

# **mBank S.A. Group Consolidated Financial Report for the first quarter of 2024**



This document is a translation from the original Polish version. In case of any discrepancies between the Polish and English versions, the Polish version shall prevail.

**mBank S.A. Group**

Consolidated financial report for the first quarter of 2024

Selected financial data

(PLN thousand)

**SELECTED FINANCIAL DATA**

The selected financial data presented below are supplementary information to the condensed consolidated financial statements of mBank S.A. Group for the first quarter of 2024 and to the condensed stand-alone financial statements of mBank S.A. for the first quarter of 2024.

**Selected financial data for the mBank S.A. Group**

SELECTED FINANCIAL DATA FOR THE GROUP	PLN thousand		EUR thousand	
	Period from 01.01.2024 to 31.03.2024	Period from 01.01.2023 to 31.03.2023	Period from 01.01.2024 to 31.03.2024	Period from 01.01.2023 to 31.03.2023
I. Interest income	3 561 177	3 638 653	824 137	774 099
II. Fee and commission income	768 174	737 784	177 773	156 959
III. Net trading income	53 281	7 192	12 330	1 530
IV. Operating profit	614 617	659 453	142 236	140 294
V. Profit / (loss) before income tax	432 706	469 455	100 138	99 873
VI. Net profit / (loss) attributable to Owners of mBank S.A.	262 523	142 815	60 754	30 383
VII. Net profit / (loss) attributable to non-controlling interests	43	(81)	10	(17)
VIII. Net cash flows from operating activities	(11 598 116)	2 681 624	(2 684 066)	570 498
IX. Net cash flows from investing activities	(219 517)	(124 219)	(50 801)	(26 427)
X. Net cash flows from financing activities	(349 488)	(1 235 230)	(80 879)	(262 787)
XI. Total net increase / decrease in cash and cash equivalents	(12 167 121)	1 322 175	(2 815 746)	281 284
XII. Basic earnings / (loss) per share (in PLN/EUR)	6.18	3.37	1.43	0.72
XIII. Diluted earnings / (loss) per share (in PLN/EUR)	6.17	3.36	1.43	0.71
XIV. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE GROUP	PLN thousand		EUR thousand	
	As at		As at	
	31.03.2024	31.12.2023	31.03.2024	31.12.2023
I. Total assets	224 157 019	226 980 516	52 118 631	52 203 431
II. Amounts due to other banks	3 273 468	3 315 302	761 112	762 489
III. Amounts due to customers	183 067 263	185 467 455	42 564 873	42 655 808
IV. Equity attributable to Owners of mBank S.A.	14 067 087	13 735 187	3 270 731	3 158 967
V. Non-controlling interests	2 083	2 039	484	469
VI. Share capital	169 861	169 861	39 494	39 066
VII. Number of shares	42 465 167	42 465 167	42 465 167	42 465 167
VIII. Book value per share (in PLN/EUR)	331.26	323.45	77.02	74.39
IX. Total capital ratio	16.0	17.0	16.0	17.0
X. Common Equity Tier I capital ratio (%)	14.1	14.7	14.1	14.7

**Selected financial data for the mBank S.A.**

SELECTED FINANCIAL DATA FOR THE BANK	PLN thousand		EUR thousand	
	Period from 01.01.2024 to 31.03.2024	Period from 01.01.2023 to 31.03.2023	Period from 01.01.2024 to 31.03.2024	Period from 01.01.2023 to 31.03.2023
I. Interest income	3 378 276	3 411 254	781 809	725 722
II. Fee and commission income	694 463	684 755	160 714	145 677
III. Net trading income	51 365	7 629	11 887	1 623
IV. Operating profit	508 781	584 057	117 743	124 254
V. Profit (loss) before income tax	412 707	471 802	95 510	100 373
VI. Net profit (loss)	259 317	158 657	60 012	33 753
VII. Cash flows from operating activities	(11 730 348)	2 542 264	(2 714 667)	540 850
VIII. Cash flows from investing activities	(210 790)	(111 713)	(48 782)	(23 766)
IX. Cash flows from financing activities	(241 731)	(1 034 342)	(55 942)	(220 049)
X. Net increase / decrease in cash and cash equivalents	(12 182 869)	1 396 209	(2 819 391)	297 034
XI. Basic earnings / (losses) per share (in PLN/EUR)	6.11	3.74	1.41	0.80
XII. Diluted earnings / (losses) per share (in PLN/EUR)	6.09	3.73	1.41	0.79
XIII. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE BANK	PLN thousand		EUR thousand	
	As at		As at	
	31.03.2024	31.12.2023	31.03.2024	31.12.2023
I. Total assets	219 318 833	222 418 476	50 993 707	51 154 203
II. Amounts due to other banks	3 306 667	3 346 208	768 831	769 597
III. Amounts due to customers	182 306 555	185 117 139	42 388 001	42 575 239
IV. Equity	13 897 692	13 662 938	3 231 345	3 142 350
V. Registered share capital	169 861	169 861	39 494	39 066
VI. Number of shares	42 465 167	42 465 167	42 465 167	42 465 167
VII. Book value per share (in PLN/EUR)	327.27	321.74	76.09	74.00
VIII. Total capital ratio (%)	18.3	19.7	18.3	19.7
IX. Common Equity Tier I capital ratio (%)	16.0	17.0	16.0	17.0

The following exchange rates were used in translating selected financial data into euro:

- for items of the statement of financial position – exchange rate announced by the National Bank of Poland as at 31 March 2024: EUR 1 = 4.3009 PLN, 31 December 2023: EUR 1 = 4.3480 PLN;
- for items of the income statement – exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of the first quarter of 2024 and 2023: EUR 1 = 4.3211 PLN and EUR 1 = 4.7005 PLN, respectively.

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## INTRODUCTION

mBank Group delivered very good operating and financial results in Q1 2024. In the period under review, mBank Group recorded a profit before tax of PLN 432.7 million, while net profit attributable to mBank shareholders amounted to PLN 262.5 million. The results were significantly impacted by the cost of legal risk related to foreign currency loans, as well as by the contribution to the Bank Guarantee Fund's resolution fund.

**Net profit of the Core Business** (mBank Group excluding FX Mortgage Loans segment) attributable to mBank shareholders reached PLN 1 650.0 million in Q1 2024, which translated into net ROE of 48.9%.

The main factors determining the Group's financial results in Q1 2024 were as follows:

- **Higher total income** at the level of PLN 2,922.1 million, up by 0.8% compared with the previous quarter, thanks to increase of net fee and commission income,
- **Increase in operating costs** (including depreciation) compared to the previous quarter to the level of PLN 888.9 million, due to the recognition of the annual contribution to the Bank Guarantee Fund's resolution fund,
- **Low cost of risk** at the level of PLN 48.1 million or 17 b.p. compared to 165 b.p. in the previous quarter,
- **Costs of legal risk related to foreign currency loans** stood at PLN 1 370.6 million,
- **Taxes on the Group's balance sheet items** at the level of PLN 181.9 million,
- **Continued organic growth and business expansion** as demonstrated by:
  - **Increase in the number of retail customers** to 5,693.4 thousand (+18.1 thousand clients compared to the end of March 2023),
  - **Increase in the number of corporate customers** to 35,112 (+3,231 clients compared to the end of March 2023).

**Net loans and advances to customers** amounted to PLN 116 296.4 million at the end of Q1 2024. It increased compared to end of 2023 by PLN 2 775.6 million or 2.4% quarter on quarter. The volume of gross loans increased in all three segments of clients. Gross loans to corporate clients increased to 53 198.8, up by PLN 2 362.8 million (+4.6%) quarter on quarter. The volume of loans to individuals increased minimally by PLN 373.9 million or 0.6% against the end of 2023 and amounted to PLN 66 634.0 million.

In Q1 2024 **amounts due to customers** decreased marginally by PLN 2 400.2 million or -1.3% quarter on quarter to PLN 183 067.3 million. Amounts due to individual customers grew by PLN 856.1 million or +0.7% quarter on quarter and stood at PLN 129 268.4 million at the end of March 2024. Amounts due to corporate customers decreased by PLN 3 578.1 million or -6.3% compared to the end of the previous quarter and at the end of March 2024 reached PLN 52 860.8 million.

As a consequence, Loan-to-deposit ratio increased to 63.5% compared to 61.2% at the end of 2023.

mBank Group's capital ratios decreased in Q1 2024 compared to the end of 2023. Total Capital Ratio stood at 16.0% at the end of March 2024, while Common Equity Tier 1 capital ratio amounted to 14.1%. In the period under review, own funds decreased slightly, while total risk exposure amount increased. At the same time, surplus over the PFSA capital requirements amounted to 4.9 p.p. both for the Tier 1 capital ratio and the total capital ratio.

**mBank S.A. Group**

Consolidated financial report for the first quarter of 2024

Condensed consolidated financial statement of mBank S.A. for the first quarter of 2024

(PLN thousand)

**Summary of results of mBank Group core business in Q1 2024**

PLN million	Core business	Non-core	mBank Group
Net interest income	2 334.2	5.9	2 340.1
Net fee, trading and other income	589.4	-7.4	582.0
<b>Total income</b>	<b>2 926.1</b>	<b>-4.0</b>	<b>2 922.1</b>
<b>Total costs</b>	<b>-874.6</b>	<b>-14.3</b>	<b>-888.9</b>
Net impairment losses and fair value change on loans and advances	-53.2	5.1	-48.1
Cost of legal risk related to FX loans	0.0	-1 370.6	-1 370.6
<b>Operating profit</b>	<b>1 998.3</b>	<b>-1 383.7</b>	<b>614.6</b>
Taxes on the Group balance sheet items	-178.1	-3.8	-181.9
<b>Profit/loss before income tax</b>	<b>1 820.2</b>	<b>-1 387.5</b>	<b>432.7</b>
<b>Net profit/loss attributable to mBank shareholders</b>	<b>1 650.0</b>	<b>-1 387.5</b>	<b>262.5</b>
<b>Total assets</b>	<b>220 895.1</b>	<b>3 262.0</b>	<b>224 157.0</b>
Net interest margin	4.43%		4.37%
Cost/Income ratio	29.9%		30.4%
ROE net	48.9%		7.4%
ROA net	3.0%		0.5%

**Core business** – results of mBank Group excluding the FX Mortgage Loans segment.**Total income** - calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses.**Net impairment losses and fair value change on loans and advances** - the sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss.**Net interest margin** – calculated by dividing net interest income by average interest earning assets. Net interest income calculated for the purpose of net interest margin excludes gains or losses on modification. Gains or losses on modification includes costs of "credit holidays". Interest earning assets are a sum of cash and cash equivalents, loans and advances to banks, debt securities (in all valuation methods) and loans and advances to customers (net; in all valuation methods). The average interest earning assets are calculated on the basis of the balances as at the end of each month. Net interest income is annualised based on the number of days in the analysed period (an annualisation factor is calculated by dividing a number of days in the year by a number of days in the analysed period).**Cost/Income ratio** – calculated by dividing overhead costs and depreciation by total income (excluding tax on Group's balance sheet items).**ROE net** – calculated by dividing net profit/loss attributable to Owners of the Bank by the average equity attributable to Owners of the Bank, net of the year's results. The average equity is calculated on the basis of the balances as at the end of each month. Net profit/loss attributable to Owners of the Bank is annualised based on the number of days in the analysed period (an annualisation factor is calculated by dividing a number of days in the year by a number of days in the analysed period).**ROA net** - calculated by dividing net profit/loss attributable to Owners of the Bank by the average total assets. The average total assets are calculated on the basis of the balances as at the end of each month. Net profit/loss attributable to Owners of the Bank is annualised based on the number of days in the analysed period (an annualisation factor is calculated by dividing a number of days in the year by a number of days in the analysed period).**Awards and distinctions received in Q1 2024**

At the end of March, mBank was honoured with two awards during the Euromoney Global Private Banking Awards gala. International Jury awarded mBank with the award for the best domestic private banking and the award for the best portfolio management. This year, the panel of experts highlighted a significant number of new initiatives which supported the development of mBank's operations. mBank was also distinguished for digital solutions for clients in online banking.

mBank received a special award in the Mobile Trends Awards competition. Thanks to the votes received in the online poll, mBank took second place in the "Mobile application development" category. New features that appeared in the application last year include development of the financial management functionalities, a convenient way to connect the application to an account using a payment card, or the ability to personalize products visible on the desktop.

mBank received an award in the Power of Attraction (Siła Przyciągania) competition organized by Puls Biznesu Magazine. In the category "Support for employee development - new competences in a new reality", mBank received the main prize. The jury appreciated the "Future Skills" project and the "Mission Innovation" conference of mBank which aim to develop competences of the future.

mBank was recognized as the friendliest institution at the Banking & Insurance Forum. mBank's involvement in the Great Orchestra of Christmas Charity was appreciated. The President of mBank's Management Board, Cezary Stypułkowski, was also honoured at the Gala for his "unique visions and

innovative approach to the development of the financial sector, which had a significant impact on the future of the industry."

Mechanisms increasing sales conversion in Paynow were awarded third place in the Qorus Reinvention Awards – Europe competition. Paynow is a joint product of mBank and mElements. Conversion-increasing mechanisms are functions thanks to which a payer purchasing in an online store with Paynow implemented has the greatest chance of successfully completing the transaction.

### **Economy and the banking sector in Q1 2024**

The first quarter of 2024 was marked by falling inflation, which eased to 2% in March from 6.2% in December. Core inflation, which excludes energy and food prices, decreased to 4.6% in March from 6.9% at the end of last year. As expected by the Bank a local bottom in inflation was reached in March, from which inflation should pick up in the coming months, following reinstatement of VAT rate on food at 5%.

The latter half of the year will also see a pick-up in economic activity, which, together with persistently strong nominal wage growth, will result in higher core inflation, according to the Bank's expectations. Energy price hikes will also elevate inflation in the latter half of the year. Expansionary fiscal policy constitutes another factor supporting growth of inflation in the aforementioned period. Near-term risks associated with the sharp increase of commodity prices in the recent months, prevail. One mitigating factor is the strength of the domestic currency. Taking into account above-listed factors, the Bank forecasts the average annual inflation rate at 4.3% in 2024.

The Polish economy emerged from the cyclical downturn, with GDP growth at 1% in annual terms at the end of 2023. Subsequently, the Polish economy has been gradually recovering. The pace of improvement has been moderate so far. The strongest recuperation year to date has been noted in retail sales, which were driven by solid growth in real disposable income and good consumer sentiment. The pace of recovery in real wages indicates there is potential for further improvement in the consumption of goods and services later in the year. The situation of industry and construction slightly differs. Nonetheless, the outlook remains quite optimistic, supported by a gradual improvement in external demand over time. The government will launch a new mortgage subsidy programme in the latter half of the year, which should back the recovery in residential construction activity. The Bank expects a slowdown in investment growth over the course of the year, but a recovery is expected at the turn of 2024 and 2025 onwards. The improvement will be supported by the spending of EU funds. As a result, the Bank forecasts GDP growth of 3.5% in 2024.

In the course of the first quarter, the Monetary Policy Council kept interest rates at a stable level. The main reference rate was at 5.75%. Given the central bank's current reaction function, the Bank assumes no rate cuts in 2024. Simultaneously, an upward movement in market interest rates was noted since the beginning of the year. As a result, the market is no longer pricing in a reduction in the cost of money this year.

The zloty continued to decrease against the euro throughout the first quarter. The continued appreciation of the domestic currency was supported by the release of funds under the National Recovery Plan. The zloty also benefited from a change in the interest rate differential as a direct result of the rhetoric of the NBP, the euro and the US area central banks. In April, the zloty depreciated, dragged down by a shift in expectations for interest rate cuts in the US and an escalation of the conflict in the Middle East. The structural situation of the Polish currency continues to be favourable, supported by relatively high interest rates and an expansionary fiscal policy.

Domestic government bond yields recorded a slightly upward trend in the first quarter of 2024. The magnitude of this motion was amplified by the above-mentioned global factors. The rise in yields was driven by changes in interest rates and inflation expectations and cannot be attributed to an increase in credit risk. Moreover, a reduction in credit risk over the course of the last quarter was observed, reflected in lower ASW (asset swap spread) rates.

In the coming months, the Bank anticipates deceleration in the growth rates of household and corporate deposits. The Bank also expects loan growth in both sectors to accelerate, supported by the good labour market situation, the mobilisation of EU funds and the implementation of the government's new mortgage subsidy programme.

**mBank S.A. Group**

Consolidated financial report for the first quarter of 2024

Condensed consolidated financial statement of mBank S.A. for the first quarter of 2024

(PLN thousand)

**Financial position of mBank Group in Q1 2024****Profit and Loss Account of mBank Group**

mBank Group's profit before tax in Q1 2024 amounted to PLN 432.7 million, while net profit attributable to owners of mBank S.A. stood at PLN 262.5 million.

PLN million	Q4 2023	Q1 2024	Change in PLN M	Change in %
Interest income	3 694.1	3 561.2	-132.9	-3.6%
Interest expense	-1 339.0	-1 221.1	117.9	-8.8%
<b>Net interest income</b>	<b>2 355.0</b>	<b>2 340.1</b>	<b>-15.0</b>	<b>-0.6%</b>
Fee and commission income	769.5	768.2	-1.4	-0.2%
Fee and commission expense	-325.0	-284.0	41.0	-12.6%
<b>Net fee and commission income</b>	<b>444.5</b>	<b>484.1</b>	<b>39.6</b>	<b>8.9%</b>
<b>Core income</b>	<b>2 799.5</b>	<b>2 824.2</b>	<b>24.7</b>	<b>0.9%</b>
Dividend income	4.7	3.0	-1.7	-36.0%
Net trading income	76.6	53.3	-23.3	-30.4%
Other income	37.0	21.6	-15.3	-41.5%
Other operating income	86.7	77.3	-9.4	-10.9%
Other operating expenses	-107.0	-57.3	49.7	-46.4%
<b>Total income</b>	<b>2 897.5</b>	<b>2 922.1</b>	<b>24.6</b>	<b>0.8%</b>
Net impairment losses and fair value change on loans and advances	-476.5	-48.1	428.4	-89.9%
Costs of legal risk related to foreign currency loans	-1 476.0	-1 370.6	105.4	-7.1%
Overhead costs and depreciation	-795.9	-888.9	-92.9	11.7%
<b>Operating profit or loss</b>	<b>149.1</b>	<b>614.6</b>	<b>465.5</b>	<b>312.2%</b>
Taxes on the Group balance sheet items	-186.2	-181.9	4.2	-2.3%
<b>Profit/Loss before income tax</b>	<b>-37.1</b>	<b>432.7</b>	<b>469.8</b>	<b>+/-</b>
Income tax expense	16.8	-170.1	-187.0	-/+
<b>Net profit/loss</b>	<b>-20.2</b>	<b>262.6</b>	<b>282.8</b>	<b>+/-</b>
<b>- attributable to owners of mBank S.A.</b>	<b>-20.3</b>	<b>262.5</b>	<b>282.8</b>	<b>+/-</b>
- non-controlling interests	0.0	0.0	0.0	43.3%
ROA net	0.0%	0.5%		
ROE gross	-1.1%	12.2%		
ROE net	-0.6%	7.4%		
Cost / Income ratio	27.5%	30.4%		
Net interest margin	4.3%	4.4%		
Common Equity Tier 1 ratio	17.0%	16.0%		
Total capital ratio	14.7%	14.1%		

**Core income** – calculated as the sum of net interest income and net fee and commission income.

**Other income** – calculated as gains or losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses from non-trading equity and debt securities mandatorily measured at fair value through profit or loss.

**Total income** – calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses.

**Overhead costs and depreciation** – calculated as the sum of total overhead costs and depreciation.

**Net impairment losses and fair value change on loans and advances** – calculated as the sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss.

**Net ROA** – calculated by dividing net profit/loss attributable to the owners of mBank by the average total assets. The average total assets are calculated on the basis of the balances as at the end of each month. Net profit/loss attributable to the owners of mBank is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).

**Gross ROE** – calculated by dividing pre-tax profit/loss by the average equity (net of the year's results). The average equity is calculated on the basis of the balances as at the end of each month. Pre-tax profit/loss is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).

**Net ROE** – calculated by dividing net profit/loss attributable to the owners of mBank by the average equity (net of the year's results). The average equity is calculated on the basis of the balances as at the end of each month. Net profit/loss attributable to the owners of mBank is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).

**Cost/Income ratio** – calculated by dividing overhead costs and depreciation by total income (excluding tax on balance sheet items of the Group).

**Net interest margin** – calculated by dividing net interest income by average interest earning assets. To calculate the margin, net interest income was calculated without factoring in the result from the non-substantial modification which includes the cost of the "credit holidays". Interest earning assets are the sum of cash and cash equivalents, loans and advances to banks, debt securities (in all valuation methods) and loans and advances to clients (net; in all valuation methods). The average interest earning assets are calculated on the basis of the balances as at the end of each month. Net interest income is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).

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### Income of mBank Group

mBank Group generated total income of PLN 2,922.1 million in Q1 2024, which represents an increase by 0.8% quarter on quarter. The increase was driven by a higher net fee and commission income and net other operating income.

**Net interest income** was the main source of income of mBank Group in Q1 2024. It stood at PLN 2,340.1 million and remained stable in quarterly terms (-0.6%).

**Interest income** decreased by PLN 132.9 million or -3.6% quarter on quarter. Income on loans and advances decreased by 107.0 million or -4.0% quarter on quarter. Simultaneously, income on investment securities decreased by PLN 15.8 million or -2.4% as a result of interest rates cuts by 100 b.p. in the second half of 2023. Interest expenses decreased further by PLN 117.9 million or -8.8% quarter on quarter, mainly due to lower deposit costs.

**Net interest margin** of mBank Group increased on a quarterly basis and amounted to 4.37% in Q1 2024 compared to 4.31% in the previous quarter.

**Net fee and commission income** was the second largest income line. It increased quarter on quarter by PLN 39.6 million or 8.9% and amounted to PLN 484.1 million.

**Fee and commission income** fell slightly by PLN -1.4 million or -0.2% quarter on quarter. The largest increase was recorded in fees from brokerage activity and debt securities issue, which increased by PLN 5.9 million or 14.7% quarter on quarter. Commissions from bank accounts increased by PLN 5.3 million or 7.8% compared to previous quarter. The largest decrease was recorded in commissions from currency transactions (down by PLN 7.7 million or -6.1%).

Fee and commission expense in Q1 2024 declined by PLN 41.0 million or -12.6% on a quarterly basis, driven mainly by lower other discharged fees and commissions paid for agency service regarding sale of insurance products of external financial entities.

Net trading income decreased quarter on quarter and amounted to PLN 53.3 million.

Other income (an item including gains or losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses on non-trading equity instruments and debt securities mandatorily measured at fair value through profit or loss) decreased by PLN 15.3 million or -41.5% quarter on quarter.

Net other operating income amounted to PLN 20.0 million and increased compared to Q4 2023. Other operating expenses decreased compared to the previous quarter.

### Costs of mBank Group

In Q1 2024, mBank Group continued its efforts to further increase efficiency as measured by the Cost/Income ratio. Total overhead costs of mBank Group (including depreciation) stood at PLN 888.9 million and increased quarter on quarter (by PLN 92.9 million, i.e. 11.7%), mainly due to the booking of the annual contribution to the Bank Guarantee Fund's resolution fund. At the same time personnel and material costs decreased. The cost efficiency remained at a very high level and stood at 30.4%.

PLN million	Q4 2023	Q1 2024	Change in PLN M	Change in %
Staff-related expenses	-391.9	-383.4	8.5	-2.2%
Material costs, including:	-249.3	-204.4	45.0	-18.0%
- administration and real estate services costs	-77.2	-87.9	-10.7	13.9%
- IT costs	-66.7	-63.3	3.4	-5.1%
- marketing costs	-60.5	-32.4	28.1	-46.4%
- consulting costs	-38.4	-15.7	22.7	-59.2%
- other material costs	-6.6	-5.1	1.5	-23.2%
Taxes and fees	-11.2	-12.5	-1.3	11.8%
Contributions and transfers to the Bank Guarantee Fund	0.0	-147.8	-147.8	-
Contributions to the Social Benefits Fund	-3.8	-4.3	-0.5	13.5%
Depreciation	-139.6	-136.5	3.2	-2.3%
<b>Total overhead costs and depreciation</b>	<b>-795.9</b>	<b>-888.9</b>	<b>-92.9</b>	<b>11.7%</b>
Cost / Income ratio	27.5%	30.4%	-	-
Employment (FTE)	7 319	7 383	63	0.9%

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In Q1 2024, staff-related expenses decreased quarter on quarter by PLN 8.5 million i.e. -2.2% mainly due to lower cost of variable components of remuneration. The number of FTEs increased by 64 in the period under review.

Material costs decreased by PLN 45.0 million i.e. -18.0% quarter on quarter in Q1 2024. In the period under review, marketing costs and consulting costs decreased mainly.

Contributions and transfers to the Bank Guarantee Fund's resolution fund amounted to PLN 147.8 million.

Depreciation decreased by PLN 3.2 million or -2.3% in comparison to the previous quarter.

Cost efficiency as measured by the Cost/Income ratio amounted to 30.4% in Q1 2024 compared to 27.5% in Q4 2023. The normalised Cost/Income ratio in Q1 2024 (including ¼ of the contribution to the resolution fund) stood at 26.6% compared to 29.2% in the previous quarter.

### Net impairment losses and fair value change on loans and advances

In Q1 2024, net impairment losses and fair value change on loans and advances of mBank Group (calculated as the sum of two items: impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss) stood at PLN -48.1 million. Compared with the previous quarter, it decreased by PLN 428.4 million or -89.9%. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss is related to the part of the portfolio of loans and advances measured at amortised cost. The item "gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss" is related to the credit risk of the portfolio of loans and advances measured with the use of that method.

PLN million	Q4 2023	Q1 2024	Change in PLN M	Change in %
Retail Banking	-286.8	-73.8	213.0	-74.3%
Corporate and Investment Banking	-184.5	23.6	208.1	+/-
FX Mortgage Loans	-4.7	4.9	9.5	+/-
Treasury and Other	-0.5	-2.8	-2.2	408.4%
<b>Total net impairment losses and fair value change on loans and advances</b>	<b>-476.5</b>	<b>-48.1</b>	<b>428.4</b>	<b>-89.9%</b>

Impairment losses on and change in the fair value of loans and advances in the Retail Banking segment dropped by PLN 213.0 million on a quarterly basis and amounted to PLN -73.8 million. Lower cost of risk resulted from improved payment discipline of retail customers and positive impact of the sale of non-performing loan portfolio. Furthermore, the generated result was unimpacted by one-off factors reported in Q4 2023: the implementation of an additional trigger for classification of exposures into Stage 2 (i.e. with heightened credit risk) and recalibration of the PD and LGD model.

Impairment losses on and change in the fair value of loans and advances in the FX Mortgage Loans segment was positive and amounted to PLN 4.9 million. The release of provisions was driven by the increase of the cost of legal risk related to this portfolio and consequently the decline of the value of this portfolio.

Impairment losses on and change in the fair value of loans and advances in the Corporate and Investment Banking segment was positive and amounted to PLN 23.6 million in comparison to PLN -184.5 million in Q4 2023. Recognized lower impairment losses in Q1 2024 result mainly from efficient management of the debt collection and restructuring portfolio, which contributed to a partial release of provisions booked in Q4 2023.

### Cost of legal risk related to foreign currency loans

Cost of legal risk related to foreign currency loans stood at PLN 1 370.6 million in Q1 2024. The costs are mainly due to updating model parameters for the future expected costs of execution of court judgments, in particular updating estimates of statutory interest costs in relation to the pending court cases. More information about the method of calculating legal risk costs is provided in Note 31 to this report.

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### Consolidated statement of financial position

The balance sheet total of mBank Group stood at PLN 224 157.0 million at the end of March 2024 and was lower compared with the end of 2023, by 1.2%. The key driver of the dynamic on the asset side was the decrease of the volume of cash and cash equivalents. On the total liabilities and equity side, the key drivers were lower amounts due to customers. On a year-on-year basis the balance sheet total of mBank Group increased by 3.0%.

The table below presents changes in particular items of mBank Group assets.

#### Assets of mBank Group

PLN million	31.03.2023	31.12.2023	31.03.2024	QoQ change	YoY change
Cash and cash equivalents	17 563.4	36 702.4	24 535.8	-33.1%	39.7%
Loans and advances to banks	12 353.4	7 119.1	12 054.8	69.3%	-2.4%
Securities held for trading and derivative instruments	2 569.0	1 719.5	2 010.0	16.9%	-21.8%
Net loans and advances to customers	121 533.5	113 520.8	116 296.4	2.4%	-4.3%
Investment securities	56 414.5	60 583.9	62 230.6	2.7%	10.3%
Intangible assets	1 431.5	1 701.9	1 712.6	0.6%	19.6%
Tangible assets	1 516.7	1 481.4	1 493.1	0.8%	-1.6%
Other assets	4 147.1	4 151.5	3 823.7	-7.9%	-7.8%
<b>Total assets</b>	<b>217 529.2</b>	<b>226 980.5</b>	<b>224 157.0</b>	<b>-1.2%</b>	<b>3.0%</b>

**Net loans and advances to clients** – sum of loans and advances at amortised cost, non-trading loans and advances to customers mandatorily at fair value through profit or loss and loans and advances classified as assets held for trading.

**Investment securities** – sum of financial assets at fair value through other comprehensive income, debt securities at amortised cost and non-trading debt securities and equity instruments mandatorily at fair value through profit or loss.

**Other assets** – the sum of fair value changes of the hedged items in portfolio hedge of interest rate risk, non-current assets and disposal groups classified as held for sale, investment property, current income tax assets, deferred income tax assets and other assets.

At the end of Q1 2024, net loans and advances to customers were the largest asset category of mBank Group. Their share in total assets amounted to 51.9% compared with 50.0% at the end of 2023. The volume of net loans and advances to customers (a total of loans and advances measured at amortised cost, loans and advances mandatorily measured at fair value through profit or loss, and loans and advances classified as assets held for trading) amounted to PLN 116 296.4 million at the end of Q1 2024 and compared with the end of 2023 increased by PLN 2 775.6 million, i.e. 2.4%. The key driver of the dynamics here was the increase in the volume of loans to corporate entities. The gross loan volumes in all 3 segments rose.

Gross loans to corporate entities increased on a quarterly basis to PLN 53 198.8 million, i.e. by PLN 2 362.8 million or by 4.6% quarter on quarter. The increase in gross loans to corporate clients in Q1 2024 resulted partly from seasonally observed pay-offs at the end of the year and disbursement of scheduled loan tranches in Q1 2024 from contracts signed in Q4 2023 and Q1 2024. On annual basis, loans to corporate entities decreased by PLN 1 277.4 million or by -2.3% year on year. In terms of net of reverse repo/buy-sell-back transactions and the FX effect, loans and advances to corporate entities increased by 3.9% quarter on quarter and by 5.8% on annual basis.

The sales of loans to corporate entities decreased by 18.2% quarter on quarter but increased by 51.3% year on year and amounted to PLN 8 800.5 million (including new sales, limit increases, and renewals). The predominant sale in Q1 2024 were credit renewals and new sales of loans. Their share in total sales was 50.7% and 45.6% respectively. Year on year, the largest increase of volumes was noted for new sales of loans (increase by 68.6%). Sale of loans to K2 clients segment was the largest. The greatest demand was observed to long-term financing (investment loans), where the volumes increased by 4.6% quarter on quarter and by 136.2% year on year.

The volume of loans to individuals increased slightly against the end of 2023 by PLN 373.9 million or by 0.6% and amounted to PLN 66 634.0 million. During the period under review, a reversal of downward trend in loans to individuals observed since Q1 2023 was noted. Year on year, the volume of loans to individuals decreased by PLN 3 590.1 million, i.e. by 5.1%. Gross mortgage and housing loans to individuals increased by 0.3% compared to the previous quarter but decreased by 7.8% year on year. The dynamics was largely impacted by the update of cash flow estimates related to CHF mortgage loans and the reduction of their gross carrying amount in accordance with IFRS 9, the Polish zloty appreciation against main foreign currencies and increased sales of mortgage and non-mortgage loans.

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In Q1 2024, mBank Group sold PLN 2 351.9 million of mortgage loans, 58.7% more than in the previous quarter, and as much as 3.4 times more than in Q1 2023. The increase in sales of mortgage loans was generated by mBank Group in Poland. The mBank's foreign branches noted the drop in the sales of mortgage loans, in line with the business decision to focus on active sales of non-mortgage loans, which are characterised by higher profitability. The sales of mortgage loans increased mainly thanks to mBank's participation in the "2% Safe Loan" programme that involved government subsidies for loan repayments. As a result, the clients took out the mortgage loans at very attractive interest rate and the banks received favourable margins. This led to the highest level of mortgage loans sales since Q2 2022.

The sales of non-mortgage loans in Q1 2024 reached PLN 2 750.2 million, representing an increase by 21.6% compared with Q4 2023 and an increase by 30.1% year on year compared with Q1 2023. Increase of sales volumes of non-mortgage loans was noted both in Poland and in foreign branches. Despite the European Central Bank's highest interest rates in more than two decades, the foreign branches provided the high volume of new sales of non-mortgage loans.

Net of FX effect, loans to individuals increased by 1.1% quarter on quarter and declined by 3.0% year on year. Excluding the FX Mortgage Loans segment, loans to individuals increased by 1.3% quarter to quarter and by 0.4% year on year.

At the end of Q1 2024, gross loans and advances to the public sector amounted to PLN 168.1 million, i.e. an increase by PLN 35.2 million, or by 26.5% quarter on quarter. As compared to the end of March 2023, the volume of gross loans and advances to the public sector elevated by PLN 68.8 million, i.e. by 69.2% year on year.

Investment securities were the second largest asset category at the end of Q1 2024. They stood at PLN 62 230.6 million. On a quarterly basis, investment securities increased by PLN 1 646.8 million, i.e. 2.7%, and by PLN 5 816.1 million, i.e. 10.3% on an annual basis. The increase is associated, among other things, with allocation of liquidity surplus into treasury bonds. Investment securities accounted for 27.8% of total assets at the end of Q1 2024, compared with 26.7% at the end of 2023 and 25.9% at the end of Q1 2023.

Cash and cash equivalents contracted by PLN 12 166.6 million, i.e. -33.1% to PLN 24 535.8 million on a quarterly basis, as a result of decline of amounts due to customers and reallocation of surplus into treasury bonds and reverse repo / buy-sell back transactions. In annual terms, cash and cash equivalents increased by PLN 6 972.4 million, i.e. 39.7%.

Loans and advances to banks increased on a quarterly basis by PLN 4 935.8 million, i.e. 69.3% to PLN 12 054.8 million, mainly driven by an increase in the value of reverse repo / buy-sell back transactions. In annual terms, loans and advances to banks declined by PLN 298.6 million, i.e. 2.4%, as a result of outflow of funds from current accounts held by other banks in mBank Group.

### mBank Group's total liabilities and equity

Changes in the Group's liabilities and equity are presented in the table below:

PLN million	31.03.2023	31.12.2023	31.03.2024	QoQ change	YoY change
Amounts due to other banks	3 683.7	3 315.3	3 273.5	-1.3%	-11.1%
Amounts due to customers	180 917.0	185 467.5	183 067.3	-1.3%	1.2%
Liabilities from debt securities in issue	8 387.2	11 105.2	10 663.3	-4.0%	27.1%
Subordinated liabilities	2 719.1	2 714.9	2 645.7	-2.5%	-2.7%
Other liabilities	8 557.6	10 640.4	10 438.1	-1.9%	22.0%
<b>Total Liabilities</b>	<b>204 264.5</b>	<b>213 243.3</b>	<b>210 087.8</b>	<b>-1.5%</b>	<b>2.9%</b>
<b>Total Equity</b>	<b>13 264.7</b>	<b>13 737.2</b>	<b>14 069.2</b>	<b>2.4%</b>	<b>6.1%</b>
<b>Total Liabilities and Equity</b>	<b>217 529.2</b>	<b>226 980.5</b>	<b>224 157.0</b>	<b>-1.2%</b>	<b>3.0%</b>

**Other liabilities** – the sum of financial liabilities held for trading and derivatives held for hedges, lease liabilities measured at amortised cost, fair value changes of the hedged items in portfolio hedge of interest rate risk, liabilities held for sale, provisions, current income tax liabilities, deferred income tax liabilities and other liabilities.

In Q1 2024, amounts due to customers, which are mBank Group's principal source of funding, decreased slightly by PLN 2 400.2 million or -1.3% quarter on quarter to the amount of PLN 183 067.3 million, which was attributable to the decline of the volume of amounts due to corporate customers. Amounts due to customers increased by PLN 2 150.3 million, i.e. 1.2% year on year. The share of amounts due to customers in total liabilities and equity reached 81.7%, and remained unchanged compared with the end of 2023 (81.7%) while compared to end of March 2023 was lower (83.2%).

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Amounts due to individual customers increased by PLN 856.1 million or 0.7% on a quarterly basis and reached PLN 129 268.4 million at the end of March 2024. In annual terms, amounts due to individual customers increased by PLN 225.9 million, i.e. 0.2%. The Bank has observed a change in the structure of the amounts due to individual customers over the last year. The share of term deposits in total amounts due to individual customers was reduced, while the share of current accounts rose. On a quarterly basis, there was an increase in funds on current accounts (+PLN 1 538.9 million, i.e. +1.5%). Term deposits decreased by PLN 706.5 million, i.e. -2.8%. On an annual basis, current accounts rose by PLN 6 904.5 million (7.1%), while term deposits decreased by PLN 6 750.9 million (-21.7%).

Amounts due to corporate customers shrank by PLN 3 578.1 million, i.e. -6.3% against the previous quarter and amounted to PLN 52 860.8 million in the period under review. Compared with end of March 2023, amounts due to corporate clients increased by PLN 1 565.7 million, i.e. 3.1%. On a quarterly basis, the Bank noted drop of funds in current accounts, while term deposits and repo transactions expanded. Funds in current accounts decreased by PLN 5 566.3 million, i.e. -12.6%. Term deposits grew by PLN 796.0 million quarterly, i.e. 7.3%. The recorded dynamics are attributable to a high comparative base determined by the influx of funds into current accounts at the end of 2023 and their decline in the first quarter of 2024 related to the customer's needs to finance current operating activities.

Amounts due to the public sector stood at PLN 938.0 million at the end of Q1 2024, representing a quarter-on-quarter increase by PLN 321.9 million (52.2%). On annual basis, the volume of amounts due to public sector increased by PLN 358.7 million, i.e. 61.9%. The magnitude of the increase in Q1 2024 was attributable to the inflow of funds into current accounts by PLN 297.1 million or 50.0% quarter on quarter.

Another important liabilities and equity category constituted liabilities from debt securities in issue (4.8%). They declined on a quarterly basis by PLN 441.9 million, i.e. -4.0% to the level of PLN 10 633.3 million, in connection with the amortization of the securitization transaction and the repayment of a series of covered bonds issued by mBank Hipoteczny. On an annual basis, debt securities in issue increased by PLN 2 276.1 million, i.e. 27.1%, as a result of an issuance of green Non-Preferred Senior bonds with nominal value of EUR 750 million and an issuance of Credit Linked Notes (CLN) with a nominal value of PLN 731 million related to a securitisation transaction completed in Q3 2023.

Amounts due to other banks stood at PLN 3 273.5 million at the end of Q1 2024, accounting for 1.5% of total liabilities and equity of mBank Group. Compared with end of the previous quarter, this category went down by PLN 41.8 million or -1.3%. Compared with end of Q1 2023, it declined by PLN 410.2 million, i.e. -11.1%.

