
INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the General Shareholders Meeting and Supervisory Board of mBank S.A.

Audit report on the annual financial statements

Opinion

We have audited the annual financial statements of mBank S.A. (the 'Bank') located in Warsaw at ul. Prosta 18, which comprise: the income statement and the statement of comprehensive income for the period from 1 January 2021 to 31 December 2021, the statement of financial position as at 31 December 2021, the statement of changes in equity and the statement of cash flows for the period from 1 January 2021 to 31 December 2021 and explanatory notes to the financial statements, including a summary of significant accounting policies (the 'financial statements').

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Bank as at 31 December 2021 and its financial performance and its cash flows for the period from 1 January 2021 to 31 December 2021 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,
- comply in respect of the form and content with laws applicable to Bank and Bank's Statute,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act dated 29 September 1994 ('the Accounting Act').

The opinion is consistent with the additional report to the Audit Committee issued on 1 March 2022.

Basis for opinion

We conducted our audit in accordance with the National Standards on Auditing in the version of International Auditing Standards as adopted by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the '*Auditor's responsibilities for the audit of the financial statements*' section of our report.

We are independent of the Bank in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. While conducting the audit, the key certified auditor and the audit firm remained independent of the Bank in accordance with the independence requirements set out in the Act on Statutory Auditors and the EU Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

We draw attention to Note 34 of the financial statements, which describes inherent uncertainties in relation to the assumptions and judgments made by the Management of the Bank in determining the parameters used in calculation of the impact of the legal risks relating to indexation clauses in mortgage and housing loans in Swiss Franc as well as describes uncertainties relating to among others pending hearing of the Supreme Court on the key issues as to the further development of jurisprudence concerning mortgage loans in Swiss Franc.

Our opinion does not include a qualification with respect to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a opinion on these matters.

Key audit matter	How our audit responded to this matter
Estimates and judgements related to impact of legal risk resulting from mortgage loans indexed to Swiss Franc	
<p>The Bank has historically granted mortgage loans indexed to Swiss Franc ('CHF loans'). The net book value of these loans amounted to PLN 9.1 billion as of 31 December 2021. This net book value includes the adjustment for the impact of the legal risk associated with indexation clauses in mortgage and housing loans in CHF reflected as a decrease in gross carrying amount of loans in accordance with <i>International Financial Reporting Standard 9 Financial Instruments</i> ("IFRS 9") amounting to PLN 2 485 million in relation to individual court cases, class action case concerning indexation clauses contained in CHF loans amounting to PLN 290 million and PLN 1 010 million in relation to voluntary settlements. The value of repaid CHF loans amounted to PLN 7.3 billion as at 31 December 2021 and the provision for the legal risk concerning individual lawsuits related to repaid loans and low value active loans recorded as provisions for legal proceedings in accordance with International Accounting Standard 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37") was set at PLN 348 million as at 31 December 2021. The impact of legal risks associated with CHF loans whether recognized as decrease in the gross carrying amount of the loans or provision is further referred to jointly as "CHF provisions".</p>	<p>As part of our audit procedures, while assessing whether the accounting estimate and the related disclosures in the financial statements are reasonable, we performed among others the following procedures:</p> <ul style="list-style-type: none"> • We analyzed the methodology selected by the Bank to calculate CHF provisions including assumptions and data used, as to the estimate of possible outcomes of legal claims connected with CHF loans granted by the Bank as well as number of claims; • We analyzed list of legal claims, in which the Bank is a party and the Bank's lawyers' assessment of their outcomes, including obtaining independent confirmations on claims handled from external law firms; • We read the Bank's external legal opinions, including an assessment of the assumptions used and analysis concerning competence and objectivity of external experts engaged by the Bank. As part of the above work, we were supported by our legal specialists; • We assessed consistency with available data, external legal opinions presented by the Bank and discussed among other with the Bank's Management Board and the Bank's CHF loans Department: <ul style="list-style-type: none"> - assumptions used for the purpose of the calculation of population of borrowers, who will file a lawsuit against the Bank

The Bank is the defendant in numerous lawsuits, concerning CHF loans, both active and fully repaid. As described in Note 34 of the financial statements claims relate to judgment of partial invalidity of loan agreements, i.e. in respect of valorization clauses, or judgment of invalidity of loan agreements as a whole. The Bank is also defendant in class action brought by the Consumer Ombudsman representing a group of retail banking customers who entered into mortgage loan agreements indexed to CHF.

Additionally, on 6 December 2021, the Group launched a pilot settlement program for borrowers who have an active CHF indexed mortgage and housing loans (further referred to as "voluntary settlements") and included an estimate related to this program within the impact of legal risks associated with CHF loans.

