

31 May 2022

Report of the Management Board  
of mBank S.A. with its registered seat  
in Warsaw  
providing the rationale for the demerger of  
mBank Hipoteczny S.A.

On 31 May 2022, the management boards of mBank Hipoteczny S.A. (“**mBH**” or the “**Demerged Company**”) and mBank S.A. (the “**Bank**” or the “**Acquiring Company**”) agreed and signed the plan of demerger of mBH (the “**Demerger Plan**”). Therefore, pursuant to Article 536 of the act of 15 September 2000 – Commercial Companies Code (consolidated text: Journal of Laws 2020, item 1526, as amended) (the “**CCC**”), the Management Board of the Bank made this report presenting the rationale for the demerger (the “**Report**”).

## 1. TYPE, NAME AND REGISTERED OFFICE OF EACH OF THE COMPANIES PARTICIPATING IN THE DEMERGER

Demerged Company:

**mBank Hipoteczny S.A.**, with its registered seat in Warsaw at ul. Prosta 18, 00-850 Warsaw, entered in the Register of Business Entities maintained by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, under the KRS No. 0000003753, REGON 014953634, NIP 5262316250, with its share capital of PLN 336,000,000.00 paid up in full.

Acquiring Company:

**mBank S.A.**, with its registered seat in Warsaw ul. Prosta 18, 00-850 Warsaw, entered in the Register of Business Entities maintained by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, under the KRS No. 0000025237, REGON 001254524, NIP 5260215088, with its share capital of PLN 169,539,536.00 paid up in full.

## 2. SHAREHOLDING STRUCTURE OF THE DEMERGED COMPANY

As at the date of the signing of the Demerger Plan, the Bank holds 100% of the shares in the Demerged Company and representing the right to exercise 100% of the votes at the general meeting of the Demerged Company.

## 3. DEMERGER METHOD

The demerger of mBH will be done in compliance with Article 529 §1(4) of the CCC, i.e.:

- by transfer to the Bank of some of the estate (assets and liabilities) and rights and obligations of the Demerged Company comprising an organised part of the enterprise of mBH, which is a collection of tangible and intangible assets separate both organisationally and financially within the existing enterprise of mBH, including obligations, designated for the achievement of objectives that are related with the granting and servicing of loans comprising: (i) loans secured by a mortgage for the financing of commercial real properties; (ii) loans granted to local government units or loans for which local government units issued any surety; and (iii) loans secured by a mortgage granted to natural persons for purposes unrelated to any business activity subject to loan agreements concluded with clients on or before 25 July 2013 and that satisfy the criteria specified in Schedule 1 (Table 4a) to the Demerger Plan, where the collection of assets could be an independent business achieving those objectives autonomously and the components of which have been presented in Schedule 1 to the Demerger Plan (the “**Carved Out Business**”);
- by leaving with mBH the remaining part of the estate (assets and liabilities) and rights and obligations of the Demerged Company comprising an organised part of the enterprise of mBH, which is a collection of tangible and intangible assets separate both organisationally and

financially within the existing enterprise of mBH, including obligations, designated for the achievement of tasks that are related with the operations of the Demerged Company as a mortgage bank, specifically within the scope of:

- a) the granting and servicing of loans secured by a mortgage granted to natural persons for purposes unrelated to any business activity subject to loan agreements concluded by mBH with clients first in September 2013 within the scope of agency cooperation with the Bank;
- b) acquiring receivables of other banks on account of mortgage secured loans granted thereby, including mortgage secured loans granted to natural persons for purposes unrelated with business activities, acquired from the Bank since 2014,  
  
the servicing of which was entrusted to the Bank under the outsourcing agreement;
- c) the issuance of securities, including specifically mortgage bonds and bonds, as well as performing other treasury related transactions and specifically derivative transactions,

where the collection of assets may be an independent business achieving those objectives autonomously (the “**Continuing Business**”),

(the “**Demerger**”).

The Continuing Business will specifically include the following assets that are used or the running of the Continuing Business: loans secured by a mortgage extended to natural persons for purposes unrelated to any business activity, other than those which are classified as being a part of the Carved Out Business, tangible fixed assets, IT systems and other intangible values, cash, assets and liabilities on account of derivative hedging instruments, acquired securities, liabilities under the issuance of mortgage bonds and bonds, liabilities under any extended financing, deferred liabilities, settlements with clients, settlements with employees, provisions, including on account of any bonuses, unused vacation leave, other assets and liabilities, including on account of deferred and current tax, employees necessary to perform the duties involved in the running of the Continuing Business, and the rights and obligations under agreements concerning the Continuing Business.

