3 630 081    | 2.83%  | 3 081 562    | 2.57%  |
| 6.  | Transport and logistics             | 3 259 023    | 2.54%  | 3 222 142    | 2.68%  |
| 7.  | Metals                              | 3 005 564    | 2.35%  | 2 593 747    | 2.16%  |
| 8.  | Construction materials              | 2 255 844    | 1.76%  | 2 081 422    | 1.73%  |
| 9.  | Chemicals and plastic products      | 2 210 311    | 1.72%  | 1 930 242    | 1.61%  |
| 10. | Power and heating distribution      | 2 137 030    | 1.67%  | 1 654 554    | 1.38%  |
| 11. | Motorisation                        | 2 093 552    | 1.63%  | 1 943 961    | 1.62%  |
| 12. | Scientific and technical activities | 1 718 064    | 1.34%  | 1 619 745    | 1.35%  |
| 13. | Wholesale trade                     | 1 709 150    | 1.33%  | 1 548 896    | 1.29%  |
| 14. | Wood, furniture and paper products  | 1 604 982    | 1.25%  | 1 269 529    | 1.06%  |
| 15. | Retail trade                        | 1 563 009    | 1.22%  | 1 358 529    | 1.13%  |
| 16. | Fuel                                | 1 257 767    | 0.98%  | 1 071 485    | 0.89%  |
| 17. | IT                                  | 1 188 433    | 0.93%  | 1 143 067    | 0.95%  |
| 18. | Human health                        | 1 022 467    | 0.80%  | 997 238      | 0.83%  |
| 19. | Rental and leasing activities       | 965 076      | 0.75%  | 906 910      | 0.76%  |
| 20. | Pharmacy                            | 844 535      | 0.66%  | 757 987      | 0.63%  |

As at 30 September 2022, the total exposure of the Group in the above sectors (excluding individual customers) amounts to 36.90% of the credit portfolio (31 December 2021: 33.65%).

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**Movements in expected credit losses allowance**

| Change from 1 January to 30 September 2022     | As at the beginning of the period | Transfer to Stage 1 | Transfer to Stage 2 | Transfer to Stage 3 | New financial assets originated or purchased | Financial assets derecognised during the period | Changes in credit risk | Changes to model assumptions and methodology | Write-offs     | Other movements | As at the end of the period |
|--|-----------------------------------|---------------------|---------------------|---------------------|--|---|------------------------|--|----------------|-----------------|-----------------------------|
| <b>Debt securities</b>                         | <b>(2 046)</b>                    | -                   | -                   | -                   | <b>(355)</b>                                 | <b>104</b>                                      | <b>(507)</b>           | -  | -              | -               | <b>(2 804)</b>              |
| Stage 1  | (2 046)                           | -                   | -                   | -                   | (355)  | 104   | (507)                  | -  | -              | -               | (2 804)                     |
| <b>Loans and advances to banks</b>             | <b>(983)</b>                      | -                   | -                   | -                   | <b>(2 687)</b>                               | <b>1 710</b>                                    | <b>(1 463)</b>         | -  | -              | <b>1 164</b>    | <b>(2 259)</b>              |
| Stage 1  | (983)                             | (3)                 | 93                  | -                   | (2 572)                                      | 1 710   | (48)                   | -  | -              | 1 222           | (581)                       |
| Stage 2  | -                                 | 3                   | (93)                | -                   | (115)  | -   | (1 415)                | -  | -              | (58)            | (1 678)                     |
| <b>Loans and advances to customers</b>         | <b>(3 178 110)</b>                | -                   | -                   | -                   | <b>(181 293)</b>                             | <b>251 990</b>                                  | <b>(714 322)</b>       | <b>(5 019)</b>                               | <b>537 415</b> | <b>(98 164)</b> | <b>(3 387 503)</b>          |
| Stage 1  | (434 872)                         | (269 988)           | 119 595             | 10 822              | (111 735)                                    | 65 923  | 180 776                | 25 863                                       | -              | (5 055)         | (418 671)                   |
| Stage 2  | (346 255)                         | 259 990             | (144 738)           | 176 054             | (19 945)                                     | 18 380  | (293 083)              | (30 276)                                     | -              | (5 018)         | (384 891)                   |
| Stage 3  | (2 440 501)                       | 9 998               | 25 143              | (186 876)           | (53 864)                                     | 168 308   | (598 368)              | 1  | 521 869        | (116 975)       | (2 671 265)                 |
| POCI   | 43 518                            | -                   | -                   | -                   | 4 251  | (621)   | (3 647)                | (607)  | 15 546         | 28 884          | 87 324                      |
| <b>Expected credit losses allowance, total</b> | <b>(3 181 139)</b>                | -                   | -                   | -                   | <b>(184 335)</b>                             | <b>253 804</b>                                  | <b>(716 292)</b>       | <b>(5 019)</b>                               | <b>537 415</b> | <b>(97 000)</b> | <b>(3 392 566)</b>          |

| Change from 1 January to 31 December 2021      | As at the beginning of the period | Transfer to Stage 1 | Transfer to Stage 2 | Transfer to Stage 3 | New financial assets originated or purchased | Financial assets derecognised during the period | Changes in credit risk | Changes due to new default definition | Write-offs       | Other movements | As at the end of the period |
|--|-----------------------------------|---------------------|---------------------|---------------------|--|---|------------------------|---------------------------------------|------------------|-----------------|-----------------------------|
| <b>Debt securities</b>                         | <b>(135)</b>                      | -                   | -                   | -                   | <b>(342)</b>                                 | <b>93</b>                                       | <b>(1 662)</b>         | -                                     | -                | -               | <b>(2 046)</b>              |
| Stage 1  | (135)                             | -                   | -                   | -                   | (342)  | 93  | (1 662)                | -                                     | -                | -               | (2 046)                     |
| <b>Loans and advances to banks</b>             | <b>(602)</b>                      | -                   | -                   | -                   | <b>(2 351)</b>                               | <b>2 020</b>                                    | <b>(48)</b>            | <b>(2)</b>                            | -                | -               | <b>(983)</b>                |
| Stage 1  | (602)                             | -                   | -                   | -                   | (2 351)                                      | 2 020   | (48)                   | (2)                                   | -                | -               | (983)                       |
| <b>Loans and advances to customers</b>         | <b>(3 640 826)</b>                | -                   | -                   | -                   | <b>(258 833)</b>                             | <b>364 078</b>                                  | <b>(777 579)</b>       | <b>(263)</b>                          | <b>1 060 240</b> | <b>75 073</b>   | <b>(3 178 110)</b>          |
| Stage 1  | (296 810)                         | (534 962)           | 137 519             | 8 015               | (135 652)                                    | 85 432  | 310 859                | (9 273)                               | -                | -               | (434 872)                   |
| Stage 2  | (441 217)                         | 514 115             | (181 520)           | 208 095             | (21 630)                                     | 51 146  | (456 625)              | (18 619)                              | -                | -               | (346 255)                   |
| Stage 3  | (2 871 497)                       | 20 847              | 44 001              | (216 110)           | (99 088)                                     | 226 540   | (684 622)              | 13 950                                | 1 050 405        | 75 073          | (2 440 501)                 |
| POCI   | (31 302)                          | -                   | -                   | -                   | (2 463)                                      | 960   | 52 809                 | 13 679                                | 9 835            | -               | 43 518                      |
| <b>Expected credit losses allowance, total</b> | <b>(3 641 563)</b>                | -                   | -                   | -                   | <b>(261 526)</b>                             | <b>366 191</b>                                  | <b>(779 289)</b>       | <b>(265)</b>                          | <b>1 060 240</b> | <b>75 073</b>   | <b>(3 181 139)</b>          |

**Explanation of changes in the gross carrying amount impacting the changes on expected credit losses allowance**

| Change from 1 January to 30 September 2022       | As at the beginning of the period | Transfer to Stage 1 | Transfer to Stage 2 | Transfer to Stage 3 | New financial assets originated or purchased | Financial assets derecognised during the period | Write-offs       | Other movements    | As at the end of the period |
|--|-----------------------------------|---------------------|---------------------|---------------------|--|---|------------------|--------------------|-----------------------------|
| <b>Debt securities</b>                           | <b>16 166 149</b>                 | -                   | -                   | -                   | <b>3 458 490</b>                             | <b>(557 120)</b>                                | -                | <b>(8 568)</b>     | <b>19 058 951</b>           |
| Stage 1  | 16 166 149                        | -                   | -                   | -                   | 3 458 490                                    | (557 120)                                       | -                | (8 568)            | 19 058 951                  |
| <b>Loans and advances to banks</b>               | <b>7 230 664</b>                  | -                   | -                   | -                   | <b>8 420 427</b>                             | <b>(6 165 454)</b>                              | -                | <b>170 709</b>     | <b>9 656 346</b>            |
| Stage 1  | 7 230 664                         | -                   | (69 705)            | -                   | 8 419 860                                    | (6 165 454)                                     | -                | 86 986             | 9 502 351                   |
| Stage 2  | -                                 | -                   | 69 705              | -                   | 567  | -   | -                | 83 723             | 153 995                     |
| <b>Loans and advances to customers</b>           | <b>120 080 864</b>                | -                   | -                   | -                   | <b>29 016 871</b>                            | <b>(17 719 377)</b>                             | <b>(537 415)</b> | <b>(2 703 364)</b> | <b>128 137 579</b>          |
| Stage 1  | 109 282 960                       | 1 281 798           | (4 012 431)         | (861 801)           | 27 884 387                                   | (16 535 016)                                    | -                | (2 513 484)        | 114 526 413                 |
| Stage 2  | 6 223 882                         | (1 244 470)         | 4 096 570           | (594 910)           | 983 992                                      | (764 430)                                       | -                | (126 061)          | 8 574 573                   |
| Stage 3  | 4 339 863                         | (37 328)            | (84 139)            | 1 448 057           | 116 339                                      | (408 250)                                       | (521 869)        | (16 434)           | 4 836 239                   |
| POCI   | 234 159                           | -                   | -                   | 8 654               | 32 153                                       | (11 681)  | (15 546)         | (47 385)           | 200 354                     |
| <b>Financial assets at amortised cost, gross</b> | <b>143 477 677</b>                | -                   | -                   | -                   | <b>40 895 788</b>                            | <b>(24 441 951)</b>                             | <b>(537 415)</b> | <b>(2 541 223)</b> | <b>156 852 876</b>          |

| Change from 1 January to 31 December 2021        | As at the beginning of the period | Transfer to Stage 1 | Transfer to Stage 2 | Transfer to Stage 3 | New financial assets originated or purchased | Financial assets derecognised during the period | Write-offs         | Other movements    | As at the end of the period |
|--|-----------------------------------|---------------------|---------------------|---------------------|--|---|--------------------|--------------------|-----------------------------|
| <b>Debt securities</b>                           | <b>15 952 636</b>                 | -                   | -                   | -                   | <b>2 371 836</b>                             | <b>(2 931 185)</b>                              | -                  | <b>772 862</b>     | <b>16 166 149</b>           |
| Stage 1  | 15 952 636                        | -                   | -                   | -                   | 2 371 836                                    | (2 931 185)                                     | -                  | 772 862            | 16 166 149                  |
| <b>Loans and advances to banks</b>               | <b>7 354 870</b>                  | -                   | -                   | -                   | <b>6 079 743</b>                             | <b>(6 512 056)</b>                              | -                  | <b>308 107</b>     | <b>7 230 664</b>            |
| Stage 1  | 7 354 870                         | -                   | -                   | -                   | 6 079 743                                    | (6 512 056)                                     | -                  | 308 107            | 7 230 664                   |
| <b>Loans and advances to customers</b>           | <b>110 513 959</b>                | -                   | -                   | -                   | <b>35 535 249</b>                            | <b>(18 195 148)</b>                             | <b>(1 060 240)</b> | <b>(6 712 956)</b> | <b>120 080 864</b>          |
| Stage 1  | 91 214 989                        | 7 403 725           | (2 041 573)         | (453 063)           | 34 616 543                                   | (15 380 530)                                    | -                  | (6 077 131)        | 109 282 960                 |
| Stage 2  | 14 290 332                        | (7 290 703)         | 2 202 804           | (971 407)           | 633 176                                      | (2 259 321)                                     | -                  | (380 999)          | 6 223 882                   |
| Stage 3  | 4 714 440                         | (113 022)           | (161 231)           | 1 397 539           | 206 894                                      | (467 519)                                       | (1 050 405)        | (186 833)          | 4 339 863                   |
| POCI   | 294 198                           | -                   | -                   | 26 931              | 78 636                                       | (87 778)  | (9 835)            | (67 993)           | 234 159                     |
| <b>Financial assets at amortised cost, gross</b> | <b>133 821 465</b>                | -                   | -                   | -                   | <b>43 986 828</b>                            | <b>(27 638 389)</b>                             | <b>(1 060 240)</b> | <b>(5 631 987)</b> | <b>143 477 677</b>          |

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**20. Non-current assets and disposal groups classified as held for sale and liabilities held for sale**

In December 2021 the Bank's Management Board approved the sale of real estate in Katowice at Powstańców 43 Street, owned by mBank. The property consists of an office, service building with equipment and the right of perpetual usufruct of land.

On 5 January 2022, the Bank concluded a preliminary agreement for the sale of this property and therefore the Bank reclassified the value of the building with its equipment and the right of use of perpetual usufruct of land to Non-current assets and disposal groups classified as held for sale, and the value of the lease liability related to the right of perpetual usufruct of land to the Liabilities classified as held for sale. The parties to the contract undertook to conclude the promised contract by 31 December 2022.

The financial data regarding assets and liabilities held for sale are presented below.

| Non-current assets held for sale              | 30.09.2022    | 31.12.2021    |
|---|---------------|---------------|
| Fixed asset                                   | 31 247        | 31 247        |
| <b>Total non-current assets held for sale</b> | <b>31 247</b> | <b>31 247</b> |

| Liabilities classified as held for sale                      | 30.09.2022   | 31.12.2021   |
|--|--------------|--------------|
| Financial liabilities measured at amortised cost, including: | 7 340        | 7 425        |
| <i>Amounts due to customers</i>                              | 7 340        | 7 425        |
| <b>Total liabilities classified as held for sale</b>         | <b>7 340</b> | <b>7 425</b> |

**21. Intangible assets**

|  | 30.09.2022       | 31.12.2021       |
|--|------------------|------------------|
| Goodwill   | 24 228           | 24 228           |
| Patents, licences and similar assets, including: | 1 042 362        | 959 664          |
| - <i>computer software</i>                       | 903 985          | 791 473          |
| Other intangible assets                          | 10 602           | 7 457            |
| Intangible assets under development              | 246 225          | 292 604          |
| <b>Total intangible assets</b>                   | <b>1 323 417</b> | <b>1 283 953</b> |

**22. Tangible assets**

|  | 30.09.2022       | 31.12.2021       |
|--|------------------|------------------|
| <b>Tangible assets, including:</b>           | <b>639 824</b>   | <b>659 831</b>   |
| - land                                       | 653              | 653              |
| - buildings and structures                   | 43 064           | 45 649           |
| - equipment                                  | 199 680          | 186 222          |
| - vehicles                                   | 178 081          | 200 557          |
| - other fixed assets                         | 218 346          | 226 750          |
| <b>Fixed assets under construction</b>       | <b>16 958</b>    | <b>66 452</b>    |
| <b>The right to use, including:</b>          | <b>808 167</b>   | <b>815 967</b>   |
| - real estate                                | 803 617          | 811 837          |
| - the right of perpetual of usufruct of land | 2 153            | 2 177            |
| - cars                                       | 1 918            | 1 712            |
| - other                                      | 479              | 241              |
| <b>Total tangible assets</b>                 | <b>1 464 949</b> | <b>1 542 250</b> |

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**23. Investment properties**

Due to the change of the Bank's head office, in 2021 the Group reclassified its building at Królewska 14 Street in Warsaw, previously recognised as a fixed asset with a total carrying amount of PLN 75 645 thousand and the right of perpetual usufruct of land recognised as the right of use in the amount of PLN 37 747 thousand to the item Investment property. The difference in the revaluation of these components to fair value amounting to PLN 14 118 thousand was recognised in other comprehensive income. The building is intended for rent.

|  | 30.09.2022     | 31.12.2021     |
|--|----------------|----------------|
| <b>Gross value as at the beginning of the period</b> | <b>127 510</b> | -              |
| <b>Increase (due to):</b>                            | -              | <b>127 510</b> |
| - reclassification to investment properties          | -              | 113 392        |
| - revaluation gains from fair value adjustments      | 12 862         | 14 118         |
| <b>As at the end of the period</b>                   | <b>140 372</b> | <b>127 510</b> |

**24. Financial liabilities measured at amortised cost****Amounts due to banks and customers**

| 30.09.2022  | Amount due to banks | Amount due to customers | including:           |                     |                         |
|---|---------------------|-------------------------|----------------------|---------------------|-------------------------|
|   |                     |                         | Individual customers | Corporate customers | Public sector customers |
| <b>Deposits</b>   | <b>1 081 137</b>    | <b>168 629 527</b>      | <b>118 329 739</b>   | <b>49 650 813</b>   | <b>648 975</b>          |
| Current accounts  | 644 148             | 137 464 535             | 96 673 496           | 40 244 362          | 546 677                 |
| Term deposits   | 432 463             | 30 876 117              | 21 656 243           | 9 117 576           | 102 298                 |
| Repo or sell/buy back transactions                            | 4 526               | 288 875                 | -                    | 288 875             | -                       |
| <b>Loans and advances received</b>                            | <b>816</b>          | <b>2 031 183</b>        | -                    | <b>2 031 183</b>    | -                       |
| <b>Other financial liabilities</b>                            | <b>603 323</b>      | <b>2 643 913</b>        | <b>219 258</b>       | <b>2 392 169</b>    | <b>32 486</b>           |
| Liabilities in respect of cash collaterals                    | 298 665             | 802 993                 | 41 783               | 761 210             | -                       |
| Lease liabilities   | -                   | 1 020 758               | -                    | 988 274             | 32 484                  |
| Other   | 304 658             | 820 162                 | 177 475              | 642 685             | 2                       |
| <b>Total financial liabilities measured at amortised cost</b> | <b>1 685 276</b>    | <b>173 304 623</b>      | <b>118 548 997</b>   | <b>54 074 165</b>   | <b>681 461</b>          |
| Short-term (up to 1 year)                                     | 1 682 157           | 170 734 512             |                      |                     |                         |
| Long-term (over 1 year)                                       | 3 119               | 2 570 111               |                      |                     |                         |

| 31.12.2021  | Amount due to banks | Amount due to customers | including:           |                     |                         |
|---|---------------------|-------------------------|----------------------|---------------------|-------------------------|
|   |                     |                         | Individual customers | Corporate customers | Public sector customers |
| <b>Deposits</b>   | <b>2 111 811</b>    | <b>155 904 661</b>      | <b>112 225 674</b>   | <b>43 071 577</b>   | <b>607 410</b>          |
| Current accounts  | 653 061             | 147 022 632             | 103 992 478          | 42 436 923          | 593 231                 |
| Term deposits   | 770 328             | 8 794 207               | 8 233 196            | 546 832             | 14 179                  |
| Repo or sell/buy back transactions                            | 688 422             | 87 822                  | -                    | 87 822              | -                       |
| <b>Loans and advances received</b>                            | <b>502</b>          | <b>1 906 621</b>        | -                    | <b>1 906 621</b>    | -                       |
| <b>Other financial liabilities</b>                            | <b>1 247 245</b>    | <b>2 123 847</b>        | <b>220 450</b>       | <b>1 870 485</b>    | <b>32 912</b>           |
| Liabilities in respect of cash collaterals                    | 1 077 483           | 706 268                 | 75 263               | 631 005             | -                       |
| Lease liabilities   | -                   | 956 838                 | -                    | 923 959             | 32 879                  |
| Other   | 169 762             | 460 741                 | 145 187              | 315 521             | 33                      |
| <b>Total financial liabilities measured at amortised cost</b> | <b>3 359 558</b>    | <b>159 935 129</b>      | <b>112 446 124</b>   | <b>46 848 683</b>   | <b>640 322</b>          |
| Short-term (up to 1 year)                                     | 3 356 268           | 157 149 931             |                      |                     |                         |
| Long-term (over 1 year)                                       | 3 290               | 2 785 198               |                      |                     |                         |

The Group presents amounts due to microenterprises provided by Retail Banking of mBank S.A. in the item Amounts due to individual customers.



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**Debt securities issued**

|                        | 30.09.2022 | 31.12.2021 |
|------------------------|------------|------------|
| Debt securities issued | 9 511 485  | 13 429 782 |

On 24 March 2022, the Bank concluded a synthetic securitization transaction referencing a portfolio of corporate as well as small and medium enterprises loans with a total value of PLN 8 922 million. The securitised portfolio has been divided into three tranches according to credit risk exposure for each tranche. The junior and senior tranche was acquired by mBank. The credit risk associated with the mezzanine tranche has been transferred to an external investor. As part of the transaction, the Bank transferred a significant part of the credit risk of a selected securitised portfolio to an investor. The risk transfer of the securitised portfolio is performed through a recognised credit protection instrument, in the form of a credit linked notes (hereinafter "CLNs"). The CLN, through the built-in financial guarantee, provides coverage of losses on the securitization portfolio up to the amount of the mezzanine tranche.

The retention requirement of an economic interest will be implemented by the Bank in the form of retaining at least 5% of the value of the loan portfolio subject to securitization.

As part of the transaction, on 24 March 2022, the Bank issued CLNs with a maturity date of 22 October 2038, with a total nominal value of PLN 642.5 million. The CLNs were purchased in total by a foreign financial investor represented by PGGM Vermogensbeheer B.V. The Bank has the option of early repayment of liabilities under the CLNs. The main collateral for CLNs are debt securities deposited with an independent custodian.

On 24 March 2022, CLNs were introduced to trading on the Vienna MTF operated by the Vienna Stock Exchange.

The transaction meets the requirements for significant risk transfer specified in the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending regulation (EU) No 648/2012 ("CRR Regulation") and has been structured as meeting the STS criteria (simple, transparent and standard securitization) in accordance with Regulation (EU) 2021/557 of the European Parliament and of the Council of 31 March 2021 amending Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation to help the recovery from the COVID-19 crisis, therefore results in a decrease of capital requirements for the Bank.

In accordance with IFRS 9, the contractual conditions of the transaction do not meet the conditions for derecognition of assets covered by the securitization transaction from the Bank's balance sheet, as the transaction did not transfer substantially all the risks and rewards of the loan portfolio, at the same time the Bank retained control over the portfolio of securitised loans. The liability under the issued CLNs is shown under "Financial liabilities measured at amortised cost". The carrying amount of the CLN is adjusted for the change in the expected cash flows from the embedded financial guarantee in accordance with paragraph B5.4.6 of IFRS 9.

The carrying amount of CLNs as at 30 September 2022 amounted to PLN 633.4 million.

**25. Provisions**

|  | 30.09.2022       | 31.12.2021     |
|--|------------------|----------------|
| Provisions for legal proceedings, including:                               | 653 071          | 395 889        |
| - provisions for legal proceedings relating to loans in foreign currencies | 613 386          | 358 807        |
| - provisions for remaining legal proceedings                               | 39 685           | 37 082         |
| Provisions for commitments and guarantees given                            | 307 040          | 318 378        |
| Other provisions   | 425 212          | 97 188         |
| <b>Provisions, total</b>   | <b>1 385 323</b> | <b>811 455</b> |

The estimated cash flow due to created provisions for legal proceedings and other provisions is expected to crystallise over 1 year.

The description regarding legal risk provisions related to mortgage and housing loans granted to individual customers in CHF is presented in Note 30.

The position Other provisions includes, inter alia, the provision for the contribution to the Borrowers Support Fund for third quarter 2022 (Note 13), the provision set up by mFinanse in connection with the audit of the Social Insurance Institution (Item 26 of the Selected Explanatory Data), the provision for the reimbursement of bridging insurance costs charged to customers who was granted mortgage loans for the period before the mortgage was registered in the land register (Note 14) and the provisions related to the

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judgment of the CJEU of 11 September 2019 regarding reimbursement of commissions in case of earlier loan repayments of consumer loans and mortgage loans.