Starting from 1 January 2021 the Group changed its 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 for active loans from recognizing provisions for legal proceedings in accordance with IAS 37 to adjusting the gross carrying amount of those loans in accordance with IFRS 9 paragraph B5.4.6. Details of this change in accounting policy are described in Note 2.30 of the financial statements.

Total costs of legal risk related to CHF loans recognised in the income statement for the year ended 31 December 2021 amounted to PLN 2 758 million and was presented in the position *Result on provisions for legal risk related to foreign currency loans*.

The detailed split of the impact of CHF loans as of 31 December 2021 was presented in Note 34 to the financial statements.

The impact of the legal risk related to CHF loans was calculated as a sum of the scenarios covering:

- individual legal claims, calculated based on the product of current and expected population of borrowers who filed or 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

including time distribution of these lawsuits, the population of the borrowers, who will decide to take up voluntary settlement and the reasons behind the assumption that the part of the borrowers would neither file a lawsuit nor decide to take up the voluntary settlement,

- probability of final loss for each of considered solution,
- distribution of expected verdicts, which will be ruled by the courts,
- loss incurred by the Bank in case of loss in court for specific verdict.
- We assessed the selection point of point estimate made by the Management in the context of existing legal documentation and sensitivity of the calculation to changes in key assumptions;
- We read with minutes of meetings of the Bank's bodies, claims and complaints' registers and correspondence with regulators concerning CHF loans and assessed their impact on value of the CHF provisions as well as scope of disclosures regarding the CHF provisions for legal claims connected with CHF loans;
- We read the documentation discussed by the Management Board and Supervisory Board's Risk Committee relating to the impact of the legal risk related to CHF loans on the Group's capital and financial situation;
- We have discussed with the Bank's Management its approach to voluntary settlements and the assumptions used for the purpose of calculating the impact of such solution on the financial statements;
- We also analyzed judgements / verdicts after the balance sheet date as well as inflow of lawsuits and the take up ratio for pilot settlements program the after balance sheet date in context of assumptions made in the methodology;
- We analyzed market benchmarks regarding the share of the costs resulting from legal claims connected with the CHF loans to the value of the portfolio of these loans;
- We analyzed the accounting treatment of the CHF provision, impact of class action and voluntary settlements in line with IFRS 9 and IAS 37;

- incurred by the Bank in case of a losing the case in court;
- class action, calculated based on Management assessment regarding probability of unfavourable verdict and the total amount of the object of litigation;
- voluntary settlements, calculated taking into account Bank's Managements estimate of the acceptance rate of the voluntary settlement and loss incurred by the Bank in relation to such voluntary settlement with the borrower.

The Bank's Management Board's judgements concerning assumptions made for the purpose of estimate of CHF provisions are complex and are subject to uncertainties amongst other with regard to: (i) number of claims that will be filed in the future (ii) probability of losing legal cases (iii) future verdicts (both as to content of the verdict and its value) for legal claims and (iv) acceptance ratio for voluntary settlements (v) population that will neither opt for a voluntary settlement nor enter into a dispute with the Bank and may vary in the future. The legal interpretations are divergent and the Bank's Management in forming their assumptions was supported by the legal opinions prepared by the external legal advisors.

Due to the significance of CHF loans portfolio, and significance of the Bank's Management Board's judgments and estimates and complexity, sensitivity and subjectivity of these judgments and estimates regarding the CHF provision, as well as the uncertainty resulting from the future developments of the legal framework, we consider recognition and valuation of CHF provisions as a key audit matter. This uncertainty is connected among others, with the future verdicts of the Supreme Court and European Union Court of Justice regarding the key issues as to the further development of jurisprudence concerning CHF loans, and its impact on the probabilities assigned to future rulings, as well as other circumstances, as described in Note 34 to the financial statements.

Disclosures concerning the Bank's Management Board's judgment regarding

- We performed inquiries of the Audit Committee on the reasonableness of the assumptions taken by the Management in this higher risk estimate and the risk of potential management bias.

In addition, we made an assessment of disclosures regarding estimate of provisions and contingent liabilities included in the financial statements, in terms of completeness and adequacy.

estimates concerning the abovementioned impact of legal risk resulting from CHF loans, including the sensitivity analysis concerning key assumptions as well as information concerning significant legal proceedings as well as other circumstances that may impact estimation of the abovementioned impact, are included in Note 34 of the financial statements.

