

Selected non-audited consolidated financial information of mBank S.A. Group for the fourth quarter of 2021



These Selected Non-Audited Consolidated Financial Information of mBank S.A. Group for the Fourth Quarter of 2021 does not meet the definition of an interim report included in the International Accounting Standard 34 Interim Financial Reporting or the Regulation of the Minister of Finance of 29 March 2018 on current and financial reports published by the issuers of securities and the rules of equal treatment of the information required by the laws of a non-member state.

Legal basis: article 17 (1) of Regulation (EU) No 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse (MAR).

CONTENTS

CONDENSED CONSOLIDATED INCOME STATEMENT	3
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	5
CONDENSED STAND-ALONE INCOME STATEMENT.....	6
CONDENSED STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME.....	7
CONDENSED STAND-ALONE STATEMENT OF FINANCIAL POSITION	8
Summary of mBank Group results in Q4 2021	9
Legal risk related to mortgage and housing loans granted to individual customers in CHF.....	9
Net interest income	17
Net fee and commission income.....	18
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	18
Overhead costs.....	19
Staff-related expenses	19
Comment to the consolidated statement of financial position of mBank S.A. Group.....	19
Financial assets and liabilities held for trading and derivatives held for hedges.....	21
Non-trading financial assets mandatorily at fair value through profit or loss.....	21
Financial assets at fair value through other comprehensive income	22
Financial assets at amortised cost	23
Financial liabilities measured at amortised cost	25
Business segments.....	26
Comparative data.....	27

mBank Group S.A.

Selected non-audited consolidated financial information
for the fourth quarter of 2021

(in PLN ths)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Period from 01.10.2021 to 31.12.2021	Period from 01.01.2021 to 31.12.2021	Period from 01.10.2020 to 31.12.2020	Period from 01.01.2020 to 31.12.2020
Interest income, including:	1 291 748	4 431 737	1 063 235	4 688 353
<i>Interest income accounted for using the effective interest method</i>	<i>1 170 719</i>	<i>3 947 950</i>	<i>937 241</i>	<i>4 207 276</i>
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	<i>121 029</i>	<i>483 787</i>	<i>125 994</i>	<i>481 077</i>
Interest expenses	(100 982)	(327 694)	(86 305)	(679 053)
Net interest income	1 190 766	4 104 043	976 930	4 009 300
Fee and commission income	723 701	2 714 896	611 132	2 244 561
Fee and commission expenses	(233 747)	(824 875)	(201 661)	(736 276)
Net fee and commission income	489 954	1 890 021	409 471	1 508 285
Dividend income	177	5 046	137	4 926
Net trading income	(36 892)	96 890	42 251	184 752
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	14 037	4 608	49 890	15 572
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	461	93 690	92 006	93 527
Other operating income	67 742	232 384	52 859	218 052
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(294 986)	(873 226)	(255 690)	(1 225 642)
Costs of legal risk related to foreign currency loans	(2 006 455)	(2 758 079)	(632 980)	(1 021 714)
Overhead costs	(490 508)	(2 020 629)	(428 088)	(1 980 500)
Depreciation	(104 991)	(436 254)	(108 491)	(430 628)
Other operating expenses	(100 518)	(320 898)	(78 126)	(234 820)
Operating profit	(1 271 213)	17 596	120 169	1 141 110
Taxes on the Group balance sheet items	(164 047)	(608 627)	(127 767)	(531 379)
Profit before income tax	(1 435 260)	(591 031)	(7 598)	609 731
Income tax expense	(195 868)	(587 782)	(167 092)	(505 974)
Net profit attributable to:	(1 631 128)	(1 178 813)	(174 690)	103 757
- Owners of mBank S.A.	(1 631 116)	(1 178 753)	(174 682)	103 831
- Non-controlling interests	(12)	(60)	(8)	(74)
Net profit attributable to Owners of mBank S.A.	(1 631 116)	(1 178 753)	(174 682)	103 831
Weighted average number of ordinary shares	42 367 220	42 369 790	42 365 937	42 355 695
Earnings per share (in PLN)	(38.50)	(27.82)	(4.12)	2.45
Weighted average number of ordinary shares for diluted earnings	42 447 939	42 450 509	42 389 968	42 379 726
Diluted earnings per share (in PLN)	(38.43)	(27.77)	(4.12)	2.45

mBank Group S.A.

Selected non-audited consolidated financial information
for the fourth quarter of 2021

(in PLN ths)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period from 01.10.2021 to 31.12.2021	Period from 01.01.2021 to 31.12.2021	Period from 01.10.2020 to 31.12.2020	Period from 01.01.2020 to 31.12.2020
Net profit	(1 631 128)	(1 178 813)	(174 690)	103 757
Other comprehensive income net of tax, including:	(1 191 662)	(1 788 889)	(124 904)	407 791
Items that may be reclassified subsequently to the income statement				
Exchange differences on translation of foreign operations (net)	2 901	4 898	3 508	3 043
Cash flows hedges (net)	(548 132)	(919 332)	(54 372)	299 988
Debt instruments at fair value through other comprehensive income (net)	(653 490)	(892 950)	(67 788)	111 012
Items that will not be reclassified to the income statement				
Actuarial gains and losses relating to post-employment benefits (net)	7 059	7 059	(6 252)	(6 252)
Investment properties (net)	-	11 436	-	-
Total comprehensive income (net)	(2 822 790)	(2 967 702)	(299 594)	511 548
Total comprehensive income (net), attributable to:				
- Owners of mBank S.A.	(2 822 778)	(2 967 642)	(299 586)	511 622
- Non-controlling interests	(12)	(60)	(8)	(74)

mBank Group S.A.

 Selected non-audited consolidated financial information
 for the fourth quarter of 2021