**Movements in the provisions**

| Change from 1 January to 30 September 2022            | Provisions for legal proceedings relating to loans in foreign currencies | Provisions for remaining legal proceedings | Other provisions |
|---|--|--|------------------|
| <b>Provisions as at the beginning of the period</b>   | <b>358 807</b>   | <b>37 082</b>                              | <b>97 188</b>    |
| <b>Change in the period, due to:</b>                  | <b>254 579</b>   | <b>2 603</b>                               | <b>328 024</b>   |
| - increase of provisions                              | 175 550  | 9 017                                      | 372 959          |
| - release of provisions                               | (1 736)  | (5 370)                                    | (3 568)          |
| - utilisation   | (135 380)  | (1 174)                                    | (42 557)         |
| - reclassification to other financial statement items | 198 364  | -  | 1 123            |
| - foreign exchange differences                        | 17 781   | 130  | 67               |
| <b>Provisions as at the end of the period</b>         | <b>613 386</b>   | <b>39 685</b>                              | <b>425 212</b>   |

| Change from 1 January to 31 December 2021             | Provisions for legal proceedings relating to loans in foreign currencies | Provisions for remaining legal proceedings | Other provisions |
|---|--|--|------------------|
| <b>Provisions as at the beginning of the period</b>   | <b>188 467</b>   | <b>12 069</b>                              | <b>95 494</b>    |
| <b>Change in the period, due to:</b>                  | <b>170 340</b>   | <b>25 013</b>                              | <b>1 694</b>     |
| - increase of provisions                              | 269 382  | 53 745                                     | 46 736           |
| - release of provisions                               | (334)  | (2 148)                                    | (3 489)          |
| - utilization   | (90 221)   | (26 608)                                   | (40 956)         |
| - reclassification to other financial statement items | (8 487)  | -  | -                |
| - foreign exchange differences                        | -  | 24   | (597)            |
| <b>Provisions as at the end of the period</b>         | <b>358 807</b>   | <b>37 082</b>                              | <b>97 188</b>    |

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**Movements in provisions for loan commitments and guarantees**

| Change from 1 January to 30 September 2022         | As at the beginning of the period | Transfer to Stage 1 | Transfer to Stage 2 | Transfer to Stage 3 | Increases due to granting and takeover | Derecognition   | Changes in credit risk (net) | Changes to model assumptions and methodology | Other movements | As at the end of the period |
|--|-----------------------------------|---------------------|---------------------|---------------------|--|-----------------|------------------------------|--|-----------------|-----------------------------|
| <b>Loan commitments</b>                            | <b>89 439</b>                     | -                   | -                   | -                   | <b>36 885</b>                          | <b>(27 105)</b> | <b>(22 910)</b>              | <b>187</b>                                   | <b>4 435</b>    | <b>80 931</b>               |
| Stage 1  | 49 142                            | 15 064              | (4 126)             | (113)               | 30 388                                 | (15 755)        | (30 753)                     | 487  | 375             | 44 709                      |
| Stage 2  | 14 576                            | (14 355)            | 4 696               | (923)               | 4 307                                  | (6 146)         | 12 757                       | (300)  | 33              | 14 645                      |
| Stage 3  | 24 555                            | (709)               | (570)               | 1 036               | 3 679                                  | (5 913)         | (665)                        | -  | 42              | 21 455                      |
| POCI   | 1 166                             | -                   | -                   | -                   | (1 489)                                | 709             | (4 249)                      | -  | 3 985           | 122                         |
| <b>Guarantees and other financial facilities</b>   | <b>228 939</b>                    | -                   | -                   | -                   | <b>47 026</b>                          | <b>(28 829)</b> | <b>(21 539)</b>              | -  | <b>512</b>      | <b>226 109</b>              |
| Stage 1  | 3 433                             | (288)               | 172                 | -                   | 9 193                                  | (4 492)         | (3 707)                      | -  | 108             | 4 419                       |
| Stage 2  | 1 153                             | 288                 | (206)               | -                   | 842                                    | (854)           | (645)                        | -  | 19              | 597                         |
| Stage 3  | 225 860                           | -                   | 34                  | -                   | 36 991                                 | (23 923)        | (16 308)                     | -  | 97              | 222 751                     |
| POCI   | (1 507)                           | -                   | -                   | -                   | -                                      | 440             | (879)                        | -  | 288             | (1 658)                     |
| <b>Total provisions on off-balance sheet items</b> | <b>318 378</b>                    | -                   | -                   | -                   | <b>83 911</b>                          | <b>(55 934)</b> | <b>(44 449)</b>              | <b>187</b>                                   | <b>4 947</b>    | <b>307 040</b>              |

| Change from 1 January to 31 December 2021          | As at the beginning of the period | Transfer to Stage 1 | Transfer to Stage 2 | Transfer to Stage 3 | Increases due to granting and takeover | Derecognition    | Changes in credit risk (net) | Changes due to new default definition | Other movements | As at the end of the period |
|--|-----------------------------------|---------------------|---------------------|---------------------|--|------------------|------------------------------|---------------------------------------|-----------------|-----------------------------|
| <b>Loan commitments</b>                            | <b>88 991</b>                     | -                   | -                   | -                   | <b>42 439</b>                          | <b>(33 434)</b>  | <b>(14 079)</b>              | <b>5 522</b>                          | -               | <b>89 439</b>               |
| Stage 1  | 44 157                            | 50 411              | (7 237)             | (107)               | 31 314                                 | (16 753)         | (49 410)                     | (3 233)                               | -               | 49 142                      |
| Stage 2  | 36 829                            | (48 420)            | 7 708               | (2 628)             | 7 216                                  | (11 027)         | 21 543                       | 3 355                                 | -               | 14 576                      |
| Stage 3  | 5 510                             | (1 991)             | (471)               | 2 735               | 3 184                                  | (6 416)          | 16 600                       | 5 404                                 | -               | 24 555                      |
| POCI   | 2 495                             | -                   | -                   | -                   | 725                                    | 762              | (2 812)                      | (4)                                   | -               | 1 166                       |
| <b>Guarantees and other financial facilities</b>   | <b>116 670</b>                    | -                   | -                   | -                   | <b>89 559</b>                          | <b>(116 573)</b> | <b>139 259</b>               | <b>24</b>                             | -               | <b>228 939</b>              |
| Stage 1  | 4 541                             | 1 444               | (271)               | -                   | 20 076                                 | (23 186)         | 794                          | 35                                    | -               | 3 433                       |
| Stage 2  | 6 134                             | (1 444)             | 271                 | (1 145)             | 1 016                                  | (4 124)          | 456                          | (11)                                  | -               | 1 153                       |
| Stage 3  | 80 055                            | -                   | -                   | 1 145               | 68 333                                 | (58 419)         | 134 746                      | -                                     | -               | 225 860                     |
| POCI   | 25 940                            | -                   | -                   | -                   | 134                                    | (30 844)         | 3 263                        | -                                     | -               | (1 507)                     |
| <b>Total provisions on off-balance sheet items</b> | <b>205 661</b>                    | -                   | -                   | -                   | <b>131 998</b>                         | <b>(150 007)</b> | <b>125 180</b>               | <b>5 546</b>                          | -               | <b>318 378</b>              |

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**26. Assets and liabilities for deferred income tax**

| <b>Deferred income tax assets</b>                | <b>30.09.2022</b> | <b>31.12.2021</b> |
|--|-------------------|-------------------|
| <b>As at the beginning of the period</b>         | <b>1 933 063</b>  | <b>1 635 815</b>  |
| Changes recognised in the income statement       | 546 855           | 14 964            |
| Changes recognised in other comprehensive income | 174 115           | 289 338           |
| Other changes                                    | (19 787)          | (7 054)           |
| <b>As at the end of the period</b>               | <b>2 634 246</b>  | <b>1 933 063</b>  |
| Offsetting effect                                | (765 980)         | (540 713)         |
| <b>As at the end of the period, net</b>          | <b>1 868 266</b>  | <b>1 392 350</b>  |

| <b>Provisions for deferred income tax</b>        | <b>30.09.2022</b> | <b>31.12.2021</b> |
|--|-------------------|-------------------|
| <b>As at the beginning of the period</b>         | <b>(540 802)</b>  | <b>(782 625)</b>  |
| Changes recognised in the income statement       | (219 204)         | 81 042            |
| Changes recognised in other comprehensive income | (6 039)           | 160 853           |
| Other changes                                    | (29)              | (72)              |
| <b>As at the end of the period</b>               | <b>(766 074)</b>  | <b>(540 802)</b>  |
| Offsetting effect                                | 765 980           | 540 713           |
| <b>As at the end of the period, net</b>          | <b>(94)</b>       | <b>(89)</b>       |

| <b>Income tax</b>                                      | <b>from 01.01.2022<br/>to 30.09.2022</b> | <b>from 01.01.2021<br/>to 30.09.2021</b> |
|--|--|--|
| Current income tax                                     | (752 269)                                | (361 852)                                |
| Deferred income tax recognised in the income statement | 327 651                                  | 44 792                                   |
| <b>Income tax recognised in the income statement</b>   | <b>(424 618)</b>                         | <b>(317 060)</b>                         |
| Recognised in other comprehensive income               | 168 076                                  | 124 786                                  |
| <b>Total income tax</b>                                | <b>(256 542)</b>                         | <b>(192 274)</b>                         |

**27. Retained earnings**

Retained earnings include other supplementary capital, other reserve capital, general banking risk reserve, profit (loss) from the previous years and profit for the current year.

Other supplementary capital, other reserve capital and general banking risk reserve are created from profit for the current year and their aim is described in the by-laws or in other regulations of the law.

|                                | <b>30.09.2022</b> | <b>31.12.2021</b> |
|--------------------------------|-------------------|-------------------|
| Other supplementary capital    | 8 701 559         | 9 916 912         |
| Other reserve capital          | 107 258           | 104 975           |
| General banking risk reserve   | 1 153 753         | 1 153 753         |
| Profit from the previous year  | 1 366 207         | 1 329 607         |
| Profit for the current year    | (1 537 207)       | (1 178 753)       |
| <b>Total retained earnings</b> | <b>9 791 570</b>  | <b>11 326 494</b> |

According to the Polish legislation, each Bank is required to allocate 8% of its net profit to a statutory undistributable other supplementary capital until this supplementary capital reaches 1/3 of the share capital.

In addition, the Group transfers some of its net profit to the general banking risk reserve to cover unexpected risks and future losses. The general banking risk reserve can be distributed only on consent of shareholders at a general meeting.

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**28. Other components of equity**

|  | 30.09.2022         | 31.12.2021         |
|--|--------------------|--------------------|
| <b>Exchange differences on translating foreign operations</b>                        | <b>13 975</b>      | <b>2 506</b>       |
| Unrealised gains (foreign exchange gains)  | 51 850             | 34 267             |
| Unrealised losses (foreign exchange losses)  | (37 875)           | (31 761)           |
| <b>Cash flow hedges</b>  | <b>(916 692)</b>   | <b>(500 202)</b>   |
| Unrealised gains   | 72 471             | 80 630             |
| Unrealised losses  | (1 251 154)        | (698 164)          |
| Cost of hedging  | 46 964             | -                  |
| Deferred income tax  | 215 027            | 117 332            |
| <b>Valuation of debt securities at fair value through other comprehensive income</b> | <b>(1 015 368)</b> | <b>(707 617)</b>   |
| Unrealised gains on debt instruments   | 13 141             | 12 191             |
| Unrealised losses on debt instruments  | (1 266 819)        | (887 737)          |
| Deferred income tax  | 238 310            | 167 929            |
| <b>Actuarial gains and losses relating to post-employment benefits</b>               | <b>(10 511)</b>    | <b>(10 511)</b>    |
| Actuarial gains  | 1 157              | 1 157              |
| Actuarial losses   | (14 134)           | (14 134)           |
| Deferred income tax  | 2 466              | 2 466              |
| <b>Investment properties</b>   | <b>11 436</b>      | <b>11 436</b>      |
| Gains or losses on investment properties included in other comprehensive income      | 14 118             | 14 118             |
| Deferred income tax  | (2 682)            | (2 682)            |
| <b>Total other components of equity</b>  | <b>(1 917 160)</b> | <b>(1 204 388)</b> |

Due to the implementation of IFRS 9 for hedge accounting as of 1 July 2022, under the item Cash flow hedges the Group separated the equity component relating to the costs of hedging relationships in third quarter 2022.

**29. Fair value of asset and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction of selling an asset or transferring a liability occurs either on the main market for an asset or a liability, or in the absence of a main market, for the most advantageous market for an asset or a liability.

In line with IFRS 9, for accounting purposes, the Group determines the valuation of its assets and liabilities through amortised cost or through fair value. In addition, for the positions that are valued through amortised cost, fair value is calculated and disclosed, but – according to IFRS 7, only for disclosure purposes.

The approach to the method used for the loans that are fair valued in line of IFRS 9 requirements, is described in the Note 3.3.7 to the Consolidated financial statements of mBank Group for 2021, published on 3 March 2022.

Following market practices the Group values open positions in financial instruments using either the mark to-market approach or applies pricing models well established in market practice (mark-to-model method) which use as input market prices or market parameters, and in few cases, parameters estimated internally by the Group. All significant open positions in derivatives are marked-to-model using prices observable in the market. Domestic commercial papers are marked to model (by discounting cash flows), which in addition to market interest rate curve uses credit spreads estimated internally.

For disclosure purposes, the Group assumed that the fair value of short-term financial liabilities (less than 1 year) is equal to the balance sheet values of such items. In addition, the Group assumes that the estimated fair value of financial liabilities longer than 1 year is based on discounted cash flows using appropriate interest rates.

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**Financial assets and liabilities at amortised cost**

The following table presents a summary of balance sheet values and fair values for each group of financial assets and liabilities not recognised in the statement of financial position of the Group at their fair values.

|  | 30.09.2022         |                    | 31.12.2021         |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | Book value         | Fair value         | Book value         | Fair value         |
| <b>Financial assets at amortised cost</b>          |                    |                    |                    |                    |
| <b>Debt securities</b>                             | <b>19 056 147</b>  | <b>16 333 915</b>  | <b>16 164 103</b>  | <b>14 890 079</b>  |
| <b>Loans and advances to banks</b>                 | <b>9 654 087</b>   | <b>9 651 668</b>   | <b>7 229 681</b>   | <b>7 227 533</b>   |
| <b>Loans and advances to customers, including:</b> | <b>124 750 076</b> | <b>124 416 679</b> | <b>116 902 754</b> | <b>117 116 749</b> |
| <b>Loans and advances to individuals</b>           | <b>70 786 035</b>  | <b>70 964 252</b>  | <b>70 391 454</b>  | <b>71 630 064</b>  |
| Current accounts                                   | 7 530 426          | 7 971 270          | 7 252 733          | 7 488 229          |
| Term loans   | 62 839 851         | 62 577 224         | 62 752 303         | 63 755 417         |
| Other  | 415 758            | 415 758            | 386 418            | 386 418            |
| <b>Loans and advances to corporate entities</b>    | <b>53 836 593</b>  | <b>53 321 942</b>  | <b>46 359 179</b>  | <b>45 333 802</b>  |
| Current accounts                                   | 7 041 745          | 6 900 850          | 5 135 475          | 4 996 982          |
| Term loans and finance lease                       | 40 170 511         | 39 794 483         | 37 423 062         | 36 747 140         |
| Reverse repo or buy/sell back transactions         | 2 868 613          | 2 868 613          | 187 630            | 187 630            |
| Other loans and advances                           | 3 623 705          | 3 625 977          | 3 599 368          | 3 388 406          |
| Other  | 132 019            | 132 019            | 13 644             | 13 644             |
| <b>Loans and advances to public sector</b>         | <b>127 448</b>     | <b>130 485</b>     | <b>152 121</b>     | <b>152 883</b>     |
| <b>Amounts due to other banks</b>                  | <b>1 685 276</b>   | <b>1 685 276</b>   | <b>3 359 558</b>   | <b>3 359 558</b>   |
| <b>Amounts due to customers</b>                    | <b>173 304 623</b> | <b>173 297 260</b> | <b>159 935 129</b> | <b>159 918 070</b> |
| <b>Debt securities in issue</b>                    | <b>9 511 485</b>   | <b>8 664 854</b>   | <b>13 429 782</b>  | <b>13 518 622</b>  |
| <b>Subordinated liabilities</b>                    | <b>2 807 751</b>   | <b>2 707 254</b>   | <b>2 624 456</b>   | <b>2 616 703</b>   |

The following sections present the key assumptions and methods used by the Group for estimation of the fair values of financial instruments.

Loans and advances to banks and loans and advances to customers

The fair value of loans and advances to banks and loans and advances to customers is disclosed as the estimated value of future cash flows using current interest rates including appropriate credit spreads and is based on the expected maturity of the respective loan agreements. The level of credit spread is determined based on market quotation of median credit spreads for Moody's rating grade. Attribution of a credit spread to a given credit exposure is based on a mapping between Moody's rating grade and internal rating grades of the Group. To reflect the fact that the majority of the Group's exposures is collateralised whereas the median of market quotation is centred around unsecured issues, the Group applied appropriate adjustments.

Financial liabilities

Financial instruments representing liabilities for the Group include the following:

- contracted borrowings,
- current accounts and deposits,
- issues of debt securities,
- subordinated liabilities.

The fair value for these financial liabilities with more than 1 year to maturity is based on discounted cash flows by the use of discounting factor including an estimation of a spread reflecting the credit spread for mBank and the liquidity margin. For the loans received from European Investment Bank in EUR and in CHF the Group used the EBI yield curve. With regard to the own issue as part of the EMTN programme the market price of the relevant financial services has been used.

In the case of deposits, the Group applied the curve constructed on the basis of quotations of money market rates as well as FRA and IRS contracts for appropriate currencies and maturities. In the case of subordinated

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liabilities, the Group used curves based on cross-currency basis swap levels taking into account the original spread on subordinated liabilities and their maturities.

In the case of the valuation of bonds related to credit risk (Credit Link Note) the Group uses the method of discounting the expected cash flows from bonds. In the part related to the discounting factor, the valuation also includes a component that takes into account mBank's credit spread and a liquidity margin. Due to the fact that the bondholders are secured in terms of the issuer's credit risk with the deposited securities, an assumption was made that these parameters would remain unchanged during the life of the bond.

In case of covered bonds and other debt securities issued by mBank Hipoteczny, for the purpose of the disclosures swap curves and forecasted initial spreads for certain issues are used.

The Group assumed that the fair value of these instruments with less than 1 year to maturity was equal to the carrying amount of the instruments.

According to the fair value methodology applied by the Group, financial assets and liabilities are classified as follows:

- Level 1: prices quoted on active markets for the same instrument (without modification);
- Level 2: prices quoted on active markets for the similar instruments or other valuation techniques for which all significant input data are based on observable market data;
- Level 3: valuation methods for which at least one significant input data is not based on observable market data.

The table below presents the fair value hierarchy of financial assets and liabilities measured at fair value in accordance with the assumptions and methods described above, exclusively for disclosure as at 30 September 2022 and as at 31 December 2021.

| 30.09.2022                                       | including:         | Level 1                         | Level 2  | Level 3                    |
|--|--------------------|---------------------------------|--|----------------------------|
|  |                    | Quoted prices in active markets | Valuation techniques based on observable market data | Other valuation techniques |
| <b>VALUATION ONLY FOR PURPOSES OF DISCLOSURE</b> |                    |                                 |  |                            |
| <b>Financial assets</b>                          |                    |                                 |  |                            |
| Debt securities                                  | 16 333 915         | 13 948 885                      | -  | 2 385 030                  |
| Loans and advances to banks                      | 9 651 668          | -                               | -  | 9 651 668                  |
| Loans and advances to customers                  | 124 416 679        | -                               | -  | 124 416 679                |
| <b>Total financial assets</b>                    | <b>150 402 262</b> | <b>13 948 885</b>               | -  | <b>136 453 377</b>         |
| <b>Financial liabilities</b>                     |                    |                                 |  |                            |
| Amounts due to banks                             | 1 685 276          | -                               | -  | 1 685 276                  |
| Amounts due to customers                         | 173 297 260        | -                               | 2 439 757  | 170 857 503                |
| Debt securities in issue                         | 8 664 854          | 3 800 389                       | -  | 4 864 465                  |
| Subordinated liabilities                         | 2 707 254          | -                               | 2 707 254  | -                          |
| <b>Total financial liabilities</b>               | <b>186 354 644</b> | <b>3 800 389</b>                | <b>5 147 011</b>                                     | <b>177 407 244</b>         |
| 31.12.2021                                       | including:         | Level 1                         | Level 2  | Level 3                    |
|  |                    | Quoted prices in active markets | Valuation techniques based on observable market data | Other valuation techniques |
| <b>VALUATION ONLY FOR PURPOSES OF DISCLOSURE</b> |                    |                                 |  |                            |
| <b>Financial assets</b>                          |                    |                                 |  |                            |
| Debt securities                                  | 14 890 079         | 12 100 420                      | -  | 2 789 659                  |
| Loans and advances to banks                      | 7 227 533          | -                               | -  | 7 227 533                  |
| Loans and advances to customers                  | 117 116 749        | -                               | -  | 117 116 749                |
| <b>Total financial assets</b>                    | <b>139 234 361</b> | <b>12 100 420</b>               | -  | <b>127 133 941</b>         |
| <b>Financial liabilities</b>                     |                    |                                 |  |                            |
| Amounts due to banks                             | 3 359 558          | -                               | -  | 3 359 558                  |
| Amounts due to customers                         | 159 918 070        | -                               | 2 812 699  | 157 105 371                |
| Debt securities in issue                         | 13 518 622         | 6 673 840                       | -  | 6 844 782                  |
| Subordinated liabilities                         | 2 616 703          | -                               | 2 616 703  | -                          |
| <b>Total financial liabilities</b>               | <b>179 412 953</b> | <b>6 673 840</b>                | <b>5 429 402</b>                                     | <b>167 309 711</b>         |



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**Financial assets and liabilities at fair value and investment properties**

The following table presents the hierarchy of fair value of financial assets and liabilities recognised in the statement of financial position of the Group at their fair value and the fair value of investment properties.

| 30.09.2022   | including:        | Level 1                         | Level 2  | Level 3                    |
|--|-------------------|---------------------------------|--|----------------------------|
|  |                   | Quoted prices in active markets | Valuation techniques based on observable market data | Other valuation techniques |
| <b>RECURRING FAIR VALUE MEASUREMENTS</b>   |                   |                                 |  |                            |
| <b>Financial assets</b>  |                   |                                 |  |                            |
| <b>Financial assets held for trading and hedging derivatives</b>                     | <b>3 410 380</b>  | <b>724 057</b>                  | <b>2 208 858</b>                                     | <b>477 465</b>             |
| Loans and advances to customers  | 37 275            | -                               | -  | 37 275                     |
| Debt securities  | 1 057 805         | 718 434                         | -  | 339 371                    |
| Equity securities  | 5 623             | 5 623                           | -  | -                          |
| Derivatives, including:  | 2 309 677         | -                               | 2 208 858  | 100 819                    |
| Derivatives held for trading   | 2 599 978         | -                               | 2 599 978  | -                          |
| Hedging derivatives  | 245 384           | -                               | 144 565  | 100 819                    |
| Offsetting effect  | (535 685)         | -                               | (535 685)  | -                          |
| <b>Non-trading financial assets mandatorily at fair value through profit or loss</b> | <b>1 109 868</b>  | <b>688</b>                      | <b>-</b>   | <b>1 109 180</b>           |
| Loans and advances to customers  | 892 459           | -                               | -  | 892 459                    |
| Debt securities  | 43 308            | -                               | -  | 43 308                     |
| Equity securities  | 174 101           | 688                             | -  | 173 413                    |
| <b>Financial assets at fair value through other comprehensive income</b>             | <b>20 726 003</b> | <b>19 553 957</b>               | <b>9 987</b>   | <b>1 162 059</b>           |
| Debt securities  | 20 726 003        | 19 553 957                      | 9 987  | 1 162 059                  |
| <b>Total financial assets</b>  | <b>25 246 251</b> | <b>20 278 702</b>               | <b>2 218 845</b>                                     | <b>2 748 704</b>           |
| <b>Investment properties</b>   | <b>140 372</b>    | <b>-</b>                        | <b>-</b>   | <b>140 372</b>             |
| <b>Financial liabilities</b>   |                   |                                 |  |                            |
| <b>Financial liabilities held for trading and hedging derivatives</b>                | <b>3 006 258</b>  | <b>453 034</b>                  | <b>2 553 224</b>                                     | <b>-</b>                   |
| Derivatives, including:  | 2 553 224         | -                               | 2 553 224  | -                          |
| Derivatives held for trading   | 2 987 272         | -                               | 2 987 272  | -                          |
| Hedging derivatives  | 3 386 324         | -                               | 3 386 324  | -                          |
| Offsetting effect  | (3 820 372)       | -                               | (3 820 372)  | -                          |
| Liabilities from short sale of securities  | 453 034           | 453 034                         | -  | -                          |
| <b>Total financial liabilities</b>   | <b>3 006 258</b>  | <b>453 034</b>                  | <b>2 553 224</b>                                     | <b>-</b>                   |

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| 31.12.2021   | including:        | Level 1                         | Level 2  | Level 3                    |
|--|-------------------|---------------------------------|--|----------------------------|
|  |                   | Quoted prices in active markets | Valuation techniques based on observable market data | Other valuation techniques |
| <b>RECURRING FAIR VALUE MEASUREMENTS</b>   |                   |                                 |  |                            |
| <b>Financial assets</b>  |                   |                                 |  |                            |
| <b>Financial assets held for trading and hedging derivatives</b>                     | <b>2 589 076</b>  | <b>248 906</b>                  | <b>1 859 785</b>                                     | <b>480 385</b>             |
| Loans and advances to customers  | 40 426            | -                               | -  | 40 426                     |
| Debt securities  | 596 622           | 248 906                         | -  | 347 716                    |
| Derivatives, including:  | 1 952 028         | -                               | 1 859 785  | 92 243                     |
| Derivatives held for trading   | 2 065 733         | -                               | 2 065 733  | -                          |
| Hedging derivatives  | 338 598           | -                               | 246 355  | 92 243                     |
| Offsetting effect  | (452 303)         | -                               | (452 303)  | -                          |
| <b>Non-trading financial assets mandatorily at fair value through profit or loss</b> | <b>1 417 191</b>  | <b>870</b>                      | <b>-</b>   | <b>1 416 321</b>           |
| Loans and advances to customers  | 1 111 674         | -                               | -  | 1 111 674                  |
| Debt securities  | 81 128            | -                               | -  | 81 128                     |
| Equity securities  | 224 389           | 870                             | -  | 223 519                    |
| <b>Financial assets at fair value through other comprehensive income</b>             | <b>36 206 059</b> | <b>26 721 005</b>               | <b>8 495 243</b>                                     | <b>989 811</b>             |
| Debt securities  | 36 206 059        | 26 721 005                      | 8 495 243  | 989 811                    |
| <b>Total financial assets</b>  | <b>40 212 326</b> | <b>26 970 781</b>               | <b>10 355 028</b>                                    | <b>2 886 517</b>           |
| <b>Investment properties</b>   | <b>127 510</b>    | <b>-</b>                        | <b>-</b>   | <b>127 510</b>             |
| <b>Financial liabilities</b>   |                   |                                 |  |                            |
| <b>Financial liabilities held for trading and hedging derivatives</b>                | <b>2 011 182</b>  | <b>84 774</b>                   | <b>1 926 408</b>                                     | <b>-</b>                   |
| Derivatives, including:  | 1 926 408         | -                               | 1 926 408  | -                          |
| Derivatives held for trading   | 2 238 744         | -                               | 2 238 744  | -                          |
| Hedging derivatives  | 1 598 547         | -                               | 1 598 547  | -                          |
| Offsetting effect  | (1 910 883)       | -                               | (1 910 883)  | -                          |
| Liabilities from short sale of securities  | 84 774            | 84 774                          | -  | -                          |
| <b>Total financial liabilities</b>   | <b>2 011 182</b>  | <b>84 774</b>                   | <b>1 926 408</b>                                     | <b>-</b>                   |