Total equity at the end of Q1 2024 amounted to PLN 14 069.2 million, representing an increase by 2.4% compared with end of 2023, and increase by 6.1% compared with end of Q1 2023. The share of equity in total liabilities and equity of mBank Group increased against end of 2023 and end of March 2023 and stood at 6.3% against 6.1% in both forementioned previous periods. The increase in equity compared to the end of 2023 was positively influenced primarily by the increase of retained earnings by PLN 266.0 million, i.e. 2.5% on a quarterly basis, and by PLN 145.0 million, i.e. 1.3% on an annual basis.

### **Quality of the loan portfolio of mBank Group**

As at 31 March 2024, the amount of non-performing receivables remained on a similar level compared with the previous quarter (-0.1% quarter on quarter). At the same time, performing receivables increased moderately by 2.5% quarter on quarter. The NPL ratio decreased on a quarterly basis and amounted to 4.1%.

The coverage ratio of non-performing receivables increased on a quarterly basis and amounted to 55.3% whereas the coverage ratio of non-performing receivables including impairment of performing loans decreased slightly to 76.6% compared to 76.8% at the end of 2023.

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PLN million	31.12.2023	31.03.2024	QoQ change
Impairment of non-performing receivables	-2 720.5	-2 748.2	1.0%
Impairment of performing receivables	-1 097.2	-1 057.8	-3.6%
<b>Total impairment</b>	<b>-3 817.7</b>	<b>-3 806.0</b>	<b>-0.3%</b>
<b>Non-performing receivables</b>	<b>4 974.0</b>	<b>4 971.0</b>	<b>-0.1%</b>
<b>Performing receivables</b>	<b>112 366.2</b>	<b>115 131.9</b>	<b>2.5%</b>
NPL ratio	4.2%	4.1%	
Coverage ratio of non-performing receivables	54.7%	55.3%	
Coverage ratio of non-performing receivables including provisions for performing receivables	76.8%	76.6%	

**Impairment of non-performing receivables** – accumulated impairment of loans and advances at amortised cost with impairment (Stage 3 and POCI) and fair value change of loans and advances mandatorily at fair value through profit or loss in default.

**Impairment of performing receivables** – accumulated impairment of loans and advances at amortised cost without impairment (Stage 1 and 2) and fair value change of non-default loans and advances mandatorily at fair value through profit or loss.

**Non-performing receivables** – loans and advances at amortised cost with impairment (Stage 3 and POCI) and loans and advances mandatorily at fair value through profit or loss in default.

**Performing receivables** – loans and advances at amortised cost without impairment (Stage 1 and 2) and non-default loans and advances mandatorily at fair value through profit or loss.

**NPL ratio** – loans and advances at amortised cost with impairment (Stage 3 and POCI) and loans and advances mandatorily at fair value through profit or loss in default in total loans and advances.

**Coverage ratio of non-performing receivables** – impairment of non-performing receivables in non-performing receivables.

**Coverage ratio of non-performing receivables including provisions for performing receivables** – sum of impairment of non-performing receivables and impairment of performing receivables in non-performing receivables.

**Performance of segments and the business lines**

The table below presents the contribution of individual business lines to the Group's profit before tax:

PLN million	Q4 2023	Q1 2024	QoQ change
Retail Banking	844.6	1 100.3	30.3%
Corporate and Investment Banking	530.4	657.5	24.0%
Treasury and Others	98.4	62.4	-36.6%
<b>Profit/loss before tax of core business</b>	<b>1 473.4</b>	<b>1 820.2</b>	<b>23.5%</b>
FX Mortgage Loans	-1 510.5	-1 387.5	-8.1%
<b>Profit/loss before tax of mBank Group</b>	<b>-37.1</b>	<b>432.7</b>	<b>+/-</b>

## Retail Banking

mBank's Retail Banking segment serves 5 693 thousand individual clients and microenterprises in Poland, the Czech Republic and Slovakia online, directly through the call centre, via mobile banking and other state-of-the-art technological solutions, as well as in a network of 352 branches. The Bank offers a broad range of products and services including current and savings accounts, accounts for microenterprises, credit products, deposit products, payment cards, investment products, insurance products, brokerage services, and leasing for microenterprises.



### Key highlights

- Increase of total income by 2.7% quarter on quarter and 14.1% year on year to a record high of PLN 1 819.6 million and increase of profit before tax by 30.3% quarter on quarter and 37.0% year on year to PLN 1 100.3 million.
- Growth of sales of mortgage loans by 58.7% quarter on quarter and by as much as 3.4-fold compared with Q1 2023, supported mainly by mBank's adoption of "Safe 2% Loan" programme. The volume of mortgage loans granted under the "Safe 2% Loan" programme amounted to PLN 2 272.5 million throughout two quarters.
- Growth of sale of non-mortgage loans by 21.6% quarter on quarter and 30.1% year on year.
- Stable level of retail deposits (increase by 0.6% quarter on quarter and 0.2% year on year to PLN 129 102.1 million) in Poland and foreign branches, with increase of funds in current accounts and decrease of term deposits.
- Increase in the share of sales in mobile channels in total non-mortgage loans sales to 61.1% at the end of March 2024, with an increase in the share of processes initiated by customers in digital channels to 89.2%.
- The number of mBank retail clients decreased by 0.4% quarter on quarter driven by closing of dormant accounts, while in annual terms it increased by 0.3%. Increase of the number of mBank's mobile application users by 1.8% on a quarterly basis and 8.1% in annual terms to 3 710.5 thousand.
- The volume of investment assets of mBank's individual clients increased by 8.2% quarter on quarter and 23.1% year on year.
- mBank launched a new campaign which entice to save for retirement "Don't tomorrowize – think about retirement yet today". Throughout spots broadcasted on TV and the Internet mBank raises awareness that investing savings early allows to ensure a prosperous life while retired.
- Enhancement of functionalities available in the mBank mobile application, which increase its security and convenience of use: extension of the investment management section with more detailed information on the composition of funds in the portfolio, investment visualization and a new, simplified look; the ability to hide the balance when personalizing the desktop; introduction of a tool for managing BLIK limits.
- mBank's market share in PLN mortgage loans to households kept at the high level of 7.7%, slight decrease of share in non-mortgage loans to the level of 6.8% (-0.2 p.p.) on a quarterly basis.
- mBank's market share of household deposits maintained at a similar, high level of 8.3% compared with the end of 2023 (8.4%).

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(PLN thousand)

**Key financial data**

PLN million	Q4 2023	Q1 2024	Change in PLN M	Change in %
Net interest income	1 490.7	1 531.4	40.7	2.7%
Net fee and commission income	213.4	243.2	29.9	14.0%
Net trading income	29.7	27.4	-2.3	-7.7%
Other income	34.3	12.9	0.7	17.0%
Net other operating income	4.0	4.7	-21.4	-62.3%
<b>Total income</b>	<b>1 772.0</b>	<b>1 819.6</b>	<b>47.6</b>	<b>2.7%</b>
Net impairment losses and fair value change on loans and advances	-286.8	-73.8	213.0	-74.3%
Overhead costs and depreciation	-526.2	-532.9	-6.7	1.3%
Taxes on bank balance sheet items	-114.4	-112.6	1.8	-1.6%
<b>Profit/loss before tax of Retail Banking</b>	<b>844.6</b>	<b>1 100.3</b>	<b>255.7</b>	<b>30.3%</b>

**Other income** – calculated as gains or losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses from non-trading equity and debt securities mandatorily measured at fair value through profit or loss.

**Total income** – calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses.

**Net impairment losses and fair value change on loans and advances** – the sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss.

**Total overhead costs (including depreciation)** – calculated as the sum of total overhead costs and depreciation.

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**Key business data (mBank and mBank Hipoteczny only)**

thousands	31.03.2023	31.12.2023	31.03.2024	QoQ change	YoY change
<b>Number of retail clients, including:</b>	<b>5 675.3</b>	<b>5 716.2</b>	<b>5 693.1</b>	<b>-0.4%</b>	<b>0.3%</b>
Poland	4 614.9	4 614.3	4 592.8	-0.5%	-0.5%
Foreign branches	1 060.4	1 102.0	1 100.3	-0.2%	3.8%
The Czech Republic	739.6	775.5	775.1	0.0%	4.8%
Slovakia	320.9	326.5	325.2	-0.4%	1.3%
<b>Mobile application users</b>	<b>3 433.9</b>	<b>3 646.1</b>	<b>3 710.5</b>	<b>1.8%</b>	<b>8.1%</b>
Poland	2 997.4	3 167.6	3 229.3	1.9%	7.7%
Foreign branches	436.5	478.5	481.1	0.5%	10.2%
<b>PLN million</b>					
<b>Loans to retail clients, including:</b>	<b>70 567.8</b>	<b>66 415.1</b>	<b>66 697.3</b>	<b>0.4%</b>	<b>-5.5%</b>
Poland	<b>60 254.7</b>	<b>57 418.8</b>	<b>57 971.7</b>	<b>1.0%</b>	<b>-3.8%</b>
mortgage loans	41 679.1	39 088.7	39 312.9	0.6%	-5.7%
non-mortgage loans	18 575.6	18 330.0	18 658.9	1.8%	0.4%
Foreign branches	<b>10 313.1</b>	<b>8 996.3</b>	<b>8 725.5</b>	<b>-3.0%</b>	<b>-15.4%</b>
The Czech Republic	7 193.4	6 100.7	5 828.7	-4.5%	-19.0%
Slovakia	3 119.7	2 895.6	2 896.9	0.0%	-7.1%
<b>Deposits of retail clients, including:</b>	<b>128 893.8</b>	<b>128 291.6</b>	<b>129 102.1</b>	<b>0.6%</b>	<b>0.2%</b>
Poland	<b>111 612.3</b>	<b>112 337.9</b>	<b>113 723.3</b>	<b>1.2%</b>	<b>1.9%</b>
Foreign branches	<b>17 281.5</b>	<b>15 953.6</b>	<b>15 378.8</b>	<b>-3.6%</b>	<b>-11.0%</b>
The Czech Republic	12 425.3	11 547.6	11 109.6	-3.8%	-10.6%
Slovakia	4 856.2	4 406.0	4 269.2	-3.1%	-12.1%
<b>Investment assets of mBank's individual clients</b>	<b>19 697.8</b>	<b>22 396.6</b>	<b>24 240.2</b>	<b>8.2%</b>	<b>23.1%</b>
<b>thousands</b>					
<b>Credit cards, including:</b>	<b>360.3</b>	<b>367.9</b>	<b>364.6</b>	<b>-0.9%</b>	<b>1.2%</b>
Poland	325.5	332.9	329.5	-1.0%	1.2%
Foreign branches	34.8	35.1	35.2	0.3%	1.1%
<b>Debit cards, including:</b>	<b>4 956.0</b>	<b>5 233.9</b>	<b>5 286.6</b>	<b>1.0%</b>	<b>6.7%</b>
Poland	4 168.9	4 379.4	4 427.1	1.1%	6.2%
Foreign branches	787.1	854.5	859.5	0.6%	9.2%

**Corporate and Investment Banking**

The Corporate and Investment Banking segment serves 35 112 corporate clients including large enterprises (K1 - annual sales exceeding PLN 1 billion and non-banking financial institutions), mid-sized enterprises (K2 - annual sales of PLN 50 million – 1 billion) and small enterprises (K3 - annual sales below PLN 50 million), through a network of dedicated 43 branches. mBank Group's offer of products and services for corporate clients focuses on traditional banking products and services (including corporate accounts, domestic and international money transfers, payment cards, cash services, and liquidity management products), corporate finance products, hedging instruments, equity capital market (ECM) services, debt capital market (DCM) instruments, mergers and acquisitions (M&A), leasing and factoring.



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(PLN thousand)

**Key highlights**

- Increase of profit before tax by 24.0% to PLN 657.5 million, attributable mainly to lower cost of risk.

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- Slight decline of total income by 1.0% quarter on quarter, and growth of 17.1% year on year, with minor decrease of net interest income and increase of net fee and commission income in quarterly terms.

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- Sale of corporate loans maintained at a high level amounting to PLN 8 800.5 million.

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- The volume of corporate deposits decreased by 6.3% quarter on quarter from a high base noted at the end of 2023, and increased by 3.1% year on year, along kept market share in the corporate term deposit market at 6.3%.

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- Increase of mBank Group's market share in corporate PLN loans to 7.6% quarter on quarter, along growth of market share of all three key categories of financing in the Polish currency: current, investment and for real estate.

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- An increase of +566 corporate customers on a quarterly basis and +1 801 corporate customers on annual basis in all three segments, thanks to the development of digital and mobile services for corporate customers and e-commerce support.

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- mLeasing – a subsidiary of mBank Group – announced a new strategy for the years 2024–2027. The new strategy is a response to the dynamically changing market environment and the increasing impact of climate change on the challenges faced by business and society. It assumes support for clients from all three segments of clients and contractors in the upcoming green transformation of the automotive market.

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- Record-high profit before tax of mLeasing at the level of PLN 77.3 million (an increase of 81.2% quarterly and 38.2% annually), thanks to the high volume of concluded leasing contracts financing cars and vehicles.

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- In January 2024, mBank, as the main banking partner and sponsor, played with the Great Orchestra of Christmas Charity (WOŚP) for the seventh time in a row. This year, the WOŚP Foundation raised money for combating lung diseases. For corporate clients, mBank has prepared the "In the Rhythm of WOŚP 2024" promotion. mBank will transfer fees for newly opened accounts and fees for the WOŚP card (opened between January and end of February 2024) to the WOŚP Foundation. These will be fees from January to the end of June 2024.

**Key financial data**Corporate and Investment Banking

PLN million	Q4 2023	Q1 2024	Change in PLN M	Change in %
Net interest income	698.0	688.2	-9.8	-1.4%
Net fee and commission income	255.1	258.2	3.1	1.2%
Net trading income	71.9	59.7	-12.2	-17.0%
Other income	-1.3	4.8	6.1	+/-
Net other operating income	7.9	10.6	2.7	34.1%
<b>Total income</b>	<b>1 031.6</b>	<b>1 021.6</b>	<b>-10.1</b>	<b>-1.0%</b>
Net impairment losses and fair value change on loans and advances	-184.5	23.6	208.1	+/-
Overhead costs and depreciation	-254.3	-326.5	-72.1	28.4%
Taxes on Group's balance sheet items	-62.4	-61.2	1.2	-2.0%
<b>Profit/loss before tax of Corporate and Investment Banking</b>	<b>530.4</b>	<b>657.5</b>	<b>127.1</b>	<b>24.0%</b>

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**Other income** – calculated as gains or losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses from non-trading equity and debt securities mandatorily measured at fair value through profit or loss.

**Total income** – calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses.

**Total overhead costs (including depreciation)** – calculated as the sum of total overhead costs and depreciation.

**Net impairment losses and fair value change on loans and advances** – the sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss.

### Key business data (Bank only)

	31.03.2023	31.12.2023	31.03.2024	QoQ change	YoY change
<b>Number of corporate clients, including:</b>	<b>33 311</b>	<b>34 546</b>	<b>35 112</b>	<b>1.6%</b>	<b>5.4%</b>
K1	2 327	2 379	2 401	0.9%	3.2%
K2	10 334	10 607	10 785	1.7%	4.4%
K3	20 650	21 560	21 926	1.7%	6.2%
<b>PLN million</b>					
<b>Loans to corporate clients, including:</b>	<b>35 742.4</b>	<b>33 038.2</b>	<b>34 731.2</b>	<b>5.1%</b>	<b>-2.8%</b>
K1	6 867.7	6 327.7	6 887.8	8.9%	0.3%
K2	21 701.9	23 082.3	23 695.9	2.7%	9.2%
K3	3 015.3	2 728.9	2 663.9	-2.4%	-11.7%
Reverse repo or buy/sell back transactions	4 157.4	899.3	1 483.5	64.9%	-64.3%
<b>Deposits of corporate clients, including:</b>	<b>50 411.4</b>	<b>55 767.6</b>	<b>52 109.0</b>	<b>-6.6%</b>	<b>3.4%</b>
K1	12 641.4	13 959.5	13 336.6	-4.5%	5.5%
K2	24 498.8	27 395.9	24 984.8	-8.8%	2.0%
K3	13 061.1	14 236.8	12 709.7	-10.7%	-2.7%
Repo or sell/buy back transactions	210.1	175.4	1 077.8	514.4%	413.0%

### Summary of results of mBank Group's subsidiaries

In Q1 2024, the profit before tax generated by mBank Group subsidiaries amounted to PLN 97.3 million. The results were mainly influenced by the record-high profit before tax of mLeasing, which generated 79.5% of the profit before tax of mBank's consolidated subsidiaries.

The table below presents the profit or loss before tax posted by individual subsidiaries in Q1 2024 compared with Q4 2023.

PLN million	Q4 2023	Q1 2024	Change in %
mFinanse <sup>1</sup>	5.7	9.7	69.3%
mBank Hipoteczny	4.9	2.6	-48.2%
mLeasing <sup>2</sup>	42.7	77.3	81.2%
mFaktoring	8.2	1.8	-77.8%
Other <sup>3</sup>	5.9	5.9	-1.0%
<b>Total</b>	<b>67.5</b>	<b>97.3</b>	<b>44.1%</b>

<sup>1</sup> Including mFinanse CZ and mFinanse SK.

<sup>2</sup> Including LeaseLink and Asekum.

<sup>3</sup> Other subsidiaries include Future Tech, mElements and mTFI.

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(PLN thousand)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MBANK S.A. GROUP FOR THE FIRST QUARTER OF 2024****CONDENSED CONSOLIDATED INCOME STATEMENT**

	Note	1st quarter (current year) period from 01.01.2024 to 31.03.2024	1st quarter (previous year) period from 01.01.2023 to 31.03.2023 - restated
Interest income, including:	5	3 561 177	3 638 653
<i>Interest income accounted for using the effective interest method</i>		3 501 059	3 554 077
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		60 118	84 576
Interest expenses	5	(1 221 095)	(1 605 543)
<b>Net interest income</b>		<b>2 340 082</b>	<b>2 033 110</b>
Fee and commission income	6	768 174	737 784
Fee and commission expenses	6	(284 047)	(236 721)
<b>Net fee and commission income</b>		<b>484 127</b>	<b>501 063</b>
Dividend income	7	2 995	122
Net trading income	8	53 281	7 192
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	9	14 842	14 531
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	10	6 659	(48 835)
Other operating income	11	77 301	78 734
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	12	(47 918)	(173 425)
Costs of legal risk related to foreign currency loans	31	(1 370 563)	(808 488)
Overhead costs	13	(752 429)	(735 603)
Depreciation		(136 450)	(119 284)
Other operating expenses	14	(57 310)	(89 664)
<b>Operating profit</b>		<b>614 617</b>	<b>659 453</b>
Taxes on the Group balance sheet items		(181 911)	(189 998)
<b>Profit / (loss) before income tax</b>		<b>432 706</b>	<b>469 455</b>
Income tax expense	27	(170 140)	(326 721)
<b>Net profit / (loss)</b>		<b>262 566</b>	<b>142 734</b>
<b>Net profit / (loss) attributable to:</b>			
- owners of mBank S.A.		262 523	142 815
- non-controlling interests		43	(81)
<b>Earnings / (loss) per share (in PLN)</b>	15	<b>6.18</b>	<b>3.37</b>
<b>Diluted earnings / (loss) per share (in PLN)</b>	15	<b>6.17</b>	<b>3.36</b>

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	1st quarter (current year) period from 01.01.2024 to 31.03.2024	1st quarter (previous year) period from 01.01.2023 to 31.03.2023
<b>Net profit / (loss)</b>	<b>262 566</b>	<b>142 734</b>
<b>Other comprehensive income net of tax, including:</b>	<b>65 917</b>	<b>405 107</b>
<b>Items that may be reclassified subsequently to the income statement</b>	<b>65 917</b>	<b>405 107</b>
Exchange differences on translation of foreign operations (net)	(1 737)	(361)
Cash flows hedges (net)	34 459	153 777
Cost of hedge (net)	(3 382)	(14 467)
Change in valuation of debt instruments at fair value through other comprehensive income (net)	36 577	266 158
<b>Total comprehensive income (net)</b>	<b>328 483</b>	<b>547 841</b>
<b>Total comprehensive income (net), attributable to:</b>		
- Owners of mBank S.A.	328 440	547 922
- Non-controlling interests	43	(81)

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	<b>Note</b>	<b>31.03.2024</b>	<b>31.12.2023</b>
Cash and cash equivalents		24 535 807	36 702 427
Financial assets held for trading and hedging derivatives	16	2 051 277	1 760 033
Non-trading financial assets mandatorily at fair value through profit or loss, including:	17	939 443	898 798
<i>Equity instruments</i>		304 315	244 941
<i>Debt securities</i>		54 484	50 144
<i>Loans and advances to customers</i>		580 644	603 713
Financial assets at fair value through other comprehensive income	18	34 551 757	36 965 077
Financial assets at amortised cost, including:	19	155 049 377	143 319 329
<i>Debt securities</i>		27 320 082	23 323 690
<i>Loans and advances to banks</i>		12 054 848	7 119 059
<i>Loans and advances to customers</i>		115 674 447	112 876 580
Fair value changes of the hedged items in portfolio hedge of interest rate risk		16 617	20 204
Intangible assets	20	1 712 600	1 701 939
Tangible assets	21	1 493 096	1 481 401
Investment properties	22	111 964	111 964
Current income tax assets		53 128	41 035
Deferred income tax assets	27	1 175 978	1 379 540
Other assets	23	2 465 975	2 598 769
<b>TOTAL ASSETS</b>		<b>224 157 019</b>	<b>226 980 516</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Financial liabilities held for trading and hedging derivatives	16	1 288 793	1 495 754
Financial liabilities measured at amortised cost, including:	24	200 498 848	203 458 575
<i>Amounts due to banks</i>		3 273 468	3 315 302
<i>Amounts due to customers</i>		183 067 263	185 467 455
<i>Lease liabilities</i>		849 121	855 725
<i>Debt securities issued</i>		10 663 265	11 105 165
<i>Subordinated liabilities</i>		2 645 731	2 714 928
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(615 897)	(565 985)
Provisions	26	3 098 042	2 345 584
Current income tax liabilities		122 463	201 184
Other liabilities	25	5 695 600	6 308 178
<b>TOTAL LIABILITIES</b>		<b>210 087 849</b>	<b>213 243 290</b>
<b>EQUITY</b>			
<b>Equity attributable to Owners of mBank S.A.</b>		<b>14 067 087</b>	<b>13 735 187</b>
<b>Share capital:</b>		<b>3 616 185</b>	<b>3 616 185</b>
Registered share capital		169 861	169 861
Share premium		3 446 324	3 446 324
<b>Retained earnings:</b>	28	<b>10 915 513</b>	<b>10 649 530</b>
- Profit from the previous years		10 652 990	10 625 476
- Profit (loss) for the current year		262 523	24 054
<b>Other components of equity</b>	29	<b>(464 611)</b>	<b>(530 528)</b>
<b>Non-controlling interests</b>		<b>2 083</b>	<b>2 039</b>
<b>TOTAL EQUITY</b>		<b>14 069 170</b>	<b>13 737 226</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>224 157 019</b>	<b>226 980 516</b>

**mBank S.A. Group**

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(PLN thousand)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Changes in equity from 1 January to 31 March 2024

	Share capital		Retained earnings		Other components of equity	Equity attributable to Owners of mBank S.A.	Non-controlling interests	Total equity
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year				
<b>Equity as at 1 January 2024</b>	<b>169 861</b>	<b>3 446 324</b>	<b>10 625 476</b>	<b>24 054</b>	<b>(530 528)</b>	<b>13 735 187</b>	<b>2 039</b>	<b>13 737 226</b>
Transfer of profit/loss from previous year	-	-	24 054	(24 054)	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	<b>262 523</b>	<b>65 917</b>	<b>328 440</b>	<b>43</b>	<b>328 483</b>
Other increase or decrease in equity	-	-	-	-	-	-	1	1
<b>Stock option program for employees</b>	-	-	<b>3 460</b>	-	-	<b>3 460</b>	-	<b>3 460</b>
<i>value of services provided by the employees</i>	-	-	3 460	-	-	3 460	-	3 460
<b>Equity as at 31 March 2024</b>	<b>169 861</b>	<b>3 446 324</b>	<b>10 652 990</b>	<b>262 523</b>	<b>(464 611)</b>	<b>14 067 087</b>	<b>2 083</b>	<b>14 069 170</b>

Changes in equity from 1 January to 31 December 2023

	Share capital		Retained earnings		Other components of equity	Equity attributable to Owners of mBank S.A.	Non-controlling interests	Total equity
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year				
<b>Equity as at 1 January 2023</b>	<b>169 734</b>	<b>3 435 044</b>	<b>11 328 527</b>	<b>(702 691)</b>	<b>(1 517 613)</b>	<b>12 713 001</b>	<b>2 030</b>	<b>12 715 031</b>
Transfer of profit/loss from previous year	-	-	(702 691)	702 691	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	<b>24 054</b>	<b>987 085</b>	<b>1 011 139</b>	<b>4</b>	<b>1 011 143</b>
Issuance of ordinary shares	127	-	-	-	-	127	-	127
Other increases and decreases of equity	-	-	-	-	-	-	5	5
<b>Stock option program for employees</b>	-	<b>11 280</b>	<b>(360)</b>	-	-	<b>10 920</b>	-	<b>10 920</b>
<i>value of services provided by the employees</i>	-	-	10 920	-	-	10 920	-	10 920
<i>settlement of exercised options</i>	-	11 280	(11 280)	-	-	-	-	-
<b>Equity as at 31 December 2023</b>	<b>169 861</b>	<b>3 446 324</b>	<b>10 625 476</b>	<b>24 054</b>	<b>(530 528)</b>	<b>13 735 187</b>	<b>2 039</b>	<b>13 737 226</b>

Changes in equity from 1 January to 31 March 2023

	Share capital		Retained earnings		Other components of equity	Equity attributable to Owners of mBank S.A.	Non-controlling interests	Total equity
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year				
<b>Equity as at 1 January 2023</b>	<b>169 734</b>	<b>3 435 044</b>	<b>11 328 527</b>	<b>(702 691)</b>	<b>(1 517 613)</b>	<b>12 713 001</b>	<b>2 030</b>	<b>12 715 031</b>
Transfer of profit/loss from previous year	-	-	(702 691)	702 691	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	<b>142 815</b>	<b>405 107</b>	<b>547 922</b>	<b>(81)</b>	<b>547 841</b>
Other increase or decrease in equity	-	-	-	-	-	-	2	2
<b>Stock option program for employees</b>	-	-	<b>1 835</b>	-	-	<b>1 835</b>	-	<b>1 835</b>
<i>value of services provided by the employees</i>	-	-	1 835	-	-	1 835	-	1 835
<b>Equity as at 31 March 2023</b>	<b>169 734</b>	<b>3 435 044</b>	<b>10 627 671</b>	<b>142 815</b>	<b>(1 112 506)</b>	<b>13 262 758</b>	<b>1 951</b>	<b>13 264 709</b>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	1st quarter (current year) period from 01.01.2024 to 31.03.2024	1st quarter (previous year) period from 01.01.2023 to 31.03.2023 - restated
<b>Profit / (loss) before income tax</b>	<b>432 706</b>	<b>469 455</b>
<b>Adjustments:</b>	<b>(12 030 822)</b>	<b>2 212 169</b>
Income taxes paid	(68 007)	(159 699)
Depreciation, including depreciation of fixed assets provided under operating lease	141 714	125 332
Foreign exchange (gains) losses related to financing activities	(306 849)	(84 187)
(Gains) losses on investing activities	(14 605)	341
Dividends received	(2 995)	(122)
Interest income (income statement)	(3 561 177)	(3 638 653)
Interest expense (income statement)	1 221 095	1 605 543
Interest received	3 105 348	2 908 783
Interest paid	(1 260 228)	(1 406 592)
Changes in loans and advances to banks	(4 871 637)	(2 694 501)
Changes in financial assets and liabilities held for trading and hedging derivatives	(483 273)	435 236
Changes in loans and advances to customers	(2 844 883)	(1 151 503)
Changes in securities at fair value through other comprehensive income	2 772 617	(961 158)
Changes in securities at amortised cost	(3 839 040)	(322 733)
Changes of non-trading securities mandatorily at fair value through profit or loss	(7 552)	(3 748)
Changes in other assets	102 466	(212 904)
Changes in amounts due to banks	69 803	439 713
Changes in amounts due to customers	(2 278 688)	6 704 298
Changes in lease liabilities	(26 990)	(19 347)
Changes in issued debt securities	(122 002)	90 477
Changes in provisions	752 458	(7 180)
Changes in other liabilities	(508 397)	564 773
<b>A. Cash flows from operating activities</b>	<b>(11 598 116)</b>	<b>2 681 624</b>
Disposal of intangible assets and tangible fixed assets	26 151	38 650
Dividends received	2 995	122
Acquisition of shares or stock in subsidiaries	(41 500)	-
Purchase of intangible assets and tangible fixed assets	(207 163)	(162 991)
<b>B. Cash flows from investing activities</b>	<b>(219 517)</b>	<b>(124 219)</b>
Issue of debt securities	-	196 335
Redemption of debt securities	(262 638)	(1 344 536)
Payments of lease liabilities	(40 607)	(40 592)
Interest paid from loans and advances received from banks and from subordinated liabilities	(46 243)	(46 437)
<b>C. Cash flows from financing activities</b>	<b>(349 488)</b>	<b>(1 235 230)</b>
<b>Net increase / decrease in cash and cash equivalents (A+B+C)</b>	<b>(12 167 121)</b>	<b>1 322 175</b>
Effects of exchange rate changes on cash and cash equivalents	501	(9 700)
Cash and cash equivalents at the beginning of the reporting period	36 702 427	16 250 951
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>24 535 807</b>	<b>17 563 426</b>

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. Information regarding the Group of mBank S.A.**

The Group of mBank S.A. ("Group", "mBank Group") consists of entities under the control of mBank S.A. ("Bank", "mBank") of the following nature:

- strategic: shares and equity interests in companies supporting particular business segments of mBank S.A. (corporate and investment banking segment, retail banking segment as well as treasury and other segment) with an investment horizon not shorter than 3 years. The formation or acquisition of these companies was intended to expand the range of services offered to the clients of the Bank.
- other: shares and equity interests in companies acquired in exchange for receivables, in transactions resulting from composition and work out agreements with debtors, with the intention to recover a part or all claims to loan receivables and insolvent companies under liquidation or receivership.

The parent entity of the Group is mBank S.A., which is a joint stock company registered in Poland and a part of Commerzbank AG Group.

As at 31 March 2024 mBank S.A. Group covered by the Consolidated Financial Statements comprised the following companies:

**mBank S.A. – the parent entity**

Bank functions under the name of mBank S.A. with the head office located in Poland in Warsaw, Prosta 18 Street, KRS 0000025237, REGON 001254524, NIP 526-021-50-88.

According to the by-laws of the Bank, the scope of its business consists of providing banking services and consulting and advisory services in financial matters, as well as of conducting business activities within the scope described in its by-laws. The Bank operates within the scope of corporate, institutional and retail banking (including private banking) throughout the whole country and operates trade and investment activities as well as brokerage activities.

The Bank provides services to Polish and international corporations and individuals, both in the local currency (Polish Zloty, PLN) and in foreign currencies.

The Bank may open and maintain accounts in Polish and foreign banks and can possess foreign exchange assets and trade in them.

The Bank conducts retail banking business in the Czech Republic and Slovakia through its foreign mBank branches in these countries.

As at 31 March 2024 the headcount of mBank S.A. amounted to 6 752 FTEs (Full Time Equivalentents), and of the Group to 7 383 FTEs (31 March 2023: Bank 6 428 FTEs; Group 7 083 FTEs).

As at 31 March 2024 the employment in mBank S.A. was 7 693 persons, and in the Group 8 444 persons (31 March 2023: Bank 7 391 persons; Group 8 355 persons)

The business activities of the Group are conducted in the following business segments presented in detail in Note 4.

**Retail Banking segment**

- mFinanse S.A. – subsidiary
- mFinanse CZ s.r.o. – subsidiary
- mFinanse SK s.r.o. – subsidiary
- mBank Hipoteczny S.A. – subsidiary
- mTowarzystwo Funduszy Inwestycyjnych S.A. - subsidiary
- mElements S.A. – subsidiary (the retail segment of the company's activity)
- mLeasing Sp. z o.o. – subsidiary (the retail segment of the company's activity)
- Asekum Sp. z o.o. – subsidiary (the retail segment of the company's activity)
- LeaseLink Sp. z o.o. – subsidiary

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**Corporate and Investment Banking segment**

- mFaktoring S.A. – subsidiary
- mLeasing Sp. z o.o. – subsidiary (the corporate segment of the company’s activity)
- Asekum Sp. z o.o. – subsidiary (the corporate segment of the company’s activity)
- mElements S.A. – subsidiary (the corporate segment of the company’s activity)

**Treasury and Other segment**

- mBank Hipoteczny S.A. – subsidiary (with regard to activities concerning funding)
- mLeasing Sp. z o.o. – subsidiary (with regard to activities concerning funding)
- Future Tech Fundusz Inwestycyjny Zamknięty – subsidiary

**Other information concerning companies of the Group**

From the beginning of 2023, the Group started to consolidate the subsidiary mTowarzystwo Funduszy Inwestycyjnych S.A. (mTFI) in relation to the start of its operating activities. mTFI operates in the area of establishment and management of investment funds and providing portfolio management services which may include one or more financial instruments. The subsidiary operates on the basis of Polish Financial Supervision Authority’s permission, and it is a subject to its supervision.

The condensed consolidated financial statements of the Bank cover the following companies:

The name of subsidiary	31.03.2024		31.12.2023		31.03.2023	
	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method
mBank Hipoteczny S.A.	100%	full	100%	full	100%	full
mLeasing Sp. z o.o.	100%	full	100%	full	100%	full
mFinanse S.A.	100%	full	100%	full	100%	full
mFaktoring S.A.	100%	full	100%	full	100%	full
Future Tech Fundusz Inwestycyjny Zamknięty	98.04%	full	98.04%	full	98.04%	full
mElements S.A.	100%	full	100%	full	100%	full
Asekum Sp. z o.o.	100%	full	100%	full	100%	full
LeaseLink Sp. z o.o.	100%	full	100%	full	100%	full
mFinanse CZ s.r.o.	100%	full	100%	full	100%	full
mFinanse SK s.r.o.	100%	full	100%	full	100%	full
mTowarzystwo Funduszy Inwestycyjnych S.A.	100%	full	100%	full	100%	full

The Management Board of mBank S.A. approved these condensed consolidated financial statements for issue on 9 May 2024.

## 2. Information on relevant accounting policies

### Accounting basis

The condensed consolidated financial statements of mBank S.A. Group have been prepared for the 3-month period ended 31 March 2024. Comparative data include the period from 1 January 2023 to 31 March 2023 for the condensed consolidated income statement, condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity, additionally for the period from 1 January to 31 December 2023 for the condensed consolidated statement of changes in equity, and in the case of the condensed consolidated statement of financial position, data as at 31 December 2023.

These interim financial statements for the first quarter of 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Consolidated financial statements of mBank S.A. Group for 2023 published on 29 February 2024. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

In addition, selected explanatory information provide additional information in accordance with Decree of the Minister of Finance dated 29 March 2018 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws 2018, item 757).

Material accounting principles applied to the preparation of these condensed consolidated financial statements are presented in Note 2 to the Consolidated financial statements of mBank S.A. Group for 2023, published on 29 February 2024.

The preparation of the financial statements requires the application of specific accounting estimates. It also requires the Management Board to use its own judgment when applying the accounting policies adopted by the Group. The issues in relation to which a significant professional judgement is required, more complex issues, or such issues where estimates or judgments are material to the consolidated financial statements are disclosed in Note 3.

Financial statements are prepared in compliance with materiality principle. Material omissions or misstatements of positions of financial statements are material if they could, individually or collectively, influence the economic decisions that users make on the basis of Group's financial statements. Materiality depends on the size and nature of the omission or misstatement of the position of financial statements or a combination of both. The Group presents separately each material class of similar positions. The Group presents separately positions of dissimilar nature or function unless they are immaterial.

These condensed consolidated financial statements were prepared under the assumption that all the entities of the Group continue as a going concern in the foreseeable future, i.e. in the period of at least 12 months following the reporting date. As at the date of approving these statements, the Bank Management Board has not identified any events that could indicate that the continuation of the operations by the Group is endangered in the period of 12 months from the reporting date.

### New standards, interpretations and amendments to published standards

#### Standards and interpretations endorsed by the European Union

Published Standards and Interpretations which have been issued and are binding for the first time in the reporting period covered by the financial statements.

Standards and interpretations	Description of the changes	The beginning of the binding period	Impact on the Group's financial statements in the period of initial application
Amendments to IAS 1, Classification of liabilities as current or non-current	The amendments to IAS 1 affect the requirements for the presentation of liabilities in the financial statements. In particular, they explain one of the criteria for classifying liabilities as non-current.	1 January 2024	The application of the amended standard will have no significant impact on the financial statements.
Amendments to IFRS 16 Leasing	The amendment to IFRS 16 requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.	1 January 2024	The application of the amended standard will have no significant impact on the financial statements.

**Standards and interpretations not yet endorsed by the European Union**

These financial statements do not include standards and interpretations listed below which await endorsement of the European Union.

Standards and interpretations	Description of the changes	The beginning of the binding period	Impact on the Group's financial statements in the period of initial application
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	The amendments to IAS 7 and IFRS 7 introduce additional disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.	1 January 2024	The application of the amended standards will have no significant impact on the financial statements.
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability	The amendments to IAS 21 clarify how an entity should assess the currency exchangeability and require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.	1 January 2025	The application of the amended standard will have no significant impact on the financial statements.
IFRS 18 Presentation and Disclosure in Financial Statements	IFRS 18 aims to improve financial reporting by requiring additional defined subtotals in the statement of profit or loss, requiring disclosures about management-defined performance measures; and adding new principles for grouping (aggregation and disaggregation) of information. IFRS 18 replaces IAS 1 Presentation of Financial Statements. Requirements in IAS 1 that are unchanged have been transferred to IFRS 18 and other Standards.	1 January 2027	The application of the new standard will have no significant impact on the financial statements.

**Comparative data**

■ **Reclassification of the valuation of liabilities due to the issue of credit linked notes (adjustment 1)**

Beginning with the condensed consolidated financial statements mBank S.A. Group for the first half of 2023, the Group has changed the presentation in the income statement of change of the valuation of liabilities due to the issue of credit linked notes ("CLNs") measured at amortised cost related to the synthetic securitisation transaction resulting from the change in the expected cash flows from the embedded financial guarantee. Previously, the Group presented this change of valuation within Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss. Now the Group presents the valuation within Interest expenses due to issue of debt securities.

■ **Presentation of cash and cash equivalents (adjustment 2)**

Beginning with the 2023 financial statements, the Group has changed the presentation of cash and cash equivalents in the statement of financial position. Previously, the Group presented cash and balances with central bank separately, while part of cash and cash equivalents in the form of current accounts with other banks and term deposits with other banks with an original maturity of up to three months the Group presented in the item Loans and advances to banks. Currently, the Group presents all cash and cash equivalents in a single line item in the statement of financial position. In addition, as part of the restatement of comparative data, the amounts reported at the beginning of 2023 in the statement of cash flows under current accounts with other banks and term deposits with other banks with original maturities of up to three months, respectively, were adjusted.

The above changes were due to the adjustment of the presentation of selected assets and liabilities as well income and expenses to the prevailing market practice and in order to better reflect the economic nature of the effects of the transactions presented. The changes did not affect equity levels and the Group's income statements in the comparative periods presented in these financial statements. Comparative figures as of 1 January 2023 and 31 March 2023 and for the period from 1 January to 31 March 2023 have been restated accordingly.

The impact of the introduced adjustments on the comparative data is presented in the following tables.