(in PLN ths)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	31.12.2021	30.09.2021	31.12.2020 - restated	01.01.2020 - restated
Cash and balances with the Central Bank	12 202 266	18 015 638	3 968 691	7 897 010
Financial assets held for trading and derivatives held for hedges	2 589 076	3 305 612	2 586 721	2 866 034
Non-trading financial assets mandatorily at fair value through profit or loss, including:	1 417 191	1 503 595	1 784 691	2 267 922
<i>Equity instruments</i>	224 389	209 040	202 304	162 616
<i>Debt securities</i>	81 128	82 063	76 068	133 774
<i>Loans and advances to customers</i>	1 111 674	1 212 492	1 506 319	1 971 532
Financial assets at fair value through other comprehensive income	36 206 059	31 879 610	35 498 061	22 773 921
Financial assets at amortised cost, including:	140 296 538	147 803 106	130 179 902	118 412 330
<i>Debt securities</i>	16 164 103	14 990 221	15 952 501	11 234 873
<i>Loans and advances to banks</i>	7 229 681	14 398 589	7 354 268	4 341 758
<i>Loans and advances to customers</i>	116 902 754	118 414 296	106 873 133	102 835 699
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 055 478	316 933	-	-
Non-current assets and disposal groups classified as held for sale	31 247	-	-	10 651
Intangible assets	1 283 953	1 220 375	1 178 698	955 440
Tangible assets	1 542 250	1 537 352	1 514 577	1 262 397
Investment properties	127 510	127 510	-	-
Current income tax assets	28 147	21 328	23 957	12 662
Deferred income tax assets	1 392 350	1 090 182	853 880	937 712
Other assets	1 366 820	1 330 559	1 282 439	956 949
TOTAL ASSETS	199 538 885	208 151 800	178 871 617	158 353 028
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities held for trading and derivatives held for hedges	2 011 182	2 317 815	1 338 564	948 764
Financial liabilities measured at amortised cost, including:	179 348 925	184 740 406	156 673 052	137 763 369
<i>Amounts due to banks</i>	3 359 558	2 556 140	2 399 740	1 166 871
<i>Amounts due to customers</i>	159 935 129	164 141 601	137 698 668	116 661 138
<i>Debt securities issued</i>	13 429 782	15 462 944	13 996 317	17 435 143
<i>Subordinated liabilities</i>	2 624 456	2 579 721	2 578 327	2 500 217
Fair value changes of the hedged items in portfolio hedge of interest rate risk	110 033	65 721	59 624	136
Liabilities classified as held for sale	7 425	-	-	1 315
Provisions	811 455	838 431	501 691	371 741
Current income tax liabilities	61 910	28 033	225 796	161 534
Deferred income tax liabilities	89	90	690	82
Other liabilities	3 469 950	3 625 136	3 397 133	2 952 782
TOTAL LIABILITIES	185 820 969	191 615 632	162 196 550	142 199 723
EQUITY				
Equity attributable to Owners of mBank S.A.	13 716 050	16 534 286	16 673 133	16 151 303
Share capital:	3 593 944	3 588 583	3 587 035	3 579 818
Registered share capital	169 540	169 475	169 468	169 401
Share premium	3 424 404	3 419 108	3 417 567	3 410 417
Retained earnings, including:	11 326 494	12 958 429	12 501 597	12 394 775
- Profit from the previous years	12 505 247	12 506 066	12 397 766	12 394 775
- Profit for the current year	(1 178 753)	452 363	103 831	-
Other components of equity	(1 204 388)	(12 726)	584 501	176 710
Non-controlling interests	1 866	1 882	1 934	2 002
TOTAL EQUITY	13 717 916	16 536 168	16 675 067	16 153 305
TOTAL LIABILITIES AND EQUITY	199 538 885	208 151 800	178 871 617	158 353 028
Total capital ratio	16.57	17.51	19.86	19.46
Common Equity Tier 1 capital ratio	14.15	15.19	16.99	16.51
Book value	13 716 050	16 534 286	16 673 133	16 151 303
Number of shares	42 384 884	42 368 696	42 367 040	42 350 367
Book value per share (in PLN)	323.61	390.25	393.54	381.37

mBank Group S.A.Selected non-audited consolidated financial information
for the fourth quarter of 2021

(in PLN ths)

CONDENSED STAND-ALONE INCOME STATEMENT

	Period from 01.10.2021 to 31.12.2021	Period from 01.01.2021 to 31.12.2021	Period from 01.10.2020 to 31.12.2020	Period from 01.01.2020 to 31.12.2020
Interest income, including:	1 157 070	3 879 243	922 199	4 109 239
<i>Interest income accounted for using the effective interest method</i>	<i>1 036 487</i>	<i>3 409 087</i>	<i>802 511</i>	<i>3 647 495</i>
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	<i>120 583</i>	<i>470 156</i>	<i>119 688</i>	<i>461 744</i>
Interest expenses	(81 025)	(257 066)	(68 144)	(568 077)
Net interest income	1 076 045	3 622 177	854 055	3 541 162
Fee and commission income	675 651	2 532 315	575 878	2 095 250
Fee and commission expenses	(202 714)	(712 664)	(172 846)	(636 291)
Net fee and commission income	472 937	1 819 651	403 032	1 458 959
Dividend income	177	30 095	137	31 271
Net trading income	(38 652)	78 317	36 131	183 724
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	14 203	3 744	50 515	17 740
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(415)	76 622	108 603	95 114
Other operating income	8 045	44 314	14 434	45 343
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(254 304)	(782 861)	(202 585)	(1 031 276)
Costs of legal risk related to foreign currency loans	(2 006 455)	(2 758 079)	(632 980)	(1 021 714)
Overhead costs	(439 419)	(1 817 885)	(381 085)	(1 774 844)
Depreciation	(90 005)	(376 780)	(93 560)	(376 363)
Other operating expenses	(65 046)	(212 639)	(47 175)	(125 972)
Operating profit	(1 322 889)	(273 324)	109 522	1 043 144
Taxes on the Bank balance sheet items	(156 119)	(577 565)	(119 765)	(500 030)
Share in profits (losses) of entities under the equity method	21 359	170 662	4 181	29 882
Profit before income tax	(1 457 649)	(680 227)	(6 062)	572 996
Income tax expense	(187 615)	(535 126)	(164 520)	(479 949)
Net profit	(1 645 264)	(1 215 353)	(170 582)	93 047
Net profit	(1 645 264)	(1 215 353)	(170 582)	93 047
Weighted average number of ordinary shares	42 367 220	42 369 790	42 365 937	42 355 695
Earnings per share (in PLN)	(38.83)	(28.68)	(4.03)	2.20
Weighted average number of ordinary shares for diluted earnings	42 447 939	42 450 509	42 389 968	42 379 726
Diluted earnings per share (in PLN)	(38.76)	(28.63)	(4.02)	2.20

mBank Group S.A.

Selected non-audited consolidated financial information
for the fourth quarter of 2021

(in PLN ths)

CONDENSED STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME

	Period from 01.10.2021 to 31.12.2021	Period from 01.01.2021 to 31.12.2021	Period from 01.10.2020 to 31.12.2020	Period from 01.01.2020 to 31.12.2020
Net profit	(1 645 264)	(1 215 353)	(170 582)	93 047
Other comprehensive income net of tax, including:	(1 204 320)	(1 881 075)	(47 709)	249 412
Items that may be reclassified subsequently to the income statement				
Exchange differences on translation of foreign operations (net)	2 758	4 803	3 386	2 854
Cash flows hedges (net)	(544 452)	(901 645)	(54 366)	283 530
Share of other comprehensive income of entities under the equity method (net)	(14 917)	(28 110)	4 232	9 898
Debt instruments at fair value through other comprehensive income (net)	(654 418)	(974 268)	5 274	(40 635)
Items that will not be reclassified to the income statement				
Actuarial gains and losses relating to post-employment benefits (net)	6 709	6 709	(6 235)	(6 235)
Investment properties (net)	-	11 436	-	-
Total comprehensive income (net)	(2 849 584)	(3 096 428)	(218 291)	342 459

