

**mBank S.A. Group  
Consolidated Financial Report  
for the first half of 2022**



## 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 first half of 2022 and to the condensed stand-alone financial statements of mBank S.A. for the first half 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 30.06.2022	Period from 01.01.2021 to 30.06.2021	Period from 01.01.2022 to 30.06.2022	Period from 01.01.2021 to 30.06.2021
I. Interest income	4 048 398	2 054 556	871 992	451 829
II. Fee and commission income	1 560 328	1 292 272	336 082	284 191
III. Net trading income	96 485	106 765	20 782	23 479
IV. Operating profit	1 638 784	1 028 813	352 981	226 252
V. Profit / (loss) before income tax	1 311 840	742 827	282 560	163 359
VI. Net profit / (loss) attributable to Owners of mBank S.A.	742 037	425 808	159 829	93 642
VII. Net profit / (loss) attributable to non-controlling interests	115	(41)	25	(9)
VIII. Cash flows from operating activities	3 258 358	18 457 170	701 824	4 059 019
IX. Cash flows from investing activities	(263 203)	(324 982)	(56 692)	(71 469)
X. Cash flows from financing activities	(334 431)	(2 062 194)	(72 034)	(453 509)
XI. Net increase / decrease in cash and cash equivalents	2 660 724	16 069 994	573 098	3 534 042
XII. Basic earnings / (loss) per share (in PLN/EUR)	17.51	10.05	3.77	2.21
XIII. Diluted earnings / (loss) per share (in PLN/EUR)	17.47	10.04	3.76	2.21
XIV. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE GROUP	PLN thousand		EUR thousand	
	As at		As at	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
I. Total assets	204 397 148	199 538 885	43 669 006	43 383 677
II. Amounts due to other banks	2 651 752	3 359 558	566 541	730 434
III. Amounts due to customers	164 013 605	159 935 129	35 041 150	34 773 042
IV. Equity attributable to Owners of mBank S.A.	13 375 630	13 716 050	2 857 674	2 982 139
V. Non-controlling interests	1 963	1 866	419	406
VI. Registered share capital	169 656	169 540	36 247	36 861
VII. Number of shares	42 413 932	42 384 884	42 413 932	42 384 884
VIII. Book value per share (in PLN/EUR)	315.36	323.61	67.38	70.36
IX. Total capital ratio (%)	16.4	16.6	16.4	16.6
X. Common Equity Tier I capital ratio (%)	13.9	14.2	13.9	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 30.06.2022	Period from 01.01.2021 to 30.06.2021	Period from 01.01.2022 to 30.06.2022	Period from 01.01.2021 to 30.06.2021
I. Interest income	3 695 564	1 782 816	795 995	392 069
II. Fee and commission income	1 461 170	1 207 305	314 724	265 505
III. Net trading income	67 604	96 195	14 561	21 155
IV. Operating profit	1 496 151	872 850	322 259	191 953
V. Profit / (loss) before income tax	1 277 254	684 339	275 110	150 497
VI. Net profit / (loss)	731 299	398 026	157 516	87 532
VII. Cash flows from operating activities	3 142 704	17 769 314	676 913	3 907 749
VIII. Cash flows from investing activities	(207 800)	(263 290)	(44 758)	(57 902)
IX. Cash flows from financing activities	(232 396)	(1 431 150)	(50 056)	(314 732)
X. Net increase / decrease in cash and cash equivalents	2 702 508	16 074 874	582 098	3 535 115
XI. Basic earnings / (loss) per share (in PLN/EUR)	17.25	9.39	3.72	2.07
XII. Diluted earnings / (loss) per share (in PLN/EUR)	17.22	9.38	3.71	2.06
XIII. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE BANK	PLN thousand		EUR thousand	
	As at		As at	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
I. Total assets	196 987 340	191 873 819	42 085 916	41 717 141
II. Amounts due to other banks	2 698 819	3 420 001	576 597	743 575
III. Amounts due to customers	163 802 990	159 905 991	34 996 152	34 766 707
IV. Total Equity	12 388 960	13 381 823	2 646 874	2 909 471
V. Registered share capital	169 656	169 540	36 247	36 861
VI. Number of shares	42 413 932	42 384 884	42 413 932	42 384 884
VII. Book value per share (in PLN/EUR)	292.10	315.72	62.41	68.64
VIII. Total capital ratio (%)	18.4	19.0	18.4	19.0
IX. Common Equity Tier I capital ratio (%)	15.6	16.2	15.6	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 June 2022: EUR 1 = 4.6806 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 the first half of 2022 and 2021: EUR 1 = 4.6427 PLN and EUR 1 = 4.5472 PLN, respectively.

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**mBank S.A. Group**

Consolidated financial report for the first half of 2022

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2022

(PLN thousand)

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

	Note	Period from 01.04.2022 to 30.06.2022	Period from 01.01.2022 to 30.06.2022	Period from 01.04.2021 to 30.06.2021	Period from 01.01.2021 to 30.06.2021
Interest income, including:	5	2 332 111	4 048 398	1 035 175	2 054 556
<i>Interest income accounted for using the effective interest method</i>		2 294 567	3 976 262	917 868	1 815 757
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		37 544	72 136	117 307	238 799
Interest expenses	5	(643 739)	(860 691)	(73 638)	(146 124)
<b>Net interest income</b>		<b>1 688 372</b>	<b>3 187 707</b>	<b>961 537</b>	<b>1 908 432</b>
Fee and commission income	6	767 405	1 560 328	646 334	1 292 272
Fee and commission expenses	6	(212 059)	(406 988)	(193 765)	(371 643)
<b>Net fee and commission income</b>		<b>555 346</b>	<b>1 153 340</b>	<b>452 569</b>	<b>920 629</b>
Dividend income	7	3 991	4 826	3 472	3 912
Net trading income	8	858	96 485	43 587	106 765
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	9	(72 201)	(81 082)	4 594	(6 879)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	10	(30 443)	(50 498)	2 991	92 115
Other operating income	11	83 605	149 957	53 021	108 008
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	12	(187 173)	(445 020)	(225 324)	(380 984)
Costs of legal risk related to foreign currency loans	30	(175 094)	(367 848)	(248 537)	(314 805)
Overhead costs	13	(899 263)	(1 626 623)	(467 894)	(1 020 660)
Depreciation		(120 164)	(236 698)	(112 336)	(224 227)
Other operating expenses	14	(82 479)	(145 762)	(82 010)	(163 493)
<b>Operating profit</b>		<b>765 355</b>	<b>1 638 784</b>	<b>385 670</b>	<b>1 028 813</b>
Taxes on the Group balance sheet items		(167 105)	(326 944)	(147 165)	(285 986)
<b>Profit / (loss) before income tax</b>		<b>598 250</b>	<b>1 311 840</b>	<b>238 505</b>	<b>742 827</b>
Income tax expense	26	(368 422)	(569 688)	(129 831)	(317 060)
<b>Net profit / (loss)</b>		<b>229 828</b>	<b>742 152</b>	<b>108 674</b>	<b>425 767</b>
<b>Net profit / (loss) attributable to:</b>					
- owners of mBank S.A.		229 708	742 037	108 683	425 808
- non-controlling interests		120	115	(9)	(41)
<b>Net profit / (loss) attributable to Owners of mBank S.A.</b>		<b>229 708</b>	<b>742 037</b>	<b>108 683</b>	<b>425 808</b>
<b>Weighted average number of ordinary shares</b>	15	<b>42 386 161</b>	<b>42 385 526</b>	<b>42 367 040</b>	<b>42 367 040</b>
<b>Earnings / (loss) per share (in PLN)</b>	15	<b>5.42</b>	<b>17.51</b>	<b>2.57</b>	<b>10.05</b>
<b>Weighted average number of ordinary shares for diluted earnings</b>	15	<b>42 464 648</b>	<b>42 464 013</b>	<b>42 429 506</b>	<b>42 429 506</b>
<b>Diluted earnings / (loss) per share (in PLN)</b>	15	<b>5.41</b>	<b>17.47</b>	<b>2.56</b>	<b>10.04</b>

**mBank S.A. Group**

Consolidated financial report for the first half of 2022

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2022

(PLN thousand)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Period from 01.04.2022 to 30.06.2022	Period from 01.01.2022 to 30.06.2022	Period from 01.04.2021 to 30.06.2021	Period from 01.01.2021 to 30.06.2021
<b>Net profit / (loss)</b>	<b>229 828</b>	<b>742 152</b>	<b>108 674</b>	<b>425 767</b>
<b>Other comprehensive income net of tax, including:</b>	<b>(445 798)</b>	<b>(1 090 094)</b>	<b>(165 946)</b>	<b>(410 773)</b>
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT</b>				
Exchange differences on translation of foreign operations (net)	67	690	(207)	357
Cash flows hedges (net)	(299 816)	(642 318)	(91 403)	(251 334)
Change in valuation of debt instruments at fair value through other comprehensive income (net)	(146 049)	(448 466)	(85 772)	(171 232)
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT</b>				
Reclassification to investment properties (net)	-	-	11 436	11 436
<b>Total comprehensive income (net)</b>	<b>(215 970)</b>	<b>(347 942)</b>	<b>(57 272)</b>	<b>14 994</b>
<b>Total comprehensive income (net), attributable to:</b>				
- Owners of mBank S.A.	(216 090)	(348 057)	(57 263)	15 035
- Non-controlling interests	120	115	(9)	(41)



**mBank S.A. Group**

Consolidated financial report for the first half of 2022

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2022

(PLN thousand)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	<b>Note</b>	<b>30.06.2022</b>	<b>31.12.2021</b>
Cash and balances with the Central Bank		12 522 901	12 202 266
Financial assets held for trading and hedging derivatives	16	3 203 560	2 589 076
Non-trading financial assets mandatorily at fair value through profit or loss, including:	17	1 190 178	1 417 191
<i>Equity instruments</i>		156 552	224 389
<i>Debt securities</i>		81 319	81 128
<i>Loans and advances to customers</i>		952 307	1 111 674
Financial assets at fair value through other comprehensive income	18	26 627 303	36 206 059
Financial assets at amortised cost, including:	19	152 430 428	140 296 538
<i>Debt securities</i>		18 297 028	16 164 103
<i>Loans and advances to banks</i>		8 547 677	7 229 681
<i>Loans and advances to customers</i>		125 585 723	116 902 754
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2 075 964	1 055 478
Non-current assets and disposal groups classified as held for sale	20	31 247	31 247
Intangible assets	21	1 299 544	1 283 953
Tangible assets	22	1 494 499	1 542 250
Investment properties	23	127 510	127 510
Current income tax assets		13 135	28 147
Deferred income tax assets	26	1 751 478	1 392 350
Other assets		1 629 401	1 366 820
<b>TOTAL ASSETS</b>		<b>204 397 148</b>	<b>199 538 885</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Financial liabilities held for trading and hedging derivatives	16	2 839 548	2 011 182
Financial liabilities measured at amortised cost, including:	24	181 571 464	179 348 925
<i>Amounts due to banks</i>		2 651 752	3 359 558
<i>Amounts due to customers</i>		164 013 605	159 935 129
<i>Debt securities issued</i>		12 203 802	13 429 782
<i>Subordinated liabilities</i>		2 702 305	2 624 456
Fair value changes of the hedged items in portfolio hedge of interest rate risk		150 761	110 033
Liabilities classified as held for sale	20	7 304	7 425
Provisions	25	924 324	811 455
Current income tax liabilities		498 366	61 910
Deferred income tax liabilities	26	179	89
Other liabilities		5 027 609	3 469 950
<b>TOTAL LIABILITIES</b>		<b>191 019 555</b>	<b>185 820 969</b>
<b>EQUITY</b>			
<b>Equity attributable to Owners of mBank S.A.</b>		<b>13 375 630</b>	<b>13 716 050</b>
<b>Share capital:</b>		<b>3 600 478</b>	<b>3 593 944</b>
Registered share capital		169 656	169 540
Share premium		3 430 822	3 424 404
<b>Retained earnings:</b>	27	<b>12 069 634</b>	<b>11 326 494</b>
- Profit from the previous years		11 327 597	12 505 247
- Profit (loss) for the current year		742 037	(1 178 753)
<b>Other components of equity</b>	28	<b>(2 294 482)</b>	<b>(1 204 388)</b>
<b>Non-controlling interests</b>		<b>1 963</b>	<b>1 866</b>
<b>TOTAL EQUITY</b>		<b>13 377 593</b>	<b>13 717 916</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>204 397 148</b>	<b>199 538 885</b>

**mBank S.A. Group**

Consolidated financial report for the first half of 2022

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2022

(PLN thousand)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Changes in equity from 1 January to 30 June 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>742 037</b>	<b>(1 090 094)</b>	<b>(348 057)</b>	<b>115</b>	<b>(347 942)</b>
Issuance of ordinary shares	116	-	-	-	-	116	-	116
Other increase or decrease in equity	-	-	-	-	-	-	(18)	(18)
<b>Stock option program for employees</b>	-	<b>6 418</b>	<b>1 103</b>	-	-	<b>7 521</b>	-	<b>7 521</b>
<i>value of services provided by the employees</i>	-	-	7 521	-	-	7 521	-	7 521
<i>settlement of exercised options</i>	-	6 418	(6 418)	-	-	-	-	-
<b>Equity as at 30 June 2022</b>	<b>169 656</b>	<b>3 430 822</b>	<b>11 327 597</b>	<b>742 037</b>	<b>(2 294 482)</b>	<b>13 375 630</b>	<b>1 963</b>	<b>13 377 593</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 June 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>425 808</b>	<b>(410 773)</b>	<b>15 035</b>	<b>(41)</b>	<b>14 994</b>
Other increase or decrease in equity	-	-	-	-	-	-	(4)	(4)
<b>Stock option program for employees</b>	-	-	<b>3 546</b>	-	-	<b>3 546</b>	-	<b>3 546</b>
<i>value of services provided by the employees</i>	-	-	3 546	-	-	3 546	-	3 546
<b>Equity as at 30 June 2021</b>	<b>169 468</b>	<b>3 417 567</b>	<b>12 505 143</b>	<b>425 808</b>	<b>173 728</b>	<b>16 691 714</b>	<b>1 889</b>	<b>16 693 603</b>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Period from 01.01.2022 to 30.06.2022	Period from 01.01.2021 to 30.06.2021
<b>Profit / (loss) before income tax</b>	<b>1 311 840</b>	<b>742 827</b>
<b>Adjustments:</b>	<b>1 946 518</b>	<b>17 714 343</b>
Income taxes paid	(222 543)	(457 082)
Depreciation, including depreciation of fixed assets provided under operating lease	250 307	242 831
Foreign exchange (gains) losses related to financing activities	304 134	(368 124)
(Gains) losses on investing activities	12 023	(187)
Dividends received	(4 826)	(3 912)
Interest income (income statement)	(4 048 398)	(2 054 556)
Interest expense (income statement)	860 691	146 124
Interest received	3 727 360	2 091 635
Interest paid	(627 025)	(124 452)
Changes in loans and advances to banks	918 868	1 103 634
Changes in financial assets and liabilities held for trading and hedging derivatives	(1 570 819)	(507 313)
Changes in loans and advances to customers	(8 150 584)	(7 762 383)
Changes in securities at fair value through other comprehensive income	9 109 341	3 156 836
Changes in securities at amortised cost	(2 111 922)	844 270
Changes of non-trading securities mandatorily at fair value through profit or loss	50 994	(7 474)
Changes in other assets	(275 370)	(103 823)
Changes in amounts due to banks	(652 949)	431 482
Changes in amounts due to customers	3 852 153	20 101 720
Changes in issued debt securities	(1 283 293)	(110 699)
Changes in provisions	112 869	61 098
Changes in other liabilities	1 695 507	1 034 718
<b>A. Cash flows from operating activities</b>	<b>3 258 358</b>	<b>18 457 170</b>
Disposal of shares in subsidiaries, net of cash disposed	-	4 280
Disposal of intangible assets and tangible fixed assets	34 511	39 839
Dividends received	4 826	3 912
Acquisition of shares in subsidiaries	-	(10 000)
Purchase of intangible assets and tangible fixed assets	(302 540)	(363 013)
<b>B. Cash flows from investing activities</b>	<b>(263 203)</b>	<b>(324 982)</b>
Issue of debt securities	1 136 581	598 949
Issue of ordinary shares	116	-
Repayments of other loans and advances	-	(1 358 250)
Redemption of debt securities	(1 395 524)	(1 227 210)
Payments of lease liabilities	(46 918)	(47 382)
Interest paid from loans and advances received from banks and from subordinated liabilities	(28 686)	(28 301)
<b>C. Cash flows from financing activities</b>	<b>(334 431)</b>	<b>(2 062 194)</b>
<b>Net increase / decrease in cash and cash equivalents (A+B+C)</b>	<b>2 660 724</b>	<b>16 069 994</b>
Effects of exchange rate changes on cash and cash equivalents	71 979	8 958
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>15 273 302</b>	<b>20 327 998</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 June 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 June 2022 the headcount of mBank S.A. amounted to 6 333 FTEs (Full Time Equivalentents), and of the Group to 6 999 FTEs (30 June 2021: Bank 5 983 FTEs; Group 6 641 FTEs).

As at 30 June 2022 the employment in mBank S.A. was 7 361 persons, and in the Group 9 756 persons (30 June 2021: Bank 7 003 persons; Group 9 291 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

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**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 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, 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 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	30.06.2022		31.12.2021		30.06.2021	
	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
Tele-Tech Investment sp. z o.o.	-	-	-	-	100%	full

The Management Board of mBank S.A. approved these condensed consolidated financial statements for issue on 2 August 2022.

## 2. Description of relevant accounting policies

### Accounting basis

The condensed consolidated financial statements of mBank S.A. Group have been prepared for the 6-month period ended 30 June 2022. Comparative data include the period from 1 January 2021 to 30 June 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 the first half 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.

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.

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 condensed 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. As of the date of approving these 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 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 per cent 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
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 a revenues and result from insurance contract.	1 January 2023	The application of the amended standard will have no significant impact on the financial statements.
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 IFRS 17, Insurance contracts	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.

### 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 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.
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 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.