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Restatements in consolidated income statement for the period from 1 January to 31 March 2023

	No	Period from 01.01.2023 to 31.03.2023 before restatement	restatement	Period from 01.01.2023 to 31.03.2023 after restatement
Interest income, including:		3 638 653	-	3 638 653
<i>Interest income accounted for using the effective interest method</i>		3 554 077	-	3 554 077
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		84 576	-	84 576
Interest expenses	1	(1 546 227)	(59 316)	(1 605 543)
<b>Net interest income</b>	<b>1</b>	<b>2 092 426</b>	<b>(59 316)</b>	<b>2 033 110</b>
Fee and commission income		737 784	-	737 784
Fee and commission expenses		(236 721)	-	(236 721)
<b>Net fee and commission income</b>		<b>501 063</b>	<b>-</b>	<b>501 063</b>
Dividend income		122	-	122
Net trading income		7 192	-	7 192
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		14 531	-	14 531
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss		(48 835)	-	(48 835)
Other operating income		78 734	-	78 734
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	1	(232 741)	59 316	(173 425)
Costs of legal risk related to foreign currency loans		(808 488)	-	(808 488)
Overhead costs		(735 603)	-	(735 603)
Depreciation		(119 284)	-	(119 284)
Other operating expenses		(89 664)	-	(89 664)
<b>Operating profit</b>		<b>659 453</b>	<b>-</b>	<b>659 453</b>
Tax on the Group's balance sheet items		(189 998)	-	(189 998)
<b>Profit / (loss) before income tax</b>		<b>469 455</b>	<b>-</b>	<b>469 455</b>
Income tax expense		(326 721)	-	(326 721)
<b>Net profit / (loss)</b>		<b>142 734</b>	<b>-</b>	<b>142 734</b>
<b>Net profit / (loss) attributable to:</b>				
- Owners of mBank S.A.		142 815	-	142 815
- Non-controlling interests		(81)	-	(81)

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## Restatements in consolidated statement of financial position at 1 January 2023

<b>ASSETS</b>	<b>No</b>	<b>01.01.2023 before restatement</b>	<b>restatement</b>	<b>01.01.2023 after restatement</b>
Cash and cash equivalents (previously: Cash and balances with the Central Bank)	2	16 014 318	236 633	16 250 951
Financial assets at amortised cost, including:	2	148 138 819	(236 633)	147 902 186
<i>Debt securities</i>		19 002 527	-	19 002 527
<i>Loans and advances to banks</i>	2	9 806 262	(236 633)	9 569 629
<i>Loans and advances to customers</i>		119 330 030	-	119 330 030
Other assets		45 738 976	-	45 738 976
<b>TOTAL ASSETS</b>		<b>209 892 113</b>	<b>-</b>	<b>209 892 113</b>
<b>LIABILITIES AND EQUITY</b>	<b>No</b>	<b>01.01.2023 before restatement</b>	<b>restatement</b>	<b>01.01.2023 after restatement</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>209 892 113</b>	<b>-</b>	<b>209 892 113</b>

## Restatements in consolidated statement of financial position at 31 March 2023

<b>ASSETS</b>	<b>No</b>	<b>31.03.2023 before restatement</b>	<b>restatement</b>	<b>31.03.2023 after restatement</b>
Cash and cash equivalents (previously: Cash and balances with the Central Bank)	2	16 477 981	1 085 445	17 563 426
Financial assets at amortised cost, including:	2	153 599 600	(1 085 445)	152 514 155
<i>Debt securities</i>		19 413 521	-	19 413 521
<i>Loans and advances to banks</i>	2	13 438 881	(1 085 445)	12 353 436
<i>Loans and advances to customers</i>		120 747 198	-	120 747 198
Other assets		47 451 591	-	47 451 591
<b>TOTAL ASSETS</b>		<b>217 529 172</b>	<b>-</b>	<b>217 529 172</b>
<b>LIABILITIES AND EQUITY</b>	<b>No</b>	<b>31.03.2023 before restatement</b>	<b>restatement</b>	<b>31.03.2023 after restatement</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>217 529 172</b>	<b>-</b>	<b>217 529 172</b>

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Restatements in consolidated statement of cash flows for the period from 1 January to 31 March 2023

	No	Period from 01.01.2023 to 31.03.2023 before restatement	restatement	Period from 01.01.2023 to 31.03.2023 after restatement
<b>Profit / (loss) before income tax</b>		<b>469 455</b>	-	<b>469 455</b>
<b>Adjustments, including:</b>	<b>2</b>	<b>2 171 096</b>	<b>41 073</b>	<b>2 212 169</b>
Income taxes paid		(159 699)	-	(159 699)
Depreciation, including depreciation of fixed assets provided under operating lease		125 332	-	125 332
Foreign exchange (gains) losses related to financing activities		(84 187)	-	(84 187)
(Gains) losses on investing activities		341	-	341
Dividends received		(122)	-	(122)
Interest income (income statement)		(3 638 653)	-	(3 638 653)
Interest expense (income statement)	1	1 546 227	59 316	1 605 543
Interest received		2 908 783	-	2 908 783
Interest paid	1	(1 347 276)	(59 316)	(1 406 592)
Changes in loans and advances to banks	2	(2 735 574)	41 073	(2 694 501)
Changes in financial assets and liabilities held for trading and hedging derivatives		435 236	-	435 236
Changes in loans and advances to customers		(1 151 503)	-	(1 151 503)
Changes in financial assets at fair value through other comprehensive income		(961 158)	-	(961 158)
Changes in securities at amortised cost		(322 733)	-	(322 733)
Changes of non-trading securities mandatorily at fair value through profit or loss		(3 748)	-	(3 748)
Changes in other assets		(212 904)	-	(212 904)
Changes in amounts due to banks		439 713	-	439 713
Changes in amounts due to customers		6 704 298	-	6 704 298
Changes in lease liabilities		(19 347)	-	(19 347)
Changes in issued debt securities		90 477	-	90 477
Changes in provisions		(7 180)	-	(7 180)
Changes in other liabilities		564 773	-	564 773
<b>A. Cash flows from operating activities</b>	<b>2</b>	<b>2 640 551</b>	<b>41 073</b>	<b>2 681 624</b>
<b>B. Cash flows from investing activities</b>		<b>(124 219)</b>	-	<b>(124 219)</b>
<b>C. Cash flows from financing activities</b>		<b>(1 235 230)</b>	-	<b>(1 235 230)</b>
<b>Net increase / decrease in cash and cash equivalents (A+B+C)</b>	<b>2</b>	<b>1 281 102</b>	<b>41 073</b>	<b>1 322 175</b>
Effects of exchange rate changes on cash and cash equivalents		(9 700)	-	(9 700)
Cash and cash equivalents at the beginning of the reporting period	2	16 292 024	(41 073)	16 250 951
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>17 563 426</b>	-	<b>17 563 426</b>

The changes in the comparative data, as described above, has been included in these financial statements in all the notes to which these changes referred.

### 3. Major estimates and judgments made in connection with the application of accounting policy principles

The Group applies estimates and adopts assumptions which impact the values of assets and liabilities presented in the subsequent period. Estimates and assumptions, which are continuously subject to assessment, rely on historical experience and other factors, including expectations concerning future events, which seem justified under the given circumstances.

#### Provisions for legal risks relating to indexation clauses in mortgage and housing loans in CHF and other foreign currencies

Detailed information on the impact of legal risk related to mortgage and housing loans granted to individual customers in CHF and other foreign currencies is provided in Note 31.

#### Impairment of loans and advances

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the income statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions, on the basis of which the estimated cash flow amounts and their anticipated timing are determined, are regularly verified. If the current value of estimated cash flows (discounted recoveries from payments of capital, discounted recoveries from interests, discounted recoveries from off-balance sheet liabilities and discounted recoveries from collaterals for on-balance and off-balance sheet loans and advances, weighed by the probability of realization of specific scenarios) for portfolio of loans and advances and off-balance liabilities which are impaired as of 31 March 2024, change by +/- 10%, the estimated loans and advances and off-balance liabilities impairment would either decrease by PLN 51.6 million or increase by PLN 54.9 million (as at 31 December 2023: PLN 52.8 million and PLN 56.1 million). This estimation was performed for portfolio of loans and advances and for off-balance sheet liabilities individually assessed for impairment on the basis of future cash flows due to repayments and recovery from collateral – Stage 3. The rules of determining write-downs and provisions for impairment of credit exposures have been described under Note 3.3.6 of Consolidated financial statements of mBank S.A. Group for 2023, published on 29 February 2024.

#### Actions taken in relation to the current situation in Ukraine

In the first quarter of 2024, the Group continued to monitor its portfolio of exposures exposed to Russia's aggression against Ukraine. The review concerned the Group's involvement in war countries (Ukraine, Russia) or in conflict-related countries (Belarus), taking into account sanctions imposed by the European Union, the United Kingdom and the USA.

As a result of the review, as of 31 March 2024, credit exposure and expected credit losses were determined in the mentioned countries, as shown in the table below.

Country	Direct exposure as at 31.03.2024												
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	-	-	-	-	-	-	-	-	-	-	-	-	-
Russia	-	-	150	-	-	-	-	-	-	-	(150)	-	43 033
Belarus	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>150</b>	-	-	-	-	-	-	-	<b>(150)</b>	-	<b>43 033</b>

There was also identified an indirect exposure: a balance sheet exposure of PLN 216.9 million and an off-balance sheet exposure of PLN 219.2 million towards corporate clients whose business is indirectly exposed to the risk of Russia's aggression towards Ukraine.

Indirect risk concerns companies where at least 30% of exports or imports is connected to countries affected by the war crisis or whose main shareholder is a resident of the risk country, or the collateral of transaction is located in the country of risk.

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Country	Indirect exposure as at 31.03.2024											
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Ukraine	67 638	38 115	3 958	-	64 771	1 336	-	-	(272)	(940)	(1 188)	-
Russia	5 119	9 359	76 751	-	135 994	6 669	8 602	-	(270)	(126)	(56 802)	-
Belarus	14 908	1 005	80	-	1 811	49	-	-	(74)	(18)	(80)	-
<b>Total</b>	<b>87 665</b>	<b>48 479</b>	<b>80 789</b>	<b>-</b>	<b>202 576</b>	<b>8 054</b>	<b>8 602</b>	<b>-</b>	<b>(616)</b>	<b>(1 084)</b>	<b>(58 070)</b>	<b>-</b>

**Fair value of derivatives and other financial instruments**

The fair value of financial instruments not listed on active markets is determined by applying valuation techniques. All models are approved prior to being applied and they are also calibrated in order to assure that the obtained results indeed reflect the actual data and comparable market prices. As far as possible, observable market data originating from an active market are used in the models. Methods for determining the fair value of financial instruments are described in Note 2.6 of Consolidated financial statements of mBank Group for 2023, published on 29 February 2024.

**Deferred tax assets**

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available, against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

**Income tax in interim financial statements**

Income tax in interim financial statements is accrued in accordance with IAS 34. Interim period tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

The calculation of the average estimated annual effective tax rate for 2024 required the use of a forecast of profit before tax for the full fiscal year, as well as a differences between the carrying amounts of assets and liabilities and their tax base. The projected annual effective tax rate calculated in this way amounted to 39.3%.

The calculation of the average annual effective income tax rate for 2023 required the use of a forecast of the gross result for the entire financial year adjusted for the impact of the costs of legal risk related to foreign currency loans, as well as a forecast of permanent differences regarding the tax values of assets and liabilities. The forecast annual effective tax rate calculated in this way and used to calculate the income tax burden for the first quarter of 2023 amounted to 25.6%.

The greatest impact on the value of the average annual effective tax rate in relation to the nominal income tax rate in the first quarter of 2024 resulted from the costs of legal risk related to foreign currency loans, tax on financial institutions and contributions and other mandatory payments that do not constitute tax deductible costs (including Bank Guarantee Fund fees).

**Revenue and expenses from sale of insurance products bundled with loans**

Revenue from sale of insurance products bundled with loans are split into interest income and fee and commission income based on the relative fair value analysis of each of these products.

The remuneration included in fee and commission income is recognised partly as upfront income and partly including deferral over time based on the analysis of the stage of completion of the service. Expenses directly linked to the sale of insurance products are recognised using the same pattern.

**Liabilities due to post-employment employee benefits**

The costs of post-employment employee benefits are determined using an actuarial valuation method. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and other factors. Due to the long-term nature of these programmes, such estimates are subject to significant uncertainty.

**Leasing**

The Group as lessor makes judgement classifying lease agreements as finance lease or operating lease based on the economic substance of the transaction basing on professional judgment whether substantially all the risk and rewards incidental to ownership of an asset were transferred or not.

The Group as a lessee makes certain estimates and calculations that have an impact on the valuation of lease liabilities and right-of-use assets. They include, among others: determination of the duration of contracts, determining the interest rate used to discount future cash flows and determination of the depreciation rate of right-of-use assets.

#### 4. Business segments

Following the adoption of "management approach" of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Bank's Management Board (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses their performance.

The classification by business segments is based on client groups and product groups defined by homogenous transaction characteristics. The classification is consistent with sales management and the philosophy of delivering complex products to the Bank's clients, including both standard banking products and more sophisticated investment products. The method of presentation of financial results coupled with the business management model ensures a constant focus on creating added value in relations with clients of the Bank and Group companies and should be seen as a primary division, which serves the purpose both managing and perceiving business within the Group.

The Group conducts its business through different business segments, which offer specific products and services targeted at specific client groups and market segments. The Group currently conducts its operations through the following business segments:

- The Retail Banking segment, which offers a full range of products and services to individual customers, including Private Banking customers and micro-businesses. The key products and services offered to customers in this segment include lending products (mortgage loans, overdrafts, cash loans, car loans, credit cards), deposit products (current and savings accounts, term deposits), debit cards, insurance products, brokerage services, investment advice, asset management services and leasing services. The results of the Retail Banking segment include the results of foreign branches of mBank in the Czech Republic and Slovakia. The Retail Banking segment also includes the results of mFinanse S.A., mFinanse CZ s.r.o., mFinanse SK s.r.o., mTowarzystwo Funduszy Inwestycyjnych S.A., LeaseLink Sp. z o.o. as well as the results of retail segments of mLeasing Sp. z o.o., Asekum Sp. z o.o., mElements S.A. and mBank Hipoteczny S.A.
- The Corporate and Investment Banking segment, which offers financial services to small, medium and large-sized companies, public sector entities, financial institutions and banks. The key products offered to these customers include transactional banking (cash management, current accounts, term deposits, internet banking, financial liquidity management services, trade finance services, letters of credit and guarantees), working capital and investment loans, project finance, structured and mezzanine finance services as well as custody, leasing and factoring services. The products of this segment include operations in foreign currencies, capital and derivatives markets, both proprietary and on behalf of customers, as well as services for arranging and financing securities issues, financial consulting and brokerage services for financial institutions. The Corporate and Investment Banking segment also generates result of foreign exchange risk management. This segment includes the results of the following subsidiaries: mFactoring S.A. as well as the results of corporate segments of mLeasing Sp. z o.o., Asekum Sp. z o.o., mElements S.A. and mBank Hipoteczny S.A. until the date of separation of part of its activities and its transfer to the mBank which took place on 18 May 2023.
- The Treasury and Other segment consists primarily of treasury and money markets operations, liquidity and interest rate risks management of the Bank and its investment portfolio. The results of the segment include the result of internal settlements of fund transfer pricing, the result of items classified as hedge accounting and results not allocated to other segments. This segment also includes the results of mLeasing Sp. z o.o. and mBank Hipoteczny S.A. with regard to activities concerning funding and the results of Future Tech Fundusz Inwestycyjny Zamknięty.
- FX Mortgage Loans segment consists primarily of foreign currency mortgage loans with indexation clauses granted to individual customers. These types of loans are no longer offered to customers. The segment's assets include only the portfolio of active mortgage loans originally granted in foreign currencies (mainly in CHF, EUR and USD). The segment's liabilities do not include the financing of the portfolio of such loans, which was included in the liabilities of other segments.

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The principles of segment classification of the Group's activities are described below.

Transactions between the business segments are conducted on regular commercial terms.

Internal fund transfers between the Bank's units are calculated at transfer rates based on market rates. Transfer rates are determined on the same basis for all operating units of the Bank and their differentiation results only from currency and maturity structure of assets and liabilities. Internal settlements concerning internal valuation of funds transfers are reflected in the results of each segment.

The separation of the assets and liabilities of a segment, as well as of its income and costs, is done on the basis of internal information prepared at the Bank for the purpose of management accounting. Assets and liabilities for which the units of the given segment are responsible as well as income and costs related to such assets and liabilities are attributed to individual business segments. The financial result of a business segment takes into account all the income and cost items attributable to it.

The business operations of particular companies of the Group are fully attributed to the appropriate business segments (including consolidation adjustments).

The primary basis used by the Group in the segment reporting is business line division. In addition, the Group's activity is presented by geographical areas reporting broken down into Poland and foreign countries because of the place of origin of income and expenses. Foreign countries segment includes activity of mBank's foreign branches in Czech Republic and Slovakia as well as the activity of subsidiaries mFinanse CZ s.r.o. and mFinanse SK s.r.o.

Business segment reporting on the activities of mBank S.A. Group for the period from 1 January to 31 March 2024 – data regarding consolidated income statement.

period from 1 January to 31 March 2024	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	1 531 406	688 238	114 576	5 862	2 340 082
- sales to external clients	929 031	660 674	678 246	72 131	2 340 082
- sales to other segments	602 375	27 564	(563 670)	(66 269)	-
Net fee and commission income	243 232	258 224	(9 978)	(7 351)	484 127
Dividend income	-	-	2 995	-	2 995
Trading income	27 375	59 664	(29 737)	(4 021)	53 281
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	10 398	895	3 720	(171)	14 842
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	1 662	4 824	173	-	6 659
Other operating income	30 939	27 982	16 546	1 834	77 301
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(72 956)	22 726	(2 791)	5 103	(47 918)
Costs of legal risk related to foreign currency loans	-	-	-	(1 370 563)	(1 370 563)
Overhead costs	(438 493)	(286 676)	(13 307)	(13 953)	(752 429)
Amortisation	(94 416)	(39 806)	(1 923)	(305)	(136 450)
Other operating expenses	(26 253)	(17 339)	(13 585)	(133)	(57 310)
<b>Operating profit</b>	<b>1 212 894</b>	<b>718 732</b>	<b>66 689</b>	<b>(1 383 698)</b>	<b>614 617</b>
Taxes on Group balance sheet items	(112 596)	(61 193)	(4 323)	(3 799)	(181 911)
<b>Gross profit / (loss) of the segment</b>	<b>1 100 298</b>	<b>657 539</b>	<b>62 366</b>	<b>(1 387 497)</b>	<b>432 706</b>
Income tax					(170 140)
Net profit / (loss) attributable to Owners of mBank S.A.					262 523
Net profit / (loss) attributable to non-controlling interests					43

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Business segment reporting on the activities of mBank S.A. Group for the period from 1 January to 31 March 2023 – data regarding consolidated income statement.

period from 1 January to 31 March 2023	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	1 319 654	518 053	188 184	7 219	2 033 110
- sales to external clients	917 804	547 182	495 677	72 447	2 033 110
- sales to other segments	401 850	(29 129)	(307 493)	(65 228)	-
Net fee and commission income	242 863	274 086	(8 922)	(6 964)	501 063
Dividend income	-	-	122	-	122
Trading income	26 420	71 402	(91 039)	409	7 192
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	9 911	582	4 097	(59)	14 531
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(955)	1 601	(49 481)	-	(48 835)
Other operating income	47 517	24 941	5 394	882	78 734
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(168 966)	1 781	(1 502)	(4 738)	(173 425)
Costs of legal risk related to foreign currency loans	-	-	-	(808 488)	(808 488)
Overhead costs	(420 205)	(279 901)	(9 408)	(26 089)	(735 603)
Amortisation	(82 824)	(35 642)	(615)	(203)	(119 284)
Other operating expenses	(56 450)	(17 405)	(15 548)	(261)	(89 664)
<b>Operating profit</b>	<b>916 965</b>	<b>559 498</b>	<b>21 282</b>	<b>(838 292)</b>	<b>659 453</b>
Taxes on Group balance sheet items	(113 655)	(62 939)	(5 181)	(8 223)	(189 998)
<b>Gross profit / (loss) of the segment</b>	<b>803 310</b>	<b>496 559</b>	<b>16 101</b>	<b>(846 515)</b>	<b>469 455</b>
Income tax					(326 721)
Net profit / (loss) attributable to Owners of mBank S.A.					142 815
Net profit / (loss) attributable to non-controlling interests					(81)

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

31.03.2024	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Assets of the segment	70 457 020	51 353 429	99 084 601	3 261 969	224 157 019
Liabilities of the segment	129 951 622	55 875 800	21 693 869	2 566 558	210 087 849

31.12.2023	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Assets of the segment	69 706 463	48 643 170	104 881 163	3 749 720	226 980 516
Liabilities of the segment	129 176 019	59 232 127	22 962 582	1 872 562	213 243 290

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Information about geographical areas on the activities of mBank S.A. Group for the period from 1 January to 31 March 2024 and for the period from 1 January to 31 March 2023.

	period from 1 January to 31 March 2024			period from 1 January to 31 March 2023		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	2 217 907	122 175	2 340 082	1 904 994	128 116	2 033 110
Net fee and commission income	472 437	11 690	484 127	489 286	11 777	501 063
Dividend income	2 995	-	2 995	122	-	122
Trading income	52 958	323	53 281	5 469	1 723	7 192
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	14 842	-	14 842	14 531	-	14 531
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	6 685	(26)	6 659	(48 594)	(241)	(48 835)
Other operating income	75 146	2 155	77 301	72 607	6 127	78 734
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(41 492)	(6 426)	(47 918)	(162 002)	(11 423)	(173 425)
Costs of legal risk related to foreign currency loans	(1 370 563)	-	(1 370 563)	(808 488)	-	(808 488)
Overhead costs	(709 560)	(42 869)	(752 429)	(692 311)	(43 292)	(735 603)
Amortisation	(133 518)	(2 932)	(136 450)	(115 662)	(3 622)	(119 284)
Other operating expenses	(55 107)	(2 203)	(57 310)	(85 073)	(4 591)	(89 664)
<b>Operating profit</b>	<b>532 730</b>	<b>81 887</b>	<b>614 617</b>	<b>574 879</b>	<b>84 574</b>	<b>659 453</b>
Taxes on Group balance sheet items	(169 338)	(12 573)	(181 911)	(175 330)	(14 668)	(189 998)
<b>Gross profit / (loss) of the segment</b>	<b>363 392</b>	<b>69 314</b>	<b>432 706</b>	<b>399 549</b>	<b>69 906</b>	<b>469 455</b>
Income tax			(170 140)			(326 721)
Net profit / (loss) attributable to Owners of mBank S.A.			262 523			142 815
Net profit / (loss) attributable to non-controlling interests			43			(81)

Information about geographical areas on the activities of mBank S.A. Group as at 31 March 2024 and as at 31 December 2023.

	31.03.2024			31.12.2023		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
<b>Assets of the segment, including:</b>	<b>215 116 811</b>	<b>9 040 208</b>	<b>224 157 019</b>	<b>217 452 308</b>	<b>9 528 208</b>	<b>226 980 516</b>
- fixed assets	3 278 320	39 340	3 317 660	3 252 775	42 529	3 295 304
- deferred income tax assets	1 166 201	9 777	1 175 978	1 369 606	9 934	1 379 540
<b>Liabilities of the segment</b>	<b>194 490 283</b>	<b>15 597 566</b>	<b>210 087 849</b>	<b>197 104 470</b>	<b>16 138 820</b>	<b>213 243 290</b>

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**5. Net interest income**

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
<b>Interest income</b>			
<b>Interest income accounted for using the effective interest method</b>		<b>3 501 059</b>	<b>3 554 077</b>
Interest income of financial assets at amortised cost, including:		3 080 866	3 065 844
- <i>Loans and advances</i>		2 534 206	2 652 400
- <i>Debt securities</i>		229 843	133 706
- <i>Cash and short-term placements</i>		296 183	183 958
- <i>Gains or losses on non-substantial modification (net)</i>		(3 777)	51 168
- <i>Other</i>		24 411	44 612
Interest income on financial assets at fair value through other comprehensive income, including:		420 193	488 233
- <i>Debt securities</i>		420 193	488 233
<b>Income similar to interest on financial assets at fair value through profit or loss</b>		<b>60 118</b>	<b>84 576</b>
Financial assets held for trading, including:		13 918	17 435
- <i>Loans and advances</i>		1 385	1 189
- <i>Debt securities</i>		12 533	16 246
Non-trading financial assets mandatorily at fair value through profit or loss, including:		22 305	31 621
- <i>Loans and advances</i>		22 305	31 621
Interest income on derivatives classified into banking book		23 895	35 520
<b>Total interest income</b>		<b>3 561 177</b>	<b>3 638 653</b>

The amount of interest income, presented under Cash and short-term placements, includes mainly interest income on the mandatory reserve. The item Other includes mainly interest income on cash-collateral.

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
<b>Interest expenses</b>			
Financial liabilities held for trading		(4 090)	(3 642)
Financial liabilities measured at amortised cost, including:		(923 993)	(1 206 543)
- <i>Deposits</i>		(734 327)	(1 011 121)
- <i>Loans received</i>		(1 105)	(1 149)
- <i>Issue of debt securities</i>		(138 582)	(138 165)
- <i>Subordinated liabilities</i>		(42 091)	(45 382)
- <i>Other financial liabilities</i>		(6 760)	(10 046)
- <i>Lease liabilities</i>		(1 128)	(680)
Interest expenses on derivatives concluded under the fair value hedge		(198 043)	(212 901)
Interest expenses on derivatives concluded under the cash flow hedge		(94 947)	(182 433)
Other		(22)	(24)
<b>Total interest expense</b>		<b>(1 221 095)</b>	<b>(1 605 543)</b>

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**6. Net fee and commission income**

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
<b>Fee and commission income</b>			
Payment cards-related fees		167 832	156 234
Credit-related fees and commissions		153 104	155 347
Commissions from currency transactions		120 014	120 633
Commissions from bank accounts		74 075	76 504
Commissions from money transfers		59 436	56 673
Fees from brokerage activity and debt securities issue		45 727	45 498
Commissions for agency service regarding sale of insurance products of external financial entities		36 667	33 666
Commissions for agency service regarding sale of other products of external financial entities		31 939	14 286
Commissions due to guarantees granted and trade finance commissions		27 817	28 373
Fees from cash services		16 207	19 471
Commissions on trust and fiduciary activities		8 063	7 386
Fees from portfolio management services and other management-related fees		7 424	6 024
Other		19 869	17 689
<b>Total fee and commission income</b>		<b>768 174</b>	<b>737 784</b>

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
<b>Fee and commission expense</b>			
Payment cards-related fees		(80 482)	(69 529)
Commissions paid to external entities for sale of the Group's products		(58 017)	(52 386)
Commissions of insurance products		(4 515)	(3 846)
Commissions paid for sale of external financial entities' products		(20 316)	(7 205)
Discharged brokerage fees		(7 536)	(9 774)
Cash services		(13 204)	(9 235)
Fees to NBP, KIR and GPW Benchmark		(5 540)	(3 956)
Other discharged fees		(94 437)	(80 790)
<b>Total fee and commission expense</b>		<b>(284 047)</b>	<b>(236 721)</b>

**7. Dividend income**

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
Non-trading financial assets mandatorily at fair value through profit or loss		127	122
Investments in non-consolidated subsidiaries		2 868	-
<b>Total dividend income</b>		<b>2 995</b>	<b>122</b>

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**8. Net trading income**

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
<b>Foreign exchange result</b>		<b>36 850</b>	<b>(22 947)</b>
Net exchange differences on translation		123 538	62 268
Net transaction gains/losses		(86 688)	(85 215)
<b>Gains or losses on financial assets and liabilities held for trading</b>		<b>14 625</b>	<b>30 684</b>
Derivatives, including:		11 828	28 754
- <i>Interest-bearing instruments</i>		9 677	23 056
- <i>Market risk instruments</i>		2 151	5 698
Equity instruments		352	(798)
Debt securities		(78)	3 292
Loans and advances		1 929	(564)
Financial liabilities		594	-
<b>Gains or losses from hedge accounting</b>		<b>1 806</b>	<b>(545)</b>
Net profit on hedged items		77 799	(315 078)
Net profit on fair value hedging instruments		(76 724)	312 631
Ineffective portion of cash flow hedge		731	1 902
<b>Net trading income</b>		<b>53 281</b>	<b>7 192</b>

The foreign exchange result includes profit/(loss) on forward contracts, options, futures and recalculated assets and liabilities denominated in foreign currencies. The result on derivative transactions of interest-bearing instruments includes the result of swap contracts for interest rates, options and other derivatives. The result of the market risk instruments operations include profit/(loss) on bond futures, index futures, security options, stock exchange index options, and options on futures contracts as well as the result from securities forward transactions, commodity futures and commodity swaps.

The Group applies fair value hedge accounting and cash flow hedge accounting. Detailed information on hedge accounting is included in Note 16.

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

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
Equity instruments		11 305	16 265
Debt securities		3 674	3 713
Loans and advances		(137)	(5 447)
<b>Total gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</b>		<b>14 842</b>	<b>14 531</b>

**10. Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss**

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
Gains or losses from derecognition, including:		6 659	(48 835)
- <i>Financial assets measured at fair value through other comprehensive income</i>		4 261	(47 880)
- <i>Financial assets at amortised cost</i>		2 398	(955)
<b>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</b>		<b>6 659</b>	<b>(48 835)</b>

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**11. Other operating income**

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories		26 298	19 730
Income from services provided		3 671	3 987
Net income from operating lease and right-of-use assets in sublease		2 308	2 522
Rental income from investment properties		193	119
Income due to release of provisions for future commitments		9 097	20 520
Income from recovering receivables designated previously as prescribed, remitted or uncollectible		319	641
Income from compensations, penalties and fines received		120	383
Resolution of impairment losses for property, plant and equipment and intangible assets		26	-
Net revenues from the sale of an organised part of the company mFinanse S.A.		-	4 500
Gains from sale and valuation of investment in subsidiaries and associates		7 761	1 018
Other		27 508	25 314
<b>Total other operating income</b>		<b>77 301</b>	<b>78 734</b>

Income from services provided is earned on non-banking activities.

Net income from operating lease consists of income from operating lease, income from right-of-use assets in sublease and related depreciation cost of fixed asset provided by the Group under operating lease and right-of-use assets in sublease, incurred to obtain revenue.

Net income from operating lease and right-of-use assets in sublease generated for first quarter of 2024 and for first quarter of 2023 is presented below.

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
<b>Net operating income due to operating lease and subleasing right-of-use assets, including:</b>			
- Income from operating lease		6 094	7 039
- Income from right-of-use assets in sublease		1 478	1 531
- Depreciation cost of fixed assets provided under operating lease and right-of-use assets in sublease		(5 264)	(6 048)
<b>Total net operating income due to operating lease and subleasing right-of-use assets</b>		<b>2 308</b>	<b>2 522</b>

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

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
<b>Financial assets at amortised cost, including:</b>			
Debt securities		(77 259)	(184 761)
<i>Stage 1</i>		(162)	(438)
Loans and advances		(77 097)	(184 323)
<i>Stage 1</i>		(21 272)	8 221
<i>Stage 2</i>		57 267	4 910
<i>Stage 3</i>		(118 473)	(210 322)
<i>POCI</i>		5 381	12 868
<b>Financial assets at fair value through other comprehensive income, including:</b>			
Debt securities		388	(1 819)
<i>Stage 1</i>		442	(1 819)
<i>Stage 2</i>		(54)	-
<b>Commitments and guarantees given</b>			
<i>Stage 1</i>		(620)	(123)
<i>Stage 2</i>		2 786	264
<i>Stage 3</i>		26 951	12 335
<i>POCI</i>		(164)	679
<b>Net impairment losses on financial assets not measured at fair value through profit or loss</b>		<b>(47 918)</b>	<b>(173 425)</b>

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In case when exposures are reclassified between stages, impairment on financial assets not measured at fair value through profit or loss is presented without netting, with the entire amount of the existing allowance released in the stage before the reclassification and the entire amount of the created allowance recognized in the stage after the exposure is reclassified.

**13. Overhead costs**

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
Staff-related expenses		(383 436)	(338 716)
Material costs, including:		(204 366)	(201 759)
- costs of administration and real estate services		(87 925)	(85 989)
- IT costs		(63 299)	(61 707)
- marketing costs		(32 423)	(37 137)
- consulting costs		(15 665)	(12 142)
- other material costs		(5 054)	(4 784)
Taxes and fees		(12 531)	(9 401)
Contributions and transfers to the Bank Guarantee Fund		(147 803)	(182 888)
Contributions to the Social Benefits Fund		(4 293)	(2 839)
<b>Total overhead costs</b>		<b>(752 429)</b>	<b>(735 603)</b>

Staff-related expenses for the first quarter of 2024 and for the first quarter of 2023 is presented below.

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
Wages and salaries		(296 081)	(263 005)
Social security expenses		(56 929)	(51 702)
Remuneration concerning share-based payments, including:		(3 548)	(1 921)
- share-based payments settled in mBank S.A. shares		(3 460)	(1 835)
- cash-settled share-based payments		(88)	(86)
Other staff expenses		(26 878)	(22 088)
<b>Total staff-related expenses</b>		<b>(383 436)</b>	<b>(338 716)</b>

**14. Other operating expense**

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories		(20 316)	(14 919)
Provisions for future commitments		(4 784)	(42 109)
Costs arising from provisions created for other receivables (excluding loans and advances)		(590)	(652)
Donations made		(5 534)	(2 095)
Compensation, penalties and fines paid		(1 884)	(656)
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the period		(1 334)	(1 068)
Debt collection expenses		(4 679)	(4 418)
Losses from sale and valuation of investment in subsidiaries and associates		(4 404)	(12 525)
Other operating costs		(13 785)	(11 222)
<b>Total other operating expenses</b>		<b>(57 310)</b>	<b>(89 664)</b>

The item Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories includes mainly the costs of mLeasing Sp. z o.o. from the sale of leasing items.

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

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
<b>Basic:</b>			
Net profit / (loss) attributable to Owners of mBank S.A.		262 523	142 815
Weighted average number of ordinary shares		42 465 167	42 433 495
<b>Net basic profit / (loss) per share (in PLN per share)</b>		<b>6.18</b>	<b>3.37</b>
<b>Diluted:</b>			
Net profit / (loss) attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share		262 523	142 815
Weighted average number of ordinary shares		42 465 167	42 433 495
Adjustments for:			
- share options and subscription warrants		83 697	88 430
Weighted average number of ordinary shares for calculation of diluted earnings per share		42 548 864	42 521 925
<b>Diluted earnings / (losses) per share (in PLN per share)</b>		<b>6.17</b>	<b>3.36</b>

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

	31.03.2024	31.12.2023
<b>Derivatives, including:</b>	<b>693 045</b>	<b>1 074 153</b>
- Held for trading derivative financial instruments classified into banking book	248 352	550 507
- Held for trading derivative financial instruments classified into trading book	627 794	706 098
- Derivative financial instruments held for fair value hedging	247 674	241 597
- Derivative financial instruments held for cash flow hedging	4 836	3 615
- Offsetting effect	(435 611)	(427 664)
<b>Equity instruments</b>	<b>10 792</b>	<b>10 542</b>
- Other financial corporations	10 792	10 542
<b>Debt securities</b>	<b>1 306 181</b>	<b>634 840</b>
- General governments, including:	1 113 694	397 333
<i>pledged securities</i>	724 542	280 193
- Other financial corporations	1 515	101 660
- Non-financial corporations	190 972	135 847
<b>Loans and advances</b>	<b>41 259</b>	<b>40 498</b>
- Corporate customers	41 259	40 498
<b>Total financial assets held for trading and derivatives held for hedges</b>	<b>2 051 277</b>	<b>1 760 033</b>

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

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

	31.03.2024	31.12.2023
<b>Derivatives, including:</b>	<b>1 094 502</b>	<b>1 338 147</b>
- Held for trading derivative financial instruments classified into banking book	196 191	207 540
- Held for trading derivative financial instruments classified into trading book	1 028 073	1 247 605
- Derivative financial instruments held for fair value hedging	969 732	946 888
- Derivative financial instruments held for cash flow hedging	245 597	268 616
- Offsetting effect	(1 345 091)	(1 332 502)
<b>Liabilities from short sale of securities</b>	<b>194 291</b>	<b>157 607</b>
<b>Total financial liabilities held for trading and derivatives held for hedges</b>	<b>1 288 793</b>	<b>1 495 754</b>

## Derivative financial instruments

The Group has the following types of derivative instruments:

Forward currency transactions represent commitments to purchase foreign and local currencies, including outstanding spot transactions.

Futures for currencies and interest rates are contractual commitments to receive or pay a specific net value, depending on currency rate of exchange or interest rate variations, or to buy or sell a foreign currency or a financial instrument on a specified future date for a fixed price established on the organised financial market. Because futures contracts are collateralised with fair-valued cash or securities and the changes of the face value of such contracts are accounted for daily in reference to stock exchange quotations, the credit risk is marginal.

FRA contracts are similar to futures except that each FRA is negotiated individually, and each requires payment on a specific future date of the difference between the interest rate set in the agreement and the current market rate on the basis of theoretical amount of capital.

Currency and interest rate swap contracts are commitments to exchange one cash flow for another cash flow. Such a transaction results in swap of currencies or interest rates (e.g. fixed to variable interest rate) or combination of all these factors (e.g. cross-currency interest rate swaps – CIRS). Except from CIRS there is no exchange of principal at the origin and maturity of the transaction. The credit risk of the Group consists of the potential cost of replacing swap contracts if the parties fail to discharge their liabilities. This risk is monitored daily by reference to the current fair value, proportion of the face value of the contracts and market liquidity. The Group evaluates the parties to such contracts using the same methods as for its credit business, to control the level of its credit exposure.

Currency and interest rate options are agreements, pursuant to which the selling party grants the buying party the right, but not an obligation, to purchase (call option) or sell (put option) a specific quantity of a foreign currency or a financial instrument at a predefined price on or by a specific date or within an agreed period. In return for accepting currency or interest rate risk, the buyer offers the seller a premium. An option can be either a public instrument traded at a stock exchange, or a private instrument negotiated between the Group and a customer (private transaction). The Group is exposed to credit risk related to purchased options only up to the balance sheet value of such options, i.e. the fair value of the options.

Market risk transactions include futures contracts as well as commodity options, stock options and index options.

Face values of certain types of financial instruments provide a basis for comparing them to instruments disclosed in the statement of financial position but they may not be indicative of the value of the future cash flows or of the present fair value of such instruments. For this reason, the face values do not indicate the level of the Group's exposure to credit risk or price change risk. Derivative instruments can have positive value (assets) or negative value (liabilities), depending on market interest or currency exchange rate fluctuations. The aggregate fair value of derivative financial instruments may be subject to strong variations.

## Hedge accounting

The Group applies fair value hedge accounting and cash flow hedge accounting. Detailed information on hedge accounting is presented below.

In accordance with the IFRS9 provisions, only on the day of initial application the Group had the opportunity to choose as its accounting policy element to continue to apply the IAS 39 hedge accounting requirements instead of the IFRS 9 requirements.

The Group decided to continue from 1 January 2018, to apply the hedge accounting requirements in accordance with IAS 39. These requirements were consistently applied until 30 June 2022. Starting 1 July 2022 the Group applies the IFRS 9 hedge accounting requirements with the exception described below.

The fair value portfolio hedges of interest rate risk, where the hedged item is designated as portion that is a currency amount, continue to be accounted for in line with IAS 39 requirements.

The Group determines the hedge ratio based on the nominal value of the hedged item and hedging instrument and it is 1:1 (except for mortgage bonds issued by mBank Hipoteczny (mBH) at mBank Group hedging relationship, for which the hedged ratio was determined based on BPV (Basis Point Value) and the fair value hedge of loan portfolios granted by mBank's Czech Branch, where the nominal value of hedging instruments is determined at an amount lower than the nominal value of the hedged item in order to take into account the risk of prepayment).