CONDENSED STAND-ALONE STATEMENT OF FINANCIAL POSITION

ASSETS	31.12.2021	30.09.2021	31.12.2020 - restated	01.01.2020 - restated
Cash and balances with the Central Bank	12 087 608	17 977 116	3 939 298	7 861 776
Financial assets held for trading and derivatives held for hedges	2 581 174	3 275 270	2 493 535	2 921 749
Non-trading financial assets mandatorily at fair value through profit or loss, including:	1 221 063	1 303 864	1 585 029	2 035 189
<i>Equity instruments</i>	148 466	137 294	136 480	87 597
<i>Debt securities</i>	81 128	82 063	76 068	133 774
<i>Loans and advances to customers</i>	991 469	1 084 507	1 372 481	1 813 818
Financial assets at fair value through other comprehensive income	54 162 657	48 011 287	47 731 612	30 298 647
Financial assets at amortised cost, including:	114 326 977	123 624 898	109 527 366	100 942 738
<i>Debt securities</i>	16 632 915	15 458 464	15 952 501	11 234 873
<i>Loans and advances to credit institutions</i>	11 194 916	18 438 842	10 845 844	7 337 703
<i>Loans and advances to customers</i>	86 499 146	89 727 592	82 729 021	82 370 162
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 055 478	316 933	-	-
Investments in subsidiaries	2 357 068	2 351 820	2 204 922	2 164 112
Non-current assets and disposal groups classified as held for sale	31 247	-	-	91 605
Intangible assets	1 111 479	1 052 193	1 013 746	823 109
Tangible assets	1 204 680	1 198 729	1 246 496	945 606
Investment properties	127 510	127 510	-	-
Current income tax assets	28 077	21 258	22 826	11 878
Deferred income tax assets	721 324	417 498	206 924	273 257
Other assets	857 477	818 698	773 253	491 052
TOTAL ASSETS	191 873 819	200 497 074	170 745 007	148 860 718
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities held for trading and derivatives held for hedges	2 044 601	2 375 357	1 414 374	987 933
Financial liabilities measured at amortised cost, including:	172 634 071	177 942 430	149 315 812	128 979 983
<i>Amounts due to banks</i>	3 420 001	2 602 496	2 624 286	1 180 782
<i>Amounts due to customers</i>	159 905 991	164 104 461	137 778 034	121 936 987
<i>Debt securities issued</i>	6 683 623	8 655 752	6 335 165	3 361 997
<i>Subordinated liabilities</i>	2 624 456	2 579 721	2 578 327	2 500 217
Fair value changes of the hedged items in portfolio hedge of interest rate risk	110 033	65 721	59 624	136
Liabilities classified as held for sale	7 425	-	-	-
Provisions	839 698	859 305	515 211	369 612
Current income tax liabilities	54 467	24 790	225 029	150 859
Deferred income tax liabilities	89	90	89	82
Other liabilities	2 801 612	3 002 516	2 747 176	2 257 106
TOTAL LIABILITIES	178 491 996	184 270 209	154 277 315	132 745 711
EQUITY				
Share capital:	3 593 944	3 588 583	3 587 035	3 579 818
Registered share capital	169 540	169 475	169 468	169 401
Share premium	3 424 404	3 419 108	3 417 567	3 410 417
Retained earnings:	11 248 903	12 894 986	12 460 606	12 364 550
- Profit from the previous years	12 464 256	12 465 075	12 367 559	12 364 550
- Profit for the current year	(1 215 353)	429 911	93 047	-
Other components of equity	(1 461 024)	(256 704)	420 051	170 639
TOTAL EQUITY	13 381 823	16 226 865	16 467 692	16 115 007
TOTAL LIABILITIES AND EQUITY	191 873 819	200 497 074	170 745 007	148 860 718
Total capital ratio	19.01	19.98	22.95	22.84
Common Equity Tier 1 capital ratio	16.23	17.31	19.59	19.42
Book value	13 381 823	16 226 865	16 467 692	16 115 007
Number of shares	42 384 884	42 368 696	42 367 040	42 350 367
Book value per share (in PLN)	315.72	382.99	388.69	380.52

Summary of mBank Group results in Q4 2021

Net loss attributable to the shareholders of mBank Group in Q4 2021 amounted PLN 1 631.1 million compared with net profit of PLN 26.6 million in Q3 2021. At the same time gross profit of the core business (regarded as mBank Group excluding FX Mortgage Loans segment) amounted to PLN 591.8 million and increased 8.4% compared with Q3 2021.

Total income posted by mBank Group increased by 7.4% on the previous quarter to PLN 1 620.6 million. Core income grew due to higher net interest income and net fee and commission income. Growth of net interest income by 18.5% was driven by higher interest income mainly thanks to rate hikes in Q4 2021 which totalled 165 base points. Net interest margin in mBank Group increased on a quarterly basis and in Q4 2021 reached a level of 2.42% compared to 2.02% in Q3 2021. Net fee and commission income increased by 2.2%, as a result of higher account and transfer fees and higher revenue from brokerage activity. Net trading income noted a loss, mainly as a result of the valuation of interest rate derivatives. Other operating income net of other operating expenses amounted to PLN -32.8 million, as the result of creating new provisions for future liabilities.

In Q4 2021 total overhead costs and depreciation in mBank Group shrank by 3.4% compared with the previous quarter, to PLN 595.5 million. The decrease was helped by reduced staff-related expenses. In Q3 2021 a part of employees received additional remuneration in the form of one-time reward. Material costs increased by 2.6% as a result of higher IT costs. Depreciation was slightly reduced on a quarterly basis. Mentioned trends resulted in a decline of the cost-income ratio to 36.7%, significantly below the ratio reported in the previous quarter (40.9%).

Impairment and movements in the fair value of loans and advances of mBank Group (being the sum of: impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gain/loss from non-trading loans and advances mandatorily measured at fair value through profit or loss) amounted to PLN 289.8 million in Q4 2021, which represents a quarter-on-quarter increase of 48.1%. Loan loss provisions increased mainly in the corporate segment.

Significant negative impact on the operating income of mBank Group had legal risk costs related to foreign currency loans, which in Q4 2021 amounted to PLN 2 006.5 million compared to PLN 436.8 million in Q3 2021. The most important element of these costs in Q4 2021 were costs of the potential settlement program in the amount of PLN 1 009.8 million and the increase of the impact of the legal risk related to individual court cases in the amount of PLN 641.8 million, which mainly resulted from (i) higher than expected inflow of cases in 2021, (ii) changes in level of loss on loan exposure in case of losing the case by the Bank including an increase in the probability of the occurrence of a negative scenario for the bank of cancellation of loan agreements without the possibility of an effective claim for payment of the cost of using the capital made available to the borrower.

Moreover the Group recognised the additional costs for the class action case concerning indexation clauses contained in CHF mortgage and housing loan agreements in the amount of PLN 268.7 million as well as cost of counterclaims related to securing the Bank's claims in indexation cases in the amount of PLN 86.1 million.

More information about the calculation of these costs can be found further on in this report.

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 all 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 31 December 2021 amounted to PLN 9.1 billion (i.e. CHF 2.0 billion) compared to PLN 12.3 billion (i.e. CHF 2.9 billion) as at the end of 2020. Additionally the volume of the portfolio of loans granted in CHF that were already fully repaid as of 31 December 2021 amounted to PLN 7.3 billion (31 December 2020: PLN 6.8 billion).

Due to the significance of the legal issues related to the CHF loan portfolio for the financial position of mBank Group as at 31 December 2021, 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 and 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 31 December 2021, 13 373 individual court proceedings (31 December 2020: 7 508 proceedings) were initiated against the Bank by its customers in connection with CHF loan agreements with the total value of claims amounting to PLN 3 506.5 million (31 December 2020: PLN 1 454.2 million).