### 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.

#### 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 June 2022, change by +/- 10%, the estimated loans and advances and off-balance sheet liabilities impairment would either decrease by PLN 59.6 million or increase by PLN 67.1 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 first half 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.



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As a result of the review, as of 30 June 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 June 2022												
	Balance sheet gross exposure in PLN thousand				Off-balance sheet exposure in PLN thousand				Expected credit losses in PLN thousand				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	-	-	-	-	-	-	-	-	-	-	-	-	-
Russia	-	-	663	-	-	-	-	-	-	-	(663)	-	46 832
Belarus	-	3 342	-	-	-	-	-	-	-	(1 899)	-	-	-
<b>Total</b>	-	<b>3 342</b>	<b>663</b>	-	-	-	-	-	-	<b>(1 899)</b>	<b>(663)</b>	-	<b>46 832</b>

There was also identified an indirect exposure: a balance sheet exposure of PLN 454.6 million and an off-balance sheet exposure of PLN 279.6 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 June 2022												
	Balance sheet gross exposure in PLN thousand				Off-balance sheet exposure in PLN thousand				Expected credit losses in PLN thousand				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	75 784	7 376	1 384	-	105 975	-	-	-	(250)	(127)	(755)	-	-
Russia	289 781	23 718	50 455	-	171 724	-	-	-	(1 093)	(143)	(50 378)	-	-
Belarus	5 874	130	73	-	1 866	-	-	-	(53)	(2)	(72)	-	-
<b>Total</b>	<b>371 439</b>	<b>31 224</b>	<b>51 912</b>	-	<b>279 565</b>	-	-	-	<b>(1 396)</b>	<b>(272)</b>	<b>(51 205)</b>	-	-

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

Due to the changes in the economic situation in the country resulting from the Russia's invasion of Ukraine, the Group in the first half of 2022 worked on an update of the forecasts of future macroeconomic conditions that are incorporated into the risk parameter models used to calculate the expected credit loss. The update was preceded in the first quarter of 2022 by the assignment of a weight of 100% for the pessimistic scenario in the expected credit loss model. The detailed description of the above-mentioned modifications can be found below.

**Impact of the macroeconomic environment forecast on the expected credit loss values**

In the second quarter of 2022, the Group worked on updating the forecasts of future macroeconomic conditions that are incorporated into the risk parameter models used to calculate the expected credit loss. The forecasts take into account the current development of the economic situation in the country resulting from the Russia's invasion of Ukraine and they are consistent with the forecasts used by the Group in the planning process.

In order to assess expected credit loss (ECL) sensitivity to the future macroeconomic conditions, the Group determined the ECL value separately for each of the scenarios used for the purposes of calculating the expected credit losses. The impact of each of the scenarios is presented in the table in the next chapters of the document.

The table below presents forecasts of the main macroeconomic indicators included in the risk parameter models which are used to calculate the expected credit loss.

Scenario as of 30.06.2022		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast
GDP	y/y	5.0%	0.6%	6.6%	2.7%	3.7%	-1.4%
Unemployment rate	end of the year	2.5%	2.9%	2.3%	2.7%	3.4%	5.0%
Real estate price index	y/y	101.3	102.2	104.3	103.9	100.9	100.2
WIBOR3M	end of the year	7.28%	5.28%	8.28%	5.28%	5.52%	3.81%

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Scenario as of 31.12.2021		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast
GDP	y/y	5.1%	4.8%	7.1%	6.3%	3.5%	3.7%
Unemployment rate	end of the year	3.0%	2.6%	2.5%	2.1%	3.6%	3.3%
Real estate price index	y/y	107.9	107.1	109.6	108.1	104.1	104.6
WIBOR3M	end of the year	0.46%	0.96%	1.86%	2.61%	0.00%	0.00%

The value of credit risk cost is the result of all presented macroeconomic scenarios and the weights assigned to them. Impact of individual scenarios on the credit risk costs is as shown in the table below (weight of a given scenario 100%).

Scenario as of 30.06.2022	Change in value of credit risk costs			
	30.06.2022*			31.12.2021
	Stage 1	Stage 2	Total	Total
optimistic	48 129	9 155	<b>57 284</b>	<b>39 306</b>
base	(804)	512	<b>(292)</b>	<b>(6 649)</b>
pessimistic	(49 435)	(12 891)	<b>(62 326)</b>	<b>(68 655)</b>

\* Due to the requirements of Recommendation R, starting in the second quarter of 2022, the scope of the analysis was expanded to include a breakdown of performance by stage.

The above results were estimated taking into account the equal allocation to the stage 2 based on the weighted average of all 3 macroeconomic scenarios, without an assumption of additional potential migrations between stages. The ECL sensitivity analysis was performed for 89% of the assets of the portfolio of loans and advances to customers (excluding the impaired exposures and the exposures not valued with the use of models).

For the specialised lending portfolio there was provided a recalibration of long-term default probability and long-term loss models used for the calculation of expected credit losses and there was provided an update of macroeconomic forecasts, preceded in the first quarter of 2022 by the assignment of a weight of 100% for the pessimistic scenario in the expected credit loss model. The total impact on the level of expected credit loss of all changes for the specialised lending portfolio in the first half of 2022 was a release of provisions in the amount of PLN 6.4 million (positive impact on the result).

For the remaining loan portfolio, in the first half of 2022, there was performed an analysis of an update of macroeconomic forecasts, preceded in the first quarter of 2022 by the assignment of a weight of 100% for the pessimistic scenario in the expected credit loss model. The impact of these changes on the level of expected credit loss, for the loan portfolio not including specialised lending, was recognised as a creation of provisions in the amount of PLN 55.2 million (negative impact on the result) in the first half of 2022. Additionally, the impact on the fair value valuation of the non-mortgage portfolio amounted to PLN 1.8 million in the first half of 2022 (negative impact on the result).

### 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.

The calculation of the average annual effective income tax rate requires the use of a pre-tax income forecast for the entire fiscal year and permanent differences between the carrying amounts of assets and liabilities and their tax base. The projected annual effective tax rate used to calculate the income tax expense during the first half of 2022 was 43.4% (in the first half of 2021: 42.7%). The main impact on the increase in the average annual effective tax rate in comparison to nominal income tax rate in the first half of 2022 was the projected impact of the so-called "credit holidays" on the mBank Group's gross profit in the second half of 2022.

### 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.

Currently the Group recognises upfront less than 8% of bancassurance income associated with cash and car loans and 0% to approximately 20% of bancassurance income associated with mortgage loans. Recognition of the remaining part of the income is spread over the economic life of associated loans. 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, determining the interest rate used to discount future cash flows and determination of 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 result of internal settlements of fund transfer pricing, 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 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.

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 the 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 the 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 reporting broken down into Poland and foreign countries because of 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 first half of 2021 have been revised appropriately.

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

period from 1 January to 30 June 2022	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	1 919 031	851 973	363 053	53 650	3 187 707
- sales to external clients	1 984 963	930 106	207 803	64 835	3 187 707
- sales to other segments	(65 932)	(78 133)	155 250	(11 185)	-
Net fee and commission income	590 570	590 624	(20 259)	(7 595)	1 153 340
Dividend income	-	-	4 826	-	4 826
Trading income	34 372	171 423	(134 563)	25 253	96 485
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(65 690)	(1 600)	(13 791)	(1)	(81 082)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(949)	(2 684)	(46 865)	-	(50 498)
Other operating income	62 563	65 201	22 080	113	149 957
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(275 825)	(158 294)	(2 157)	(8 744)	(445 020)
Costs of legal risk related to foreign currency loans	-	-	-	(367 848)	(367 848)
Overhead costs	(868 474)	(457 257)	(259 036)	(41 856)	(1 626 623)
Amortisation	(157 289)	(76 076)	(2 967)	(366)	(236 698)
Other operating expenses	(31 918)	(50 093)	(28 781)	(34 970)	(145 762)
<b>Operating profit</b>	<b>1 206 391</b>	<b>933 217</b>	<b>(118 460)</b>	<b>(382 364)</b>	<b>1 638 784</b>
Taxes on Group balance sheet items	(184 159)	(113 766)	(6 790)	(22 229)	(326 944)
<b>Gross profit / (loss) of the segment</b>	<b>1 022 232</b>	<b>819 451</b>	<b>(125 250)</b>	<b>(404 593)</b>	<b>1 311 840</b>
Income tax					(569 688)
Net profit / (loss) attributable to Owners of mBank S.A.					742 037
Net profit / (loss) attributable to non-controlling interests					115

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

period from 1 January to 30 June 2021	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	1 265 645	524 427	53 401	64 959	1 908 432
- sales to external clients	1 010 718	510 327	316 736	70 651	1 908 432
- sales to other segments	254 927	14 100	(263 335)	(5 692)	-
Net fee and commission income	459 339	477 808	(17 592)	1 074	920 629
Dividend income	-	-	3 912	-	3 912
Trading income	17 239	129 957	(9 955)	(30 476)	106 765
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(7 177)	244	41	13	(6 879)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(2 217)	2 430	91 902	-	92 115
Other operating income	36 468	58 553	12 974	13	108 008
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(221 434)	(173 904)	3 804	10 550	(380 984)
Costs of legal risk related to foreign currency loans	-	-	-	(314 805)	(314 805)
Overhead costs	(592 446)	(381 200)	(21 865)	(25 149)	(1 020 660)
Amortisation	(146 851)	(72 656)	(4 296)	(424)	(224 227)
Other operating expenses	(39 566)	(71 168)	(48 328)	(4 431)	(163 493)
<b>Operating profit</b>	<b>769 000</b>	<b>494 491</b>	<b>63 998</b>	<b>(298 676)</b>	<b>1 028 813</b>
Taxes on Group balance sheet items	(131 400)	(105 465)	(21 483)	(27 638)	(285 986)
<b>Gross profit / (loss) of the segment</b>	<b>637 600</b>	<b>389 026</b>	<b>42 515</b>	<b>(326 314)</b>	<b>742 827</b>
Income tax					(317 060)
Net profit / (loss) attributable to Owners of mBank S.A.					425 808
Net profit / (loss) attributable to non-controlling interests					(41)

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

30.06.2022	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Assets of the segment	70 844 438	52 416 217	70 337 265	10 799 228	<b>204 397 148</b>
Liabilities of the segment	110 781 350	55 234 925	24 545 260	458 020	<b>191 019 555</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 on the activities of mBank S.A. Group for the period from 1 January to 30 June 2022 and for the period from 1 January to 30 June 2021

	period from 1 January to 30 June 2022			period from 1 January to 30 June 2021		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	2 999 884	187 823	<b>3 187 707</b>	1 789 205	119 227	<b>1 908 432</b>
Net fee and commission income	1 116 938	36 402	<b>1 153 340</b>	904 776	15 853	<b>920 629</b>
Dividend income	4 826	-	<b>4 826</b>	3 912	-	<b>3 912</b>
Trading income	94 488	1 997	<b>96 485</b>	104 821	1 944	<b>106 765</b>
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(81 082)	-	<b>(81 082)</b>	(6 879)	-	<b>(6 879)</b>
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(50 380)	(118)	<b>(50 498)</b>	92 128	(13)	<b>92 115</b>
Other operating income	146 700	3 257	<b>149 957</b>	105 910	2 098	<b>108 008</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(432 650)	(12 370)	<b>(445 020)</b>	(387 099)	6 115	<b>(380 984)</b>
Costs of legal risk related to foreign currency loans	(367 848)	-	<b>(367 848)</b>	(314 805)	-	<b>(314 805)</b>
Overhead costs	(1 540 592)	(86 031)	<b>(1 626 623)</b>	(949 485)	(71 175)	<b>(1 020 660)</b>
Amortisation	(230 000)	(6 698)	<b>(236 698)</b>	(217 755)	(6 472)	<b>(224 227)</b>
Other operating expenses	(142 038)	(3 724)	<b>(145 762)</b>	(161 902)	(1 591)	<b>(163 493)</b>
<b>Operating profit</b>	<b>1 518 246</b>	<b>120 538</b>	<b>1 638 784</b>	<b>962 827</b>	<b>65 986</b>	<b>1 028 813</b>
Taxes on Group balance sheet items	(302 466)	(24 478)	<b>(326 944)</b>	(266 929)	(19 057)	<b>(285 986)</b>
<b>Gross profit / (loss) of the segment</b>	<b>1 215 780</b>	<b>96 060</b>	<b>1 311 840</b>	<b>695 898</b>	<b>46 929</b>	<b>742 827</b>
Income tax			<b>(569 688)</b>			<b>(317 060)</b>
Net profit / (loss) attributable to Owners of mBank S.A.			<b>742 037</b>			<b>425 808</b>
Net profit / (loss) attributable to non-controlling interests			<b>115</b>			<b>(41)</b>

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

	30.06.2022			31.12.2021		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
<b>Assets of the segment, including:</b>	194 040 900	10 356 248	<b>204 397 148</b>	188 653 175	10 885 710	<b>199 538 885</b>
- fixed assets	2 866 602	54 951	<b>2 921 553</b>	2 917 533	36 180	<b>2 953 713</b>
- deferred income tax assets	1 749 521	1 957	<b>1 751 478</b>	1 390 472	1 878	<b>1 392 350</b>
<b>Liabilities of the segment</b>	174 625 365	16 394 190	<b>191 019 555</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 to 30.06.2022	from 01.01.2021 to 30.06.2021
<b>Interest income</b>			
<b>Interest income accounted for using the effective interest method</b>		<b>3 976 262</b>	<b>1 815 757</b>
Interest income of financial assets at amortised cost, including:		3 709 734	1 731 197
- <i>Loans and advances</i>		3 334 676	1 580 213
- <i>Debt securities</i>		194 472	151 168
- <i>Cash and short-term placements</i>		122 852	1 329
- <i>Gains or losses on non-substantial modification (net)</i>		(5 154)	(5 739)
- <i>Other</i>		62 888	4 226
Interest income on financial assets at fair value through other comprehensive income, including:		266 528	84 560
- <i>Debt securities</i>		266 528	84 560
<b>Income similar to interest on financial assets at fair value through profit or loss</b>		<b>72 136</b>	<b>238 799</b>
Financial assets held for trading, including:		15 330	8 626
- <i>Loans and advances</i>		1 497	1 888
- <i>Debt securities</i>		13 833	6 738
Non-trading financial assets mandatorily at fair value through profit or loss, including:		56 806	26 897
- <i>Loans and advances</i>		56 806	26 897
Interest income on derivatives classified into banking book		-	43 207
Interest income on derivatives concluded under the fair value hedge		-	53 055
Interest income on derivatives concluded under the cash flow hedge		-	107 014
<b>Total interest income</b>		<b>4 048 398</b>	<b>2 054 556</b>

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 to 30.06.2022	from 01.01.2021 to 30.06.2021
<b>Interest expenses</b>			
Financial liabilities held for trading		(4 705)	(2 880)
Financial liabilities measured at amortised cost, including:		(505 464)	(132 621)
- <i>Deposits</i>		(314 277)	(27 328)
- <i>Loans received</i>		(2 212)	(2 479)
- <i>Issue of debt securities</i>		(124 921)	(73 433)
- <i>Subordinated liabilities</i>		(45 744)	(26 860)
- <i>Other financial liabilities</i>		(17 063)	(1 197)
- <i>Lease liabilities</i>		(1 247)	(1 324)
Interest expenses on derivatives classified into banking book		(33 852)	-
Interest expenses on derivatives concluded under the fair value hedge		(122 138)	-
Interest expenses on derivatives concluded under the cash flow hedge		(177 072)	-
Other		(17 460)	(10 623)
<b>Total interest expense</b>		<b>(860 691)</b>	<b>(146 124)</b>

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**6. Net fee and commission income**

	the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
<b>Fee and commission income</b>			
Payment cards-related fees		307 666	207 814
Credit-related fees and commissions		302 262	256 386
Commissions from currency transactions		261 141	188 036
Commissions from bank accounts		221 016	194 262
Commissions from money transfers		108 446	87 917
Fees from brokerage activity and debt securities issue		100 464	128 447
Commissions for agency service regarding sale of insurance products of external financial entities		74 519	62 235
Commissions due to guarantees granted and trade finance commissions		53 563	48 506
Commissions for agency service regarding sale of other products of external financial entities		45 889	43 784
Fees from cash services		26 669	20 668
Commissions on trust and fiduciary activities		17 196	16 511
Fees from portfolio management services and other management-related fees		13 400	14 028
Other		28 097	23 678
<b>Total fee and commission income</b>		<b>1 560 328</b>	<b>1 292 272</b>

	the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
<b>Fee and commission expense</b>			
Payment cards-related fees		(135 442)	(118 866)
Commissions paid to external entities for sale of the Group's products		(81 939)	(79 445)
Commissions of insurance products		(7 137)	(8 015)
Commissions paid for sale of external financial entities' products		(20 443)	(15 236)
Discharged brokerage fees		(18 656)	(21 106)
Cash services		(20 659)	(19 654)
Fees to NBP, KIR and GPW Benchmark		(9 145)	(6 984)
Other discharged fees		(113 567)	(102 337)
<b>Total fee and commission expense</b>		<b>(406 988)</b>	<b>(371 643)</b>

**7. Dividend income**

	the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Non-trading financial assets mandatorily at fair value through profit or loss		3 926	3 612
Investments in non-consolidated subsidiaries		900	300
<b>Total dividend income</b>		<b>4 826</b>	<b>3 912</b>



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**8. Net trading income**

	the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
<b>Foreign exchange result</b>		<b>81 184</b>	<b>69 596</b>
Net exchange differences on translation		(173 751)	(11 454)
Net transaction gains/losses		254 935	81 050
<b>Gains or losses on financial assets and liabilities held for trading</b>		<b>13 303</b>	<b>46 348</b>
Derivatives, including:		10 658	36 776
- <i>Interest-bearing instruments</i>		(6 871)	27 258
- <i>Market risk instruments</i>		17 529	9 518
Equity instruments		(54)	-
Debt securities		2 290	6 554
Loans and advances		409	3 018
<b>Gains or losses from hedge accounting</b>		<b>1 998</b>	<b>(9 179)</b>
Net profit on hedged items		1 384 830	257 109
Net profit on fair value hedging instruments		(1 386 557)	(264 136)
Ineffective portion of cash flow hedge		3 725	(2 152)
<b>Net trading income</b>		<b>96 485</b>	<b>106 765</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.