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The sources of hedge ineffectiveness for hedging relationships for which the ineffectiveness arises include mismatch of cash flow dates and repricing periods, base mismatch (e.g. another WIBOR), nominal mismatch in case when the hedge ratio is different than 1:1, CVA/DVA mismatch which is in hedging instrument and is not in hedged instrument and mismatch due to initial valuation of hedging instruments if a previously acquired derivative was included in hedging relationship.

### **Fair value hedge accounting**

The Group applies fair value hedge accounting, under which the only kind of hedged risk is the risk of changes in interest rates.

At the end of each month, the Group evaluates effectiveness of the applied hedging by carrying out analysis of changes in fair value of the hedged and hedging instruments in respect of the hedged risk in order to confirm that hedging relationships are effective in accordance with the accounting policy described in Note 2.12 of Consolidated financial statements for 2023, published on 29 February 2024.

#### Description of the hedging relation

The Group hedges against the risk of change in fair value:

- fixed interest rate mortgage bonds issued by mBank Hipoteczny (mBH), a subsidiary of mBank. The hedged risk results from changes in interest rates,
- fixed interest rate loans received by mBank from European Investment Bank. The hedged risk results from changes in interest rates,
- fixed interest bonds issued by mBank. The hedged risk results from changes in interest rates,
- senior non-preferred bonds issued by mBank – fixed interest rate during three years since the issue date. The hedged risk results from changes in interest rates,
- senior non-preferred bonds issued by mBank – fixed interest rate during five years since the issue date. The hedged risk results from changes in interest rates,
- part of the fixed interest rate housing and consumer portfolio granted by mBank's foreign branch in the Czech Republic. The hedged risk results from changes in interest rates,
- part of the portfolio of deposits modelled by the Bank in PLN with economic characteristics of fixed rate deposits. The hedged risk results from changes in interest rates,
- part of the fixed interest rate mortgage portfolio owned by mBH. The hedged risk results from changes in interest rates.

#### Hedged items

The hedged items are:

- fixed interest rate mortgage bonds issued by mBH with a nominal value of EUR 402 000 thousand,
- fixed interest rate loans received by mBank from European Investment Bank with a nominal value of respectively CHF 113 110 thousand, CHF 175 560 thousand and CHF 138 388 thousand,
- fixed rate bonds issued by mBank S.A. with a nominal value of CHF 125 000 thousand,
- senior non-preferred bonds issued by mBank S.A., fixed rate during three years since the issue date, with nominal value of EUR 750 000 thousand,
- senior non-preferred bonds issued by mBank S.A., fixed rate during five years since the issue date, with nominal value of EUR 500 000 thousand,
- part of the fixed interest rate housing and consumer portfolio, denominated in CZK, granted by mBank's foreign branch in the Czech Republic,
- part of the portfolio of deposits modelled by the Bank in PLN with economic characteristics of fixed rate deposits,
- part of the fixed interest rate mortgage portfolio owned by mBH.

#### Hedging instruments

IRS and Overnight Index Swap are the hedging instruments swapping the fixed interest rate for a variable interest rate.

#### Presentation of the result from hedged and hedging transactions

Fair value adjustment of the hedged assets and liabilities as well as valuation of the hedging instruments are recognised in the income statement as trading income, with the exception of interest income and costs of the interest element of the valuation of hedging instruments, which are presented in the item Interest income / expense on derivatives concluded under the fair value hedge.

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

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
Interest income / expense on derivatives concluded under the fair value hedge accounting (Note 5)		(198 043)	(212 901)
Net profit on hedged items (Note 8)		77 799	(315 078)
Net profit on fair value hedging instruments (Note 8)		(76 724)	312 631
<b>The total results of fair value hedge accounting recognised in the income statement</b>		<b>(196 968)</b>	<b>(215 348)</b>

### Cash flow hedge accounting

#### Cash flow hedge accounting of the part of loans at a variable interest rate indexed to the market rate portfolio, granted by the Bank

The Group applies cash flow hedge accounting of the part of loans at a variable interest rate indexed to the market rate portfolio, granted by the Bank. An Interest Rate Swap is the hedging instrument changing the variable interest rate to a fixed interest rate. The interest rate risk is the hedged risk within applied by the Group cash flow hedge accounting. The ineffective portion of the gains or losses on the hedging instrument is presented in Note 8 in the position Other net trading income and result on hedge accounting. Portion of the gains or losses on the hedging instrument that is an effective hedge, is presented in the statement of comprehensive income as Cash flow hedges (net).

The period from April 2024 to August 2029 is the period in which the cash flows are expected, and when they are expected to have an impact on the result.

#### Cash flow hedges in relation to mortgage loans and mortgage bonds issued by mBank Hipoteczny

The Group applies hedge accounting with respect to cash flows of the portfolio of mortgage loans denominated in PLN and mortgage bonds denominated in EUR issued by mBank Hipoteczny. The purpose of the hedging strategy is to eliminate the risk of volatility of cash flows generated by mortgage loans in PLN due to changes in reference interest rates and mortgage bonds denominated in a convertible currency due to exchange rate changes using currency interest rate swaps (CIRS).

As part of hedge accounting, the Group designates a hedged item consisting of:

- parts of the portfolio of housing loans for retail customers entered in the collateral register for mortgage covered bonds, denominated in PLN with an interest rate indexed to 3M WIBOR, the loan margin is excluded from collateral,
- mortgage bonds issued by the mBank Hipoteczny in EUR with a fixed interest rate.

As hedging instruments, the Group uses CIRS derivative transactions in which, as a party to the transaction, it pays variable interest flows in PLN increased by a margin and receives fixed interest rates in EUR and the denominations are exchanged at the beginning and at the end of the transaction. As transactions concluded by a mortgage bank, CIRS transactions are subject to entry in the register of covered bond collateral. In addition, if the bank's bankruptcy is announced by the court, it will not be immediately terminated, it will last until the end of the original maturity on the conditions specified on the date of the transaction (they will not be extended beyond the original maturity).

The Group hedges the interest rate risk and currency risk within one economic relationship between the concluded CIRS transactions and part of the loan portfolio in PLN and mortgage bonds financing them in EUR. For the purposes of cash flow hedge accounting, the Group simultaneously establishes two hedging relationships:

- by decomposing the part of the actual CIRS transaction securing the portfolio of loans in PLN with a variable interest rate (hedging against interest rate risk) and,
- by decomposing the actual portion of the CIRS transaction securing the liability in EUR (protection against currency risk).

For the purpose of calculating changes in the fair value of future cash flows of items being hedged, the Group uses the "hypothetical derivative" method, which assumes the possibility of reflecting the hedged item and the characteristics of the risk being hedged in the form of a derivative. The valuation principles are analogous to the principles for the valuation of interest rate derivatives, however, as required by the IFRS 9, features that do not exist in the hedged item, such as currency basis spread, are not included in the valuation.

Due to the fact that currency basis spread needs to be included in valuation of CIRS contracts, the Group applies the option in IFRS 9 to separate this element from the fair value of hedging instruments and defers it in Other components of equity in the line Cost of hedging.

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In the case of established relationships, the period in which cash flows are expected and when they should be expected to influence the results is the period from April 2024 to September 2025.

The following note presents other comprehensive income due to cash flow hedges for the period from 1 January to 31 March 2024 and for the period from 1 January to 31 March 2023.

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
<b>CASH FLOW HEDGE</b>			
<b>Other gross comprehensive income from cash flow hedge at the beginning of the period</b>		<b>(388 226)</b>	<b>(983 788)</b>
Gains/losses included in other gross comprehensive income during the reporting period		(66 535)	3 096
The amount transferred in the period from other comprehensive income to profit and loss		109 077	186 753
- <i>net interest income</i>		94 947	182 433
- <i>foreign exchange result</i>		14 130	4 320
<b>Accumulated other gross comprehensive income from cash flow hedge at the end of the reporting period</b>		<b>(345 684)</b>	<b>(793 939)</b>
Income tax on accumulated other comprehensive income at the end of the reporting period		65 680	150 848
<b>Accumulated other net comprehensive income from cash flow hedge at the end of the reporting period</b>		<b>(280 004)</b>	<b>(643 091)</b>
Impact on other comprehensive income in the reporting period (gross)		42 542	189 849
Income tax on cash flow hedges		(8 083)	(36 072)
<b>Impact of cash flow hedge on other comprehensive income in the reporting period (net)</b>		<b>34 459</b>	<b>153 777</b>
<b>COST OF HEDGE</b>			
<b>Other gross comprehensive income from cost of hedge at the beginning of the period</b>		<b>7 890</b>	<b>33 463</b>
Gains/losses resulting from hedge accounting cost included in other comprehensive income during the reporting period (gross)		(4 364)	(18 050)
The amount transferred in the period from other comprehensive income to profit and loss		189	189
- <i>Amount of amortisation from separate component of equity to profit or loss related to the foreign currency basis spread from the time of designation</i>		189	189
<b>Accumulated other gross comprehensive income from cost of hedge at the end of the reporting period</b>		<b>3 715</b>	<b>15 602</b>
Income tax on accumulated other comprehensive income at the end of the reporting period		(706)	(2 964)
<b>Accumulated other net comprehensive income from cost of hedge at the end of the reporting period</b>		<b>3 009</b>	<b>12 638</b>
Impact on other comprehensive income in the reporting period (gross)		(4 175)	(17 861)
Income tax on cost of hedges		793	3 394
<b>Impact of cost of hedge on other comprehensive income in the reporting period (net)</b>		<b>(3 382)</b>	<b>(14 467)</b>

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
<b>Gains/losses recognised in comprehensive income (gross) during the reporting period, including:</b>			
Unrealised gains/losses included in other comprehensive income (gross)		38 367	171 988
Results of cash flow hedge accounting recognised in the income statement		(108 346)	(184 851)
- <i>amount included as interest income / expense in income statement during the reporting period (Note 5)</i>		(94 947)	(182 433)
- <i>ineffective portion of hedge recognised included in other net trading income in income statement (Note 8)</i>		731	1 902
- <i>foreign exchange result</i>		(14 130)	(4 320)
<b>Impact on other comprehensive income in the reporting period (gross)</b>		<b>(69 979)</b>	<b>(12 863)</b>

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

	31.03.2024	31.12.2023
<b>Equity instruments</b>	<b>304 315</b>	<b>244 941</b>
- Other financial corporations	188 596	191 395
- Non-financial corporations	115 719	53 546
<b>Debt securities</b>	<b>54 484</b>	<b>50 144</b>
- Other financial institutions	54 484	50 144
<b>Loans and advances</b>	<b>580 644</b>	<b>603 713</b>
- Individual customers	514 265	536 920
- Corporate customers	66 331	66 676
- Public sector customers	48	117
<b>Total non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>939 443</b>	<b>898 798</b>
Short-term (up to 1 year)	497 287	517 858
Long-term (over 1 year)	442 156	380 940

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

31.03.2024	Carrying amount	Gross carrying amount including valuation to fair value				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
<b>Debt securities</b>	<b>34 551 757</b>	<b>34 530 019</b>	<b>32 089</b>	-	-	<b>(9 435)</b>	<b>(916)</b>	-	-
- Central banks	15 648 566	15 650 939	-	-	-	(2 373)	-	-	-
- General governments, including:	16 004 816	16 007 228	-	-	-	(2 412)	-	-	-
<i>pledged securities</i>	673 851	673 851	-	-	-	-	-	-	-
- Credit institutions	488 877	489 571	-	-	-	(694)	-	-	-
- Other financial institutions, including:	1 758 703	1 728 996	32 089	-	-	(1 466)	(916)	-	-
<i>pledged securities</i>	375 840	375 840	-	-	-	-	-	-	-
- Non-financial corporations	650 795	653 285	-	-	-	(2 490)	-	-	-
<b>Total financial assets at fair value through other comprehensive income</b>	<b>34 551 757</b>	<b>34 530 019</b>	<b>32 089</b>	-	-	<b>(9 435)</b>	<b>(916)</b>	-	-

Short-term (up to 1 year) gross 20 109 200

Long-term (over 1 year) gross 14 452 908

31.12.2023	Carrying amount	Gross carrying amount including valuation to fair value				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
<b>Debt securities</b>	<b>36 965 077</b>	<b>36 947 018</b>	<b>28 800</b>	-	-	<b>(9 879)</b>	<b>(862)</b>	-	-
- Central banks	18 437 136	18 440 343	-	-	-	(3 207)	-	-	-
- General governments, including:	15 883 079	15 885 813	-	-	-	(2 734)	-	-	-
<i>pledged securities</i>	618 614	618 614	-	-	-	-	-	-	-
- Credit institutions	479 769	480 464	-	-	-	(695)	-	-	-
- Other financial institutions, including:	1 567 142	1 540 594	28 800	-	-	(1 390)	(862)	-	-
<i>pledged securities</i>	383 022	383 022	-	-	-	-	-	-	-
- Non-financial corporations	597 951	599 804	-	-	-	(1 853)	-	-	-
<b>Total financial assets at fair value through other comprehensive income</b>	<b>36 965 077</b>	<b>36 947 018</b>	<b>28 800</b>	-	-	<b>(9 879)</b>	<b>(862)</b>	-	-

Short-term (up to 1 year) gross 23 401 182

Long-term (over 1 year) gross 13 574 636

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The above note includes government bonds pledged under the Bank Guarantee Fund and government bonds pledged as collateral for the loans received from the European Investment Bank.

The above note also includes bonds issued by the European Investment Bank that are pledged in relation to the securitization transaction described in the Note 24.

**Movements in expected credit losses allowance on financial assets at fair value through other comprehensive income**

Change from 1 January to 31 March 2024	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Changes in credit risk (net)	Other movements	As at the end of the period
<b>Debt securities</b>	<b>(10 741)</b>	-	-	-	<b>(6 490)</b>	<b>7 204</b>	<b>(326)</b>	<b>2</b>	<b>(10 351)</b>
Stage 1	(9 879)	-	89	-	(6 490)	7 204	(361)	2	(9 435)
Stage 2	(862)	-	(89)	-	-	-	35	-	(916)
<b>Expected credit losses allowance, total</b>	<b>(10 741)</b>	-	-	-	<b>(6 490)</b>	<b>7 204</b>	<b>(326)</b>	<b>2</b>	<b>(10 351)</b>

Change from 1 January to 31 December 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Changes in credit risk (net)	Other movements	As at the end of the period
<b>Debt securities</b>	<b>(8 559)</b>	-	-	-	<b>(43 001)</b>	<b>43 322</b>	<b>(2 508)</b>	<b>5</b>	<b>(10 741)</b>
Stage 1	(8 559)	(256)	355	-	(43 001)	43 051	(1 474)	5	(9 879)
Stage 2	-	256	(355)	-	-	271	(1 034)	-	(862)
<b>Expected credit losses allowance, total</b>	<b>(8 559)</b>	-	-	-	<b>(43 001)</b>	<b>43 322</b>	<b>(2 508)</b>	<b>5</b>	<b>(10 741)</b>

**Explanation of changes in the financial instruments gross carrying amount impacting the changes on expected credit losses allowance**

Change from 1 January to 31 March 2024	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Other movements	As at the end of the period
<b>Debt securities</b>	<b>36 975 818</b>	-	-	-	<b>40 271 997</b>	<b>(42 702 696)</b>	<b>16 989</b>	<b>34 562 108</b>
Stage 1	36 947 018	-	(4 246)	-	40 271 997	(42 702 696)	17 946	34 530 019
Stage 2	28 800	-	4 246	-	-	-	(957)	32 089
<b>Gross carrying amount, total</b>	<b>36 975 818</b>	-	-	-	<b>40 271 997</b>	<b>(42 702 696)</b>	<b>16 989</b>	<b>34 562 108</b>

Change from 1 January to 31 December 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Other movements	As at the end of the period
<b>Debt securities</b>	<b>35 126 009</b>	-	-	-	<b>238 874 139</b>	<b>(243 096 412)</b>	<b>6 072 082</b>	<b>36 975 818</b>
Stage 1	35 126 009	20 486	(66 590)	-	238 874 139	(243 078 427)	6 071 401	36 947 018
Stage 2	-	(20 486)	66 590	-	-	(17 985)	681	28 800
<b>Gross carrying amount, total</b>	<b>35 126 009</b>	-	-	-	<b>238 874 139</b>	<b>(243 096 412)</b>	<b>6 072 082</b>	<b>36 975 818</b>

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**19. Financial assets at amortised cost**

31.03.2024	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
<b>Debt securities</b>	<b>27 320 082</b>	<b>27 324 165</b>	-	-	-	<b>(4 083)</b>	-	-	-
- General governments, including:	18 820 256	18 823 217	-	-	-	(2 961)	-	-	-
<i>pledged securities</i>	1 282 388	1 282 388	-	-	-	-	-	-	-
- Credit institutions	3 459 172	3 459 680	-	-	-	(508)	-	-	-
- Other financial corporations	5 040 654	5 041 268	-	-	-	(614)	-	-	-
<i>pledged securities</i>	1 306 722	1 306 722	-	-	-	-	-	-	-
<b>Loans and advances to banks</b>	<b>12 054 848</b>	<b>12 051 836</b>	<b>3 704</b>	-	-	<b>(638)</b>	<b>(54)</b>	-	-
<b>Loans and advances to customers</b>	<b>115 674 447</b>	<b>99 793 144</b>	<b>14 743 517</b>	<b>4 608 200</b>	<b>234 183</b>	<b>(419 050)</b>	<b>(616 652)</b>	<b>(2 694 843)</b>	<b>25 948</b>
Individual customers	64 069 228	55 099 161	8 440 618	2 410 225	169 731	(198 473)	(480 723)	(1 338 995)	(32 316)
Corporate customers	51 459 767	44 621 216	6 238 704	2 166 865	64 452	(220 435)	(131 711)	(1 337 588)	58 264
Public sector customers	145 452	72 767	64 195	31 110	-	(142)	(4 218)	(18 260)	-
<b>Total financial assets at amortised cost</b>	<b>155 049 377</b>	<b>139 169 145</b>	<b>14 747 221</b>	<b>4 608 200</b>	<b>234 183</b>	<b>(423 771)</b>	<b>(616 706)</b>	<b>(2 694 843)</b>	<b>25 948</b>

Short-term (up to 1 year) gross 57 217 743

Long-term (over 1 year) gross 101 541 006

31.12.2023	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
<b>Debt securities</b>	<b>23 323 690</b>	<b>23 327 618</b>	-	-	-	<b>(3 928)</b>	-	-	-
- General governments, including:	15 666 682	15 669 481	-	-	-	(2 799)	-	-	-
<i>pledged securities</i>	1 495 645	1 495 645	-	-	-	-	-	-	-
- Credit institutions	3 386 338	3 386 920	-	-	-	(582)	-	-	-
- Other financial corporations	4 270 670	4 271 217	-	-	-	(547)	-	-	-
<i>pledged securities</i>	1 487 396	1 487 396	-	-	-	-	-	-	-
<b>Loans and advances to banks</b>	<b>7 119 059</b>	<b>7 117 631</b>	<b>1 805</b>	-	-	<b>(345)</b>	<b>(32)</b>	-	-
<b>Loans and advances to customers</b>	<b>112 876 580</b>	<b>96 398 711</b>	<b>15 350 369</b>	<b>4 609 500</b>	<b>226 199</b>	<b>(396 152)</b>	<b>(677 083)</b>	<b>(2 687 978)</b>	<b>53 014</b>
Individual customers	63 642 537	54 168 098	8 986 652	2 410 392	158 019	(193 087)	(520 983)	(1 336 639)	(29 915)
Corporate customers	49 109 195	42 163 462	6 298 089	2 199 108	68 180	(202 945)	(148 289)	(1 351 339)	82 929
Public sector customers	124 848	67 151	65 628	-	-	(120)	(7 811)	-	-
<b>Total financial assets at amortised cost</b>	<b>143 319 329</b>	<b>126 843 960</b>	<b>15 352 174</b>	<b>4 609 500</b>	<b>226 199</b>	<b>(400 425)</b>	<b>(677 115)</b>	<b>(2 687 978)</b>	<b>53 014</b>

Short-term (up to 1 year) gross 48 574 543

Long-term (over 1 year) gross 98 457 290

The above note includes government bonds pledged under the BFG, securities pledged as sell/buy back transactions, government bonds pledged as collateral for the loans received from the European Investment Bank.

The above note also includes bonds issued by the European Investment Bank that are pledged in relation to the securitization transaction described in the Note 24.

In the item loans and advances granted to individual clients were also included loans granted to microenterprises serviced by mBank S.A. Retail Banking.

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**Loans and advances to customers**

Loans and advances to customers 31.03.2024	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	14 747 566	7 987 747	6 751 025	8 794
Term loans, including:	84 438 260	58 034 828	26 244 154	159 278
- housing and mortgage loans to natural persons	43 232 013	43 232 013		
Reverse repo or buy/sell back	1 483 461	-	1 483 461	-
Finance leases	14 601 241	-	14 601 241	-
Other loans and advances	3 886 042	-	3 886 042	-
Other receivables	222 474	97 160	125 314	-
<b>Total gross carrying amount</b>	<b>119 379 044</b>	<b>66 119 735</b>	<b>53 091 237</b>	<b>168 072</b>
Loans and advances to customers 31.03.2024	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	(1 058 798)	(819 695)	(239 050)	(53)
Term loans, including:	(1 999 399)	(1 230 812)	(746 020)	(22 567)
- housing and mortgage loans to natural persons	(472 572)	(472 572)		
Finance leases	(570 632)	-	(570 632)	-
Other loans and advances	(69 205)	-	(69 205)	-
Other receivables	(6 563)	-	(6 563)	-
<b>Total accumulated impairment</b>	<b>(3 704 597)</b>	<b>(2 050 507)</b>	<b>(1 631 470)</b>	<b>(22 620)</b>
<b>Total gross carrying amount</b>	<b>119 379 044</b>	<b>66 119 735</b>	<b>53 091 237</b>	<b>168 072</b>
Total accumulated impairment	(3 704 597)	(2 050 507)	(1 631 470)	(22 620)
<b>Total carrying amount</b>	<b>115 674 447</b>	<b>64 069 228</b>	<b>51 459 767</b>	<b>145 452</b>
Short-term (up to 1 year) gross	38 923 737			
Long-term (over 1 year) gross	80 455 307			
Loans and advances to customers 31.12.2023	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	14 255 338	8 015 731	6 231 569	8 038
Term loans, including:	83 353 746	57 541 623	25 687 382	124 741
- housing and mortgage loans to natural persons	43 121 382	43 121 382		
Reverse repo or buy/sell back	899 340	-	899 340	-
Finance leases	14 234 472	-	14 234 472	-
Other loans and advances	3 561 752	-	3 561 752	-
Other receivables	280 131	165 807	114 324	-
<b>Total gross carrying amount</b>	<b>116 584 779</b>	<b>65 723 161</b>	<b>50 728 839</b>	<b>132 779</b>
Loans and advances to customers 31.12.2023	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	(1 041 837)	(832 953)	(208 838)	(46)
Term loans, including:	(2 035 613)	(1 247 671)	(780 057)	(7 885)
- housing and mortgage loans to natural persons	(486 982)	(486 982)		
Finance leases	(569 896)	-	(569 896)	-
Other loans and advances	(54 595)	-	(54 595)	-
Other receivables	(6 258)	-	(6 258)	-
<b>Total accumulated impairment</b>	<b>(3 708 199)</b>	<b>(2 080 624)</b>	<b>(1 619 644)</b>	<b>(7 931)</b>
<b>Total gross carrying amount</b>	<b>116 584 779</b>	<b>65 723 161</b>	<b>50 728 839</b>	<b>132 779</b>
Total accumulated impairment	(3 708 199)	(2 080 624)	(1 619 644)	(7 931)
<b>Total carrying amount</b>	<b>112 876 580</b>	<b>63 642 537</b>	<b>49 109 195</b>	<b>124 848</b>
Short-term (up to 1 year) gross	37 643 371			
Long-term (over 1 year) gross	78 941 408			

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**The currency structure of housing and mortgage loans granted to natural persons**

	31.03.2024	31.12.2023
<b>Net housing and mortgage loans to natural persons (in PLN thousand), including:</b>	<b>42 759 441</b>	<b>42 634 400</b>
- PLN	33 892 470	32 993 018
- CHF	1 454 222	1 852 703
- EUR	3 249 476	3 361 632
- CZK	4 074 152	4 330 701
- USD	80 538	86 934
- Other	8 583	9 412
<b>Net housing and mortgage loans to natural persons in original currencies (main currencies in thousand)</b>		
- PLN	33 892 470	32 993 018
- CHF	328 638	395 640
- EUR	755 534	773 144
- CZK	23 965 600	24 620 244
- USD	20 192	22 093

The table above includes loans and advances at amortised cost and does not include the loans and advances measured at fair value through profit or loss.

**The structure of concentration of carrying amounts of exposure of mBank Group**

31.03.2024											
No.	Sectors	Carrying amount	Gross carrying amount				%	Accumulated impairment			
			Stage 1	Stage 2	Stage 3	POCI		Stage 1	Stage 2	Stage 3	POCI
1.	Individual customers	64 069 228	55 099 161	8 440 618	2 410 225	169 731	55.39%	(198 473)	(480 723)	(1 338 995)	(32 316)
2.	Real estate	6 309 258	5 285 940	858 975	433 971	16 199	5.52%	(33 856)	(45 964)	(224 442)	18 435
3.	Construction	4 891 583	4 210 540	505 311	449 293	13 545	4.34%	(24 378)	(8 113)	(244 063)	(10 552)
4.	Food sector	3 302 902	2 884 080	424 652	71 193	-	2.83%	(8 911)	(14 670)	(54 394)	952
5.	Transport and logistics	3 187 063	2 714 205	393 622	171 086	827	2.75%	(7 077)	(6 283)	(92 518)	13 201
6.	Power and heating distribution	2 762 902	2 768 682	18 770	68 563	-	2.39%	(37 962)	(217)	(54 934)	-
7.	Financial activities	2 639 289	2 615 999	24 411	46 875	16	2.25%	(9 838)	(523)	(37 651)	-
8.	Motorisation	2 552 550	2 329 521	208 794	42 521	-	2.16%	(5 102)	(1 556)	(22 567)	939
9.	Metals	2 411 009	2 029 252	371 482	46 979	8 835	2.06%	(6 103)	(4 223)	(29 784)	(5 429)
10.	Construction materials	2 053 789	1 556 402	491 224	39 369	10 887	1.76%	(4 280)	(2 743)	(30 757)	(6 313)
11.	Scientific and technical activities	1 995 103	1 836 201	151 322	64 501	6 004	1.72%	(11 531)	(3 443)	(41 957)	(5 994)
12.	Chemicals and plastic products	1 723 332	1 546 802	147 278	61 359	240	1.47%	(3 918)	(985)	(30 786)	3 342
13.	Retail trade	1 540 005	1 376 760	133 471	77 500	9	1.33%	(4 320)	(2 245)	(41 170)	-
14.	Wholesale trade	1 467 212	1 214 643	217 094	142 799	181	1.32%	(4 197)	(1 728)	(101 533)	(47)
15.	Human health	1 367 906	1 233 560	146 726	10 655	3	1.17%	(11 719)	(3 397)	(7 922)	-
16.	Wood, furniture and paper products	1 281 192	848 395	383 565	96 701	2	1.11%	(2 719)	(2 628)	(85 157)	43 033
17.	Fuel	1 224 316	1 054 062	184 042	2 197	98	1.04%	(2 916)	(17 337)	(2 421)	6 591
18.	Rental and leasing activities	1 101 021	932 016	151 067	42 466	-	0.94%	(1 774)	(599)	(22 155)	-
19.	IT	1 043 077	1 006 021	32 195	38 577	1	0.90%	(5 106)	(617)	(27 994)	-
20.	Other	8 751 710	7 250 902	1 458 898	291 370	7 605	7.55%	(34 870)	(18 658)	(203 643)	106
<b>Total</b>		<b>115 674 447</b>	<b>99 793 144</b>	<b>14 743 517</b>	<b>4 608 200</b>	<b>234 183</b>	<b>100.00%</b>	<b>(419 050)</b>	<b>(616 652)</b>	<b>(2 694 843)</b>	<b>25 948</b>

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31.12.2023											
No.	Sectors	Carrying amount	Gross carrying amount				%	Accumulated impairment			
			Stage 1	Stage 2	Stage 3	POCI		Stage 1	Stage 2	Stage 3	POCI
1.	Individual customers	63 642 537	54 168 098	8 986 652	2 410 392	158 019	56.37%	(193 087)	(520 983)	(1 336 639)	(29 915)
2.	Real estate	6 321 030	5 288 120	865 845	444 702	17 680	5.68%	(36 655)	(50 211)	(227 658)	19 207
3.	Construction	4 616 829	3 923 440	496 613	481 884	11 722	4.21%	(23 648)	(9 615)	(271 435)	7 868
4.	Food sector	3 330 682	2 874 320	423 340	115 650	-	2.93%	(8 529)	(15 154)	(58 945)	-
5.	Transport and logistics	3 247 718	2 782 211	403 475	147 882	834	2.86%	(7 308)	(5 894)	(86 662)	13 180
6.	Power and heating distribution	2 389 976	2 384 193	22 159	69 805	-	2.12%	(30 149)	(335)	(55 697)	-
7.	Metals	2 297 587	1 894 098	389 582	36 537	14 091	2.00%	(5 486)	(4 581)	(26 172)	(482)
8.	Financial activities	2 156 460	2 108 757	50 446	10 791	16	1.86%	(2 812)	(755)	(9 983)	-
9.	Motorisation	2 137 351	1 903 344	218 663	41 892	-	1.86%	(3 812)	(1 745)	(21 927)	936
10.	Scientific and technical activities	2 025 214	1 853 450	162 978	68 135	6 372	1.79%	(14 499)	(3 849)	(41 011)	(6 362)
11.	Construction materials	1 979 311	1 520 686	449 412	41 944	10 853	1.74%	(4 154)	(2 693)	(30 587)	(6 150)
12.	Chemicals and plastic products	1 640 981	1 441 377	165 341	108 355	247	1.47%	(2 838)	(1 430)	(73 398)	3 327
13.	Retail trade	1 438 006	1 258 603	157 117	66 788	9	1.27%	(3 288)	(2 552)	(38 671)	-
14.	Wholesale trade	1 354 753	1 133 374	184 170	140 477	-	1.25%	(2 948)	(1 672)	(98 648)	-
15.	Human health	1 329 502	1 186 138	156 519	10 029	3	1.16%	(11 916)	(3 831)	(7 440)	-
16.	Wood, furniture and paper products	1 158 284	833 026	274 150	97 901	2	1.03%	(2 631)	(2 483)	(85 185)	43 504
17.	Rental and leasing activities	1 086 180	917 003	166 637	24 745	-	0.95%	(2 458)	(1 106)	(18 641)	-
18.	Fuel	1 083 435	934 854	153 882	12 213	99	0.94%	(2 451)	(19 552)	(2 645)	7 035
19.	IT	993 231	946 796	42 659	36 605	1	0.88%	(5 281)	(713)	(26 836)	-
20.	Other	8 647 513	7 046 823	1 580 729	242 773	6 251	7.63%	(32 202)	(27 929)	(169 798)	866
<b>Total</b>		<b>112 876 580</b>	<b>96 398 711</b>	<b>15 350 369</b>	<b>4 609 500</b>	<b>226 199</b>	<b>100.00%</b>	<b>(396 152)</b>	<b>(677 083)</b>	<b>(2 687 978)</b>	<b>53 014</b>

**Movements in expected credit losses allowance**

Change from 1 January to 31 March 2024	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Changes in credit risk (net)	Write-offs	Other movements	As at the end of the period
<b>Debt securities</b>	<b>(3 928)</b>	-	-	-	<b>(474)</b>	<b>35</b>	<b>277</b>	-	<b>7</b>	<b>(4 083)</b>
Stage 1	(3 928)	-	-	-	(474)	35	277	-	7	(4 083)
<b>Loans and advances to banks</b>	<b>(377)</b>	-	-	-	<b>(972)</b>	<b>573</b>	<b>(1 095)</b>	-	<b>1 179</b>	<b>(692)</b>
Stage 1	(345)	(32)	54	-	(640)	273	411	-	(359)	(638)
Stage 2	(32)	32	(54)	-	(332)	300	(1 506)	-	1 538	(54)
<b>Loans and advances to customers</b>	<b>(3 708 199)</b>	-	-	-	<b>(106 779)</b>	<b>111 664</b>	<b>(80 488)</b>	<b>178 465</b>	<b>(99 260)</b>	<b>(3 704 597)</b>
Stage 1	(396 152)	(85 599)	27 265	1 011	(43 764)	16 401	63 348	-	(1 560)	(419 050)
Stage 2	(677 083)	82 461	(50 282)	68 892	(4 177)	18 640	(56 707)	-	1 604	(616 652)
Stage 3	(2 687 978)	3 138	23 017	(69 903)	(57 959)	79 133	(95 899)	172 605	(60 997)	(2 694 843)
POCI	53 014	-	-	-	(879)	(2 510)	8 770	5 860	(38 307)	25 948
<b>Expected credit losses allowance, total</b>	<b>(3 712 504)</b>	-	-	-	<b>(108 225)</b>	<b>112 272</b>	<b>(81 306)</b>	<b>178 465</b>	<b>(98 074)</b>	<b>(3 709 372)</b>

Change from 1 January to 31 December 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Changes in credit risk (net)	Write-offs	Other movements	As at the end of the period
<b>Debt securities</b>	<b>(2 931)</b>	-	-	-	<b>(1 359)</b>	<b>948</b>	<b>(609)</b>	-	<b>23</b>	<b>(3 928)</b>
Stage 1	(2 931)	-	-	-	(1 359)	948	(609)	-	23	(3 928)
<b>Loans and advances to banks</b>	<b>(1 503)</b>	-	-	-	<b>(1 131)</b>	<b>1 604</b>	<b>282</b>	-	<b>371</b>	<b>(377)</b>
Stage 1	(563)	(84)	38	-	(713)	822	(15)	-	170	(345)
Stage 2	(940)	84	(38)	-	(418)	782	297	-	201	(32)
<b>Loans and advances to customers</b>	<b>(3 254 212)</b>	-	-	-	<b>(295 402)</b>	<b>225 783</b>	<b>(1 105 809)</b>	<b>893 690</b>	<b>(172 249)</b>	<b>(3 708 199)</b>
Stage 1	(402 616)	(264 783)	171 201	7 936	(131 754)	69 592	149 388	-	4 884	(396 152)
Stage 2	(385 880)	256 258	(233 788)	303 178	(21 585)	18 884	(615 083)	-	933	(677 083)
Stage 3	(2 511 202)	8 525	62 587	(311 114)	(162 325)	169 499	(685 887)	882 822	(140 883)	(2 687 978)
POCI	45 486	-	-	-	20 262	(32 192)	45 773	10 868	(37 183)	53 014
<b>Expected credit losses allowance, total</b>	<b>(3 258 646)</b>	-	-	-	<b>(297 892)</b>	<b>228 335</b>	<b>(1 106 136)</b>	<b>893 690</b>	<b>(171 855)</b>	<b>(3 712 504)</b>

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**Explanation of changes in the gross carrying amount impacting the changes on expected credit losses allowance**

Change from 1 January to 31 March 2024	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Write-offs	Other movements	As at the end of the period
<b>Debt securities</b>	<b>23 327 618</b>	-	-	-	<b>3 364 189</b>	<b>(205 856)</b>	-	<b>838 214</b>	<b>27 324 165</b>
Stage 1	23 327 618	-	-	-	3 364 189	(205 856)	-	838 214	27 324 165
<b>Loans and advances to banks</b>	<b>7 119 436</b>	-	-	-	<b>32 287 404</b>	<b>(27 440 338)</b>	-	<b>89 038</b>	<b>12 055 540</b>
Stage 1	7 117 631	1 805	(4 605)	-	32 267 476	(27 422 616)	-	92 145	12 051 836
Stage 2	1 805	(1 805)	4 605	-	19 928	(17 722)	-	(3 107)	3 704
<b>Loans and advances to customers</b>	<b>116 584 779</b>	-	-	-	<b>19 977 820</b>	<b>(14 862 880)</b>	<b>(178 465)</b>	<b>(2 142 210)</b>	<b>119 379 044</b>
Stage 1	96 398 711	2 497 159	(3 094 863)	(113 907)	19 296 379	(13 540 005)	-	(1 650 330)	99 793 144
Stage 2	15 350 369	(2 480 814)	3 198 625	(458 910)	505 053	(994 835)	-	(375 971)	14 743 517
Stage 3	4 609 500	(16 345)	(103 762)	572 817	141 582	(298 942)	(172 605)	(124 045)	4 608 200
POCI	226 199	-	-	-	34 806	(29 098)	(5 860)	8 136	234 183
<b>Financial assets at amortised cost, gross</b>	<b>147 031 833</b>	-	-	-	<b>55 629 413</b>	<b>(42 509 074)</b>	<b>(178 465)</b>	<b>(1 214 958)</b>	<b>158 758 749</b>

Change from 1 January to 31 December 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Write-offs	Other movements	As at the end of the period
<b>Debt securities</b>	<b>19 005 458</b>	-	-	-	<b>7 820 296</b>	<b>(5 922 252)</b>	-	<b>2 424 116</b>	<b>23 327 618</b>
Stage 1	19 005 458	-	-	-	7 820 296	(5 922 252)	-	2 424 116	23 327 618
<b>Loans and advances to banks</b>	<b>9 571 132</b>	-	-	-	<b>130 067 448</b>	<b>(132 207 795)</b>	-	<b>(311 349)</b>	<b>7 119 436</b>
Stage 1	9 568 871	19 031	(18 418)	-	130 014 553	(132 156 807)	-	(309 599)	7 117 631
Stage 2	2 261	(19 031)	18 418	-	52 895	(50 988)	-	(1 750)	1 805
<b>Loans and advances to customers</b>	<b>122 584 242</b>	-	-	-	<b>82 068 419</b>	<b>(75 551 871)</b>	<b>(893 690)</b>	<b>(11 622 321)</b>	<b>116 584 779</b>
Stage 1	109 531 005	5 835 657	(16 143 215)	(459 933)	80 078 806	(72 137 393)	-	(10 306 216)	96 398 711
Stage 2	8 311 891	(5 773 860)	16 489 682	(1 645 768)	1 492 365	(2 357 100)	-	(1 166 841)	15 350 369
Stage 3	4 512 035	(61 797)	(346 467)	2 105 701	414 652	(997 194)	(882 822)	(134 608)	4 609 500
POCI	229 311	-	-	-	82 596	(60 184)	(10 868)	(14 656)	226 199
<b>Financial assets at amortised cost, gross</b>	<b>151 160 832</b>	-	-	-	<b>219 956 163</b>	<b>(213 681 918)</b>	<b>(893 690)</b>	<b>(9 509 554)</b>	<b>147 031 833</b>

**20. Intangible assets**

	31.03.2024	31.12.2023
Goodwill	24 228	24 228
Patents, licences and similar assets, including:	1 319 326	1 326 410
- computer software	1 125 388	1 124 975
Other intangible assets	1 092	1 114
Intangible assets under development	367 954	350 187
<b>Total intangible assets</b>	<b>1 712 600</b>	<b>1 701 939</b>

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**21. Tangible assets**

	31.03.2024	31.12.2023
<b>Tangible assets, including:</b>	<b>710 198</b>	<b>668 259</b>
- land	202	202
- buildings and structures	30 899	31 585
- equipment	240 421	222 133
- vehicles	229 949	205 539
- other fixed assets	208 727	208 800
<b>Fixed assets under construction</b>	<b>40 230</b>	<b>84 479</b>
<b>The right to use, including:</b>	<b>742 668</b>	<b>728 663</b>
- real estate	737 809	723 764
- the right of perpetual usufruct of land	2 106	2 114
- cars	2 264	2 234
- other	489	551
<b>Total tangible assets</b>	<b>1 493 096</b>	<b>1 481 401</b>

**22. Investment properties**

The Investment property item includes the value of the building at 14 Królewska St. in Warsaw. The building is intended for rent.

