

**mBank S.A. Group**  
**Consolidated**  
**IFRS Financial Statements**  
**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.

## SELECTED FINANCIAL DATA

The selected financial data presented below are supplementary information to these Consolidated Financial Statements of mBank S.A. Group for 2024.

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	Year ended 31 December		Year ended 31 December	
	2024	2023	2024	2023
I. Interest income	14 523 266	14 826 765	3 374 208	3 274 173
II. Fee and commission income	3 207 707	3 015 912	745 250	665 999
III. Net trading income	176 678	73 343	41 048	16 196
IV. Operating profit	3 726 106	1 714 140	865 691	378 531
V. Profit before income tax	2 973 725	970 588	690 889	214 334
VI. Net profit attributable to Owners of mBank S.A.	2 243 245	24 054	521 176	5 312
VII. Net profit attributable to non-controlling interests	123	4	29	1
VIII. Cash flows from operating activities	(1 534 159)	19 498 985	(356 433)	4 305 933
IX. Cash flows from investing activities	(855 610)	(614 871)	(198 785)	(135 781)
X. Cash flows from financing activities	2 365 807	1 569 107	549 651	346 504
XI. Net increase / decrease in cash and cash equivalents	(23 962)	20 453 221	(5 567)	4 516 655
XII. Basic earnings per share (in PLN/EUR)	52.80	0.57	12.27	0.13
XIII. Diluted earnings per share (in PLN/EUR)	52.73	0.57	12.25	0.13
XIV. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	As at		As at	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
I. Total assets	245 957 363	226 980 516	57 560 815	52 203 431
II. Amounts due to other banks	3 059 431	3 315 302	715 991	762 489
III. Amounts due to customers	200 808 978	185 467 455	46 994 846	42 655 808
IV. Equity attributable to Owners of mBank S.A.	16 266 994	13 735 187	3 806 926	3 158 967
V. Non-controlling interests	-	2 039	-	469
VI. Registered share capital	169 988	169 861	39 782	39 066
VII. Number of shares	42 496 973	42 465 167	42 496 973	42 465 167
VIII. Book value per share (in PLN/EUR)	382.78	323.45	89.58	74.39
IX. Total capital ratio (%)	15.9	17.0	15.9	17.0
X. Tier I capital ratio (%)	14.5	14.7	14.5	14.7
XI. Common Equity Tier I capital ratio (%)	13.1	14.7	13.1	14.7

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

- for items of the consolidated statement of financial position – exchange rate announced by the National Bank of Poland as at 31 December 2024: EUR 1 = 4.2730 PLN, 31 December 2023: EUR 1 = 4.3480 PLN;
- for items of the consolidated income statement and the consolidated statement of cash flows – exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of 2024 and 2023: EUR 1 = 4.3042 PLN and EUR 1 = 4.5284 PLN, respectively.

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## CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2024	2023
Interest income, including:	6	14 523 266	14 826 765
<i>Interest income accounted for using the effective interest method</i>		14 257 452	14 522 983
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		265 814	303 782
Interest expenses	6	(4 934 243)	(5 953 294)
<b>Net interest income</b>		<b>9 589 023</b>	<b>8 873 471</b>
Fee and commission income	7	3 207 707	3 015 912
Fee and commission expenses	7	(1 235 823)	(1 100 004)
<b>Net fee and commission income</b>		<b>1 971 884</b>	<b>1 915 908</b>
Dividend income	8	14 279	9 486
Net trading income	9	176 678	73 343
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	10	64 449	34 100
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	11	598	(50 941)
Other operating income	12	477 551	317 712
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	15	(585 958)	(1 076 778)
Costs of legal risk related to foreign currency loans	34	(4 306 964)	(4 908 205)
Overhead costs	13	(2 801 710)	(2 570 433)
Depreciation		(586 630)	(504 016)
Other operating expenses	14	(287 094)	(399 507)
<b>Operating profit</b>		<b>3 726 106</b>	<b>1 714 140</b>
Tax on the Bank's balance sheet items		(752 381)	(743 552)
<b>Profit before income tax</b>		<b>2 973 725</b>	<b>970 588</b>
Income tax expense	16	(730 357)	(946 530)
<b>Net profit</b>		<b>2 243 368</b>	<b>24 058</b>
<b>Net profit attributable to:</b>			
- Owners of mBank S.A.		2 243 245	24 054
- Non-controlling interests		123	4
<b>Earnings per share (in PLN)</b>	17	<b>52.80</b>	<b>0.57</b>
<b>Diluted earnings per share (in PLN)</b>	17	<b>52.73</b>	<b>0.57</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2024	2023
<b>Net profit</b>		<b>2 243 368</b>	<b>24 058</b>
<b>Other comprehensive income net of tax, including:</b>	18	<b>274 242</b>	<b>987 085</b>
<b>Items that may be reclassified subsequently to the income statement</b>		<b>282 618</b>	<b>993 622</b>
Exchange differences on translation of foreign operations (net)	18	(5 820)	(36 667)
Cash flows hedges (net)	18	192 606	482 405
Cost of hedge (net)	18	(7 012)	(20 714)
Change in valuation of debt instruments at fair value through other comprehensive income (net)	18	102 844	568 598
<b>Items that will not be reclassified to the income statement</b>		<b>(8 376)</b>	<b>(6 537)</b>
Actuarial gains and losses relating to post-employment benefits (net)	18	(8 376)	(6 537)
<b>Total comprehensive income (net)</b>		<b>2 517 610</b>	<b>1 011 143</b>
<b>Total comprehensive income (net), attributable to:</b>			
- Owners of mBank S.A.		2 517 487	1 011 139
- Non-controlling interests		123	4

