

# Status of discussions related to FX mortgage loans

Information of the Management Board on mBank's position



XXXV Ordinary General Meeting of Shareholders of mBank S.A.

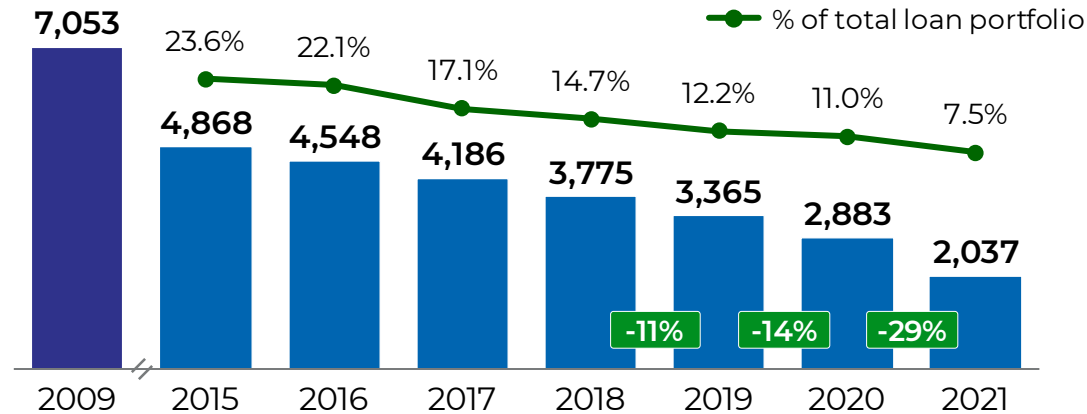
31.03.2022

# Strong protection against legal risks related to CHF portfolio

## CHF mortgage loans granted to individual customers

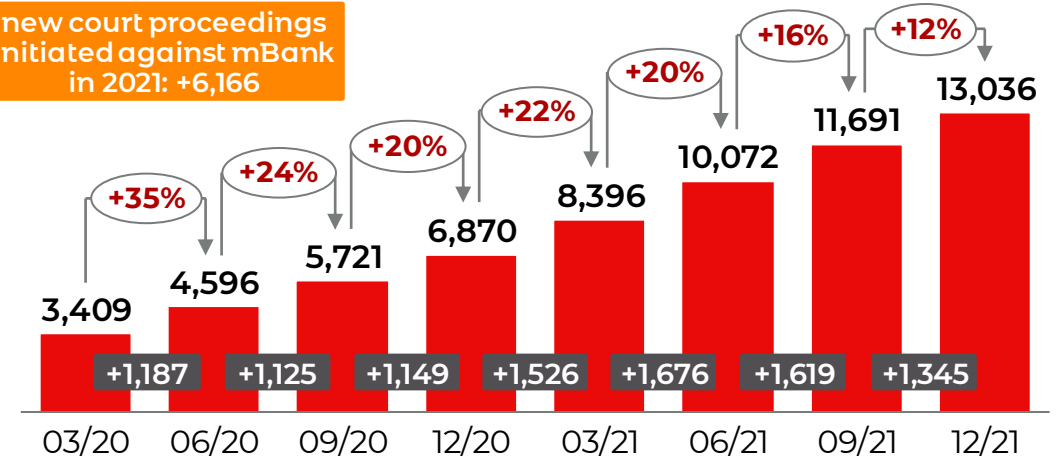
CHF M, carrying amount

equivalent to: PLN 9,064 M as of 31.12.2021



## Number of individual court cases concerning indexation clauses

new court proceedings initiated against mBank in 2021: +6,166



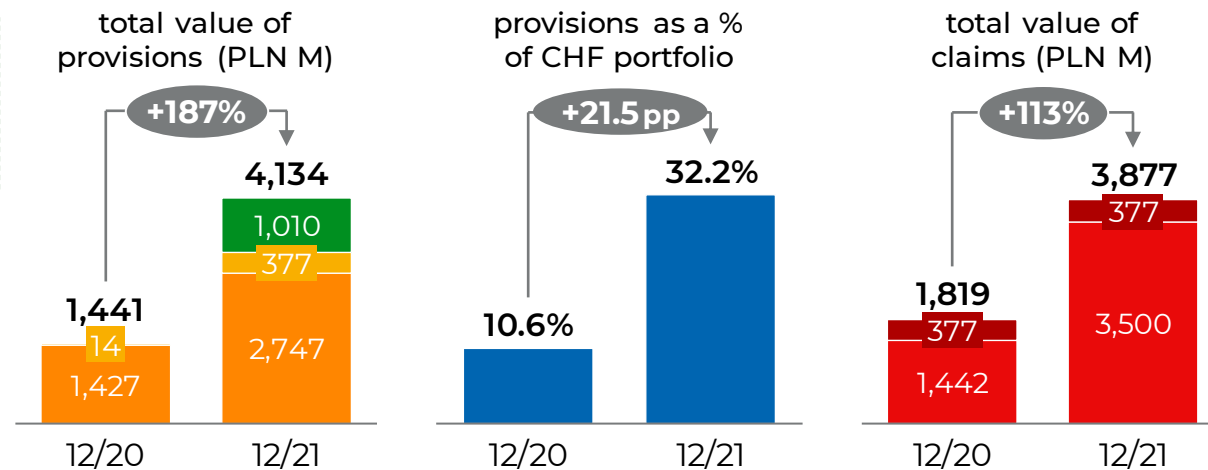
## Provisions created in relation to legal risk and claims resulting from court proceedings

concerning indexation clauses in CHF mortgage loans

mBank distinguished by one of the highest coverage of CHF portfolio with created provisions among Polish peers as of 31.12.2021.

Components of legal costs:

- potential settlements
- class action
- individual cases



Key factors driving costs of legal risk in 2021 included:

- an increase of legal risk related to individual lawsuits, which mainly resulted from (i) higher-than-expected inflow of new cases and (ii) changes in the level of loss on credit exposure in the event of the bank losing the case
- covering costs of a potential voluntary settlement program (assuming acceptance rate by customers at 34%)
- additional provision for a class action relating to indexation clauses

# Key developments in the case law in 2021

- Supreme Court resolution III CZP 11/20 (16.02.2021)
- CJEU judgment in case C-19/20 (29.04.2021)
- Resolution of 7 Supreme Court judges, ref. no. III CZP 6/21 having the force of law (07.05.2021)
- CJEU ruling in case C-212/20 (18.11.2021)

**no resolution of the full Civil Chamber of the Supreme Court in case ref III CZP 11/21**

positions of the KNF and NBP positive for the banking sector were submitted to the case