	31.03.2024	31.12.2023
<b>Gross value as at the beginning of the period</b>	<b>111 964</b>	<b>136 909</b>
<b>Decrease (due to):</b>	-	<b>(24 945)</b>
- revaluation losses from fair value adjustments	-	(24 945)
<b>As at the end of the period</b>	<b>111 964</b>	<b>111 964</b>

**23. Other assets**

	31.03.2024	31.12.2023
<b>Other financial assets, including:</b>	<b>1 287 399</b>	<b>1 453 718</b>
- debtors, including:	966 849	1 201 057
- settlements of cash deposit machines and cash sorting companies	465 508	560 843
- settlements of payment cards	2 227	57 664
- accrued income	101 274	151 165
- interbank balances	186 946	56 334
- settlements of securities transactions	32 330	45 162
<b>Other non-financial assets, including:</b>	<b>1 178 576</b>	<b>1 145 051</b>
- other accruals	180 131	150 790
- inventories	366 785	368 686
- non-financial receivables due to final verdicts in legal proceedings relating to loans in foreign currencies	481 118	499 198
- other	150 542	126 377
<b>Total other assets</b>	<b>2 465 975</b>	<b>2 598 769</b>

## 24. Financial liabilities measured at amortised cost

### Amounts due to banks and customers

31.03.2024	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
<b>Deposits</b>	<b>770 225</b>	<b>181 209 600</b>	<b>128 994 815</b>	<b>51 276 786</b>	<b>937 999</b>
Current accounts	611 842	143 964 761	104 573 401	38 500 256	891 104
Term deposits	126 794	36 166 993	24 421 414	11 698 684	46 895
Repo or sell/buy back transactions	31 589	1 077 846	-	1 077 846	-
<b>Loans and advances received</b>	<b>1 841 477</b>	-	-	-	-
<b>Other financial liabilities</b>	<b>661 766</b>	<b>1 857 663</b>	<b>273 621</b>	<b>1 584 018</b>	<b>24</b>
Liabilities in respect of cash collaterals	178 835	549 695	41 670	508 025	-
Other	482 931	1 307 968	231 951	1 075 993	24
<b>Total financial liabilities measured at amortised cost</b>	<b>3 273 468</b>	<b>183 067 263</b>	<b>129 268 436</b>	<b>52 860 804</b>	<b>938 023</b>
Short-term (up to 1 year)	1 388 403	182 847 013			
Long-term (over 1 year)	1 885 065	220 250			

31.12.2023	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
<b>Deposits</b>	<b>672 902</b>	<b>183 923 224</b>	<b>128 162 427</b>	<b>55 144 648</b>	<b>616 149</b>
Current accounts	353 417	147 695 054	103 034 512	44 066 526	594 016
Term deposits	191 337	36 052 744	25 127 915	10 902 696	22 133
Repo or sell/buy back transactions	128 148	175 426	-	175 426	-
<b>Loans and advances received</b>	<b>1 938 343</b>	-	-	-	-
<b>Other financial liabilities</b>	<b>704 057</b>	<b>1 544 231</b>	<b>249 923</b>	<b>1 294 305</b>	<b>3</b>
Liabilities in respect of cash collaterals	557 017	537 095	37 600	499 495	-
Other	147 040	1 007 136	212 323	794 810	3
<b>Total financial liabilities measured at amortised cost</b>	<b>3 315 302</b>	<b>185 467 455</b>	<b>128 412 350</b>	<b>56 438 953</b>	<b>616 152</b>
Short-term (up to 1 year)	1 320 063	185 234 011			
Long-term (over 1 year)	1 995 239	233 444			

The Group presents amounts due to microenterprises provided by Retail Banking of mBank S.A. in the item Amounts due to individual customers.

The Group did not note any violations of contractual terms related to liabilities in respect of loans received.

### Debt securities issued

	31.03.2024	31.12.2023
Debt securities issued	10 663 265	11 105 165

As at 31 March 2024 the item Debt securities issued includes among others the liabilities due to issue of credit linked notes ("CLNs") related to the synthetic securitisation transaction with a total value of PLN 1 439 301 thousand (PLN 1 614 189 thousand as at 31 December 2023).

The synthetic securitisation transactions were performed on a portfolio of corporate and small and medium enterprises loans and retail loans with the initial nominal amount of PLN 22.6 billion. The nominal value of securitised portfolio amounted to PLN 18.1 billion.

The Group did not note any violations of contractual terms related to liabilities in respect of issued debt securities.

The detailed information about the CLNs is presented in the Note 29 of Consolidated financial statements of mBank S.A. Group for 2023, published on 29 February 2024.

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**Subordinated liabilities**

	31.03.2024	31.12.2023
Subordinated liabilities	2 645 731	2 714 928

The Group did not record any delays in the payment of interest instalments and did not breach any other contractual provisions arising from its subordinated obligations.

Detailed information on loans and subordinated bonds is presented in Note 29 of the Consolidated Financial Statements of mBank S.A. Group. for 2023, published on 29 February 2024.

**25. Other liabilities**

	31.03.2024	31.12.2023
<b>Other financial liabilities, including:</b>	<b>4 605 662</b>	<b>5 052 354</b>
Interbank settlements	2 838 290	3 299 886
Creditors, including:	1 404 931	1 365 812
- settlements of payment cards	62 318	51 575
- liabilities payable to BFG	460 667	321 453
Accrued expenses	362 441	386 656
<b>Other non-financial liabilities, including:</b>	<b>1 089 938</b>	<b>1 255 824</b>
Tax liabilities	113 136	184 617
Deferred income	314 791	302 860
Provisions for holiday equivalents	43 272	32 971
Provisions for other liabilities to employees	82 665	198 627
Non-financial liabilities due to final verdicts in legal proceedings relating to loans in foreign currencies	506 437	504 063
Other	29 637	32 686
<b>Total other liabilities</b>	<b>5 695 600</b>	<b>6 308 178</b>

**26. Provisions**

	31.03.2024	31.12.2023
Provisions for legal proceedings, including:	2 739 326	1 940 610
- provisions for legal proceedings relating to loans in foreign currencies	2 617 074	1 819 606
- provisions for remaining legal proceedings	122 252	121 004
Provisions for commitments and guarantees given	168 270	197 418
Provisions for post-employment benefits	28 129	29 930
Other provisions	162 317	177 626
<b>Provisions, total</b>	<b>3 098 042</b>	<b>2 345 584</b>

The estimated cash flow due to created provisions for legal proceedings and other provisions is expected to crystallise over 1 year.

The description regarding legal risk provisions related to mortgage and housing loans granted to individual customers in CHF is presented in Note 31.

The position Other provisions includes, among others, the provision set up by mFinanse in connection with the inspection of the Social Insurance Institution and the provision for the reimbursement of bridging insurance costs charged to customers who was granted mortgage loans for the period before the mortgage was registered in the land register.

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**Movements in the provisions**

Change from 1 January to 31 March 2024	Provisions for legal proceedings relating to loans in foreign currencies	Provisions for remaining legal proceedings	Other provisions
<b>Provisions as at the beginning of the period</b>	<b>1 819 606</b>	<b>121 004</b>	<b>177 626</b>
<b>Change in the period, due to:</b>	<b>797 468</b>	<b>1 248</b>	<b>(15 309)</b>
- increase of provisions	967 660	4 520	865
- release of provisions	(37)	(1 809)	(5 881)
- utilisation	(83 597)	(1 265)	(10 269)
- foreign exchange differences	(86 558)	(198)	(24)
<b>Provisions as at the end of the period</b>	<b>2 617 074</b>	<b>122 252</b>	<b>162 317</b>

Change from 1 January to 31 December 2023	Provisions for legal proceedings relating to loans in foreign currencies	Provisions for remaining legal proceedings	Other provisions
<b>Provisions as at the beginning of the period</b>	<b>718 128</b>	<b>49 380</b>	<b>271 828</b>
<b>Change in the period, due to:</b>	<b>1 101 478</b>	<b>71 624</b>	<b>(94 202)</b>
- increase of provisions	1 285 462	114 518	40 203
- release of provisions	(829)	(8 512)	(21 704)
- utilization	(177 354)	(33 741)	(63 879)
- reclassification to other financial statement items	-	-	(48 797)
- foreign exchange differences	(5 801)	(641)	(25)
<b>Provisions as at the end of the period</b>	<b>1 819 606</b>	<b>121 004</b>	<b>177 626</b>

**Movements in provisions for loan commitments, guarantees and other financial facilities**

Change from 1 January to 31 March 2024	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Increases due to granting and takeover	Decreased results of derecognised from balance sheet	Changes in credit risk (net)	Other movements	As at the end of the period
<b>Loan commitments</b>	<b>102 376</b>	-	-	-	<b>17 724</b>	<b>(17 609)</b>	<b>(5 621)</b>	<b>(127)</b>	<b>96 743</b>
Stage 1	43 017	8 312	(1 269)	(18)	14 652	(8 648)	(11 656)	(57)	44 333
Stage 2	36 429	(8 012)	1 860	(394)	1 397	(4 175)	5 865	(10)	32 960
Stage 3	22 178	(300)	(591)	412	1 664	(4 779)	8	(19)	18 573
POCI	752	-	-	-	11	(7)	162	(41)	877
<b>Guarantees and other financial facilities</b>	<b>95 042</b>	-	-	-	<b>2 244</b>	<b>(22 875)</b>	<b>(2 816)</b>	<b>(68)</b>	<b>71 527</b>
Stage 1	4 458	30	(97)	-	1 258	(738)	(1 206)	(14)	3 691
Stage 2	1 344	(30)	97	(15)	375	(214)	460	(6)	2 011
Stage 3	92 890	-	-	15	611	(21 923)	(2 068)	(39)	69 486
POCI	(3 650)	-	-	-	-	-	(2)	(9)	(3 661)
<b>Total provisions on off-balance sheet items</b>	<b>197 418</b>	-	-	-	<b>19 968</b>	<b>(40 484)</b>	<b>(8 437)</b>	<b>(195)</b>	<b>168 270</b>

Change from 1 January to 31 December 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Increases due to granting and takeover	Decreased results of derecognised from balance sheet	Changes in credit risk (net)	Other movements	As at the end of the period
<b>Loan commitments</b>	<b>78 091</b>	-	-	-	<b>76 272</b>	<b>(53 153)</b>	<b>1 582</b>	<b>(416)</b>	<b>102 376</b>
Stage 1	39 344	16 175	(9 725)	(109)	55 599	(30 194)	(27 793)	(280)	43 017
Stage 2	14 026	(14 880)	11 252	(1 448)	7 111	(9 660)	30 128	(100)	36 429
Stage 3	24 276	(1 295)	(1 527)	1 557	13 360	(12 905)	(1 261)	(27)	22 178
POCI	445	-	-	-	202	(394)	508	(9)	752
<b>Guarantees and other financial facilities</b>	<b>223 501</b>	-	-	-	<b>25 627</b>	<b>(166 665)</b>	<b>15 235</b>	<b>(2 656)</b>	<b>95 042</b>
Stage 1	4 786	38	(564)	(42)	7 523	(4 756)	(2 407)	(120)	4 458
Stage 2	1 084	(38)	564	(35)	1 559	(1 422)	(326)	(42)	1 344
Stage 3	219 228	-	-	77	17 560	(160 487)	19 083	(2 571)	92 890
POCI	(1 597)	-	-	-	(1 015)	-	(1 115)	77	(3 650)
<b>Total provisions on off-balance sheet items</b>	<b>301 592</b>	-	-	-	<b>101 899</b>	<b>(219 818)</b>	<b>16 817</b>	<b>(3 072)</b>	<b>197 418</b>

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**27. Assets and liabilities for deferred income tax**

Deferred income tax assets	31.03.2024	31.12.2023
<b>As at the beginning of the period</b>	<b>2 592 129</b>	<b>3 201 780</b>
Changes recognised in the income statement	(150 379)	(365 243)
Changes recognised in other comprehensive income	(16 300)	(247 403)
Other changes	(7 948)	2 995
<b>As at the end of the period</b>	<b>2 417 502</b>	<b>2 592 129</b>
Offsetting effect	(1 241 524)	(1 212 589)
<b>As at the end of the period, net</b>	<b>1 175 978</b>	<b>1 379 540</b>

Provisions for deferred income tax	31.03.2024	31.12.2023
<b>As at the beginning of the period</b>	<b>(1 212 589)</b>	<b>(1 326 052)</b>
Changes recognised in the income statement	(32 274)	114 247
Changes recognised in other comprehensive income	384	7 310
Other changes	2 955	(8 094)
<b>As at the end of the period</b>	<b>(1 241 524)</b>	<b>(1 212 589)</b>
Offsetting effect	1 241 524	1 212 589
<b>As at the end of the period, net</b>	<b>-</b>	<b>-</b>

Income tax	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
Current income tax	12 513	(194 284)
Deferred income tax recognised in the income statement	(182 653)	(132 437)
<b>Income tax recognised in the income statement</b>	<b>(170 140)</b>	<b>(326 721)</b>
Income tax recognised in other comprehensive income	(15 916)	(95 050)
<b>Total income tax</b>	<b>(186 056)</b>	<b>(421 771)</b>

**28. Retained earnings**

Retained earnings include other supplementary capital, other reserve capital, general banking risk reserve, profit (loss) from the previous years and profit for the current year.

Other supplementary capital, other reserve capital and general banking risk reserve are created from profit for the current year and their aim is described in the by-laws or in other regulations of the law.

	31.03.2024	31.12.2023
Other supplementary capital	8 814 379	8 785 057
Other reserve capital	110 108	106 648
General banking risk reserve	1 153 753	1 153 753
Profit from the previous year	574 750	580 018
Profit for the current year	262 523	24 054
<b>Total retained earnings</b>	<b>10 915 513</b>	<b>10 649 530</b>

According to the Polish legislation, each Bank is required to allocate 8% of its net profit to a statutory undistributable other supplementary capital until this supplementary capital reaches 1/3 of the share capital.

In addition, the Group transfers some of its net profit to the general banking risk reserve to cover unexpected risks and future losses. The general banking risk reserve can be distributed only on consent of shareholders at a general meeting.

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**29. Other components of equity**

	31.03.2024	31.12.2023
<b>Exchange differences on translating foreign operations</b>	<b>(29 704)</b>	<b>(27 967)</b>
Unrealised gains (foreign exchange gains)	1 403	74 499
Unrealised losses (foreign exchange losses)	(31 107)	(102 466)
<b>Cash flow hedges</b>	<b>(280 004)</b>	<b>(314 463)</b>
Unrealised gains	1 452	16 637
Unrealised losses	(347 136)	(404 863)
Deferred income tax	65 680	73 763
<b>Cost of hedge</b>	<b>3 009</b>	<b>6 391</b>
Unrealised gains	3 715	7 890
Deferred income tax	(706)	(1 499)
<b>Valuation of debt securities at fair value through other comprehensive income</b>	<b>(155 771)</b>	<b>(192 348)</b>
Unrealised gains on debt instruments	23 771	26 279
Unrealised losses on debt instruments	(216 040)	(263 751)
Deferred income tax	36 498	45 124
<b>Actuarial gains and losses relating to post-employment benefits</b>	<b>(13 577)</b>	<b>(13 577)</b>
Actuarial gains	739	739
Actuarial losses	(17 500)	(17 500)
Deferred income tax	3 184	3 184
<b>Reclassification of investment properties</b>	<b>11 436</b>	<b>11 436</b>
Gains on investment properties included in other comprehensive income	14 118	14 118
Deferred income tax	(2 682)	(2 682)
<b>Total other components of equity</b>	<b>(464 611)</b>	<b>(530 528)</b>

**30. Fair value of asset and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction of selling the asset or transferring a liability occurs either on the main market for the asset or liability, or in the absence of a main market, for the most advantageous market for the asset or liability.

In line with IFRS 9, for accounting purposes, the Group determines the valuation of its assets and liabilities through amortised cost or through fair value. In addition, for the positions that are valued through amortised cost, there is calculated and disclosed the fair value, but only for disclosure purposes – according to IFRS 7.

The approach to the method used for the loans that are fair valued in line of IFRS 9 requirements, is described in the Note 3.3.7 to the Consolidated Financial Statements of mBank Group for 2023, published on 29 February 2024.

Following market practices the Group values open positions in financial instruments using either the mark-to-market approach or is applying pricing models well established in market practice (mark-to-model method) which use as inputs market prices or market parameters, and in few cases, parameters estimated internally by the Group. All significant open positions in derivatives are valued by marked-to-model using prices observable in the market. Domestic commercial papers are marked to model (by discounting cash flows), which in addition to market interest rate curve uses credit spreads estimated internally.

For disclosure purposes, the Group assumed that the fair value of short-term financial liabilities (less than 1 year) is equal to the balance sheet values of such items. In addition, the Group assumes that the estimated fair value of financial liabilities longer than 1 year is based on discounted cash flows using appropriate interest rates.

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**Financial assets and liabilities at amortised cost**

The following table presents a summary of balance sheet values and fair values for each group of financial assets and liabilities not recognised in the statement of financial position of the Group at their fair values.

	31.03.2024		31.12.2023	
	Book value	Fair value	Book value	Fair value
<b>Financial assets at amortised cost</b>				
<b>Debt securities</b>	<b>27 320 082</b>	<b>26 170 078</b>	<b>23 323 690</b>	<b>22 266 854</b>
<b>Loans and advances to banks</b>	<b>12 054 848</b>	<b>12 064 169</b>	<b>7 119 059</b>	<b>7 126 873</b>
<b>Loans and advances to customers, including:</b>	<b>115 674 447</b>	<b>115 846 022</b>	<b>112 876 580</b>	<b>112 776 830</b>
<b>Individual customers</b>	<b>64 069 228</b>	<b>64 961 154</b>	<b>63 642 537</b>	<b>64 240 599</b>
Current accounts	7 168 052	7 546 815	7 182 778	7 568 606
Term loans	56 804 016	57 317 179	56 293 952	56 506 186
Other	97 160	97 160	165 807	165 807
<b>Corporate customers</b>	<b>51 459 767</b>	<b>50 755 426</b>	<b>49 109 195</b>	<b>48 438 128</b>
Current accounts	6 511 975	6 327 034	6 022 731	5 743 616
Term loans and finance lease	39 528 743	39 009 343	38 571 901	38 179 949
Reverse repo or buy/sell back transactions	1 483 461	1 483 461	899 340	899 340
Other loans and advances	3 816 837	3 816 837	3 507 157	3 507 157
Other	118 751	118 751	108 066	108 066
<b>Public sector customers</b>	<b>145 452</b>	<b>129 442</b>	<b>124 848</b>	<b>98 103</b>
<b>Financial liabilities at amortised cost</b>				
<b>Amounts due to other banks</b>	<b>3 273 468</b>	<b>3 273 468</b>	<b>3 315 302</b>	<b>3 315 302</b>
<b>Amounts due to customers</b>	<b>183 067 263</b>	<b>183 064 825</b>	<b>185 467 455</b>	<b>185 465 086</b>
<b>Debt securities in issue</b>	<b>10 663 265</b>	<b>10 526 131</b>	<b>11 105 165</b>	<b>10 972 334</b>
<b>Subordinated liabilities</b>	<b>2 645 731</b>	<b>2 537 672</b>	<b>2 714 928</b>	<b>2 559 783</b>

The following sections present the key assumptions and methods used by the Group for estimation of the fair values of financial instruments.

Loans and advances to banks and loans and advances to customers

The fair value for loans and advances to banks and loans and advances to customers is disclosed as the estimated value of future cash flows (including the effect of prepayments) using current interest rates, taking into account the level of the credit spread, the cost of liquidity and the cost of capital. The level of credit spread is determined based on market quotation of median credit spreads for Moody's rating grade. Attribution of a credit spread to a given credit exposure is based on a mapping between Moody's rating grade and internal rating grades of the Bank. To reflect the fact that the majority of the Group's exposures is collateralised whereas the median of market quotation is centred around unsecured issues, the Group applied appropriate adjustments. Moreover, as the benchmark for valuation of mortgage loans in PLN fair value of mortgage loans classified as valued through fair value in accordance with IFRS 9 was used, with an adjustment relating to credit quality of the portfolio. For exposures in mBank Hipoteczny the adjustment included also a factor relating to the gap in revenue margin between the valued portfolio and the portfolio of similar loans in mBank.

The fair value of term loans to individual customers takes into account the estimated impact of the Act on crowdfunding for business ventures and aid to borrowers, in connection with the extension of the "credit holidays" to 2024.

Financial liabilities

Financial instruments representing liabilities for the Group include the following:

- contracted borrowings,
- current accounts and deposits,
- issues of debt securities,
- subordinated liabilities.

The fair value for these financial liabilities with more than 1 year to maturity is based on discounted cash flows by the use of discounting factor including an estimation of a spread reflecting the credit spread for mBank and the liquidity margin. For the loans received from European Investment Bank in EUR and in CHF the Group used the EBI yield curve. With regard to the own issue as part of the EMTN programme the market price of the relevant financial services has been used.

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In the case of deposits, the Group has applied the curve constructed on the basis of quotations of money market rates as well as FRA and IRS contracts for appropriate currencies and maturities. In case of subordinated liabilities, the valuation is based on discounted cash flows using market swap curves (depending on the terms of issue) adjusted for the issuer's credit risk.

In the case of a bond related to credit risk - credit-linked notes (CLNs) the Group for the valuation uses the method of discounting the expected cash flows from bonds. In the part related to the discounting factor, the valuation also includes a component that takes into account mBank's credit spread and a liquidity margin. Due to the fact that the bondholders are secured in terms of the issuer's credit risk with the deposited securities, an assumption was made that these parameters would remain unchanged during the life of the bond.

In case of covered bonds and other debt securities issued by mBank Hipoteczny, for the purpose of the disclosures swap curves and forecasted initial spreads for certain issues are used.

The Group assumed that the fair values of these instruments with less than 1 year to maturity was equal to the carrying amounts of the instruments.

According to the fair value methodology applied by the Group, financial assets and liabilities are classified as follows:

- Level 1: prices quoted on active markets for the same instrument (without modification),
- Level 2: prices quoted on active markets for the similar instruments or other valuation techniques for which all significant input data are based on observable market data,
- Level 3: valuation methods for which at least one significant input data is not based on observable market data.

The table below presents the fair value hierarchy of financial assets and liabilities measured at fair value in accordance with the assumptions and methods described above, exclusively for disclosure as at 31 March 2024 and as at 31 December 2023.

31.03.2024	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
<b>VALUATION ONLY FOR PURPOSES OF DISCLOSURE</b>				
<b>FINANCIAL ASSETS</b>				
Debt securities	26 170 078	23 362 325	-	2 807 753
Loans and advances to banks	12 064 169	-	-	12 064 169
Loans and advances to customers	115 846 022	-	-	115 846 022
<b>Total financial assets</b>	<b>154 080 269</b>	<b>23 362 325</b>	<b>-</b>	<b>130 717 944</b>
<b>FINANCIAL LIABILITIES</b>				
Amounts due to banks	3 273 468	-	1 841 482	1 431 986
Amounts due to customers	183 064 825	-	218 002	182 846 823
Debt securities issued	10 526 131	5 942 852	-	4 583 279
Subordinated liabilities	2 537 672	-	-	2 537 672
<b>Total financial liabilities</b>	<b>199 402 096</b>	<b>5 942 852</b>	<b>2 059 484</b>	<b>191 399 760</b>
31.12.2023	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
<b>VALUATION ONLY FOR PURPOSES OF DISCLOSURE</b>				
<b>FINANCIAL ASSETS</b>				
Debt securities	22 266 854	18 199 454	-	4 067 400
Loans and advances to banks	7 126 873	-	-	7 126 873
Loans and advances to customers	112 776 830	-	-	112 776 830
<b>Total financial assets</b>	<b>142 170 557</b>	<b>18 199 454</b>	<b>-</b>	<b>123 971 103</b>
<b>FINANCIAL LIABILITIES</b>				
Amounts due to banks	3 315 302	-	1 938 343	1 376 959
Amounts due to customers	185 465 086	-	231 230	185 233 856
Debt securities issued	10 972 334	5 996 197	-	4 976 137
Subordinated liabilities	2 559 783	-	-	2 559 783
<b>Total financial liabilities</b>	<b>202 312 505</b>	<b>5 996 197</b>	<b>2 169 573</b>	<b>194 146 735</b>

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**Financial assets and liabilities at fair value and investment properties**

The following table presents the hierarchy of fair values of financial assets and liabilities recognised in the statement of financial position of the Group at their fair values and the fair value of investment properties.

31.03.2024	Including:	Level 1	Level 2	Level 3				
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques				
<b>RECURRING FAIR VALUE MEASUREMENTS</b>								
<b>Financial assets</b>								
<b>Financial assets held for trading and hedging derivatives</b>	<b>2 051 277</b>	<b>1 124 486</b>	<b>693 045</b>	<b>233 746</b>				
Loans and advances to customers	41 259	-	-	41 259				
Debt securities	1 306 181	1 113 694	-	192 487				
Equity instruments	10 792	10 792	-	-				
Derivative financial instruments, including:	693 045	-	693 045	-				
Derivative financial instruments held for trading	876 146	-	876 146	-				
Hedging derivative financial instruments	252 510	-	252 510	-				
Offsetting effect	(435 611)	-	(435 611)	-				
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>939 443</b>	<b>889</b>	-	<b>938 554</b>				
Loans and advances to customers	580 644	-	-	580 644				
Debt securities	54 484	-	-	54 484				
Equity securities	304 315	889	-	303 426				
<b>Financial assets at fair value through other comprehensive income</b>	<b>34 551 757</b>	<b>17 572 949</b>	<b>15 648 566</b>	<b>1 330 242</b>				
Debt securities	34 551 757	17 572 949	15 648 566	1 330 242				
<b>Total financial assets</b>	<b>37 542 477</b>	<b>18 698 324</b>	<b>16 341 611</b>	<b>2 502 542</b>				
<b>Investment properties</b>	<b>111 964</b>	-	-	<b>111 964</b>				
<b>Financial liabilities</b>								
<b>Financial liabilities held for trading and hedging derivative financial instruments</b>	<b>1 288 793</b>	<b>194 291</b>	<b>1 041 296</b>	<b>53 206</b>				
Derivative financial instruments, including:	1 094 502	-	1 041 296	53 206				
Derivative financial instruments held for trading	1 224 264	-	1 224 264	-				
Hedging derivative financial instruments	1 215 329	-	1 162 123	53 206				
Offsetting effect	(1 345 091)	-	(1 345 091)	-				
Liabilities from short sale of securities	194 291	194 291	-	-				
<b>Total financial liabilities</b>	<b>1 288 793</b>	<b>194 291</b>	<b>1 041 296</b>	<b>53 206</b>				
Financial assets measured at fair value and investment properties at Level 3 - changes from 1 January to 31 March 2024	Financial assets held for trading and hedging derivatives			Non-trading financial assets mandatorily at fair value through profit or loss			Debt securities at fair value through other comprehensive income	Investment properties
	Loans and advances	Debt securities	Derivative financial instruments	Loans and advances	Debt securities	Equity securities		
<b>As at the beginning of the period</b>	<b>40 498</b>	<b>237 507</b>	<b>(38 445)</b>	<b>603 713</b>	<b>50 144</b>	<b>244 048</b>	<b>1 277 313</b>	<b>111 964</b>
<b>Gains and losses for the period:</b>	<b>1 929</b>	<b>(1 052)</b>	<b>(14 761)</b>	<b>(137)</b>	<b>4 340</b>	<b>14 878</b>	<b>5 632</b>	-
Recognised in profit or loss:	1 929	(1 052)	(13 141)	(137)	4 340	14 878	-	-
<i>Net trading income</i>	1 929	(1 052)	(13 141)	-	666	(46)	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	-	(137)	3 674	11 308	-	-
<i>Other operating income/other operating expenses</i>	-	-	-	-	-	3 616	-	-
Recognised in other comprehensive income:	-	-	(1 620)	-	-	-	5 632	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	-	5 632	-
<i>Cash flow hedges</i>	-	-	(1 620)	-	-	-	-	-
Purchases / origination	-	183 436	-	12 131	-	44 500	273 362	-
Redemptions / total repayments	-	(40 191)	-	(25 559)	-	-	(2 350)	-
Sales	-	(369 590)	-	-	-	-	(416 525)	-
Issues	-	182 377	-	-	-	-	192 810	-
Other changes	(1 168)	-	-	(9 504)	-	-	-	-
<b>As at the end of the period</b>	<b>41 259</b>	<b>192 487</b>	<b>(53 206)</b>	<b>580 644</b>	<b>54 484</b>	<b>303 426</b>	<b>1 330 242</b>	<b>111 964</b>

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31.12.2023	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
<b>RECURRING FAIR VALUE MEASUREMENTS</b>				
<b>Financial assets</b>				
<b>Financial assets held for trading and hedging derivatives</b>	<b>1 760 033</b>	<b>407 875</b>	<b>1 074 153</b>	<b>278 005</b>
Loans and advances to customers	40 498	-	-	40 498
Debt securities	634 840	397 333	-	237 507
Equity instruments	10 542	10 542	-	-
Derivative financial instruments, including:	1 074 153	-	1 074 153	-
Derivative financial instruments held for trading	1 256 605	-	1 256 605	-
Hedging derivative financial instruments	245 212	-	245 212	-
Offsetting effect	(427 664)	-	(427 664)	-
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>898 798</b>	<b>893</b>	<b>-</b>	<b>897 905</b>
Loans and advances to customers	603 713	-	-	603 713
Debt securities	50 144	-	-	50 144
Equity securities	244 941	893	-	244 048
<b>Financial assets at fair value through other comprehensive income</b>	<b>36 965 077</b>	<b>17 250 628</b>	<b>18 437 136</b>	<b>1 277 313</b>
Debt securities	36 965 077	17 250 628	18 437 136	1 277 313
<b>Total financial assets</b>	<b>39 623 908</b>	<b>17 659 396</b>	<b>19 511 289</b>	<b>2 453 223</b>
<b>Investment properties</b>	<b>111 964</b>	<b>-</b>	<b>-</b>	<b>111 964</b>
<b>Financial liabilities</b>				
<b>Financial liabilities held for trading and hedging derivative financial instruments</b>	<b>1 495 754</b>	<b>157 607</b>	<b>1 299 702</b>	<b>38 445</b>
Derivative financial instruments, including:	1 338 147	-	1 299 702	38 445
Derivative financial instruments held for trading	1 455 145	-	1 455 145	-
Hedging derivative financial instruments	1 215 504	-	1 177 059	38 445
Offsetting effect	(1 332 502)	-	(1 332 502)	-
Liabilities from short sale of securities	157 607	157 607	-	-
<b>Total financial liabilities</b>	<b>1 495 754</b>	<b>157 607</b>	<b>1 299 702</b>	<b>38 445</b>

Financial assets measured at fair value and investment properties at Level 3 - changes from 1 January to 31 December 2023	Financial assets held for trading and hedging derivatives			Non-trading financial assets mandatorily at fair value through profit or loss			Debt securities at fair value through other comprehensive income	Investment properties
	Loans and advances	Debt securities	Derivative financial instruments	Loans and advances	Debt securities	Equity securities		
<b>As at the beginning of the period</b>	<b>39 720</b>	<b>307 881</b>	<b>31 890</b>	<b>813 392</b>	<b>45 009</b>	<b>185 042</b>	<b>1 215 909</b>	<b>136 909</b>
<b>Gains and losses for the period:</b>	<b>308</b>	<b>40 867</b>	<b>(70 335)</b>	<b>(28 754)</b>	<b>5 135</b>	<b>43 884</b>	<b>8 954</b>	<b>(24 945)</b>
Recognised in profit or loss:	308	40 867	(101 269)	(28 754)	5 135	43 884	-	(24 945)
<i>Net trading income</i>	308	40 867	(101 269)	-	(4 934)	(132)	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	-	(28 754)	10 069	52 638	-	-
<i>Other operating income/other operating expenses</i>	-	-	-	-	-	(8 622)	-	(24 945)
Recognised in other comprehensive income:	-	-	30 934	-	-	-	8 954	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	-	8 954	-
<i>Cash flow hedges</i>	-	-	30 934	-	-	-	-	-
Purchases / origination	-	699 124	-	58 780	-	21 903	1 143 395	-
Redemptions / total repayments	-	(190 333)	-	(134 963)	-	-	(254 238)	-
Sales	-	(2 805 232)	-	-	-	-	(2 051 020)	-
Issues	-	2 185 200	-	-	-	-	1 214 313	-
Change in scope of consolidation	-	-	-	-	-	(6 781)	-	-
Other changes	470	-	-	(104 742)	-	-	-	-
<b>As at the end of the period</b>	<b>40 498</b>	<b>237 507</b>	<b>(38 445)</b>	<b>603 713</b>	<b>50 144</b>	<b>244 048</b>	<b>1 277 313</b>	<b>111 964</b>

During first quarter of 2024 and in 2023 there were no transfers of financial instruments between the levels of fair value hierarchy.

With regard to financial instruments valued in repetitive way to the fair value classified as level 1 and 2 in hierarchy of fair value, any cases in which transfer between these levels may occur, are monitored by the Bank on the basis of internal rules. In case if there is no market price used to a direct valuation for more than 5 working days, the method of valuation is changed, i.e. change from marked-to-market valuation to marked-to-model valuation under the assumption that the valuation model for the respective type of this instrument has been already approved. The return to marked-to-market valuation method takes place after a period of at least 10 working days in which the market price was available on a continuous basis. If there are no market prices for a debt treasury bonds the above terms are respectively 2 and 5 working days.

### **Level 1**

As at 31 March 2024 at level 1 of the fair value hierarchy, the Group has presented the fair value of held for trading government bonds in the amount of PLN 1 113 694 thousand and the fair value of government bonds and treasury bills measured at fair value through other comprehensive income in the amount of PLN 16 004 816 thousand (31 December 2023: PLN 397 333 thousand and PLN 15 883 079 thousand, respectively). Level 1 includes the fair values of corporate bonds in the amount of PLN 1 568 133 thousand (31 December 2023: PLN 1 367 549 thousand).

In addition, as at 31 March 2024 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 889 thousand (31 December 2023: PLN 893 thousand) and equity instruments in amount of PLN 10 792 thousand (31 December 2023: PLN 10 542 thousand).

As at 31 March 2024 level 1 also includes liabilities from short sale of securities quoted on active markets in the amount of PLN 194 291 thousand (31 December 2023: PLN 157 607 thousand).

These instruments are classified as level 1 because their valuation is directly derived by applying current market prices quoted on active and liquid financial markets.

### **Level 2**

As at 31 March 2024 level 2 of the fair value hierarchy mainly includes the fair values of bills issued by NBP in the amount of PLN 15 648 566 thousand (31 December 2023: PLN 18 437 136 thousand), valuation of which is based on a NPV model (discounted future cash flows) fed with interest rate curves generated by transformation of quotations taken directly from active and liquid financial markets.

In addition, the level 2 category includes the valuation of derivative financial instruments borne on models consistent with market standards and practices, using parameters taken directly from the markets (e.g. foreign exchange rates, implied volatilities of FX options, stock prices and indices) or parameters which transform quotations taken directly from active and liquid financial markets (e.g. interest rate curves).

### **Level 3**

As at 31 March 2024 level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies in the amount of PLN 1 577 213 thousand (31 December 2023: PLN 1 564 964 thousand), and includes the fair value of a debt instrument measured at fair value through profit or loss, representing the rights to preferred stock of Visa Inc.

Model valuation for these items assumes a valuation based on the market interest rate yield curve adjusted by the level of credit spread. The credit spread parameter reflects the credit risk of the security issuer and is determined in accordance with the Bank's internal model. This model uses credit risk parameters (e.g. PD, LGD) and information obtained from the market (including implied spreads from transactions). PD and LGD parameters are not observed on active markets and therefore have been determined on the basis of statistical analysis. Both models – the valuation of debt instruments and the credit spread model were built internally in the Bank by risk units, were approved by the Model Risk Committee and are subject to periodic monitoring and validation carried out by an entity independent of the units responsible for building and maintaining the model.

Level 3 as at 31 March 2024 includes the value of loans and advances to customers in the amount of PLN 621 903 thousand (31 December 2023: PLN 644 211 thousand). The fair value calculation process for loans and advances to customers is described in detail in the Note 3.3.7 of Consolidated financial statement of mBank S.A. Group for 2023, published on 29 February 2024.

Moreover, as at 31 March 2024 level 3 covers mainly the fair value of equity securities amounting to PLN 303 426 thousand (31 December 2023: PLN 244 048 thousand). The equity instruments presented at level 3 have been valued using the dividend discount model. The valuations were predominantly prepared based on selected financial figures provided by valued entities and discounted with the cost of equity

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estimated using CAPM model (Capital Asset Pricing Model). At the end of first quarter of 2024, the cost of equity was estimated in the range from 11.4% to 11.9% (as at the end of 2023: from 12.3% to 13.8%). Additionally, part of the forecasts assuming growth above the average market growth were discounted with the cost of equity at the level of 25%.

As at 31 March 2024 Level 3 also includes fair value of investment property in the amount of PLN 111 964 thousand (31 December 2023: PLN 111 964 thousand). The value of the property was estimated by a property appraiser entered in the Central Register of Property Appraisers kept by the Minister of Development and Technology. The property was valued using the income method. The key unobservable parameter used in the model is the capitalisation rate of 7.25% used to discount cash flows (31 December 2023: 7.25%).

Level 3 includes the valuation of CIRS contracts concluded under cash flow hedge accounting of the PLN mortgage loan portfolio and covered bonds issued by mBank Hipoteczny (Note 16). As at 31 March 2024 the valuation of these contracts in the assets amounted to PLN 53 206 thousand (31 December 2023 - liabilities: PLN 38 445 thousand).

The table below presents the sensitivity of the fair value measurement to the change of unobservable parameters used in the models for debt financial instruments measured at fair value at Level 3.

Portfolio	Fair value 31.03.2024	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	303 426	(18 892)	23 387	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through other comprehensive income	1 330 242	(28 184)	28 184	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through profit or loss	192 487	(6 281)	6 281	
Loans and advances to customers held for trading	41 259	(323)	299	The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers mandatorily at fair value through profit or loss	580 644	(8 000)	7 973	

Portfolio	Fair value 31.12.2023	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	244 048	(17 659)	21 431	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through other comprehensive income	1 277 313	(26 848)	26 848	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through profit or loss	237 507	(6 681)	6 681	
Loans and advances to customers held for trading	40 498	(311)	294	The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers mandatorily at fair value through profit or loss	603 713	(8 755)	8 772	

### 31. Legal risk related to mortgage and housing loans granted to individual customers indexed to CHF and other foreign currencies

#### Introduction

In recent years, a significant number of individual customers who took out mortgage and housing loans in CHF and other foreign currencies, challenged in court some of the provisions or entire agreements on the basis of which the Bank granted these loans. In the case law to date, there are divergences in the evaluation of contractual provisions introducing an indexation mechanism and the consequences of determining their abusiveness (ineffectiveness), although the judgments that have been made are predominantly unfavourable to the Bank.

The carrying amount of mortgage and housing loans granted to natural persons in CHF as of 31 March 2024 amounted to PLN 1.5 billion (i.e. CHF 0.3 billion) compared to PLN 1.9 billion (i.e. CHF 0.4 billion) as at the end of 2023.

The carrying amount of mortgage and housing loans granted to natural persons in other foreign currencies by mBank in Poland as of 31 March 2024 amounted to PLN 1.4 billion, compared to PLN 1.5 billion at the end of 2023.