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31.12.2024	31.12.2023
Cash and cash equivalents	19	36 680 926	36 702 427
Financial assets held for trading and hedging derivatives	20	1 840 714	1 760 033
Non-trading financial assets mandatorily at fair value through profit or loss, including:	21	925 786	898 798
<i>Equity instruments</i>		407 732	244 941
<i>Debt securities</i>		31 204	50 144
<i>Loans and advances to customers</i>		486 850	603 713
Financial assets at fair value through other comprehensive income – Debt securities	22	34 588 843	36 965 077
Financial assets at amortised cost, including:	23	164 592 877	143 319 329
<i>Debt securities</i>		33 965 644	23 323 690
<i>Loans and advances to banks</i>		9 738 457	7 119 059
<i>Loans and advances to customers</i>		120 888 776	112 876 580
Fair value changes of the hedged items in portfolio hedge of interest rate risk	20	16 891	20 204
Non-current assets and disposal groups classified as held for sale	24	102 810	-
Intangible assets	25	1 956 693	1 701 939
Tangible assets	26	1 461 811	1 481 401
Investment properties	27	-	111 964
Current income tax assets		59 655	41 035
Deferred income tax assets	32	1 364 017	1 379 540
Other assets	28	2 366 340	2 598 769
<b>TOTAL ASSETS</b>		<b>245 957 363</b>	<b>226 980 516</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Financial liabilities held for trading and hedging derivatives	20	1 094 037	1 495 754
Financial liabilities measured at amortised cost, including:	29	219 411 062	203 458 575
<i>Amounts due to banks</i>		3 059 431	3 315 302
<i>Amounts due to customers</i>		200 808 978	185 467 455
<i>Lease liabilities</i>		736 780	855 725
<i>Debt securities issued</i>		12 130 336	11 105 165
<i>Subordinated liabilities</i>		2 675 537	2 714 928
Fair value changes of the hedged items in portfolio hedge of interest rate risk	20	(393 568)	(565 985)
Liabilities classified as held for sale	24	30 940	-
Provisions	31	3 277 171	2 345 584
Current income tax liabilities		238 277	201 184
Other liabilities	30	4 532 450	6 308 178
<b>TOTAL LIABILITIES</b>		<b>228 190 369</b>	<b>213 243 290</b>
<b>EQUITY</b>			
<b>Equity attributable to Owners of mBank S.A.</b>		<b>16 266 994</b>	<b>13 735 187</b>
<b>Share capital:</b>		<b>3 625 801</b>	<b>3 616 185</b>
Registered share capital	37	169 988	169 861
Share premium	38	3 455 813	3 446 324
<b>Retained earnings:</b>	39	<b>12 897 479</b>	<b>10 649 530</b>
- Profit from the previous years		10 654 234	10 625 476
- Profit for the current year		2 243 245	24 054
<b>Other components of equity</b>	40	<b>(256 286)</b>	<b>(530 528)</b>
<b>Additional equity components</b>	41	<b>1 500 000</b>	<b>-</b>
<b>Non-controlling interests</b>		<b>-</b>	<b>2 039</b>
<b>TOTAL EQUITY</b>		<b>17 766 994</b>	<b>13 737 226</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>245 957 363</b>	<b>226 980 516</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in equity from 1 January to 31 December 2024