Impairment allowances for expected credit losses

Loans and advances to customers valued at amortized cost as at 31 December 2021 amounted to PLN 86.5 billion and accounted for 45.1% of the Group's total assets. The abovementioned amount comprised the gross book value of loans and advances in the amount of PLN 89.1 billion less expected credit losses in the amount of PLN 2.6 billion. In accordance with IFRS 9 'Financial Instruments' ('IFRS 9') the Management Board of the Bank should determine the loss allowance for a given financial instrument at an amount equal to 12-month expected credit losses or at an amount equal to lifetime expected credit losses depending on classification of individual exposures to stages. Determining the amount and the moment of recognizing impairment allowance for expected credit loss requires significant judgment and significant and complex estimates such as:

- classification of financial assets to appropriate stages in accordance with IFRS 9,
- interpretation of requirements and assumptions made in the area of structure of models calculating credit risk parameters and provision for expected credit losses,
- completeness and adequacy of data applied for calculation of provision for expected credit losses,
- assumptions made, including applied in estimation of possible macro-economic scenarios,
- valuation of individually assessed loans and advances, including assessment of many scenarios and collaterals valuation.

In 2021, in connection with the ongoing COVID-19 pandemic, the Bank reassessed the actions undertaken to include this information

As part of the audit procedures, we analyzed the Group's process of expected credit loss calculation, as well as related processes: process of monitoring of economic and financial standing of borrowers and identification of impairment triggers, as well as the process of provision calculation for expected credit losses. As part of the process analysis we inquired as to any changes implemented in the processes due to COVID-19 pandemic and credit moratoria granting by the Group. Based on the above processes we analyzed design and functioning of control mechanisms, as well as performed tests of adequacy and reliability of data used in these processes.

In addition we familiarized ourselves with the accounting policies and methodologies concerning estimation of risk parameters and creation of collective impairment allowances for expected credit losses, as well as policies governing credit moratoria granting, in context of their compliance with requirements of IFRS 9, and compared them with the market approach. We have carried out an analysis of the indicators of a significant increase in credit risk and classification into risk stages, so-called 'staging'.

We assessed the models, assumptions and completeness of data used by the Group for the purposes of creating impairment allowances for expected credit losses, including assumptions underlying the moment of loss identification, probability of default and loss as a result of default, macroeconomic assumptions, as well as the changes in models and verification of historical models (so called back-testing).

We analyzed changes in the models as well as SICR determination which were implemented

in the models used to determine the expected credit losses as well as in the process of significant increase in credit risk ('SICR') determination.

Due to the significance of loans and advances to customers valued at amortized cost in relation to total assets, and the significance of the Management Board's judgments and estimates and complexity of these judgments and estimates regarding the expected credit losses, we consider Impairment allowances for loans and advances to customers the key audit matter.

Information on the methodology of classification and valuation of loans and advances to customers, as well as related judgement and estimates are described in Notes 2.5, 2.7 and 3.3 to the financial statements, whereas information on value of loans and advances to customers and the value of impairment allowances are described in Notes 15 and 23 to the financial statements.

Specific disclosures regarding COVID-19 outbreak and its impact on expected credit losses are described in Note 4 to the financial statements. Additionally other changes implemented to models used to determine the expected credit losses are described in Note 3.3 to the consolidated financial statements.

among others as a response to impact of COVID-19 outbreak.

We analyzed collective historical loss allowances through comparison with factual losses realized on individual homogeneous portfolios in the past.

When carrying out the above procedures, we engaged our internal specialists in the field of credit risk modeling.

We analyzed individually assessed by the Group exposures on a selected sample. For selected exposures, both from sectors, which, in the Group's view, are particularly vulnerable to the negative effects of the pandemic and sectors less vulnerable to the negative effects of the pandemic, we assessed reasonableness of recovery amounts estimated by the Management Board, including the potential COVID-19 impact on the recoverable amount of collateral, based on available financial and market data. For selected exposures we analyzed impact of COVID-19 outbreak on the economic and financial situation of borrowers, inquired as to extensiveness of payment moratoria and fulfillment of the terms of loan agreements in order to identify potential SICR or impairment triggers.

We conducted analytical procedures regarding the structure and dynamics of balance of loans and advances in order to identify and explain significant changes or to explain lack of expected changes.

Regarding IT systems, in which both the credit risk parameters and the calculation of the provisions for expected credit losses were calculated in the reporting period, our analysis of control mechanisms effectiveness was carried out in cooperation with specialists in the field of IT systems.

In addition, we made an assessment of disclosures regarding impairment allowances for loans and advances to customers included in the financial statements in terms of compliance with International Financial Reporting Standards.