The volume of the portfolio of loans indexed to CHF granted to natural persons in Poland (i.e., the sum of loan tranches disbursed to customers), taking into account the exchange rate on the date of disbursement of individual loan tranches, amounted to PLN 19.5 billion (85.5 thousand loan agreements). The volume of the portfolio of loans indexed to other foreign currencies granted to natural persons in Poland, taking into account the exchange rate on the date of disbursement of individual loan tranches, amounted to PLN 4.1 billion (13.4 thousand loan agreements).

	31.03.2024		31.12.2023	
	PLN billion	Number of loan contracts (thousand)	PLN billion	Number of loan contracts (thousand)
The volume of the portfolio of loans indexed to CHF granted to natural persons in Poland that were active taking into account the exchange rate on the date of disbursement of individual loan tranches	7.6	26.0	8.3	28.6
The volume of the portfolio of loans indexed to other foreign currencies granted to natural persons in Poland that were active taking into account the exchange rate on the date of disbursement of individual loan tranches	2.4	7.2	2.4	7.4
<b>The volume of the portfolio of loans indexed to CHF granted to natural persons in Poland that were inactive taking into account the exchange rate on the date of disbursement of individual loan tranches, of which:</b>				
- Fully repaid loans	7.1	39.2	7.1	39.2
- Settled loans	3.3	15.2	2.8	13.3
- Loans closed after final verdict	1.5	5.1	1.3	4.4

Due to the significance of the legal issues related to the foreign currencies loan portfolio for the financial position of mBank Group as at 31 March 2024, 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 foreign currencies, proposed potential settlements with customers, accounting principles for the recognition of legal risk related to these court cases and the settlement program, as well as information on the impact of legal risk related to these court cases on the balance sheet and profit or loss account of mBank Group and the methodology used to determine this impact.

#### Individual court cases against the Bank concerning loans indexed to CHF and other foreign currencies

As of 31 March 2024, the Bank observed individual lawsuits and class actions regarding 21 772 loan agreements indexed to CHF including of which 17 856 active loan agreements and 3 916 repaid loan agreements (as of 31 December 2023: 21 411 of which 17 852 active and 3 559 repaid loans). Additionally, as of 31 March 2024, the Bank observed individual lawsuits regarding 472 loan agreements indexed to other foreign currencies including of which 378 active loan agreements and 94 repaid loan agreements (as of 31 December 2023: 370 of which 297 active and 73 repaid loans).

As of 31 March 2024, mBank received final rulings in individual lawsuits concerning 5 239 loan agreements indexed to CHF (31 December 2023: 4 487 loans), out of which 104 rulings were favourable to the Bank and 5 135 rulings were unfavourable (31 December 2023: 99 rulings favourable and 4 388 unfavourable). Additionally, as of 31 March 2024, mBank received final rulings in individual lawsuits concerning 49 loan agreements indexed to other foreign currencies (31 December 2023: 41 loans), out of which 5 rulings were

favourable to the Bank and 44 rulings were unfavourable (31 December 2023: 5 rulings favourable and 36 unfavourable).

Approximately 92% of unfavourable verdicts led to the invalidation of the loan agreement, others led to the conversion of the agreement into PLN + LIBOR/WIBOR and substitution of FX clause by the fixing rate of the NBP.

### **Class action against mBank S.A. concerning indexation clauses**

On 4 April 2016 the Bank was also sued by the Municipal Consumer Ombudsman representing a group of 1 731 individuals – retail banking customers who entered into mortgage loan agreements indexed to CHF.

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.

On 19 October 2018, the District Court issued judgment dismissing all of Plaintiff's claims. In its reasoning, the Court argued that the Claimant failed to prove that it has a legal interest in bringing the claim in question and also addressed the issue of the validity of the CHF valorised loan agreements, emphasizing that both the agreements themselves and the indexation clause are in compliance with both applicable laws and the principles of social interaction.

On 9 March 2020, as a result of the plaintiff's appeal, 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 9 February 2022 the District Court issued a verdict dismissing the claim in its entirety. The court held that the valorised loan agreements were valid and that there were no grounds to declare them invalid due to the fact that the foreign currency valorisation mechanism was introduced into them. In the court's view, the agreements can continue to apply even after the clauses concerning the method of repayment of the loan have been eliminated from them.

On 25 April 2023, as a result of the plaintiff's appeal, the Court of Appeal issued an order to suspend the proceedings pending final resolution of the legal issue presented to the Supreme Court in case file III CZP 157/22 concerning the composition of the Court with jurisdiction to hear the case in group proceedings during the special regulations related to COVID-19.

By order of 15 November 2023, the Court of Appeal suspended the proceedings due to the adoption of the above resolution by the Supreme Court.

On 29 January 2024 the Court of Appeal announced a verdict and set aside the previous judgment and sent the case to the court of First instance for re-examination due to the invalidity of the previous proceedings in the Court of First Instance.

The details of the methodology and calculation are described further in this note.

### **Information on the most important court proceedings regarding loans indexed to foreign currency**

#### **Rulings of the Court of Justice of the European Union regarding the most important issues relating to mortgages indexed to foreign currency**

##### Applicability of a general custom where there is no provision in domestic law that could replace an abusive exchange rate clause

On 3 October 2019, the CJEU issued the ruling in case C-260/18 that:

- the question of abusiveness will be decided by domestic courts,
- the possibility of a credit agreement being performed further in PLN and with interest calculated according to LIBOR was found doubtful,
- 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,
- possible is the application of a disposable norm if the invalidity of the agreement was unfavourable for the client,
- impossible is the application of general provisions referring to a custom or equity principles.

Applicability of the dispositive provision of national law in place of abusive clause and the limitation period for the consumer's claims

On 8 September 2022, the CJEU issued a ruling in case C-81/21 upholding its previous jurisprudence:

- confirmed that the limitation period for the consumer's claims for reimbursement of amounts unduly paid on the basis of an unfair contract term begins to run from the moment when the consumer knows or should have known about the unfairness of the contract term,
- concluded that automatic application of dispositive provision of national law (irrespective of the consumer's consent) could only apply to a provision that was introduced by the national legislator in order to eliminate abusiveness, if such provision restored the balance of the parties,
- The Court of Justice has again emphasized that the purpose of Directive 93/13 is not to annul all contracts containing unfair terms.

Obligation to inform the consumer of the consequences of invalidity

On 29 April 2021, the CJEU issued a judgment in case C-19/20, according to which:

- 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 to the continuation of the contract.

Remuneration for using principal/valorisation

On 15 June 2023, the CJEU issued judgment in case C-520/21 according to which:

- consumer is entitled to demand compensation from the credit institution beyond the reimbursement of monthly instalments and costs paid for the execution of this contract and beyond the payment of statutory default interest from the date of the demand for payment, provided that the objectives of Directive 93/13 and the principle of proportionality are respected,
- bank is not entitled to demand compensation from the consumer beyond the return of the principal paid for the performance of that agreement and beyond the payment of statutory default interest from the date of the demand for payment. According to the CJEU, the claims may be allowed only if they do not jeopardize the objective of restoring the situation as if the credit agreement did not exist and the deterrent objective of Directive 93/13.

On 11 December 2023, CJEU issued an order in case C-756/22 and pointed out that:

- it had already answered the question about what claims the bank is entitled to in the event of invalidity of the contract in case C-520/21,
- indicated that the bank is not entitled to any amount going beyond reimbursement of the capital paid in respect of the performance of that agreement together with the payment of default interest at the statutory rate from the date on which notice is served.

On 15 January 2024, CJEU issued an order in case C-488/23 according to which:

- valorisation is a form of recompense, thus banks are not entitled to claim it.

The judgment and the orders in the aforementioned case in practice ruled out the possibility for banks to claim based on remuneration for the use of capital and valorisation of the capital.

Period of limitation

On 7 December 2023 the CJEU issued judgment in case C-140/22 that:

- in the event of invalidity of the contract, the exercise of the consumer's rights arising from this invalidity cannot depend on a declaration made by a consumer during the court proceedings that the consumer does not consent to the unfair term being maintained, is aware of the consequences of the invalidity of the contract and consents to the invalidity of the contract. Such a declaration may be made outside of the court and does not have to be so precise. It should indicate that the consumer is requesting an invalidity.

On 14 December 2023 the CJEU issued judgment in case C-28/22 that:

- not permissible is situation in which the limitation period for the business entity's claims begins to run only from the date on which the contract becomes permanently ineffective, while the limitation period for the consumer's claims begins to run at the moment when he or she learned or should have learned about the unfair nature of the contract provision giving rise to invalidity.

These judgments have opened up a debate for national courts as to what moment should be considered as the beginning of the limitation period for a bank's claim. The Bank will monitor the development of the jurisprudence in this regard.

### **Supreme Court resolutions on loans indexed foreign currency**

#### 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 resolution of the 7 Supreme Court's judges of 7 May 2021 in case III CZP 6/21:

- the prohibited contractual provision (Civil Code art.385(1) §1) is from the very beginning, by virtue of law ineffective for the benefit of the consumer, who may subsequently grant informed and free consent to this provision and thus restore its effectiveness retroactively,
- if the loan agreement cannot be binding after removal of an ineffective provision, the consumer and the bank are entitled to separate claims for the reimbursement of cash benefits provided in the performance of this agreement (Article 410 § 1 in conjunction with Article 405 of the Civil Code). The bank may request the return of the benefit from the moment the loan agreement becomes permanently ineffective.

In the written justification, the Supreme Court confirmed its earlier positions as to the application of the theory of two conditionalities and the issue of calculating the limitation period for the bank's claims in the event that the contract cannot be upheld after the abusive provisions have been eliminated. The Supreme Court explained that due to the possibility granted to the consumer to make a binding decision regarding the sanctioning of the prohibited clause and to accept the consequences of the total invalidity of the contract, it should be recognised that, as a rule, the limitation period for these claims may start running only after the consumer has made a binding decision in this regard. Only then, in the opinion of the Supreme Court, can it be concluded that the lack of a legal basis for the benefit has become definitive (as in the case of *condictio causa finita*), and the parties could effectively demand the return of the undue benefit. This means, in particular, that the consumer cannot assume that the bank's claim has expired within the time limit calculated as if the call to return the loan was possible already on the day it was made available. In justifying the resolution, the Supreme Court also confirmed that in order to avoid risks related to the borrower's insolvency, the bank may use the right of retention provided in art. 497 in connection with art. 496 of the Civil Code, thus protecting its claim for the return of used principal, since the obligation to return it is – in relation to the obligation to put the funds at the disposal of the borrower – something more than a consideration obligation.

#### Resolution of the Full Court of the Civil Chamber of the Supreme Court of 25 April 2024 in the case III CZP 25/22:

- exclusion of the possibility of replacing abusive provisions with civil or common law,
- exclusion of the possibility of maintaining an indexed/denominated loan as a PLN loan with an interest rate specific to a indexed/denominated loan,
- the theory of two conditionalities has been confirmed for the invalidity of the CHF loan,
- the starting point of the limitation period in the case of the bank's claim for reimbursement of amounts paid on account of a loan runs from the day after the borrower challenges the provisions of the contract against the bank,
- remuneration for the use of capital is not due to either contracting parties.

The resolution has the force of law. The written justification for the resolution had not been published, as of the time of publication of the report.

9 judges elected before 2017 refused to attend the hearing. 6 judges submitted dissenting opinions, primarily on whether the contract should be upheld after the elimination of the conversion clauses.

Given the propensity of national courts to follow the line of the Supreme Court, mBank has taken into account the ruling in question in the provisioning model, taking into account the various possible outcomes. mBank will monitor court rulings on indexed loans in terms of the development of the jurisprudential line following the Supreme Court resolution, as well as a potential legislative initiative that may also affect the provisioning model, as well as the further course of the discussion as to the interpretation of the aforementioned Supreme Court resolution.

### **PFSA's Chairman proposal**

The general assumptions of the PFSA's Chairman proposal to convert FX loans to PLN have been announced in December 2020. The PFSA's Chairman proposal assumes that foreign currency indexed/denominated loan (CHF/EUR/USD) would be converted as if it was from beginning a PLN loan with an interest rate of WIBOR 3M increased by a margin used historically for such loans.

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The Bank analysed the costs it would have to incur in the indicated scenario, as the sum of the differences between the current balances of foreign currency indexed/denominated loan (CHF/EUR/USD) and the corresponding hypothetical loan balances in PLN based on the WIBOR 3M rate increased by the loan margin in PLN granted at the same time and for the same period as the loan indexed to denominated in foreign currencies (CHF/EUR/USD).

Hypothetical PLN loan balances include in their schedule differences from the actual repayments of foreign currency indexed/denominated loan (CHF/EUR/USD) by adjusting the value of the outstanding principal according to the scheme provided by the PFSA.

The estimated potential impact of implementation of the conversion plan on mBank, calculated as of 31 March 2024, would amount to PLN 2.7 billion if only entire active portfolio indexed/denominated to CHF was converted (data not verified by the auditor). 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.

### **Settlement program**

On 26 September 2022, the Bank decided to launch the settlement program for borrowers who have active CHF indexed loan including borrowers currently in court dispute with the Bank.

The presented offer is based on two basic assumptions: (i) elimination of the CHF/PLN FX risk incurred by the client and (ii) limitation of the interest rate risk. The settlement proposal consists in conversion of the CHF indexed loan into a PLN loan with simultaneous write-off of a portion of the loan balance. The write off level is individually negotiated with customers. The Bank also reimburse low contribution insurance premiums by redeeming capital equal to the sum of premiums collected from the customer.

After conversion, the customer can decide which interest rate he chooses temporarily fixed or variable. The Bank offers a preferential interest rate on the loan after conversion to the clients that will sign the settlement. By deciding to sign a settlement with the Bank, the client will benefit from a reduction in the outstanding loan balance, eliminates the currency risk and, due to the offered preferential interest rate and the possibility to choose a temporarily fixed interest rate, minimises the interest rate risk. Settlements are signed in an out-of-court mode, although, the Bank allows to any customer who wishes to do so to sign a settlement at an arbitration court.

As of 31 March 2024, the Bank concluded 15 168 settlements (as of 31 December 2023: 13 321 settlements).

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

The Group recognises the impact of the legal risk related to court cases concerning indexation clauses in mortgage and housing loans in foreign currencies and settlements offered to CHF borrowers as reflected under:

- IFRS 9 "Financial instruments" in relation to active loans, including active loans covered by the class action case and settlements, and
- IAS 37 "Provisions, contingent liabilities and contingent assets" in relation to repaid loans.

Mortgage and housing loans to customers that are subject to court proceedings are within the scope of IFRS 9. Under IFRS 9, these loans are measured at amortised cost using the effective interest rate.

Legal claims filed by borrowers, including invalidity claims, impact the Bank's estimate of the expected life of the loan and the expected cash flows. In particular, the Bank takes into account the risk that the remaining life of the loan may be shorter than the contractual term, or the Bank may not receive some of the contractual cash flows, and in case of invalidity verdict, the Bank may have to reimburse the borrowers for undue benefits received. In addition, any settlements offered by the Bank to borrowers (including those who have not previously made legal claims) may also affect the amount and timing of expected cash flows from these loans.

Therefore, the Bank believes that the appropriate way to recognise the impact of legal risk with respect to active loans and the expected impact of the 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".

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According to IAS 37, the amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that the Bank would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. This amount is discounted at the balance sheet date.

For repaid loans, there is no asset that could be adjusted, therefore any potential liability arising from the legal risks has to be accounted for under IAS 37. As the provisions being measured in case of repaid loans involves a large population of items, the Bank applies "expected value" method in which the obligation is estimated by weighting all possible outcomes by their associated probabilities.

The above estimates are determined by the judgement of the Bank, supplemented by experience of similar events and opinions of independent experts. The evidence considered includes any additional evidence provided by events after the end of the reporting period.

The details of the methodology and calculation related to credit loans indexed to CHF and to other foreign currencies and settlement program 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 foreign currencies and the voluntary settlement program

The methodology used to calculate the impact of the legal risk related to court cases concerning indexation clauses in mortgage and housing loans in foreign currencies and the settlement program is based on historical observations and due to the lack of market data, partially on expert assumption that are highly judgmental and with a high range of possible values. It is possible that the impact of the legal risk will need to be adjusted significantly in the future, particularly that important parameters used in calculations are significantly interdependent.

The cumulative impact of legal risk associated with litigation (individual lawsuits and class actions) related to indexation clauses in foreign currencies mortgages and housing loans and the settlement program included in the Group's statement of financial position is shown in the table below.

	31.03.2024	31.12.2023
Impact of legal risk concerning lawsuits and settlement program related to active loans recognised as a reduction of gross carrying amount of loans, including loans in:	5 638 285	6 446 591
- CHF	5 517 472	6 334 478
- USD	51 140	47 219
- EUR	69 673	64 894
Impact of legal risk concerning individual lawsuits and class action case related to repaid loans and low value active loans recorded as provisions for legal proceedings	2 609 006	1 811 522
<b>The cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and housing loans in foreign currencies and settlement program</b>	<b>8 247 291</b>	<b>8 258 113</b>

Total costs of legal risk related to foreign currency loans recognised in the income statement in the first quarter 2024 amounted to PLN 1 370.6 million (in first quarter of 2023: PLN 808.5 million). The costs are mainly due to updating model parameters for the future expected costs of execution of court judgments, in particular updating estimates of statutory interest costs in relation to the pending court cases.

### Methodology of calculating the impact of the legal risk related to individual court cases regarding credit loans indexed to CHF

The methodology of calculating the impact of the legal risk related to individual court cases concerning both active and repaid loans applied by the Bank depends on numerous assumptions that take into account historical data adjusted with the Bank's expectations regarding the future. The most important assumptions are an expected population of borrowers who will file a lawsuit against the Bank, the distribution of expected verdicts judged by the courts and the loss to be incurred by the Bank in case of losing the case in court and the level of settlement acceptance.

#### Expected population of borrowers who will file a lawsuit

The population of borrowers who will file a lawsuit against the Bank has been projected using statistical methods based on the Bank's litigation history and assumptions about the influx of new cases over the full projection period. The Bank assumes that the vast majority of the projected cases will be filed by the end of 2024, after which the number will decline.

For the purpose of calculating the impact of legal risk mBank assumes that approximately 6.1 thousand CHF borrowers including 4.6 thousand with active loans and 1.5 thousand with repaid loans, will file a lawsuit against the Bank (as of 31 December 2023: 7.9 thousand of which 6.1 thousand active and 1.8 thousand repaid loans). Moreover, the Bank assumed that some portion of CHF borrowers will sign

settlements. These assumptions, due to significant legal uncertainties surrounding CHF cases as well as other external factors that may shape clients' preferences to file the lawsuits, is highly judgmental and may be a subject to an adjustment in future. If an additional 1 thousand borrowers with active loans indexed to CHF filed a lawsuit against the Bank and the loan was invalidated in its entirety, the impact of the legal risk would increase by approximately PLN 313.3 million (while other relevant assumptions remain constant) as compared to 31 March 2024, reducing gross carrying amount of the loans. If an additional 1 thousand borrowers with repaid loans indexed to CHF filed a lawsuit against the Bank and the loan was invalidated in its entirety, the impact of the legal risk would increase by approximately PLN 129.9 million (while other relevant assumptions remain constant) increasing the provisions for legal proceedings.

The Bank estimates that 3.2 thousand borrowers with active CHF indexed loans will not decide to sue the Bank or sign a settlement with the Bank in the future and 33.8 thousand borrowers with repaid CHF indexed loans will not sue the Bank in 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). This is not a direct estimate, but the result of the difference between the estimate of the population of clients already in dispute with the Bank or intending to do so and the estimate of the population of clients who decide to settle and the number of clients with an active CHF credit agreement and borrowers who have already repaid their loans.

### **Distribution of expected court rulings**

The expected distribution of court rulings was based on final judgments issued in recent cases against the Bank. As at 31 March 2024, the Bank assumed a loss in 99% of pending or future lawsuits (as of 31 December 2022: 99%), while for the remaining 1% of cases, the Bank assumed dismissal of the claim (as of 31 December 2023: 1%). In the loss scenario Bank took into account the only scenario for termination of court proceedings in which the contract is invalid in its entirety, as removing the exchange rate clause would be too far-reaching change (assuming that the clause specifies the main subject of the contract). As compared to 31 December 2023 the bank excluded scenario in which 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 for a loan indexed to CHF. If assumed that all lawsuits end unfavourably for the Bank (100% of the loss scenario), the impact of the legal risk would change by PLN 70.4 million, of which PLN 59.3 million would change the gross carrying amount of loans and PLN 11.1 million provisions for legal proceedings.

The Bank estimated the impact of the resolution of the Full Court of the Civil Chamber of the Supreme Court dated 25 April 2024. According to its wording, the starting point of the limitation period begins from the day after the day the bank receives the first letter from a borrower challenging the provision of the contract, which may in some cases result in the banks counterclaims for principal to be time-barred. The Bank estimated probabilities individually for these contracts which range from 5% to 50%, assuming that the banks claims would be considered time-barred despite the fact that counterclaims for principal were filed by the bank before the expiration of 3 years from the date of the borrower's lawsuit. If assumed that individual probabilities will change by +/- 1 percentage point and all other relevant assumptions remained constant, the impact of the legal risk would change by PLN 8.9 million, of which PLN 7.3 million would change the gross carrying amount of loans and PLN 1.6 million provisions for legal proceedings.

The Bank estimates that if all Bank's originated loan agreements currently under individual and class action court proceedings were declared invalid the pre-tax cost could reach ca. PLN 7.2 billion (compared to PLN 8.2 billion cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and housing loans in foreign currencies as at 31 March 2024). Overall losses would be higher or lower depending on the final court verdicts.

### **Probability of settlement acceptance**

The Bank assumed the probability of accepting settlements based on the results of an actively conducted settlement program and available market data, and based on its own projections. As at 31 March 2024, the Bank assumed that it would conclude 5.5 thousand settlements in the future which accounts for approximately 21% of active portfolio (as of 31 December 2023: 6.2 thousand, 22%), including the borrowers who already filed or are expected to file a lawsuit against the Bank.

**Methodology of calculating the impact of the legal risk related to the class action case and other foreign currencies loans**

In order to calculate the legal risk costs related to a class action and loans indexed to other foreign currencies, the methodology described above for calculating the impact of the legal risk related to individual cases and loans indexed to CHF was used and it was applied to the whole population covered by the class action and loans indexed to other foreign currencies. The distribution of expected court rulings used is the same as for individual cases in CHF.

As of 31 March 2024, the Bank recognised the impact of legal risk in the class action in the amount of PLN 306.5 million and the impact of legal risk of loans indexed to other foreign currencies in the amount of PLN 169.6 million.

**SELECTED EXPLANATORY INFORMATION****1. Compliance with International Financial Reporting Standards**

The presented condensed consolidated report for the first quarter of 2024 fulfils the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" relating to interim financial reports.

In addition, selected explanatory information provide additional information in accordance with Decree of the Minister of Finance dated 29 March 2018 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws 2018, item 757).

**2. Consistency of accounting principles and calculation methods applied to the drafting of the quarterly report and the last annual financial statements**

The description of the Group's accounting policies is presented in Note 2 of Consolidated financial statements of mBank S.A. Group for 2023, published on 29 February 2024. The accounting principles adopted by the Group were applied on a continuous basis for all periods presented in the financial statements.

**3. Seasonal or cyclical nature of the business**

The business operations of the Group do not involve significant events that would be subject to seasonal or cyclical variations.

**4. Nature and values of items affecting assets, liabilities, equity, net profit/loss or cash flows, which are extraordinary in terms of their nature, magnitude or exerted impact**

In the financial results for the first quarter of 2024, the Bank recognised the cost of legal risk related to foreign currency loans in the amount of PLN 1 370.6 million. The detailed information in this regard is presented in Note 31.

**5. Nature and amounts of changes in estimate values of items, which were presented in previous interim periods of the current reporting year, or changes of accounting estimates indicated in prior reporting years, if they bear a substantial impact upon the current interim period**

The financial results for the first quarter of 2024 include cost of legal risk related to foreign currencies loans in the amount of PLN 1 370.6 million. The detailed information is presented in Note 31.

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

In the first quarter of 2024, the following issues and redemptions occurred in the Group:

- mBank Hipoteczny S.A. redeemed one series of mortgage covered bonds in the amount of PLN 107 685 thousand,
- On 22 January 2024 mBank partially redeemed credit linked notes in the amount of PLN 154 953 thousand. The notes are connected with synthetic securitisation transaction performed in March 2022, their partial redemption is a result of depreciation of securitised portfolio.

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

On 27 March 2024, the 37<sup>th</sup> Annual General Meeting of mBank S.A. adopted resolution regarding the profit share for 2023. The net profit earned by mBank S.A. in 2023, amounting to PLN 29 322 135.24 is assigned to the supplementary capital of mBank S.A. The Annual General Meeting of mBank S.A. also decided to leave the profit from the previous years in the amount of PLN 1 401 756 971.49 undivided. The Annual General Meeting of mBank S.A did not decide about dividend payment.

**8. Significant events after the end of the first quarter of 2024, which are not reflected in the financial statements**

Significant events occurring after the end of the first quarter of 2024 are described in Section 33 of Selected explanatory data.

**9. Effect of changes in the structure of the entity in the first quarter of 2024, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities**

Events as indicated above did not occur in the Group.

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

In the first quarter of 2024, there were no changes in contingent liabilities and commitments of credit nature, i.e. guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

**11. Write-offs of the value of inventories down to net realisable value and reversals of such write-offs**

In the first quarter of 2024, events as indicated above did not occur in the Group.

**12. Revaluation write-offs on account of impairment of tangible fixed assets, intangible assets, or other assets as well as reversals of such write-offs**

In the first quarter of 2024, events as indicated above did not occur in the Group.

**13. Revaluation write-offs on account of impairment of financial assets**

Data regarding write-offs on account of impairment of financial assets is presented under Note 12 of these condensed consolidated financial statements.

**14. Reversals of provisions against restructuring costs**

In the first quarter of 2024, events as indicated above did not occur in the Group.

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

In the first quarter of 2024 there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease operations that are performed by the companies of the Group.

**16. Material liabilities assumed on account of acquisition of tangible fixed assets**

In the first quarter of 2024, events as indicated above did not occur in the Group.

**17. Information about changing the process (method) of measurement the fair value of financial instruments**

In the reporting period there were no changes in the process (method) of measurement the fair value of financial instruments.

**18. Changes in the classification of financial assets due to changes of purpose or use of these assets**

In the reporting period there were no changes in the classification of financial assets as a result of a change in the purpose or use of these assets.

**19. Corrections of errors from previous reporting periods**

In the first quarter of 2024, events as indicated above did not occur in the Group. The restatements of comparative data have been described in the Note 2 in the item "Comparative data".

## mBank S.A. Group

Consolidated financial report for the first quarter of 2024

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(PLN thousand)

### 20. Information on changes in the economic situation and operating conditions that have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are included in the fair value or in the adjusted purchase price (amortised cost)

In the first quarter of 2024, events as indicated above did not occur in the Group.

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

In the first quarter of 2024, events as indicated above did not occur in the Group.

### 22. Position of the management on the probability of performance of previously published profit/loss forecasts for the year in light of the results presented in the quarterly report compared to the forecast

The Bank did not publish a performance forecast for 2024.

### 23. Registered share capital

The total number of ordinary shares as at 31 March 2024 was 42 465 167 shares (31 December 2023: 42 465 167 shares) at PLN 4 nominal value each. All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 31 MARCH 2024						
Share type	Type of privilege	Type of limitation	Number of shares	Series / face value of issue in PLN	Paid up	Registered on
ordinary bearer*	-	-	9 989 000	39 956 000	fully paid in cash	1986
ordinary registered*	-	-	11 000	44 000	fully paid in cash	1986
ordinary bearer	-	-	2 500 000	10 000 000	fully paid in cash	1994
ordinary bearer	-	-	2 000 000	8 000 000	fully paid in cash	1995
ordinary bearer	-	-	4 500 000	18 000 000	fully paid in cash	1997
ordinary bearer	-	-	3 800 000	15 200 000	fully paid in cash	1998
ordinary bearer	-	-	170 500	682 000	fully paid in cash	2000
ordinary bearer	-	-	5 742 625	22 970 500	fully paid in cash	2004
ordinary bearer	-	-	270 847	1 083 388	fully paid in cash	2005
ordinary bearer	-	-	532 063	2 128 252	fully paid in cash	2006
ordinary bearer	-	-	144 633	578 532	fully paid in cash	2007
ordinary bearer	-	-	30 214	120 856	fully paid in cash	2008
ordinary bearer	-	-	12 395 792	49 583 168	fully paid in cash	2010
ordinary bearer	-	-	16 072	64 288	fully paid in cash	2011
ordinary bearer	-	-	36 230	144 920	fully paid in cash	2012
ordinary bearer	-	-	35 037	140 148	fully paid in cash	2013
ordinary bearer	-	-	36 044	144 176	fully paid in cash	2014
ordinary bearer	-	-	28 867	115 468	fully paid in cash	2015
ordinary bearer	-	-	41 203	164 812	fully paid in cash	2016
ordinary bearer	-	-	31 995	127 980	fully paid in cash	2017
ordinary bearer	-	-	24 860	99 440	fully paid in cash	2018
ordinary bearer	-	-	13 385	53 540	fully paid in cash	2019
ordinary bearer	-	-	16 673	66 692	fully paid in cash	2020
ordinary bearer	-	-	17 844	71 376	fully paid in cash	2021
ordinary bearer	-	-	48 611	194 444	fully paid in cash	2022
ordinary bearer	-	-	31 672	126 688	fully paid in cash	2023
<b>Total number of shares</b>			<b>42 465 167</b>			
<b>Total registered share capital</b>				<b>169 860 668</b>		
<b>Nominal value per share (PLN)</b>		<b>4</b>				

\* As at the end of the reporting period

### 24. Material share packages

The shareholders holding over 5% of the share capital and votes at the General Meeting are:

- Commerzbank AG which held 69.12% of the share capital and votes at the General Meeting of mBank S.A. as at 31 March 2024, and
- Nationale-Nederlanden Powszechna Towarzystwo Emerytalne S.A. the funds of which held 5.1829% of the share capital and votes at the General Meeting of mBank S.A. including Nationale-Nederlanden Otwarty Fundusz Emerytalny the funds of which held 5.0154% of the share capital and votes at the General Meeting of mBank S.A.

## mBank S.A. Group

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(PLN thousand)

### The changes in the ownership structure of Bank's material shares packages

- On 7 March 2024, Bank was notified by Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne S.A. (Nationale-Nederlanden PTE S.A.) about an increase of the funds' managed by Nationale-Nederlanden PTE S.A. share in the share capital and the total number of votes at the General Meeting of mBank S.A. above 5% as a result of a purchase of Bank's shares on 5 March 2024. After the transaction the funds managed by Nationale-Nederlanden PTE S.A. held 2 127 099 shares of mBank S.A., which represents 5.009% of the share capital and the total number of votes at the General Meeting of mBank S.A.
- On 21 March 2024, Bank was notified by Nationale-Nederlanden PTE S.A. about an increase of the funds' managed by Nationale-Nederlanden Otwarty Fundusz Emerytalny (Nationale-Nederlanden OFE) share in the share capital and the total number of votes at the General Meeting of mBank S.A. above 5% as a result of a purchase of Bank's shares on 19 March 2024. After the transaction the funds managed by Nationale-Nederlanden OFE held 2 129 814 shares of mBank S.A., which represents 5.0154% of the share capital and the total number of votes at the General Meeting of mBank S.A. As a result of the above-mentioned transaction on the accounts of funds managed by Nationale-Nederlanden PTE S.A. there were a total of 2 200 912 shares of the Bank, which constituted 5.1829% of the shares and votes at the general meeting of mBank S.A.

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

	Number of shares held as at the date of publishing the report 2023	Number of shares acquired from the date of publishing the report for 2023 to the date of publishing the report for Q1 2024	Number of shares sold from the date of publishing the report for 2023 to the date of publishing the report for Q1 2024	Number of shares held as at the date of publishing the report for Q1 2024
<b>Management Board</b>				
1. Cezary Stypułkowski	30 902	-	-	30 902
2. Krzysztof Dąbrowski	-	-	-	-
3. Cezary Kocik	-	-	-	-
4. Marek Lusztyn	1 283	-	-	1 283
5. Julia Nusser	-	-	-	-
6. Adam Pers	-	-	-	-
7. Pascal Ruhland	-	-	-	-

As at the date of publishing the report for 2023 and as at the date of publishing the report for the first quarter of 2024, the Members of the Management Board had no and they have no rights to Bank's shares.

As at the date of publishing the report for 2023 and as at the date of publishing the report for the first quarter of 2024, the Members of the Supervisory Board had neither Bank shares nor rights to Bank shares.

### 26. Proceedings before a court, arbitration body or public administration authority

The Group monitors the status of all court cases brought against entities of the Group, including the status of court rulings regarding loans in foreign currencies in terms of shaping of and possible changes in the line of verdicts of the courts, as well as the level of required provisions for legal proceedings.

The Group creates provisions for litigations against entities of the Group, which as a result of the risk assessment involve a probable outflow of funds from fulfilling the liability and when a reliable estimate of the amount of the liability can be made. The amount of provisions is determined taking into account the amounts of outflow of funds calculated on the basis of scenarios of potential settlements of disputable issues and their probability estimated by the Group based on the previous decisions of courts in similar matters and the experience of the Group.

The value of provisions for litigations as at 31 March 2024 amounted to PLN 2 739 326 thousand of which PLN 2 617 074 thousand concerns to provisions for legal proceedings relating to loans in foreign currencies (as at 31 December 2023, respectively PLN 1 940 610 thousand and PLN 1 819 606 thousand). A potential outflow of funds due to the fulfilment of the obligation takes place at the moment of the final resolution of the cases by the courts, which is beyond the control of the Group.

## Information on the most important court proceedings

### 1. A lawsuit filed by LPP S.A.

On 17 May 2018, mBank S.A. received a lawsuit filed by LPP S.A. with its registered office in Gdańsk seeking damages amounting to PLN 96 307 thousand on account of interchange fee. In the lawsuit, LPP S.A. petitioned the court for awarding the damages jointly from mBank S.A. and from other domestic bank.

The plaintiff accuses the two sued banks as well as other banks operating in Poland of taking part in a collusion breaching the Competition and Consumer Protection Act and the Treaty on the Functioning of the European Union. In the plaintiff's opinion, the collusion took the form of an agreement in restriction of competition in the market of acquiring services connected with settling clients' liabilities towards the plaintiff on account of payments for goods purchased by them with payment cards in the territory of Poland.

On 16 August 2018 mBank S.A. has submitted its statement of defence and requested that the action be dismissed. The court accepted the Defendants' requests to summon sixteen banks to join the proceedings and ordered that the banks be served with the summons. Two banks have notified of their intention to intervene in the case as an indirect intervener. In a judgment dated 27 January 2023, the District Court in Warsaw dismissed LPP S.A.'s lawsuit in its entirety. On 27 March 2023 LPP S.A. has filed an appeal, to which the Bank filed a response on 26 June 2023. In a judgment dated 3 November 2023, the Court of Appeal in Warsaw dismissed LPP S.A.'s appeal. On 13 March 2024, mBank received the cassation appeal, to which mBank filed a response.

### 2. A lawsuit filed by Orlen S.A.

On 7 February 2020, mBank S.A. received a lawsuit filed by Orlen S.A. with its registered office in Płock seeking damages amounting to PLN 635 681 thousand on account of interchange fee. In the lawsuit, Orlen S.A. petitioned the court for awarding the damages jointly from mBank S.A. and other domestic bank and also from Master Card Europe and VISA Europe Management Services.

The plaintiff accuses the two sued banks as well as other banks operating in Poland of taking part in a collusion breaching the Competition and Consumer Protection Act and the Treaty on the Functioning of the European Union, i.e. a collusion restricting competition in the market of acquiring services connected with settling clients' liabilities towards the plaintiff on account of card payments for goods and services purchased by clients on the territory of Poland.

On 28 May 2020, mBank S.A. filed a response to the lawsuit and moved for a dismissal of a claim. The Court allowed for the motions of Defendants to summon 16 banks to participate in the case and preordained the service of a summoning motion to the banks. Two banks have notified of their intention to intervene in the case as an indirect intervener.

### 3. Class action against mBank S.A. concerning indexation clauses

Detailed information on the class action against the Bank is provided in Note 31.

### 4. Individual court proceedings against the Bank concerning indexed loans in CHF and in other foreign currencies

Detailed information on individual court proceedings against the Bank regarding indexed loans in CHF and in other foreign currencies is provided in Note 31.

## Tax inspections

In the first quarter of 2024 none of the mBank Group subsidiaries was a subject to tax authorities inspection.

Tax authorities may carry out inspections and verify records of economic operations recorded in the accounting books within 5 years from the end of the tax year in which tax returns were submitted, determine additional tax liabilities and impose related penalties. In the opinion of the Management Board, there are no circumstances indicating the likelihood of significant tax liabilities arising in this respect.

## Inspection by the Social Insurance Institution (ZUS)

mFinanse S.A., a subsidiary of the Bank, was inspected by the Social Insurance Institution (ZUS) in the period from 16 May 2022 to 2 March 2023. The subject of the inspection was the area of correctness and reliability of calculating social insurance contributions and other contributions that the Social Insurance Institution is obliged to collect, as well as reporting for social insurance and health insurance for the years 2018 - 2021. On 3 March 2023, the Company received the Social Insurance Institution's inspection protocol in the aforementioned scope, to which the mFinanse S.A. submitted objections. From September 2023 to January 2024 mFinanse S.A. received from Social Insurance Institution (ZUS) decisions regarding some of

the persons subject to inspection. As at the date of preparation these financial statements, mFinanse S.A. settled the adjudicated contributions according to the received decisions along with interest.

The company is in dispute with the Social Security Institution over the interpretation of the application of social security regulation in the area of the cooperation model involving the simultaneous employment of intermediaries on a part-time basis and a civil law contract. There are currently 94 cases at the court stage in the area of the cooperation model used by the company. The Group's position is that the cooperation model used by the Company complies with the provisions of the law, including the Banking Law in terms of providing credit intermediaries with access to data covered by bank secrecy.

In connection with the above issue, as of 31 March 2024, the Group had a provision in the amount of PLN 95 812 thousand (as at 31 December 2023: PLN 104 969 thousand).

### **Proceedings initiated by the Polish Financial Supervision Authority (PFSA)**

On 22 November 2023, the Polish Financial Supervision Authority started administrative proceedings against mBank S.A. that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. At this stage of the proceedings, the amount of the potential penalty cannot be estimated reliably.

### **Proceedings initiated by the Office of Competition and Consumer Protection (UOKiK)**

- Proceedings for considering provisions of a master agreement as abusive instituted ex officio on 12 April 2019. The proceedings concern amendment clauses stipulating circumstances under which the Bank is authorised to amend the terms and conditions of the agreement, including the amount of fees and commissions. In the opinion of the President of the Office of Competition and Consumer Protection (UOKiK), the amendment clauses used by the Bank give it an unlimited right to unilaterally and freely change the manner of performing the agreement. As a consequence, the UOKiK President represents the view that the clauses used by mBank define the rights and obligations of consumers contrary to good morals and grossly violate their interest and, thus, are abusive. The Bank does not agree with this stance. The proceedings have been extended to 30 April 2024. As at the date of approval of these financial statements, the Bank has not received information about another extension of the proceedings.
- By way of the decision of 8 July 2022 the President of the Office of Competition and Consumer Protection (UOKiK) instigated proceedings on the application of practices violating consumers' collective interests, consisting in a failure to refund the cost of transactions which consumers reported as unauthorised or to restore account balances that would have existed had such transactions not been executed under the procedure and within the time limit specified in the Payment Services Act, as well as practices consisting in providing consumers with incorrect information on the Bank's verification of whether a payment instrument was used correctly in response to customer reports.