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| Financial assets measured at fair value and investment properties based on Level 3 - changes in the period from 1 January to 30 September 2022 | Financial assets held for trading and hedging derivatives |                 |                                  | Non-trading financial assets mandatorily at fair value through profit or loss |                 |                   | Debt securities at fair value through other comprehensive income | Investment properties |
|--|---|-----------------|----------------------------------|---|-----------------|-------------------|--|-----------------------|
|  | Loans and advances to customers                           | Debt securities | Derivative financial instruments | Loans and advances to customers   | Debt securities | Equity securities |  |                       |
| <b>As at the beginning of the period</b>   | <b>40 426</b>   | <b>347 716</b>  | <b>92 243</b>                    | <b>1 111 674</b>  | <b>81 128</b>   | <b>223 519</b>    | <b>989 811</b>   | <b>127 510</b>        |
| <b>Gains and losses for the period:</b>  | <b>242</b>  | <b>4 567</b>    | <b>8 576</b>                     | <b>(22 717)</b>   | <b>4 394</b>    | <b>(40 862)</b>   | <b>(46 564)</b>  | <b>12 862</b>         |
| Recognised in profit or loss:  | 242   | 4 567           | -                                | (22 717)  | 4 394           | (40 862)          | -  | 12 862                |
| <i>Net trading income</i>  | 242   | 4 567           | -                                | -   | 14 692          | 106               | -  | -                     |
| <i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>  | -   | -               | -                                | (22 717)  | (10 298)        | (35 585)          | -  | -                     |
| <i>Other operating income / (expenses)</i>   | -   | -               | -                                | -   | -               | (5 383)           | -  | 12 862                |
| Recognised in other comprehensive income:  | -   | -               | 8 576                            | -   | -               | -                 | (46 564)   | -                     |
| <i>Financial assets at fair value through other comprehensive income</i>   | -   | -               | -                                | -   | -               | -                 | (46 564)   | -                     |
| <i>Cash flow hedges</i>  | -   | -               | 8 576                            | -   | -               | -                 | -  | -                     |
| Purchases / origination  | -   | 714 066         | -                                | 29 055  | -               | 2 918             | 907 259  | -                     |
| Redemptions / total repayments   | (3 813)   | (65 892)        | -                                | (185 750)   | -               | -                 | (160 950)  | -                     |
| Sales  | -   | (1 194 458)     | -                                | -   | -               | (14 263)          | (742 267)  | -                     |
| Issues   | -   | 533 372         | -                                | -   | -               | -                 | 214 770  | -                     |
| Other changes  | 420   | -               | -                                | (39 803)  | (42 214)        | -                 | -  | -                     |
| Change in the scope of consolidation   | -   | -               | -                                | -   | -               | 2 101             | -  | -                     |
| <b>As at the end of the period</b>   | <b>37 275</b>   | <b>339 371</b>  | <b>100 819</b>                   | <b>892 459</b>  | <b>43 308</b>   | <b>173 413</b>    | <b>1 162 059</b>   | <b>140 372</b>        |

| Financial assets measured at fair value and investment properties based on Level 3 - changes in the period from 1 January to 31 December 2021 | Financial assets held for trading and hedging derivatives |                 |                                  | Non-trading financial assets mandatorily at fair value through profit or loss |                 |                   | Debt securities at fair value through other comprehensive income | Investment properties |
|---|---|-----------------|----------------------------------|---|-----------------|-------------------|--|-----------------------|
|   | Loans and advances to customers                           | Debt securities | Derivative financial instruments | Loans and advances to customers   | Debt securities | Equity securities |  |                       |
| <b>As at the beginning of the period</b>  | <b>187 902</b>  | <b>309 949</b>  | <b>121 029</b>                   | <b>1 506 319</b>  | <b>76 068</b>   | <b>201 344</b>    | <b>990 351</b>   | <b>-</b>              |
| <b>Gains and losses for the period:</b>   | <b>(2 658)</b>  | <b>9 802</b>    | <b>(28 786)</b>                  | <b>(5 347)</b>  | <b>5 060</b>    | <b>10 621</b>     | <b>(63 745)</b>  | <b>14 118</b>         |
| Recognised in profit or loss:   | (2 658)   | 9 802           | (6 950)                          | (5 347)   | 5 060           | 10 621            | -  | -                     |
| <i>Net trading income</i>   | (2 658)   | 9 802           | (6 950)                          | -   | 6 196           | -                 | -  | -                     |
| <i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>                                       | -   | -               | -                                | (5 347)   | (1 136)         | 11 181            | -  | -                     |
| <i>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</i>                 | -   | -               | -                                | -   | -               | (560)             | -  | -                     |
| Recognised in other comprehensive income:   | -   | -               | (21 836)                         | -   | -               | -                 | (63 745)   | 14 118                |
| <i>Financial assets at fair value through other comprehensive income</i>  | -   | -               | -                                | -   | -               | -                 | (63 745)   | 14 118                |
| <i>Cash flow hedges</i>   | -   | -               | (21 836)                         | -   | -               | -                 | -  | -                     |
| Purchases / origination   | 3 813   | 2 137 931       | -                                | 18 627  | -               | 15 904            | 862 018  | -                     |
| Redemptions / total repayments  | (145 222)   | (203 272)       | -                                | (331 906)   | -               | -                 | (350 316)  | -                     |
| Sales   | -   | (6 824 070)     | -                                | -   | -               | (4 350)           | (2 049 780)  | -                     |
| Issues  | -   | 4 917 376       | -                                | -   | -               | -                 | 1 601 283  | -                     |
| Other changes   | (3 409)   | -               | -                                | (76 019)  | -               | -                 | -  | -                     |
| Reclassification to other reporting items   | -   | -               | -                                | -   | -               | -                 | -  | 113 392               |
| <b>As at the end of the period</b>  | <b>40 426</b>   | <b>347 716</b>  | <b>92 243</b>                    | <b>1 111 674</b>  | <b>81 128</b>   | <b>223 519</b>    | <b>989 811</b>   | <b>127 510</b>        |

## **mBank S.A. Group**

Consolidated financial report for the third quarter of 2022

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2022

(PLN thousand)

During three quarters of 2022 and in 2021 there were no transfers of financial instruments between the levels of fair value hierarchy.

With regard to financial instruments valued in repetitive way to fair value classified as level 1 and 2 in hierarchy of fair value, any cases in which transfer between these levels may occur, are monitored by the Bank on the basis of internal rules. In case there is no market price used to a direct valuation for more than 5 working days, the method of valuation is changed, i.e. change from marked-to-market to marked-to-model under the assumption that the valuation model for the respective type of this instrument has been already approved. The return to marked-to-market method takes place after a period of at least 10 working days in which the market price was available on a continuous basis. If there is no market prices for a debt treasury bonds the above terms are 2 and 5 working days, respectively.

### **Level 1**

As at 30 September 2022 the Group has presented at level 1 of the fair value hierarchy the fair value of held for trading government bonds in the amount of PLN 718 434 thousand and the fair value of government bonds measured at fair value through other comprehensive income in the amount of PLN 18 263 513 thousand (31 December 2021: PLN 248 906 thousand and PLN 25 218 009 thousand, respectively). Level 1 includes the fair value of corporate bonds in the amount of PLN 1 290 444 thousand (31 December 2021: PLN 1 502 996 thousand).

In addition, as at 30 September 2022 level 1 includes the value of the registered preferred shares of Giełda Papierów Wartościowych in the amount of PLN 688 thousand (31 December 2021: PLN 870 thousand) and equity instruments of non-financial companies in the amount of PLN 5 623 thousand.

As at 30 September 2022 level 1 also includes liabilities from short sale of securities in the amount of PLN 453 034 thousand (31 December 2021: PLN 84 774 thousand).

These instruments are classified as level 1 because their valuation is directly derived by applying current market prices quoted on active and liquid financial markets.

### **Level 2**

As at 30 September 2022 level 2 of the fair value hierarchy mainly includes the fair value of bills issued by NBP in the amount of PLN 9 987 thousand (31 December 2021: PLN 8 495 243 thousand), valuation of which is based on a NPV model (discounted future cash flows) fed with interest rate curves generated by transformation of quotations taken directly from active and liquid financial markets.

In addition, the level 2 category includes the valuation of derivative financial instruments borne on models consistent with market standards and practices, using parameters taken directly from the markets (e.g. foreign exchange rates, implied volatilities of FX options, stock prices and indices) or parameters which transform quotations taken directly from active and liquid financial markets (e.g. interest rate curves).

### **Level 3**

As at 30 September 2022 level 3 of the hierarchy presents the fair value of commercial debt securities issued by local banks and companies in the amount of PLN 1 544 738 thousand (31 December 2021: PLN 1 384 984 thousand), and includes the fair value of a debt instrument measured at fair value through profit or loss, representing the rights to preferred stock of Visa Inc.

As at 31 December 2021 level 3 includes also the fair value of local government bonds in the amount of PLN 33 671 thousand.

Model valuation for these items assumes a valuation based on the market interest rate yield curve adjusted by the level of credit spread. The credit spread parameter reflects the credit risk of the security issuer and is determined in accordance with the Bank's internal model. This model uses credit risk parameters (e.g. PD, LGD) and information obtained from the market (including implied spreads from transactions). PD and LGD parameters are not observed on active markets and therefore have been determined on the basis of statistical analysis. Both models – the valuation of debt instruments and the credit spread model were built internally in the Bank by risk units, were approved by the Model Risk Committee and are subject to periodic monitoring and validation carried out by an entity independent of the units responsible for building and maintaining the model.

Level 3 as at 30 September 2022 includes the value of loans and advances to customers in the amount of PLN 929 734 thousand (31 December 2021: PLN 1 152 100 thousand). The fair value calculation process for loans and advances to customers is described in detail in the Note 3.3.7 of Consolidated financial statement of Group of mBank S.A. for 2021, published on 3 March 2022.

Moreover, as at 30 September 2022 level 3 covers mainly the fair value of equity securities amounting to PLN 173 413 thousand (31 December 2021: PLN 223 519 thousand). The equity instruments presented at level 3 have been valued using the dividend discount model. The valuations were predominantly prepared

**mBank S.A. Group**

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(PLN thousand)

based on selected financial figures provided by valuated entities and discounted with the cost of equity estimated using CAPM model (Capital asset pricing model). At the end of September 2022, the cost of equity was estimated at the level in the range from 14.2% to 14.7% (as at the end of 2021: 7.9%).

As at 30 September 2022 level 3 also includes fair value of investment property in the amount of PLN 140 372 thousand (31 December 2021: PLN 127 510 thousand). The value of the property was estimated by a property appraiser entered in the Central Register of Property Appraisers kept by the Minister of Development and Technology. The property was valued using the income method. The key unobservable parameter used in the model is the capitalization rate of 6.70% used to discount cash flows (31 December 2022: 9.28%).

Level 3 includes the valuation of CIRS contracts concluded under cash flow hedge accounting of the PLN mortgage loan portfolio and covered bonds issued by mBank Hipoteczny (Note 16). As at 30 September 2022 the valuation of these contracts amounted to PLN 100 819 thousand (31 December 2021: PLN 92 243 thousand).

The table below presents the sensitivity of the fair value measurement to the change of unobservable parameters used in the models for financial instruments measured at fair value at level 3.

| Portfolio  | Fair value<br>30.09.2022 | Sensitivity to change of<br>unobservable parameter |        | Description   |
|--|--------------------------|--|--------|---|
|  |                          | (-)  | (+)    |   |
| Equity instruments   | 173 413                  | (12 393)   | 15 143 | The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+). |
| Commercial debt securities measured at fair value through other comprehensive income | 1 162 059                | (22 294)   | 22 294 | The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).                                       |
| Commercial debt securities measured at fair value through profit or loss             | 339 371                  | (6 447)  | 6 447  |   |
| Loans and advances to customers held for trading                                     | 37 275                   | (492)  | 469    | The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).                                |
| Loans and advances to customers at fair value through profit or loss                 | 892 459                  | (12 357)   | 12 694 |   |

| Portfolio  | Fair value<br>31.12.2021 | Sensitivity to change of<br>unobservable parameter |        | Description   |
|--|--------------------------|--|--------|---|
|  |                          | (-)  | (+)    |   |
| Equity instruments   | 223 519                  | (8 054)  | 10 327 | The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+). |
| Commercial debt securities measured at fair value through other comprehensive income | 989 811                  | (22 043)   | 22 043 | The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).                                       |
| Commercial debt securities measured at fair value through profit or loss             | 347 716                  | (7 879)  | 7 879  |   |
| Loans and advances to customers held for trading                                     | 40 426                   | (761)  | 743    | The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).                                |
| Loans and advances to customers at fair value through profit or loss                 | 1 111 674                | (15 630)   | 16 159 |   |

## **30. Legal risk related to mortgage and housing loans granted to individual customers in CHF**

### **Introduction**

In recent years, a significant number of individual customers who took out mortgage and housing loans in CHF, challenged in court some of the provisions or entire agreements on the basis of which the Bank granted these loans. To date, there is no consistent line of judgments on the assessment of contractual provisions introducing an indexation mechanism and the consequences of establishing their abusiveness (ineffectiveness) issued by the courts in such cases.

The carrying amount of mortgage and housing loans granted to natural persons in CHF as of 30 September 2022 amounted to PLN 7.0 billion (i.e. CHF 1.4 billion) compared to PLN 9.1 billion (i.e. CHF 2.0 billion) as at the end of 2021. Additionally the volume of the portfolio of loans granted in CHF to natural persons that were already fully repaid as of 30 September 2022, taking into account the exchange rate on the date of disbursement of individual loan tranches, amounted to PLN 7.1 billion (31 December 2021: PLN 6.6 billion).

Due to the significance of the legal issues related to the CHF loan portfolio for the financial position of mBank Group as at 30 September 2022, detailed information is presented below regarding these lawsuits, significant judgments, which, in the Bank's opinion, may affect the future ruling on loans indexed to CHF, proposed potential settlements with customers, accounting principles for the recognition of legal risk related to these court cases and the settlement program, as well as information on the impact of legal risk related to these court cases on the balance sheet and profit or loss account of mBank Group and the methodology used to determine this impact.

### **Individual court cases against the Bank concerning loans indexed to CHF**

As of 30 September 2022, 17 103 individual court proceedings (31 December 2021: 13 373 proceedings) were initiated against the Bank by its customers in connection with CHF loan agreements with the total value of claims amounting to PLN 5 256.1 million (31 December 2021: PLN 3 506.5 million).

Out of the individual proceedings, 16 861 proceedings (31 December 2021: 13 036 proceedings) with the total value of claims amounting to PLN 5 250.9 million (31 December 2021: PLN 3 499.9 million) related to indexation clauses in CHF loan agreements and included claims for declaring ineffectiveness or invalidity in part (i.e. to the extent that the agreement contains contractual provisions related to indexation) or in whole of the loan agreements.

As of 30 September 2022 mBank received 1 338 final rulings in individual lawsuits (31 December 2021: 473 final rulings), out of which 95 rulings were favourable to the Bank and 1 243 rulings were unfavourable (31 December 2021: 82 rulings favourable and 391 unfavourable).

At the same time 39 proceedings (as of 30 September 2022) at the second instance courts have remained suspended due to the legal issues referred to the Supreme Court and the Court of Justice of the European Union (CJEU). The Bank submits cassation appeals to the Supreme Court against legally binding judgments unfavourable for the Bank. Unfavourable judgments were based on the same patterns of facts which in the past had resulted in different verdicts. Approximately 82% of unfavourable verdicts led to the invalidation of the loan agreement, others led to the conversion of the agreement into PLN + LIBOR/WIBOR and substitution of FX clause by the fixing rate of the NBP.

### **Class action against mBank S.A. concerning indexation clauses**

The Bank was also sued by the Municipal Consumer Ombudsman representing a group of 390 individuals – retail banking customers who entered into mortgage loan agreements indexed to CHF. This class action concerning indexation clauses was filed in the District Court in Łódź on 4 April 2016.

The lawsuit contains alternative claims for declaring the loan agreements partially invalid, i.e. with respect to the indexation provisions or for declaring the agreements invalid in their entirety or for declaring the indexation provisions of the agreements invalid due to the fact that they allow the loan to be valorised above 20% and below 20% of the CHF exchange rate from mBank S.A. table of exchange rates in effect on the date each of the loan agreements was concluded.

By Order dated 13 March 2018 the Court set the Class at 1 731 persons. On 19 October 2018 the Court issued judgment dismissing all of Plaintiff's claims. In its oral reasoning, the Court argued that the Claimant failed to prove that it has a legal interest in bringing the claim in question and also addressed the issue of the validity of the CHF valorised loan agreements, emphasizing that both the agreements themselves and the indexation clause are in compliance with both applicable laws and the principles of social interaction. On 11 January 2019 the Plaintiff's appeal was delivered to the Bank, to which the Bank filed a response. On 27 February 2020 a hearing was held in the Court of Appeal in Łódź. On 9 March 2020 a judgment was rendered in the case, in which the Court of Appeal returned the case to the District Court for

reconsideration. On 9 June 2020 the Court of Appeal, on the motion of the Plaintiff, issued a decision by which it granted security to the Plaintiff's claims by suspending the obligation to pay principal and interest instalments and prohibiting the Bank from making statements calling for payment and terminating the loan agreement.

On 12 January 2022, the hearing was held before the Regional Court in Łódź, and on 9 February 2022 the court issued a verdict dismissing the claim in its entirety. The court held that the valorised loan agreements were valid and that there were no grounds to declare them invalid due to the fact that the foreign currency valorisation mechanism was introduced into them. In the court's view, the agreements can continue to apply even after the clauses concerning the method of repayment of the loan have been eliminated from them. The plaintiff appealed against this verdict, to which the Bank responded. The case is currently pending before the Court of Appeal in Łódź.

As of 30 September 2022 the Bank recognised the impact of legal risk in the class action in the amount of PLN 307.4 million. The details of the methodology and calculation are described further in this note.

### **Information on the most important court proceedings regarding loans indexed to CHF**

#### **Rulings of the Court of Justice of the European Union regarding CHF mortgages**

On 3 October 2019 the CJEU issued the ruling in the prejudicial mode regarding the mortgage loan linked to the Swiss franc granted by a Polish bank. The submitted prejudicial questions were to determine, among other things, if a generally applicable custom can be used where there is no provision in domestic law that could replace an abusive exchange rate clause. In accordance with CJEU's ruling, the question of abusiveness will be decided by Polish courts. CJEU did not refer to this issue. In addition, CJEU did not make a clear-cut decision regarding the consequences of an exchange rate clause being considered abusive by a domestic court. However, the possibility of a credit agreement being performed further in PLN and with interest calculated according to LIBOR was found doubtful by the Court. If an exchange rate clause is found abusive, a domestic court must decide whether the agreement in question can be performed further or should be declared invalid, taking into account the client's will and the consequences of invalidity for the client. CJEU approved the application of a disposable norm, if the invalidity of the agreement would be unfavourable for the client. CJEU rejected the application of general provisions referring to a custom or equity principles.

In October 2020, prejudicial questions were referred to CJEU in two individual cases against mBank. The question referred in first case aims at determining the starting point for the limitation period in the case of consumer claims for undue performance. The question referred in the second case aims at determining whether, in the event of declaring the exchange rate clause abusive, it is possible to apply in its place the provision of the Civil Code referring to the average NBP exchange rate. On 17 March 2022, the parties were heard by the Court of Justice of the European Union. The litigation position was presented by the parties: Poland, the European Commission, Spain and Finland. On 8 September 2022, the CJEU issued a ruling upholding its previous jurisprudence. The Tribunal confirmed once again that the limitation period for the consumer's claims for reimbursement of amounts unduly paid on the basis of an unfair contract term begins to run from the moment when the consumer knows or should have known about the unfairness of the contract term. The Tribunal also reiterated that the application of the supplementary standard is possible only if the cancellation of the contract is unfavourable to the borrower and the borrower agrees to apply this standard. Automatic application (irrespective of the consumer's consent) could only apply to a provision that was introduced by the national legislator in order to eliminate abusiveness, if such a provision would restore the balance of the parties. The Court of Justice has again emphasized that the purpose of Directive 93/13 is not to annul all contracts containing unfair terms.

On 29 April 2021, the CJEU issued a judgment in case C-19/20. According to this judgment, if the unfair (abusive) nature of the contractual provision leads to annulment of the contract, the Court should not annul the contract until the Court informs the consumer in an objective and comprehensive manner about the legal consequences the annulment of such a contract may cause (whether or not the consumer is represented by a legal advisor) and until the Court allows the consumer to express a free and informed consent to the questioned provision and to the continuation of the contract.

By the decision of 12 August 2021, another question was addressed to the CJEU, the subject of which is to determine whether in the event of cancellation of the loan agreement, the parties, in addition to the reimbursement of money paid in the performance of this agreement and statutory interest for delay from the moment of the call for payment, may also claim any other benefits, in particular remuneration, unjust enrichment, compensation, reimbursement or valorisation of the benefit. The hearing before the CJEU took place on 12 October 2022, and the verdict is expected in the first half of 2023. The ruling issued in this case will be of significant importance for the shaping of the jurisprudence in matters of foreign currency indexed loans. It will also be reflected in the parameters of the provisioning model, such as the distribution of expected court rulings or scenarios, determining the behaviour of borrowers towards accepting settlements or filing lawsuits.



On 18 November 2021, the Court of Justice of the EU delivered its judgment in Case C-212/20, in which it assessed that in accordance with the provisions of Directive 93/13, the content of a so-called spreads clause must enable (on the basis of clear and comprehensible criteria) a reasonably well-informed, reasonably observant and rational consumer to understand how the exchange rate is to be determined, in such a way that the consumer is able to determine the rate applied by the trader himself at any time. Moreover CJEU made an assessment that the provisions of Directive 93/13 preclude the interpretation of an illicit contract term in order to mitigate its unfairness.

In January 2022, further questions for a preliminary ruling were submitted to the CJEU in three cases pending against mBank. The question in the first case is aimed at determining whether, if there are grounds both for determining the absolute invalidity of the contract and for declaring the contract invalid (ineffective) due to the abusive clauses contained therein, the court should determine absolute nullity or a decision on the choice of sanctions belongs to the consumer. The questions in the second case concern the consequences of entering abusive clauses in the register, the possibility of repaying the loan from the beginning in a foreign currency and informing the consumer who is knowledgeable about the exchange rate risk. In the third case, the questions relate to the remuneration for the use of capital and the effects of the consumer's declaration regarding the lack of consent to uphold the abusive provision in relation to the ineffectiveness of the contract, the commencement of the limitation period for the bank's claims and statutory interest. The question remains partly consistent with the preliminary question of another bank before the CJEU in case C-520/21. The Bank presents a position consistent with the previous positions of the FSA and the NBP in favour of the legitimacy of formulating such claims. The CJEU only acted on the second and third cases, in which the Bank submitted its statements on 15 August 2022.

### **Supreme Court resolutions on loans in CHF**

On 29 January 2021 the motion for adopting a resolution has been submitted to the Supreme Court by the First President of the Supreme Court. The full bench of the Civil Chamber of the Supreme Court was to answer to the questions if abusive provisions can be replaced with provisions of civil law or common practice, whether it is possible to maintain indexed/denominated loan as a PLN loan with an interest rate based on LIBOR, whether the theory of balance or the theory of two conditionalities will apply in the event of the CHF loan invalidity, the starting point of the limitation period in the case of the bank's claim for reimbursement of the amounts paid under the loan and whether banks and consumers can receive a remuneration for the use of their funds by the other party. The lack of a jurisprudence line, both domestic and of the CJEU, concerning remuneration for the use of capital is also significant for the shape of the provision. The position presented by banks has been strengthened by the opinions of the Polish Financial Supervision Authority (PFSA) and the National Bank of Poland (NBP) submitted to case no. III CZP 25/22 (III CZP 11/21), which support granting banks the right to such remuneration. Thus, the banks' claims in this respect should be regarded as at least plausible.

There was one non-public sitting in this case, during which the Supreme Court decided to request the Ombudsman, Financial Ombudsman, Children's Ombudsman, NBP and the Polish Financial Supervision Authority to take a position. The positions of these bodies have been submitted.

At a closed session on 2 September 2021, the Supreme Court, pursuant to Article 267 of the Treaty on the Functioning of the European Union, decided to refer to the Court of Justice of the European Union with three questions for a preliminary ruling on the issue of appointing judges in the Republic of Poland. The verdict on the questions asked by the First President of the Supreme Court was not issued.