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

	the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Equity instruments		(54 143)	41
Debt securities		(8 479)	5 164
Loans and advances		(18 460)	(12 084)
<b>Total gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</b>		<b>(81 082)</b>	<b>(6 879)</b>

In the first half of 2022 the position "Equity instruments" 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.

**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 to 30.06.2022	from 01.01.2021 to 30.06.2021
Gains less losses from derecognition, including:		(50 498)	91 529
- <i>Financial assets measured at fair value through other comprehensive income</i>		(49 726)	91 699
- <i>Financial assets at amortised cost</i>		(772)	(243)
- <i>Financial liabilities at amortised cost</i>		-	73
Gains less losses related to sale and revaluation of investments in subsidiaries and associates		-	586
<b>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</b>		<b>(50 498)</b>	<b>92 115</b>

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**11. Other operating income**

	the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories		35 047	40 604
Income from services provided		8 243	5 822
Net income from operating lease and right-of-use assets in sublease		4 782	2 744
Rental income from investment properties		5	-
Income due to release of provisions for future commitments		10 025	6 778
Income from recovering receivables designated previously as prescribed, remitted or uncollectible		1 838	1 274
Income from compensations, penalties and fines received		226	238
Net revenues from the sale of an organised part of the company mFinanse S.A.		20 700	16 400
Net revenues from the sale and revaluation of investments in subsidiaries and associates		14 558	-
Other		54 533	34 148
<b>Total other operating income</b>		<b>149 957</b>	<b>108 008</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 first half of 2022 and for the first half of 2021 is presented below.

	the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
<b>Net income from operating lease, including:</b>			
- Income from operating lease		15 561	17 946
- Income from right-of-use assets in sublease		2 830	3 402
- Depreciation cost of fixed assets provided under operating lease and right-of-use assets in sublease		(13 609)	(18 604)
<b>Total net income from operating lease</b>		<b>4 782</b>	<b>2 744</b>

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

	the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
<b>Financial assets at amortised cost, including:</b>		<b>(458 256)</b>	<b>(388 338)</b>
- Debt securities		(1 255)	16
<i>Stage 1</i>		(1 255)	16
- Loans and advances		(457 001)	(388 354)
<i>Stage 1</i>		13 302	(75 787)
<i>Stage 2</i>		(4 986)	(14 646)
<i>Stage 3</i>		(451 160)	(316 896)
<i>POCI</i>		(14 157)	18 975
<b>Financial assets at fair value through other comprehensive income, including:</b>		<b>(535)</b>	<b>1 857</b>
- Debt securities		(535)	1 857
<i>Stage 1</i>		(1 123)	(9)
<i>Stage 2</i>		588	1 866
<b>Commitments and guarantees given</b>		<b>6 886</b>	<b>5 497</b>
<i>Stage 1</i>		2 074	2 017
<i>Stage 2</i>		(533)	17 557
<i>Stage 3</i>		2 089	(17 693)
<i>POCI</i>		3 256	3 616
<b>Liabilities from the issue of bonds linked to credit risk (CLN bonds)</b>		<b>6 885</b>	-
<b>Net impairment losses on financial assets not measured at fair value through profit or loss</b>		<b>(445 020)</b>	<b>(380 984)</b>

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**13. Overhead costs**

	the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Staff-related expenses		(590 702)	(498 749)
Material costs, including:		(373 957)	(321 407)
- costs of administration and real estate services		(139 654)	(126 912)
- IT costs		(108 509)	(89 181)
- marketing costs		(69 867)	(62 407)
- consulting costs		(48 675)	(35 865)
- other material costs		(7 252)	(7 042)
Taxes and fees		(17 675)	(16 619)
Contributions and transfers to the Bank Guarantee Fund		(245 914)	(178 459)
Contributions to the Social Benefits Fund		(7 541)	(5 426)
Institutional Protection Scheme		(390 834)	-
<b>Total overhead costs</b>		<b>(1 626 623)</b>	<b>(1 020 660)</b>

In the first half of 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 contribution of PLN 390 834 thousand, which was charged to overheads costs.

In addition, the obligation to pay the contributions due for 2022 to the mandatory deposit guarantee scheme paid by banks and branches of foreign banks was suspended until 31 October 2022. Consequently, the Bank Guarantee Fund has not determined the amount of contributions to the mandatory deposit guarantee scheme paid by banks and branches of foreign banks due for the second quarter of 2022. Determination and payment of contributions due for the second and third quarter of 2022 will take place in the fourth quarter of 2022. The Bank expects that given, among other things, the amount of funds collected by the protection system, these contributions will not be required. Accordingly, the Bank has not recognised the cost of these contributions in profit or loss in the second quarter of 2022.

Staff-related expenses for the first half of 2022 and for the first half of 2021 is presented below.

	the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Wages and salaries		(469 897)	(399 863)
Social security expenses		(88 679)	(74 526)
Employee contributions related to post-employment benefits		(755)	-
Remuneration concerning share-based payments, including:		(7 668)	(3 948)
- share-based payments settled in mBank S.A. shares		(7 521)	(3 546)
- cash-settled share-based payments		(147)	(402)
Other staff expenses		(23 703)	(20 412)
<b>Staff-related expenses, total</b>		<b>(590 702)</b>	<b>(498 749)</b>

**14. Other operating expenses**

	the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories		(27 168)	(38 037)
Provisions for future commitments		(20 473)	(71 982)
Costs arising from provisions created for other receivables (excluding loans and advances)		(987)	(2 657)
Donations made		(5 903)	(4 564)
Compensation, penalties and fines paid		(2 102)	(7 146)
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the period		(2 233)	-
Debt collection expenses		(15 031)	(17 768)
Losses on sale and revaluation of investments in subsidiaries and associates		(18 939)	-
Other operating costs		(52 926)	(21 339)
<b>Total other operating expenses</b>		<b>(145 762)</b>	<b>(163 493)</b>

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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.

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

	the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
<b>Basic:</b>			
Net profit attributable to Owners of mBank S.A.		742 037	425 808
Weighted average number of ordinary shares		42 385 526	42 367 040
<b>Net basic profit per share (in PLN per share)</b>		<b>17.51</b>	<b>10.05</b>
<b>Diluted:</b>			
Net profit attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share		742 037	425 808
Weighted average number of ordinary shares		42 385 526	42 367 040
Adjustments for:			
- share options		78 487	62 466
Weighted average number of ordinary shares for calculation of diluted earnings per share		42 464 013	42 429 506
<b>Diluted earnings per share (in PLN per share)</b>		<b>17.47</b>	<b>10.04</b>

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

	30.06.2022	31.12.2021
<b>Derivatives, including:</b>	<b>2 044 790</b>	<b>1 952 028</b>
- Derivatives held for trading classified into banking book	435 848	111 404
- Derivatives held for trading classified into trading book	2 123 691	1 954 329
- Derivatives designated as fair value hedges	139 858	217 809
- Derivatives designated as cash flow hedges	59 473	120 789
- Offsetting effect	(714 080)	(452 303)
<b>Equity instruments</b>	<b>6 175</b>	-
- Non-financial corporations	6 175	-
<b>Debt securities</b>	<b>1 114 969</b>	<b>596 622</b>
- General governments, including:	712 143	248 906
<i>pledged securities</i>	405 968	72 888
- Credit institutions	116 177	27 459
- Other financial corporations	106 121	141 329
- Non-financial corporations	180 528	178 928
<b>Loans and advances</b>	<b>37 626</b>	<b>40 426</b>
- Corporate customers	37 626	40 426
<b>Total financial assets held for trading and hedging derivatives</b>	<b>3 203 560</b>	<b>2 589 076</b>

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

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

	30.06.2022	31.12.2021
Derivatives, including:	2 224 118	1 926 408
- Derivatives held for trading classified into banking book	682 462	352 464
- Derivatives held for trading classified into trading book	2 305 283	1 886 280
- Derivatives designated as fair value hedges	2 412 817	1 057 232
- Derivatives designated as cash flow hedges	1 223 740	541 315
- Offsetting effect	(4 400 184)	(1 910 883)
Liabilities from short sale of securities	615 430	84 774
<b>Total financial liabilities held for trading and hedging derivatives</b>	<b>2 839 548</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 fair-valued cash or 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 CIRS 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.

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The Group decided to continue from 1 January 2018, to apply the hedge accounting requirements in accordance with IAS 39.

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 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 in accordance with the accounting policy described in Note 2.13 of Consolidated financial statements for 2021, published on 3 March 2022.

#### 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,
- 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.

#### 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,
- fixed rate bonds issued by mBank S.A. with a nominal value of EUR 460 030 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.

#### 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.

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

the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Interest income / expense on derivatives concluded under the fair value hedge accounting (Note 5)	(122 138)	53 055
Net profit on hedged items (Note 8)	1 384 830	257 109
Net profit on fair value hedging instruments (Note 8)	(1 386 557)	(264 136)
<b>The total results of fair value hedge accounting recognised in the income statement</b>	<b>(123 865)</b>	<b>46 028</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 July 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.

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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 July 2022 to September 2025.

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

	the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
<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		(945 697)	(231 474)
The amount transferred in the period from comprehensive income to profit and loss		152 712	(78 814)
- net interest income		177 072	(107 014)
- foreign exchange result		(24 360)	28 200
<b>Accumulated other gross comprehensive income at the end of the reporting period</b>		<b>(1 410 519)</b>	<b>207 156</b>
Deferred income tax on accumulated other comprehensive income at the end of the reporting period		267 999	(39 360)
<b>Accumulated other net comprehensive income at the end of the reporting period</b>		<b>(1 142 520)</b>	<b>167 796</b>
Impact on other comprehensive income in the reporting period (gross)		(792 985)	(310 288)
Deferred tax on cash flow hedges		150 667	58 954
<b>Impact on other comprehensive income in the reporting period (net)</b>		<b>(642 318)</b>	<b>(251 334)</b>

	the period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
<b>Gains/losses recognised in comprehensive income (gross) during the reporting period, including:</b>			
Unrealised gains/losses included in other comprehensive income (gross)		(792 985)	(310 288)
Results of cash flow hedge accounting recognised in the income statement		(148 987)	76 662
- amount included as interest income / expense in income statement during the reporting period (Note 5)		(177 072)	107 014
- ineffective portion of hedge recognised included in other net trading income in income statement (Note 8)		3 725	(2 152)
- foreign exchange result		24 360	(28 200)
<b>Impact on other comprehensive income in the reporting period (gross)</b>		<b>(941 972)</b>	<b>(233 626)</b>

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

	30.06.2022	31.12.2021
<b>Equity instruments</b>	<b>156 552</b>	<b>224 389</b>
- Other financial corporations	106 770	164 823
- Non-financial corporations	49 782	59 566
<b>Debt securities</b>	<b>81 319</b>	<b>81 128</b>
- Other financial corporations	81 319	81 128
<b>Loans and advances</b>	<b>952 307</b>	<b>1 111 674</b>
- Individual customers	822 715	948 636
- Corporate customers	129 552	162 898
- Public sector customers	40	140
<b>Total non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>1 190 178</b>	<b>1 417 191</b>
Short-term (up to 1 year)	810 555	940 089
Long-term (over 1 year)	379 623	477 102



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

30.06.2022	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>26 627 303</b>	<b>26 636 654</b>	-	-	-	<b>(9 351)</b>	-	-	-
- Central banks	3 999 320	4 000 068	-	-	-	(748)	-	-	-
- General governments, including:	20 248 818	20 252 876	-	-	-	(4 058)	-	-	-
<i>pledged securities</i>	656 709	656 709	-	-	-	-	-	-	-
- Credit institutions	355 289	355 737	-	-	-	(448)	-	-	-
- Other financial institutions, including:	1 427 423	1 428 321	-	-	-	(898)	-	-	-
<i>pledged securities</i>	144 495	144 495	-	-	-	-	-	-	-
- Non-financial corporations	596 453	599 652	-	-	-	(3 199)	-	-	-
<b>Total financial assets at fair value through other comprehensive income</b>	<b>26 627 303</b>	<b>26 636 654</b>	-	-	-	<b>(9 351)</b>	-	-	-

Short-term (up to 1 year) gross 12 661 645

Long-term (over 1 year) gross 13 975 009

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 June 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>	(8 823)	-	-	-	(2 924)	3 611	(1 222)	7	(9 351)
Stage 1	(8 235)	-	-	-	(2 924)	3 023	(1 222)	7	(9 351)
Stage 2	(588)	-	-	-	-	588	-	-	-
<b>Expected credit losses allowance, total</b>	<b>(8 823)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2 924)</b>	<b>3 611</b>	<b>(1 222)</b>	<b>7</b>	<b>(9 351)</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>	(5 665)	-	-	-	(11 956)	9 180	(382)	-	(8 823)
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>-</b>	<b>-</b>	<b>-</b>	<b>(11 956)</b>	<b>9 180</b>	<b>(382)</b>	<b>-</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 June 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>4 452 294</b>	<b>(13 513 578)</b>	<b>(516 944)</b>	<b>26 636 654</b>
Stage 1	36 170 934	-	-	-	4 452 294	(13 469 630)	(516 944)	26 636 654
Stage 2	43 948	-	-	-	-	(43 948)	-	-
<b>Gross carrying amount, total</b>	<b>36 214 882</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 452 294</b>	<b>(13 513 578)</b>	<b>(516 944)</b>	<b>26 636 654</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>-</b>	<b>-</b>	<b>-</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**

30.06.2022	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>18 297 028</b>	<b>18 300 329</b>	-	-	-	<b>(3 301)</b>	-	-	-
- General governments, including:	13 449 101	13 451 583	-	-	-	(2 482)	-	-	-
<i>pledged securities</i>	1 195 471	1 195 471	-	-	-	-	-	-	-
- Credit institutions	2 127 573	2 127 967	-	-	-	(394)	-	-	-
- Other financial corporations, including:	2 720 354	2 720 779	-	-	-	(425)	-	-	-
<i>pledged securities</i>	581 875	581 875	-	-	-	-	-	-	-
<b>Loans and advances to banks</b>	<b>8 547 677</b>	<b>8 524 520</b>	<b>26 483</b>	-	-	<b>(1 426)</b>	<b>(1 900)</b>	-	-
<b>Loans and advances to customers</b>	<b>125 585 723</b>	<b>116 991 224</b>	<b>7 153 281</b>	<b>4 604 050</b>	<b>198 592</b>	<b>(423 034)</b>	<b>(351 378)</b>	<b>(2 662 956)</b>	<b>75 944</b>
Individual customers	73 087 763	70 055 035	2 501 485	2 333 703	109 512	(224 289)	(241 022)	(1 464 997)	18 336
Corporate customers	52 360 256	46 798 872	4 651 796	2 269 277	89 080	(198 609)	(110 356)	(1 197 412)	57 608
Public sector customers	137 704	137 317	-	1 070	-	(136)	-	(547)	-
<b>Total financial assets at amortised cost</b>	<b>152 430 428</b>	<b>143 816 073</b>	<b>7 179 764</b>	<b>4 604 050</b>	<b>198 592</b>	<b>(427 761)</b>	<b>(353 278)</b>	<b>(2 662 956)</b>	<b>75 944</b>
Short-term (up to 1 year) gross	50 249 669								
Long-term (over 1 year) gross	105 548 810								

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 30.06.2022	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	15 430 545	8 187 913	7 240 664	1 968
Term loans, including:	93 360 588	66 361 987	26 862 182	136 419
- housing and mortgage loans to natural persons	51 690 547	51 690 547		
Reverse repo or buy/sell back	2 235 701	-	2 235 701	-
Finance leases	13 261 850	-	13 261 850	-
Other loans and advances	4 139 414	-	4 139 414	-
Other receivables	519 049	449 835	69 214	-
<b>Total gross carrying amount</b>	<b>128 947 147</b>	<b>74 999 735</b>	<b>53 809 025</b>	<b>138 387</b>

Loans and advances to customers 30.06.2022	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	(881 691)	(692 609)	(189 075)	(7)
Term loans, including:	(1 940 003)	(1 219 363)	(719 964)	(676)
- housing and mortgage loans to natural persons	(484 999)	(484 999)		
Finance leases	(470 765)	-	(470 765)	-
Other loans and advances	(65 649)	-	(65 649)	-
Other receivables	(3 316)	-	(3 316)	-
<b>Total accumulated impairment</b>	<b>(3 361 424)</b>	<b>(1 911 972)</b>	<b>(1 448 769)</b>	<b>(683)</b>

<b>Total gross carrying amount</b>	<b>128 947 147</b>	<b>74 999 735</b>	<b>53 809 025</b>	<b>138 387</b>
Total accumulated impairment	(3 361 424)	(1 911 972)	(1 448 769)	(683)
<b>Total carrying amount</b>	<b>125 585 723</b>	<b>73 087 763</b>	<b>52 360 256</b>	<b>137 704</b>

Short-term (up to 1 year) gross	39 681 789
Long-term (over 1 year) gross	89 265 358

Loans and advances to customers 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 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**