Out of the individual proceedings 13 036 proceedings (31 December 2020: 6 870 proceedings) with the total value of claims amounting to PLN 3 499.9 million (31 December 2020: PLN 1 442.2 million) related to indexation clauses in CHF loan agreements and include claims for declaring ineffectiveness or invalidity in part (i.e. to the extent that the agreement contains contractual provisions related to indexation) or invalidity in whole of the loan agreements.

As of 31 December 2021 mBank received 473 final rulings in individual lawsuits (31 December 2020: 173 final rulings), out of which 82 rulings were favourable to the Bank and 391 rulings were unfavourable (31 December 2020: 70 rulings favourable and 103 unfavourable).

At the same time 227 proceedings (as of 31 December 2021) 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 70% of unfavourable verdicts led to the invalidation of the loan agreement, others led to the conversion of the agreement into PLN + LIBOR / WIBOR.

In the fourth quarter of 2021, in some cases where final judgments were issued stating the invalidity of the loan agreement, as well as in some pending cases where the client filed for invalidity of loan agreement, the Bank filed 2471 counterclaims against borrowers. The counterclaims includes a claim of the Bank against the consumer for payment of the principal and the remuneration of using it, and as the measure of the value of the bank's benefit, the interest rate on PLN housing loans secured with a mortgage published by the National Bank of Poland was used. Counterclaims concern cases in which borrowers filed lawsuits with the court till the end of 2018.

Class action against mBank S.A. concerning adjustment 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 valorisation 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 a hearing was held in the District Court in Łódź. The publication of the decision will take place on 9 February 2022. As of 31 December 2021 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 a CHF mortgages**

On 3 October 2019 the CJEU issued the ruling in the prejudicial mode regarding a mortgage 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. The Bank expects decisions on both these matters in 2022.

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 case has not yet been dealt with in the CJEU.

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 on 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 (UKNF) and the Polish Bank Association (ZBP) submitted to case no. III CZP 11/21, which support granting banks the right to such remuneration. Thus, the bank's 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.3851 §1) is from the very beginning, by virtue of law ineffective for the benefit of the consumer, who may grant subsequently informed and free consent to this provision and thus restore its effectiveness retroactively,
- if the loan agreement cannot be binding after removal 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 recognized 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 was initially set for 8 November 2021, was removed from the case list, and the judge-rapporteur was also changed.

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 indexed to/denominated in foreign currency loan (CHF/EUR/USD) would be converted as 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 loans indexed to/denominated in a foreign currency (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 loans indexed to / denominated in foreign currencies (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 31 December 2021, would amount to PLN 5.6 billion if only active portfolio was converted (data unaudited). 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 this report 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 of a settlements program

On 6 December 2021, the Bank began a pilot of a settlement program for borrowers who have an active CHF indexed loan. The pilot is expected to be completed by the end of the first quarter of 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 materialized 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 1 278 active contracts, which in Bank's opinion is a representative sample of the whole portfolio of active loans indexed to CHF.

The purpose of the pilot is to verify the attractiveness of the offer and the process proposed by the Bank as well as to gather feedback in this respect from the clients included in the pilot.

The maximum, hypothetical cost of the program would amount to PLN 2.97 bln, 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 recognizes 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 is reflected under:

- IFRS 9 "Financial Instruments" paragraph B5.4.6 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 amortized 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 recognize 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

mBank Group S.A.

Selected non-audited consolidated financial information
for the fourth quarter of 2021

(in PLN ths)

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 home loans and the voluntary settlement program included in the Group's statement of financial position is shown in the table below.

PLN thousand	31.12.2021	30.09.2021	31.12.2020
Impact of legal risk concerning individual lawsuits related to active loans recognized as a reduction of gross carrying amount of loans	2 484 852	1 720 145	1 264 677
Impact of legal risk concerning class action case related to active loans recognized as a reduction of gross carrying amount of loans	290 445	-	-
Impact of legal risk concerning individual lawsuits related to repaid loans and low value active loans recorded as provisions for legal proceedings	348 476	458 414	175 911
Potential costs of voluntary settlement program recognized as a reduction of gross carrying amount of loans	1 009 800	-	-
The cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and home loans in CHF	4 133 573	2 178 559	1 440 588

Total costs of legal risk related to foreign currency loans recognised in the income statement for 2021 amounted to PLN 2 758.1 million (in 2020: PLN 1 021.7 million). The most important element of these costs in 2021 was the increase of the impact of the legal risk related to individual court cases in the amount of PLN 1 298.7 million, which mainly resulted from (i) higher than expected inflow of cases in 2021, (ii) changes in level of loss on loan exposure in case of losing the case by the Bank including an increase in the probability of the occurrence of a negative scenario for the bank of cancellation of loan agreements without the possibility of an effective claim for payment of the cost of using the capital made available to the borrower.

In addition, significant components of the amount recognized in the income statement in 2021 are costs of the potential settlement program in the amount of PLN 1 009.8 million, costs of the class action case concerning indexation clauses contained in CHF mortgage and housing loan agreements in the amount of PLN 363.0 million as well as cost of counterclaims related to securing the Bank's claims in indexation cases in the amount of PLN 86.1 million.

Methodology of calculation the impact of the legal risk related to individual court cases

The methodology of calculation 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. 23 thousand borrowers with both, active: 41% and repaid loans: 9.4%) filed or will file a lawsuit against the Bank (as of 31 December 2020: 18%, i.e. 15.4 thousand). The Bank observes that clients with higher loan amounts were the first ones to file the claims (27% of customers represent 35% 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. In 2021 the Bank increased the assumed number of court cases by 47%, in comparison to the assumptions for the end of 2020. This was due to an increase in the forecast of lawsuits that the Bank estimates will be filed with the Bank in the future, and greater than expected number of lawsuits that were filed with the Bank. 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 68.4 million (while other relevant assumptions remain constant) as compared to 31 December 2021, of which PLN 51.9 million would reduce gross carrying amount of the loans, and PLN 16.5 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 31 December 2021 the Bank assumes probability of losing in court at the level of 50% (as of 31 December 2020: 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 54.7 million, of which PLN 50.3 million would change gross carrying amount of the loans, and PLN 4.4 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 31 December 2021 the average loss rate was equal to 76.5% of gross carrying amount of active loans and 33.7% of total value of the loan granted for repaid loans.

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 32.9 million would change gross carrying amount of the loans, and PLN 4.2 million would change the "Provisions for legal proceedings".

Methodology of calculation the impact of the legal risk related to the class action case

In the second half of 2021, the Bank recognised the impact of the legal risk related to a class action case in the total amount of PLN 363.0 million. 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.

Methodology of calculation settlement program costs

As at 31 December 2021, the Bank recognised the impact of legal risk in the amount of PLN 1 009.8 million to cover the costs of future settlements. 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,
- tax solutions as regards settlements.

In the absence of historical market data on settlement programs, the ongoing pilot program and a significant level of uncertainty as to the final shape of the jurisprudence in CHF credit cases the exact impact of the above mentioned factors, as of 31 December 2021 is difficult to estimate.