The President of the Office of Competition and Consumer Protection accuses the Bank of not refunding the amount of an unauthorised payment transaction despite the lack of grounds justifying the refusal to refund, i.e. suspicion of fraud on the part of the customer or expiration of the claim due to the expiry of the deadline. In its arguments, the Bank emphasises that art. 46 section 1 of the Act of 19 August 2011 on Payment Services (hereinafter referred to as "UUP") does not apply to authorised transactions, and that the obligation to return pursuant to art. 46 section 1 of the UUP does not apply to situations where the payer is liable for an unauthorised transaction.

The essence of the proceedings initiated by the President of the Office of Competition and Consumer Protection is to determine under what circumstances the payment service provider is obliged to refund the transaction amount within D+1. According to the President of the Office of Competition and Consumer Protection, such an obligation arises whenever the consumer reports that, in his opinion, an unauthorised transaction has occurred. In the Bank's opinion, this position is unjustified, because such an obligation arises only when an unauthorised transaction actually took place and the Bank is liable for a transaction that is not authorised under the provisions of the Personal Data Protection Act.

Moreover, the Bank is of the opinion that the information provided to consumers regarding the Bank's lack of liability for the reported transaction is true. The Bank's liability for transactions reported as unauthorised transactions is not absolute, and the Bank's obligation to refund the transaction amount becomes effective only in situations where an unauthorised transaction actually occurs and there is no occurrence of one of the cases excluding the Bank's liability. In the succeeding letter UOKiK requested for further clarification and extended the proceeding to 31 July 2024. The proceedings are ongoing.

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(PLN thousand)

**27. Off-balance sheet liabilities**

Off-balance sheet liabilities as at 31 March 2024 and 31 December 2023 were as follows.

	31.03.2024	31.12.2023
<b>Contingent liabilities granted and received</b>	<b>53 263 564</b>	<b>52 873 539</b>
<b>Commitments granted</b>	<b>43 155 908</b>	<b>42 559 903</b>
Financing	34 170 543	34 358 230
Guarantees and other financial facilities	8 101 845	8 201 673
Other liabilities	883 520	-
<b>Commitments received</b>	<b>10 107 656</b>	<b>10 313 636</b>
Financing	697 548	655 280
Guarantees	9 410 108	9 658 356
<b>Derivative financial instruments (nominal value of contracts)</b>	<b>590 990 681</b>	<b>556 272 354</b>
Interest rate derivatives	477 413 629	424 701 220
Currency derivatives	108 932 639	126 489 862
Market risk derivatives	4 644 413	5 081 272
<b>Total off-balance sheet items</b>	<b>644 254 245</b>	<b>609 145 893</b>

**28. Transactions with related entities**

mBank S.A. is the parent entity of the mBank S.A. Group and Commerzbank AG is the ultimate parent of the Group as well as the direct parent of mBank S.A.

All transactions between the Bank and related entities were typical and routine transactions concluded on terms, which not differ from arm's length terms, and their nature, terms and conditions resulted from the current operating activities conducted by the Bank. Transactions concluded with related entities as a part of regular operating activities include loans, deposits and foreign currency transactions.

The amounts of transactions with related entities, i.e. balances of receivables and liabilities as at 31 March 2024 and as at 31 December 2023, and related costs and income for the period from 1 January to 31 March 2024 and from 1 January to 31 March 2023 are presented in the table below.

	mBank's subsidiaries			Commerzbank AG			Other companies of the Commerzbank AG Group		
	31.03.2024	31.12.2023	31.03.2023	31.03.2024	31.12.2023	31.03.2023	31.03.2024	31.12.2023	31.03.2023
<b>Statement of financial position</b>									
Assets	1 859	1 840		922 522	575 482		31	45	
Liabilities	89 613	47 034		1 702 971	1 857 549		62 550	82 994	
<b>Income Statement</b>									
Interest income	-		-	16 827		17 898	-		-
Interest expense	(205)		(173)	(13 483)		(13 726)	(293)		(688)
Fee and commission income	22		25	1 665		1 580	14		12
Fee and commission expense	(9 583)		(8 590)	-		-	-		-
Other operating income	191		916	462		444	-		-
Overhead costs, amortisation and other operating expenses	-		-	(321)		(3 237)	-		-
<b>Contingent liabilities granted and received</b>									
Liabilities granted	372 441	367 458		2 266 672	2 288 854		1 767	1 776	
Liabilities received	-	-		1 905 638	1 956 104		-	-	

The total costs of remuneration of Members of the Supervisory Board, the Management Board and other key management personnel of the Bank that perform their duties from 1 January to 31 March 2024 recognised in the Group's income statement for that period amounted to PLN 11 151 thousand (in the period from 1 January to 31 March 2023: PLN 8 917 thousand). With regard to the Management Board and other key management personnel the remuneration costs include also remuneration in the form of shares and convertible warrants.

## 29. Credit and loan guarantees, other guarantees granted of significant value

In the three-month period, ended on 31 March 2024, Group has not concluded any substantial agreements regarding credit and loan guarantees or guarantees granted of a significant amount.

## 30. Other information which the issuer deems necessary to assess its human resources, assets, financial position, financial performance and their changes as well as information relevant to an assessment of the issuer's capacity to meet its liabilities

### Management Board of mBank S.A.

On 27 March 2024, the Supervisory Board of mBank S.A. elected members of the Management Board for a term of office starting as of 28 March 2024, in the following compositions:

1. Cezary Stypułkowski – President of the Management Board,
2. Krzysztof Dąbrowski – Vice-President of the Management Board, Head of Operations and IT,
3. Cezary Kocik – Vice-President of the Management Board, Head of Retail Banking,
4. Marek Lusztyn – Vice-President of the Management Board, Head of Risk,
5. Julia Nusser - Vice-President of the Management Board, Head of Compliance, Legal Issues and HR,
6. Adam Pers – Vice-President of the Management Board, Head of Corporate and Investment Banking,
7. Pascal Ruhland - Vice-President of the Management Board, Chief Financial Officer.

The Supervisory Board agreed with Mr. Cezary Stypułkowski that he would perform his function until the date of the Ordinary General Meeting of Shareholders approving the financial statements of mBank S.A. for 2024.

### Supervisory Board of mBank S.A.

On 27 March 2024, the XXXVII Annual General Meeting of mBank S.A. elected members of the Supervisory Board for a joint term of office for three years, in the following compositions:

1. Agnieszka Słomka-Gołębiowska – Chairwoman,
2. Bettina Orlopp – Vice-Chairwoman,
3. Hans-Georg Beyer,
4. Tomasz Bieske,
5. Mirosław Godlewski,
6. Aleksandra Gren,
7. Thomas Schaufler,
8. Bernhard Spalt.

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

The results in the coming quarter may also be affected by potential settlements of the Supreme Court, other national institutions or Court of Justice of the European Union in cases related to foreign currencies loans, which is presented in detail in the Note 31.

Moreover, the results of the next quarter will be influenced by the entry into force of the amendment to Act on crowdfunding for business ventures and aid to borrowers, extending the operation of the so-called "credit holidays", which is further described in Section 33.

## 32. Other information

### ■ Requirements on mBank Group capital ratios as of 31 March 2024

The minimum required level of capital ratios at the 31 March 2024 amounted to:

- Individual total capital ratio: 11.14% and Tier 1 capital ratio: 9.14%,
- Consolidated total capital ratio: 11.12% and Tier 1 capital ratio: 9.12%.

At the date of approval of these financial statements, mBank S.A. and mBank S.A. Group fulfil the PFSA requirements related to the required capital ratios on both individual and consolidated levels.

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The measures reported as at 31 March 2024 and 31 December 2023 for mBank and mBank Group are presented below.

	31.03.2024		31.12.2023	
	mBank	mBank Group	mBank	mBank Group
Common Equity Tier I capital (PLN thousand)	12 735 542	12 830 675	12 817 356	12 719 997
Tier I capital (PLN thousand)	12 735 542	12 830 675	12 817 356	12 719 997
Own funds (PLN thousand)	14 552 150	14 620 305	14 845 446	14 730 102
Common Equity Tier I ratio (%)	16.0	14.1	17.0	14.7
Tier I capital ratio (%)	16.0	14.1	17.0	14.7
Total capital ratio (%)	18.3	16.0	19.7	17.0

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

■ Extension of the "credit holidays" until 2024

On 7 May 2024 there was announced an amendment to the Act on support for borrowers who have taken out a housing loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance to borrowers, extending the possibility of suspending the execution of mortgage loan agreements granted in PLN (so-called "credit holidays") for 2024. The act will enter into force 7 days from the date of announcement.

According to the amendment to the Act, after meeting certain conditions (loan amount below PLN 1.2 million and the proportion of the loan instalment to the borrower's income exceeding 30%), borrowers would have the right to suspend four monthly instalments in 2024. "Credit holidays" would apply to both the principal and interest parts of the loan. The instalment repayment deadlines would be extended without additional interest for suspension periods. The Group estimates that it will incur costs related to "credit holidays" in the amount of approximately PLN 350 million, of which mBank will incur costs of approximately PLN 242 million and mBank Hipoteczny in the amount of approximately PLN 108 million.

■ Resolution of the Supreme Court regarding issues related to loans indexed to foreign currencies

On 25 April 2024, the Supreme Court adopted a resolution on issues related to loans indexed to foreign currencies, in which it answered the questions of 29 January 2021 asked by the First President of the Supreme Court. This issue is described in detail in Note 31.

■ Recommendation of the Remuneration and Nomination Committee of the Supervisory Board regarding the candidate for the President of the Management Board of mBank S.A.

On 26 April 2024, the Remuneration and Nomination Committee recommended to the Supervisory Board Mr. Cezary Kocik as a candidate for President of the Management Board of mBank S.A. The Supervisory Board accepted the Committee's recommendation.

The appointment of Mr. Cezary Kocik as President of the Management Board of mBank S.A. by the Supervisory Board is subject to a positive outcome of the suitability assessment and consent of the Polish Financial Supervision Authority. The new President of the Management Board will take over after the current President of the Management Board, Mr. Cezary Stypułkowski, steps down. Earlier, the Supervisory Board agreed with Mr. Cezary Stypułkowski that he would perform his function until the date of the Ordinary General Meeting of Shareholders approving the financial statements of mBank S.A. for 2024.

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**CONDENSED STAND-ALONE FINANCIAL STATEMENT OF MBANK S.A.  
FOR THE FIRST QUARTER OF 2024****CONDENSED STAND-ALONE INCOME STATEMENT**

	1 <sup>st</sup> quarter (current year) period from 01.01.2024 to 31.03.2024	1 <sup>st</sup> quarter (previous year) period from 01.01.2023 to 31.03.2023 - restated
Interest income, including:	3 378 276	3 411 254
<i>Interest income accounted for using the effective interest method</i>	3 307 508	3 317 554
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	70 768	93 700
Interest expenses	(1 174 592)	(1 538 614)
<b>Net interest income</b>	<b>2 203 684</b>	<b>1 872 640</b>
Fee and commission income	694 463	684 755
Fee and commission expenses	(241 333)	(206 009)
<b>Net fee and commission income</b>	<b>453 130</b>	<b>478 746</b>
Dividend income	127	122
Net trading income	51 365	7 629
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	14 842	13 949
Gains less losses from derecognition of assets and liabilities not measured at fair value through profit or loss	4 107	(48 835)
Other operating income	20 554	31 402
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(41 770)	(153 317)
Result on provisions for legal risk related to foreign currency loans	(1 370 563)	(808 488)
Overhead costs	(677 575)	(665 406)
Depreciation	(118 064)	(101 496)
Other operating expenses	(31 056)	(42 889)
<b>Operating profit (loss)</b>	<b>508 781</b>	<b>584 057</b>
Tax on the Bank's balance sheet items	(176 550)	(182 379)
Share in profits (losses) of entities under the equity method	80 476	70 124
<b>Profit (loss) before income tax</b>	<b>412 707</b>	<b>471 802</b>
Income tax expense	(153 390)	(313 145)
<b>Net profit (loss)</b>	<b>259 317</b>	<b>158 657</b>
<b>Earnings (losses) per share (in PLN)</b>	<b>6.11</b>	<b>3.74</b>
<b>Diluted earnings (losses) per share (in PLN)</b>	<b>6.09</b>	<b>3.73</b>

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

	1 <sup>st</sup> quarter (current year) period from 01.01.2024 to 31.03.2024	1 <sup>st</sup> quarter (previous year) period from 01.01.2023 to 31.03.2023
<b>Net profit (loss)</b>	<b>259 317</b>	<b>158 657</b>
<b>Other comprehensive income net of tax, including:</b>	<b>(28 023)</b>	<b>586 671</b>
<b>Items that may be reclassified subsequently to the income statement</b>	<b>(28 023)</b>	<b>586 671</b>
Exchange differences on translation of foreign operations (net)	(1 501)	(296)
Cash flows hedges (net)	32 390	147 142
Share of other comprehensive income of entities under the equity method (net)	(4 508)	402
Debt instruments at fair value through other comprehensive income (net)	(54 404)	439 423
<b>Total comprehensive income (net)</b>	<b>231 294</b>	<b>745 328</b>

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

<b>ASSETS</b>	<b>31.03.2024</b>	<b>31.12.2023</b>
Cash and cash equivalents	24 459 080	36 641 448
Financial assets held for trading and derivatives held for hedges	2 069 556	1 767 707
Non-trading financial assets mandatorily at fair value through profit or loss, including:	820 797	828 268
<i>Equity instruments</i>	185 669	174 411
<i>Debt securities</i>	54 484	50 144
<i>Loans and advances to customers</i>	580 644	603 713
Financial assets at fair value through other comprehensive income	50 972 574	54 464 505
<i>Debt securities</i>	33 836 091	36 225 947
<i>Loans and advances to customers</i>	17 136 483	18 238 558
Financial assets at amortised cost, including:	133 530 342	121 056 962
<i>Debt securities</i>	30 025 549	25 527 804
<i>Loans and advances to banks</i>	15 416 548	10 476 203
<i>Loans and advances to customers</i>	88 088 245	85 052 955
Investments in subsidiaries	2 321 439	2 196 262
Intangible assets	1 523 790	1 513 882
Tangible assets	1 164 467	1 165 892
Investment properties	111 964	111 964
Current income tax assets	52 580	40 646
Deferred income tax assets	576 531	761 543
Other assets	1 715 713	1 869 397
<b>TOTAL ASSETS</b>	<b>219 318 833</b>	<b>222 418 476</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Financial liabilities held for trading and derivatives held for hedges	1 234 986	1 458 852
Financial liabilities measured at amortised cost, including:	196 534 672	199 677 996
<i>Amounts due to banks</i>	3 306 667	3 346 208
<i>Amounts due to customers</i>	182 306 555	185 117 139
<i>Lease liabilities</i>	878 472	874 242
<i>Debt securities issued</i>	7 397 247	7 625 479
<i>Subordinated liabilities</i>	2 645 731	2 714 928
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(615 897)	(565 985)
Provisions	3 001 749	2 239 144
Current income tax liabilities	122 466	198 373
Other liabilities	5 143 165	5 747 158
<b>TOTAL LIABILITIES</b>	<b>205 421 141</b>	<b>208 755 538</b>
<b>EQUITY</b>		
<b>Share capital:</b>	<b>3 616 185</b>	<b>3 616 185</b>
Registered share capital	169 861	169 861
Share premium	3 446 324	3 446 324
<b>Retained earnings:</b>	<b>10 845 951</b>	<b>10 583 174</b>
- Profit from previous years	10 586 634	10 553 852
- Profit (loss) for the current year	259 317	29 322
<b>Other components of equity</b>	<b>(564 444)</b>	<b>(536 421)</b>
<b>TOTAL EQUITY</b>	<b>13 897 692</b>	<b>13 662 938</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>219 318 833</b>	<b>222 418 476</b>

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

Changes from 1 January to 31 March 2024

	Share capital		Retained earnings		Other components of equity	Total
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year		
<b>Equity as at 1 January 2024</b>	<b>169 861</b>	<b>3 446 324</b>	<b>10 553 852</b>	<b>29 322</b>	<b>(536 421)</b>	<b>13 662 938</b>
Transfer of profit/loss from previous year	-	-	29 322	(29 322)	-	-
<b>Total comprehensive income</b>	-	-	-	<b>259 317</b>	<b>(28 023)</b>	<b>231 294</b>
<b>Stock option program for employees</b>	-	-	<b>3 460</b>	-	-	<b>3 460</b>
<i>value of services provided by the employees</i>	-	-	3 460	-	-	3 460
<b>Equity as at 31 March 2024</b>	<b>169 861</b>	<b>3 446 324</b>	<b>10 586 634</b>	<b>259 317</b>	<b>(564 444)</b>	<b>13 897 692</b>

Changes from 1 January to 31 December 2023

	Share capital		Retained earnings		Other components of equity	Total
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year		
<b>Equity as at 1 January 2023</b>	<b>169 734</b>	<b>3 435 044</b>	<b>11 250 936</b>	<b>(696 724)</b>	<b>(1 661 794)</b>	<b>12 497 196</b>
Transfer of profit/loss from previous year	-	-	(696 724)	696 724	-	-
<b>Total comprehensive income</b>	-	-	-	<b>29 322</b>	<b>1 125 373</b>	<b>1 154 695</b>
Issuance of ordinary shares	127	-	-	-	-	127
<b>Stock option program for employees</b>	-	<b>11 280</b>	<b>(360)</b>	-	-	<b>10 920</b>
<i>value of services provided by the employees</i>	-	-	10 920	-	-	10 920
<i>settlement of exercised options</i>	-	11 280	(11 280)	-	-	-
<b>Equity as at 31 December 2023</b>	<b>169 861</b>	<b>3 446 324</b>	<b>10 553 852</b>	<b>29 322</b>	<b>(536 421)</b>	<b>13 662 938</b>

Changes from 1 January to 31 March 2023

	Share capital		Retained earnings		Other components of equity	Total
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year		
<b>Equity as at 1 January 2023</b>	<b>169 734</b>	<b>3 435 044</b>	<b>11 250 936</b>	<b>(696 724)</b>	<b>(1 661 794)</b>	<b>12 497 196</b>
Transfer of profit/loss from previous year	-	-	(696 724)	696 724	-	-
<b>Total comprehensive income</b>	-	-	-	<b>158 657</b>	<b>586 671</b>	<b>745 328</b>
<b>Stock option program for employees</b>	-	-	<b>1 835</b>	-	-	<b>1 835</b>
<i>value of services provided by the employees</i>	-	-	1 835	-	-	1 835
<b>Equity as at 31 March 2023</b>	<b>169 734</b>	<b>3 435 044</b>	<b>10 556 047</b>	<b>158 657</b>	<b>(1 075 123)</b>	<b>13 244 359</b>

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

	1 <sup>st</sup> quarter (current year) period from 01.01.2024 to 31.03.2024	1 <sup>st</sup> quarter (previous year) period from 01.01.2023 to 31.03.2023 - restated
<b>Profit before income tax</b>	<b>412 707</b>	<b>471 802</b>
<b>Adjustments:</b>	<b>(12 143 055)</b>	<b>2 070 462</b>
Income taxes paid	(68 007)	(152 907)
Depreciation, including depreciation of fixed assets provided under operating lease	121 121	104 596
Foreign exchange (gains) losses related to financing activities	(271 808)	(70 631)
(Gains) losses on investing activities	(80 416)	(71 923)
Change in valuation of investments in subsidiaries accounted for using other than the equity method	(2 509)	2 143
Dividends received	(127)	(122)
Interest income (income statement)	(3 378 276)	(3 411 254)
Interest expense (income statement)	1 174 592	1 538 614
Interest received	2 906 686	2 723 434
Interest paid	(1 265 619)	(1 349 644)
Changes in loans and advances to banks	(4 932 301)	(2 360 483)
Changes in financial assets and liabilities held for trading and hedging derivatives	(465 793)	535 389
Changes in loans and advances to customers	(2 021 193)	(1 631 396)
Changes in securities at fair value through other comprehensive income	2 742 998	(1 221 563)
Changes in securities at amortised cost	(4 340 393)	(325 975)
Changes of non-trading equity securities mandatorily at fair value through profit or loss	(15 598)	(18 903)
Changes in other assets	160 423	(73 672)
Changes in amounts due to banks	72 096	468 892
Changes in amounts due to customers	(2 690 515)	6 717 022
Changes in lease liabilities	(15 780)	(17 562)
Changes in issued debt securities	(35 429)	84 217
Changes in provisions	762 605	(20 982)
Changes in other liabilities	(499 812)	623 172
<b>A. Cash flows from operating activities</b>	<b>(11 730 348)</b>	<b>2 542 264</b>
Disposal of intangible assets and tangible fixed assets	265	21 280
Dividends received	127	122
Acquisition of shares or stock in subsidiaries	(46 700)	-
Purchase of intangible assets and tangible fixed assets	(164 482)	(133 115)
<b>B. Cash flows from investing activities</b>	<b>(210 790)</b>	<b>(111 713)</b>
Redemption of debt securities	(154 953)	(947 380)
Payments of financial lease liabilities	(40 535)	(40 525)
Interest paid from loans and advances received from banks and subordinated liabilities	(46 243)	(46 437)
<b>C. Cash flows from financing activities</b>	<b>(241 731)</b>	<b>(1 034 342)</b>
<b>Net increase/decrease in cash and cash equivalents (A+B+C)</b>	<b>(12 182 869)</b>	<b>1 396 209</b>
Effects of exchange rate changes on cash and cash equivalents	501	(9 700)
Cash and cash equivalents at the beginning of the reporting period	36 641 448	16 120 301
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>24 459 080</b>	<b>17 506 810</b>

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

The condensed financial statements of mBank S.A. have been prepared for the 3-month period ended 31 March 2024. Comparative data include the period from 1 January 2023 to 31 March 2023 for the condensed income statement, the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity, additionally for the period from 1 January to 31 December 2023 for the condensed statement of changes in equity, and in the case of the condensed statement of financial position, data as at 31 December 2023.

These interim financial statements for the first quarter of 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Financial statements of mBank S.A. for 2023, published on 29 February 2024. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards.

In addition, selected explanatory information provide additional information in accordance with Decree of the Minister of Finance dated 29 March 2018 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws 2018, item 757).

Material accounting principles applied to the preparation of these condensed financial statements are presented in Note 2 to the financial statements of mBank S.A. for 2023, published on 29 February 2024.

The preparation of the financial statements requires the application of specific accounting estimates. It also requires the Management Board to use its own judgment when applying the accounting policies adopted by the Bank. The issues in relation to which a significant professional judgement is required, more complex issues, or such issues where estimates or judgments are material to the financial statements are disclosed in Note 2.

Financial statements are prepared in compliance with materiality principle. Material omissions or misstatements of positions of financial statements are material if they could, individually or collectively, influence the economic decisions that users make on the basis of Bank's financial statements. Materiality depends on the size and nature of the omission or misstatement of the position of financial statements or a combination of both. The Bank presents separately each material class of similar positions. The Bank presents separately positions of dissimilar nature or function unless they are immaterial.

These condensed financial statements were prepared under the assumption that all the entities of the Bank continues as a going concern in the foreseeable future, i.e. in the period of at least 12 months following the reporting date. As of the date of approving these statements, the Bank Management Board has not identified any events that could indicate that the continuation of the operations by the Bank is endangered in the period of 12 months from the reporting date.

**New standards, interpretations and amendments to published standards**

The detailed information regarding the new International Accounting Standards and the International Financial Reporting Standards is presented in the condensed consolidated financial statements of mBank S.A. Group for the first quarter of 2024.

**Comparative data****■ Reclassification of the valuation of liabilities due to the issue of credit linked notes (adjustment 1)**

Beginning with the condensed stand-alone financial statements mBank S.A. for the first half of 2023, the Bank has changed the presentation in the income statement of change of the valuation of liabilities due to the issue of credit linked notes ("CLNs") measured at amortised cost related to the synthetic securitisation transaction resulting from the change in the expected cash flows from the embedded financial guarantee. Previously, the Bank presented this change of valuation within Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss. Now the Bank presents the valuation within Interest expenses due to issue of debt securities.

**■ Presentation of cash and cash equivalents (adjustment 2)**

Beginning with the 2023 financial statements, the Bank has changed the presentation of cash and cash equivalents in the statement of financial position. Previously, the Bank presented cash and balances with central bank separately, while part of cash and cash equivalents in the form of current accounts with other banks and term deposits with other banks with an original maturity of up to three months the Bank presented in the item Loans and advances to banks. Currently, the Bank presents all cash and cash equivalents in a single line item in the statement of financial position.

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The above changes were due to the adjustment of the presentation of selected assets and liabilities as well income and expenses to the prevailing market practice and in order to better reflect the economic nature of the effects of the transactions presented. The changes did not affect equity levels and the Bank's income statements in the comparative periods presented in these financial statements. Comparative figures as of 1 January 2023 and 31 March 2023 and for the period from 1 January to 31 March 2023 have been restated accordingly.

The impact of the introduced adjustments on the comparative data is presented in the following tables.

Restatements in income statement for the period from 1 January to 31 March 2023

Income statement	No.	Period from 01.01.2023 to 31.03.2023 before restatement	restatement	Period from 01.01.2023 to 31.03.2023 after restatement
Interest income, including:		3 411 254	-	3 411 254
<i>Interest income accounted for using the effective interest method</i>		3 317 554	-	3 317 554
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		93 700	-	93 700
Interest expenses	1	(1 479 298)	(59 316)	(1 538 614)
<b>Net interest income</b>	<b>1</b>	<b>1 931 956</b>	<b>(59 316)</b>	<b>1 872 640</b>
Fee and commission income		684 755	-	684 755
Fee and commission expenses		(206 009)	-	(206 009)
<b>Net fee and commission income</b>		<b>478 746</b>	<b>-</b>	<b>478 746</b>
Dividend income		122	-	122
Net trading income		7 629	-	7 629
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		13 949	-	13 949
Gains less losses from derecognition of assets and liabilities not measured at fair value through profit or loss		(48 835)	-	(48 835)
Other operating income		31 402	-	31 402
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	1	(212 633)	59 316	(153 317)
Result on provisions for legal risk related to foreign currency loans		(808 488)	-	(808 488)
Overhead costs		(665 406)	-	(665 406)
Depreciation		(101 496)	-	(101 496)
Other operating expenses		(42 889)	-	(42 889)
<b>Operating profit (loss)</b>		<b>584 057</b>	<b>-</b>	<b>584 057</b>
Tax on the Bank's balance sheet items		(182 379)	-	(182 379)
Share in profits (losses) of entities under the equity method		70 124	-	70 124
<b>Profit (loss) before income tax</b>		<b>471 802</b>	<b>-</b>	<b>471 802</b>
Income tax expense		(313 145)	-	(313 145)
<b>Net profit (loss)</b>		<b>158 657</b>	<b>-</b>	<b>158 657</b>

Restatements in statement of financial position at 1 January 2023

ASSETS	No.	01.01.2023 before restatement	restatement	01.01.2023 after restatement
Cash and cash equivalents (previously: Cash and balances with the Central Bank)	2	15 906 492	213 809	16 120 301
Financial assets at amortised cost, including:	2	123 405 293	(213 809)	123 191 484
<i>Debt securities</i>		20 206 976	-	20 206 976
<i>Loans and advances to banks</i>	2	15 392 870	(213 809)	15 179 061
<i>Loans and advances to customers</i>		87 805 447	-	87 805 447
Other assets		64 663 993	-	64 663 993
<b>TOTAL ASSETS</b>		<b>203 975 778</b>	<b>-</b>	<b>203 975 778</b>
LIABILITIES AND EQUITY		01.01.2023 before restatement	restatement	01.01.2023 after restatement
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>203 975 778</b>	<b>-</b>	<b>203 975 778</b>

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**Restatements in statement of financial position at 31 March 2023**

ASSETS	No.	31.03.2023 before restatement	restatement	31.03.2023 after restatement
Cash and cash equivalents (previously: Cash and balances with the Central Bank)	2	16 432 174	1 074 636	17 506 810
Financial assets at amortised cost, including:	2	129 101 839	(1 074 636)	128 027 203
<i>Debt securities</i>		20 618 216	-	20 618 216
<i>Loans and advances to banks</i>	2	18 610 485	(1 074 636)	17 535 849
<i>Loans and advances to customers</i>		89 873 138	-	89 873 138
Other assets		66 576 443	-	66 576 443
<b>TOTAL ASSETS</b>		<b>212 110 456</b>	-	<b>212 110 456</b>
LIABILITIES AND EQUITY		31.03.2023 before restatement	restatement	31.03.2023 after restatement
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>212 110 456</b>	-	<b>212 110 456</b>

**Restatements in statement of cash flows for the period from 1 January to 31 March 2023**

	No.	Period from 01.01.2023 to 31.03.2023 before restatement	restatement	Period from 01.01.2023 to 31.03.2023 after restatement
<b>Profit (loss) before income tax</b>		<b>471 802</b>	-	<b>471 802</b>
<b>Adjustments:</b>		<b>2 070 462</b>	-	<b>2 070 462</b>
Income taxes paid		(152 907)	-	(152 907)
Depreciation including depreciation of fixed assets provided under operating lease		104 596	-	104 596
Foreign exchange (gains) losses related to financial activities		(70 631)	-	(70 631)
(Gains) losses on investing activities		(71 923)	-	(71 923)
Change of valuation of investment in subsidiaries not measured at equity method		2 143	-	2 143
Dividends received		(122)	-	(122)
Interest income (income statement)		(3 411 254)	-	(3 411 254)
Interest expense (income statement)	1	1 479 298	59 316	1 538 614
Interest received		2 723 434	-	2 723 434
Interest paid	1	(1 290 328)	(59 316)	(1 349 644)
Changes in loans and advances to banks		(2 360 483)	-	(2 360 483)
Changes in financial assets and liabilities held for trading and hedging derivatives		535 389	-	535 389
Changes in loans and advances to customers		(1 631 396)	-	(1 631 396)
Changes in financial assets at fair value through other comprehensive income		(1 221 563)	-	(1 221 563)
Changes in securities at amortised cost		(325 975)	-	(325 975)
Changes in non-trading securities mandatorily at fair value through profit or loss		(18 903)	-	(18 903)
Changes in other assets		(73 672)	-	(73 672)
Changes in amounts due to banks		468 892	-	468 892
Changes in amounts due to customers		6 717 022	-	6 717 022
Changes in lease liabilities		(17 562)	-	(17 562)
Changes in issued debt securities		84 217	-	84 217
Changes in provisions		(20 982)	-	(20 982)
Changes in other liabilities		623 172	-	623 172
<b>A. Cash flows from operating activities</b>		<b>2 542 264</b>	-	<b>2 542 264</b>
<b>B. Cash flows from investing activities</b>		<b>(111 713)</b>	-	<b>(111 713)</b>
<b>C. Cash flows from financing activities</b>		<b>(1 034 342)</b>	-	<b>(1 034 342)</b>
<b>Net increase / decrease in cash and cash equivalents (A+B+C)</b>		<b>1 396 209</b>	-	<b>1 396 209</b>
Effect of exchange rate changes in cash and cash equivalents		(9 700)	-	(9 700)
Cash and cash equivalents at the beginning of the reporting period		16 120 301	-	16 120 301
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>17 506 810</b>	-	<b>17 506 810</b>

The changes in the comparative data, as described above, has been included in these financial statements in all the notes to which these changes referred.

## 2. Major estimates and judgments made in connection with the application of accounting policy principles

The Bank applies estimates and adopts assumptions which impact the values of assets and liabilities presented in the subsequent period. Estimates and assumptions, which are continuously subject to assessment, rely on historical experience and other factors, including expectations concerning future events, which seem justified under the given circumstances.

### Provisions for legal risks relating to indexation clauses in mortgage and housing loans in CHF and other foreign currencies

Detailed information on the impact of legal risk related to mortgage and housing loans granted to individual customers indexed to CHF and other foreign currencies is provided in Note 31 of Condensed consolidated financial statements of mBank S.A. Group for the first quarter of 2024.

### Impact of "credit holidays" on the financial result of the Bank

In connection with ongoing work on the regulations regarding the extension of "credit holidays" until 2024, the Bank took into account the impact of such solutions in the valuation of loans and advances granted to customers measured at fair value through other comprehensive income as at 31 March 2024. The Bank reduced the fair value of this loan portfolio by the estimated effect of additional loan holidays in the amount of PLN 152.4 million in correspondence with Other equity items. This estimate was made on the basis of the draft amendment to the Act on crowdfunding for business ventures and aid to borrowers, made available on the reporting date. For the purposes of adjusting the value of the mortgage loan portfolio in the part that is measured in the Bank's books at fair value through other comprehensive income, the Bank assumed the probability of implementing these solutions at the level of 90% and the participation of eligible borrowers at the level of 85%.

### Impairment of loans and advances

The Bank reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the income statement, the Bank assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions, on the basis of which the estimated cash flow amounts and their anticipated timing are determined, are regularly verified. If the current value of estimated cash flows (discounted recoveries from payments of capital, discounted recoveries from interests, discounted recoveries from off-balance sheet liabilities and discounted recoveries from collaterals for on-balance and off-balance sheet loans and advances and for off-balance sheet liabilities, weighed by the probability of realisation of specific scenarios) for portfolio of loans and advances and for off-balance sheet liabilities which are impaired as of 31 March 2024, change by +/- 10%, the estimated loans and advances and off-balance liabilities impairment would either decrease by PLN 51.6 million or increase by PLN 54.9 million (as at 31 December 2023: PLN 52.8 million and PLN 56.1 million). This estimation was performed for portfolio of loans and advances and for off-balance sheet liabilities individually assessed for impairment on the basis of future cash flows due to repayments and recovery from collateral – Stage 3. The rules of determining write-downs and provisions for impairment of credit exposures have been described under Note 3.3.6 of financial statements of mBank S.A. for 2023, published on 29 February 2024.

### Actions taken in relation to the current situation in Ukraine

In the first quarter of 2024, the Bank continued to monitor its portfolio of exposures exposed to Russia's aggression against Ukraine. The review concerned the Bank's involvement in war countries (Ukraine, Russia) or in conflict-related countries (Belarus), taking into account sanctions imposed by the European Union, the United Kingdom and the USA. As a result of the review, as of 31 March 2024, credit exposure and expected credit losses were determined in the mentioned countries, as shown in the table below.

Country	Direct exposure as at 31.03.2024												
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	-	-	-	-	-	-	-	-	-	-	-	-	-
Russia	-	-	150	-	-	-	-	-	-	-	-	(150)	43 033
Belarus	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>150</b>	-	-	-	-	-	-	-	-	<b>(150)</b>	<b>43 033</b>

There was also identified an indirect exposure: a balance sheet exposure of PLN 101.7 million and an off-balance sheet exposure of PLN 219.2 million towards corporate clients whose business is indirectly exposed to the risk of Russia's aggression towards Ukraine.

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Indirect risk concerns companies where at least 30% of exports or imports is connected to countries affected by the war crisis or whose main shareholder is a resident of the risk country or the collateral of transaction is located in the country of risk. Data on indirect involvement are presented in the table below.

Country	Indirect exposure as at 31.03.2024											
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Ukraine	14 656	21 190	-	-	64 771	1 336	-	-	(34)	(452)	-	-
Russia	4 343	8 020	48 507	-	135 994	6 669	8 602	-	(263)	(125)	(48 507)	-
Belarus	4 717	250	-	-	1 811	49	-	-	(36)	(3)	-	-
<b>Total</b>	<b>23 716</b>	<b>29 460</b>	<b>48 507</b>	<b>-</b>	<b>202 576</b>	<b>8 054</b>	<b>8 602</b>	<b>-</b>	<b>(333)</b>	<b>(580)</b>	<b>(48 507)</b>	<b>-</b>

### Fair value of derivatives and other financial instruments

The fair value of financial instruments not listed on active markets is determined by applying valuation techniques. All models are approved prior to being applied and they are also calibrated in order to assure that the obtained results indeed reflect the actual data and comparable market prices. As far as possible, observable market data originating from an active market are used in the models. Methods for determining the fair value of financial instruments are described in Note 2.5 of financial statements of mBank S.A. for 2023, published on 29 February 2024.

### Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available, against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

### Income tax in interim financial statements

Income tax in interim financial statements is accrued in accordance with IAS 34. Interim period tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

The calculation of the average estimated annual effective tax rate for the first quarter of 2024 required the use of a forecast of profit before tax for the full fiscal year adjusted for the impact of forecast of permanent differences between the carrying amounts of assets and liabilities and their tax base. The projected annual effective tax rate calculated in this way amounted to 37.2%.

The calculation of the average annual effective income tax rate for 2023 required the use of a forecast of the gross result for the entire financial year adjusted for the impact of the costs of legal risk related to foreign currency loans, as well as a forecast of permanent differences regarding the tax values of assets and liabilities. The forecast annual effective tax rate calculated in this way and used to calculate the income tax burden for the first quarter of 2023 amounted to 24.5%.

The greatest impact on the value of the average annual effective tax rate in relation to the nominal income tax rate in the first quarter of 2024 resulted from the costs of legal risk related to foreign currency loans, tax on financial institutions and contributions and other mandatory payments that do not constitute tax deductible costs (including Bank Guarantee Fund fees).

### Revenue and expenses from sale of insurance products bundled with loans

Revenue from sale of insurance products bundled with loans are split into interest income and fee and commission income based on the relative fair value analysis of each of these products.

The remuneration included in fee and commission income is recognised partly as upfront income and partly including deferring over time based on the analysis of the stage of completion of the service. Costs directly related to the sale of insurance products are settled in a similar way.

### Liabilities due to post-employment employee benefits

The costs of post-employment employee benefits are determined using an actuarial valuation method. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and other factors. Due to the long-term nature of these programmes, such estimates are subject to significant uncertainty.

## Leasing classification

The Bank as a lessee makes certain estimates and calculations that have an impact on the valuation of lease liabilities and right-of-use assets. They include, among others: determination of the duration of contracts, determining the interest rate used to discount future cash flows and determination of the depreciation rate of right-of-use assets.

## SELECTED EXPLANATORY INFORMATION

### 1. Compliance with International Financial Reporting Standards

The presented condensed financial statements for the first quarter of 2024 fulfils the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" relating to interim financial reports.

In addition, selected explanatory information provide additional information in accordance with Decree of the Minister of Finance dated 29 March 2018 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws 2018, item 757).

### 2. Consistency of accounting principles and calculation methods applied to the drafting of the quarterly report and the last annual financial statements

The description of the Bank's material accounting policies is presented in Note 2 of Financial statements of mBank S.A. for 2023, published on 29 February 2024. The accounting principles adopted by the Bank were applied on a continuous basis for all periods presented in the financial statements.

### 3. Seasonal or cyclical nature of the business

The business operations of the Bank do not involve significant events that would be subject to seasonal or cyclical variations.

### 4. Nature and values of items affecting assets, liabilities, equity, net profit/(loss) or cash flows, which are extraordinary in terms of their nature, magnitude or exerted impact

In the financial results for the first quarter of 2024, Bank recognised the cost of legal risk related to foreign currency loans in the amount of PLN 1 370.6 million. The detailed information in this regard is presented in Note 31 of Condensed consolidated financial statements of mBank S.A. Group for the first quarter of 2024.

### 5. Nature and amounts of changes in estimate values of items, which were presented in previous interim periods of the current reporting year, or changes of accounting estimates indicated in prior reporting years, if they bear a substantial impact upon the current interim period

The financial results for the first quarter of 2024 include cost of legal risk related to foreign currencies loans in the amount of PLN 1 370.6 million. The detailed information in this regard is presented in Note 31 of Condensed consolidated financial statements of mBank S.A. Group for the first quarter of 2024.

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

■ On 22 January 2024 mBank partially redeemed credit linked notes in the amount of PLN 154 953 thousand. The notes are connected with synthetic securitisation transaction performed in March 2022, their partial redemption is a result of depreciation of securitised portfolio.

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

On 27 March 2024, the 37<sup>th</sup> Annual General Meeting of mBank S.A. adopted resolution regarding the covering of loss for 2023. The net loss incurred by mBank S.A. in 2023 in the amount of PLN 29 322 135.24 was covered by Bank's undivided profit from the previous years. The Annual General Meeting of mBank S.A. also decided to leave the profit from the previous years in the amount of PLN 1 401 756 971.49 undivided. The Annual General Meeting of mBank S.A did not decide about dividend payment.