	30.06.2022	31.12.2021
<b>Net housing and mortgage loans to natural persons (in PLN thousand), including:</b>	<b>51 205 548</b>	<b>49 361 619</b>
- PLN	32 679 071	30 388 783
- CHF	8 676 141	9 063 602
- EUR	4 173 788	4 307 671
- CZK	5 478 826	5 407 924
- USD	182 805	174 919
- Other	14 917	18 720
<b>Net housing and mortgage loans to natural persons in original currencies (main currencies in thousand)</b>		
- PLN	32 679 071	30 388 783
- CHF	1 849 766	2 037 497
- EUR	891 721	936 572
- CZK	28 957 854	29 232 022
- USD	40 782	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	%
		30.06.2022		31.12.2021	
1.	Individual customers	74 999 735	58.16%	72 295 383	60.21%
2.	Real estate	6 563 577	5.09%	6 661 564	5.55%
3.	Construction	5 475 230	4.25%	4 677 025	3.89%
4.	Financial activities	3 803 726	2.95%	1 879 984	1.57%
5.	Food sector	3 571 670	2.77%	3 081 562	2.57%
6.	Transport and logistics	3 238 323	2.51%	3 222 142	2.68%
7.	Metals	2 987 109	2.32%	2 593 747	2.16%
8.	Construction materials	2 403 488	1.86%	2 081 422	1.73%
9.	Chemicals and plastic products	2 214 060	1.72%	1 930 242	1.61%
10.	Motorisation	2 046 003	1.59%	1 943 961	1.62%
11.	Power and heating distribution	1 909 368	1.48%	1 654 554	1.38%
12.	Wholesale trade	1 802 366	1.40%	1 548 896	1.29%
13.	Scientific and technical activities	1 751 253	1.36%	1 619 745	1.35%
14.	Retail trade	1 535 169	1.19%	1 358 529	1.13%
15.	Wood, furniture and paper products	1 475 364	1.14%	1 269 529	1.06%
16.	Fuel	1 261 425	0.98%	1 071 485	0.89%
17.	IT	1 162 453	0.90%	1 143 067	0.95%
18.	Human health	1 007 513	0.78%	997 238	0.83%
19.	Rental and leasing activities	932 698	0.72%	906 910	0.76%
20.	Pharmacy	847 055	0.66%	757 987	0.63%

As at 30 June 2022, the total exposure of the Group in the above sectors (excluding individual customers) amounts to 35.67% 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 June 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>(305)</b>	<b>104</b>	<b>(1 054)</b>	-	-	-	<b>(3 301)</b>
Stage 1	(2 046)	-	-	-	(305)	104	(1 054)	-	-	-	(3 301)
<b>Loans and advances to banks</b>	<b>(983)</b>	-	-	-	<b>(1 174)</b>	<b>1 347</b>	<b>(2 606)</b>	-	-	<b>90</b>	<b>(3 326)</b>
Stage 1	(983)	-	72	-	(1 174)	1 347	(787)	-	-	99	(1 426)
Stage 2	-	-	(72)	-	-	-	(1 819)	-	-	(9)	(1 900)
<b>Loans and advances to customers</b>	<b>(3 178 110)</b>	-	-	-	<b>(129 433)</b>	<b>178 348</b>	<b>(498 464)</b>	<b>(5 019)</b>	<b>298 023</b>	<b>(26 769)</b>	<b>(3 361 424)</b>
Stage 1	(434 872)	(217 160)	81 719	6 137	(77 716)	39 930	155 071	25 863	-	(2 006)	(423 034)
Stage 2	(346 255)	210 064	(100 312)	104 901	(15 668)	11 770	(183 574)	(30 276)	-	(2 028)	(351 378)
Stage 3	(2 440 501)	7 096	18 593	(111 038)	(36 927)	126 856	(455 741)	1	296 438	(67 733)	(2 662 956)
POCI	43 518	-	-	-	878	(208)	(14 220)	(607)	1 585	44 998	75 944
<b>Expected credit losses allowance, total</b>	<b>(3 181 139)</b>	-	-	-	<b>(130 912)</b>	<b>179 799</b>	<b>(502 124)</b>	<b>(5 019)</b>	<b>298 023</b>	<b>(26 679)</b>	<b>(3 368 051)</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 June 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>2 725 170</b>	<b>(557 120)</b>	-	<b>(33 870)</b>	<b>18 300 329</b>
Stage 1	16 166 149	-	-	-	2 725 170	(557 120)	-	(33 870)	18 300 329
<b>Loans and advances to banks</b>	<b>7 230 664</b>	-	-	-	<b>7 221 422</b>	<b>(6 155 200)</b>	-	<b>254 117</b>	<b>8 551 003</b>
Stage 1	7 230 664	-	(4 714)	-	7 198 545	(6 155 200)	-	255 225	8 524 520
Stage 2	-	-	4 714	-	22 877	-	-	(1 108)	26 483
<b>Loans and advances to customers</b>	<b>120 080 864</b>	-	-	-	<b>22 174 437</b>	<b>(13 089 063)</b>	<b>(298 023)</b>	<b>78 932</b>	<b>128 947 147</b>
Stage 1	109 282 960	1 217 970	(2 564 021)	(423 965)	21 437 646	(12 280 581)	-	321 215	116 991 224
Stage 2	6 223 882	(1 183 277)	2 635 154	(492 092)	641 277	(487 215)	-	(184 448)	7 153 281
Stage 3	4 339 863	(34 693)	(71 133)	910 606	65 395	(309 858)	(296 438)	308	4 604 050
POCI	234 159	-	-	5 451	30 119	(11 409)	(1 585)	(58 143)	198 592
<b>Financial assets at amortised cost, gross</b>	<b>143 477 677</b>	-	-	-	<b>32 121 029</b>	<b>(19 801 383)</b>	<b>(298 023)</b>	<b>299 179</b>	<b>155 798 479</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 ul. Powstańców 43, 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	30.06.2022	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	30.06.2022	31.12.2021
Financial liabilities measured at amortised cost, including:	7 304	7 425
<i>Amounts due to customers</i>	7 304	7 425
<b>Total liabilities classified as held for sale</b>	<b>7 304</b>	<b>7 425</b>

**21. Intangible assets**

	30.06.2022	31.12.2021
Goodwill	24 228	24 228
Patents, licences and similar assets, including:	1 038 079	959 664
- <i>computer software</i>	894 032	791 473
Other intangible assets	11 184	7 457
Intangible assets under development	226 053	292 604
<b>Total intangible assets</b>	<b>1 299 544</b>	<b>1 283 953</b>

**22. Tangible assets**

	30.06.2022	31.12.2021
<b>Tangible assets, including:</b>	<b>652 067</b>	<b>659 831</b>
- land	653	653
- buildings and structures	43 930	45 649
- equipment	199 562	186 222
- vehicles	183 988	200 557
- other fixed assets	223 934	226 750
<b>Fixed assets under construction</b>	<b>13 533</b>	<b>66 452</b>
<b>The right to use, including:</b>	<b>828 899</b>	<b>815 967</b>
- real estate	824 444	811 837
- the right of perpetual of usufruct of land	2 161	2 177
- cars	1 739	1 712
- other	555	241
<b>Total tangible assets</b>	<b>1 494 499</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 Bank reclassified its building at ul. Królewska 14 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.

	30.06.2022	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	-	14 118
<b>As at the end of the period</b>	<b>127 510</b>	<b>127 510</b>

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

30.06.2022	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
<b>Deposits</b>	<b>1 720 045</b>	<b>159 590 945</b>	<b>109 711 856</b>	<b>48 030 917</b>	<b>1 848 172</b>
Current accounts	925 710	138 513 159	97 561 308	40 410 778	541 073
Term deposits	613 665	20 766 309	12 150 548	7 308 662	1 307 099
Repo or sell/buy back transactions	180 670	311 477	-	311 477	-
<b>Loans and advances received</b>	-	<b>1 913 201</b>	-	<b>1 913 201</b>	-
<b>Other financial liabilities</b>	<b>931 707</b>	<b>2 509 459</b>	<b>201 810</b>	<b>2 275 318</b>	<b>32 331</b>
Liabilities in respect of cash collaterals	588 502	675 787	42 339	633 448	-
Lease liabilities	-	1 004 421	-	972 095	32 326
Other	343 205	829 251	159 471	669 775	5
<b>Total financial liabilities measured at amortised cost</b>	<b>2 651 752</b>	<b>164 013 605</b>	<b>109 913 666</b>	<b>52 219 436</b>	<b>1 880 503</b>
Short-term (up to 1 year)	2 649 200	161 468 346			
Long-term (over 1 year)	2 552	2 545 259			

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.



## Debt securities issued

	30.06.2022	31.12.2021
Debt securities issued	12 203 802	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 June 2022 amounted to PLN 647.1 million.

## 25. Provisions

	30.06.2022	31.12.2021
Provisions for legal proceedings, including:	497 589	395 889
- provisions for legal proceedings relating to loans in foreign currencies	458 336	358 807
- provisions for remaining legal proceedings	39 253	37 082
Provisions for commitments and guarantees given	312 090	318 378
Other provisions	114 645	97 188
<b>Provisions, total</b>	<b>924 324</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 item Other provisions includes provisions recognised related to the judgment of the CJEU of 11 September 2019 regarding reimbursement of commissions in case of earlier loan repayments of consumer loans and mortgage loans.

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**Movements in the provisions**

Change from 1 January to 30 June 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>99 529</b>	<b>2 171</b>	<b>17 457</b>
- increase of provisions	175 457	6 244	37 310
- release of provisions	(1 678)	(2 644)	(2 423)
- utilisation	(54 848)	(1 447)	(17 454)
- reclassification to other financial statement items	(23 988)	-	-
- foreign exchange differences	4 586	18	24
<b>Provisions as at the end of the period</b>	<b>458 336</b>	<b>39 253</b>	<b>114 645</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 June 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>22 814</b>	<b>(19 203)</b>	<b>(13 522)</b>	<b>187</b>	<b>163</b>	<b>79 878</b>
Stage 1	49 142	11 860	(3 211)	(87)	19 061	(10 334)	(19 462)	487	138	47 594
Stage 2	14 576	(11 449)	3 540	(569)	3 071	(4 351)	11 233	(300)	28	15 779
Stage 3	24 555	(411)	(329)	656	2 297	(3 552)	(5 056)	-	17	18 177
POCI	1 166	-	-	-	(1 615)	(966)	(237)	-	(20)	(1 672)
<b>Guarantees and other financial facilities</b>	<b>228 939</b>	-	-	-	<b>13 890</b>	<b>(25 955)</b>	<b>14 903</b>	-	<b>435</b>	<b>232 212</b>
Stage 1	3 433	(223)	169	-	5 648	(3 708)	(2 274)	-	50	3 095
Stage 2	1 153	223	(198)	-	480	(687)	(460)	-	8	519
Stage 3	225 860	-	29	-	7 762	(22 000)	18 515	-	25	230 191
POCI	(1 507)	-	-	-	-	440	(878)	-	352	(1 593)
<b>Total provisions on off-balance sheet items</b>	<b>318 378</b>	-	-	-	<b>36 704</b>	<b>(45 158)</b>	<b>1 381</b>	<b>187</b>	<b>598</b>	<b>312 090</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>

## 26. Assets and liabilities for deferred income tax

Deferred income tax assets	30.06.2022	31.12.2021
<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	273 402	14 964
Changes recognised in other comprehensive income	263 689	289 338
Other changes	(11 226)	(7 054)
<b>As at the end of the period</b>	<b>2 458 928</b>	<b>1 933 063</b>
Offsetting effect	(707 450)	(540 713)
<b>As at the end of the period, net</b>	<b>1 751 478</b>	<b>1 392 350</b>

Provisions for deferred income tax	30.06.2022	31.12.2021
<b>As at the beginning of the period</b>	<b>(540 802)</b>	<b>(782 625)</b>
Changes recognised in the income statement	(159 582)	81 042
Changes recognised in other comprehensive income	(7 303)	160 853
Other changes	58	(72)
<b>As at the end of the period</b>	<b>(707 629)</b>	<b>(540 802)</b>
Offsetting effect	707 450	540 713
<b>As at the end of the period, net</b>	<b>(179)</b>	<b>(89)</b>

Income tax	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Current income tax	(683 508)	(361 852)
Deferred income tax recognised in the income statement	113 820	44 792
<b>Income tax recognised in the income statement</b>	<b>(569 688)</b>	<b>(317 060)</b>
Recognised in other comprehensive income	256 386	124 786
<b>Total income tax</b>	<b>(313 302)</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.

	30.06.2022	31.12.2021
Other supplementary capital	8 701 559	9 916 912
Other reserve capital	106 078	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	742 037	(1 178 753)
<b>Total retained earnings</b>	<b>12 069 634</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.

## 28. Other components of equity

	30.06.2022	31.12.2021
<b>Exchange differences on translating foreign operations</b>	<b>3 196</b>	<b>2 506</b>
Unrealised gains (foreign exchange gains)	10 865	34 267
Unrealised losses (foreign exchange losses)	(7 669)	(31 761)
<b>Cash flow hedges</b>	<b>(1 142 520)</b>	<b>(500 202)</b>
Unrealised gains	122 775	80 630
Unrealised losses	(1 533 294)	(698 164)
Deferred income tax	267 999	117 332
<b>Valuation of debt securities at fair value through other comprehensive income</b>	<b>(1 156 083)</b>	<b>(707 617)</b>
Unrealised gains on debt instruments	12 997	12 191
Unrealised losses on debt instruments	(1 442 728)	(887 737)
Deferred income tax	273 648	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>(2 294 482)</b>	<b>(1 204 388)</b>

## 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 the asset or transferring a liability occurs either on the main market for the asset or liability, or in the absence of a main market, for the most advantageous market for the asset or 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, there is calculated and disclosed the fair value, but only for disclosure purposes – according to IFRS 7.

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 is applying pricing models well established in market practice (mark-to-model method) which use as inputs market prices or market parameters, and in few cases, parameters estimated internally by the Group. All significant open positions in derivatives are valued by 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.

**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.

	30.06.2022		31.12.2021	
	Book value	Fair value	Book value	Fair value
<b>Financial assets at amortised cost</b>				
<b>Debt securities</b>	<b>18 297 028</b>	<b>15 515 557</b>	<b>16 164 103</b>	<b>14 890 079</b>
<b>Loans and advances to banks</b>	<b>8 547 677</b>	<b>8 541 072</b>	<b>7 229 681</b>	<b>7 227 533</b>
<b>Loans and advances to customers, including:</b>	<b>125 585 723</b>	<b>124 911 059</b>	<b>116 902 754</b>	<b>117 116 749</b>
<b>Loans and advances to individuals</b>	<b>73 087 763</b>	<b>73 021 998</b>	<b>70 391 454</b>	<b>71 630 064</b>
Current accounts	7 495 304	7 970 404	7 252 733	7 488 229
Term loans	65 142 624	64 601 759	62 752 303	63 755 417
Other	449 835	449 835	386 418	386 418
<b>Loans and advances to corporate entities</b>	<b>52 360 256</b>	<b>51 748 539</b>	<b>46 359 179</b>	<b>45 333 802</b>
Current accounts	7 051 589	6 854 413	5 135 475	4 996 982
Term loans and finance lease	38 933 303	38 516 468	37 423 062	36 747 140
Reverse repo or buy/sell back transactions	2 235 701	2 235 701	187 630	187 630
Other loans and advances	4 073 765	4 076 059	3 599 368	3 388 406
Other	65 898	65 898	13 644	13 644
<b>Loans and advances to public sector</b>	<b>137 704</b>	<b>140 522</b>	<b>152 121</b>	<b>152 883</b>
<b>Financial liabilities at amortised cost</b>				
<b>Amounts due to other banks</b>	<b>2 651 752</b>	<b>2 651 752</b>	<b>3 359 558</b>	<b>3 359 558</b>
<b>Amounts due to customers</b>	<b>164 013 605</b>	<b>164 002 864</b>	<b>159 935 129</b>	<b>159 918 070</b>
<b>Debt securities in issue</b>	<b>12 203 802</b>	<b>11 632 787</b>	<b>13 429 782</b>	<b>13 518 622</b>
<b>Subordinated liabilities</b>	<b>2 702 305</b>	<b>2 596 144</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 for 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 was 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.

The fair value of term loans to individual customers takes into account the impact of 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").

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.

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In the case of deposits, the Group has 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 case of subordinated 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 values of these instruments with less than 1 year to maturity was equal to the carrying amounts 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 June 2022 and as at 31 December 2021.

30.06.2022	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	15 515 557	13 142 149	-	2 373 408
Loans and advances to banks	8 541 072	-	-	8 541 072
Loans and advances to customers	124 911 059	-	-	124 911 059
<b>Total financial assets</b>	<b>148 967 688</b>	<b>13 142 149</b>	<b>-</b>	<b>135 825 539</b>

**Financial liabilities**

Amounts due to banks	2 651 752	-	-	2 651 752
Amounts due to customers	164 002 864	-	2 458 332	161 544 532
Debt securities in issue	11 632 787	6 041 041	-	5 591 746
Subordinated liabilities	2 596 144	-	2 596 144	-
<b>Total financial liabilities</b>	<b>180 883 547</b>	<b>6 041 041</b>	<b>5 054 476</b>	<b>169 788 030</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	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>-</b>	<b>127 133 941</b>

**Financial liabilities**

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 values of financial assets and liabilities recognised in the statement of financial position of the Group at their fair values and the fair value of investment properties.