For the purpose of determining the value of the provision as of 31 December 2021, the bank assumed that the maximum level of the offer acceptance will not exceed 34% of active contracts. 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 29.7 million which would change gross carrying amount of the loans.

mBank Group S.A.Selected non-audited consolidated financial information
for the fourth quarter of 2021

(in PLN ths)

Net interest income

Period	from 01.10.2021 to 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.10.2020 to 31.12.2020	from 01.01.2020 to 31.12.2020
Interest income				
Interest income accounted for using the effective interest method	1 170 719	3 947 950	937 241	4 207 276
Interest income of financial assets at amortised cost, including:	1 098 963	3 756 690	864 721	3 835 996
- <i>Loans and advances</i>	1 013 487	3 449 153	789 736	3 551 480
- <i>Debt securities</i>	69 237	288 937	77 578	274 714
- <i>Cash and short-term placements</i>	16 691	18 997	584	20 511
- <i>Gains or losses on non-substantial modification (net)</i>	(5 117)	(11 328)	(4 541)	(15 993)
- <i>Other</i>	4 665	10 931	1 364	5 284
Interest income on financial assets at fair value through other comprehensive income, including:	71 756	191 260	72 520	371 280
- <i>Debt securities</i>	71 756	191 260	72 520	371 280
Income similar to interest on financial assets at fair value through profit or loss	121 029	483 787	125 994	481 077
Financial assets held for trading, including:	4 866	19 962	3 980	32 425
- <i>Loans and advances</i>	487	2 849	1 052	5 259
- <i>Debt securities</i>	4 379	17 113	2 928	27 166
Non-trading financial assets mandatorily at fair value through profit or loss, including:	13 867	51 598	14 468	92 198
- <i>Loans and advances</i>	13 867	51 598	14 468	92 198
Interest income on derivatives classified into banking book	31 125	94 454	26 934	126 104
Interest income on derivatives concluded under the fair value hedge	27 596	113 115	24 918	85 714
Interest income on derivatives concluded under the cash flow hedge	43 575	204 658	55 694	144 636
Total interest income	1 291 748	4 431 737	1 063 235	4 688 353

Period	from 01.10.2021 to 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.10.2020 to 31.12.2020	from 01.01.2020 to 31.12.2020
Interest expenses				
Financial liabilities held for trading	(1 905)	(9 371)	-	-
Financial liabilities measured at amortised cost, including:	(87 928)	(287 340)	(80 330)	(658 619)
- <i>Deposits</i>	(26 553)	(65 954)	(20 281)	(346 468)
- <i>Loans received</i>	(1 122)	(4 623)	(1 492)	(8 867)
- <i>Issue of debt securities</i>	(43 388)	(155 044)	(43 166)	(227 640)
- <i>Subordinated liabilities</i>	(14 117)	(54 733)	(13 967)	(67 888)
- <i>Other financial liabilities</i>	(2 087)	(4 418)	(804)	(5 277)
- <i>Lease liabilities</i>	(661)	(2 568)	(620)	(2 479)
Other	(11 149)	(30 983)	(5 975)	(20 434)
Total interest expense	(100 982)	(327 694)	(86 305)	(679 053)

mBank Group S.A.Selected non-audited consolidated financial information
for the fourth quarter of 2021

(in PLN ths)

Net fee and commission income

Period	from 01.10.2021 to 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.10.2020 to 31.12.2020	from 01.01.2020 to 31.12.2020
Fee and commission income				
Credit-related fees and commissions	141 936	539 335	122 459	462 807
Payment cards-related fees	136 780	485 768	102 314	430 242
Commissions from currency transactions	111 800	408 107	95 281	339 629
Commissions from bank accounts	88 347	361 824	65 288	222 312
Fees from brokerage activity and debt securities issue	58 033	240 097	74 456	222 317
Commissions from money transfers	54 508	191 545	40 194	147 779
Commissions for agency service regarding sale of insurance products of external financial entities	34 641	131 360	25 084	109 787
Commissions for agency service regarding sale of other products of external financial entities	29 467	103 060	19 610	74 455
Commissions due to guarantees granted and trade finance commissions	25 845	98 780	23 607	94 341
Fees from cash services	11 746	45 195	10 203	42 586
Commissions on trust and fiduciary activities	8 871	33 214	7 568	31 454
Fees from portfolio management services and other management-related fees	6 908	27 769	13 555	23 196
Other	14 819	48 842	11 513	43 656
Total fee and commission income	723 701	2 714 896	611 132	2 244 561

Period	from 01.10.2021 to 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.10.2020 to 31.12.2020	from 01.01.2020 to 31.12.2020
Fee and commission expense				
Payment cards-related fees	(71 245)	(263 552)	(62 332)	(226 851)
Commissions paid to external entities for sale of the Group's products	(44 879)	(169 102)	(43 796)	(174 796)
Commissions of insurance products	(3 970)	(15 763)	(2 911)	(12 067)
Commissions paid for sale of external financial entities' products	(9 441)	(33 286)	(5 756)	(21 242)
Discharged brokerage fees	(9 119)	(39 046)	(11 152)	(39 663)
Cash services	(16 387)	(47 096)	(13 963)	(44 464)
Fees to NBP, KIR and GPW Benchmark	(6 844)	(18 948)	(5 255)	(15 910)
Other discharged fees	(71 862)	(238 082)	(56 496)	(201 283)
Total fee and commission expense	(233 747)	(824 875)	(201 661)	(736 276)

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

Period	from 01.10.2021 to 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.10.2020 to 31.12.2020	from 01.01.2020 to 31.12.2020
Equity instruments	11 179	11 091	50 893	72 041
Debt securities	(2 314)	(1 136)	5 913	10 710
Loans and advances	5 172	(5 347)	(6 916)	(67 179)
Total gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	14 037	4 608	49 890	15 572

mBank Group S.A.

Selected non-audited consolidated financial information
for the fourth quarter of 2021

(in PLN ths)

Overhead costs

Period	from 01.10.2021 to 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.10.2020 to 31.12.2020	from 01.01.2020 to 31.12.2020
Staff-related expenses	(272 869)	(1 070 850)	(222 657)	(974 670)
Material costs, including:	(179 763)	(676 395)	(163 357)	(671 289)
- costs of administration and real estate services	(51 709)	(243 749)	(72 075)	(259 224)
- IT costs	(67 477)	(206 689)	(43 213)	(181 763)
- marketing costs	(33 428)	(132 744)	(35 628)	(127 246)
- consulting costs	(21 961)	(77 339)	(8 974)	(88 171)
- other material costs	(5 188)	(15 874)	(3 467)	(14 885)
Taxes and fees	(8 606)	(33 419)	(7 653)	(27 304)
Contributions and transfers to the Bank Guarantee Fund	(24 775)	(227 432)	(34 407)	(298 061)
Contributions to the Social Benefits Fund	(4 495)	(12 533)	(14)	(9 176)
Total overhead costs	(490 508)	(2 020 629)	(428 088)	(1 980 500)

Staff-related expenses

Period	from 01.10.2021 to 31.12.2021	from 01.01.2021 to 31.12.2021	from 01.10.2020 to 31.12.2020	from 01.01.2020 to 31.12.2020
Wages and salaries	(225 416)	(871 419)	(177 871)	(788 234)
Social security expenses	(26 188)	(142 301)	(23 182)	(129 832)
Employee contributions related to post-employment benefits	(21)	(21)	(14)	(14)
Remuneration concerning share-based payments, including:	(4 571)	(11 076)	(5 091)	(10 321)
- share-based payments settled in mBank S.A. shares	(4 477)	(10 487)	(4 986)	(10 159)
- cash-settled share-based payments	(94)	(589)	(105)	(162)
Other staff expenses	(16 673)	(46 033)	(16 499)	(46 269)
Staff-related expenses, total	(272 869)	(1 070 850)	(222 657)	(974 670)

Comment to the consolidated statement of financial position of mBank S.A. Group

The balance sheet total of mBank Group stood at PLN 199,538.9 million at the end of 2021 and was slightly lower (-4.1%) compared with the end of September 2021.