Responsibilities of the Bank's Management Board and members of the Supervisory Board for the financial statements

The Bank's Management is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with applicable International Financial Reporting Standards

adopted by the European Union, the applied accounting policies, other applicable laws, as well as the Bank's Statute, and is also responsible for such internal control as the Bank's Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, The Bank's Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The Bank's Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Bank's Management and the members of the Bank's Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. The members of the Bank's Supervisory Board are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if they, individually or in the aggregate, could be reasonably expected to influence the economic decisions of the users taken on the basis of these financial statements.

The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's opinions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Bank nor efficiency or effectiveness of conducting business matters now and in the future by the Bank's Management Board.

As part of an audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's Management,
- conclude on the appropriateness of the Bank's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Bank to cease to continue as a going concern,

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Directors' Report

The other information comprises the Management Board Report on Performance of mBank S.A. Group in 2021 (including Management Board Report on Performance of mBank S.A.) for the period from 1 January 2021 to 31 December 2021 („Directors' Report") together with the statement on corporate governance and the statement on non-financial information, which are separate sections of the Directors' Report (jointly 'Other Information'). The Other Information does not include the financial statements and our auditor's report thereon.

Responsibilities of the Bank's Management and members of the Supervisory Board

The Bank's Management is responsible for the preparation of the Other Information in accordance with the law.

The Bank's Management and members of the Bank's Supervisory Board are required to ensure that the Directors' Report with separate elements meets the requirements of the Accounting Act.

Auditor's responsibilities

Our opinion on the financial statements does not include the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

In addition, we are required to inform whether the Bank has prepared the statement on non-financial information and to issue an opinion on whether the Bank has included the required information in the statement on corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 71 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information

required by laws of non-EU member states (the 'Decree on current and periodic information') and article 111a, sections 1-2 of the Banking Act of August 29, 1997 ('Banking Law'),

- is consistent with the information contained in the financial statements.

Moreover, based on our knowledge of the Bank and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance statement

In our opinion, in the representation on application of corporate governance, the Bank has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Regulation included in the statement on corporate governance is in accordance with applicable laws and information included in the financial statements.

Information on non-financial information

In accordance with the Act on Statutory Auditors, we confirm, that the Bank has prepared the statement on non-financial information mentioned in article 49b, section 1 of the Accounting Act as a separate section of the Directors' Report.

We have not performed any assurance procedures on to the statement on non-financial information and do not provide any assurance thereon.

Report on other legal and regulatory requirements

Information on prudential regulations

Banks are obliged to comply with the prudential requirements specified in the Banking Law, resolutions of the National Bank of Poland, resolutions of the Polish Financial Supervision Authority ("PFSA"), recommendations of the PFSA and Regulation (EU) No. 575/2013 of the European Parliament and of the EU Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, regarding prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012 (CRR) and Commission Decisions based on that Regulation as well as the Act of 5 August 2015 on macro-prudential supervision over the financial system and on crisis management in the financial system ("the Act on macro-prudential supervision") concerning:

- concentration of credit risks,
- concentration of equity shares,
- classification of loans and guarantees granted into risk groups and recognizing impairment allowances for expected credit losses,
- liquidity,
- obligatory reserve requirements,
- capital adequacy.

The Bank's Management Board is responsible for compliance with prudential regulations, including in particular, adequate calculation of the capital ratio. Our responsibility was, based on the conducted audit, to provide information whether the Bank complied with the above described prudential regulations. Our responsibility was not to express an opinion on compliance with these regulations.

As part of the audit of the financial statements we have performed the procedures with regards to capital ratios and we have not identified any discrepancies in their calculation which would have a material impact on financial statement as a whole. Therefore, we inform that the Bank's Management Board has correctly calculated the capital requirements in compliance with the rules described above.

Statement on the provision of non-audit services

To the best of our knowledge and belief, we represent that services, which we have provided to the Bank and its controlled undertakings, are compliant with the laws and regulations applicable in Poland, and that non-audit services, which are prohibited under article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors, were not provided. The non-audit services, which we have provided to the Bank and its controlled undertakings in the audited period, have been disclosed in the Directors' Report.

Appointment of the audit firm

We were appointed for the audit of the Bank's financial statements initially based on the resolution of the Shareholders' Meeting dated 12 April 2018 and reappointed based on the resolution dated 27 March 2020. The financial statements of the Bank have been audited by us uninterruptedly starting from the financial year ended on 31 December 2018, i.e. for the past four consecutive years.

Warsaw, 1 March 2022

Key Certified Auditor

Anna Sirocka

Certified Auditor

No in the register: 9626

on behalf of:

Ernst & Young Audyt Polska spółka z ograniczoną
odpowiedzialnością sp. k.

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No on the audit firms list: 130