The resolution of the Supreme Court of 16 February 2021 in case III CZP 11/20 endorsed the theory of two conditionalities if a credit agreement is declared to be invalid. The Supreme Court in written justification found that the risk of insolvency of either of the unduly enriched parties is largely mitigated by the right of retention of received benefits until the other party offers to repay received benefits or secures the claims for repayment.

On 7 May 2021 (III CZP 6/21), a resolution of 7 of the Supreme Court's judges which have the force of a legal principle was issued, in which it was decided that:

- the prohibited contractual provision (Civil Code Art. 385(1) §1) is from the very beginning, by virtue of law ineffective for the benefit of the consumer, who may subsequently grant informed and free consent to this provision and thus restore its effectiveness retroactively,
- if the loan agreement cannot be binding after removal of an ineffective provision, the consumer and the bank are entitled to separate claims for the reimbursement of cash benefits provided in the performance of this agreement (Article 410 § 1 in conjunction with Article 405 of the Civil Code). The bank may request the return of the benefit from the moment the loan agreement becomes permanently ineffective.

In the written justification, the Supreme Court confirmed its earlier positions as to the application of the theory of two conditionalities and the issue of calculating the limitation period for the bank's claims in the event that the contract cannot be upheld after the abusive provisions have been eliminated. The Supreme Court explained that due to the possibility granted to the consumer to make a binding decision regarding the sanctioning of the prohibited clause and to accept the consequences of the total invalidity of the contract, it should be recognised that, as a rule, the limitation period for these claims may start running only after the consumer has made a binding decision in this regard. Only then, in the opinion of the Supreme Court, can it be concluded that the lack of a legal basis for the benefit has become definitive (as in the case of *condictio causa finita*), and the parties could effectively demand the return of the undue benefit. This means, in particular, that the consumer cannot assume that the bank's claim has expired within the time limit calculated as if the call to return the loan was possible already on the day it was made available. In justifying the resolution, the Supreme Court also confirmed that in order to avoid risks related to the borrower's insolvency, the bank may use the right of retention provided in Art. 497 in connection with Art. 496 of the Civil Code, thus protecting its claim for the return of used principal, since the obligation to return it is – in relation to the obligation to put the funds at the disposal of the borrower – something more than a consideration obligation.

On 6 July 2021, the Civil Chamber of the Supreme Court refused to pass a resolution on Swiss franc indexed loans. The Supreme Court indicated that the question of whether the balance theory or the two conditionalities theory should be applied has already been resolved in the jurisprudence of the Supreme Court, including the resolution of 7 judges of 7 May 2021 (III CZP 6/21), and earlier in the resolution of 16 February 2021 (III CZP 11/20).

On 29 July 2021 the Supreme Court composed of 3 judges presented the legal issue to be resolved by a panel of 7 judges of the Supreme Court, which came down to the answer to the question whether, in the event of a loan agreement being declared invalid, a loan granted in Polish currency, indexed to a foreign currency, repaid by borrowers, the amount of possible enrichment of the lender should be calculated taking into account only the nominal amount of loan instalments, or the interest rate on instalments according to the reference rate appropriate for loans indexed to a foreign currency or appropriate for loans in PLN should be taken into account. The deadline for examining the issue, initially set for 8 November 2021, was removed from the case list, and the judge-rapporteur was also changed.

On 28 April 2022 the Supreme Court issued a resolution (III CZP 40/22) in which it indicated that in disputes with consumers, the provision of Article 385(1) of the Civil Code constitutes *lex specialis* in relation to Article 353(1) of the Civil Code. Consequently, when there are prerequisites for the application of both legal norms, the court should apply the sanction of ineffectiveness of the contractual clauses, without declaring it invalid on general principles.

### **PFSA's Chairman proposal**

The general assumptions of the PFSA's Chairman proposal to convert FX loans to PLN have been announced in December 2020. The PFSA's Chairman proposal assumes that foreign currency indexed/denominated loan (CHF/EUR/USD) would be converted as if it was from beginning a PLN loan with an interest rate of WIBOR 3M increased by a margin used historically for such loans.

The Bank analysed the costs it would have to incur in the indicated scenario, as the sum of the differences between the current balances of foreign currency indexed/denominated loan (CHF/EUR/USD) and the corresponding hypothetical loan balances in PLN based on the WIBOR 3M rate increased by the loan margin in PLN granted at the same time and for the same period as the loan indexed to/denominated in foreign currencies (CHF/EUR/USD).

Hypothetical PLN loan balances include in their schedule differences from the actual repayments of foreign currency indexed/denominated loan (CHF/EUR/USD) by adjusting the value of the outstanding principal according to the scheme provided by the PFSA.

The estimated potential impact of implementation of the conversion plan on mBank, calculated as of 30 September 2022, would amount to PLN 6.1 billion if only active portfolio indexed/denominated to CHF was converted (unaudited data). Detailed assumptions for the estimation of this impact were adopted on the basis of the Polish Financial Supervision Authority's survey dated 27 January 2021. The PFSA's Chairman proposal assumes that only active portfolio would be converted.

### **Settlement program**

On 26 September 2022, the Bank decided to launch the settlement program for borrowers who have active CHF indexed loan including borrowers currently in court dispute with the Bank.

The presented offer is based on two basic assumptions: (i) elimination of the CHF/PLN FX risk incurred by the client and (ii) limitation of the interest rate risk. The settlement proposal consists in conversion of the CHF indexed loan into a PLN loan with simultaneous write-off of a portion of the loan balance. The write-

off level will be individually negotiated with customers. The Bank will also reimburse low contribution insurance premiums by redeeming capital equal to the sum of premiums collected from the customer.

After conversion, the customer will be able to decide which interest rate he chooses: temporarily fixed or variable. The Bank plans to offer a preferential interest rate on the loan after conversion to the clients that will sign the settlement. By deciding to sign a settlement with the Bank, the client will benefit from a reduction in the outstanding loan balance, eliminate the currency risk and, due to the offered preferential interest rate and the possibility to choose a temporarily fixed interest rate, will minimize the interest rate risk. Settlements will be signed in an out-of-court mode, although, the Bank will allow to any customer who wishes to do so to sign a settlement at an arbitration court.

### **Accounting policies for recognising the effect of legal risk related to court cases concerning CHF mortgage and housing loans to individual customers and the settlement program**

The Group recognises the impact of the legal risk related to court cases concerning indexation clauses in mortgage and housing loans in CHF and settlements offered to CHF borrowers as reflected under:

- IFRS 9 "Financial instruments" in relation to active loans, including active loans covered by the class action case and settlements, and
- IAS 37 "Provisions, contingent liabilities and contingent assets" in relation to repaid loans.

Mortgage and housing loans to customers that are subject to court proceedings are within the scope of IFRS 9. Under IFRS 9, these loans are measured at amortised cost using the effective interest rate.

Legal claims filed by borrowers, including invalidity claims, impact the Bank's estimate of the expected life of the loan and the expected cash flows. In particular, the Bank takes into account the risk that the remaining life of the loan may be shorter than the contractual term, or the Bank may not receive some of the contractual cash flows, and in case of invalidity verdict, the Bank may have to reimburse the borrowers for undue benefits received. In addition, any settlements offered by the Bank to borrowers (including those who have not previously made legal claims), may also affect the amount and timing of expected cash flows from these loans.

Therefore the Bank believes that the appropriate way to recognise the impact of legal risk with respect to active loans and the expected impact of the settlement program offered to borrowers is to revise the cash flow estimates associated with the loans and reduce the gross carrying amount of the loans in accordance with IFRS 9 paragraph B5.4.6.

In relation to repaid loans and loans for which the estimated adjustment in cash flows is higher than the carrying amount, the Bank recognises provisions for legal proceedings in accordance with IAS 37 "Provisions, contingent liabilities and contingent assets".

According to IAS 37 the amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that the Bank would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. This amount is discounted at the balance sheet date.

For repaid loans, there is no asset that could be adjusted, therefore any potential liability arising from the legal risks has to be accounted for under IAS 37. As the provisions being measured in case of repaid loans involves a large population of items, the Bank applies "expected value" method in which the obligation is estimated by weighting all possible outcomes by their associated probabilities.

The above estimates are determined by the judgement of the Bank, supplemented by experience of similar events and opinions of independent experts. The evidence considered includes any additional evidence provided by events after the end of the reporting period.

The details of the methodology and calculation are described further in this note.

### **The impact of the legal risk related to court cases concerning indexation clauses in mortgage and housing loans in CHF and the settlement program**

The methodology used to calculate the impact of the legal risk related to court cases concerning indexation clauses in mortgage and housing loans in CHF and the settlement program is based on historical observations and due to the lack of market data and lack of clear jurisprudence, partially on expert assumption that are highly judgmental and with a high range of possible values. It is possible that the impact of the legal risk will need to be adjusted significantly in the future, particularly that important parameters used in calculations are significantly interdependent.

The cumulative impact of legal risk associated with litigation (individual lawsuits and class actions) related to indexation clauses in CHF mortgages and housing loans and the settlement program included in the Group's statement of financial position is shown in the table below.

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(PLN thousand)

|  | 30.09.2022       | 31.12.2021       |
|--|------------------|------------------|
| Impact of legal risk related to active loans and settlement program recognised as a reduction of gross carrying amount of loans  | 6 234 133        | 3 785 097        |
| Impact of legal risk concerning individual lawsuits and class actions case related to repaid loans and low value active loans recorded as provisions for legal proceedings | 604 291          | 348 476          |
| <b>The cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and housing loans in CHF</b>                                     | <b>6 838 424</b> | <b>4 133 573</b> |

Total costs of legal risk related to foreign currency loans recognised in the income statement for the first three quarters of 2022 amounted to PLN 2 682.2 million (in first three quarters of 2021: PLN 751.6 million). The most significant factors of these costs in first three quarters of 2022 was the increase of the impact of the legal risk related to individual court cases, which mainly resulted from the change in the distribution of expected court rulings scenarios due to the adoption of historical observations in the model, an increase in the forecasted population of borrowers who will file a lawsuit against the Bank and an increase in the cost of the settlement program as a result of the Bank's decision to launch the settlement program in September 2022.

### Methodology of calculating the impact of the legal risk related to individual court cases

The methodology of calculating the impact of the legal risk related to individual court cases concerning both active and repaid loans applied by the Bank depends on numerous assumptions that take into account historical data adjusted with the Bank's expectations regarding the future. The most important assumptions are: an expected population of borrowers who will file a lawsuit against the Bank, the distribution of expected verdicts judged by the courts and the loss to be incurred by the Bank in case of losing the case in court and the level of settlement acceptance.

#### Expected population of borrowers

The population of borrowers who will file a lawsuit against the Bank has been projected with the use of statistical methods over the remaining life of the portfolio based on the Bank's history of legal cases and assumes a further inflow of new cases. The Bank assumes that the inflow of plaintiffs will be significant until the end of 2026. The Bank assumes that vast majority of the projected cases will be filed until the end of 2024, and then their number will decrease following the expected unification of the jurisprudential line.

For the purpose of calculating the impact of legal risk mBank assumes that approximately 37% of CHF borrowers i.e. 31 thousand borrowers, including 27 thousand borrowers with active loans (representing approximately 58% of borrowers with active loans) and 4 thousand borrowers with repaid loans (representing approximately 12% of borrowers with repaid loans) filed or with intention to file a lawsuit against the Bank (as of 31 December 2021: 27%, i.e. 23 thousand borrowers). Moreover, the Bank assumed that some portion of borrowers will sign settlements. The assumption, due to significant legal uncertainties surrounding CHF cases as well as other external factors that may shape clients' preferences to file the lawsuits, is highly judgmental and may be a subject to an adjustment in future. If an additional 1% of the borrowers (both holding active loans in CHF as well as borrowers who already repaid their loans in CHF) filed a lawsuit against the Bank, the impact of the legal risk would increase by approximately PLN 66.8 million (while other relevant assumptions remain constant) as compared to 30 September 2022, of which PLN 58.5 million would reduce gross carrying amount of the loans, and PLN 8.3 million would increase the provisions for legal proceedings.

The Bank estimates that part of borrowers with CHF indexed loans will not decide to sue the Bank or sign a settlement with the Bank in the future. In the Bank's opinion this will be influenced by the following factors: clients' expectations regarding future changes in the CHF/PLN exchange rate, clients' expectations regarding future costs of PLN loans, changes in jurisprudence in CHF loan cases, tax solutions regarding settlements, costs and duration of court proceedings, individual factors (in particular the loan repayment period and the current amount of debt). This is not a direct estimate, but the result of the difference between the estimate of the population of clients already in dispute with the Bank or intending to do so and the estimate of the population of clients who decide to settle and the number of clients with an active CHF credit agreement.

#### Distribution of expected court rulings

The expected distribution of court rulings was based on final judgments issued in cases against the Bank starting from 2020. As currently there is still no homogenous line of verdicts taken by the courts the Bank took into account three possible scenarios for termination of court proceedings: (i) the contract remains valid but the indexation mechanism is eliminated, which transforms a loan indexed to CHF into a PLN loan subject to the interest rate for a loan indexed to CHF, (ii) the contract is invalid in its entirety, as removing the exchange rate clause would be too far-reaching change (assuming that the clause specifies the main subject of the contract) and (iii) dismissal of the claim. In scenario (ii), the Bank takes into account two

versions of the cancellation, assuming that the parties settle in a formula similar to the settlement on a net basis. The first version assumes that the consumer is obliged to return the paid-up capital together with the remuneration for using it, and the second assumes that the consumer is obliged to return the capital without remuneration. The Bank assumed the probability of return on capital with remuneration at the level of 70%. If the assumed probability of return on capital with remuneration changed by +/- 1 percentage point and all other relevant assumptions remained constant, the impact of the legal risk would change by +/- PLN 18.5 million, of which PLN 16.8 million would change the gross carrying amount of loans, and PLN 1.7 million provisions for legal proceedings.

Each of these scenarios is associated with a different level of predicted losses for the Bank. As of 30 September 2022 the Bank assumed probability of unfavourable scenario at the level of 95% (as of 31 December 2021: 50%). If the assumed probability of unfavourable scenario changed by +/- 1 percentage point and all other relevant assumptions remained constant, the impact of the legal risk would change by +/- PLN 53.9 million, of which PLN 49.2 million would change the gross carrying amount of loans, and PLN 4.7 million provisions for legal proceedings.

### **Probability of settlement acceptance**

As there is currently no sufficiently reliable and complete data in the market that would allow the Bank to make clear estimates of the levels of acceptance of settlements in CHF cases, the Bank assumed the probability of accepting the settlements partially based on the available market data, the results of the completed pilot of the settlement program concluded by the Bank in 2021 and 2022 and based on its own forecasts.

As at 30 September 2022, the Bank assumed 33% probability of settlements acceptance for the entire active portfolio (34% as at 31 December 2021).

In the event of a change in the probability of accepting settlements by +/- 1 percentage point, with the remaining significant assumptions unchanged, the total amount of the impact of legal risk would change by +/- PLN 8.5 million which would change the gross carrying amount of loans.

### **Methodology of calculating the impact of the legal risk related to the class action case**

In order to calculate the legal risk costs related to a class action, the methodology described above for calculating the impact of the legal risk related to individual cases was used and it was applied to the whole population covered by the class action. The distribution of expected court rulings used is the same as for individual cases.

## **SELECTED EXPLANATORY INFORMATION**

### **1. Compliance with International Financial Reporting Standards**

The presented condensed consolidated report for the third quarter of 2022 fulfils the requirements of the International Accounting Standard (IAS) 34 "Interim financial reporting" relating to interim financial reports.

In addition, selected explanatory information provide additional information in accordance with Decree of the Minister of Finance dated 29 March 2018 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws 2018, item 757).

### **2. Consistency of accounting principles and calculation methods applied to the drafting of the quarterly report and the last annual financial statements**

The description of the Group's accounting policies is presented in Note 2 of Consolidated financial statements of mBank S.A. Group for 2021, published on 3 March 2022. The accounting principles adopted by the Group were applied on a continuous basis for all periods presented in the financial statements except for the change concerning the implementation of IFRS 9 as of 1 July 2022 with regard to hedge accounting, described in Note 2.

### **3. Seasonal or cyclical nature of the business**

The business operations of the Group do not involve significant events that would be subject to seasonal or cyclical variations.

### **4. Nature and values of items affecting assets, liabilities, equity, net profit/ (loss) or cash flows, which are unusual in terms of their nature, magnitude or exerted impact**

- In the financial results for the third quarter of 2022, the Bank recognised the cost of legal risk related to foreign currency loans in the amount of PLN 2 314.3 million. The detailed information in this regard is presented in Note 30.



- In the third quarter 2022, the Group also recognised the impact of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays") which resulted in a decrease in interest income by recognising the result on loan modifications in the amount PLN -1 282.3 million. The change in cash flows related to credit holidays also affected the result on hedge accounting and resulted in the recognition of ineffectiveness of cash flow hedge accounting in the amount of PLN - 63.5 million. Detailed information in this regard is presented in Note 2.
  - In the third quarter 2022, the Group also recognised the cost of contributions to the Borrowers Support Fund in the amount of PLN 184.1 million. The obligation to pay a contribution to the Borrowers Support Fund in 2022 was introduced by the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers.
  - Also the increase in interest rates had a significant impact on the financial condition of the Group. The reference rate of NBP increased from the level of 1.75% as at the end of 2021 to the level of 6.75% as at 30 September 2022, which was reflected in the increase of net interest income but had a negative impact on the valuation of derivatives and financial assets based on a fixed interest rate and measured at fair value.
- 5. Nature and amounts of changes in estimate values of items, which were presented in previous interim periods of the current reporting year, or changes of accounting estimates indicated in prior reporting years, if they bear a substantial impact upon the current interim period**

The financial results for the third quarter of 2022 include cost of legal risk related to foreign currencies loans in the amount of PLN 2 314.3 million. The detailed information are presented in Note 30.

#### **6. Issues, redemption and repayment of non-equity and equity securities**

In the three quarters of 2022, the following issues and redemptions occurred in the Group:

- On 24 March 2022, in the process of securitisation transaction, the Bank issued credit linked notes, with the maturity date on 22 October 2038, in the total nominal amount of PLN 642 500 thousand. The details of the transaction are described in Note 24,
- On 7 June 2022 mBank S.A. redeemed fixed rate bonds with a nominal value of CHF 180 000 thousand which were issued on 7 June 2018 under EMTN scheme,
- On 5 September 2022, mBank S.A. redeemed fixed rate bonds with a nominal value of EUR 460 030 thousand which were issued on 5 September 2018 under EMTN scheme,
- mBank Hipoteczny S.A. redeemed short-term variable rate bonds with a nominal value of PLN 62 000 thousand, fixed rate mortgage bonds with a nominal value of EUR 90 384 thousand and variable rate mortgage bonds with a nominal value of PLN 925 000 thousand,
- mLeasing Sp. z o.o. issued short-term bonds in the amount of PLN 823 343 thousand and redeemed short-term bonds in the amount of PLN 926 021 thousand.

#### **7. Dividends paid (or declared) altogether or broken down by ordinary shares and other shares**

On 31 March 2022, the 35th Annual General Meeting of mBank S.A. adopted resolution regarding the covering of loss for 2021. The net loss incurred by mBank S.A. in 2021 in the amount of PLN 1 215 353 334.02 was covered by the Bank's supplementary capital. The Annual General Meeting of mBank S.A. also decided to leave the profit from the previous years in the amount of PLN 2 098 480 869.01 undivided. The Annual General Meeting of mBank S.A. did not decide about dividend payment.

#### **8. Significant events after the end of third quarter of 2022, which are not reflected in the financial statements**

Significant events after the end of the third quarter of 2022, are described in Item 33 of Selected explanatory data.

#### **9. Effect of changes in the structure of the entity in the third quarter of 2022, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities**

As presented in Item 9 of the Selected Explanatory Data of the Condensed consolidated financial statements of mBank Group for half year 2022, published on 3 August 2022, on 31 May 2022 the Management Board of mBank S.A. notified shareholders of the planned demerger of mBank Hipoteczny S.A. (Demerged Company, mBH) by transferring part of the assets of the Demerged Company to mBank.

The demerger will be carried out subject to obtaining the required regulatory approvals.

#### **10. Changes in contingent liabilities and commitments**

In the third quarter of 2022, there were no changes in contingent liabilities and commitments of credit nature, i.e. guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

#### **11. Write-offs of the value of inventories down to net realisable value and reversals of such write-offs**

In the third quarter of 2022, events as indicated above did not occur in the Group.

#### **12. Revaluation write-offs on account of impairment of tangible fixed assets, intangible assets, or other assets as well as reversals of such write-offs**

In the third quarter of 2022, events as indicated above did not occur in the Group.

#### **13. Revaluation write-offs on account of impairment of financial assets**

Data regarding write-offs on account of impairment of financial assets is presented under Note 12 of these condensed consolidated financial statements.

#### **14. Reversals of provisions against restructuring costs**

In the third quarter of 2022, events as indicated above did not occur in the Group.

#### **15. Acquisitions and disposals of tangible fixed asset items**

In the third quarter of 2022 there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease operations that are performed by the companies of the Group.

#### **16. Material liabilities assumed on account of acquisition of tangible fixed assets**

In the third quarter of 2022, events as indicated above did not occur in the Group.

#### **17. Information about changing the process (method) of measurement the fair value of financial instruments**

In the reporting period there were no changes in the process (method) of measurement the fair value of financial instruments.

#### **18. Changes in the classification of financial assets due to changes of purpose or use of these assets**

In the reporting period there were no changes in the classification of financial assets as a result of a change in the purpose or use of these assets.

#### **19. Corrections of errors from previous reporting periods**

In the third quarter of 2022, events as indicated above did not occur in the Group.

#### **20. Information on changes in the economic situation and operating conditions that have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are included in the fair value or in the adjusted purchase price (amortised cost)**

The increase in interest rates had a significant impact on the fair value of financial assets and financial liabilities. The NBP reference interest rate increased from 1.75% at the end of 2021 to 6.75% as at 30 September 2022, which had a negative impact on the valuation of derivatives and financial assets based on a fixed interest rate and measured at fair value.

Detailed information regarding fair value of financial asset and liabilities are presented in Note 29.

#### **21. Default or infringement of a loan agreement or failure to initiate composition proceedings**

In the third quarter of 2022, events as indicated above did not occur in the Group.

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### 22. Position of the management on the probability of performance of previously published profit/(loss) forecasts for the year in light of the results presented in the quarterly report compared to the forecast

The Group did not publish a performance forecast for 2022.

On 27 September 2022 the Management Board of mBank S.A. informed, that due to the additional costs of legal risk related to FX loans and credit holidays included in the financial result for the third quarter 2022, the net result of mBank Group for the whole year 2022 would be negative.

### 23. Registered share capital

The total number of ordinary shares as at 30 September 2022 was 42 422 727 shares (31 December 2021: 42 384 884 shares) at PLN 4 nominal value each. All issued shares were fully paid up.

| REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 30 SEPTEMBER 2022 |                   |                    |                   |                                     |                    |               |
|--|-------------------|--------------------|-------------------|-------------------------------------|--------------------|---------------|
| Share type   | Type of privilege | Type of limitation | Number of shares  | Series / face value of issue in PLN | Paid up            | Registered on |
| ordinary bearer*   | -                 | -                  | 9 989 000         | 39 956 000                          | fully paid in cash | 1986          |
| ordinary registered*   | -                 | -                  | 11 000            | 44 000                              | fully paid in cash | 1986          |
| ordinary bearer  | -                 | -                  | 2 500 000         | 10 000 000                          | fully paid in cash | 1994          |
| ordinary bearer  | -                 | -                  | 2 000 000         | 8 000 000                           | fully paid in cash | 1995          |
| ordinary bearer  | -                 | -                  | 4 500 000         | 18 000 000                          | fully paid in cash | 1997          |
| ordinary bearer  | -                 | -                  | 3 800 000         | 15 200 000                          | fully paid in cash | 1998          |
| ordinary bearer  | -                 | -                  | 170 500           | 682 000                             | fully paid in cash | 2000          |
| ordinary bearer  | -                 | -                  | 5 742 625         | 22 970 500                          | fully paid in cash | 2004          |
| ordinary bearer  | -                 | -                  | 270 847           | 1 083 388                           | fully paid in cash | 2005          |
| ordinary bearer  | -                 | -                  | 532 063           | 2 128 252                           | fully paid in cash | 2006          |
| ordinary bearer  | -                 | -                  | 144 633           | 578 532                             | fully paid in cash | 2007          |
| ordinary bearer  | -                 | -                  | 30 214            | 120 856                             | fully paid in cash | 2008          |
| ordinary bearer  | -                 | -                  | 12 395 792        | 49 583 168                          | fully paid in cash | 2010          |
| ordinary bearer  | -                 | -                  | 16 072            | 64 288                              | fully paid in cash | 2011          |
| ordinary bearer  | -                 | -                  | 36 230            | 144 920                             | fully paid in cash | 2012          |
| ordinary bearer  | -                 | -                  | 35 037            | 140 148                             | fully paid in cash | 2013          |
| ordinary bearer  | -                 | -                  | 36 044            | 144 176                             | fully paid in cash | 2014          |
| ordinary bearer  | -                 | -                  | 28 867            | 115 468                             | fully paid in cash | 2015          |
| ordinary bearer  | -                 | -                  | 41 203            | 164 812                             | fully paid in cash | 2016          |
| ordinary bearer  | -                 | -                  | 31 995            | 127 980                             | fully paid in cash | 2017          |
| ordinary bearer  | -                 | -                  | 24 860            | 99 440                              | fully paid in cash | 2018          |
| ordinary bearer  | -                 | -                  | 13 385            | 53 540                              | fully paid in cash | 2019          |
| ordinary bearer  | -                 | -                  | 16 673            | 66 692                              | fully paid in cash | 2020          |
| ordinary bearer  | -                 | -                  | 17 844            | 71 376                              | fully paid in cash | 2021          |
| ordinary bearer  | -                 | -                  | 37 843            | 151 372                             | fully paid in cash | 2022          |
| <b>Total number of shares</b>                                    |                   |                    | <b>42 422 727</b> |                                     |                    |               |
| <b>Total registered share capital</b>                            |                   |                    |                   | <b>169 690 908</b>                  |                    |               |
| <b>Nominal value per share (PLN)</b>                             |                   | <b>4</b>           |                   |                                     |                    |               |

\* As at the end of the reporting period

### 24. Material share packages

Commerzbank AG is the only shareholder holding over 5% of the share capital and votes at the General Meeting and as at 30 September 2022 it held 69.19% of the share capital and votes at the General Meeting of mBank S.A.