Assets of mBank Group

As at the end of 2021 net loans and advances stood at PLN 118 054.9 million (down by PLN 1 612.2 million or -1.3% quarter on quarter)

Gross loans and advanced to corporate clients fell to PLN 47 836.0 million, i.e. by -4.1% compared with Q3 2021 (excluding reverse repo/buy sell back transactions and the FX effect, the drop accounted for -2.2%)

The volume of loans to retail clients rose slightly by 0.2% compared with the end of Q3 2021 and amounted to PLN 73,244.0 million.

Investment securities were the second largest asset category at the end of 2021, amounting to PLN 52 675.7 million, up 11.7% quarter on quarter.

Equity and liabilities of mBank Group

In Q4 2021, amounts due to clients, which are the Group's principal source of funding, decreased by PLN 4 206.5 million (-2.6%) quarter on quarter.

Retail deposits stood at PLN 112 446.1 million at the end of 2021, up by 3.2% on Q3 2021. Clients' deposits in current and saving accounts grew by PLN 3 957.4 million (+4.0%) with the volume of term deposits down by PLN 441.4 million (-5.1%).

Amounts due to corporate clients stood at PLN 46 848.7 million at the end of Q4 2021, which represents a quarter-on-quarter drop by 14.0%. In the period covered by this report, deposits in current accounts fell by PLN 7 617.2 million (-15.2%), which was coupled with a PLN 39.6 million inflow of term deposits (+7.8%).

Share of equity in total liabilities and equity of mBank Group accounted for 6.9% at the end of 2021.

mBank Group S.A.

Selected non-audited consolidated financial information
for the fourth quarter of 2021

(in PLN ths)

Capital ratios

The capital ratios reported by mBank Group decreased in Q4 2021, driven by lower own funds due to reported net loss and change in the valuation of bond portfolio at fair value through other comprehensive income.

As of 31 December 2021 mBank Group included transitional provisions regarding the temporary treatment of unrealized gains and losses 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 ("transitional provisions") in the calculation of own funds and capital ratios for the first time.

The stand alone and consolidated capital ratios reported as of 31 December 2021 are presented in the table below.

Capital ratios as of 31 December 2021	mBank S.A.	mBank S.A. Group
Common Equity Tier 1 ratio (in %)	16.23	14.15
Total capital ratio (in %)	19.01	16.57

The stand alone and consolidated capital ratios as of 31 December 2021 calculated without including transitional provisions are presented below.

Capital ratios as of 31 December 2021 without including transitional provisions	mBank S.A.	mBank S.A. Group
Common Equity Tier 1 ratio (in %)	15.67	13.59
Total capital ratio (in %)	18.45	16.01

mBank Group S.A.

Selected non-audited consolidated financial information
for the fourth quarter of 2021

(in PLN ths)

Financial assets and liabilities held for trading and derivatives held for hedges**Financial assets held for trading and derivatives held for hedges**

	31.12.2021	30.09.2021	31.12.2020
Derivatives, including:	1 952 028	2 029 842	1 722 353
- Held for trading derivative financial instruments classified into banking book	111 404	152 795	145 107
- Held for trading derivative financial instruments classified into trading book	1 954 329	1 835 147	1 620 288
- Derivative financial instruments held for fair value hedging	217 809	247 196	330 455
- Derivative financial instruments held for cash flow hedging	120 789	365 857	748 948
- Offsetting effect	(452 303)	(571 153)	(1 122 445)
Debt securities	596 622	1 235 480	676 466
- General governments, including:	248 906	952 563	366 517
<i>pledged securities</i>	72 888	50 495	19 021
- Credit institutions	27 459	50 112	109 109
- Other financial corporations	141 329	122 972	72 785
- Non-financial corporations	178 928	109 833	128 055
Loans and advances	40 426	40 290	187 902
- Corporate customers	40 426	40 290	187 902
Total financial assets held for trading	2 589 076	3 305 612	2 586 721

Financial liabilities held for trading and derivatives held for hedges

	31.12.2021	30.09.2021	31.12.2020
Derivatives, including:	1 926 408	1 753 993	1 338 564
- Held for trading derivative financial instruments classified into banking book	352 464	363 003	322 135
- Held for trading derivative financial instruments classified into trading book	1 886 280	1 459 437	1 280 170
- Derivative financial instruments held for fair value hedging	1 057 232	327 672	7 646
- Derivative financial instruments held for cash flow hedging	541 315	85 034	60
- Offsetting effect	(1 910 883)	(481 153)	(271 447)
Liabilities from short sale of securities	84 774	563 822	-
Total financial liabilities held for trading and derivatives held for hedges	2 011 182	2 317 815	1 338 564

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

	31.12.2021	30.09.2021	31.12.2020
Equity instruments	224 389	209 040	202 304
- Other financial corporations	164 823	150 266	139 718
- Non-financial corporations	59 566	58 774	62 586
Debt securities	81 128	82 063	76 068
- Other financial corporations	81 128	82 063	76 068
Loans and advances	1 111 674	1 212 492	1 506 319
- Individual customers	948 636	1 041 507	1 216 809
- Corporate customers	162 898	170 829	288 777
- Public sector customers	140	156	733
Total non-trading financial assets mandatorily at fair value through profit or loss	1 417 191	1 503 595	1 784 691

mBank Group S.A.

 Selected non-audited consolidated financial information
 for the fourth quarter of 2021

(in PLN ths)

Financial assets at fair value through other comprehensive income

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

30.09.2021	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	31 879 610	31 886 692	-	-	-	(7 082)	-	-	-
- Central banks	1 349 998	1 350 181	-	-	-	(183)	-	-	-
- General governments, including: <i>pledged securities</i>	28 166 501	28 170 293	-	-	-	(3 792)	-	-	-
	667 011	667 011	-	-	-	-	-	-	-
- Credit institutions	222 566	222 758	-	-	-	(192)	-	-	-
- Other financial institutions <i>pledged securities</i>	1 704 588	1 705 904	-	-	-	(1 316)	-	-	-
	109 374	109 374	-	-	-	-	-	-	-
- Non-financial corporations	435 957	437 556	-	-	-	(1 599)	-	-	-
Total financial assets at fair value through other comprehensive income	31 879 610	31 886 692	-	-	-	(7 082)	-	-	-

31.12.2020	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	35 498 061	35 392 158	111 568	-	-	(3 754)	(1 911)	-	-
- Central banks	184 996	184 996	-	-	-	-	-	-	-
- General governments, including: <i>pledged securities</i>	33 177 825	33 177 912	-	-	-	(87)	-	-	-
	1 243 749	1 243 749	-	-	-	-	-	-	-
- Credit institutions	222 380	222 570	-	-	-	(190)	-	-	-
- Other financial institutions	1 373 371	1 374 996	-	-	-	(1 625)	-	-	-
- Non-financial corporations	539 489	431 684	111 568	-	-	(1 852)	(1 911)	-	-
Total financial assets at fair value through other comprehensive income	35 498 061	35 392 158	111 568	-	-	(3 754)	(1 911)	-	-

mBank Group S.A.

