



# **Information on the implemented tax strategy for mBank Hipoteczny S.A.**

**Tax Report for 2022**

## KEY INFORMATION

- mBank Hipoteczny S.A. (hereinafter: the "Bank") is a **public trust institution**. Bank's operations are based on applicable laws, good banking practices and compliance with the standards applicable in the mBank Group.
- The Bank considers **tax law compliance** as an important part of social responsibility and the payment of taxes as a due return of part of its profit to society.
- The Bank's **tax strategy** is consistent with the principles of social justice, the strategy of the mBank Group and the ethical values we follow.
- In 2022, the Bank's situation was still largely affected by the circumstances caused by the **Covid-19 pandemic** and the **state of epidemic** announced in Poland, which in May 2022 was revoked in favor of the state of epidemic emergency. We monitored legislative changes connected with these events, including changes in tax law. Analysed their impact on the Bank's business. Tax settlements and reporting to tax authorities were adapted to the applicable regulations.
- In 2022, the government's announcement of a general support program for borrowers (so-called **credit holidays**) and the increase in interest rates had a significant impact on the Bank's financial situation. **The Bank closed the year 2022 with a pre-tax loss** of -PLN 365.7 million.
- In 2022, the Bank followed **processes and procedures** for managing the performance of its obligations under tax law. This allowed the Bank to properly fulfil its tax obligations in the Republic of Poland.
- As of 1 January 2020, the Bank and the companies mBank S.A., mFinanse S.A. and mLeasing Sp. z o. o. formed **Podatkowa Grupa Kapitałowa mBank** ("PGK"). The companies entered into an agreement for four years. According to the tax law, the entire tax capital group was a corporate income tax (CIT) taxpayer in 2022. mBank S.A. as the parent company calculated, collected and paid CIT on behalf of PGK.
- In 2022, the Bank acted as a **taxpayer** of tax on certain financial institutions and value added tax. The Bank also performed the function of a **remitter** of personal income tax. The Bank also performed other duties required by tax law, including information, recording, and documentation obligations.

## ENTITY DRAWING UP THE INFORMATION

Name:	mBank Hipoteczny S.A.
Tax Identification Number:	5262316250
KRS number:	0000003753
REGON number:	014953634
Registered office:	18 Prosta Street, 00-850 Warsaw
Fiscal year:	1 January 2022 – 31 December 2022
Date of preparation of the information:	30 September 2023

## SCOPE OF INFORMATION

The information on the implemented tax strategy for 2022 ("Tax Report") was prepared in order to comply with the obligation under Article 27c of the Corporate Income Tax Act of 15 February 1992 ("CIT Act").

The Tax Report takes into account the nature, type and size of the Bank's activities, and includes in particular:

- information on the processes and procedures followed to manage and ensure the proper performance of obligations under tax law,
- information on voluntary forms of cooperation with bodies of the National Revenue Administration,
- information on the fulfilment of tax obligations in the territory of the Republic of Poland, including the number of tax scheme notifications provided to the Head of the National Revenue Administration in accordance with the relevant provisions of tax law, including a breakdown by the taxes to which they relate,
- information on transactions with related parties within the meaning of the relevant tax law, whose value exceeds 5% of the total assets within the meaning of the accounting regulations, determined on the basis of the last approved financial statements of the Bank, including entities which are not tax residents of the Republic of Poland,
- information on planned or undertaken restructuring activities which may affect the amount of tax liabilities of the Bank or of related parties within the meaning of the relevant tax law,
- information on applications submitted for the issuance, in accordance with the relevant provisions of tax law, of a general tax interpretation, an individual tax interpretation, binding tax rate information or binding excise information,
- information concerning tax settlements in territories or countries applying harmful tax competition as defined in the relevant tax law.

The Tax Report does not present information covered by trade, industrial, professional or manufacturing process secrecy.

## GENERAL INFORMATION ABOUT THE BANK

The Bank is a specialist mortgage bank operating since 1999 on the basis of the Act on covered bonds and mortgage banks.

The Bank is part of the mBank Group, in which it has a strategic function in obtaining stable and long-term financing for loans secured by mortgages. To this end, the Bank issues covered bonds on both the domestic and foreign capital markets. The Bank has three business areas:

- retail, based on the transfer of mortgage loans for individuals from the portfolio of mBank S.A. (retail pooling),
- commercial, related to the management of the existing CRE portfolio (Commercial Real Estate) transactions,
- covered bond issuance, which ensure long-term financing of credit assets with covered bonds.