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**25. Change in the Bank shares and rights to shares held by managers and supervisors**

|                         | Number of shares held as at the date of publishing the report for H1 2022 | Number of shares acquired from the date of publishing the report for H1 2022 to the date of publishing the report for Q3 2022 | Number of shares sold from the date of publishing the report for H1 2022 to the date of publishing the report for Q3 2022 | Number of shares held as at the date of publishing the report for Q3 2022 |
|-------------------------|---|---|---|---|
| <b>Management Board</b> |   |   |   |   |
| 1. Cezary Stypułkowski  | 27 884  | -   | -   | 27 884  |
| 2. Andreas Böger        | 1 646   | 1 348   | -   | 2 994   |
| 3. Krzysztof Dąbrowski  | 892   | 1 348   | -   | 2 240   |
| 4. Cezary Kocik         | 1 392   | -   | -   | 1 392   |
| 5. Marek Lusztyn        | -   | 303   | -   | 303   |
| 6. Adam Pers            | -   | 1 365   | -   | 1 365   |

|                         | Number of rights to shares held as at the date of publishing the report for H1 2022 | Number of rights to shares acquired from the date of publishing the report for H1 2022 to the date of publishing the report for Q3 2022 | Number of rights to shares sold from the date of publishing the report for H1 2022 to the date of publishing the report for Q3 2022 | Number of rights to shares held as at the date of publishing the report for Q3 2022 |
|-------------------------|---|---|---|---|
| <b>Management Board</b> |   |   |   |   |
| 1. Cezary Stypułkowski  | -   | -   | -   | -   |
| 2. Andreas Böger        | -   | 1 348   | 1 348   | -   |
| 3. Krzysztof Dąbrowski  | -   | 1 348   | 1 348   | -   |
| 4. Cezary Kocik         | -   | -   | -   | -   |
| 5. Marek Lusztyn        | -   | 303   | 303   | -   |
| 6. Adam Pers            | -   | 1 365   | 1 365   | -   |

As at the date of publishing the report for 2021 and as at the date of publishing the report for the third quarter of 2022, the Members of the Supervisory Board had neither Bank shares nor rights to Bank shares.

**26. Proceedings before court, arbitration body or public administration authority**

The Group monitors the status of all court cases brought against entities of the Group, including the status of court rulings regarding loans in foreign currencies in terms of shaping of and possible changes in the line of verdicts of the courts, as well as the level of required provisions for legal proceedings.

The Group creates provisions for litigations against entities of the Group, which as a result of the risk assessment involve a probable outflow of funds from fulfilling the liability and when a reliable estimate of the amount of the liability can be made. The amount of provisions is determined taking into account the amounts of outflow of funds calculated on the basis of scenarios of potential settlements of disputable issues and their probability estimated by the Group based on the previous decisions of courts in similar matters and the experience of the Group.

The value of provisions for litigations as at 30 September 2022 amounted to PLN 653 071 thousand (PLN 395 889 thousand as at 31 December 2021). A potential outflow of funds due to the fulfilment of the obligation takes place at the moment of the final resolution of the cases by the courts, which is beyond the control of the Group.

**Information on the most important court proceedings relating to the Bank's contingent liabilities**

## 1. A lawsuit filed by LPP S.A.

On 17 May 2018, mBank S.A. received a lawsuit filed by LPP S.A. with its registered office in Gdańsk seeking damages amounting to PLN 96 307 thousand on account of interchange fee. In the lawsuit, LPP S.A. petitioned the court for awarding the damages jointly from mBank S.A. and from another domestic bank.

The plaintiff accuses the two sued banks as well as other banks operating in Poland of taking part in a collusion breaching the Competition and Consumer Protection Act and the Treaty on the Functioning of the European Union. In the plaintiff's opinion, the collusion took the form of an agreement in restriction of competition in the market of acquiring services connected with settling clients' liabilities towards the plaintiff on account of payments for goods purchased by them with payment cards in the territory of Poland.

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On 16 August 2018 mBank S.A. has submitted its statement of defence and requested that the action be dismissed. The court accepted the Defendants' requests to summon sixteen banks to join the proceedings and ordered that the banks be served with the summons. Two banks have notified of their intention to intervene in the case as an indirect intervener.

### 2. A lawsuit filed by Polski Koncern Naftowy ORLEN S.A.

On 7 February 2020, mBank S.A. received a lawsuit filed by Polski Koncern Naftowy ORLEN S.A. (Orlen S.A.) with its registered office in Płock seeking damages amounting to PLN 635 681 thousand on account of interchange fee. In the lawsuit, Orlen S.A. petitioned the court for awarding the damages jointly from mBank S.A. and another domestic bank and also from Master Card Europe and VISA Europe Management Services.

The plaintiff accuses the two sued banks as well as other banks operating in Poland of taking part in a collusion breaching the Competition and Consumer Protection Act and the Treaty on the Functioning of the European Union, i.e. a collusion restricting competition in the market of acquiring services connected with settling clients' liabilities towards the plaintiff on account of card payments for goods and services purchased by clients on the territory of Poland. On 28 May 2020, mBank S.A. filed a response to the lawsuit and moved for a dismissal of the claim. The Court allowed for the motions of Defendants to summon 16 banks to participate in the case and preordained the service of a summoning motion to the banks. Two banks have notified of their intention to intervene in the case as an indirect intervener.

### 3. Class action against mBank S.A. concerning indexation clauses

Detailed information on the class action against the Bank is provided in Note 30.

### 4. Individual court proceedings concerning indexation clauses

Detailed information on individual court cases against the Bank regarding CHF indexed loans is provided in Note 30.

## **Tax inspections**

On 11 May 2021, the Head of the Customs and Tax Office in Opole (Urząd Celno-Skarbowy w Opolu) has initiated tax audits regarding the correctness and reliability of withholding tax (WHT) settlements on payments listed in Art. 21 sec. 1 of the Act of 15 February 1992 on corporate income tax for years 2018 and 2019. The tax audit is under way.

On 9 September 2022 the Office for Selected Economic Entities (Úrad pre vybrané hospodárske subjekty) in Bratislava has initiated tax audits regarding the correctness of settlements of corporate income tax (CIT) for 2019 year in mBank S.A. Slovak Branch. The tax audit is under way.

The tax authorities may inspect at any time the books and records within 5 years subsequent to the reported tax year and may impose additional tax assessments and penalties. In the opinion of the Management Board there are no circumstances, which would indicate that crystallising of material tax liabilities in this respect is probable.

## **Inspection by the Social Insurance Institution (ZUS)**

mFinanse S.A., a subsidiary of the Bank, is currently under inspection by the Social Insurance Institution (ZUS). On 16 May 2022, the Company received a notice of intent to initiate an inspection by the Social Insurance Institution Branch in Warsaw regarding the correctness and reliability of calculating social insurance contributions and other contributions that the Institution is required to collect, as well as reporting for social insurance and health insurance for the years 2018 - 2021. As of the date of publishing these financial statements, the inspection has not been completed.

The company is in dispute with the Social Security Institution over the interpretation of the application of social security regulation in the area of the cooperation model involving the simultaneous employment of intermediaries on a part-time basis and a civil law contract. There are currently 8 cases at the court stage in the area of the cooperation model used by the company. The Group's position is that the cooperation model used by the Company complies with the provisions of the law, including the Banking Law in terms of providing credit intermediaries with access to data covered by bank secrecy.

In connection with the above issue, as of 30 September 2022, the Group had a provision in the amount of PLN 99 346 thousand.

**Inspection by the Office of the Polish Financial Supervision Authority (PFSA Office)**

In the period from October till December 2018 the PFSA Office employees carried out an inspection in the Bank in order to investigate whether the activities of mBank S.A. in the area of fulfilling its duties as the depositary were in conformity with the law and agreements on the performance of functions of the depositary, in particular in conformity with the Act of 27 May 2004 on Investment Funds and Management of Alternative Investment Funds (Journal of Laws of 2018, item 1355, as later amended).

The detailed findings of the inspection were presented in the protocol delivered to the Bank on 11 February 2019. On 25 February 2019 the Bank delivered to the PFSA Office its objections to the protocol as well as additional explanations related to the issues being the subject of the inspection.

On 1 April 2019 the Bank received PFSA response to the objections to the inspection protocol as well as PFSA recommendations in regard to the adjustment of Bank's activity as a depositary bank for investment funds to the applicable law. All objections of the Bank have been rejected by the regulator.

On 25 April 2019 the Bank submitted to PFSA Office a declaration of actions taken as realization of post inspection recommendations. PFSA by letter dated 4 September 2019 objected to the implementation of selected recommendations. On 11 October 2019 Bank submitted to PFSA the response addressing given objections, in which the description of taken actions was further specified as well as some new solutions for implementation were presented. On 5 December 2019, the PFSA Office sent to the Bank a reply to the letter containing the acceptance of some of the Bank's activities aimed at implementing post-audit recommendations and clarifications of other expectations that are being implemented. On 14 May 2020 the Bank formally confirmed the implementation of all the PFSA recommendations.

On 27 February 2020, the Bank received the decision of PFSA Office dated 25 February 2020 to initiate administrative proceedings regarding the imposition of an administrative penalty on the Bank, pursuant to the provisions of the Act dated 27 May 2004 on investment funds and management of alternative investment funds. On 23 April 2021 the Bank received a decision of the PFSA dated 16 April 2021 regarding this proceeding, imposing a fine on the Bank in the total amount of PLN 4 300 thousand. The Bank paid the fine on 17 March 2022.

On 7 May 2021, the Bank applied to the Financial Supervision Authority for reconsideration of the case. On 17 December 2021, PFSA Office upheld its decision of 16 April 2021. On 21 January 2022, the Bank filed a complaint with the Voivodship Administrative Court against the decision of PFSA. As at the date of approval of these financial statements, the case is pending before the administrative court. On 24 August 2022, the Provincial Administrative Court dismissed the Bank's complaint regarding a fine. The Bank analyzes the legitimacy of bringing a cassation appeal to the Supreme Administrative Court.

**Proceedings initiated by the Office of Competition and Consumer Protection (UOKiK)**

- Proceedings for considering provisions of a master agreement as abusive instituted ex officio on 12 April 2019. The proceedings concern amendment clauses stipulating circumstances under which the bank is authorised to amend the terms and conditions of the agreement, including the amount of fees and commissions. In the opinion of the President of the Office of Competition and Consumer Protection (UOKiK), the amendment clauses used by the Bank give it an unlimited right to unilaterally and freely change the manner of performing the agreement. As a consequence, the UOKiK President represents the view that the clauses used by mBank define the rights and obligations of consumers contrary to good morals and grossly violate their interest and, thus, are abusive. The Bank does not agree with this stance and in subsequent letters presented arguments to support its position. In a letter of 2 August 2022, the President of UOKiK extended the proceedings until 31 December 2022.
- On 21 July 2017 the UOKiK instigated proceedings against mBank with regard to violation of consumers' collective interests. The UOKiK charged the Bank with failing to adequately inform clients about FX risk and about shifting FX risk onto consumers, and with incorrectly determining (inflating) credit instalments. In the letter dated 18 August 2017 the bank responded to the charges. In the letter dated 18 February 2019 the UOKiK President requested detailed information on the handling of mortgages indexed to foreign currencies, to which the Bank replied. In the letter dated 14 October 2021 the UOKiK President informed the Bank that the evidentiary proceedings had ended and appointed a time limit for the Bank to peruse the case file and to comment on the evidence collected in the case. The Bank commented on the evidence collected within the prescribed period. The President of UOKiK extended the termination of the proceedings until 31 July 2022. As at the date of approval of these financial statements, the Group has not received information about another extension of the proceedings.

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- On 18 July 2022, the Office of Competition and Consumer Protection (UOKiK) delivered the decision to initiate proceedings for violation of the collective interests of consumers through:
  - failing, after a consumer notification an unauthorised transaction, to refund the unauthorised transaction or restore the account to its pre-transaction state,
  - providing consumers with information in response to complaints that proper authentication of the questioned transaction excludes the obligation to refund the transaction.

Proceedings have also been initiated against four other banks. Previously, the UOKiK had conducted an investigation into the matter, initiated on 23 June 2021, in which the Bank provided explanations on 4 August 2021. In response to the initiated proceedings, the Bank will respond to the allegations raised by the Office.

In the letter of 22 August 2022, mBank S.A. adopted a position on the allegations contained in the decision of 18 July 2022.

### 27. Off-balance sheet liabilities

Off-balance sheet liabilities and nominal value of derivative financial instruments as at 30 September 2022 and 31 December 2021 were as follows.

|  | 30.09.2022         | 31.12.2021         |
|--|--------------------|--------------------|
| <b>Contingent liabilities granted and received</b>                   | <b>52 138 736</b>  | <b>46 491 411</b>  |
| <b>Commitments granted</b>   | <b>43 022 229</b>  | <b>38 363 829</b>  |
| Financing  | 33 431 934         | 31 372 747         |
| Guarantees and other financial facilities                            | 8 118 681          | 6 988 541          |
| Other liabilities  | 1 471 614          | 2 541              |
| <b>Commitments received</b>  | <b>9 116 507</b>   | <b>8 127 582</b>   |
| Financial commitments received                                       | 647 511            | 464 840            |
| Guarantees received  | 8 468 996          | 7 662 742          |
| <b>Derivative financial instruments (nominal value of contracts)</b> | <b>778 081 343</b> | <b>819 823 544</b> |
| Interest rate derivatives  | 619 028 128        | 682 657 256        |
| Currency derivatives   | 148 970 751        | 130 163 781        |
| Market risk derivatives  | 10 082 464         | 7 002 507          |
| <b>Total off-balance sheet items</b>                                 | <b>830 220 079</b> | <b>866 314 955</b> |

The increase in Other liabilities is mainly due to the increased volume of buy / sell back transactions with a future settlement date.

### 28. Transactions with related entities

mBank S.A. is the parent entity of the mBank S.A. Group and Commerzbank AG is the ultimate parent of the Group as well as the direct parent of mBank S.A.

All transactions between the Bank and related entities were typical and routine transactions concluded on terms, which don't differ from arm's length terms, and their nature, terms and conditions resulted from the current operating activities conducted by the Bank. Transactions concluded with related entities as a part of regular operating activities include loans, deposits and foreign currency transactions.

The amounts of transactions with related entities, i.e., balances of receivables and liabilities as at 30 September 2022 and as at 31 December 2021, and related costs and income for the period from 1 January to 30 September 2022 and from 1 January to 30 September 2021 are presented in the table below.

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|   | mBank's subsidiaries |            |            | Commerzbank AG |            |            | Other companies of the Commerzbank AG Group |            |            |
|---|----------------------|------------|------------|----------------|------------|------------|---|------------|------------|
|   | 30.09.2022           | 31.12.2021 | 30.09.2021 | 30.09.2022     | 31.12.2021 | 30.09.2021 | 30.09.2022                                  | 31.12.2021 | 30.09.2021 |
| <b>Statement of financial position</b>                    |                      |            |            |                |            |            |   |            |            |
| Assets  | 2 256                | 23 877     |            | 777 199        | 1 255 004  |            | 123   | 37         |            |
| Liabilities   | 25 653               | 28 048     |            | 2 736 470      | 3 151 867  |            | 75 079                                      | 73 658     |            |
| <b>Income Statement</b>                                   |                      |            |            |                |            |            |   |            |            |
| Interest income   | 32                   |            | 304        | 49 077         |            | 19 651     | 28  |            | 101        |
| Interest expense  | (109)                |            | -          | (32 348)       |            | (17 503)   | (732)                                       |            | (16)       |
| Fee and commission income                                 | 163                  |            | 143        | 3 597          |            | 4 161      | 161   |            | 244        |
| Fee and commission expense                                | (15 320)             |            | (10 399)   | -              |            | -          | -   |            | -          |
| Other operating income                                    | 1 367                |            | 660        | 3 355          |            | 1 476      | -   |            | -          |
| Overhead costs, amortisation and other operating expenses | -                    |            | (1)        | (8 264)        |            | (4 720)    | -   |            | -          |
| <b>Contingent liabilities granted and received</b>        |                      |            |            |                |            |            |   |            |            |
| Liabilities granted                                       | 462 150              | 380 145    |            | 1 971 414      | 1 564 733  |            | 1 531                                       | 3 514      |            |
| Liabilities received                                      | -                    | -          |            | 1 826 755      | 1 895 575  |            | -   | -          |            |

The total costs of remuneration of Members of the Supervisory Board, the Management Board and other key management personnel of the Bank that perform their duties from 1 January to 30 September 2022 recognised in the Group's income statement for that period amounted to PLN 23 185 thousand (in the period from 1 January to 30 September 2021: PLN 18 889 thousand). With regard to the Management Board and other key management personnel the remuneration costs include also remuneration in the form of shares and share options.

**29. Credit and loan guarantees, other guarantees granted of significant value**

In the nine-month period, ended on 30 September 2022, Group has not concluded any substantial agreements regarding credit and loan guarantees or guarantees granted of a significant amount.

**30. Other information which the issuer deems necessary to assess its human resources, assets, financial position, financial performance and their changes as well as information relevant to an assessment of the issuer's capacity to meet its liabilities**Changes in the Supervisory Board of mBank S.A.

On 14 October 2022 Mr. Arno Walter handed over resignation from the function of a member of the Bank's Supervisory Board with the effective date of 30 March 2023.

**31. Factors affecting the results in the coming quarter**

In the coming quarter, the financial situation and quality of asset of mBank S.A. Group will also be affected by the repercussions of the war in Ukraine, such as sanctions and restrictions in international trade.

The results in the coming quarter may also be affected by potential settlements of the Supreme Court, other national institutions or Court of Justice of the European Union in cases related to foreign currencies loans, which is presented in detail in the Note 30.

**32. Other information**

## ■ Requirements on mBank Group capital ratios as of 30 September 2022

The minimum required level of capital ratios at the end of 30 September 2022 amounted to:

- Individual total capital ratio: 13.54% and Tier 1 capital ratio: 10.92%
- Consolidated total capital ratio: 13.19% and Tier 1 capital ratio: 10.66%.

At the date of approval of these financial statements, mBank S.A. and mBank Group S.A. fulfil the PFSA requirements related to the required capital ratios on both individual and consolidated levels.

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### ■ Transitional arrangements in response to the COVID-19 pandemic

As of 30 September 2022 mBank Group included transitional provisions regarding the temporary treatment of unrealised gains and losses on financial instruments measured at fair value through other comprehensive income in connection with the COVID-19 pandemic, contained in the regulation of the European Parliament and of the Council (EU) 2020/873 of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic in the calculation of own funds, capital ratios and leverage ratio.

The application of the transitional provisions is intended to mitigate the negative impact of unrealised losses on government and local government debt instruments during the COVID-19 pandemic and the decision to apply them means that the Group will be able to limit the impact of significant part of the volatility of the market valuation of the government and local government bonds portfolio.

The reported measures calculated taking into account the transitional provisions as well as measures calculated without taking into account the transitional provisions are presented below.

|   | 30.09.2022        |   | 31.12.2021        |   |
|---|-------------------|---|-------------------|---|
|   | Measures reported | Measures calculated without taking into account transitional provisions | Measures reported | Measures calculated without taking into account transitional provisions |
| Common Equity Tier I capital (PLN thousand) | 11 247 118        | 10 795 135  | 13 552 027        | 13 037 746  |
| Tier I capital (PLN thousand)               | 11 247 118        | 10 795 135  | 13 552 027        | 13 037 746  |
| Own funds (PLN thousand)                    | 13 610 314        | 13 158 332  | 15 871 711        | 15 357 430  |
| Common Equity Tier I ratio (%)              | 12.1              | 11.6  | 14.2              | 13.6  |
| Tier I capital ratio (%)                    | 12.1              | 11.6  | 14.2              | 13.6  |
| Total capital ratio (%)                     | 14.7              | 14.2  | 16.6              | 16.0  |

### 33. Events after the balance sheet date

- On 14 October 2022 the Polish Financial Supervision Authority granted its consent to mTowarzystwo Funduszy Inwestycyjnych (mTFI S.A.) to conduct operations of an investment funds management company.

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**CONDENSED STAND-ALONE FINANCIAL STATEMENT OF MBANK S.A.  
FOR THE THIRD QUARTER OF 2022****CONDENSED STAND-ALONE INCOME STATEMENT**

|  | Period<br>from 01.07.2022<br>to 30.09.2022 | Period<br>from 01.01.2022<br>to 30.09.2022 | Period<br>from 01.07.2021<br>to 30.09.2021 | Period<br>from 01.01.2021<br>to 30.09.2021 |
|--|--|--|--|--|
| Interest income, including:  | 2 006 600                                  | 5 702 164                                  | 939 357                                    | 2 722 173                                  |
| <i>Interest income accounted for using the effective interest method</i>                                       | 1 956 364                                  | 5 580 978                                  | 820 294                                    | 2 372 600                                  |
| <i>Income similar to interest on financial assets at fair value through profit or loss</i>                     | 50 236                                     | 121 186                                    | 119 063                                    | 349 573                                    |
| Interest expenses  | (1 070 002)                                | (1 823 727)                                | (63 274)                                   | (176 041)                                  |
| <b>Net interest income</b>   | <b>936 598</b>                             | <b>3 878 437</b>                           | <b>876 083</b>                             | <b>2 546 132</b>                           |
| Fee and commission income  | 694 109                                    | 2 155 279                                  | 649 359                                    | 1 856 664                                  |
| Fee and commission expenses  | (194 662)                                  | (540 307)                                  | (192 318)                                  | (509 950)                                  |
| <b>Net fee and commission income</b>   | <b>499 447</b>                             | <b>1 614 972</b>                           | <b>457 041</b>                             | <b>1 346 714</b>                           |
| Dividend income  | 287  | 48 613                                     | 957  | 29 918                                     |
| Net trading income   | (23 141)                                   | 44 463                                     | 20 774                                     | 116 969                                    |
| Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss               | 23 908                                     | (55 608)                                   | (2 854)                                    | (10 459)                                   |
| Gains or losses from derecognition of assets and liabilities not measured at fair value through profit or loss | (6 325)                                    | (62 679)                                   | (2 199)                                    | 77 037                                     |
| Other operating income   | 22 061                                     | 61 288                                     | 10 379                                     | 36 269                                     |
| Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss     | (103 271)                                  | (490 959)                                  | (163 445)                                  | (528 557)                                  |
| Result on provisions for legal risk related to foreign currency loans  | (2 314 320)                                | (2 682 168)                                | (436 819)                                  | (751 624)                                  |
| Overhead costs   | (650 106)                                  | (2 159 380)                                | (463 568)                                  | (1 378 466)                                |
| Depreciation   | (100 564)                                  | (305 989)                                  | (92 105)                                   | (286 775)                                  |
| Other operating expenses   | (118 172)                                  | (228 437)                                  | (27 529)                                   | (147 593)                                  |
| <b>Operating profit (loss)</b>   | <b>(1 833 598)</b>                         | <b>(337 447)</b>                           | <b>176 715</b>                             | <b>1 049 565</b>                           |
| Tax on the Bank's balance sheet items  | (168 560)                                  | (479 781)                                  | (150 755)                                  | (421 446)                                  |
| Share in profits (losses) of entities under the equity method  | (321 951)                                  | (229 627)                                  | 67 123                                     | 149 303                                    |
| <b>Profit (loss) before income tax</b>   | <b>(2 324 109)</b>                         | <b>(1 046 855)</b>                         | <b>93 083</b>                              | <b>777 422</b>                             |
| Income tax expense   | 71 450                                     | (474 505)                                  | (61 198)                                   | (347 511)                                  |
| <b>Net profit (loss)</b>   | <b>(2 252 659)</b>                         | <b>(1 521 360)</b>                         | <b>31 885</b>                              | <b>429 911</b>                             |
| <b>Net profit (loss)</b>   | <b>(2 252 659)</b>                         | <b>(1 521 360)</b>                         | <b>31 885</b>                              | <b>429 911</b>                             |
| <b>Weighted average number of ordinary shares</b>  | <b>42 416 322</b>                          | <b>42 395 904</b>                          | <b>42 367 220</b>                          | <b>42 367 101</b>                          |
| <b>Earnings (losses) per share (in PLN)</b>  | <b>(53.11)</b>                             | <b>(35.88)</b>                             | <b>0.75</b>                                | <b>10.15</b>                               |
| <b>Weighted average number of ordinary shares for diluted earnings</b>   | <b>42 488 712</b>                          | <b>42 468 294</b>                          | <b>42 437 827</b>                          | <b>42 437 708</b>                          |
| <b>Diluted earnings (losses) per share (in PLN)</b>  | <b>(53.02)</b>                             | <b>(35.82)</b>                             | <b>0.75</b>                                | <b>10.13</b>                               |