30.06.2022	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>3 203 560</b>	<b>718 318</b>	<b>1 998 343</b>	<b>486 899</b>
Loans and advances to customers	37 626	-	-	37 626
Debt securities	1 114 969	712 143	-	402 826
Equity securities	6 175	6 175	-	-
Derivatives, including:	2 044 790	-	1 998 343	46 447
Derivatives held for trading	2 559 539	-	2 559 539	-
Hedging derivatives	199 331	-	152 884	46 447
Offsetting effect	(714 080)	-	(714 080)	-
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>1 190 178</b>	<b>789</b>	<b>-</b>	<b>1 189 389</b>
Loans and advances to customers	952 307	-	-	952 307
Debt securities	81 319	-	-	81 319
Equity securities	156 552	789	-	155 763
<b>Financial assets at fair value through other comprehensive income</b>	<b>26 627 303</b>	<b>21 514 242</b>	<b>3 999 320</b>	<b>1 113 741</b>
Debt securities	26 627 303	21 514 242	3 999 320	1 113 741
<b>Total financial assets</b>	<b>31 021 041</b>	<b>22 233 349</b>	<b>5 997 663</b>	<b>2 790 029</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>2 839 548</b>	<b>615 430</b>	<b>2 224 118</b>	<b>-</b>
Derivatives, including:	2 224 118	-	2 224 118	-
Derivatives held for trading	2 987 745	-	2 987 745	-
Hedging derivatives	3 636 557	-	3 636 557	-
Offsetting effect	(4 400 184)	-	(4 400 184)	-
Liabilities from short sale of securities	615 430	615 430	-	-
<b>Total financial liabilities</b>	<b>2 839 548</b>	<b>615 430</b>	<b>2 224 118</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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Assets and liabilities measured at fair value and investment properties based on Level 3 changes in the period from 1 January to 30 June 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>409</b>	<b>2 145</b>	<b>(45 796)</b>	<b>(18 460)</b>	<b>191</b>	<b>(58 317)</b>	<b>(51 713)</b>	<b>-</b>
Recognised in profit or loss:	409	2 145	24 766	(18 460)	191	(58 317)	-	-
<i>Net trading income</i>	409	2 145	24 766	-	8 670	31	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	-	(18 460)	(8 479)	(54 062)	-	-
<i>Other operating income / (expenses)</i>	-	-	-	-	-	(4 286)	-	-
Recognised in other comprehensive income:	-	-	(70 562)	-	-	-	(51 713)	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	-	(51 713)	-
<i>Cash flow hedges</i>	-	-	(70 562)	-	-	-	-	-
Purchases / origination	-	536 183	-	23 730	-	2 723	552 260	-
Redemptions / total repayments	(3 813)	(65 892)	-	(132 875)	-	-	(127 627)	-
Sales	-	(506 526)	-	-	-	(14 263)	(378 760)	-
Issues	-	89 200	-	-	-	-	129 770	-
Other changes	604	-	-	(31 762)	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	2 101	-	-
<b>As at the end of the period</b>	<b>37 626</b>	<b>402 826</b>	<b>46 447</b>	<b>952 307</b>	<b>81 319</b>	<b>155 763</b>	<b>1 113 741</b>	<b>127 510</b>

Assets and liabilities 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>

During the first half 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 if 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 valuation to marked-to-model valuation under the assumption that the valuation model for the respective type of this instrument has been already approved. The return to marked-to-market valuation 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 June 2022 at level 1 of the fair value hierarchy, the Group has presented the fair value of held for trading government bonds in the amount of PLN 712 143 thousand and the fair value of government bonds and treasury bills measured at fair value through other comprehensive income in the amount of PLN 20 214 758 thousand (31 December 2021: PLN 248 906 thousand and PLN 25 218 009 thousand, respectively). Level 1 includes the fair values of corporate bonds in the amount of PLN 1 299 484 thousand (31 December 2021: PLN 1 502 996 thousand).

In addition, as at 30 June 2022 level 1 includes the value of the registered preferred shares of Giełda Papierów Wartościowych in the amount of PLN 789 thousand (31 December 2021: PLN 870 thousand) and equity instruments in the amount of PLN 6 175 thousand.

As at 30 June 2022 level 1 also includes liabilities from short sale of securities in the amount of PLN 615 430 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 June 2022 level 2 of the fair value hierarchy mainly includes the fair values of bills issued by NBP in the amount of PLN 3 999 320 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 June 2022 level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies in the amount of PLN 1 563 826 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 30 June 2022 level 3 includes also the fair value of local government bonds in the amount of PLN 34 060 thousand (31 December 2021: 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 June 2022 includes the value of loans and advances to customers in the amount of PLN 989 933 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 June 2022 level 3 covers mainly the fair value of equity securities amounting to PLN 155 763 thousand (31 December 2021: PLN 223 519 thousand). The equity securities presented at level 3 have been valued using the discounted dividend method and discounted cash flows method.

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Valuation was carried out based on the selected financial data provided by the valuated entities and discounted using cost of capital calculated with CAPM model (Capital Asset Pricing Model). The cost of own capital were estimated at 12.4% at the end of June 2022 (31 December 2021: 7.9%).

As at 30 June 2022 level 3 also includes fair value of investment property in the amount of PLN 127 510 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 9.28% used to discount cash flows.

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 June 2022 the valuation of these contracts amounted to PLN 46 447 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 30.06.2022	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	155 763	(8 909)	11 062	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	1 113 741	(21 916)	21 916	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	402 826	(7 575)	7 575	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 (+).
Loans and advances to customers held for trading	37 626	(717)	700	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	952 307	(14 107)	14 670	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 (+).

Portfolio	Fair value 31.12.2021	Sensitivity to change of 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	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 (+).
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	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 (+).

## **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. So far, there is no uniform line of judgments issued by courts in such cases.

The carrying amount of mortgage and housing loans granted to individual customers in CHF as of 30 June 2022 amounted to PLN 8.7 billion (i.e. CHF 1.8 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 June 2022, taking into account the exchange rate on the date of disbursement of individual loan tranches, amounted to PLN 6.9 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 June 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 voluntary 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 June 2022, 15 959 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 4 697.3 million (31 December 2021: PLN 3 506.5 million).

Out of the individual proceedings, 15 701 proceedings (31 December 2021: 13 036 proceedings) with the total value of claims amounting to PLN 4 692.0 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 31 June 2022 mBank received 1 049 final rulings in individual lawsuits (31 December 2021: 473 final rulings), out of which 89 rulings were favourable to the Bank and 960 rulings were unfavourable (31 December 2021: 82 rulings favourable and 391 unfavourable).

At the same time 171 proceedings (as of 30 June 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 78% 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 plaintiff appealed against this verdict. As of the date of approval of these consolidated financial statements the Bank did not change its risk assessment related to this proceeding as described below in the section concerning methodology of calculation the impact of the legal risk related to the class action case. As of 30 June 2022 the value of claims in this class action was equal to PLN 377 million.

### **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 (in the Bank's opinion article 358 of the Polish Civil Code referring to the NBP fixing rate can be considered to be 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. On September 8, 2022, the judgment will be announced. The litigation position was presented by the parties: Poland, the European Commission, Spain and Finland.

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 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 date of the hearing before the CJEU was set for 12 October 2022

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 (on the basis of clear and comprehensible criteria) enable 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.

#### **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 Polish Bank Association (ZBP) 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 the 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 3M WIBOR 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 June 2022, would amount to PLN 5.8 billion if only active portfolio 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.

As at the date of approval of these consolidated statements mBank has not made any decisions on offering settlements according to the PFSA's Chairman proposal nor has taken any steps to acquire any corporate consents in that matter.

### **Pilot settlement program**

On 6 December 2021, the Bank began a pilot settlement program for borrowers who have an active CHF indexed loan. The first phase of the pilot concluded in March 2022. The settlement offer presented in the program consists in conversion of the CHF indexed loan into a PLN loan with simultaneous write-off of a portion of the loan balance. Similar to the PFSA's Chairman proposal this portion constitutes the difference between the current balance of the indexed loan expressed in PLN at the average exchange rate of the National Bank of Poland and the hypothetical balance that would exist if the loan had been originally contracted in PLN. In the Bank's pilot this difference is divided equally between the parties to the contract, and the Bank offers to cancel the loan balance in the amount equal to the part of this difference attributable to the Bank. This method of loan conversion guarantees equal distribution of materialised foreign exchange risk costs, which scale could not be foreseen by any of the parties to the loan agreement at the time of its conclusion. This will represent half of the benefits arising for the clients from the PFSA Chairman's proposal.

The offer was addressed to the owners of 1 278 active contracts, which in Bank's opinion is a representative sample of the whole portfolio of active loans indexed to CHF.

The first phase of the pilot concluded in the first quarter of 2022 with the result of approx. 8% of the settlements signed. During the pilot, the Bank noticed external factors that may have had an impact on its results and clients' decisions. These were, among others: uncertainty about the tax treatment of signed settlements, the rising exchange rate of the Swiss franc, the growing level of interest rates in Poland and, consequently, the rising cost of loans in PLN, and the economic uncertainty related to the war in Ukraine. Moreover, in the first half of 2022, the Bank continued the pilot of the settlement program and offered settlements to the new group of clients (approx. 1.8 thousand contracts). The second phase of the pilot concluded in the second quarter of 2022 with the result of approx. 11% of the settlements signed.

The maximum, hypothetical cost of the program would amount to PLN 2.98 billion (31 December 2021: PLN 2.97 billion), assuming that the settlements would be offered to all clients with active loans and all those clients would accept the conditions described above.

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

The method 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 voluntary settlement program is based on parameters that are highly judgmental and with a high range of possible values. It is possible that the impact of the legal risk will have to be adjusted significantly in the future, particularly that important parameters used in calculations are 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 voluntary settlement program included in the Group's statement of financial position is shown in the table below.

	30.06.2022	31.12.2021
Impact of legal risk related to active loans recognised as a reduction of gross carrying amount of loans	2 947 158	2 775 297
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	448 778	348 476
Potential costs of voluntary settlement program recognised as a reduction of gross carrying amount of loans	1 011 531	1 009 800
<b>The cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and housing loans in CHF</b>	<b>4 407 467</b>	<b>4 133 573</b>

Total costs of legal risk related to foreign currency loans recognised in the income statement for the first two quarters of 2022 amounted to PLN 367.8 million (in first two quarters of 2021: PLN 314.8 million). The most significant factors of these costs in first two 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 level of loss on loan exposure in case of losing the case by the Bank and the cost of the final verdicts.

### **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 and associated with significant

degree of expert judgement. The most important assumptions are: an expected population of borrowers who will file a lawsuit against the Bank, the probability of losing the case having final and binding judgement, the distribution of expected verdicts judged by the courts and the loss to be incurred by the Bank in case of a losing the case in court.

### **Expected population of borrowers**

The population of borrowers who will file a lawsuit against the Bank has been projected over the remaining life of the portfolio based on the Bank's history of legal cases in the past and assumes a further inflow of new cases. The Bank assumes that inflow of plaintiffs will be significant until the end of 2025. The Bank assumes that vast majority of the projected cases will be filed until the end of 2023, and then their number will decrease following the expected clarification of the legal environment.

For the purpose of calculating the impact of legal risk mBank assumes that approximately 27% of FX borrowers (i.e. 22 thousand borrowers with both, active: 41% and repaid loans: 9%) filed or will file a lawsuit against the Bank (as of 31 December 2021: 27%, i.e. 23 thousand borrowers). The Bank observes that clients with higher loan amounts were the first ones to file the claims (27% of customers represent 34% of the total CHF loan portfolio, both active and repaid), and therefore that average ticket of the suing population will be decreasing over time. 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 69.3 million (while other relevant assumptions remain constant) as compared to 30 June 2022, of which PLN 54.1 million would reduce gross carrying amount of the loans, and PLN 15.2 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).

### **Probability of losing the case**

The Bank believes that since the current line of jurisprudence in CHF cases is inconsistent, the probability of losing court cases must, to a large extent, be based on professional judgement supported by external legal opinion until Polish Supreme Court and the CJEU address all the legal uncertainties (in particular, whether the abusive clauses may be replaced by another way of determining the foreign exchange rate pursuant to provisions of law, or whether, in the absence of the possibility of replacing the abusive clause by a provision of law, the contract may be binding on the parties in its remaining scope and whether banks may receive a compensation for usage of the principal granted).

Since, in the opinion of the Bank, the number of final verdicts is not statistically representative (too few binding verdicts have been issued by courts in cases related to mBank) the assumption of probability of losing in court takes also into account expert judgements of the Bank supported by an external legal opinions about the future trends in the court verdicts as well as upcoming verdicts of the Supreme Court and CJEU. As of 30 June 2022 the Bank assumes probability of losing in court at the level of 50% (as of 31 December 2021: 50%), basing on its own judgement supported by the external legal opinion. If the assumed probability of losing in court changed by +/- 1 percentage point and all other relevant assumptions remained constant, the impact of the legal risk would change by +/- PLN 59.7 million, of which PLN 53.2 million would change gross carrying amount of the loans, and PLN 6.5 million would change the provisions for legal proceedings.

### **The projected loss rate**

The projected loss rate was calculated using the probabilities of different verdicts that may be issued. As currently there is still no homogenous line of verdicts taken by the courts the Bank took into account three possible losing scenarios: (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 of the loan indexed to CHF, (ii) the contract is invalid in whole because deleting the exchange rate clause would be too far reaching change (based on assumption that this clause defines the main subject matter of the contract), and (iii) the contract remains a mortgage indexed to CHF, but the FX clause is substituted by the fixing rate of the NBP. Under scenario (ii), the Bank takes into account two versions of the invalidity, assuming that the parties settle accounts in a formula similar to the settlement on a net basis. The first version assumes that the consumer is obliged to return the disbursed capital together with the remuneration for using it, and the

second assumes that the consumer is only obliged to return the capital without remuneration. The Bank assumed the probability of each of these scenarios at the same level.

Each of these scenarios is associated with a different level of predicted losses for the Bank. The Bank calculated the average level of loss weighted with the probabilities of occurrence of the given scenario in case of negative final and binding judgement, with invalidity scenario assumed to be most probable. The probabilities of those scenarios applied by the Bank has been based on the assessment of the Bank consulted with the legal advisor. As of 30 June 2022 the average loss rate was equal to 81.5% of gross carrying amount of active loans and 52.1% of total value of the loan granted for repaid loans (as at 31 December 2021: 76.5% and 33.7%, respectively).

If the assumed weighted average loss changed by +/- 1 percentage point and all other relevant assumptions remained constant the impact of the legal risk would change by +/- PLN 37.1 million, of which PLN 32.6 million would change gross carrying amount of the loans, and PLN 4.5 million would change the provisions for legal proceedings.

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

The recognition of additional costs for class action case was preceded by an analysis of the chances of litigation in the light of the current case law and guidelines of the Court of Appeal for the District Court re-examining the case, supported by an opinion of the law firm handling the case. The increased likelihood of an unfavourable verdict, particularly one invalidating the loan agreements covered by the proceedings, justified the creation of a provision up to the amount of the claim in 2021. In the first half of 2022 Bank did not recognise additional cost related to class action.

### **Methodology of calculating settlement program costs**

As at 30 June 2022, the Bank recognised the impact of legal risk in the amount of PLN 1 011.5 million to cover the costs of future settlements (31 December 2021: PLN 1 009.8 million). The amount corresponds to 34% of the maximum cost of settlements under the formula adopted in the currently running pilot described above. This represents the management's estimate that reflects the intention towards future voluntary settlements or, in case it is not fully used for that purpose, to cover currently unforeseen cost related to legal risks of CHF portfolio.

In the Bank's opinion, the future level of acceptance of settlements depends on a number of factors, the most important of which are:

- financial terms of the offer,
- further development of the court judicature in the CHF cases, in particular the resolution of the issue of application of dispositive provisions in place of clauses deemed abusive, the bank's right to reimbursement of the costs of using the capital made available to the client in case the agreement is deemed invalid, admissibility of declaring the loan agreement invalid,
- duration of court proceedings in CHF cases,
- changes in interest rates for PLN loans,
- changes in the CHF/PLN exchange rate,
- economic uncertainty caused by the war in Ukraine.

For the purpose of determining the value of the provision as of 30 June 2022, the Bank assumed that the maximum level of the offer acceptance will not exceed 34% of active contracts (31 December 2021: 34%). If the assumed level of the offer acceptance changed by +/- 1 percentage point and all other relevant assumptions remained constant the impact of the legal risk would change by +/- PLN 29.8 million which would change gross carrying amount of the loans.

## **31. Prudential consolidation**

According to 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"), mBank is a large subsidiary of EU parent institution, responsible for the preparation of the prudentially consolidated financial data to fulfil the requirement of disclosures described in IAS 1.135 "Presentation of Financial Statements".

Financial information presented below does not represent the International Financial Reporting Standards ("IFRS") measures as defined by the standards.

mBank S.A. Group ("the Group") consists of entities defined in accordance with the rules of prudential consolidation, specified by the CRR Regulation.

## mBank S.A. Group

Consolidated financial report for the first half of 2022

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2022

(PLN thousand)

### Basis of the preparation of the prudentially consolidated financial data

mBank S.A. Group consolidated financial data based on the rules of prudential consolidation specified by the CRR Regulation ("Consolidated prudentially financial data") have been prepared for the 6-month period ended 30 June 2022 and for the 6-month period ended 30 June 2021.

The consolidated profit presented in the prudentially consolidated financial data may be included in consolidated Common Equity Tier I for the purpose of the calculation of consolidated Common Equity Tier I capital ratio, consolidated Tier I capital ratio and consolidated total capital ratio with the prior permission of the PFSA or after approval by the General Meeting of shareholders.

The accounting policies applied for the preparation of the Group prudentially consolidated financial data are identical to those, which have been applied to the mBank S.A. Group condensed consolidated financial data for the first half of 2022, prepared in compliance with IFRS, except for the consolidation standards presented below.

The prudentially consolidated financial data includes the Bank and the following entities:

Company	30.06.2022		31.12.2021		30.06.2021	
	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%	-	-	-
Tele-Tech Investment Sp. z o.o.	-	-	-	-	100%	full

During preparation of prudentially consolidated financial data for six-month period ended on 30 June 2022, the same entities were consolidated as in process of preparation of condensed consolidated financial statements of the mBank Group for six-month period ended on 30 June 2022.

Entities included in the scope of prudential consolidation are defined in the Regulation CRR – institutions, financial institutions or ancillary services undertakings, which are subsidiaries or undertakings in which a participation is held, except for entities in which the total amount of assets and off-balance sheet items of the undertaking concerned is less than the smaller of the following two amounts:

- EUR 10 million;
- 1% of the total amount of assets and off-balance sheet items of the parent undertaking or the undertaking that holds the participation.