	Share capital		Retained earnings		Other components of equity	Equity attributable to Owners of mBank S.A.	Additional equity components	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>2 243 245</b>	<b>274 242</b>	<b>2 517 487</b>	-	<b>123</b>	<b>2 517 610</b>
<b>Net profit for the current year</b>	-	-	-	<b>2 243 245</b>	-	<b>2 243 245</b>	-	<b>123</b>	<b>2 243 368</b>
<b>Other comprehensive income</b>	-	-	-	-	<b>274 242</b>	<b>274 242</b>	-	-	<b>274 242</b>
Exchange differences on translation of foreign operations (net)	-	-	-	-	(5 820)	(5 820)	-	-	(5 820)
Cash flows hedges (net)	-	-	-	-	192 606	192 606	-	-	192 606
Cost of hedge (net)	-	-	-	-	(7 012)	(7 012)	-	-	(7 012)
Change in valuation of debt instruments at fair value through other comprehensive income (net)	-	-	-	-	102 844	102 844	-	-	102 844
Actuarial gains and losses relating to post-employment benefits (net)	-	-	-	-	(8 376)	(8 376)	-	-	(8 376)
<b>Changes regarding transactions with Owners of mBank S.A.</b>	<b>127</b>	<b>9 489</b>	<b>4 704</b>	-	-	<b>14 320</b>	-	-	<b>14 320</b>
Issuance of ordinary shares	127	-	-	-	-	127	-	-	127
Value of services provided by the employees	-	-	14 193	-	-	14 193	-	-	14 193
Settlement of exercised options	-	9 489	(9 489)	-	-	-	-	-	-
<b>Other changes</b>	-	-	-	-	-	-	<b>1 500 000</b>	<b>(2 162)</b>	<b>1 497 838</b>
Issue of AT1 equity	-	-	-	-	-	-	1 500 000	-	1 500 000
Other increases and decreases of equity	-	-	-	-	-	-	-	(2 162)	(2 162)
<b>Equity as at 31 December 2024</b>	<b>169 988</b>	<b>3 455 813</b>	<b>10 654 234</b>	<b>2 243 245</b>	<b>(256 286)</b>	<b>16 266 994</b>	<b>1 500 000</b>	-	<b>17 766 994</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.	Additional equity components	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>
<b>Net profit for the current year</b>	-	-	-	<b>24 054</b>	-	<b>24 054</b>	-	<b>4</b>	<b>24 058</b>
<b>Other comprehensive income</b>	-	-	-	-	<b>987 085</b>	<b>987 085</b>	-	-	<b>987 085</b>
Exchange differences on translation of foreign operations (net)	-	-	-	-	(36 667)	(36 667)	-	-	(36 667)
Cash flows hedges (net)	-	-	-	-	482 405	482 405	-	-	482 405
Cost of hedge (net)	-	-	-	-	(20 714)	(20 714)	-	-	(20 714)
Change in valuation of debt instruments at fair value through other comprehensive income (net)	-	-	-	-	568 598	568 598	-	-	568 598
Actuarial gains and losses relating to post-employment benefits (net)	-	-	-	-	(6 537)	(6 537)	-	-	(6 537)
<b>Changes regarding transactions with Owners of mBank S.A.</b>	<b>127</b>	<b>11 280</b>	<b>(360)</b>	-	-	<b>11 047</b>	-	-	<b>11 047</b>
Issuance of ordinary shares	127	-	-	-	-	127	-	-	127
Value of services provided by the employees	-	-	10 920	-	-	10 920	-	-	10 920
Settlement of exercised options	-	11 280	(11 280)	-	-	-	-	-	-
<b>Other changes</b>	-	-	-	-	-	-	-	<b>5</b>	<b>5</b>
Issue of AT1 equity	-	-	-	-	-	-	-	-	-
Other increases and decreases of equity	-	-	-	-	-	-	-	5	5
<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>

Notes presented on pages 10–164 constitute an integral part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2024	2023
<b>Profit before income tax</b>		<b>2 973 725</b>	<b>970 588</b>
<b>Adjustments:</b>		<b>(4 507 884)</b>	<b>18 528 397</b>
Income taxes paid		(764 998)	(1 078 944)
Depreciation, including depreciation of fixed assets provided under operating lease	25,26	614 205	533 138
Foreign exchange (gains) losses related to financing activities		(275 371)	(727 249)
(Gains) losses on investing activities		(49 302)	(23 712)
Dividends received	8	(14 279)	(9 486)
Interest income (income statement)	6	(14 523 266)	(14 826 765)
Interest expense (income statement)	6	4 934 243	5 953 294
Interest received		13 474 035	13 232 763
Interest paid		(5 187 510)	(5 895 569)
Changes in loans and advances to banks		(2 425 414)	2 715 407
Changes in financial assets and liabilities held for trading and hedging derivatives		143 644	1 774 356
Changes in loans and advances to customers		(8 316 819)	6 950 463
Changes in securities at fair value through other comprehensive income		3 531 127	(7 652)
Changes in securities at amortised cost		(10 355 412)	(4 366 033)
Changes of non-trading securities mandatorily at fair value through profit or loss		(8 550)	446
Changes in other assets		207 467	(526 948)
Changes in amounts due to banks		(189 026)	83 663
Changes in amounts due to customers		15 403 689	11 411 893
Changes in lease liabilities		21 219	(47 151)
Changes in issued debt securities		78 017	299 405
Changes in provisions		919 185	973 894
Changes in other liabilities		(1 724 768)	2 109 184
<b>A. Cash flows from operating activities</b>		<b>(1 534 159)</b>	<b>19 498 985</b>
Disposal of intangible assets and tangible fixed assets		95 564	115 703
Dividends received	8	14 279	9 486
Acquisition of shares in subsidiaries		(62 290)	(21 560)
Purchase of intangible assets and tangible fixed assets		(903 163)	(718 500)
<b>B. Cash flows from investing activities</b>		<b>(855 610)</b>	<b>(614 871)</b>
Issue of debt securities	29	2 656 988	4 884 161
Issue of ordinary shares		127	127
Other financial inflows		1 499 608	-
Redemption of debt securities	29	(1 445 743)	(2 955 623)
Payments due to lease agreements		(173 294)	(167 078)
Interest paid from financing activities		(171 879)	(192 480)
<b>C. Cash flows from financing activities</b>		<b>2 365 807</b>	<b>1 569 107</b>
<b>Net increase / decrease in cash and cash equivalents (A+B+C)</b>		<b>(23 962)</b>	<b>20 453 221</b>
Effects of exchange rate changes on cash and cash equivalents		2 461	(1 745)
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>19</b>	<b>36 680 926</b>	<b>36 702 427</b>

Notes presented on pages 10–164 constitute an integral part of these Consolidated Financial Statements.

## EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Information regarding the Group of mBank S.A.

Name of reporting entity or other means of identification	mBank S.A.
Explanation of change in name of reporting entity or other means of identification from end of preceding reporting period	not applicable
Domicile of entity	Poland
Legal form of entity	joint stock company
Country of incorporation	Poland
Address of registered office of entity	Poland, 00-850 Warszawa, ul. Prosta 18
Principal place of business	Poland, 00-850 Warszawa, ul. Prosta 18
Description of nature of entity's operations and principal activities	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
Name of parent entity	Commerzbank AG
Name of ultimate parent of group	Commerzbank AG

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.

The shares of the Bank are listed on the Warsaw Stock Exchange.

As at 31 December 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 December 2024 the headcount of mBank S.A. amounted to 6 902 FTEs (Full Time Equivalentents) and of the Group to 7 569 FTEs (31 December 2023: Bank 6 649 FTEs, Group 7 319 FTEs).

As at 31 December 2024 the employment in mBank S.A. was at 7 798 persons and in the Group at 8 559 persons (31 December 2023: Bank 7 626 persons, Group 8 397 persons).

The business activities of the Group are conducted in the following business segments presented in detail in Note 5.

## Corporate and Investment Banking Segment

### ■ mFaktoring S.A., subsidiary

The company operates in Poland and provides factoring services for domestic, export and import transactions.

### ■ mLeasing Sp. z o.o., subsidiary (the corporate segment of the company's activity)

The company's core business is to lease machinery, equipment, technology lines, passenger cars, vans and trucks, tractors, trailers and semi-trailers, buses, vehicles, special equipment, ships, aircraft, rolling stock, office equipment, computer hardware. mLeasing's offer for corporate clients includes leasing of real estate, mainly offices, hotels, warehouses and logistics centres, petrol stations, public buildings and municipal infrastructure. The company has a network of offices in the largest cities of Poland.

### ■ Asekum Sp. z o.o., subsidiary (the corporate segment of the company's activity)

The company operates as an insurance agent, mainly in the field of insurance of leasing objects. The Bank holds indirectly through mLeasing Sp. z o.o. 100% shares in the company.

### ■ mElements S.A., subsidiary (the corporate segment of the company's activity)

mElements S.A. operates in the construction of dedicated solutions for e-commerce trade and new technologies. The company designs and develops IT solutions including API solutions (Application Programming Interface), online and mobile payments as well as services dedicated to online sellers, including the Paynow payment integrator. mElements S.A. is approved to operate as a National Payment Institution.

## Retail Banking Segment

### ■ mFinanse S.A., subsidiary

mFinanse S.A. offers mBank S.A. and third-party banks' products. Its offer includes mortgage loans, business products, cash loans, insurance products and leasing. Distribution is carried out throughout the whole country in 40 offices of mFinanse and 140 mKiosks placed in shopping centres.

### ■ mFinanse CZ s.r.o., subsidiary

### ■ mFinanse SK s.r.o., subsidiary

The mFinanse companies in the Czech Republic and Slovakia operate in the area of financial intermediation in the sale of banking products distributed by mBank's branches in the Czech Republic and Slovakia. The mFinanse companies in the Czech Republic and Slovakia took over the tasks that were previously carried out by mBank Branches in these countries. The Bank holds indirectly through mFinanse S.A. 100% shares in these companies.

### ■ mBank Hipoteczny S.A., subsidiary

The core business of mBank Hipoteczny S.A. is to ensure stable and long-term financing of the Group by issuing mortgage bonds. The company does not conduct independent credit operations but uses the pooling model in cooperation with mBank.

### ■ 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

LeaseLink Sp. z o.o. is a company operating in the fintech area in the leasing of low-value items, specialises in providing leasing as a payment method for e-commerce. The Bank holds indirectly through mLeasing Sp. z o.o. 100% shares in the company.

### ■ mElements S.A., subsidiary (the retail segment of the company's activity)

### ■ mTowarzystwo Funduszy Inwestycyjnych S.A., subsidiary

mTFI S.A. 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.

## 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

The Fund was established as an investment vehicle within the mAccelerator project, which focuses on developing and commercialising high-potential projects in the field of new technologies for the financial services sector (fintech). The entity managing the Fund is Quercus Towarzystwo Funduszy Inwestycyjnych S.A.

As at 31 December 2023 the Bank held 98.04% of the Fund's investment certificates, while the remaining 1.96% was owned by minority shareholders. In December 2024, the Bank acquired the minority shares and as at 31 December 2024 the Bank held 100% of the Fund's investment certificates.