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**CONDENSED STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME**

|   | Period<br>from 01.07.2022<br>to 30.09.2022 | Period<br>from 01.01.2022<br>to 30.09.2022 | Period<br>from 01.07.2021<br>to 30.09.2021 | Period<br>from 01.01.2021<br>to 30.09.2021 |
|---|--|--|--|--|
| <b>Net profit (loss)</b>  | <b>(2 252 659)</b>                         | <b>(1 521 360)</b>                         | <b>31 885</b>                              | <b>429 911</b>                             |
| <b>Other comprehensive income net of tax, including:</b>                      | <b>971 538</b>                             | <b>(760 261)</b>                           | <b>(121 482)</b>                           | <b>(676 755)</b>                           |
| <b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT</b>    |  |  |  |  |
| Exchange differences on translation of foreign operations (net)               | 10 633                                     | 11 308                                     | 1 689                                      | 2 045                                      |
| Cash flows hedges (net)   | 225 541                                    | (359 622)                                  | (118 642)                                  | (357 193)                                  |
| Share of other comprehensive income of entities under the equity method (net) | (1 974)                                    | (83 104)                                   | 4 357                                      | (13 193)                                   |
| Debt instruments at fair value through other comprehensive income (net)       | 737 338                                    | (328 843)                                  | (8 886)                                    | (319 850)                                  |
| <b>ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT</b>            |  |  |  |  |
| Reclassification to investment properties (net)                               | -  | -  | -  | 11 436                                     |
| <b>Total comprehensive income (net)</b>                                       | <b>(1 281 121)</b>                         | <b>(2 281 621)</b>                         | <b>(89 597)</b>                            | <b>(246 844)</b>                           |



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**CONDENSED STAND-ALONE STATEMENT OF FINANCIAL POSITION**

| <b>ASSETS</b>   | <b>30.09.2022</b>  | <b>31.12.2021</b>  |
|---|--------------------|--------------------|
| Cash and balances with the Central Bank   | 20 426 104         | 12 087 608         |
| Financial assets held for trading and derivatives held for hedges                         | 3 350 330          | 2 581 174          |
| Non-trading financial assets mandatorily at fair value through profit or loss, including: | 942 055            | 1 221 063          |
| <i>Equity instruments</i>   | 113 125            | 148 466            |
| <i>Debt securities</i>  | 43 308             | 81 128             |
| <i>Loans and advances to customers</i>  | 785 622            | 991 469            |
| Financial assets at fair value through other comprehensive income                         | 39 662 237         | 54 162 657         |
| <i>Debt securities</i>  | 20 436 346         | 35 971 403         |
| <i>Loans and advances to customers</i>  | 19 225 891         | 18 191 254         |
| Financial assets at amortised cost, including:  | 128 298 356        | 114 326 977        |
| <i>Debt securities</i>  | 20 260 333         | 16 632 915         |
| <i>Loans and advances to banks</i>  | 14 997 150         | 11 194 916         |
| <i>Loans and advances to customers</i>  | 93 040 873         | 86 499 146         |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk           | 1 897 835          | 1 055 478          |
| Investments in subsidiaries   | 2 024 615          | 2 357 068          |
| Non-current assets and disposal groups classified as held for sale                        | 31 247             | 31 247             |
| Intangible assets   | 1 146 001          | 1 111 479          |
| Tangible assets   | 1 152 617          | 1 204 680          |
| Investment properties   | 140 372            | 127 510            |
| Current income tax assets   | 21 306             | 28 077             |
| Deferred income tax assets  | 1 137 747          | 721 324            |
| Other assets  | 1 022 358          | 857 477            |
| <b>TOTAL ASSETS</b>   | <b>201 253 180</b> | <b>191 873 819</b> |
| <b>LIABILITIES AND EQUITY</b>   |                    |                    |
| <b>LIABILITIES</b>  |                    |                    |
| Financial liabilities held for trading and derivatives held for hedges                    | 2 999 628          | 2 044 601          |
| Financial liabilities measured at amortised cost, including:                              | 182 025 400        | 172 634 071        |
| <i>Amounts due to banks</i>   | 1 706 580          | 3 420 001          |
| <i>Amounts due to customers</i>   | 173 078 509        | 159 905 991        |
| <i>Debt securities issued</i>   | 4 432 560          | 6 683 623          |
| <i>Subordinated liabilities</i>   | 2 807 751          | 2 624 456          |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk           | -                  | 110 033            |
| Liabilities classified as held for sale   | 7 340              | 7 425              |
| Provisions  | 1 311 610          | 839 698            |
| Current income tax liabilities  | 441 462            | 54 467             |
| Deferred income tax liabilities   | 94                 | 89                 |
| Other liabilities   | 3 356 577          | 2 801 612          |
| <b>TOTAL LIABILITIES</b>  | <b>190 142 111</b> | <b>178 491 996</b> |
| <b>EQUITY</b>   |                    |                    |
| <b>Share capital:</b>   | <b>3 602 528</b>   | <b>3 593 944</b>   |
| Registered share capital  | 169 691            | 169 540            |
| Share premium   | 3 432 837          | 3 424 404          |
| <b>Retained earnings:</b>   | <b>9 729 826</b>   | <b>11 248 903</b>  |
| - Profit from previous years  | 11 251 186         | 12 464 256         |
| - Profit (loss) for the current year  | (1 521 360)        | (1 215 353)        |
| <b>Other components of equity</b>   | <b>(2 221 285)</b> | <b>(1 461 024)</b> |
| <b>TOTAL EQUITY</b>   | <b>11 111 069</b>  | <b>13 381 823</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>   | <b>201 253 180</b> | <b>191 873 819</b> |

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**CONDENSED STAND-ALONE STATEMENT OF CHANGES IN EQUITY**

Changes from 1 January to 30 September 2022

|  | Share capital            |                  | Retained earnings              |                                    | Other components of equity | Total              |
|--|--------------------------|------------------|--------------------------------|------------------------------------|----------------------------|--------------------|
|  | Registered share capital | Share premium    | Profit from the previous years | Profit (loss) for the current year |                            |                    |
| <b>Equity as at 1 January 2022</b>                 | <b>169 540</b>           | <b>3 424 404</b> | <b>11 248 903</b>              | -                                  | <b>(1 461 024)</b>         | <b>13 381 823</b>  |
| <b>Total comprehensive income</b>                  | -                        | -                | -                              | <b>(1 521 360)</b>                 | <b>(760 261)</b>           | <b>(2 281 621)</b> |
| Issuance of ordinary shares                        | 151                      | -                | -                              | -                                  | -                          | 151                |
| <b>Stock option program for employees</b>          | -                        | <b>8 433</b>     | <b>2 283</b>                   | -                                  | -                          | <b>10 716</b>      |
| <i>value of services provided by the employees</i> | -                        | -                | 10 716                         | -                                  | -                          | 10 716             |
| <i>settlement of exercised options</i>             | -                        | 8 433            | (8 433)                        | -                                  | -                          | -                  |
| <b>Equity as at 30 September 2022</b>              | <b>169 691</b>           | <b>3 432 837</b> | <b>11 251 186</b>              | <b>(1 521 360)</b>                 | <b>(2 221 285)</b>         | <b>11 111 069</b>  |

Changes from 1 January to 31 December 2021

|  | Share capital            |                  | Retained earnings              |                                    | Other components of equity | Total              |
|--|--------------------------|------------------|--------------------------------|------------------------------------|----------------------------|--------------------|
|  | Registered share capital | Share premium    | Profit from the previous years | Profit (loss) for the current year |                            |                    |
| <b>Equity as at 1 January 2021</b>                 | <b>169 468</b>           | <b>3 417 567</b> | <b>12 460 606</b>              | -                                  | <b>420 051</b>             | <b>16 467 692</b>  |
| <b>Total comprehensive income</b>                  | -                        | -                | -                              | <b>(1 215 353)</b>                 | <b>(1 881 075)</b>         | <b>(3 096 428)</b> |
| Issuance of ordinary shares                        | 72                       | -                | -                              | -                                  | -                          | 72                 |
| <b>Stock option program for employees</b>          | -                        | <b>6 837</b>     | <b>3 650</b>                   | -                                  | -                          | <b>10 487</b>      |
| <i>value of services provided by the employees</i> | -                        | -                | 10 487                         | -                                  | -                          | 10 487             |
| <i>settlement of exercised options</i>             | -                        | 6 837            | (6 837)                        | -                                  | -                          | -                  |
| <b>Equity as at 31 December 2021</b>               | <b>169 540</b>           | <b>3 424 404</b> | <b>12 464 256</b>              | <b>(1 215 353)</b>                 | <b>(1 461 024)</b>         | <b>13 381 823</b>  |

Changes from 1 January to 30 September 2021

|  | Share capital            |                  | Retained earnings              |                                    | Other components of equity | Total             |
|--|--------------------------|------------------|--------------------------------|------------------------------------|----------------------------|-------------------|
|  | Registered share capital | Share premium    | Profit from the previous years | Profit (loss) for the current year |                            |                   |
| <b>Equity as at 1 January 2021</b>                 | <b>169 468</b>           | <b>3 417 567</b> | <b>12 460 606</b>              | -                                  | <b>420 051</b>             | <b>16 467 692</b> |
| <b>Total comprehensive income</b>                  | -                        | -                | -                              | <b>429 911</b>                     | <b>(676 755)</b>           | <b>(246 844)</b>  |
| Issuance of ordinary shares                        | 7                        | -                | -                              | -                                  | -                          | 7                 |
| <b>Stock option program for employees</b>          | -                        | <b>1 541</b>     | <b>4 469</b>                   | -                                  | -                          | <b>6 010</b>      |
| <i>value of services provided by the employees</i> | -                        | -                | 6 010                          | -                                  | -                          | 6 010             |
| <i>settlement of exercised options</i>             | -                        | 1 541            | (1 541)                        | -                                  | -                          | -                 |
| <b>Equity as at 30 September 2021</b>              | <b>169 475</b>           | <b>3 419 108</b> | <b>12 465 075</b>              | <b>429 911</b>                     | <b>(256 704)</b>           | <b>16 226 865</b> |

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**CONDENSED STAND-ALONE STATEMENT OF CASH FLOW**

|   | Period<br>from 01.01.2022<br>to 30.09.2022 | Period<br>from 01.01.2021<br>to 30.09.2021 |
|---|--|--|
| <b>Profit / (loss) before income tax</b>  | <b>(1 046 855)</b>                         | <b>777 422</b>                             |
| <b>Adjustments:</b>   | <b>11 885 785</b>                          | <b>19 335 069</b>                          |
| Income taxes paid   | (323 198)                                  | (624 409)                                  |
| Depreciation, including depreciation of fixed assets provided under operating lease                 | 315 898                                    | 290 617                                    |
| Foreign exchange (gains) losses related to financing activities                                     | 639 287                                    | (51 236)                                   |
| (Gains) losses on investing activities  | 211 961                                    | (149 500)                                  |
| Change in valuation of investments in subsidiaries accounted for using other than the equity method | 19 722                                     | -  |
| Dividends received  | (48 613)                                   | (29 918)                                   |
| Interest income (income statement)  | (5 702 164)                                | (2 722 173)                                |
| Interest expense (income statement)   | 1 823 727                                  | 176 041                                    |
| Interest received   | 5 710 771                                  | 2 833 539                                  |
| Interest paid   | (1 494 640)                                | (133 855)                                  |
| Changes in loans and advances to banks  | (3 882 700)                                | (1 049 295)                                |
| Changes in financial assets and liabilities held for trading and hedging derivatives                | (1 207 796)                                | (570 205)                                  |
| Changes in loans and advances to customers  | (7 718 660)                                | (10 522 594)                               |
| Changes in securities at fair value through other comprehensive income                              | 15 378 076                                 | 3 104 977                                  |
| Changes in securities at amortised cost   | (3 550 883)                                | 473 071                                    |
| Changes of non-trading equity securities mandatorily at fair value through profit or loss           | 73 161                                     | (6 809)                                    |
| Changes in other assets   | (164 070)                                  | 70 018                                     |
| Changes in amounts due to banks   | (1 633 158)                                | (2 070)                                    |
| Changes in amounts due to customers   | 12 583 256                                 | 27 422 361                                 |
| Changes in issued debt securities   | (315 192)                                  | (4 250)                                    |
| Changes in provisions   | 471 912                                    | 344 094                                    |
| Changes in other liabilities  | 699 088                                    | 486 665                                    |
| <b>A. Cash flows from operating activities</b>  | <b>10 838 930</b>                          | <b>20 112 491</b>                          |
| Disposal of shares in subsidiaries, net of cash disposed  | -  | 5 147                                      |
| Disposal of intangible assets and tangible fixed assets   | 5 031                                      | 614  |
| Dividends received  | 48 613                                     | 29 918                                     |
| Acquisition of shares in subsidiaries   | -  | (17 039)                                   |
| Purchase of intangible assets and tangible fixed assets   | (344 714)                                  | (360 684)                                  |
| <b>B. Cash flows from investing activities</b>  | <b>(291 070)</b>                           | <b>(342 044)</b>                           |
| Proceeds from issue of debt securities  | 642 500                                    | 2 299 950                                  |
| Proceeds from issue of ordinary shares  | 151  | 7  |
| Repayments of other loans and advances  | -  | (1 358 250)                                |
| Redemption of debt securities   | (2 969 117)                                | (10 000)                                   |
| Payments of financial lease liabilities   | (77 509)                                   | (66 872)                                   |
| Interest paid from loans and advances received from banks and subordinated liabilities              | (58 594)                                   | (46 519)                                   |
| <b>C. Cash flows from financing activities</b>  | <b>(2 462 569)</b>                         | <b>818 316</b>                             |
| <b>Net increase / decrease in cash and cash equivalents (A+B+C)</b>                                 | <b>8 085 291</b>                           | <b>20 588 763</b>                          |
| Effects of exchange rate changes on cash and cash equivalents                                       | 172 739                                    | 36 635                                     |
| Cash and cash equivalents at the beginning of the reporting period                                  | 12 422 956                                 | 4 205 132                                  |
| <b>Cash and cash equivalents at the end of the reporting period</b>                                 | <b>20 680 986</b>                          | <b>24 830 530</b>                          |

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

### 1. Description of relevant accounting policies

The condensed financial statements of mBank S.A. have been prepared for the 9-month period ended 30 September 2022. Comparative data include the period from 1 January 2021 to 30 September 2021 for the condensed income statement, condensed statement of comprehensive income, the condensed statement of cash flows and condensed statement of changes in equity, additionally for the period from 1 January to 31 December 2021 for the condensed statement of changes in equity, and in the case of the condensed statement of financial position, data as at 31 December 2021.

These interim financial statements for the third quarter of 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Financial statements of mBank S.A. for 2021, published on 3 March 2022. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards.

In addition, selected explanatory information provide additional information in accordance with Decree of the Minister of Finance dated 29 March 2018 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws 2018, item 757).

Detailed accounting principles applied to the preparation of these condensed financial statements are presented in Note 2 to the financial statements of mBank S.A. for 2021, published on 3 March 2022, with exception of the changes described below.

Starting 1 July 2022 the Bank applies IFRS 9 requirements in the area of hedge accounting to all hedge relations except for fair value portfolio hedges of interest rate risk where the hedged item is designated as portion that is a currency amount.

The hedge relations, that starting 1 July 2022 are accounted for in line with IFRS 9, qualifies for hedge accounting provided that:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements,
- the hedging relationship meets all of the following hedge effectiveness requirements:
  - there is an economic relationship between the hedged item and the hedging instrument;
  - the effect of credit risk does not dominate the value changes that result from that economic relationship; and
  - the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of hedged item.

The IFRS 9 introduces also the option to recognise in a separate component of equity part of the fair value of the hedging derivative instrument related to time value of option, forward element of a forward contract or currency basis spread, and reclassify it to profit or loss in the same periods during which the hedged expected future cash flows affect profit or loss. The Bank takes advantage of this option and includes in the line „Other components of equity“ fair value changes of hedging CIRS contracts in the amount attributable to currency basis spread, provided that such fair value changes were not designated as part of the hedge relation.

The above change in accounting policy, as required by IFRS 9, was implemented prospectively from 1 July 2022 and did not have a material impact on the Bank's financial statements. In particular, no hedge relationships were discontinued as a result of this change.

The preparation of the financial statements requires the application of specific accounting estimates. It also requires the Management Board to use its own judgment when applying the accounting policies adopted by the Bank. The issues in relation to which a significant professional judgement is required, more complex issues, or such issues where estimates or judgments are material to the financial statements are disclosed in Note 2.

Financial statements are prepared in compliance with materiality principle. Material omissions or misstatements of positions of financial statements are material if they could, individually or collectively, influence the economic decisions that users make on the basis of Bank's financial statements. Materiality

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depends on the size and nature of the omission or misstatement of the position of financial statements or a combination of both. The Bank presents separately each material class of similar positions. The Bank presents separately positions of dissimilar nature or function unless they are immaterial.

These condensed stand-alone financial statements were prepared under the assumption that the Bank continues as a going concern in the foreseeable future, i.e. in the period of at least 12 months following the reporting date.

The Management Board, in its assessment of the appropriateness of the going concern assumption for the Bank, considered, inter alia, net loss incurred by the Bank in 9 months of 2022 in the amount of PLN 1 521.4 million. This loss results mainly from the legal risk costs related to FX loans in the amount of PLN 2 682.2 million (as described in detail in the Note 30 of the Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2022), impact of credit holidays in the amount of PLN 1 345.8 million (Note 2), contributions to Institutional Protection Scheme in the amount of PLN 428.1 million and to the Borrowers Support Fund in the amount of PLN 177.1 million.

The results for 9 months of 2022 were influenced by extraordinary events listed above. The profitability of core business model of the Bank in 9 months of 2022 after eliminating the impact of those events remained high.

It should be emphasized that despite the net loss in the 9 months of 2022, in accordance with the applicable provisions regarding recovery plans, in particular Article 142(2) of the Banking Law, the prerequisite related to significant deterioration of the financial situation of the Bank and the Group has not been met. Recovery plan indicators in the areas of liquidity, capital and assets quality demonstrate the safe situation of the Bank and the Group.

Therefore, as of the date of approving these condensed stand-alone financial statements, the Bank Management Board has not identified any events that could indicate that the continuation of the operations by the Bank is endangered in the period of at least 12 months from the reporting date.

### **New standards, interpretations and amendments to published standards**

The detailed information regarding the new International Accounting Standards and the International Financial Reporting Standards is presented in the Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2022.

## **2. Major estimates and judgments made in connection with the application of accounting policy principles**

The Bank applies estimates and adopts assumptions which impact the values of assets and liabilities presented in the subsequent period. Estimates and assumptions, which are continuously subject to assessment, rely on historical experience and other factors, including expectations concerning future events, which seem justified under the given circumstances.

### **Provisions for legal risks relating to indexation clauses in mortgage and housing loans in CHF**

Detailed information on the impact of legal risk related to CHF mortgage and housing loans is provided in Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2022.

### **Impact of credit holidays on the financial result of the Bank**

On 14 July 2022, the President of the Republic of Poland signed the Act on crowdfunding for business ventures and aid to borrowers, which introduces the possibility of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays"). Credit holidays may apply to a single contract concluded in Polish zlotys for the financing of real estate intended to meet one's own housing needs. Borrowers are entitled to suspend 8 monthly instalments: 2 monthly instalments in each of the third and fourth quarter of 2022 and 1 monthly instalment in each of the four quarters of 2023. Credit holidays apply to both the principal and interest portions of the loan. Deadlines for repayment of instalments are extended without any additional interest for the suspension periods.

In third quarter 2022, the Bank recognised the impact of credit holidays in the total amount of PLN 1 345.8 million, out of which PLN 927.0 million related to mBank loan portfolio and decreased the interest income of the Bank, PLN 355.3 million related to mBank Hipoteczny loan portfolio and decreased the share in profits (losses) of entities under the equity method and PLN 63.5 million related to the effect on hedge accounting and decreased the net trading income.

To calculate the impact of credit holidays, the Bank estimated that customers owning 88.3% and 83.6% of the value of the assumed eligible mortgage loan portfolio of mBank and mBank Hipoteczny respectively applied or will apply for the credit holidays and they will request on average 7.5 months of credit holidays.

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By 30 September 2022, customers owning 81.2% and 77.5% of the value of the assumed eligible mortgage loan portfolio of mBank and mBank Hipoteczny respectively had submitted applications applying for an average of 6.4 months of credit holidays.

The Bank will revise its estimates of the cost of credit holidays as of 31 December 2022 when the actual figures for half of the instalments that can be suspended are known.

### Impairment of loans and advances

The Bank reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the income statement, the Bank assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions, on the basis of which the estimated cash flow amounts and their anticipated timing are determined, are regularly verified. If the current value of estimated cash flows (discounted recoveries from payments of capital, discounted recoveries from interests, discounted recoveries from off-balance sheet liabilities and discounted recoveries from collaterals for on-balance and off-balance sheet loans and advances, weighed by the probability of realisation of specific scenarios) for portfolio of loans and advances and for off-balance sheet liabilities which are impaired as of 30 September 2022, change by +/- 10%, the estimated loans and advances and off-balance sheet liabilities impairment would either decrease by PLN 46.0 million or increase by PLN 48.5 million (as at 31 December 2021: PLN 31.4 million and PLN 32.8 million). This estimation was performed for portfolio of loans and advances and for off-balance sheet liabilities individually assessed for impairment on the basis of future cash flows due to repayments and recovery from collateral – Stage 3. The rules of determining write-downs and provisions for impairment of credit exposures have been described under Note 3.3.6 of financial statements of mBank S.A. for 2021, published on 3 March 2022.

### Actions taken in relation to the current situation in Ukraine

In the third quarter of 2022, the Bank conducted a portfolio review in connection with Russia's aggression against Ukraine. The review concerned the Bank's involvement in war countries (Ukraine, Russia) or in conflict-related countries (Belarus), taking into account sanctions imposed by the European Union, the United Kingdom and the USA.

As a result of the review, as of 30 September 2022, credit exposure and expected credit losses were determined in the mentioned countries, as shown in the table below.

| Country      | Direct exposure as at 30 September 2022 |              |            |      |                            |         |         |      |  |              |              |      |               |
|--------------|---|--------------|------------|------|----------------------------|---------|---------|------|--|--------------|--------------|------|---------------|
|              | Balance sheet gross exposure            |              |            |      | Off-balance sheet exposure |         |         |      | Accumulated impairment / off-balance loan loss provision |              |              |      |               |
|              | Stage 1                                 | Stage 2      | Stage 3    | POCI | Stage 1                    | Stage 2 | Stage 3 | POCI | Stage 1  | Stage 2      | Stage 3      | POCI |               |
| Ukraine      | -                                       | -            | -          | -    | -                          | -       | -       | -    | -  | -            | -            | -    | -             |
| Russia       | -                                       | -            | 150        | -    | -                          | -       | -       | -    | -  | -            | (150)        | -    | 48 725        |
| Belarus      | -                                       | 2 307        | -          | -    | -                          | -       | -       | -    | -  | (906)        | -            | -    | -             |
| <b>Total</b> | -                                       | <b>2 307</b> | <b>150</b> | -    | -                          | -       | -       | -    | -  | <b>(906)</b> | <b>(150)</b> | -    | <b>48 725</b> |

There was also identified an indirect exposure: a balance sheet exposure of PLN 418.8 million and an off-balance sheet exposure of PLN 290.3 million towards corporate clients whose business is indirectly exposed to the risk of Russia's aggression towards Ukraine. Indirect risk concerns companies where at least 30% of exports or imports is connected to countries affected by the war crisis or whose main shareholder is a resident of the risk country or the collateral of transaction is located in the country of risk.

| Country      | Indirect exposure as at 30 September 2022 |            |               |      |                            |              |         |      |  |             |                 |      |   |
|--------------|---|------------|---------------|------|----------------------------|--------------|---------|------|--|-------------|-----------------|------|---|
|              | Balance sheet gross exposure              |            |               |      | Off-balance sheet exposure |              |         |      | Accumulated impairment / off-balance loan loss provision |             |                 |      |   |
|              | Stage 1                                   | Stage 2    | Stage 3       | POCI | Stage 1                    | Stage 2      | Stage 3 | POCI | Stage 1  | Stage 2     | Stage 3         | POCI |   |
| Ukraine      | 73 318                                    | 247        | 322           | -    | 117 121                    | 250          | -       | -    | (229)  | -           | (90)            | -    | - |
| Russia       | 292 515                                   | -          | 50 765        | -    | 169 765                    | 1 200        | -       | -    | (1 065)  | (14)        | (48 081)        | -    | - |
| Belarus      | 1 608                                     | -          | -             | -    | 1 930                      | -            | -       | -    | (1)  | -           | -               | -    | - |
| <b>Total</b> | <b>367 441</b>                            | <b>247</b> | <b>51 087</b> | -    | <b>288 816</b>             | <b>1 450</b> | -       | -    | <b>(1 295)</b>   | <b>(14)</b> | <b>(48 171)</b> | -    | - |

**Additional cost of risk due to the current situation in Ukraine**

The models used to calculate the expected credit losses take into account the current macroeconomic forecasts reflecting the economic changes in the country caused by Russia's invasion of Ukraine. The Bank will continue to analyse the impact of the situation in Ukraine on the cost of risk in the next quarters.