 Selected non-audited consolidated financial information
 for the fourth quarter of 2021

(in PLN ths)

Financial assets at amortised cost

31.12.2021	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	16 164 103	16 166 149	-	-	-	(2 046)	-	-	-
- 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	2 474 883	2 475 102	-	-	-	(219)	-	-	-
<i>pledged securities</i>	462 075	462 075	-	-	-	-	-	-	-
Loans and advances to banks	7 229 681	7 230 664	-	-	-	(983)	-	-	-
Loans and advances to customers	116 902 754	109 282 960	6 223 882	4 339 863	234 159	(434 872)	(346 255)	(2 440 501)	43 518
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)	-
Total financial assets at amortised cost	140 296 538	132 679 773	6 223 882	4 339 863	234 159	(437 901)	(346 255)	(2 440 501)	43 518

30.09.2021	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	14 990 221	14 992 109	-	-	-	(1 888)	-	-	-
- General governments, including:	10 359 285	10 360 669	-	-	-	(1 384)	-	-	-
<i>pledged securities</i>	1 308 550	1 308 550	-	-	-	-	-	-	-
- Credit institutions	2 162 052	2 162 338	-	-	-	(286)	-	-	-
- Other financial corporations	2 468 884	2 469 102	-	-	-	(218)	-	-	-
<i>pledged securities</i>	333 095	333 095	-	-	-	-	-	-	-
Loans and advances to banks	14 398 589	14 399 318	-	-	-	(729)	-	-	-
Loans and advances to customers	118 414 296	109 970 266	7 230 289	4 526 383	230 561	(449 824)	(401 184)	(2 751 482)	59 287
Individual customers	70 210 518	67 705 767	2 060 135	2 183 758	133 274	(249 868)	(205 584)	(1 419 401)	2 437
Corporate customers	48 001 662	42 062 688	5 170 154	2 341 556	97 287	(199 760)	(195 600)	(1 331 513)	56 850
Public sector customers	202 116	201 811	-	1 069	-	(196)	-	(568)	-
Total financial assets at amortised cost	147 803 106	139 361 693	7 230 289	4 526 383	230 561	(452 441)	(401 184)	(2 751 482)	59 287

31.12.2020	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	15 952 501	15 952 636	-	-	-	(135)	-	-	-
- General governments, including:	11 303 908	11 303 908	-	-	-	-	-	-	-
<i>pledged securities</i>	2 705 060	2 705 060	-	-	-	-	-	-	-
- Credit institutions	1 984 770	1 984 770	-	-	-	-	-	-	-
- Other financial corporations	2 663 823	2 663 958	-	-	-	(135)	-	-	-
Loans and advances to banks	7 354 268	7 354 870	-	-	-	(602)	-	-	-
Loans and advances to customers	106 873 133	91 214 989	14 290 332	4 714 440	294 198	(296 810)	(441 217)	(2 871 497)	(31 302)
Individual customers	62 929 892	54 300 751	8 176 256	2 147 319	110 450	(164 491)	(291 489)	(1 341 134)	(7 770)
Corporate customers	43 713 672	36 687 052	6 111 911	2 566 052	183 748	(132 050)	(149 727)	(1 529 782)	(23 532)
Public sector customers	229 569	227 186	2 165	1 069	-	(269)	(1)	(581)	-
Total financial assets at amortised cost	130 179 902	114 522 495	14 290 332	4 714 440	294 198	(297 547)	(441 217)	(2 871 497)	(31 302)

mBank Group S.A.

 Selected non-audited consolidated financial information
 for the fourth quarter of 2021

(in PLN ths)

Loans and advances to customers

Loans and advances to customers 31.12.2021	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public sector 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	-
Total gross carrying amount	120 080 864	72 295 383	47 632 643	152 838

Loans and advances to customers 31.12.2021	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public sector 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)	-
Total accumulated impairment	(3 178 110)	(1 903 929)	(1 273 464)	(717)
Total gross carrying amount	120 080 864	72 295 383	47 632 643	152 838
Total accumulated impairment	(3 178 110)	(1 903 929)	(1 273 464)	(717)
Total carrying amount	116 902 754	70 391 454	46 359 179	152 121

Loans and advances to customers 30.09.2021	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public sector customers
Current accounts	13 656 518	7 990 358	5 665 906	254
Term loans, including:	90 572 225	63 725 035	26 644 564	202 626
- housing and mortgage loans to natural persons	49 818 091	49 818 091		
Reverse repo or buy/sell back	1 083 984	-	1 083 984	-
Finance leases	12 950 113	-	12 950 113	-
Other loans and advances	3 300 322	-	3 300 322	-
Other receivables	394 337	367 541	26 796	-
Total gross carrying amount	121 957 499	72 082 934	49 671 685	202 880

Loans and advances to customers 30.09.2021	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public sector customers
Current accounts	(870 085)	(657 869)	(212 215)	(1)
Term loans, including:	(2 163 475)	(1 214 547)	(948 165)	(763)
- housing and mortgage loans to natural persons	(436 760)	(436 760)		
Finance leases	(453 225)	-	(453 225)	-
Other loans and advances	(56 418)	-	(56 418)	-
Total accumulated impairment	(3 543 203)	(1 872 416)	(1 670 023)	(764)
Total gross carrying amount	121 957 499	72 082 934	49 671 685	202 880
Total accumulated impairment	(3 543 203)	(1 872 416)	(1 670 023)	(764)
Total carrying amount	118 414 296	70 210 518	48 001 662	202 116

mBank Group S.A.

 Selected non-audited consolidated financial information
 for the fourth quarter of 2021

(in PLN ths)

Loans and advances to customers 31.12.2020	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public sector customers
Current accounts	11 762 492	7 389 930	4 371 243	1 319
Term loans, including:	83 563 068	57 053 626	26 280 341	229 101
- housing and mortgage loans to natural persons	44 714 007	44 714 007		
Reverse repo or buy/sell back	103 832	-	103 832	-
Finance leases	12 253 821	-	12 253 821	-
Other loans and advances	2 523 145	-	2 523 145	-
Other receivables	307 601	291 220	16 381	-
Total gross carrying amount	110 513 959	64 734 776	45 548 763	230 420

Loans and advances to customers 31.12.2020	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public sector customers
Current accounts	(848 459)	(582 742)	(265 717)	-
Term loans, including:	(2 286 946)	(1 222 142)	(1 063 953)	(851)
- housing and mortgage loans to natural persons	(464 821)	(464 821)		
Finance leases	(453 398)	-	(453 398)	-
Other loans and advances	(52 023)	-	(52 023)	-
Total accumulated impairment	(3 640 826)	(1 804 884)	(1 835 091)	(851)
Total gross carrying amount	110 513 959	64 734 776	45 548 763	230 420
Total accumulated impairment	(3 640 826)	(1 804 884)	(1 835 091)	(851)
Total carrying amount	106 873 133	62 929 892	43 713 672	229 569