In 2025 the liquidation process of the Fund is planned to start.

### 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.

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

Company	31.12.2024		31.12.2023	
	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
mLeasing Sp. z o.o.	100%	full	100%	full
mFinanse S.A.	100%	full	100%	full
mFaktoring S.A.	100%	full	100%	full
Future Tech Fundusz Inwestycyjny Zamknięty	100%	full	98.04%	full
mElements S.A.	100%	full	100%	full
Asekum Sp. z o.o.	100%	full	100%	full
LeaseLink Sp. z o.o.	100%	full	100%	full
mFinanse CZ s.r.o.	100%	full	100%	full
mFinanse SK s.r.o.	100%	full	100%	full
mTowarzystwo Funduszy Inwestycyjnych S.A.	100%	full	100%	full

As of 31 December 2024, the Bank did not include the following subsidiaries in its consolidated financial statements due to their immateriality:

- Direct subsidiaries of mBank S.A.: BRE Property Partner Sp. z o.o., G-Invest Sp. z o.o., mZakupy Sp. z o.o., mBox Sp. z o.o., mInvestment Banking S.A., mServices Sp. z o.o.
- Indirectly owned subsidiaries, through:
  - Future Tech Fundusz Inwestycyjny Zamknięty: Digital Operations S.A., Digital Teammates S.A., Bot4Business Sp. z o.o., Samitosa S.A. in liquidation, CyberRescue Sp. z o.o., HCM Deck Sp. z o.o., Mercury Financial S.A.;
  - mLeasing Sp. z o.o.: Ravenna Kraków Sp. z o.o.;
  - BRE Property Partner Sp. z o.o.: Property Partner Sp. z o.o., Projekt CH Łódź Sp. z o.o.

The Management Board of mBank S.A. approved these consolidated financial statements for issue on 26 February 2025.

## **2. Information on relevant accounting policies**

Information on relevant accounting policies used in the preparation of these consolidated financial statements are set forth below. These accounting policies have been applied consistently in all periods presented.

### **2.1. Accounting basis**

These Consolidated Financial Statements of mBank S.A. Group have been prepared for the 12-month period ended 31 December 2024. Comparative data presented in these consolidated financial statements relate to the period of 12 months ended on 31 December 2023.

The Consolidated Financial Statements of mBank S.A. Group have been prepared on a historical cost basis in compliance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union, except for derivative financial instruments, other financial assets and liabilities held for trading, financial assets failing SPPI test and financial assets and liabilities designated at fair value through profit or loss, debt and equity instruments at fair value through other comprehensive income, investment properties and liabilities related to cash-settled share-based payment transactions, all of which have been measured at fair value. Non-current assets held for sale or group of these assets classified as held for sale are stated at the lower of the carrying value and fair value less costs to sell.

The data for the year 2023 presented in these mBank S.A. Group consolidated financial statements was audited by the auditor.

The preparation of the financial statements in compliance with IFRS 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 4.

These 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 with the exception of Future Tech Closed Investment Fund for which the liquidation process is planned to start in 2025.

As of the date of approving these consolidated financial 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 with the exception of Future Tech Closed Investment Fund for which the liquidation process is planned to start in 2025.

### **2.2. Consolidated financial statement**

These consolidated financial statement presents financial information of the Bank and subsidiaries. The acquisition method is used to account for the acquisition of subsidiaries other than those acquired from parties under common control.

The Group applies predecessor accounting method for combinations of businesses under common control. The method stipulates that assets and liabilities of the acquired businesses are not measured at fair value, but the acquirer includes them in its financial statements based on the value of the acquired businesses derived from the consolidated financial statements of the consolidating entity that prepares the consolidated financial statements at the higher level and exercises the common control under which the transaction takes place.

Consolidation does not cover those companies whose scale of business operations is immaterial in relation to the volume of business of the Group.

### **2.3. Interest income and expenses**

All interest income and interest expenses on financial instruments carried at amortised cost using the effective interest rate method as well as interest income from financial assets measured at fair value through other comprehensive income and interest income and interest expenses from financial instruments measured at fair value through profit or loss are recognised in the income statement.

The Group calculates interest income using the effective interest rate to the gross carrying amount of the debt financial asset. In case of reclassification of a financial asset or a group of similar financial assets to Stage 3, the interest income is calculated on the amortised cost (i.e. the gross carrying amount adjusted for the loss allowance) and recognised using the interest rate at which the future cash flows were discounted for the purpose of valuation of impairment.

Interest income includes interest and commissions received or due on account of loans, inter-bank deposits or investment securities recognised in the calculation of the effective interest rate. Interest income, including interest on loans, is recognised in the income statement and on the other side in the statement of financial position as part of receivables from banks or from other customers.

Amounts calculated with the use of negative interest rates are qualified accordingly to interest income in the case when they relate to financial liabilities, and to interest expenses when they relate to financial assets.

Income and expenses related to the interest component of the result on interest rate derivatives and resulting from current calculation of swap points on currency derivatives classified into banking book are presented in the interest results in the position Interest income/expense on derivatives classified into banking book. The banking book includes transactions, which are not concluded for trading purposes i.e. not aimed at generating a profit in a short-term period (up to 6 months) and those that do not constitute hedging a risk arising from the operations assigned into trading book.