## Class action (3rd judgment in the case, 2nd favourable for the bank)

- On February 9, 2022, the Regional Court in Łódź issued a judgment in a group case concerning valorisation, by virtue of which it dismissed the claim both in the part concerning declaring provisions of loan agreements regulating valorisation invalid, and in the part concerning declaring loan agreements invalid as a whole.
- The proceedings concern 1,166 credit agreements and 1,172 contracts.

## Major legal issues unresolved by the Supreme Court and CJEU

- Effects of declaring a clause abusive
- Remuneration for use of capital
- Definition of the limitation period for bank/consumer claims
- Admissibility of absolute invalidity
- Possibility for banks to execute the right of retention

# Settlements – mBank’s proposal for borrowers

## Concept of mBank's offer

### mBank’s settlement

consists in converting the loan into PLN as if it had been a PLN loan from the beginning, on the then current market conditions (WIBOR 3M + bank's margin) and reducing the current outstanding balance by a half of the difference between the actual loan balance expressed in PLN (to convert the balance from CHF to PLN we used the current average NBP exchange rate) and the hypothetical loan balance in PLN.

A pilot settlement program, launched in December 2021, has been receiving a moderate interest.



## Settlements offering on the market

**8 out of 10**

banks with CHF loan portfolios offer settlements

*Part of them present an offer to convert the loan on terms close to the proposal of KNF’s chairman, but there are also other options such as conversion at a negotiated rate and the so-called halfway.*

# Settlements – summary of mBank’s pilot

## Key statistics (as of 30.03.2022)

A number of:

- offers sent to customers in the 1st phase
- offers sent to customers in the 2nd phase
- signed settlements

1,217

1,467

145

## External factors impacting decisions of borrowers

Customer decisions are influenced by:

- uncertainty about the economic environment
- volatility of exchange rates
- current increase in cost of PLN loans
- uncertainty related to the jurisprudence of the courts in CHF cases