Financial liabilities measured at amortised cost

31.12.2021	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
Deposits	2 111 811	155 904 661	112 225 674	43 071 577	607 410
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 transactions	688 422	87 822	-	87 822	-
Loans and advances received	502	1 906 621	-	1 906 621	-
Other financial liabilities	1 247 245	2 123 847	220 450	1 870 485	32 912
Liabilities in respect of cash collaterals	1 077 483	706 268	75 263	631 005	-
Leasing liabilities	-	956 838	-	923 959	32 879
Other liabilities	169 762	460 741	145 187	315 521	33
Deposits and other financial liabilities measured at amortised cost, total	3 359 558	159 935 129	112 446 124	46 848 683	640 322

30.09.2021	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
Deposits	1 340 136	160 032 729	108 709 670	50 622 265	700 794
Current accounts	683 533	150 775 665	100 035 079	50 054 118	686 468
Term deposits	-	9 196 143	8 674 591	507 226	14 326
Repo transactions	656 603	60 921	-	60 921	-
Loans and advances received	500	1 840 355	-	1 840 355	-
Other financial liabilities	1 215 504	2 268 517	211 652	2 016 723	40 142
Liabilities in respect of cash collaterals	885 741	834 022	88 425	745 597	-
Leasing liabilities	6 461	966 888	-	926 779	40 109
Other liabilities	323 302	467 607	123 227	344 347	33
Deposits and other financial liabilities measured at amortised cost, total	2 556 140	164 141 601	108 921 322	54 479 343	740 936

mBank Group S.A.

 Selected non-audited consolidated financial information
 for the fourth quarter of 2021

(in PLN ths)

31.12.2020	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
Deposits	1 665 284	132 795 741	97 862 007	34 488 153	445 581
Current accounts	1 026 011	121 812 481	87 703 713	33 677 641	431 127
Term deposits	-	10 890 036	10 158 294	717 288	14 454
Repo transactions	639 273	93 224	-	93 224	-
Loans and advances received	500	3 254 591	-	3 254 591	-
Other financial liabilities	733 956	1 648 336	114 355	1 493 343	40 638
Liabilities in respect of cash collaterals	487 667	510 195	37 892	472 303	-
Leasing liabilities	-	771 935	-	731 349	40 586
Other liabilities	246 289	366 206	76 463	289 691	52
Deposits and other financial liabilities measured at amortised cost, total	2 399 740	137 698 668	97 976 362	39 236 087	486 219

Business segments

period from 1 January to 31 December 2021	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	2 719 683	1 114 574	143 963	125 823	4 104 043
- sales to external clients	2 209 325	1 067 040	688 069	139 609	4 104 043
- sales to other segments	510 358	47 534	(544 106)	(13 786)	-
Net fee and commission income	994 451	944 507	(41 918)	(7 019)	1 890 021
Dividend income	-	-	5 046	-	5 046
Trading income	42 628	263 800	(169 733)	(39 805)	96 890
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	3 566	(3 928)	4 970	-	4 608
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(2 492)	3 881	92 301	-	93 690
Other operating income	84 515	131 902	15 005	962	232 384
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(450 015)	(405 781)	(4 201)	(13 229)	(873 226)
Costs of legal risk related to foreign currency loans	-	-	-	(2 758 079)	(2 758 079)
Overhead costs	(1 228 292)	(729 003)	(42 762)	(20 572)	(2 020 629)
Amortisation	(288 005)	(138 562)	(8 883)	(804)	(436 254)
Other operating expenses	(84 944)	(151 272)	(68 717)	(15 965)	(320 898)
Operating profit	1 791 095	1 030 118	(74 929)	(2 728 688)	17 596
Taxes on Group balance sheet items	(286 000)	(226 997)	(42 825)	(52 805)	(608 627)
Gross profit of the segment	1 505 095	803 121	(117 754)	(2 781 493)	(591 031)
Income tax					(587 782)
Net profit attributable to Owners of mBank S.A.					(1 178 753)
Net profit attributable to non-controlling interests					(60)

mBank Group S.A.

 Selected non-audited consolidated financial information
 for the fourth quarter of 2021

(in PLN ths)

period from 1 January to 31 December 2020	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	2 570 626	1 111 108	179 993	147 573	4 009 300
- sales to external clients	2 026 734	1 127 024	690 825	164 717	4 009 300
- sales to other segments	543 892	(15 916)	(510 832)	(17 144)	-
Net fee and commission income	774 438	773 311	(43 230)	3 766	1 508 285
Dividend income	-	-	4 926	-	4 926
Trading income	35 731	228 080	(79 531)	472	184 752
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(10 647)	(1 370)	27 589	-	15 572
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(2 185)	(9 436)	105 148	-	93 527
Other operating income	70 691	132 690	14 671	-	218 052
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(564 598)	(608 562)	2 202	(54 684)	(1 225 642)
Costs of legal risk related to foreign currency loans	-	-	-	(1 021 714)	(1 021 714)
Overhead costs	(1 195 162)	(709 331)	(55 937)	(20 070)	(1 980 500)
Amortisation	(288 405)	(132 333)	(9 681)	(209)	(430 628)
Other operating expenses	(104 563)	(108 360)	(21 897)	-	(234 820)
Operating profit	1 285 926	675 797	124 253	(944 866)	1 141 110
Taxes on Group balance sheet items	(212 642)	(184 105)	(76 073)	(58 559)	(531 379)
Gross profit of the segment	1 073 284	491 692	48 180	(1 003 425)	609 731
Income tax					(505 974)
Net profit attributable to Owners of mBank S.A.					103 831
Net profit attributable to non-controlling interests					(74)

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	199 538 885
Liabilities of the segment	112 159 963	47 507 690	25 726 898	426 418	185 820 969

31.12.2020	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Assets of the segment	56 047 690	46 377 147	61 710 927	14 735 853	178 871 617
Liabilities of the segment	99 118 553	36 991 557	25 896 965	189 475	162 196 550

Comparative data

Impact of the legal risk related to individual court cases concerning indexation clauses in mortgage and housing loans in CHF

Starting from 2021, the Group changed the accounting policy for recognizing the impact of the legal risk related to individual court cases concerning indexation clauses in mortgage and housing loans in CHF. Until the end of 2020 the Group recognized provisions for legal proceedings in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" in relation to both active and repaid loans. In view of changes in conditions, such as the growing number of court cases and the predominantly unfavourable court judgments stating the invalidity of the contract in whole or certain provisions thereof the Group expects that it will not obtain the full amount of contractual cash flow. Therefore in relation to active loans the Group revised its estimates of cash flows and adjusted the gross carrying amount of those loans in accordance with IFRS 9 "Financial Instruments" paragraph B5.4.6. as the change in expected cash flows is not related to credit risk and therefore is not recognised as expected credit losses. The comparative data as at 1 January 2020, 30 September 2020 and 31 December 2020 and for the period from 1 January to 30 September 2020 have been restated accordingly. The recognition of the impact of legal risk related to repaid loans remained unchanged.

The above change did not affect the equity and the income statements of the Group and the Bank in the comparative periods presented in this report. The data on capital ratios for comparative periods remained unchanged.