Interest income and interest expenses related to the interest measurement component of derivatives concluded as hedging instruments under fair value hedge are presented in the interest result in the position interest income/expense on derivatives under the fair value hedge accounting.

Interest income and interest expenses related to the interest measurement component of derivatives concluded as hedging instruments under cash flow hedge are presented in the interest result in the position interest income and interest expenses on derivatives under the cash flow hedge accounting.

## **2.4. Fee and commission income**

Fee and commission income is recognised in accordance with IFRS 15 using a five-step model for revenue recognition.

The Group recognises immediately the fees not related directly to origination of loans and advances. Fees for services delivered over the period longer than 3 months are recognised by the Group over time.

As the fee and commission income, the Group also treats fees and commissions recognised over time on a straight-line basis, related to loans and advances with not established timing of cash flows, for which effective interest rate is not possible to be determined. Straight line method for those services presents fairly the timing of transfer of services because they are delivered evenly over time.

Accounting principles related to recognition of fee income from sale of assurance products bundled with loans and advances are described in a separate Note 2.5.

Fees charged for the granting of loans which are likely to be drawn down are deferred (together with the direct costs directly attributable to them) and included in the calculation of the effective interest rate charge on the loan at the time of granting.

Fees on account of syndicated loans are recognised as income at the time of closing of the process of organisation of the respective syndicate, if the Group has not retained any part of the credit risk on its own account or has retained a part of the risk of a similar level as other participants.

Commissions and fees on account of negotiation or participation in the negotiation of a transaction on behalf of a third party, such as the acquisition of shares or other securities, or the acquisition or disposal of an enterprise, are recognised at the time of realisation of the transaction. Portfolio management fees and other fees for management, advisory and other services are recognised on the basis of service contracts, usually in proportion to the passage of time. The same principle is applied in the case of management of client assets, financial planning and custody services, which are continuously provided over an extended period of time.

Fees and commissions collected by the Group on account of issuance, renewal and change in the limit of credit and payment cards, guarantees granted as well as opening, extension and increase of letters of credit are accounted for on a straight-line basis over the life of the product they concern.

Fees and commissions collected by the Group on account of cash management operations, money transfers and brokerage business activities are recognised directly in the income statement as one-off. Fees and commissions for keeping customer accounts are charged monthly and recognised at the time of collection.

In addition, revenue from fees and commissions include income from fees on instalment payment for premium on insurance products sold through the Internet platform. The fees on instalment payment are settled in time in accordance with the duration of the policy.

The Group's fee and commission income comprises also income from offering insurance products of third parties. In the case of selling insurance products that are not bundled with loans, the revenues are recognised as upfront income or in majority of cases settled on a monthly basis.

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

The Group treats insurance products as bundled with loans, in particular when insurance product is offered to the customer only with the loan, i.e. it is not possible to purchase from the Group the insurance product which is identical in a legal form, content and economic conditions without purchasing the loan.

Revenue and expenses 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 interest income is recognised over time as part of effective interest rate calculation for the bundled loan. 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 in accordance with five-step model from IFRS 15.

Expenses directly linked to the sale of insurance products are recognised using the same pattern as in case of income. A part of expenses is treated as an element adjusting the calculation of effective interest rate for interest income and the remaining part of expenses is recognised in fee and commission expenses as upfront cost or as cost accrued over time.

The Group also estimates the part of remuneration which in the future will be returned due to early termination of insurance contract and appropriately decreases interest income or fee and commission income to be recognised.

## 2.6. Financial assets

The Group classifies its financial assets to the following categories: financial assets valued at fair value through profit or loss, financial assets valued at fair value through other comprehensive income and financial assets valued at amortised cost. Classification of the debt financial asset to the one of the above categories takes place at its initial recognition based on the Group's business model for managing financial assets and contractual cash flow characteristics. An equity instrument is classified as a financial asset at fair value through profit or loss unless at the time of initial recognition the Group made an irrevocable election of specific equity investments to present subsequent fair value changes in other comprehensive income.

Standardised purchases and sales of financial assets at fair value through profit or loss and measured at fair value through other comprehensive income are recognised on the settlement date – the date on which the Group delivers or receives the asset. Changes in fair value in the period between trade and settlement date with respect to assets carried at fair value is recognised in profit or loss or in other components of equity. Loans are recognised when the funds are disbursed or made available to the borrower's account.

Derecognition of financial asset is when and only when the contractual rights to the cash flows from the financial assets expire or when the Group transfers the financial asset, and the transfer qualifies for derecognition or in case of substantial modification of the financial asset.

### Financial assets measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

The Group presents financial assets measured at fair value through profit and loss in the following positions of the statement of financial position: Financial assets held for trading and hedging derivatives and Non-trading financial assets mandatory at fair value through profit and loss. Significant accounting policies related to derivatives are included in Note 2.12.

Disposals of debt and equity securities held for trading are accounted according to the weighted average cost method.