#### **4. LEGAL BASIS FOR THE DEMERGER**

The legal basis for the Demerger is Article 529 § 1(4) of the CCC pursuant to which the Demerger will be conducted by transferring a part of the estate (assets and liabilities) of the Demerged Company, i.e. the Carved Out Business, to the Bank.

As a result of the Demerger, pursuant to Article 531 § 1 of the CCC, on the demerger date, the Bank will take over all the rights and obligations of mBH related with the Carved Out Business. In view of the above, directly after the demerger date, mBH will retain the rights and obligations related with the Continuing Business. The operations of mBH will be limited to the Continuing Business, and the Bank’s enterprise will be expanded by the Carved Out Business.

#### **5. ECONOMIC RATIONALE FOR THE DEMERGER**

The Bank and mBH made the decision concerning the Demerger in order to consolidate the sales procedures and post-sale services in a single entity, i.e. the Bank which will allow to achieve the following:

- (a) create a single competence centre in the Bank's group in terms of managing services and products relating to real estate financing;
- (b) provide clients with harmonised access channels;
- (c) increase accessibility of mortgage services both through electronic channels and at designated establishments;
- (d) increase operating efficiency in terms of implementing solutions for clients;
- (e) simplify the operating structure of the mortgage business;
- (f) integration and development of remote tools for providing services to clients up to the level that is currently in possession of the Bank's clients;
- (g) use of the Bank's *know-how* and IT resources to offer highly digitalised services;
- (h) achieve cost synergies following the elimination of duplicated structures, specifically in IT and operations.

## **6. SHARE EXCHANGE RATIO**

Pursuant to Article 550 of the CCC, since the Bank is the only shareholder of the Demerged Company there is no intention to increase the share capital of the Bank in connection with the Bank's acquisition of a part of the estate of the Demerged Company. The above-referenced regulation provides that the Acquiring Company cannot subscribe for treasury shares in exchange for shares that it holds in the Demerged Company. In view of the above, the Bank will not issue shares in exchange for the acquired estate of the Demerged Company.

## **7. SPECIFIC ISSUES RELATED WITH THE VALUATION**

No special difficulties were encountered in the course of valuation of the assets of and shares in mBH.

## **8. DEMERGER CRITERIA**

As a result of the Demerger an organised part of the enterprise related with the Carved Out Business will be transferred to the Bank, while mBH will retain the organised part of the enterprise related with the running of the Continuing Business.

As mentioned in section 6 above, the Bank will not allocate shares in exchange for the acquired estate (assets and liabilities) of the Demerged Company.

The Demerger will involve a decrease of the share capital of the Demerged Company by PLN 116,000,000 (one hundred and sixteen million zlotys), i.e. down to PLN 220,000,000 (two hundred and twenty million zlotys) as a result of redemption of 150,000 Series I shares, 120,000 Series H shares, 100,000 Series G shares, 140,000 Series F shares, 100,000 Series E shares and 550,000 Series D shares. Each share has the nominal value of PLN 100. In addition, the supplementary capital of the Demerged Company will be decreased by the amount equal to the

difference between the book value of the Carved Out Business as at the Demerger date and the total amount of the decrease of the share capital of the Demerged Company.

**9. REGULATORY REQUIREMENTS RELATED WITH THE DEMERGER**

The Demerger will be conducted on condition of obtaining the permission of the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego) for the demerger pursuant to Article 124c section 2 of the act of 29 August 1997 – the Banking Law (consolidated text: Journal of Laws of 2021, item 2439, as amended) (the “**Banking Law**”) and the permission of the Polish Financial Supervision Authority for the amendments of the Articles of Association of mBH related with the decrease of the share capital in connection with the Demerger in accordance with Article 34 section 2 of the Banking Law.

**10. SUMMARY AND RECOMMENDATION**

In view of the above, the Management Board of the Bank recommends the above-presented concept of the Demerger to the shareholders of the Bank, and the adoption of the resolution on the Demerger in accordance with the draft resolution attached to the Demerger Plan.

*[signature page follows]*

**On behalf of mBank S.A.:**

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**Cezary Stypułkowski**

**President of the Management Board**

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**Andreas Böger**

**Vice President of the Management Board**