The consolidated financial data combine items of assets, liabilities, equity, income and expenses of the parent with those of its subsidiaries eliminating the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Any related goodwill, if goodwill has negative value, it is recognised directly in the income statement. The profit or loss and each component of other comprehensive income is attributed to the Group's owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. If the Group loses control of a subsidiary, it shall account for all amounts previously recognised in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities

Intra-group transactions, balances and unrealised gains on transactions between companies of the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**mBank S.A. Group**

Consolidated financial report for the first half of 2022

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2022

(PLN thousand)

**Prudentially consolidated income statement**

	Period from 01.04.2022 to 30.06.2022	Period from 01.01.2022 to 30.06.2022	Period from 01.04.2021 to 30.06.2021	Period from 01.01.2021 to 30.06.2021
Interest income, including:	2 332 111	4 048 398	1 035 117	2 054 440
<i>Interest income accounted for using the effective interest method</i>	2 294 567	3 976 262	917 810	1 815 641
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	37 544	72 136	117 307	238 799
Interest expenses	(643 739)	(860 691)	(73 638)	(146 124)
<b>Net interest income</b>	<b>1 688 372</b>	<b>3 187 707</b>	<b>961 479</b>	<b>1 908 316</b>
Fee and commission income	767 405	1 560 328	646 334	1 292 272
Fee and commission expenses	(212 059)	(406 988)	(193 763)	(371 641)
<b>Net fee and commission income</b>	<b>555 346</b>	<b>1 153 340</b>	<b>452 571</b>	<b>920 631</b>
Dividend income	3 991	4 826	3 472	3 912
Net trading income	858	96 485	43 587	106 765
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(72 201)	(81 082)	4 594	(6 879)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(30 443)	(50 498)	3 000	92 146
Other operating income	83 605	149 957	53 020	108 007
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(187 173)	(445 020)	(225 324)	(380 991)
Result on provisions for legal risk related to foreign currency loans	(175 094)	(367 848)	(248 537)	(314 805)
Overhead costs	(899 263)	(1 626 623)	(467 855)	(1 020 593)
Depreciation	(120 164)	(236 698)	(112 336)	(224 227)
Other operating expenses	(82 479)	(145 762)	(82 010)	(163 493)
<b>Operating profit</b>	<b>765 355</b>	<b>1 638 784</b>	<b>385 661</b>	<b>1 028 789</b>
Taxes on the Group balance sheet items	(167 105)	(326 944)	(147 165)	(285 986)
<b>Profit / (loss) before income tax</b>	<b>598 250</b>	<b>1 311 840</b>	<b>238 496</b>	<b>742 803</b>
Income tax expense	(368 422)	(569 688)	(129 822)	(317 036)
<b>Net profit / (loss)</b>	<b>229 828</b>	<b>742 152</b>	<b>108 674</b>	<b>425 767</b>
<b>Net profit / (loss) attributable to:</b>				
- Owners of mBank S.A.	229 708	742 037	108 683	425 808
- Non-controlling interests	120	115	(9)	(41)

**mBank S.A. Group**

Consolidated financial report for the first half of 2022

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2022

(PLN thousand)

**Prudentially consolidated statement of financial position**

<b>ASSETS</b>	<b>30.06.2022</b>	<b>31.12.2021</b>
Cash and balances with the Central Bank	12 522 901	12 202 266
Financial assets held for trading and hedging derivatives	3 203 560	2 589 076
Non-trading financial assets mandatorily at fair value through profit or loss, including:	1 190 178	1 423 822
<i>Equity instruments</i>	156 552	231 020
<i>Debt securities</i>	81 319	81 128
<i>Loans and advances to customers</i>	952 307	1 111 674
Financial assets at fair value through other comprehensive income	26 627 303	36 200 110
Financial assets at amortised cost, including:	152 430 428	140 296 498
<i>Debt securities</i>	18 297 028	16 164 103
<i>Loans and advances to banks</i>	8 547 677	7 229 681
<i>Loans and advances to customers</i>	125 585 723	116 902 714
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2 075 964	1 055 478
Non-current assets and disposal groups classified as held for sale	31 247	31 247
Intangible assets	1 299 544	1 283 953
Tangible assets	1 494 499	1 542 250
Investment properties	127 510	127 510
Current income tax assets	13 135	28 147
Deferred income tax assets	1 751 478	1 392 344
Other assets	1 629 401	1 366 804
<b>TOTAL ASSETS</b>	<b>204 397 148</b>	<b>199 539 505</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Financial liabilities held for trading and hedging derivatives	2 839 548	2 011 182
Financial liabilities measured at amortised cost, including:	181 571 464	179 349 604
<i>Amounts due to banks</i>	2 651 752	3 359 558
<i>Amounts due to customers</i>	164 013 605	159 935 808
<i>Debt securities issued</i>	12 203 802	13 429 782
<i>Subordinated liabilities</i>	2 702 305	2 624 456
Fair value changes of the hedged items in portfolio hedge of interest rate risk	150 761	110 033
Liabilities classified as held for sale	7 304	7 425
Provisions	924 324	811 455
Current income tax liabilities	498 366	61 901
Deferred income tax liabilities	179	89
Other liabilities	5 027 609	3 469 900
<b>TOTAL LIABILITIES</b>	<b>191 019 555</b>	<b>185 821 589</b>
<b>EQUITY</b>		
<b>Equity attributable to Owners of mBank S.A.</b>	<b>13 375 630</b>	<b>13 716 050</b>
<b>Share capital:</b>	<b>3 600 478</b>	<b>3 593 944</b>
Registered share capital	169 656	169 540
Share premium	3 430 822	3 424 404
<b>Retained earnings:</b>	<b>12 069 634</b>	<b>11 326 494</b>
- Profit from the previous years	11 327 597	12 505 247
- Profit for the current year	742 037	(1 178 753)
<b>Other components of equity</b>	<b>(2 294 482)</b>	<b>(1 204 388)</b>
<b>Non-controlling interests</b>	<b>1 963</b>	<b>1 866</b>
<b>TOTAL EQUITY</b>	<b>13 377 593</b>	<b>13 717 916</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>204 397 148</b>	<b>199 539 505</b>

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

The presented condensed consolidated report for the first half 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 half-year 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.

**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 first half of 2022, the Bank recognised the cost of legal risk related to foreign currency loans in the amount of PLN 367.8 million. The detailed information in this regard is presented in Note 30.
- In the first half of 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 will credit the aid fund with a contribution of PLN 390 834 thousand, which was charged to overheads costs (Note 13).
- 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 6.00% as at 30 June 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 first half of 2022 include cost of legal risk related to foreign currencies loans in the amount of PLN 367.8 million. The detailed information are presented in Note 30.

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

In the first half 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.
- mLeasing Sp. z o.o. issued short-term bonds in the amount of PLN 494 081 thousand and redeemed short-term bond in the amount of PLN 596 000 thousand,

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

On 31 March 2022, the 35<sup>th</sup> 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 first half of 2022, which are not reflected in the financial statements**

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

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

On 31 May 2022, for the first time, 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 of mBH will be carried out:

- 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 organizationally 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:
  - loans secured by a mortgage for the financing of commercial real properties;
  - loans granted to local government units or loans for which local government units issued any surety; and
  - 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 the Demerger Plan.
- 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 organizationally 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:
  - 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,
  - 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
  - the issuance of securities, including specifically mortgage bonds and bonds, as well as performing other treasury related transactions and specifically derivative transactions

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. In view of the above, the Bank will not issue shares in exchange for the acquired estate of the Demerged Company.

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

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

In the first half 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 first half 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 first half 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 first half of 2022, events as indicated above did not occur in the Group.

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

In the first half 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 first half 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 first half 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 6.00% as at 30 June 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.

In addition, the Act on crowdfunding for business ventures and aid to borrowers had significant and negative impact on the fair value of mortgages granted in Polish currency, as this Act introduced the possibility of suspending the performance of mortgage contracts granted in Polish currency (the so-called "credit holidays"). For the purpose of calculating the fair value adjustment of this portfolio, it was assumed that as of 30 June 2022 the probability of this law coming into effect was 100%, and the estimated participation of eligible borrowers would be 60%. For more information on the impact of the credit holidays, see Item 33 of Selected Explanatory Data.

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 first half of 2022, events as indicated above did not occur in the Group.

**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 half-year report compared to the forecast**

The Bank did not publish a performance forecast for 2022.

**mBank S.A. Group**

Consolidated financial report for the first half of 2022

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2022

(PLN thousand)

**23. Registered share capital**

The total number of ordinary shares as at 30 June 2022 was 42 413 932 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 JUNE 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	-	-	29 048	116 192	fully paid in cash	2022
<b>Total number of shares</b>			<b>42 413 932</b>			
<b>Total registered share capital</b>				<b>169 655 728</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 June 2022 it held 69.21% of the share capital and votes at the General Meeting of mBank S.A.

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

	Number of shares held as at the date of publishing the report for Q1 2022	Number of shares acquired from the date of publishing the report for Q1 2022 to the date of publishing the report for H1 2022	Number of shares sold from the date of publishing the report for Q1 2022 to the date of publishing the report for H1 2022	Number of shares held as at the date of publishing the report for H1 2022
<b>Management Board</b>				
1. Cezary Stypułkowski	25 230	2 654	-	27 884
2. Andreas Böger	1 646	-	-	1 646
3. Krzysztof Dąbrowski	892	-	-	892
4. Cezary Kocik	-	1 392	-	1 392
5. Marek Lusztyn	-	-	-	-
6. Adam Pers	-	-	-	-

**mBank S.A. Group**

Consolidated financial report for the first half of 2022

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2022

(PLN thousand)

	Number of rights to shares held as at the date of publishing the report for Q1 2022	Number of rights to shares acquired from the date of publishing the report for Q1 2022 to the date of publishing the report for H1 2022	Number of rights to shares sold from the date of publishing the report for Q1 2022 to the date of publishing the report for H1 2022	Number of rights to shares held as at the date of publishing the report for H1 2022
<b>Management Board</b>				
1. Cezary Stypułkowski	-	2 654	2 654	-
2. Andreas Böger	-	-	-	-
3. Krzysztof Dąbrowski	-	-	-	-
4. Cezary Kocik	-	1 392	1 392	-
5. Marek Lusztyń	-	-	-	-
6. Adam Pers	-	-	-	-

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

**26. Proceedings before a 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 June 2022 amounted to PLN 497 589 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 issuer's contingent liabilities**

## 1. Claims of Interbrok's clients

Since 2008, the Bank has received 9 claims for damages in connection with the activities of Interbrok Investment E. Drózdź I Spółka jawna (hereinafter Interbrok). Eight of the nine lawsuits were filed by former clients of Interbrok for the total amount of PLN 800 thousand with the proviso that the claims may be extended up to the total amount of PLN 5 950 thousand. The plaintiffs alleged that the Bank had aided Interbrok's in illegal activities, which caused damage to them. With regard to seven of the aforementioned cases, legal proceedings against the Bank were dismissed and the cases were finally concluded. In the eighth case, a plaintiff withdrew the suit waiving the claim and the Regional Court dismissed the action. As far as the ninth suit is concerned, the amount in dispute was PLN 276 499 thousand, including statutory interest and costs of proceedings. According to the claims brought in the suit, this amount comprised the receivables, acquired by the plaintiff by way of assignment, due to the parties aggrieved by Interbrok on account of a reduction (as a result of Interbrok's bankruptcy) of the receivables by a return of the deposits paid by the aggrieved for making investments on the forex market. The plaintiff claims the Bank's liability on the grounds of the Bank's aid in committing the illicit act of Interbrok, consisting in unlicensed brokerage operations. On 7 November 2017, the Regional Court in Warsaw dismissed the action in its entirety. The ruling is not final. The plaintiff appealed. By the judgment of 25 January 2021, the Court of Appeal in Warsaw dismissed the appeal of the plaintiff. The judgment of the District Court in Warsaw and the judgment of the Court of Appeal in Warsaw are final. The plaintiff appealed against the sentence in the Supreme Court. On 31 May 2022, the Supreme Court refused to accept the cassation complaint for review. The case was settled in favour of the Bank.

## 2. 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 other 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.

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.

3. 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 other 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 a 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.

4. Class action against mBank S.A. concerning indexation clauses

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

5. 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.

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 Group estimates that in the event of an unfavourable outcome of the inspection, its maximum negative impact on the Group's gross financial result may amount to approx. PLN 53 million.

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.

**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.

**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. mBank responded to the decision on instituting the proceedings in letters dated 28 May 2019 and 10 January 2020. On 1 June 2022, the Office of Competition and Consumer Protection (UOKiK) sent another summons for explanations and documents. The agreed deadline for responding to the summons is 31 August 2022.
- By a judgment of 2 February 2021, the Court of Appeal in Warsaw dismissed the Bank's appeal in the case concerning UOKiK proceedings initiated in 2015 regarding the application by mBank S.A. practices violating collective consumer interests, due to the fact that mBank did not apply a negative interest rate due to the negative base rate of LIBOR and changed the judgment of SOKiK in the part revoking the decision to impose a fine. The Bank complied with the judgment and paid a fine of PLN 6 585 thousand. On 14 June 2021, the Bank filed a cassation complaint with the Supreme Court. In an order dated 2 June 2022, the Supreme Court refused to accept of mBank S.A. cassation complaint for examination.
- 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

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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.

- 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.

## 27. Off-balance sheet liabilities

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

	30.06.2022	31.12.2021
<b>Contingent liabilities granted and received</b>	<b>49 737 155</b>	<b>46 491 411</b>
<b>Commitments granted</b>	<b>41 011 620</b>	<b>38 363 829</b>
Financing	32 108 840	31 372 747
Guarantees and other financial facilities	7 101 731	6 988 541
Other liabilities	1 801 049	2 541
<b>Commitments received</b>	<b>8 725 535</b>	<b>8 127 582</b>
Financial commitments received	580 199	464 840
Guarantees received	8 145 336	7 662 742
<b>Derivative financial instruments (nominal value of contracts)</b>	<b>920 326 910</b>	<b>819 823 544</b>
Interest rate derivatives	789 792 981	682 657 256
Currency derivatives	120 714 373	130 163 781
Market risk derivatives	9 819 556	7 002 507
<b>Total off-balance sheet items</b>	<b>970 064 065</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 not 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 June 2022 and as at 31 December 2021, and related costs and income for the period from 1 January to 30 June 2022 and from 1 January to 30 June 2021 are presented in the table below.

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	mBank's subsidiaries			Commerzbank AG			Other companies of the Commerzbank AG Group		
	30.06.2022	31.12.2021	30.06.2021	30.06.2022	31.12.2021	30.06.2021	30.06.2022	31.12.2021	30.06.2021
<b>Statement of financial position</b>									
Assets	1 847	23 877		1 961 123	1 255 004		39	37	
Liabilities	27 515	28 048		2 939 060	3 151 867		70 056	73 658	
<b>Income Statement</b>									
Interest income	26		264	20 174		10 952	17		79
Interest expense	(12)		-	(20 091)		(11 556)	(145)		(12)
Fee and commission income	224		913	2 216		2 674	146		230
Fee and commission expense	(10 962)		-	-		-	-		-
Other operating income	1 114		91	2 620		972	-		-
Overhead costs, amortisation and other operating expenses	-		(1)	(5 590)		(2 677)	-		-
<b>Contingent liabilities granted and received</b>									
Liabilities granted	418 418	380 145		1 602 214	1 564 733		3 519	3 514	
Liabilities received	-	-		1 469 994	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 June 2022 recognised in the Group's income statement for that period amounted to PLN 15 544 thousand (in the period from 1 January to 30 June 2021: PLN 11 731 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 six-month period, ended on 30 June 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**

In the first half of 2022, events as indicated above did not occur in the Group.

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

The next quarter's results will be significantly affected by the entry into force of the Act on crowdfunding for business ventures and aid to borrowers, which introduces the possibility of suspending the performance of mortgage contracts granted in Polish currency (the so-called "credit holidays") and also introduces the obligation to contribute to the Borrower Support Fund. Given the above, the Group expects the mBank Group's net income to be negative in the third quarter of 2022. The Tier I capital ratios and the total capital ratio of the Bank and mBank Group will remain above the minimum capital requirements. More information on the impact of the credit vacations on the Group's results is presented in Item 33 of Selected Explanatory Data.

Increases in interest rates by 50 basis points, made by the Monetary Policy Council on 7 July 2022, will have a positive impact on the net interest income of mBank Group, but at the same time will have a negative impact on the valuation of derivatives and financial assets based on a fixed interest rate and valued at fair value.

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 June 2022

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

- Individual total capital ratio: 13.51% and Tier 1 capital ratio: 10.89%
- Consolidated total capital ratio: 13.17% and Tier 1 capital ratio: 10.64%.

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

	30.06.2022		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)	13 059 869	12 535 642	13 552 027	13 037 746
Tier I capital (PLN thousand)	13 059 869	12 535 642	13 552 027	13 037 746
Own funds (PLN thousand)	15 365 639	14 841 412	15 871 711	15 357 430
Common Equity Tier I ratio (%)	13.9	13.4	14.2	13.6
Tier I capital ratio (%)	13.9	13.4	14.2	13.6
Total capital ratio (%)	16.4	15.8	16.6	16.0

### 33. Events after the balance sheet date

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"). The Group expects the credit vacation to have a negative impact of between PLN 1.0 billion and PLN 1.4 billion on the mBank Group's gross profit for the third quarter of 2022. The above stated range is on the basis of estimated participation between 60% and 80% among currently assumed eligible borrowers.

The Act on crowdfunding for business ventures and aid to borrowers also makes a mandatory contribution to the Borrower Support Fund. The Group estimates that the contribution to the Borrower Support Fund will be between PLN 93 million and PLN 154 million depending on the assumptions. The final amount will be set by the Council of the Borrower Support Fund.

Given the above, the Group expects the mBank Group's net income to be negative in the third quarter of 2022. Tier 1 capital ratios and total capital ratios at the Bank and mBank Group levels remain above minimum capital requirements.

The law also provides for a process leading to the replacement of the WIBOR interest rate with a new reference index. In the absence of more detailed information on the new reference index that will replace WIBOR, it is not possible to estimate the potential impact of the above changes in the future.