Interest income on financial assets measured at fair value through profit or loss (Note 2.3), except for derivatives the recognition of which is described in Note 2.12, is recognised in net interest income. The valuation and result on disposal of financial assets measured at fair value through profit or loss is recognised in trading income for financial assets held for trading or in gains or losses on non-trading financial assets mandatorily at fair value through profit or loss. Valuation methods to fair value are described in Note 3.18.

### Financial assets measured at amortised cost

Financial assets measured at amortised cost are assets that meet both of the following conditions, unless the Group has not designated them to fair value through profit or loss: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flow characteristics and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are entered into books on the transaction date. At initial recognition financial assets

classified to this category are valued at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

### **Financial assets measured at fair value through other comprehensive income**

Financial assets measured at fair value through other comprehensive income are assets that meet both of the following conditions, unless the Bank designated them to fair value through profit or loss: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income and expense from financial assets measured at fair value through other comprehensive income are presented in net interest income. Gains and losses from sale of financial assets measured at fair value through other comprehensive income are presented in gains or losses from financial assets and liabilities not measured at fair value through profit or loss.

Gains and losses arising from changes in the fair value of debt financial assets measured at fair value through other comprehensive income are recognised in other comprehensive income until the derecognition of the respective financial asset in the statement of financial position: at such time, the aggregate net gain or loss previously recognised in other comprehensive income is now recognised in the income statement.

Valuation methods to fair value are described in Note 3.18.

### **Equity instruments**

Investments in equity instruments are measured at fair value through profit or loss. Upon initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value (the option of measurement at fair value through other comprehensive income) of an investment in an equity instrument that is not held for trading and does not constitute a contingent payment recognised by the Group as part of a business combination in accordance with IFRS 3.

In case of the financial instruments for which the option of measurement at fair value through other comprehensive income was used, all gains and losses related to change in fair value, including foreign exchange differences, are recognised in other comprehensive income. There is no possibility to reclassify them to profit and loss even if the instrument is derecognised. Only dividends received related to these instruments are recognised in profit and loss when the entity's right to receive payment is established.

### **Modification of contractual terms for financial assets**

The Group derecognises financial assets and re-recognises the financial assets in accordance with the measurement requirements for initial recognition in case of substantial modification of contractual terms of financial assets. As substantial modification the Group defines such a modification that meets one of the following criteria:

- substantial increase of the credit amount of more than 10%,
- substantial prolongation of the contractual maturity of more than 12 months,
- change of currency not provided for in the terms of the contract. Change of currency provided for in the terms of the agreement is such a change that defines both the FX rate at which it would have place and the interest rate of the loan after the change of the currency,
- change of the borrower – only if the current borrower is exempted from the debt,
- change of the cash flow criterion from 'SPPI compliance' of a financial assets to 'SPPI non-compliance' and vice versa,
- change of the financed asset in case of object finance or project finance,
- change of the legal form/type of financial instrument.

In the event of substantial modification the deferred income and expense related to this asset is recognised in the income statement and reversal of the loan loss allowance. At the same time there is re-recognition of financial assets in accordance with the requirements for initial recognition. Any other modifications of contractual terms that do not cause derecognition of financial assets are treated as not substantial modifications and the gain or loss on modification is recognised. The effects of all identified not substantial modifications of cash flows which do not result from financial difficulties of a borrower are recognised in net interest income. The result on modification is the difference between present value of the modified cash flows discounted using the original effective interest rate and the gross carrying amount of loan before modification. Commissions received related to minor modification are settled over time using effective interest rate.

In the case of substantial modification in Stage 2, for which as a consequence, a new asset classified at the date of initial recognition in Stage 1 has been recognised, the adjustment to fair value of the exposure at the initial recognition, adjusts the interest result in the subsequent periods.

In case contract terms are modified as a result of a market-wide reform of the interest rate benchmark, including the replacement of the interest rate benchmark with an alternative benchmark, when:

- the basis for determining contractual cash flows has changed in the contract and the new basis is considered economically equivalent to the old basis, such change is recognised through a change in the effective interest rate;
- changes concern other areas, or have not been considered economically equivalent, such changes are recognised on general principles, in particular they are evaluated for a significant modification.

### **Purchased or originated credit impaired financial assets (POCI assets)**

POCI are financial assets measured at amortised cost that at initial recognition are credit impaired. POCI are also financial assets that are credit impaired at the moment of substantial modification. At the initial recognition POCI assets are recognised at fair value. The fair value of POCI assets at the initial recognition is calculated as present value of estimated future cash flows including credit risk discounted for the risk-free rate. After the initial recognition POCI assets are measured at amortised cost. With respect to these financial assets the Group uses credit adjusted effective interest rate in order to determine the amortised cost of financial asset and the interest income generated by these assets – CEIR. In the case of POCI exposures the change of the expected credit losses relative to the estimated credit losses at the date of their initial recognition is recognised as an impairment loss. Its value can both reduce the gross book value of POCI exposure and increase it in the event of a decrease of expected losses relative to its value at the date of initial recognition.