## BUSINESS STRATEGY

In 2022, the Bank pursued the 2019-2022 business strategy adopted in 2018.

The strategy responds primarily to the challenges arising from intensive development of the covered bond market in Poland, as well as strong demand for Polish covered bonds in the European Union. At the same time, the strategy supports the goals of a secure financing structure of the mBank Group. Moreover, the strategy is underlining the importance of cost efficiency of the Bank's business model in view of the current growing competitive pressure among mortgage banks.

## TAX STRATEGY

The Bank is a public trust institution whose operations are based on applicable laws, good banking practices and compliance with the standards applicable in the mBank Group.

In particular, the Bank considers **tax law compliance** to be an important element of social responsibility, and treats the payment of taxes in the amount and within the time required by law as a due return of a portion of profit to society (tax strategy).

At the same time, the Bank respects legally protected secrets and does not publicly disclose any information related to the performance of tax obligations, except as required by law. As a public trust institution, it takes into account good relations with its stakeholders and the obligations imposed by law.

The Bank pursues a tax strategy aimed at **ensuring tax compliance**, in particular:

- the Bank timely performs obligations under tax law, including fiscal, information and reporting obligations,
- the Bank complies with recording and documentation requirements resulting from tax law regulations,
- the Bank maintains the books of account in such a way as to ensure tax compliance,
- the Bank actively cooperates with tax authorities, in particular, it provides in due time all explanations and required documents,
- the Bank follows a "zero tolerance" policy towards all forms of tax evasion and the facilitation of tax evasion,
- within the framework of its activity, the Bank does not take any actions aiming at circumventing the provisions of the tax law and does not offer any products or transactions aimed at avoiding or evading taxation,
- the Bank enters into transactions with related parties which are based on economic necessity and are made at market prices,
- the Bank monitors the level and nature of risks which may occur in the specificity of its operations with a view to preventing them,
- the Bank monitors changes in tax law and analyses the impact of changes on its operations,
- the Bank adjusts its processes and tools to meet new regulatory requirements in the area of tax law.

## **PROCESSES AND PROCEDURES FOR MANAGING AND ENSURING THE CORRECT PERFORMANCE OF TAX LAW OBLIGATIONS**

In order to ensure the proper performance of its obligations under tax law, the Bank followed a number of processes and procedures in 2022, in particular with regard to:

- the tax risk management and the Bank's tax strategy,
- the calculation and settlement of corporate income tax, value added tax, tax on certain financial institutions,
- transfer pricing and documentation of transactions with related parties,
- the identification and reporting of tax schemes (MDR),
- monitoring the operation of control mechanisms for tax settlements and payroll accounting, in particular to ensure: (i) compliance with laws and internal regulations, (ii) reliability of financial reporting, (iii) efficiency and effectiveness of operations, and (iv) compliance with risk management principles,
- the withholding tax, the Bank as a tax remitter follows appropriate procedures to exercise due diligence with respect to tax collection and verification of payments to foreign entities,
- exercising the due diligence, the Bank as an active VAT taxpayer, in particular: (i) checks its contractors in the List of VAT taxpayers maintained by the Head of the National Revenue Administration, (ii) verifies the VAT identifiers of European Union

contractors in the VIES system as well as the tax statuses of such entities, and (iii) when making payments for goods and services purchased, applies the split payment mechanism, regardless of the value of the transaction,

- electronic process of handling financial documents.

## **VOLUNTARY FORMS OF COOPERATION WITH BODIES OF THE NATIONAL REVENUE ADMINISTRATION**

In 2022, the Bank did not participate in any of the voluntary forms of cooperation with bodies of the National Revenue Administration.

## **PERFORMANCE OF TAX OBLIGATIONS**

In 2022, the Bank performed its obligations under tax law in the territory of the Republic of Poland, in particular with regard to tax on certain financial institutions, corporate income tax (including transfer pricing and withholding tax), personal income tax and value added tax.

**The Bank has been a member of Podatkowa Grupa Kapitałowa mBank** since 1 January 2020. Consequently, corporate income tax and CIT advances were calculated, collected and paid by the parent company, mBank S.A. The CIT for PGK, including the Bank, amounted to **PLN 876.8 million** in 2022 as at the date of the Tax Report.