## CONDENSED STAND-ALONE FINANCIAL STATEMENT OF MBANK S.A. FOR THE FIRST HALF OF 2022

### CONDENSED STAND-ALONE INCOME STATEMENT

	Period from 01.04.2022 to 30.06.2022	Period from 01.01.2022 to 30.06.2022	Period from 01.04.2021 to 30.06.2021	Period from 01.01.2021 to 30.06.2021
Interest income, including:	2 135 396	3 695 564	893 017	1 782 816
<i>Interest income accounted for using the effective interest method</i>	<i>2 108 437</i>	<i>3 624 614</i>	<i>779 841</i>	<i>1 552 306</i>
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	<i>26 959</i>	<i>70 950</i>	<i>113 176</i>	<i>230 510</i>
Interest expenses	(568 364)	(753 725)	(57 398)	(112 767)
<b>Net interest income</b>	<b>1 567 032</b>	<b>2 941 839</b>	<b>835 619</b>	<b>1 670 049</b>
Fee and commission income	718 612	1 461 170	601 871	1 207 305
Fee and commission expenses	(180 048)	(345 645)	(164 273)	(317 632)
<b>Net fee and commission income</b>	<b>538 564</b>	<b>1 115 525</b>	<b>437 598</b>	<b>889 673</b>
Dividend income	47 491	48 326	28 521	28 961
Net trading income	(23 300)	67 604	37 605	96 195
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(71 408)	(79 516)	4 223	(7 605)
Gains or losses from derecognition of assets and liabilities not measured at fair value through profit or loss	(32 337)	(56 354)	(9 687)	79 236
Other operating income	22 967	39 227	6 236	25 890
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(156 692)	(387 688)	(203 456)	(365 112)
Result on provisions for legal risk related to foreign currency loans	(175 094)	(367 848)	(248 537)	(314 805)
Overhead costs	(844 784)	(1 509 274)	(416 996)	(914 898)
Depreciation	(104 108)	(205 425)	(97 779)	(194 670)
Other operating expenses	(63 818)	(110 265)	(58 704)	(120 064)
<b>Operating profit (loss)</b>	<b>704 513</b>	<b>1 496 151</b>	<b>314 643</b>	<b>872 850</b>
Tax on the Bank's balance sheet items	(159 210)	(311 221)	(139 422)	(270 691)
Share in profits (losses) of entities under the equity method	27 985	92 324	24 843	82 180
<b>Profit (loss) before income tax</b>	<b>573 288</b>	<b>1 277 254</b>	<b>200 064</b>	<b>684 339</b>
Income tax expense	(356 096)	(545 955)	(117 123)	(286 313)
<b>Net profit (loss)</b>	<b>217 192</b>	<b>731 299</b>	<b>82 941</b>	<b>398 026</b>
<b>Net profit (loss)</b>	<b>217 192</b>	<b>731 299</b>	<b>82 941</b>	<b>398 026</b>
<b>Weighted average number of ordinary shares</b>	<b>42 386 161</b>	<b>42 385 526</b>	<b>42 367 040</b>	<b>42 367 040</b>
<b>Earnings (losses) per share (in PLN)</b>	<b>5.12</b>	<b>17.25</b>	<b>1.96</b>	<b>9.39</b>
<b>Weighted average number of ordinary shares for diluted earnings</b>	<b>42 464 648</b>	<b>42 464 013</b>	<b>42 429 506</b>	<b>42 429 506</b>
<b>Diluted earnings (losses) per share (in PLN)</b>	<b>5.11</b>	<b>17.22</b>	<b>1.95</b>	<b>9.38</b>

**mBank S.A. Group**

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Condensed stand-alone financial statement of mBank S.A. for the first half of 2022

(PLN thousand)

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

	Period from 01.04.2022 to 30.06.2022	Period from 01.01.2022 to 30.06.2022	Period from 01.04.2021 to 30.06.2021	Period from 01.01.2021 to 30.06.2021
<b>Net profit (loss)</b>	<b>217 192</b>	<b>731 299</b>	<b>82 941</b>	<b>398 026</b>
<b>Other comprehensive income net of tax, including:</b>	<b>(972 693)</b>	<b>(1 731 799)</b>	<b>(235 055)</b>	<b>(555 273)</b>
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT</b>				
Exchange differences on translation of foreign operations (net)	52	675	(211)	356
Cash flows hedges (net)	(280 643)	(585 163)	(88 321)	(238 551)
Share of other comprehensive income of entities under the equity method (net)	(42 963)	(81 130)	(3 947)	(17 550)
Debt instruments at fair value through other comprehensive income (net)	(649 139)	(1 066 181)	(154 012)	(310 964)
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT</b>				
Reclassification to investment properties (net)	-	-	11 436	11 436
<b>Total comprehensive income (net)</b>	<b>(755 501)</b>	<b>(1 000 500)</b>	<b>(152 114)</b>	<b>(157 247)</b>

**mBank S.A. Group**

Consolidated financial report for the first half of 2022

Condensed stand-alone financial statement of mBank S.A. for the first half of 2022

(PLN thousand)

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

<b>ASSETS</b>	<b>30.06.2022</b>	<b>31.12.2021</b>
Cash and balances with the Central Bank	12 461 587	12 087 608
Financial assets held for trading and derivatives held for hedges	3 252 015	2 581 174
Non-trading financial assets mandatorily at fair value through profit or loss, including:	1 020 355	1 221 063
<i>Equity instruments</i>	94 577	148 466
<i>Debt securities</i>	81 319	81 128
<i>Loans and advances to customers</i>	844 459	991 469
Financial assets at fair value through other comprehensive income	45 546 603	54 162 657
<i>Debt securities</i>	26 435 332	35 971 403
<i>Loans and advances to customers</i>	19 111 271	18 191 254
Financial assets at amortised cost, including:	125 556 150	114 326 977
<i>Debt securities</i>	19 501 363	16 632 915
<i>Loans and advances to banks</i>	12 935 630	11 194 916
<i>Loans and advances to customers</i>	93 119 157	86 499 146
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2 075 964	1 055 478
Investments in subsidiaries	2 351 610	2 357 068
Non-current assets and disposal groups classified as held for sale	31 247	31 247
Intangible assets	1 124 134	1 111 479
Tangible assets	1 177 739	1 204 680
Investment properties	127 510	127 510
Current income tax assets	13 135	28 077
Deferred income tax assets	1 183 400	721 324
Other assets	1 065 891	857 477
<b>TOTAL ASSETS</b>	<b>196 987 340</b>	<b>191 873 819</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Financial liabilities held for trading and derivatives held for hedges	2 843 503	2 044 601
Financial liabilities measured at amortised cost, including:	175 722 786	172 634 071
<i>Amounts due to banks</i>	2 698 819	3 420 001
<i>Amounts due to customers</i>	163 802 990	159 905 991
<i>Debt securities issued</i>	6 518 672	6 683 623
<i>Subordinated liabilities</i>	2 702 305	2 624 456
Fair value changes of the hedged items in portfolio hedge of interest rate risk	150 761	110 033
Liabilities classified as held for sale	7 304	7 425
Provisions	954 603	839 698
Current income tax liabilities	498 311	54 467
Deferred income tax liabilities	90	89
Other liabilities	4 421 022	2 801 612
<b>TOTAL LIABILITIES</b>	<b>184 598 380</b>	<b>178 491 996</b>
<b>EQUITY</b>		
<b>Share capital:</b>	<b>3 600 478</b>	<b>3 593 944</b>
Registered share capital	169 656	169 540
Share premium	3 430 822	3 424 404
<b>Retained earnings:</b>	<b>11 981 305</b>	<b>11 248 903</b>
- Profit from previous years	11 250 006	12 464 256
- Profit (loss) for the current year	731 299	(1 215 353)
<b>Other components of equity</b>	<b>(3 192 823)</b>	<b>(1 461 024)</b>
<b>TOTAL EQUITY</b>	<b>12 388 960</b>	<b>13 381 823</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>196 987 340</b>	<b>191 873 819</b>

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

Changes from 1 January to 30 June 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>731 299</b>	<b>(1 731 799)</b>	<b>(1 000 500)</b>
Issuance of ordinary shares	116	-	-	-	-	116
<b>Stock option program for employees</b>	-	<b>6 418</b>	<b>1 103</b>	-	-	<b>7 521</b>
<i>value of services provided by the employees</i>	-	-	7 521	-	-	7 521
<i>settlement of exercised options</i>	-	6 418	(6 418)	-	-	-
<b>Equity as at 30 June 2022</b>	<b>169 656</b>	<b>3 430 822</b>	<b>11 250 006</b>	<b>731 299</b>	<b>(3 192 823)</b>	<b>12 388 960</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 June 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>398 026</b>	<b>(555 273)</b>	<b>(157 247)</b>
<b>Stock option program for employees</b>	-	-	<b>3 546</b>	-	-	<b>3 546</b>
<i>value of services provided by the employees</i>	-	-	3 546	-	-	3 546
<b>Equity as at 30 June 2021</b>	<b>169 468</b>	<b>3 417 567</b>	<b>12 464 152</b>	<b>398 026</b>	<b>(135 222)</b>	<b>16 313 991</b>

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

	Period from 01.01.2022 to 30.06.2022	Period from 01.01.2021 to 30.06.2021
<b>Profit before income tax</b>	<b>1 277 254</b>	<b>684 339</b>
<b>Adjustments:</b>	<b>1 865 450</b>	<b>17 084 975</b>
Income taxes paid	(207 601)	(453 603)
Depreciation, including depreciation of fixed assets provided under operating lease	211 275	198 901
Foreign exchange (gains) losses related to financing activities	248 473	(287 499)
(Gains) losses on investing activities	(96 947)	(82 348)
Change in valuation of investments in subsidiaries accounted for using other than the equity method	16 652	-
Dividends received	(48 326)	(28 961)
Interest income (income statement)	(3 695 564)	(1 782 816)
Interest expense (income statement)	753 725	112 767
Interest received	3 395 697	1 819 819
Interest paid	(595 631)	(75 442)
Changes in loans and advances to banks	659 794	197 450
Changes in financial assets and liabilities held for trading and hedging derivatives	(1 572 623)	(588 037)
Changes in loans and advances to customers	(7 213 543)	(7 097 938)
Changes in securities at fair value through other comprehensive income	8 348 502	3 017 006
Changes in securities at amortised cost	(2 850 369)	893 791
Changes of non-trading equity securities mandatorily at fair value through profit or loss	53 698	(6 888)
Changes in other assets	(213 553)	93 195
Changes in amounts due to banks	(666 325)	222 395
Changes in amounts due to customers	3 671 578	19 908 919
Changes in issued debt securities	(204 935)	(25 725)
Changes in provisions	114 905	65 641
Changes in other liabilities	1 756 568	984 348
<b>A. Cash flows from operating activities</b>	<b>3 142 704</b>	<b>17 769 314</b>
Disposal of shares in subsidiaries, net of cash disposed	-	4 280
Disposal of intangible assets and tangible fixed assets	4 810	290
Dividends received	48 326	28 961
Acquisition of shares in subsidiaries	-	(17 000)
Purchase of intangible assets and tangible fixed assets	(260 936)	(279 821)
<b>B. Cash flows from investing activities</b>	<b>(207 800)</b>	<b>(263 290)</b>
Proceeds from issue of debt securities	642 500	-
Proceeds from issue of ordinary shares	116	-
Repayments of other loans and advances	-	(1 358 250)
Redemption of debt securities	(799 524)	-
Payments of financial lease liabilities	(46 802)	(44 599)
Interest paid from loans and advances received from banks and subordinated liabilities	(28 686)	(28 301)
<b>C. Cash flows from financing activities</b>	<b>(232 396)</b>	<b>(1 431 150)</b>
<b>Net increase / decrease in cash and cash equivalents (A+B+C)</b>	<b>2 702 508</b>	<b>16 074 874</b>
Effects of exchange rate changes on cash and cash equivalents	71 979	8 958
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>15 197 443</b>	<b>20 288 964</b>

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS****1. Description of relevant accounting policies****Accounting basis**

The condensed financial statements of mBank S.A. have been prepared for the 6-month period ended 30 June 2022. Comparative data include the period from 1 January 2021 to 30 June 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 the first half 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.

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 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 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. As of the date of approving these 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 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 first half 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 first half of 2022.

**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

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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 June 2022, change by +/- 10%, the estimated loans and advances and off-balance sheet liabilities impairment would either decrease by PLN 33.8 million or increase by PLN 35.2 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 second 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 June 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 June 2022												
	Balance sheet gross exposure in PLN thousand				Off-balance sheet exposure in PLN thousand				Expected credit losses in PLN thousand				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	-	-	-	-	-	-	-	-	-	-	-	-	-
Russia	-	-	663	-	-	-	-	-	-	-	(663)	-	46 832
Belarus	-	3 342	-	-	-	-	-	-	-	(1 899)	-	-	-
<b>Total</b>	-	<b>3 342</b>	<b>663</b>	-	-	-	-	-	-	<b>(1 899)</b>	<b>(663)</b>	-	<b>46 832</b>

There was also identified an indirect exposure: a balance sheet exposure of PLN 377.7 million and an off-balance sheet exposure of PLN 279.6 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 June 2022												
	Balance sheet gross exposure in PLN thousand				Off-balance sheet exposure in PLN thousand				Expected credit losses in PLN thousand				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	56 581	-	304	-	105 975	-	-	-	(162)	-	(90)	-	-
Russia	270 718	179	48 081	-	171 724	-	-	-	(1 078)	-	(48 081)	-	-
Belarus	1 823	-	0	-	1 866	-	-	-	(33)	-	-	-	-
<b>Total</b>	<b>329 122</b>	<b>179</b>	<b>48 385</b>	-	<b>279 565</b>	-	-	-	<b>(1 273)</b>	-	<b>(48 171)</b>	-	-

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

Due to the changes in the economic situation in the country resulting from the Russia's invasion of Ukraine, the Bank in the second quarter of 2022 worked on an update of the forecasts of future macroeconomic conditions that are incorporated into the risk parameter models used to calculate the expected credit loss. The update was preceded in the first quarter of 2022 by the assignment of a weight of 100% for the pessimistic scenario in the expected credit loss model. The detailed description of the above-mentioned modifications can be found below.

**Impact of the macroeconomic environment forecast on the expected credit loss values**

In the second quarter of 2022, the Bank worked on updating the forecasts of future macroeconomic conditions that are incorporated into the risk parameter models used to calculate the expected credit loss. The forecasts take into account the current development of the economic situation in the country resulting from the Russia's invasion of Ukraine and they are consistent with the forecasts used by the Bank in the planning process.

In order to assess expected credit loss (ECL) sensitivity to the future macroeconomic conditions, mBank determined the ECL value separately for each of the scenarios used for the purposes of calculating the expected credit risk losses. The impact of each of the scenarios is presented below.

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The table below presents forecasts of the main macroeconomic indicators included in the risk parameter models which are used to calculate the expected credit loss.

Scenario as of 30.06.2022		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast
GDP	y/y	5.0%	0.6%	6.6%	2.7%	3.7%	-1.4%
Unemployment rate	end of the year	2.5%	2.9%	2.3%	2.7%	3.4%	5.0%
Real estate price index	y/y	101.3	102.2	104.3	103.9	100.9	100.2
WIBOR3M	end of the year	7.28%	5.28%	8.28%	5.28%	5.52%	3.81%

Scenario as of 31.12.2021		base		optimistic		Pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The average for the next two years	The first year of the forecast	The average for the next two years	The first year of the forecast	The average for the next two years
GDP	y/y	5.1%	4.8%	7.1%	6.3%	3.5%	3.7%
Unemployment rate	end of the year	3.0%	2.6%	2.5%	2.1%	3.6%	3.3%
Real estate price index	y/y	107.9	107.1	109.6	108.1	104.1	104.6
WIBOR3M	end of the year	0.46%	0.96%	1.86%	2.61%	0.00%	0.00%

The value of credit risk cost is the result of all presented macroeconomic scenarios and the weights assigned to them. Impact of individual scenarios on the credit risk costs is as shown in the table below (weight of a given scenario 100%).

Scenario as of 30.06.2022	Change in value of credit risk costs			
	30.06.2022*			31.12.2021
	Stage 1	Stage 2	Total	Total
optimistic	56 410	6 151	<b>62 561</b>	<b>49 078</b>
base	(631)	361	<b>(270)</b>	<b>(6 448)</b>
pessimistic	(60 942)	(11 526)	<b>(72 468)</b>	<b>(73 774)</b>

\* Due to the requirements of Recommendation R, starting in the second quarter of 2022, the scope of the analysis was expanded to include a breakdown of performance by stage.

The above results were estimated taking into account the equal allocation to the stage 2 based on the weighted average of all 3 macroeconomic scenarios, without an assumption of additional potential migrations between stages. The ECL sensitivity analysis was performed for 90% of the assets of the portfolio of loans and advances to customers (excluding the impaired exposures and the exposures not valued with the use of models).

For the specialised lending portfolio there was provided a recalibration of long-term default probability and long-term loss models used for the calculation of expected credit losses and there was provided an update of macroeconomic forecasts, preceded in the first quarter of 2022 by the assignment of a weight of 100% for the pessimistic scenario in the expected credit loss model. The total impact on the level of expected credit loss of all changes for the specialised lending portfolio in the first half of 2022 was a release of provisions in the amount of PLN 2.1 million (positive impact on the result).

For the remaining loan portfolio, in the first half of 2022, there was performed an analysis of an update of macroeconomic forecasts, preceded in the first quarter of 2022 by the assignment of a weight of 100% for the pessimistic scenario in the expected credit loss model. The impact of these changes on the level of expected credit loss, for the loan portfolio not including specialised lending, was recognised as a creation of provisions in the amount of PLN 73 million (negative impact on the result) in the first half of 2022. Additionally, the impact on the fair value valuation of the non-mortgage portfolio amounted to PLN 1.8 million in the first half of 2022 (negative impact on the result).

### 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.

The calculation of the average annual effective income tax rate requires the use of a pre-tax income forecast for the entire fiscal year and permanent differences between the carrying amounts of assets and liabilities and their tax base. The projected annual effective tax rate used to calculate the income tax expense during the first half of 2022 was 42.7% (in the first half of 2021: 41.8%). The main impact on the increase in the average annual effective tax rate in comparison to nominal income tax rate in the first half of 2022 was the projected impact of the so-called "credit holidays" on the Bank's gross profit in the second half of 2022.

### **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.

Currently the Bank recognises upfront less than 8% of bancassurance income associated with cash and car loans and 0% to approximately 20% of bancassurance income associated with mortgage loans. Recognition of the remaining part of the income is spread over the economic life of associated loans. 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 first half 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 half-year 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.