### 8. Income and profit by business segments

Significant events occurring after the end of the first quarter of 2024 are described in Note 4 of Condensed Consolidated financial statement of mBank S.A. Group for first quarter of 2024.

**9. Significant events after the end of the first quarter of 2024, which are not reflected in the financial statements**

Significant events occurring after the end of the first quarter of 2024 are described in Section 36 Selected explanatory data.

**10. Effect of changes in the structure of the entity in the first quarter of 2024, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities**

In the first quarter of 2024, events as indicated above did not occur in the Bank.

**11. Changes in contingent liabilities and commitments**

In the first quarter of 2024, there were no changes in contingent liabilities and commitments of credit nature, i.e. guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Bank. There was no single case of granting of guarantees or any other contingent liability of any material value for the Bank.

**12. Write-offs of the value of inventories down to net realisable value and reversals of such write-offs**

In the first quarter of 2024, events as indicated above did not occur in the Bank.

**13. Revaluation write-offs on account of impairment of tangible fixed assets, intangible assets, or other assets as well as reversals of such write-offs**

In the first quarter of 2024, events as indicated above did not occur in the Bank.

**14. Revaluation write-offs on account of impairment of financial assets**

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
<b>Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss, including:</b>			
Financial assets at amortised cost		(69 671)	(157 052)
- debt securities		(452)	(446)
- loans and advances		(69 219)	(156 606)
Financial assets at fair value through other comprehensive income		(1 083)	(5 520)
- debt securities		332	(1 843)
- loans and advances		(1 415)	(3 677)
Commitments and guarantees granted		28 984	9 255
<b>Total impairment losses on financial assets not measured at fair value through profit or loss</b>		<b>(41 770)</b>	<b>(153 317)</b>

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

In the first quarter of 2024, events as indicated above did not occur in the Bank.

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

In the first quarter of 2024, there were no material transactions of acquisition or disposal of any tangible fixed assets.

**17. Material liabilities assumed on account of acquisition of tangible fixed assets**

In the first quarter of 2024, events as indicated above did not occur in the Bank.

**18. Information about changing the process (method) of measurement the fair value of financial instruments**

In the reporting period there were no changes in the process (method) of measurement the fair value of financial instruments.

**19. Changes in the classification of financial assets due to changes of purpose or use of these assets**

In the reporting period there were no changes in the classification of financial assets as a result of a change in the purpose or use of these assets.

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**20. Corrections of errors from previous reporting periods**

In the first quarter of 2024, events as indicated above did not occur in the Bank. The restatements of comparative data have been described in the Note 1, in the item "Comparative data".

**21. Information on changes in the economic situation and operating conditions that have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are included in the fair value or in the adjusted purchase price (amortised cost)**

In the first quarter of 2024, events as indicated above did not occur in the Bank.

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

In the first quarter of 2024, events as indicated above did not occur in the Bank.

**23. Position of the management on the probability of performance of previously published profit/loss forecasts for the year in light of the results presented in the quarterly report compared to the forecast**

The Bank did not publish a performance forecast for 2024.

**24. Registered share capital**

The total number of ordinary shares as at 31 March 2024 was 42 465 167 shares (31 December 2023: 42 465 167 shares) at PLN 4 nominal value each. All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 31 MARCH 2024						
Share type	Type of privilege	Type of limitation	Number of shares	Series / face value of issue in PLN	Paid up	Registered on
ordinary bearer*	-	-	9 989 000	39 956 000	fully paid in cash	1986
ordinary registered*	-	-	11 000	44 000	fully paid in cash	1986
ordinary bearer	-	-	2 500 000	10 000 000	fully paid in cash	1994
ordinary bearer	-	-	2 000 000	8 000 000	fully paid in cash	1995
ordinary bearer	-	-	4 500 000	18 000 000	fully paid in cash	1997
ordinary bearer	-	-	3 800 000	15 200 000	fully paid in cash	1998
ordinary bearer	-	-	170 500	682 000	fully paid in cash	2000
ordinary bearer	-	-	5 742 625	22 970 500	fully paid in cash	2004
ordinary bearer	-	-	270 847	1 083 388	fully paid in cash	2005
ordinary bearer	-	-	532 063	2 128 252	fully paid in cash	2006
ordinary bearer	-	-	144 633	578 532	fully paid in cash	2007
ordinary bearer	-	-	30 214	120 856	fully paid in cash	2008
ordinary bearer	-	-	12 395 792	49 583 168	fully paid in cash	2010
ordinary bearer	-	-	16 072	64 288	fully paid in cash	2011
ordinary bearer	-	-	36 230	144 920	fully paid in cash	2012
ordinary bearer	-	-	35 037	140 148	fully paid in cash	2013
ordinary bearer	-	-	36 044	144 176	fully paid in cash	2014
ordinary bearer	-	-	28 867	115 468	fully paid in cash	2015
ordinary bearer	-	-	41 203	164 812	fully paid in cash	2016
ordinary bearer	-	-	31 995	127 980	fully paid in cash	2017
ordinary bearer	-	-	24 860	99 440	fully paid in cash	2018
ordinary bearer	-	-	13 385	53 540	fully paid in cash	2019
ordinary bearer	-	-	16 673	66 692	fully paid in cash	2020
ordinary bearer	-	-	17 844	71 376	fully paid in cash	2021
ordinary bearer	-	-	48 611	194 444	fully paid in cash	2022
ordinary bearer	-	-	31 672	126 688	fully paid in cash	2023
<b>Total number of shares</b>			<b>42 465 167</b>			
<b>Total registered share capital</b>				<b>169 860 668</b>		
<b>Nominal value per share (PLN)</b>		<b>4</b>				

\* As at the end of the reporting period

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### 25. Material share packages

The shareholders holding over 5% of the share capital and votes at the General Meeting are:

- Commerzbank AG which held 69.12% of the share capital and votes at the General Meeting of mBank S.A. as at 31 March 2024, and
- Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A., the funds of which held 5.1829% of the share capital and votes at the General Meeting of mBank S.A., including Nationale-Nederlanden Otwarty Fundusz Emerytalny the funds of which held 5.0154% of the share capital and votes at the General Meeting of mBank S.A.

#### The changes in the ownership structure of the Bank's material shares packages

- On 7 March 2024, Bank was notified by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (Nationale-Nederlanden PTE S.A.) about an increase of the funds' managed by Nationale-Nederlanden PTE S.A. share in the share capital and the total number of votes at the General Meeting of mBank S.A. above 5% as a result of a purchase of Bank's shares on 5 March 2024. After the transaction the funds managed by Nationale-Nederlanden PTE S.A. held 2 127 099 shares of mBank S.A., which represents 5.009% of the share capital and the total number of votes at the General Meeting of mBank S.A.
- On 21 March 2024, Bank was notified by Nationale-Nederlanden PTE S.A. about an increase of the funds' managed by Nationale-Nederlanden Otwartego Funduszu Emerytalnego (Nationale-Nederlanden OFE) share in the share capital and the total number of votes at the General Meeting of mBank S.A. above 5% as a result of a purchase of Bank's shares on 5 March 2024. As a result of the above-mentioned transaction on the accounts of funds managed by Nationale-Nederlanden OFE there were a total of 2 129 814 shares of the Bank, which constituted 5.0154% of the shares and votes at the general meeting of mBank S.A. As a result of the above-mentioned transaction on the accounts of funds managed by Nationale-Nederlanden PTE S.A. there were a total of 2 200 912 shares of the Bank, which constituted 5.1829% of the shares and votes at the general meeting of mBank S.A.

### 26. Earnings per share

	the period	from 01.01.2024 to 31.03.2024	from 01.01.2023 to 31.03.2023
<b>Basic:</b>			
Net profit		259 317	158 657
Weighted average number of ordinary shares		42 465 167	42 433 495
<b>Net basic profit per share (in PLN per share)</b>		<b>6.11</b>	<b>3.74</b>
<b>Diluted:</b>			
Net profit applied for calculation of diluted earnings per share		259 317	158 657
Weighted average number of ordinary shares		42 465 167	42 433 495
Adjustments for:			
- share options and subscription warrants		83 697	88 430
Weighted average number of ordinary shares for calculation of diluted earnings per share		42 548 864	42 521 925
<b>Diluted earnings per share (in PLN per share)</b>		<b>6.09</b>	<b>3.73</b>

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

The information regarding the proceedings before a court, an arbitration body or a public administration body are presented in Point 26 of Selected explanatory information in Condensed consolidated financial statements of mBank S.A. Group for the first quarter of 2024.

### 28. Legal risk related to mortgage and housing loans granted to individual customers indexed to CHF and other foreign currencies

Detailed information on the impact of legal risk related to CHF and other foreign currencies mortgage and housing loans is provided in Note 31 of Condensed consolidated financial statements of mBank S.A. Group for the first quarter of 2024.

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**29. Off-balance sheet liabilities**

	31.03.2024	31.12.2023
<b>Contingent liabilities granted and received</b>	<b>53 138 506</b>	<b>52 263 737</b>
<b>Commitments granted</b>	<b>43 234 663</b>	<b>42 266 681</b>
Financing	34 249 298	34 064 866
Guarantees and other financial facilities	8 101 845	8 201 815
Other liabilities	883 520	-
<b>Commitments received</b>	<b>9 903 843</b>	<b>9 997 056</b>
Financial commitments received	697 548	485 280
Guarantees received	9 206 295	9 511 776
<b>Derivative financial instruments (nominal value of contracts)</b>	<b>588 130 557</b>	<b>553 441 853</b>
Interest rate derivatives	473 784 701	420 828 066
Currency derivatives	109 701 443	127 532 515
Market risk derivatives	4 644 413	5 081 272
<b>Total off-balance sheet items</b>	<b>641 269 063</b>	<b>605 705 590</b>

**30. Transactions with related entities**

mBank S.A. is the parent entity of the mBank S.A. Group and Commerzbank AG is the ultimate parent of the Group as well as the direct parent of mBank S.A.

All transactions between the Bank and related entities were typical and routine transactions concluded on terms, which did not differ from arm's length terms, and their nature, terms and conditions resulted from the current operating activities conducted by the Bank. Transactions concluded with related entities as a part of regular operating activities include loans, deposits and foreign currency transactions.

The amounts of transactions with related entities, i.e., balances of receivables and liabilities as at 31 March 2024 and as at 31 December 2023, and related costs and income for the period from 1 January to 31 March 2024 and from 1 January to 31 March 2023 are presented in the table below.

	mBank's subsidiaries			Commerzbank AG			Other companies of the Commerzbank AG Group		
	31.03.2024	31.12.2023	31.03.2023	31.03.2024	31.12.2023	31.03.2023	31.03.2024	31.12.2023	31.03.2023
<b>Statement of financial position</b>									
Assets	22 555 657	21 539 912		911 627	565 885		31	45	
Liabilities	395 251	533 442		1 606 367	1 761 275		62 550	82 994	
<b>Income Statement</b>									
Interest income	338 409		349 919	16 827		17 898	-		-
Interest expense	(6 393)		(10 269)	(13 398)		(13 630)	(293)		(688)
Fee and commission income	2 992		4 145	1 665		1 580	14		12
Fee and commission expense	(69 061)		(43 059)	-		-	-		-
Other operating income	2 322		2 583	462		444	-		-
Overhead costs, amortisation and other operating expenses	(4 954)		(4 587)	(321)		(3 237)	-		-
<b>Contingent liabilities granted and received</b>									
Liabilities granted	2 898 834	2 909 963		2 266 672	2 288 854		1 767	1 776	
Liabilities received	-	-		1 905 638	1 956 104		-	-	

The total costs of remuneration of Members of the Supervisory Board, the Management Board and other key management personnel of the Bank that perform their duties from 1 January to 31 March 2024 recognised in the Bank's income statement for that period amounted to PLN 11 151 thousand (in the period from 1 January to 31 March 2023: PLN 8 917 thousand).

With regard to the Management Board and other key management personnel the remuneration costs include also remuneration in the form of shares and convertible warrants.

**31. Credit and loan guarantees, other guarantees granted of significant value**

In the three-month period, ended on 31 March 2024, the Bank has not concluded any substantial agreements regarding credit and loan guarantees or guarantees granted of a significant amount.

**32. Fair value of assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction of selling the asset or transferring a liability occurs either on the main market for the asset or liability, or in the absence of a main market, for the most advantageous market for the asset or liability.

In line with IFRS9, for accounting purposes, the Bank determines the valuation of its assets and liabilities through amortised cost or through fair value. In addition, for the positions that are valued through amortised cost, there is calculated and disclosed the fair value, but only for disclosure purposes – according to IFRS7.

The approach to the method used for the loans that are fair valued in line of IFRS9 requirements, is described in the Note 3.3.7 to the financial statements of mBank S.A. for 2023, published on 29 February 2024.

Following market practices the Bank values open positions in financial instruments using either the mark-to-market approach or is applying pricing models well established in market practice (mark-to-model method) which use as inputs market prices or market parameters, and in few cases, parameters estimated internally by the Bank. All significant open positions in derivatives are valued by marked-to-model using prices observable in the market. Domestic commercial papers are marked to model (by discounting cash flows), which in addition to market interest rate curve uses credit spreads estimated internally.

For disclosure purposes, the Bank assumed that the fair value of short-term financial liabilities (less than 1 year) is equal to the balance sheet values of such items. In addition, the Bank assumes that the estimated fair value of financial liabilities longer than 1 year is based on discounted cash flows using appropriate interest rates.

## Financial assets and liabilities at amortised cost

The following table presents a summary of balance sheet values and fair values for each group of financial assets and liabilities not recognised in the statement of financial position of the Bank at their fair values.

	31.03.2024		31.12.2023	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets at amortised cost</b>				
<b>Debt securities</b>	<b>30 025 549</b>	<b>28 876 353</b>	<b>25 527 804</b>	<b>24 475 440</b>
<b>Loans and advances to banks</b>	<b>15 416 548</b>	<b>15 425 869</b>	<b>10 476 203</b>	<b>10 484 017</b>
<b>Loans and advances to customers, including:</b>	<b>88 088 245</b>	<b>88 316 069</b>	<b>85 052 955</b>	<b>84 988 845</b>
<b>Individual customers</b>	<b>37 692 755</b>	<b>38 641 179</b>	<b>36 661 091</b>	<b>37 295 489</b>
Current accounts	7 168 052	7 546 815	7 182 778	7 568 606
Term loans	30 427 543	30 997 204	29 312 506	29 561 076
Other	97 160	97 160	165 807	165 807
<b>Corporate customers</b>	<b>50 250 038</b>	<b>49 545 448</b>	<b>48 267 016</b>	<b>47 595 253</b>
Current accounts	7 128 768	6 943 578	6 493 390	6 213 579
Term loans	41 011 591	40 492 191	40 145 143	39 753 191
Reverse repo or buy/sell back transactions	1 483 461	1 483 461	884 216	884 216
Other loans and advances	596 797	596 797	719 359	719 359
Other	29 421	29 421	24 908	24 908
<b>Public sector customers</b>	<b>145 452</b>	<b>129 442</b>	<b>124 848</b>	<b>98 103</b>
<b>Financial liabilities at amortised cost</b>				
<b>Amounts due to other banks</b>	<b>3 306 667</b>	<b>3 306 667</b>	<b>3 346 208</b>	<b>3 346 208</b>
<b>Amounts due to customers</b>	<b>182 306 555</b>	<b>182 304 117</b>	<b>185 117 139</b>	<b>185 114 770</b>
<b>Debt securities in issue</b>	<b>7 397 247</b>	<b>7 372 956</b>	<b>7 625 479</b>	<b>7 617 849</b>
<b>Subordinated liabilities</b>	<b>2 645 731</b>	<b>2 537 672</b>	<b>2 714 928</b>	<b>2 559 783</b>

The following sections present the key assumptions and methods used by the Bank for estimation of the fair values of financial instruments:

### Loans and advances to banks and loans and advances to customers

The fair value for loans and advances to banks and loans and advances to customers is calculated as the estimated value of future cash flows (adjusted by prepayments) using current interest rates, including credit spread, cost of liquidity and cost of capital margin. The level of credit spread was determined based on market quotation of median credit spreads for Moody's rating grade. Attribution of a credit spread to a given credit exposure is based on a mapping between Moody's rating grade and internal rating grades of the Bank. To reflect the fact that the Bank's exposures are in major part collateralised whereas the median of market quotation is centred around unsecured issues, the Bank applied appropriate adjustments. Moreover, valuation of mortgage loans in PLN is calculated with the benchmark of fair value of mortgage loans classified as valuated through fair value in accordance with IFRS 9, with an adjustment relating to credit quality of the portfolio.

The fair value of term loans to individual customers takes into account the estimated impact of the Act on crowdfunding for business ventures and aid to borrowers, in connection with the extension of the "credit holidays" to 2024.

### Financial liabilities

Financial instruments representing liabilities for the Bank include the following:

- contracted borrowings,
- current accounts and deposits,
- issues of debt securities,
- subordinated liabilities.

The fair value for these financial liabilities with more than 1 year to maturity is based on discounted cash flows by the use of discounting factor including an estimation of a spread reflecting the credit spread for mBank and the liquidity margin. For the loans received from European Investment Bank in EUR and in CHF the Bank used the EBI yield curve. With regard to the own issue as part of the EMTN programme the market price of the relevant financial services has been used.

In the case of deposits, the Bank has applied the curve constructed on the basis of quotations of money market rates as well as FRA and IRS contracts for appropriate currencies and maturities. In case of

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subordinated liabilities, the valuation is based on discounted cash flows using market swap curves (depending on the terms of issue) adjusted for the issuer's credit risk.

In the case of a bond related to credit risk - credit-linked notes (CLNs) the Bank for the valuation uses the method of discounting the expected cash flows from bonds. In the part related to the discounting factor, the valuation also includes a component that takes into account mBank's credit spread and a liquidity margin. Due to the fact that the bondholders are secured in terms of the issuer's credit risk with the deposited securities, an assumption was made that these parameters would remain unchanged during the life of the bond.

The Bank assumed that the fair values of these instruments with less than 1 year to maturity was equal to the carrying amounts of the instruments.

According to the fair value methodology applied by the Bank, financial assets and liabilities are classified as follows:

- Level 1: prices quoted on active markets for the same instrument (without modification),
- Level 2: prices quoted on active markets for the similar instruments or other valuation techniques for which all significant input data are based on observable market data,
- Level 3: valuation methods for which at least one significant input data is not based on observable market data.

The table below presents the fair value hierarchy of financial assets and liabilities measured at fair value in accordance with the assumptions and methods described above, exclusively for disclosure as at 31 March 2024 and as at 31 December 2023.

31.03.2024	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
<b>VALUATION ONLY FOR PURPOSES OF DISCLOSURE</b>				
<b>FINANCIAL ASSETS</b>				
Debt securities	28 876 353	23 362 325	-	5 514 028
Loans and advances to banks	15 425 869	-	-	15 425 869
Loans and advances to customers	88 316 069	-	-	88 316 069
<b>Total financial assets</b>	<b>132 618 291</b>	<b>23 362 325</b>	<b>-</b>	<b>109 255 966</b>
<b>FINANCIAL LIABILITIES</b>				
Amounts due to banks	3 306 667	-	1 841 482	1 465 185
Amounts due to customers	182 304 117	-	218 002	182 086 115
Debt securities issued	7 372 956	5 942 852	-	1 430 104
Subordinated liabilities	2 537 672	-	-	2 537 672
<b>Total financial liabilities</b>	<b>195 521 412</b>	<b>5 942 852</b>	<b>2 059 484</b>	<b>187 519 076</b>
<b>VALUATION ONLY FOR PURPOSES OF DISCLOSURE</b>				
<b>FINANCIAL ASSETS</b>				
Debt securities	24 475 440	18 199 454	-	6 275 986
Loans and advances to banks	10 484 017	-	-	10 484 017
Loans and advances to customers	84 988 845	-	-	84 988 845
<b>Total financial assets</b>	<b>119 948 302</b>	<b>18 199 454</b>	<b>-</b>	<b>101 748 848</b>
<b>FINANCIAL LIABILITIES</b>				
Amounts due to banks	3 346 208	-	1 938 343	1 407 865
Amounts due to customers	185 114 770	-	231 230	184 883 540
Debt securities issued	7 617 849	5 996 197	-	1 621 652
Subordinated liabilities	2 559 783	-	-	2 559 783
<b>Total financial liabilities</b>	<b>198 638 610</b>	<b>5 996 197</b>	<b>2 169 573</b>	<b>190 472 840</b>

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**Financial assets and liabilities measured at fair value and investment properties**

The following table presents the hierarchy of fair values of financial assets and liabilities recognised in the statement of financial position of the Bank at their fair values and the fair value of investment properties.

31.03.2024	including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
<b>RECURRING FAIR VALUE MEASUREMENTS</b>				
<b>Financial assets</b>				
<b>Financial assets held for trading and hedging derivatives</b>	<b>2 069 556</b>	<b>1 124 486</b>	<b>711 324</b>	<b>233 746</b>
Loans and advances to customers	41 259	-	-	41 259
Debt securities	1 306 181	1 113 694	-	192 487
Equity instruments	10 792	10 792	-	-
Derivative financial instruments, including:	711 324	-	711 324	-
Derivative financial instruments held for trading	887 604	-	887 604	-
Hedging derivative financial instruments	248 436	-	248 436	-
Offsetting effect	(424 716)	-	(424 716)	-
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>820 797</b>	<b>889</b>	-	<b>819 908</b>
Loans and advances to customers	580 644	-	-	580 644
Debt securities	54 484	-	-	54 484
Equity securities	185 669	889	-	184 780
<b>Financial assets at fair value through other comprehensive income</b>	<b>50 972 574</b>	<b>16 748 652</b>	<b>15 553 641</b>	<b>18 670 281</b>
Loans and advances to customers	17 136 483	-	-	17 136 483
Debt securities	33 836 091	16 748 652	15 553 641	1 533 798
<b>Total financial assets</b>	<b>53 862 927</b>	<b>17 874 027</b>	<b>16 264 965</b>	<b>19 723 935</b>
<b>Investment properties</b>	<b>111 964</b>	-	-	<b>111 964</b>
<b>Financial liabilities</b>				
<b>Financial liabilities held for trading and hedging derivatives</b>	<b>1 234 986</b>	<b>194 291</b>	<b>1 040 695</b>	-
Derivative financial instruments, including:	1 040 695	-	1 040 695	-
Derivative financial instruments held for trading	1 221 957	-	1 221 957	-
Hedging derivative financial instruments	1 099 227	-	1 099 227	-
Offsetting effect	(1 280 489)	-	(1 280 489)	-
Liabilities from short sale of securities	194 291	194 291	-	-
<b>Total financial liabilities</b>	<b>1 234 986</b>	<b>194 291</b>	<b>1 040 695</b>	-

Assets measured at fair value and investment properties based on Level 3 changes in the period from 1 January to 31 March 2024	Financial assets held for trading and hedging derivatives		Non-trading financial assets mandatorily at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Investment properties
	Loans and advances to customers	Debt securities	Loans and advances to customers	Debt securities	Equity securities	Loans and advances to customers	Debt securities	
<b>As at the beginning of the period</b>	<b>40 498</b>	<b>237 606</b>	<b>603 713</b>	<b>50 144</b>	<b>173 518</b>	<b>18 238 558</b>	<b>1 412 571</b>	<b>111 964</b>
<b>Gains and losses for the period:</b>	<b>1 929</b>	<b>(1 050)</b>	<b>(137)</b>	<b>4 340</b>	<b>11 262</b>	<b>(109 100)</b>	<b>6 308</b>	-
Recognised in profit or loss:	1 929	(1 050)	(137)	4 340	11 262	(2 230)	-	-
<i>Net trading income</i>	1 929	(1 050)	-	666	(46)	-	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	(137)	3 674	11 308	-	-	-
<i>Gains or losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss</i>	-	-	-	-	-	(2 230)	-	-
Recognised in other comprehensive income:	-	-	-	-	-	(106 870)	6 308	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	(106 870)	6 308	-
Purchases / origination	-	183 436	12 131	-	-	252 059	353 857	-
Redemptions / total repayments	-	(40 191)	(25 559)	-	-	(95 517)	(2 350)	-
Sales	-	(369 691)	-	-	-	(740 285)	(429 398)	-
Issues	-	182 377	-	-	-	-	192 810	-
Other changes	(1 168)	-	(9 504)	-	-	(409 232)	-	-
<b>As at the end of the period</b>	<b>41 259</b>	<b>192 487</b>	<b>580 644</b>	<b>54 484</b>	<b>184 780</b>	<b>17 136 483</b>	<b>1 533 798</b>	<b>111 964</b>

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31.12.2023	including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
<b>RECURRING FAIR VALUE MEASUREMENTS</b>				
<b>Financial assets</b>				
<b>Financial assets held for trading and hedging derivatives</b>	<b>1 767 707</b>	<b>407 773</b>	<b>1 081 830</b>	<b>278 104</b>
Loans and advances to customers	40 498	-	-	40 498
Debt securities	634 939	397 333	-	237 606
Equity securities	10 440	10 440	-	-
Derivative financial instruments, including:	1 081 830	-	1 081 830	-
Derivative financial instruments held for trading	1 257 353	-	1 257 353	-
Hedging derivative financial instruments	243 047	-	243 047	-
Offsetting effect	(418 570)	-	(418 570)	-
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>828 268</b>	<b>893</b>	<b>-</b>	<b>827 375</b>
Loans and advances to customers	603 713	-	-	603 713
Debt securities	50 144	-	-	50 144
Equity securities	174 411	893	-	173 518
<b>Financial assets at fair value through other comprehensive income</b>	<b>54 464 505</b>	<b>16 431 196</b>	<b>18 382 180</b>	<b>19 651 129</b>
Loans and advances to customers	18 238 558	-	-	18 238 558
Debt securities	36 225 947	16 431 196	18 382 180	1 412 571
<b>Total financial assets</b>	<b>57 060 480</b>	<b>16 839 862</b>	<b>19 464 010</b>	<b>20 756 608</b>
<b>Investment properties</b>	<b>111 964</b>	<b>-</b>	<b>-</b>	<b>111 964</b>
<b>Financial liabilities</b>				
<b>Financial liabilities held for trading and hedging derivatives</b>	<b>1 458 852</b>	<b>157 607</b>	<b>1 301 245</b>	<b>-</b>
Derivative financial instruments, including:	1 301 245	-	1 301 245	-
Derivative financial instruments held for trading	1 450 696	-	1 450 696	-
Hedging derivative financial instruments	1 119 296	-	1 119 296	-
Offsetting effect	(1 268 747)	-	(1 268 747)	-
Liabilities from short sale of securities	157 607	157 607	-	-
<b>Total financial liabilities</b>	<b>1 458 852</b>	<b>157 607</b>	<b>1 301 245</b>	<b>-</b>

Assets measured at fair value and investment properties based on Level 3 changes in the period from 1 January to 31 December 2023	Financial assets held for trading and hedging derivatives		Non-trading financial assets mandatorily at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Investment properties
	Loans and advances to customers	Debt securities	Loans and advances to customers	Debt securities	Equity securities	Loans and advances to customers	Debt securities	
<b>As at the beginning of the period</b>	<b>39 720</b>	<b>401 865</b>	<b>712 570</b>	<b>45 009</b>	<b>120 670</b>	<b>19 422 073</b>	<b>1 719 371</b>	<b>136 909</b>
<b>Gains and losses for the period:</b>	<b>308</b>	<b>42 321</b>	<b>(29 828)</b>	<b>5 135</b>	<b>52 505</b>	<b>138 332</b>	<b>2 929</b>	<b>(24 945)</b>
Recognised in profit or loss:	308	42 321	(29 828)	5 135	52 505	2 674	-	(24 945)
<i>Net trading income</i>	308	42 321	-	(4 934)	(133)	-	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	(29 828)	10 069	52 638	-	-	-
<i>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</i>	-	-	-	-	-	2 674	-	-
<i>Other operating income/other operating expenses</i>	-	-	-	-	-	-	-	(24 945)
Recognised in other comprehensive income:	-	-	-	-	-	135 658	2 929	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	135 658	2 929	-
Purchases / origination	-	858 169	81 521	-	343	457 263	1 810 351	-
Redemptions / total repayments	-	(249 332)	(134 963)	-	-	(731 756)	(600 838)	-
Sales	-	(3 688 103)	-	-	-	(628 087)	(2 733 555)	-
Issues	-	2 872 686	-	-	-	-	1 214 313	-
Other changes	470	-	(25 587)	-	-	(419 267)	-	-
<b>As at the end of the period</b>	<b>40 498</b>	<b>237 606</b>	<b>603 713</b>	<b>50 144</b>	<b>173 518</b>	<b>18 238 558</b>	<b>1 412 571</b>	<b>111 964</b>

During the first quarter of 2024 and during 2023 there were no transfers of financial instruments between the levels of fair value hierarchy.

With regard to financial instruments valued in repetitive way to the fair value classified as level 1 and 2 in hierarchy of fair value, any cases in which transfer between these levels may occur, are monitored by the Bank on the basis of internal rules. In case if there is no market price used to a direct valuation for more than 5 working days, the method of valuation is changed, i.e. change from marked-to-market valuation to marked-to-model valuation under the assumption that the valuation model for the respective type of this instrument has been already approved. The return to marked-to-market valuation method takes place after a period of at least 10 working days in which the market price was available on a continuous basis. If there is no market prices for a debt treasury bonds the above terms are respectively 2 and 5 working days.

### **Level 1**

As at 31 March 2024 at level 1 of the fair value hierarchy, the Bank has presented the fair value of held for trading government bonds in the amount of PLN 1 113 694 thousand and the fair value of government bonds measured at fair value through other comprehensive income in the amount of PLN 15 181 455 thousand (31 December 2023: PLN 397 333 thousand and PLN 15 063 647 thousand, respectively). Level 1 includes the fair values of corporate bonds in the amount of PLN 1 567 197 thousand (31 December 2023: PLN 1 367 549 thousand).

In addition, as at 31 March 2024 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 889 thousand (31 December 2023: PLN 893 thousand) and equity instruments in amount of PLN 10 792 thousand (31 December 2023: PLN 10 440 thousand).

As at 31 March 2024 Level 1 also includes liabilities from short sale of securities quoted on active markets in the amount of PLN 194 291 thousand (31 December 2023: PLN 157 607 thousand).

These instruments are classified as level 1 because their valuation is directly derived by applying current market prices quoted on active and liquid financial markets.

### **Level 2**

Level 2 of the fair value hierarchy mainly includes the fair values of bills issued by NBP in the amount of PLN 15 553 641 thousand (31 December 2023: PLN 18 382 180 thousand), valuation of which is based on a NPV model (discounted future cash flows) fed with interest rate curves generated by transformation of quotations taken directly from active and liquid financial markets.

In addition, the level 2 category includes the valuation of derivative financial instruments borne on models consistent with market standards and practices, using parameters taken directly from the markets (e.g. foreign exchange rates, implied volatilities of FX options, stock prices and indices) or parameters which transform quotations taken directly from active and liquid financial markets (e.g. interest rate curves).

### **Level 3**

Level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies in the amount of PLN 1 780 769 thousand (31 December 2023: PLN 1 700 321 thousand), and includes the fair value of a debt instrument measured at fair value through profit or loss, representing the rights to preferred stock of Visa Inc.

Model valuation for these items assumes a valuation based on the market interest rate yield curve adjusted by the level of credit spread. The credit spread parameter reflects the credit risk of the security issuer and is determined in accordance with the Bank's internal model. This model uses credit risk parameters (e.g. PD, LGD) and information obtained from the market (including implied spreads from transactions). PD and LGD parameters are not observed on active markets and therefore have been determined on the basis of statistical analysis. Both models - the valuation of debt instruments and the credit spread model were built internally in the Bank by risk units, were approved by the Model Risk Committee and are subject to periodic monitoring and validation carried out by an entity independent of the units responsible for building and maintaining the model.

Level 3 as at 31 March 2024 includes the value of loans and advances to customers in the amount of PLN 17 758 386 thousand (31 December 2023: PLN 18 882 769 thousand). The fair value calculation process for loans and advances to customers is described in detail in the Note 3.3.7 of financial statement of mBank S.A. for 2023, published on 29 February 2024.

Moreover level 3 includes the value of loans and advances to customers in the amount of PLN 184 780 thousand (31 December 2023: PLN 173 518 thousand). The equity instruments presented at level 3 have been valued using the dividend discount model. The valuations were predominantly prepared based on selected financial figures provided by valued entities and discounted with the cost of equity estimated

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using CAPM model (Capital Asset Pricing Model). At the end of the first quarter of 2024, the cost of equity was estimated at the level in the range from 11.4% to 11.9% (as at the end of 2023: from 12.3% to 13.8%). Additionally, part of the forecasts assuming growth above the average market growth were discounted with the cost of equity at the level of 25%.

As at 31 March 2024 level 3 also includes fair value of investment property in the amount of PLN 111 964 thousand (31 December 2023: PLN 111 964 thousand). The value of the property was estimated by a property appraiser entered in the Central Register of Property Appraisers kept by the Minister of Development and Technology. The property was valued using the income method. The key unobservable parameter used in the model is the capitalisation rate of 7.25% used to discount cash flows (31 December 2023: 7.25%).

The table below presents the sensitivity of the fair value measurement to the change of unobservable parameters used in the models for financial instruments measured at fair value at level 3.

Portfolio	Fair value 31.03.2024	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	184 780	(18 892)	23 387	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through other comprehensive income	1 533 798	(32 841)	32 841	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through profit or loss	192 487	(6 281)	6 281	
Loans and advances to customers held for trading	41 259	(323)	299	The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers mandatorily at fair value through profit or loss	580 644	(8 000)	7 973	
Loans and advances to customers measured at fair value through other comprehensive income	17 136 483	(15 653)	14 916	

Portfolio	Fair value 31.12.2023	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	173 518	(17 659)	21 431	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through other comprehensive income	1 412 571	(30 325)	30 325	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through profit or loss	237 606	(6 686)	6 686	
Loans and advances to customers held for trading	40 498	(311)	294	The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers mandatorily at fair value through profit or loss	603 713	(8 755)	8 772	
Loans and advances to customers measured at fair value through other comprehensive income	18 238 558	(17 152)	16 317	

### **33. Other information which the issuer deems necessary to assess its human resources, assets, financial position, financial performance and their changes as well as information relevant to an assessment of the issuer's capacity to meet its liabilities**

#### **Management Board of mBank S.A.**

On 27 March 2024, the Supervisory Board of mBank S.A. elected members of the Management Board for a term of office starting as of 28 March 2024, in the following compositions:

1. Cezary Stypułkowski – President of the Management Board,
2. Krzysztof Dąbrowski – Vice-President of the Management Board, Head of Operations and IT,
3. Cezary Kocik – Vice-President of the Management Board, Head of Retail Banking,
4. Marek Lusztyn – Vice-President of the Management Board, Head of Risk,
5. Julia Nusser – Vice-President of the Management Board, Head of Compliance, Legal Issues and HR,
6. Adam Pers – Vice-President of the Management Board, Head of Corporate and Investment Banking,
7. Pascal Ruhland – Vice-President of the Management Board, Chief Financial Officer.

The Supervisory Board agreed with Mr. Cezary Stypułkowski that he would perform his function until the date of the Ordinary General Meeting of Shareholders approving the financial statements of mBank S.A. for 2024.

#### **Supervisory Board of mBank S.A.**

On 27 March 2024, the XXXVII Annual General Meeting of mBank S.A. elected eight members of the Supervisory Board for a joint term of office for three years, in the following compositions:

1. Agnieszka Słomka-Gołębiowska – Chairwoman,
2. Bettina Orlopp – Vice-Chairwoman,
3. Hans-Georg Beyer,
4. Tomasz Bieske,
5. Mirosław Godlewski,
6. Aleksandra Gren,
7. Thomas Schaufler,
8. Bernhard Spalt.

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

The results in the coming quarter may also be affected by potential settlements of the Supreme Court, other national institutions or Court of Justice of the European Union in cases related to foreign currencies loans, which is presented in detail in the Note 31 of Condensed consolidated financial statements of mBank S.A. Group for the first quarter of 2024.

Moreover, the results of the next quarter will be influenced by the entry into force of the amendment to the Act on crowdfunding for business ventures and aid to borrowers, extending the operation of the so-called "credit holidays", which is described in more detail in Section 36.

### **35. Other information**

#### **■ Requirements on mBank Group capital ratios as of 31 March 2024**

The minimum required level of capital ratios at the end of 31 March 2024 amounted to:

- Individual total capital ratio: 11.14% and Tier 1 capital ratio: 9.14%,
- Consolidated total capital ratio: 11.12% and Tier 1 capital ratio: 9.12%.

At the date of approval of these financial statements, mBank S.A. and mBank S.A. Group fulfil the PFSA requirements related to the required capital ratios on both individual and consolidated levels.

## mBank S.A. Group

Consolidated financial report for the first quarter of 2024

Condensed stand-alone financial statement of mBank S.A. for the first quarter of 2024

(PLN thousand)

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

	31.03.2024		31.12.2023	
	mBank	mBank Group	mBank	mBank Group
Common Equity Tier I capital (PLN thousand)	12 735 542	12 830 675	12 817 356	12 719 997
Tier I capital (PLN thousand)	12 735 542	12 830 675	12 817 356	12 719 997
Own funds (PLN thousand)	14 552 150	14 620 305	14 845 446	14 730 102
Common Equity Tier I ratio (%)	16.0	14.1	17.0	14.7
Tier I capital ratio (%)	16.0	14.1	17.0	14.7
Total capital ratio (%)	18.3	16.0	19.7	17.0

### 36. Events after the balance sheet date

#### ■ Extension of the "credit holidays" until 2024

On 7 May 2024 there was announced an amendment to the Act on support for borrowers who have taken out a housing loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance to borrowers, extending the possibility of suspending the execution of mortgage loan agreements granted in PLN (so-called "credit holidays") for 2024. The act will enter into force 7 days from the date of announcement.

According to the amendment to the Act, after meeting certain conditions (loan amount below PLN 1.2 million and the proportion of the loan instalment to the borrower's income exceeding 30%), borrowers would have the right to suspend four monthly instalments in 2024. "Credit holidays" would apply to both the principal and interest parts of the loan. The instalment repayment deadlines would be extended without additional interest for suspension periods. The Bank estimates that it will incur costs related to "credit holidays" in the amount of approximately PLN 350 million, of which approximately PLN 242 million will reduce the Bank's interest income, and approximately PLN 108 million will reduce the share in profits (losses) of entities accounted for using the equity method.

#### ■ Resolution of the Supreme Court regarding issues related to loans indexed to foreign currencies

On 25 April 2024, the Supreme Court adopted a resolution on issues related to loans indexed to foreign currencies, in which it answered the questions of 29 January 2021 asked by the First President of the Supreme Court. This issue is described in detail in Note 31 of the condensed consolidated financial statements of mBank S.A. Group for the first quarter of 2024.

#### ■ Recommendation of the Remuneration and Nomination Committee of the Supervisory Board regarding the candidate for the President of the Management Board of mBank S.A.

On 26 April 2024, the Remuneration and Nomination Committee recommended to the Supervisory Board Mr. Cezary Kocik as a candidate for President of the Management Board of mBank S.A. The Supervisory Board accepted the Committee's recommendation.

The appointment of Mr. Cezary Kocik as President of the Management Board of mBank S.A. by the Supervisory Board is subject to a positive outcome of the suitability assessment and consent of the Polish Financial Supervision Authority. The new President of the Management Board will take over after the current President of the Management Board, Mr. Cezary Stypułkowski, steps down. Earlier, the Supervisory Board agreed with Mr. Cezary Stypułkowski that he would perform his function until the date of the Ordinary General Meeting of Shareholders approving the financial statements of mBank S.A. for 2024.