The Bank's fiscal burden for 2022 was as follows:

- **PLN 32 million** – tax on certain financial institutions, in total for the periods from January to December 2022,
- **PLN 275 thousand** – value added tax, in total for the periods from January to December 2022.

The Bank also performed information, recording and documentation obligations required by tax law.

The Bank paid no real estate tax or tax on civil law transactions in 2022.

## **IDENTIFICATION AND REPORTING OF TAX SCHEMES (MDR)**

The Bank complies with the obligation to identify and report tax schemes under Section III, Chapter 11a of the Tax Ordinance.

In 2022, the Bank as a beneficiary provided the Head of the National Revenue Administration with one notification on the tax scheme (MDR-1 form) concerning corporate income tax, value added tax, tax on civil law transactions, and provisions of the Tax Ordinance.

Moreover, the Bank submitted two beneficiary's notifications on the application of the tax schemes (MDR-3) concerning corporate income tax.

## **TRANSACTIONS WITH RELATED PARTIES**

In 2022, the Bank carried out transactions with related parties within the meaning of Article 11a(1)(4) of the CIT Act, the value of which exceeded 5% of the total of assets within the meaning of accounting regulations, determined on the basis of the last approved financial statements, including transactions with entities which are not tax residents of the Republic of Poland. The Bank's transactions with related parties exceeded in total PLN 659 million (determined in accordance with the Bank's annual report).

In 2022, the Bank carried out transactions with related parties including, among others, the acquisition of portfolios of receivables on loans secured by mortgages and the purchase of services related to the after-sales handling of credit receivables, standard transactions in financial instruments including securities, loans and guarantees received and the lease of office space.

The Bank entered into transactions on market terms, i.e., terms which would have been agreed by non-related parties. Their nature and terms resulted from the Bank's day-to-day operations.

## **RESTRUCTURING ACTIVITIES**

On 31 May 2022, the management boards of mBank Hipoteczny S.A. and mBank S.A. approved and signed the division plan of the Bank. In this document it was agreed that the division of the Bank would be carried out pursuant to Article 529 (1)(4) of the Commercial Companies Code, i.e. by transferring a part of the estate (assets and liabilities) as well as rights and obligations of the Bank to mBank S.A. in the form of an organised part of the enterprise, constituting an organisationally and financially separated within the existing enterprise of the Bank set of tangible and intangible components, including liabilities. In October 2022, the Director of the National Fiscal Information issued positive individual interpretations confirming the tax consequences of the planned division by separation in CIT and VAT, at the joint request of the Bank and mBank S.A.

## REQUESTS TO TAX AUTHORITIES

In 2022, the Bank submitted four requests for tax law interpretations referred to in Article 14b of the Tax Ordinance, including three joint request for individual interpretations with mBank S.A. The Bank made such requests in justified cases, in order to confirm the correct application of tax law and limit the risk of non-compliance.

In 2022, the Bank did not file any:

- applications for a general tax interpretation referred to in Article 14a(1) of the Tax Ordinance,
- applications for binding tax rate information referred to in Article 42a of the Value Added Tax Act,
- applications for binding excise tax information referred to in Article 7d(1) of the Excise Tax Act.

## TAX SETTLEMENTS IN TERRITORIES OR COUNTRIES APPLYING HARMFUL TAX COMPETITION

In 2022, the Bank did not make tax payments in territories or countries applying harmful tax competition listed in the implementing regulations issued pursuant to Article 11j(2) of the CIT Act and Article 23v(2) of the Personal Income Tax Act and in announcement of the minister responsible for public finance issued pursuant to Article 86a(10) of the Tax Ordinance.

## ADDITIONAL INFORMATION

The Tax Report is attached to the Information on the implemented tax strategy for Podatkowa Grupa Kapitałowa mBank available on the website: <https://www.mbank.pl/o-nas/informacje-wymagane-przepisami-prawa/informacja-o-realizowanej-strategii-podatkowej>

Read other important documents:

- 1/ *Information on the implemented tax strategy for Podatkowa Grupa Kapitałowa mBank*
- 2/ *Annual report of mBank S.A. Group for 2022*
- 3/ *Annual report of mBank Hipoteczny S.A. for 2022*