**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**

- The value of the portfolio of mortgage loans granted in PLN measured at fair value through other comprehensive income was significantly affected by the Act on crowdfunding for business ventures and aid to borrowers which introduced the possibility of suspending the performance of mortgage loan agreements granted in Polish currency (so-called "loan holidays"). On this account, the Bank reduced the value of these loans as of 30 June 2022 by PLN 585.1 million, which resulted in a decrease of other components of equity by 489.0 million PLN including tax effect.
- In the financial results for the first half of 2022, Bank recognised the cost of legal risk related to foreign currency loans in the amount of PLN 367.8 million. The detailed information in this regard is presented in Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the first half of 2022.
- In the first half of 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 will credit the aid fund with a contribution of PLN 390 834 thousand, which was charged to overheads costs.
- 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 6.00% as at 30 June 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 first half of 2022 include cost of legal risk related to foreign currencies loans in the amount of PLN 367.8 million. The detailed information are presented in Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the first half 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 first half 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.

## **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 statements for the first half of 2022.

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

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

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

On 31 May 2022, for the first time, 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 first half 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 first half 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 first half 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 to 30.06.2022	from 01.01.2021 to 30.06.2021
<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		(382 415)	(367 445)
- debt securities		(1 331)	16
- loans and advances		(381 084)	(367 461)
Financial assets at fair value through other comprehensive income		(10 382)	2 866
- equity instruments		(554)	1 850
- debt securities		(9 828)	1 016
Commitments and guarantees granted		(1 776)	(533)
Liabilities from the issue of bonds linked to credit risk (CLN bonds)		6 885	
<b>Total gains less losses from financial assets not measured at fair value through profit or loss</b>		<b>(387 688)</b>	<b>(365 112)</b>

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

In the first half of 2022, events as indicated above did not occur in the Bank.

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

In the first half 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 first half 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 first half 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 6.00% as at 30 June 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.

In addition, the Act on crowdfunding for business ventures and aid to borrowers had significant and negative impact on the fair value of mortgages granted in PLN, as this Act introduced the possibility of suspending the performance of mortgage contracts granted in Polish currency (the so-called "credit holidays"). For the purpose of calculating the fair value adjustment of this portfolio, it was assumed that as of 30 June 2022 the probability of this law coming into effect was 100%, and the estimated participation of eligible borrowers would be 60%. On this account as of 30 June 2022, the Bank reduced the carrying value of mortgages granted in PLN measured in fair value through other comprehensive income by PLN 585.1 million, which resulted in a decrease of other components of equity by 489.0 million PLN including tax effect. For more information on the impact of the credit holidays, see Item 36 of Selected Explanatory Data.

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

In the first half 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 half-year report compared to the forecast**

The Bank did not publish a performance forecast for 2022.

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(PLN thousand)

**24. Registered share capital**

The total number of ordinary shares as at 30 June 2022 was 42 413 932 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 JUNE 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	-	-	29 048	116 192	fully paid in cash	2022
<b>Total number of shares</b>			<b>42 413 932</b>			
<b>Total registered share capital</b>				<b>169 655 728</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 June 2022 it held 69.21% 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 30.06.2022	from 01.01.2021 to 30.06.2021
<b>Basic:</b>			
Net profit		731 299	398 026
Weighted average number of ordinary shares		42 385 526	42 367 040
<b>Net basic profit per share (in PLN per share)</b>		<b>17.25</b>	<b>9.39</b>
<b>Diluted:</b>			
Net profit applied for calculation of diluted earnings per share		731 299	398 026
Weighted average number of ordinary shares		42 385 526	42 367 040
Adjustments for:			
- share options		78 487	62 466
Weighted average number of ordinary shares for calculation of diluted earnings per share		42 464 013	42 429 506
<b>Diluted earnings per share (in PLN per share)</b>		<b>17.22</b>	<b>9.38</b>

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(PLN thousand)

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

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

**29. Off-balance sheet liabilities**

	30.06.2022	31.12.2021
<b>Contingent liabilities granted and received</b>	<b>50 044 332</b>	<b>46 751 254</b>
<b>Commitments granted</b>	<b>41 310 909</b>	<b>38 623 672</b>
Financing	31 910 330	31 064 725
Guarantees and other financial facilities	7 599 530	7 556 406
Other liabilities	1 801 049	2 541
<b>Commitments received</b>	<b>8 733 423</b>	<b>8 127 582</b>
Financial commitments received	588 087	464 840
Guarantees received	8 145 336	7 662 742
<b>Derivative financial instruments (nominal value of contracts)</b>	<b>915 280 379</b>	<b>815 302 332</b>
Interest rate derivatives	786 007 693	678 207 144
Currency derivatives	119 453 130	130 057 681
Market risk derivatives	9 819 556	7 037 507
<b>Total off-balance sheet items</b>	<b>965 324 711</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 not 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 June 2022 and as at 31 December 2021, and related costs and income for the period from 1 January to 30 June 2022 and from 1 January to 30 June 2021 are presented in the table below.

	mBank's subsidiaries			Commerzbank AG			Other companies of the Commerzbank AG Group		
	30.06.2022	31.12.2021	30.06.2021	30.06.2022	31.12.2021	30.06.2021	30.06.2022	31.12.2021	30.06.2021
<b>Statement of financial position</b>									
Assets	22 149 265	20 331 269		1 933 945	1 204 403		39	37	
Liabilities	454 732	556 352		2 859 372	2 884 929		70 056	73 658	
<b>Income Statement</b>									
Interest income	388 574		82 723	20 174		10 952	17		79
Interest expense	(3 005)		(172)	(19 209)		(10 342)	(145)		(12)
Fee and commission income	11 445		10 525	2 216		2 674	146		230
Fee and commission expense	(118 119)		(103 629)	-		-	-		-
Other operating income	6 782		3 864	2 620		972	-		-
Overhead costs, amortisation and other operating expenses	(2 293)		(1 890)	(5 590)		(2 677)	-		-
<b>Contingent liabilities granted and received</b>									
Liabilities granted	2 900 505	2 763 259		1 602 214	1 564 733		3 519	3 514	
Liabilities received	-	-		1 469 994	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 June 2022 recognised in the Bank's income statement for that period amounted to PLN 15 544 thousand (in the period from 1 January to 30 June 2021: PLN 11 731 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 three-month period, ended on 30 June 2022, 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 the asset or transferring a liability occurs either on the main market for the asset or liability, or in the absence of a main market, for the most advantageous market for the asset or 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, there is calculated and disclosed the fair value, but only for disclosure purposes – according to IFRS7.

The approach to the method used for the loans that are fair valued in line of 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 is applying pricing models well established in market practice (mark-to-model method) which use as inputs market prices or market parameters, and in few cases, parameters estimated internally by the Bank. All significant open positions in derivatives are valued by 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.

**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.

	30.06.2022		31.12.2021	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets at amortised cost</b>				
<b>Debt securities</b>	<b>19 501 363</b>	<b>16 722 360</b>	<b>16 632 915</b>	<b>15 358 098</b>
<b>Loans and advances to banks</b>	<b>12 935 630</b>	<b>12 929 025</b>	<b>11 194 916</b>	<b>11 192 768</b>
<b>Loans and advances to customers, including:</b>	<b>93 119 157</b>	<b>92 099 210</b>	<b>86 499 146</b>	<b>86 415 449</b>
<b>Loans and advances to individuals</b>	<b>43 807 849</b>	<b>43 543 804</b>	<b>43 319 138</b>	<b>44 209 477</b>
Current accounts	7 495 304	7 970 404	7 252 733	7 488 236
Term loans	35 862 710	35 123 565	35 680 027	36 334 863
Other	449 835	449 835	386 378	386 378
<b>Loans and advances to corporate entities</b>	<b>49 233 874</b>	<b>48 479 215</b>	<b>43 099 288</b>	<b>42 129 128</b>
Current accounts	7 878 465	7 681 289	5 613 678	5 475 185
Term loans	38 686 136	38 128 653	36 876 632	36 044 965
Reverse repo or buy/sell back transactions	2 235 701	2 235 701	187 630	187 630
Other loans and advances	408 243	408 243	407 704	407 704
Other	25 329	25 329	13 644	13 644
<b>Loans and advances to public sector</b>	<b>77 434</b>	<b>76 191</b>	<b>80 720</b>	<b>76 844</b>
<b>Financial liabilities at amortised cost</b>				
<b>Amounts due to other banks</b>	<b>2 698 819</b>	<b>2 698 819</b>	<b>3 420 001</b>	<b>3 420 001</b>
<b>Amounts due to customers</b>	<b>163 802 990</b>	<b>163 792 249</b>	<b>159 905 991</b>	<b>159 888 932</b>
<b>Debt securities in issue</b>	<b>6 518 672</b>	<b>6 066 647</b>	<b>6 683 623</b>	<b>6 698 899</b>
<b>Subordinated liabilities</b>	<b>2 702 305</b>	<b>2 596 144</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 for 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 was 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.

The fair value of term loans to individual customers takes into account the impact of 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").

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.



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In the case of a credit risk related bonds - Credit Link Note (CLN), the bank uses the method of discounted cash flows bonds 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 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 has 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 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.

Bank assumed that the fair values of these instruments with less than 1 year to maturity was equal to the carrying amounts 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 June 2022 and as at 31 December 2021.

30.06.2022	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	16 722 360	13 142 149	-	3 580 211
Loans and advances to banks	12 929 025	-	-	12 929 025
Loans and advances to customers	92 099 210	-	-	92 099 210
<b>Total financial assets</b>	<b>121 750 595</b>	<b>13 142 149</b>	<b>-</b>	<b>108 608 446</b>

**Financial liabilities**

Amounts due to banks	2 698 819	-	-	2 698 819
Amounts due to customers	163 792 249	-	2 458 332	161 333 917
Debt securities in issue	6 066 647	6 041 041	-	25 606
Subordinated liabilities	2 596 144	-	2 596 144	-
<b>Total financial liabilities</b>	<b>175 153 859</b>	<b>6 041 041</b>	<b>5 054 476</b>	<b>164 058 342</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>-</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 values of financial assets and liabilities recognised in the statement of financial position of the Bank at their fair values.

30.06.2022	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>3 252 015</b>	<b>718 318</b>	<b>1 992 459</b>	<b>541 238</b>
Loans and advances to customers	37 626	-	-	37 626
Debt securities	1 215 755	712 143	-	503 612
Equity securities	6 175	6 175	-	-
Derivatives, including:	1 992 459	-	1 992 459	-
Derivatives held for trading	2 534 907	-	2 534 907	-
Hedging derivatives	150 838	-	150 838	-
Offsetting effect	(693 286)	-	(693 286)	-
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>1 020 355</b>	<b>789</b>	<b>-</b>	<b>1 019 566</b>
Loans and advances to customers	844 459	-	-	844 459
Debt securities	81 319	-	-	81 319
Equity securities	94 577	789	-	93 788
<b>Financial assets at fair value through other comprehensive income</b>	<b>45 546 603</b>	<b>20 736 167</b>	<b>3 999 320</b>	<b>20 811 116</b>
Loans and advances to customers	19 111 271	-	-	19 111 271
Debt securities	26 435 332	20 736 167	3 999 320	1 699 845
<b>Total financial assets</b>	<b>49 818 973</b>	<b>21 455 274</b>	<b>5 991 779</b>	<b>22 371 920</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>2 843 503</b>	<b>615 430</b>	<b>2 228 073</b>	<b>-</b>
Derivatives, including:	2 228 073	-	2 228 073	-
Derivatives held for trading	3 001 443	-	3 001 443	-
Hedging derivatives	3 586 853	-	3 586 853	-
Offsetting effect	(4 360 223)	-	(4 360 223)	-
Liabilities from short sale of securities	615 430	615 430	-	-
<b>Total financial liabilities</b>	<b>2 843 503</b>	<b>615 430</b>	<b>2 228 073</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>2 581 174</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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Assets and liabilities measured at fair value and investment properties based on Level 3 changes in the period from 1 January to 30 June 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>409</b>	<b>5 268</b>	<b>(16 894)</b>	<b>191</b>	<b>(54 031)</b>	<b>(743 749)</b>	<b>(42 659)</b>	<b>-</b>
Recognised in profit or loss:	409	5 268	(16 894)	191	(54 031)	(5 856)	-	-
<i>Net trading income</i>	409	5 268	-	8 670	31	-	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	(16 894)	(8 479)	(54 062)	-	-	-
<i>Other operating income / (expenses)</i>	-	-	-	-	-	(5 856)	-	-
Recognised in other comprehensive income:	-	-	-	-	-	(737 893)	(42 659)	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	(737 893)	(42 659)	-
Purchases / origination	-	689 296	23 730	-	223	3 320 112	982 571	-
Redemptions / total repayments	(3 813)	(69 892)	(132 875)	-	-	(447 297)	(268 045)	-
Sales	-	(1 199 520)	-	-	-	(1 420 569)	(606 392)	-
Issues	-	653 281	-	-	-	-	129 770	-
Other changes	604	-	(20 971)	-	-	211 520	-	-
<b>As at the end of the period</b>	<b>37 626</b>	<b>503 612</b>	<b>844 459</b>	<b>81 319</b>	<b>93 788</b>	<b>19 111 271</b>	<b>1 699 845</b>	<b>127 510</b>

Assets and liabilities 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 first half 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 if 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 valuation to marked-to-model valuation under the assumption that the valuation model for the respective type of this instrument has been already approved. The return to marked-to-market valuation 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 respectively 2 and 5 working days.

**Level 1**

As at 30 June 2022 at level 1 of the fair value hierarchy, the Bank has presented the fair value of held for trading government bonds in the amount of PLN 712 143 thousand and the fair value of government bonds and treasury bills measured at fair value through other comprehensive income in the amount of PLN 19 436 683 thousand (31 December 2021: PLN 248 906 thousand and PLN 24 468 564 thousand, respectively). Level 1 includes the fair values of corporate bonds in the amount of PLN 1 299 484 thousand (31 December 2021: PLN 1 502 996 thousand).

In addition, as at 30 June 2022 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 789 thousand (31 December 2021: PLN 870 thousand) and equity instruments in the amount of PLN 6 175 thousand.

As at 30 June 2022 also includes liabilities from short sale of securities quoted on active markets in the amount of PLN 615 430 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**

Level 2 of the fair value hierarchy mainly includes the fair values of bills issued by NBP in the amount of PLN 3 999 320 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**

Level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies in the amount of PLN 2 250 716 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.

Level 3 includes also the fair value of local government bonds in the amount of PLN 34 060 thousand (31 December 2021: 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 June 2022 includes the value of loans and advances to customers in the amount of PLN 19 993 356 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 93 788 thousand (31 December 2021: PLN 147 596 thousand). The equity securities presented at level 3 have been valued using the discounted dividend method and discounted cash flows method. Valuation was carried out based on the selected financial data provided by the valued entities and discounted using cost of capital calculated with CAPM model (Capital Asset Pricing Model). The cost of own capital were estimated at 12.4% at the end of June 2022 (31 December 2021: 7.9%).

As at 30 June 2022 and 31 December 2021 level 3 also includes fair value of investment property in the amount of PLN 127 510 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.

**mBank S.A. Group**

Consolidated financial report for the first half of 2022

Condensed stand-alone financial statement of mBank S.A. for the first half of 2022

(PLN thousand)

Portfolio	Fair value 30.06.2022	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	93 788	(8 909)	11 062	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	1 699 845	(30 013)	30 013	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	503 612	(7 917)	7 917	
Loans and advances to customers held for trading	37 626	(717)	700	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	844 459	(14 107)	14 670	
Loans and advances to customers at fair value through other comprehensive income	19 111 271	(4 981)	4 642	

Portfolio	Fair value 31.12.2021	Sensitivity to change of 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	

### 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

In the first half of 2022, events as indicated above did not occur in the Group.

### 34. Factors affecting the results in the coming quarter

The next quarter's results will be significantly affected by the entry into force of the Act on crowdfunding for business ventures and aid to borrowers, which introduces the possibility of suspending the performance of mortgage contracts granted in Polish currency (the so-called "credit holidays") and also introduces the obligation to contribute to the Borrower Support Fund. Given the above, the Bank expects that the net income will be negative in the third quarter of 2022. The Tier I capital ratios and the total capital ratio will remain above the minimum capital requirements. More information on the impact of the credit vacations on the Bank's results is presented in Item 36 of Selected Explanatory Data.

Increases in interest rates by 50 basis points, made by the Monetary Policy Council on 7 July 2022, will have a positive impact on the net interest income of the Bank, but at the same time will have a negative impact on the valuation of derivatives and financial assets based on a fixed interest rate and valued at fair value.

In the coming quarter, the financial situation and quality of asset 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 first half of 2022.

### 35. Other information

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

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

- Individual total capital ratio: 13.51% and Tier 1 capital ratio: 10.89%
- Consolidated total capital ratio: 13.17% and Tier 1 capital ratio: 10.64%.

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

	30.06.2022		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)	12 652 794	12 228 170	13 529 356	13 061 828
Tier I capital (PLN thousand)	12 652 794	12 228 170	13 529 356	13 061 828
Own funds (PLN thousand)	14 958 564	14 533 940	15 849 040	15 381 512
Common Equity Tier I ratio (%)	15.6	15.0	16.2	15.7
Tier I capital ratio (%)	15.6	15.0	16.2	15.7
Total capital ratio (%)	18.4	17.8	19.0	18.5

**36. Events after the balance sheet date**

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"). The Bank expects the credit vacation to have a negative impact of between PLN 1.0 billion and PLN 1.3 billion on the Bank's gross profit for the third quarter of 2022. The above stated range is on the basis of estimated participation between 60% and 80% among currently assumed eligible borrowers. Expected influence of „credit holidays” on the value of the portfolio of mortgage loans measured at fair value through other comprehensive income was included in these financial statements as it was described in Item 4 of Selected explanatory data.

The Act on crowdfunding for business ventures and aid to borrowers also makes a mandatory contribution to the Borrower Support Fund. The Bank estimates that the contribution to the Borrower Support Fund will be between PLN 87 million and PLN 143 million depending on the assumptions. The final amount will be set by the Council of the Borrower Support Fund.

Given the above, the Bank expects the Bank's net income to be negative in the third quarter of 2022. Tier 1 capital ratios and total capital ratios at the Bank and mBank Group levels remain above minimum capital requirements.

The law also provides for a process leading to the replacement of the WIBOR interest rate with a new reference index. In the absence of more detailed information on the new reference index that will replace WIBOR, it is not possible to estimate the potential impact of the above changes in the future.