**Fair value of derivatives and other financial instruments**

The fair value of financial instruments not listed on active markets is determined by applying valuation techniques. All models are approved prior to being applied and they are also calibrated in order to assure that the obtained results indeed reflect the actual data and comparable market prices. As far as possible, observable market data originating from an active market are used in the models. Methods for determining the fair value of financial instruments are described in Note 2.5 of financial statements of mBank S.A. for 2021, published on 3 March 2022.

**Deferred tax assets**

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available, against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

**Income tax in interim financial statements**

Income tax in interim financial statements is accrued in accordance with IAS 34. Interim period tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Due to the loss before tax incurred by the Bank in the three quarters of 2022, the calculation of the average annual effective income tax rate for 2022 required the use of a forecast of profit before tax for the full fiscal year adjusted for the impact of costs of legal risk related to FX loans as well as a forecast of permanent differences in the carrying and tax values of assets and liabilities. The projected annual effective tax rate calculated this way used to accrue income tax expense for the three quarters of 2022 was 29.0%. For the three quarters of 2021, the projected annual effective tax rate was 44.7%. The greatest impact on the value of the average annual effective income tax rate in comparison to the nominal income tax rate in the third quarter of 2022 was due to the banking tax and the impact of credit holidays on the results of the Bank.

**Revenue and expenses from sale of insurance products bundled with loans**

Revenue from sale of insurance products bundled with loans are split into interest income and fee and commission income based on the relative fair value analysis of each of these products.

The remuneration included in fee and commission income is recognised partly as upfront income and partly including deferring over time based on the analysis of the stage of completion of the service. Expenses directly linked to the sale of insurance products are recognised using the same pattern.

**Liabilities due to post-employment employee benefits**

The costs of post-employment employee benefits are determined using an actuarial valuation method. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and other factors. Due to the long-term nature of these programmes, such estimates are subject to significant uncertainty.

**Leasing classification**

Estimates relating to leases, where the Bank is a lessee, in areas such as determination of the duration of contracts, determining the interest rate used to discount future cash flows and determination of the depreciation rate of right-of-use assets are presented in Note 2.22 to the financial statements of mBank S.A. for 2021, published on 3 March 2022.



**SELECTED EXPLANATORY INFORMATION****1. Compliance with international financial reporting standards**

The presented condensed financial statements for the third quarter of 2022 fulfils the requirements of the International Accounting Standard (IAS) 34 "Interim financial reporting" relating to interim financial reports.

In addition, selected explanatory information provide additional information in accordance with Decree of the Minister of Finance dated 29 March 2018 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws 2018, item 757).

**2. Consistency of accounting principles and calculation methods applied to the drafting of the quarterly report and the last annual financial statements**

The description of the Bank's accounting policies is presented in Note 2 of Financial statements of mBank S.A. for 2021, published on 3 March 2022. The accounting principles adopted by the Bank were applied on a continuous basis for all periods presented in the financial statements except for the change concerning the implementation of IFRS 9 as of 1 July 2022 with regard to hedge accounting, described in Note 1.

**3. Seasonal or cyclical nature of the business**

The business operations of the Bank do not involve significant events that would be subject to seasonal or cyclical variations.

**4. Nature and values of items affecting assets, liabilities, equity, net profit/ (loss) or cash flows, which are unusual in terms of their nature, magnitude or exerted impact**

- In the financial results for the third quarter of 2022, Bank recognised the cost of legal risk related to foreign currency loans in the amount of PLN 2 314.3 million. The detailed information in this regard is presented in Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2022.
- In third quarter 2022, the Bank also recognised the impact of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays") which resulted in a decrease in interest income by recognising the result on loan modifications in the amount PLN -927.0 million. In addition, through the valuation of the subsidiary mBank Hipoteczny using the equity method, the Bank also recognised the impact of loan holidays in this company, in the gross amount of PLN -355.3 million. The change in cash flows related to credit holidays also affected the result on hedge accounting and resulted in the recognition of ineffectiveness of cash flow hedge accounting in the amount of PLN -63.5 million. Detailed information in this regard is presented in Note 2.
- In the third quarter 2022, the Bank also recognised the cost of contributions to the Borrowers Support Fund in the amount of PLN 177.1 mln. The obligation to pay a contribution to the Borrowers Support Fund in 2022 was introduced by the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers.
- Also the increase in interest rates had a significant impact on the financial condition of the Bank. The reference rate of NBP increased from the level of 1.75% as at the end of 2021 to the level of 6.75% as at 30 September 2022, which was reflected in the increase of net interest income but had a negative impact on the valuation of derivatives and financial assets based on a fixed interest rate and measured at fair value.

**5. Nature and amounts of changes in estimate values of items, which were presented in previous interim periods of the current reporting year, or changes of accounting estimates indicated in prior reporting years, if they bear a substantial impact upon the current interim period**

The financial results for the third quarter of 2022 include cost of legal risk related to foreign currencies loans in the amount of PLN 2 314.3 million. The detailed information are presented in Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2022.



## **6. Issues, redemption and repayment of non-equity and equity securities**

- On 24 March 2022, in the process of securitisation transaction, the Bank issued credit linked notes, with the maturity date on 22 October 2038, in the total nominal amount of PLN 642 500 thousand, Detailed information is presented in Note 24 of Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2022,
- On 7 June 2022 mBank S.A. redeemed fixed rate bonds with a nominal value of CHF 180 000 thousand which were issued on 7 June 2018 under EMTN scheme,
- On 5 September 2022 mBank S.A. redeemed fixed rate bonds with a nominal value of EUR 460 030 thousand which were issued on 5 September 2018 under EMTN scheme.

## **7. Dividends paid (or declared) altogether or broken down by ordinary shares and other shares**

On 31 March 2022, the 35th Annual General Meeting of mBank S.A. adopted resolution regarding the covering of loss for 2021. The net loss incurred by mBank S.A. in 2021 in the amount of PLN 1 215 353 334.02 was covered by the Bank's supplementary capital. The Annual General Meeting of mBank S.A. also decided to leave the profit from the previous years in the amount of PLN 2 098 480 869.01 undivided. The Annual General Meeting of mBank S.A. did not decide about dividend payment.

## **8. Income and profit by business segments**

Income and profit by business segments within the Bank are presented in Note 4 of the Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2022.

## **9. Significant events after the end of the third quarter of 2022, which are not reflected in the financial statements**

Significant events after the end of third quarter of 2022, are described in Item 36 of Selected explanatory data.

## **10. Effect of changes in the structure of the entity in the third quarter of 2022, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities**

On 31 May 2022 the Management Board of mBank S.A. notified shareholders of the planned demerger of mBank Hipoteczny S.A. (Demerged Company, mBH) by transferring part of the assets of the Demerged Company to mBank. The detailed information of the planned demerger of mBH are presented in Item 9 of Selected explanatory data of the Condensed consolidated financial statement of mBank S.A. Group for the first half 2022.

## **11. Changes in contingent liabilities and commitments**

In the third quarter of 2022, there were no changes in contingent liabilities and commitments of credit nature, i.e. guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Bank. There was no single case of granting of guarantees or any other contingent liability of any material value for the Bank.

## **12. Write-offs of the value of inventories down to net realisable value and reversals of such write-offs**

In the third quarter of 2022, events as indicated above did not occur in the Bank.

## **13. Revaluation write-offs on account of impairment of tangible fixed assets, intangible assets, or other assets as well as reversals of such write-offs**

In the third quarter of 2022, events as indicated above did not occur in the Bank.

#### 14. Revaluation write-offs on account of impairment of financial assets

|   | the period | from 01.01.2022<br>to 30.09.2022 | from 01.01.2021<br>to 30.09.2021 |
|---|------------|----------------------------------|----------------------------------|
| <b>Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss, including:</b> |            |                                  |                                  |
| Financial assets at amortised cost  |            | (489 999)                        | (468 119)                        |
| - debt securities   |            | (816)                            | (1 753)                          |
| - loans and advances  |            | (489 183)                        | (466 366)                        |
| Financial assets at fair value through other comprehensive income   |            | (25 619)                         | 1 237                            |
| - debt securities   |            | 829                              | (1 465)                          |
| - loans and advances  |            | (26 448)                         | 2 702                            |
| Commitments and guarantees granted  |            | 13 635                           | (61 675)                         |
| Liabilities from the issue of bonds linked to credit risk (CLN bonds)   |            | 11 024                           | -                                |
| <b>Total gains less losses from financial assets not measured at fair value through profit or loss</b>                        |            | <b>(490 959)</b>                 | <b>(528 557)</b>                 |

#### 15. Reversals of provisions against restructuring costs

In the third quarter of 2022, events as indicated above did not occur in the Bank.

#### 16. Acquisitions and disposals of tangible fixed asset items

In the third quarter of 2022, there were no material transactions of acquisition or disposal of any tangible fixed assets.

#### 17. Material liabilities assumed on account of acquisition of tangible fixed assets

In the third quarter of 2022, events as indicated above did not occur in the Bank.

#### 18. Information about changing the process (method) of measurement the fair value of financial instruments

In the reporting period there were no changes in the process (method) of measurement the fair value of financial instruments.

#### 19. Changes in the classification of financial assets due to changes of purpose or use of these assets

In the reporting period there were no changes in the classification of financial assets as a result of a change in the purpose or use of these assets.

#### 20. Corrections of errors from previous reporting periods

In the third quarter of 2022, events as indicated above did not occur in the Bank.

#### 21. Information on changes in the economic situation and operating conditions that have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are included in the fair value or in the adjusted purchase price (amortised cost)

The increase in interest rates had a significant impact on the fair value of financial assets and financial liabilities. The NBP reference interest rate increased from 1.75% at the end of 2021 to 6.75% as at 30 September 2022, which had a negative impact on the valuation of derivatives and financial assets based on a fixed interest rate and measured at fair value.

For more information on the fair value of financial assets and liabilities, see Item 32 of Selected Explanatory Notes.

#### 22. Default or infringement of a loan agreement or failure to initiate composition proceedings

In the third quarter of 2022, events as indicated above did not occur in the Bank.

#### 23. Position of the management on the probability of performance of previously published profit/(loss) forecasts for the year in light of the results presented in the quarterly report compared to the forecast

The Bank did not publish a performance forecast for 2022.

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On 27 September 2022 the Management Board of mBank S.A. informed, that due to the additional costs of legal risk related to FX loans and credit holidays included in the financial result for the third quarter 2022, the net result of mBank for the whole year 2022 would be negative.

**24. Registered share capital**

The total number of ordinary shares as at 30 September 2022 was 42 422 727 shares (31 December 2021: 42 384 884 shares) at PLN 4 nominal value each. All issued shares were fully paid up.

| REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 30 September 2022 |                   |                    |                   |                                     |                    |               |
|--|-------------------|--------------------|-------------------|-------------------------------------|--------------------|---------------|
| Share type   | Type of privilege | Type of limitation | Number of shares  | Series / face value of issue in PLN | Paid up            | Registered on |
| ordinary bearer*   | -                 | -                  | 9 989 000         | 39 956 000                          | fully paid in cash | 1986          |
| ordinary registered*   | -                 | -                  | 11 000            | 44 000                              | fully paid in cash | 1986          |
| ordinary bearer  | -                 | -                  | 2 500 000         | 10 000 000                          | fully paid in cash | 1994          |
| ordinary bearer  | -                 | -                  | 2 000 000         | 8 000 000                           | fully paid in cash | 1995          |
| ordinary bearer  | -                 | -                  | 4 500 000         | 18 000 000                          | fully paid in cash | 1997          |
| ordinary bearer  | -                 | -                  | 3 800 000         | 15 200 000                          | fully paid in cash | 1998          |
| ordinary bearer  | -                 | -                  | 170 500           | 682 000                             | fully paid in cash | 2000          |
| ordinary bearer  | -                 | -                  | 5 742 625         | 22 970 500                          | fully paid in cash | 2004          |
| ordinary bearer  | -                 | -                  | 270 847           | 1 083 388                           | fully paid in cash | 2005          |
| ordinary bearer  | -                 | -                  | 532 063           | 2 128 252                           | fully paid in cash | 2006          |
| ordinary bearer  | -                 | -                  | 144 633           | 578 532                             | fully paid in cash | 2007          |
| ordinary bearer  | -                 | -                  | 30 214            | 120 856                             | fully paid in cash | 2008          |
| ordinary bearer  | -                 | -                  | 12 395 792        | 49 583 168                          | fully paid in cash | 2010          |
| ordinary bearer  | -                 | -                  | 16 072            | 64 288                              | fully paid in cash | 2011          |
| ordinary bearer  | -                 | -                  | 36 230            | 144 920                             | fully paid in cash | 2012          |
| ordinary bearer  | -                 | -                  | 35 037            | 140 148                             | fully paid in cash | 2013          |
| ordinary bearer  | -                 | -                  | 36 044            | 144 176                             | fully paid in cash | 2014          |
| ordinary bearer  | -                 | -                  | 28 867            | 115 468                             | fully paid in cash | 2015          |
| ordinary bearer  | -                 | -                  | 41 203            | 164 812                             | fully paid in cash | 2016          |
| ordinary bearer  | -                 | -                  | 31 995            | 127 980                             | fully paid in cash | 2017          |
| ordinary bearer  | -                 | -                  | 24 860            | 99 440                              | fully paid in cash | 2018          |
| ordinary bearer  | -                 | -                  | 13 385            | 53 540                              | fully paid in cash | 2019          |
| ordinary bearer  | -                 | -                  | 16 673            | 66 692                              | fully paid in cash | 2020          |
| ordinary bearer  | -                 | -                  | 17 844            | 71 376                              | fully paid in cash | 2021          |
| ordinary bearer  | -                 | -                  | 37 843            | 151 372                             | fully paid in cash | 2022          |
| <b>Total number of shares</b>                                    |                   |                    | <b>42 422 727</b> |                                     |                    |               |
| <b>Total registered share capital</b>                            |                   |                    |                   | <b>169 690 908</b>                  |                    |               |
| <b>Nominal value per share (PLN)</b>                             |                   | <b>4</b>           |                   |                                     |                    |               |

\* As at the end of the reporting period

**25. Material share packages**

Commerzbank AG is the only shareholder holding over 5% of the share capital and votes at the General Meeting and as at 30 September 2022 it held 69.19% of the share capital and votes at the General Meeting of mBank S.A.

**26. Earnings per share**

|  | the period | from 01.01.2022 to 30.09.2022 | from 01.01.2021 to 30.09.2021 |
|--|------------|-------------------------------|-------------------------------|
| <b>Basic:</b>  |            |                               |                               |
| Net profit   |            | (1 521 360)                   | 429 911                       |
| Weighted average number of ordinary shares   |            | 42 395 904                    | 42 367 101                    |
| <b>Net basic profit per share (in PLN per share)</b>                                     |            | <b>(35.88)</b>                | <b>10.15</b>                  |
| <b>Diluted:</b>  |            |                               |                               |
| Net profit applied for calculation of diluted earnings per share                         |            | (1 521 360)                   | 429 911                       |
| Weighted average number of ordinary shares   |            | 42 395 904                    | 42 367 101                    |
| Adjustments for:   |            |                               |                               |
| - share options and subscription warrants  |            | 72 390                        | 70 607                        |
| Weighted average number of ordinary shares for calculation of diluted earnings per share |            | 42 468 294                    | 42 437 708                    |
| <b>Diluted earnings per share (in PLN per share)</b>                                     |            | <b>(35.82)</b>                | <b>10.13</b>                  |

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**27. Proceedings before court, arbitration body or public administration authority**

The information regarding the proceedings before court, arbitration body or public administration body are presented in Point 26 of Selected explanatory information in Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2022.

**28. Legal risk related to mortgage and housing loans granted to individual customers in CHF**

Detailed information on the impact of legal risk related to CHF mortgage and housing loans is provided in Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2022.

**29. Off-balance sheet liabilities**

|  | 30.09.2022         | 31.12.2021         |
|--|--------------------|--------------------|
| <b>Contingent liabilities granted and received</b>                   | <b>52 093 946</b>  | <b>46 751 254</b>  |
| <b>Commitments granted</b>   | <b>42 977 439</b>  | <b>38 623 672</b>  |
| Financing  | 32 897 572         | 31 064 725         |
| Guarantees and other financial facilities                            | 8 608 253          | 7 556 406          |
| Other liabilities  | 1 471 614          | 2 541              |
| <b>Commitments received</b>  | <b>9 116 507</b>   | <b>8 127 582</b>   |
| Financial commitments received                                       | 647 511            | 464 840            |
| Guarantees received  | 8 468 996          | 7 662 742          |
| <b>Derivative financial instruments (nominal value of contracts)</b> | <b>772 967 215</b> | <b>815 302 332</b> |
| Interest rate derivatives  | 615 122 169        | 678 207 144        |
| Currency derivatives   | 147 762 582        | 130 057 681        |
| Market risk derivatives  | 10 082 464         | 7 037 507          |
| <b>Total off-balance sheet items</b>                                 | <b>825 061 161</b> | <b>862 053 586</b> |

The increase in Other liabilities is mainly due to the increased volume of buy / sell back transactions with a future settlement date.

**30. Transactions with related entities**

mBank S.A. is the parent entity of the mBank S.A. Group and Commerzbank AG is the ultimate parent of the Group as well as the direct parent of mBank S.A.

All transactions between the Bank and related entities were typical and routine transactions concluded on terms, which don't differ from arm's length terms, and their nature, terms and conditions resulted from the current operating activities conducted by the Bank. Transactions concluded with related entities as a part of regular operating activities include loans, deposits and foreign currency transactions.

The amounts of transactions with related entities, i.e., balances of receivables and liabilities as at 30 September 2022 and as at 31 December 2021, and related costs and income for the period from 1 January to 30 September 2022 and from 1 January to 30 September 2021 are presented in the table below.

|   | mBank's subsidiaries |            |            | Commerzbank AG |            |            | Other companies of the Commerzbank AG Group |            |            |
|---|----------------------|------------|------------|----------------|------------|------------|---|------------|------------|
|   | 30.09.2022           | 31.12.2021 | 30.09.2021 | 30.09.2022     | 31.12.2021 | 30.09.2021 | 30.09.2022                                  | 31.12.2021 | 30.09.2021 |
| <b>Statement of financial position</b>                    |                      |            |            |                |            |            |   |            |            |
| Assets  | 22 694 504           | 20 331 269 |            | 751 815        | 1 204 403  |            | 123   | 37         |            |
| Liabilities   | 458 111              | 556 352    |            | 2 606 938      | 2 884 929  |            | 75 079                                      | 73 658     |            |
| <b>Income Statement</b>                                   |                      |            |            |                |            |            |   |            |            |
| Interest income   | 694 687              |            | 121 098    | 49 077         |            | 19 651     | 28  |            | 101        |
| Interest expense  | (41 336)             |            | (249)      | (31 363)       |            | (15 835)   | (732)                                       |            | (16)       |
| Fee and commission income                                 | 16 185               |            | 15 107     | 3 597          |            | 4 161      | 161   |            | 244        |
| Fee and commission expense                                | (161 180)            |            | (166 935)  | -              |            | -          | -   |            | -          |
| Other operating income                                    | 13 248               |            | 6 487      | 3 355          |            | 1 476      | -   |            | -          |
| Overhead costs, amortisation and other operating expenses | (3 862)              |            | (3 113)    | (8 264)        |            | (4 720)    | -   |            | -          |
| <b>Contingent liabilities granted and received</b>        |                      |            |            |                |            |            |   |            |            |
| Liabilities granted                                       | 3 290 326            | 2 763 259  |            | 1 971 414      | 1 564 733  |            | 1 531                                       | 3 514      |            |
| Liabilities received                                      | -                    | -          |            | 1 826 755      | 1 895 575  |            | -   | -          |            |

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The total costs of remuneration of Members of the Supervisory Board, the Management Board and other key management personnel of the Bank that perform their duties from 1 January to 30 September 2022 recognised in the Bank's income statement for that period amounted to PLN 23 185 thousand (in the period from 1 January to 30 September 2021: PLN 18 889 thousand).

With regard to the Management Board and other key management personnel the remuneration costs include also remuneration in the form of shares and share options.

**31. Credit and loan guarantees, other guarantees granted of significant value**

In the nine-month period, ended on 30 September 2022, the Bank has not concluded any substantial agreements regarding credit and loan guarantees or guarantees granted of a significant amount.

**32. Fair value of assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction of selling an asset or transferring a liability occurs either on the main market for an asset or a liability, or in the absence of a main market, for the most advantageous market for an asset or a liability.

In line with IFRS9, for accounting purposes, the Bank determines the valuation of its assets and liabilities through amortised cost or through fair value. In addition, for the positions that are valued through amortised cost, fair value is calculated and disclosed, but – according to IFRS7, only for disclosure purposes.

The approach to the method used for the loans that are fair valued in line with IFRS9 requirements, is described in the Note 3.3.7 to the financial statements of mBank S.A. for 2021, published on 3 March 2022.

Following market practices the Bank values open positions in financial instruments using either the mark-to-market approach or applies pricing models well established in market practice (mark-to-model method) which use as input market prices or market parameters, and in few cases, parameters estimated internally by the Bank. All significant open positions in derivatives are marked-to-model using prices observable in the market. Domestic commercial papers are marked to model (by discounting cash flows), which in addition to market interest rate curve uses credit spreads estimated internally.

For disclosure purposes, the Bank assumed that the fair value of short-term financial liabilities (less than 1 year) is equal to the balance sheet values of such items. In addition, the Bank assumes that the estimated fair value of financial assets and financial liabilities longer than 1 year is based on discounted cash flows using appropriate interest rates.

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**Financial assets and liabilities at amortised cost**

The following table presents a summary of balance sheet values and fair values for each group of financial assets and liabilities not recognised in the statement of financial position of the Bank at their fair values.

|  | 30.09.2022         |                    | 31.12.2021         |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | Carrying value     | Fair value         | Carrying value     | Fair value         |
| <b>Financial assets at amortised cost</b>          |                    |                    |                    |                    |
| <b>Debt securities</b>                             | <b>20 260 333</b>  | <b>17 540 414</b>  | <b>16 632 915</b>  | <b>15 358 098</b>  |
| <b>Loans and advances to banks</b>                 | <b>14 997 150</b>  | <b>14 994 731</b>  | <b>11 194 916</b>  | <b>11 192 768</b>  |
| <b>Loans and advances to customers, including:</b> | <b>93 040 873</b>  | <b>92 270 996</b>  | <b>86 499 146</b>  | <b>86 415 449</b>  |
| <b>Loans and advances to individuals</b>           | <b>42 263 307</b>  | <b>42 139 978</b>  | <b>43 319 138</b>  | <b>44 209 477</b>  |
| Current accounts                                   | 7 530 426          | 7 971 270          | 7 252 733          | 7 488 236          |
| Term loans   | 34 317 123         | 33 752 950         | 35 680 027         | 36 334 863         |
| Other  | 415 758            | 415 758            | 386 378            | 386 378            |
| <b>Loans and advances to corporate entities</b>    | <b>50 707 397</b>  | <b>50 061 394</b>  | <b>43 099 288</b>  | <b>42 129 128</b>  |
| Current accounts                                   | 7 613 741          | 7 472 846          | 5 613 678          | 5 475 185          |
| Term loans   | 39 700 483         | 39 195 375         | 36 876 632         | 36 044 965         |
| Reverse repo or buy/sell back transactions         | 2 868 613          | 2 868 613          | 187 630            | 187 630            |
| Other loans and advances                           | 435 567            | 435 567            | 407 704            | 407 704            |
| Other  | 88 993             | 88 993             | 13 644             | 13 644             |
| <b>Loans and advances to public sector</b>         | <b>70 169</b>      | <b>69 624</b>      | <b>80 720</b>      | <b>76 844</b>      |
| <b>Financial liabilities at amortised cost</b>     |                    |                    |                    |                    |
| <b>Amounts due to other banks</b>                  | <b>1 706 580</b>   | <b>1 706 580</b>   | <b>3 420 001</b>   | <b>3 420 001</b>   |
| <b>Amounts due to customers</b>                    | <b>173 078 509</b> | <b>173 071 146</b> | <b>159 905 991</b> | <b>159 888 932</b> |
| <b>Debt securities in issue</b>                    | <b>4 432 560</b>   | <b>3 825 300</b>   | <b>6 683 623</b>   | <b>6 698 899</b>   |
| <b>Subordinated liabilities</b>                    | <b>2 807 751</b>   | <b>2 707 254</b>   | <b>2 624 456</b>   | <b>2 616 703</b>   |

The following sections present the key assumptions and methods used by the Bank for estimation of the fair values of financial instruments:

Loans and advances to banks and loans and advances to customers

The fair value of loans and advances to banks and loans and advances to customers is disclosed as the estimated value of future cash flows (including the effect or prepayments) using current interest rates including appropriate credit spreads and is based on the expected maturity of the respective loan agreements. The level of credit spread is determined based on market quotation of median credit spreads for Moody's rating grade. Attribution of a credit spread to a given credit exposure is based on a mapping between Moody's rating grade and internal rating grades of the Bank. To reflect the fact that the majority of the Bank's exposures is collateralised whereas the median of market quotation is centred around unsecured issues, the Group applied appropriate adjustments.

Financial liabilities

Financial instruments representing liabilities for the Bank include the following:

- contracted borrowings,
- current accounts and deposits,
- issues of debt securities,
- subordinated liabilities.

The fair value for these financial liabilities with more than 1 year to maturity is based on discounted cash flows by the use of discounting factor including an estimation of a spread reflecting the credit spread for mBank and the liquidity margin. For the loans received from European Investment Bank in EUR and in CHF the Bank used the EBI yield curve. With regard to the own issue as part of the EMTN programme the market price of the relevant financial services has been used.

In the case of credit risk related bonds - Credit Link Note (CLN), the Bank uses the method of bonds discounted cash flows for the valuation. Discounted factor also includes a component that takes into account mBank's credit spread and a liquidity margin. Due to the fact that the bondholders are secured against the

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issuer's credit risk with the deposited collateral, an assumption was made that these parameters would remain unchanged during the life of the bond.

In the case of deposits, the Bank applied the curve constructed on the basis of quotations of money market rates as well as FRA and IRS contracts for appropriate currencies and maturities. In the case of subordinated liabilities, the Bank used curves based on cross-currency basis swap levels taking into account the original spread on subordinated liabilities and their maturities.

The Bank assumed that the fair value of these instruments with less than 1 year to maturity was equal to the carrying amount of the instruments.

According to the fair value methodology applied by the Bank, financial assets and liabilities are classified as follows:

- Level 1: prices quoted on active markets for the same instrument (without modification);
- Level 2: prices quoted on active markets for the similar instruments or other valuation techniques for which all significant input data are based on observable market data;
- Level 3: valuation methods for which at least one significant input data is not based on observable market data.

The table below presents the fair value hierarchy of financial assets and liabilities measured at fair value in accordance with the assumptions and methods described above, exclusively for disclosure as at 30 September 2022 and as at 31 December 2021.

| 30.09.2022 | including: | Level 1                         | Level 2  | Level 3                    |
|------------|------------|---------------------------------|--|----------------------------|
|            |            | Quoted prices in active markets | Valuation techniques based on observable market data | Other valuation techniques |

**VALUATION ONLY FOR PURPOSES OF DISCLOSURE****Financial assets**

|                                 |                    |                   |   |                    |
|---------------------------------|--------------------|-------------------|---|--------------------|
| Debt securities                 | 17 540 414         | 13 948 885        | - | 3 591 529          |
| Loans and advances to banks     | 14 994 731         | -                 | - | 14 994 731         |
| Loans and advances to customers | 92 270 996         | -                 | - | 92 270 996         |
| <b>Total financial assets</b>   | <b>124 806 141</b> | <b>13 948 885</b> | - | <b>110 857 256</b> |

**Financial liabilities**

|                                    |                    |                  |                  |                    |
|------------------------------------|--------------------|------------------|------------------|--------------------|
| Amounts due to banks               | 1 706 580          | -                | -                | 1 706 580          |
| Amounts due to customers           | <b>173 071 146</b> | -                | 2 439 757        | 170 631 389        |
| Debt securities in issue           | 3 825 300          | 3 800 389        | -                | 24 911             |
| Subordinated liabilities           | 2 707 254          | -                | 2 707 254        | -                  |
| <b>Total financial liabilities</b> | <b>181 310 280</b> | <b>3 800 389</b> | <b>5 147 011</b> | <b>172 362 880</b> |

| 31.12.2021 | including: | Level 1                         | Level 2  | Level 3                    |
|------------|------------|---------------------------------|--|----------------------------|
|            |            | Quoted prices in active markets | Valuation techniques based on observable market data | Other valuation techniques |

**VALUATION ONLY FOR PURPOSES OF DISCLOSURE****Financial assets**

|                                 |                    |                   |   |                    |
|---------------------------------|--------------------|-------------------|---|--------------------|
| Debt securities                 | 15 358 098         | 12 100 420        | - | 3 257 678          |
| Loans and advances to banks     | 11 192 768         | -                 | - | 11 192 768         |
| Loans and advances to customers | 86 415 449         | -                 | - | 86 415 449         |
| <b>Total financial assets</b>   | <b>112 966 315</b> | <b>12 100 420</b> | - | <b>100 865 895</b> |

**Financial liabilities**

|                                    |                    |                  |                  |                    |
|------------------------------------|--------------------|------------------|------------------|--------------------|
| Amounts due to banks               | 3 420 001          | -                | -                | 3 420 001          |
| Amounts due to customers           | 159 888 932        | -                | 2 812 699        | 157 076 233        |
| Debt securities in issue           | 6 698 899          | 6 673 840        | -                | 25 059             |
| Subordinated liabilities           | 2 616 703          | -                | 2 616 703        | -                  |
| <b>Total financial liabilities</b> | <b>172 624 535</b> | <b>6 673 840</b> | <b>5 429 402</b> | <b>160 521 293</b> |

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**Financial assets and liabilities measured at fair value**

The following table presents the hierarchy of fair value of financial assets and liabilities recognised in the statement of financial position of the Bank at their fair value.

| 30.09.2022   | including:        | Level 1                         | Level 2  | Level 3                    |
|--|-------------------|---------------------------------|--|----------------------------|
|  |                   | Quoted prices in active markets | Valuation techniques based on observable market data | Other valuation techniques |
| <b>RECURRING FAIR VALUE MEASUREMENTS</b>   |                   |                                 |  |                            |
| <b>Financial assets</b>  |                   |                                 |  |                            |
| <b>Financial assets held for trading and hedging derivatives</b>                     | <b>3 350 330</b>  | <b>724 057</b>                  | <b>2 189 479</b>                                     | <b>436 794</b>             |
| Loans and advances to customers  | 37 275            | -                               | -  | 37 275                     |
| Debt securities  | 1 117 953         | 718 434                         | -  | 399 519                    |
| Equity securities  | 5 623             | 5 623                           | -  | -                          |
| Derivatives, including:  | 2 189 479         | -                               | 2 189 479  | -                          |
| Derivatives held for trading   | 2 582 851         | -                               | 2 582 851  | -                          |
| Hedging derivatives  | 124 580           | -                               | 124 580  | -                          |
| Offsetting effect  | (517 952)         | -                               | (517 952)  | -                          |
| <b>Non-trading financial assets mandatorily at fair value through profit or loss</b> | <b>942 055</b>    | <b>688</b>                      | -  | <b>941 367</b>             |
| Loans and advances to customers  | 785 622           | -                               | -  | 785 622                    |
| Debt securities  | 43 308            | -                               | -  | 43 308                     |
| Equity securities  | 113 125           | 688                             | -  | 112 437                    |
| <b>Financial assets at fair value through other comprehensive income</b>             | <b>39 662 237</b> | <b>18 770 522</b>               | -  | <b>20 891 715</b>          |
| Loans and advances to customers  | 19 225 891        | -                               | -  | 19 225 891                 |
| Debt securities  | 20 436 346        | 18 770 522                      | -  | 1 665 824                  |
| <b>Total financial assets</b>  | <b>43 954 622</b> | <b>19 495 267</b>               | <b>2 189 479</b>                                     | <b>22 269 876</b>          |
| <b>Investment properties</b>   | <b>140 372</b>    | -                               | -  | <b>140 372</b>             |
| <b>Financial liabilities</b>   |                   |                                 |  |                            |
| <b>Financial liabilities held for trading and hedging derivatives</b>                | <b>2 999 628</b>  | <b>453 034</b>                  | <b>2 546 594</b>                                     | -                          |
| Derivatives, including:  | 2 546 594         | -                               | 2 546 594  | -                          |
| Derivatives held for trading   | 3 005 118         | -                               | 3 005 118  | -                          |
| Hedging derivatives  | 3 267 193         | -                               | 3 267 193  | -                          |
| Offsetting effect  | (3 725 717)       | -                               | (3 725 717)  | -                          |
| Liabilities from short sale of securities  | 453 034           | 453 034                         | -  | -                          |
| <b>Total financial liabilities</b>   | <b>2 999 628</b>  | <b>453 034</b>                  | <b>2 546 594</b>                                     | -                          |



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| 31.12.2021   | including:        | Level 1                         | Level 2  | Level 3                    |
|--|-------------------|---------------------------------|--|----------------------------|
|  |                   | Quoted prices in active markets | Valuation techniques based on observable market data | Other valuation techniques |
| <b>RECURRING FAIR VALUE MEASUREMENTS</b>   |                   |                                 |  |                            |
| <b>Financial assets</b>  |                   |                                 |  |                            |
| <b>Financial assets held for trading and hedging derivatives</b>                     | <b>2 581 174</b>  | <b>248 906</b>                  | <b>1 866 663</b>                                     | <b>465 605</b>             |
| Loans and advances to customers  | 40 426            | -                               | -  | 40 426                     |
| Debt securities  | 674 085           | 248 906                         | -  | 425 179                    |
| Derivatives, including:  | 1 866 663         | -                               | 1 866 663  | -                          |
| Derivatives held for trading   | 2 104 819         | -                               | 2 104 819  | -                          |
| Hedging derivatives  | 163 715           | -                               | 163 715  | -                          |
| Offsetting effect  | (401 871)         | -                               | (401 871)  | -                          |
| <b>Non-trading financial assets mandatorily at fair value through profit or loss</b> | <b>1 221 063</b>  | <b>870</b>                      | <b>-</b>   | <b>1 220 193</b>           |
| Loans and advances to customers  | 991 469           | -                               | -  | 991 469                    |
| Debt securities  | 81 128            | -                               | -  | 81 128                     |
| Equity securities  | 148 466           | 870                             | -  | 147 596                    |
| <b>Financial assets at fair value through other comprehensive income</b>             | <b>54 162 657</b> | <b>25 971 560</b>               | <b>8 495 243</b>                                     | <b>19 695 854</b>          |
| Loans and advances to customers  | 18 191 254        | -                               | -  | 18 191 254                 |
| Debt securities  | 35 971 403        | 25 971 560                      | 8 495 243  | 1 504 600                  |
| <b>Total financial assets</b>  | <b>57 964 894</b> | <b>26 221 336</b>               | <b>10 361 906</b>                                    | <b>21 381 652</b>          |
| <b>Investment properties</b>   | <b>127 510</b>    | <b>-</b>                        | <b>-</b>   | <b>127 510</b>             |
| <b>Financial liabilities</b>   |                   |                                 |  |                            |
| <b>Financial liabilities held for trading and hedging derivatives</b>                | <b>2 044 601</b>  | <b>84 774</b>                   | <b>1 959 827</b>                                     | <b>-</b>                   |
| Derivatives, including:  | 1 959 827         | -                               | 1 959 827  | -                          |
| Derivatives held for trading   | 2 272 167         | -                               | 2 272 167  | -                          |
| Hedging derivatives  | 1 598 547         | -                               | 1 598 547  | -                          |
| Offsetting effect  | (1 910 887)       | -                               | (1 910 887)  | -                          |
| Liabilities from short sale of securities  | 84 774            | 84 774                          | -  | -                          |
| <b>Total financial liabilities</b>   | <b>2 044 601</b>  | <b>84 774</b>                   | <b>1 959 827</b>                                     | <b>-</b>                   |

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| Financial assets measured at fair value and investment properties based on Level 3 - changes in the period from 1 January to 30 September 2022 | Financial assets held for trading and hedging derivatives |                 | Non-trading financial assets mandatorily at fair value through profit or loss |                 |                   | Financial assets at fair value through other comprehensive income |                  | Investment properties |
|--|---|-----------------|---|-----------------|-------------------|---|------------------|-----------------------|
|  | Loans and advances to customers                           | Debt securities | Loans and advances to customers   | Debt securities | Equity securities | Loans and advances to customers                                   | Debt securities  |                       |
| <b>As at the beginning of the period</b>   | <b>40 426</b>   | <b>425 179</b>  | <b>991 469</b>  | <b>81 128</b>   | <b>147 596</b>    | <b>18 191 254</b>   | <b>1 504 600</b> | <b>127 510</b>        |
| <b>Gains and losses for the period:</b>  | <b>242</b>  | <b>8 065</b>    | <b>(20 516)</b>   | <b>4 394</b>    | <b>(35 480)</b>   | <b>(39 781)</b>   | <b>(31 074)</b>  | <b>12 862</b>         |
| Recognised in profit or loss:  | 242   | 8 065           | (20 516)  | 4 394           | (35 480)          | (5 443)   | -                | 12 862                |
| <i>Net trading income</i>  | 242   | 8 065           | -   | 14 692          | 105               | -   | -                | -                     |
| <i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>  | -   | -               | (20 516)  | (10 298)        | (35 585)          | -   | -                | -                     |
| <i>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</i>                  | -   | -               | -   | -               | -                 | (5 443)   | -                | -                     |
| <i>Other operating income / (expenses)</i>   | -   | -               | -   | -               | -                 | -   | -                | 12 862                |
| Recognised in other comprehensive income:  | -   | -               | -   | -               | -                 | (34 338)  | (31 074)         | -                     |
| <i>Financial assets at fair value through other comprehensive income</i>   | -   | -               | -   | -               | -                 | (34 338)  | (31 074)         | -                     |
| Purchases / origination  | -   | 903 765         | 29 055  | -               | 321               | 3 396 258   | 1 544 183        | -                     |
| Redemptions / total repayments   | (3 813)   | (112 682)       | (185 750)   | -               | -                 | (661 794)   | (391 844)        | -                     |
| Sales  | -   | (2 118 417)     | -   | -               | -                 | (1 911 948)   | (1 174 811)      | -                     |
| Issues   | -   | 1 293 609       | -   | -               | -                 | -   | 214 770          | -                     |
| Other changes  | 420   | -               | (28 636)  | (42 214)        | -                 | 251 902   | -                | -                     |
| <b>As at the end of the period</b>   | <b>37 275</b>   | <b>399 519</b>  | <b>785 622</b>  | <b>43 308</b>   | <b>112 437</b>    | <b>19 225 891</b>   | <b>1 665 824</b> | <b>140 372</b>        |

| Financial assets measured at fair value and investment properties based on Level 3 - changes in the period from 1 January to 31 December 2021 | Financial assets held for trading and hedging derivatives |                 | Non-trading financial assets mandatorily at fair value through profit or loss |                 |                   | Financial assets at fair value through other comprehensive income |                  | Investment properties |
|---|---|-----------------|---|-----------------|-------------------|---|------------------|-----------------------|
|   | Loans and advances to customers                           | Debt securities | Loans and advances to customers   | Debt securities | Equity securities | Loans and advances to customers                                   | Debt securities  |                       |
| <b>As at the beginning of the period</b>  | <b>187 902</b>  | <b>333 151</b>  | <b>1 372 481</b>  | <b>76 068</b>   | <b>135 520</b>    | <b>12 515 013</b>   | <b>1 509 952</b> | <b>-</b>              |
| <b>Gains and losses for the period:</b>   | <b>(2 658)</b>  | <b>11 032</b>   | <b>(6 211)</b>  | <b>5 060</b>    | <b>11 182</b>     | <b>(93 141)</b>   | <b>(65 509)</b>  | <b>14 118</b>         |
| Recognised in profit or loss:   | (2 658)   | 11 032          | (6 211)   | 5 060           | 11 182            | (17 250)  | -                | -                     |
| <i>Net trading income</i>   | (2 658)   | 11 032          | -   | 6 196           | -                 | -   | -                | -                     |
| <i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>                                       | -   | -               | (6 211)   | (1 136)         | 11 182            | -   | -                | -                     |
| <i>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</i>                 | -   | -               | -   | -               | -                 | (17 250)  | -                | -                     |
| Recognised in other comprehensive income:   | -   | -               | -   | -               | -                 | (75 891)  | (65 509)         | 14 118                |
| <i>Financial assets at fair value through other comprehensive income</i>  | -   | -               | -   | -               | -                 | (75 891)  | (65 509)         | 14 118                |
| Purchases / origination   | 3 813   | 2 368 719       | 18 627  | -               | 894               | 7 463 990   | 1 364 162        | -                     |
| Redemptions / total repayments  | (145 222)   | (204 372)       | (331 906)   | -               | -                 | (268 674)   | (394 816)        | -                     |
| Sales   | -   | (8 098 131)     | -   | -               | -                 | (1 787 442)   | (2 510 472)      | -                     |
| Issues  | -   | 6 014 780       | -   | -               | -                 | -   | 1 601 283        | -                     |
| Other changes   | (3 409)   | -               | (61 522)  | -               | -                 | 361 508   | -                | -                     |
| Reclassification to other reporting items   | -   | -               | -   | -               | -                 | -   | -                | 113 392               |
| <b>As at the end of the period</b>  | <b>40 426</b>   | <b>425 179</b>  | <b>991 469</b>  | <b>81 128</b>   | <b>147 596</b>    | <b>18 191 254</b>   | <b>1 504 600</b> | <b>127 510</b>        |

During the three quarters of 2022 and during 2021 there were no transfers of financial instruments between the levels of fair value hierarchy.

With regard to financial instruments valued in repetitive way to the fair value classified as level 1 and 2 in hierarchy of fair value, any cases in which transfer between these levels may occur, are monitored by the Bank on the basis of internal rules. In case there is no market price used to a direct valuation for more than 5 working days, the method of valuation is changed, i.e. change from marked-to-market to marked-to-model under the assumption that the valuation model for the respective type of this instrument has been already approved. The return to marked-to-market method takes place after a period of at least 10

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working days in which the market price was available on a continuous basis. If there is no market prices for a debt treasury bonds the above terms are respectively 2 and 5 working days.

**Level 1**

As at 30 September 2022 the Bank has presented at level 1 of the fair value hierarchy the fair value of held for trading government bonds in the amount of PLN 718 434 thousand and the fair value of government bonds measured at fair value through other comprehensive income in the amount of PLN 17 480 078 thousand (31 December 2021: PLN 248 906 thousand and PLN 24 468 564 thousand, respectively). Level 1 includes the fair value of corporate bonds in the amount of PLN 1 290 444 thousand (31 December 2021: PLN 1 502 996 thousand).

In addition, as at 30 September 2022 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 688 thousand (31 December 2021: PLN 870 thousand) and equity instruments of non-financial companies in the amount of PLN 5 623 thousand.

As at 30 September 2022 level 1 also includes liabilities from short sale of securities quoted on active markets in the amount of PLN 453 034 thousand (31 December 2021: PLN 84 774 thousand).

These instruments are classified as level 1 because their valuation is directly derived by applying current market prices quoted on active and liquid financial markets.

**Level 2**

As at 31 December 2021 level 2 of the fair value hierarchy mainly includes the fair value of bills issued by NBP in the amount of PLN 8 495 243 thousand, valuation of which is based on a NPV model (discounted future cash flows) fed with interest rate curves generated by transformation of quotations taken directly from active and liquid financial markets.

In addition, the level 2 category includes the valuation of derivative financial instruments borne on models consistent with market standards and practices, using parameters taken directly from the markets (e.g. foreign exchange rates, implied volatilities of FX options, stock prices and indices) or parameters which transform quotations taken directly from active and liquid financial markets (e.g. interest rate curves).

**Level 3**

Level 3 of the hierarchy presents the fair value of commercial debt securities issued by local banks and companies in the amount of PLN 2 108 651 thousand (31 December 2021: PLN 1 977 236 thousand), and includes the fair value of a debt instrument measured at fair value through profit or loss, representing the rights to preferred stock of Visa Inc.

As at 31 December 2021 level 3 includes also the fair value of local government bonds in the amount of PLN 33 671 thousand.

Model valuation for these items assumes a valuation based on the market interest rate yield curve adjusted by the level of credit spread. The credit spread parameter reflects the credit risk of the security issuer and is determined in accordance with the Bank's internal model. This model uses credit risk parameters (e.g. PD, LGD) and information obtained from the market (including implied spreads from transactions). PD and LGD parameters are not observed on active markets and therefore have been determined on the basis of statistical analysis. Both models - the valuation of debt instruments and the credit spread model were built internally in the Bank by risk units, were approved by the Model Risk Committee and are subject to periodic monitoring and validation carried out by an entity independent of the units responsible for building and maintaining the model.

Level 3 as at 30 September 2022 includes the value of loans and advances to customers in the amount of PLN 20 048 788 thousand (31 December 2021: PLN 19 223 149 thousand). The fair value calculation process for loans and advances to customers is described in detail in the Note 3.3.7. of financial statement of mBank S.A. for 2021, published on 3 March 2022.

Moreover level 3 includes the value of loans and advances to customers in the amount of PLN 112 437 thousand (31 December 2021: PLN 147 596 thousand). The equity instruments presented at level 3 have been valued using the dividend discount model. The valuations were predominantly prepared based on selected financial figures provided by valuated entities and discounted with the cost of equity estimated using CAPM model (Capital asset pricing model). At the end of September 2022, the cost of equity was estimated at the level in the range from 14.2% to 14.7% (as at the end of 2021: 7.9%).

As at 30 September 2022 level 3 also includes fair value of investment property in the amount of PLN 140 372 thousand (31 December 2021: PLN 127 510 thousand). The value of the property was estimated by a property appraiser entered in the Central Register of Property Appraisers kept by the Minister of Development and Technology. The property was valued using the income method. The key unobservable

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parameter used in the model is the capitalization rate of 6.70% used to discount cash flows (31 December 2022: 9.28%).

The table below presents the sensitivity of the fair value measurement to the change of unobservable parameters used in the models for financial instruments measured at fair value at level 3.

| Portfolio  | Fair value<br>30.09.2022 | Sensitivity to change of<br>unobservable parameter |        | Description   |
|--|--------------------------|--|--------|---|
|  |                          | (-)  | (+)    |   |
| Equity instruments   | 112 437                  | (12 393)   | 15 143 | The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+). |
| Commercial debt securities measured at fair value through other comprehensive income | 1 665 824                | (29 119)   | 29 119 | The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).                                       |
| Commercial debt securities measured at fair value through profit or loss             | 399 519                  | (6 611)  | 6 611  |   |
| Loans and advances to customers held for trading                                     | 37 275                   | (492)  | 469    | The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).                                |
| Loans and advances to customers at fair value through profit or loss                 | 785 622                  | (12 357)   | 12 694 |   |
| Loans and advances to customers at fair value through other comprehensive income     | 19 225 891               | (11 954)   | 11 158 |   |

| Portfolio  | Fair value<br>31.12.2021 | Sensitivity to change of<br>unobservable parameter |        | Description   |
|--|--------------------------|--|--------|---|
|  |                          | (-)  | (+)    |   |
| Equity instruments   | 147 596                  | (8 054)  | 10 327 | The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+). |
| Commercial debt securities measured at fair value through other comprehensive income | 1 504 600                | (29 729)   | 29 729 | The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).                                       |
| Commercial debt securities measured at fair value through profit or loss             | 425 179                  | (8 569)  | 8 569  |   |
| Loans and advances to customers held for trading                                     | 40 426                   | (761)  | 743    | The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).                                |
| Loans and advances to customers at fair value through profit or loss                 | 991 469                  | (15 630)   | 16 159 |   |
| Loans and advances to customers at fair value through other comprehensive income     | 18 191 254               | (3 205)  | 2 978  |   |

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### 33. Other information which the issuer deems necessary to assess its human resources, assets, financial position, financial performance and their changes as well as information relevant to an assessment of the issuer's capacity to meet its liabilities

#### Changes in the Supervisory Board of mBank S.A.

On 14 October 2022 Mr. Arno Walter handed over resignation from the function of a member of the Bank's Supervisory Board with the effective date of 30 March 2023.

### 34. Factors affecting the results in the coming quarter

In the coming quarter, the financial situation and quality of assets of the Bank will also be affected by the repercussions of the war in Ukraine, such as sanctions and restrictions in international trade.

The results in the coming quarter may also be affected by potential settlements of the Supreme Court, other national institutions or Court of Justice of the European Union in cases related to foreign currencies loans, which is presented in detail in the Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2022.

### 35. Other information

#### ■ Requirements on mBank Group capital ratios as of 30 September 2022

The minimum required level of capital ratios at the end of 30 September 2022 amounted to:

- Individual total capital ratio: 13.54% and Tier 1 capital ratio: 10.92%
- Consolidated total capital ratio: 13.19% and Tier 1 capital ratio: 10.66%.

At the date of approval of these financial statements, mBank S.A. and mBank Group S.A. fulfil the PFSA requirements related to the required capital ratios on both individual and consolidated levels.

#### ■ Transitional arrangements in response to the COVID-19 pandemic

As of 30 September 2022 mBank included transitional provisions regarding the temporary treatment of unrealized gains and losses on financial instruments measured at fair value through other comprehensive income in connection with the COVID-19 pandemic, contained in the regulation of the European Parliament and of the Council (EU) 2020/873 of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic in the calculation of own funds, capital ratios and leverage ratio.

The application of the transitional provisions is intended to mitigate the negative impact of unrealized losses on government and local government debt instruments during the COVID-19 pandemic and the decision to apply them means that the Bank will be able to limit the impact of significant part of the volatility of the market valuation of the government and local government bonds portfolio.

The reported measures calculated taking into account the transitional provisions as well as measures calculated without taking into account the transitional provisions are presented below.

|   | 30.09.2022        |   | 31.12.2021        |   |
|---|-------------------|---|-------------------|---|
|   | Measures reported | Measures calculated without taking into account transitional provisions | Measures reported | Measures calculated without taking into account transitional provisions |
| Common Equity Tier I capital (PLN thousand) | 11 514 152        | 11 148 046  | 13 529 356        | 13 061 828  |
| Tier I capital (PLN thousand)               | 11 514 152        | 11 148 046  | 13 529 356        | 13 061 828  |
| Own funds (PLN thousand)                    | 13 877 348        | 13 511 242  | 15 849 040        | 15 381 512  |
| Common Equity Tier I ratio (%)              | 14.5              | 14.0  | 16.2              | 15.7  |
| Tier I capital ratio (%)                    | 14.5              | 14.0  | 16.2              | 15.7  |
| Total capital ratio (%)                     | 17.4              | 16.9  | 19.0              | 18.5  |

### 36. Events after the balance sheet date

- On 14 October 2022 the Polish Financial Supervision Authority granted its consent to mTowarzystwo Funduszy Inwestycyjnych (mTFI S.A.) to conduct operations of an investment funds management company.