### **2.7. Offsetting of financial instruments**

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The conditions mentioned above are not satisfied and offsetting is inappropriate when: different financial instruments are used to emulate the features of a single financial instrument, financial assets and liabilities arise from financial instruments having the same risk exposure but involve different counterparties, financial or other assets are pledged as collaterals for non-recourse financial liabilities, financial assets are set aside in trust by a debtor for the purpose of discharging an obligation without those assets having been accepted by the creditor in the settlement of the obligation, or obligations incurred as a result of events giving rise to losses are expected to be recovered from a third party by virtue of a claim made under an insurance contract.

### **2.8. Impairment of financial assets**

Financial instruments subject to estimation of expected credit losses are financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, loan commitments if not measured at fair value through profit or loss, financial guarantee contracts if not measured at fair value through profit or loss, leases under IFRS 16, contract assets under IFRS 15.

A detailed description of issues regarding the principles of estimation of expected credit losses is presented in Note 3.3.6.

### **Derecognition of loan receivable**

Derecognition of loan receivable can be partial (corporate banking) or total.

In case of retail banking writing off receivables can be done in the case of:

1. debt recovery is not possible e.g.:
  - a. the claim limitation,
  - b. fraud – inability to identify the debtor,
  - c. limitation of inheritors' liability,
  - d. the claim was questioned by the debtor in court;
2. recovery is not available e.g.:
  - a. the enforcement proceedings have been completed and the whole debt was not recovered – then the unrecovered portion is written off,
  - b. bankruptcy proceeding has been rejected or has been completed due to debtors' lack of liquidation assets to cover the costs of the proceedings,
  - c. the conclusion is that a claim is as a bad debt,
  - d. limitation of heirs' liability for inheritance debts.

Cases that meet these criteria may also be included in the process of debt portfolio sale.

In case of corporate portfolio writing off receivables is carried out when all recovery options are exhausted. This happens when:

1. all options to recover the debt have been exercised:
  - a. bankruptcy proceedings ended, the debtor was removed from the National Court Register and the debt was not recovered in whole,
  - b. bankruptcy proceedings were discontinued on account of the debtor having no assets to cover the costs of the proceedings or having only enough assets to cover these costs,
  - c. petition for bankruptcy was dismissed on account of the debtor having insufficient assets to cover the costs of the proceedings,
  - d. during judicial restructuring proceedings the terms and conditions of an arrangement assuming partial cancellation of the debt were approved,
  - e. enforcement proceedings were considered ineffective and discontinued on account of the debtor having no assets,
  - f. the debt was considered irrecoverable as the costs of recovering it exceed the potential proceeds;
2. it is impossible to pursue the debt, e.g.
  - a. the debtor challenges the debt in court. The debt is cancelled by a court decision,
  - b. the statute of limitations on the Group's claim.

Cases that meet these criteria may also be included in the process of debt portfolio sale.

## **2.9. Financial guarantee contracts**

The financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

When a financial guarantee contract is recognised initially, it is measured at the fair value. After initial recognition, an issuer of such a contract subsequently measures it at the higher of:

- the amount of the loss allowance determined in accordance with IFRS9, the methodology is described in Note 3.3.6,
- the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of IFRS 15 when appropriate.

## **2.10. Cash and cash equivalents**

Cash and cash equivalents comprise items with maturities of up to three months from the date of their acquisition, including: cash in hand and cash held at the Central Bank with unlimited availability for disposal and amounts due from other banks.

## **2.11. Sell and repurchase agreements**

Repo and reverse-repo transactions are defined as selling and purchasing securities for which a commitment has been made to repurchase or resell them at a contractual date and for a specified contractual price and are recognised when the money is transferred.

Securities sold with a repurchase clause (repos or sell/buy back) are not eliminated from the statement of financial position. The liability towards the counterparty is recognised as amounts due to other banks and amounts due to customers. Securities purchased together with a resale clause (reverse repos or buy/sell back) are recognised as loans and advances to other banks or other customers. For assets subject to repurchase agreements, the Group is exposed to the same risks as those associated with holding identical assets not subject to repurchase agreements.

When concluding a repo or sell/buy back and reverse repo or buy/sell back transaction Group sells or buys securities with a repurchase or resale clause specifying a contractual date and price.

Securities borrowed by the Group under reverse repo or buy/sell back transactions are not recognised in the financial statements, unless they are sold to third parties. In such case the purchase and sale transactions are recorded in the financial statements with a gain or a loss included in trading income. The obligation to return them is recorded at fair value as liabilities from short sales of securities. Securities borrowed under buy/sell back transactions and then lent under sell/buy back transactions are not recognised as financial assets.

As a result of repo or sell/buy back transactions concluded on securities held by the Group, financial assets are transferred in such way that they do not qualify for derecognition. Thus, the Group retains substantially all risks and rewards of ownership of the financial assets.

## 2.12. Derivative financial instruments and hedge accounting

### Derivative financial instruments

Derivative financial instruments are recognised at fair value from the date of transaction. Fair value is determined based on prices of instruments listed on active markets, including recent market transactions, and on the basis of valuation techniques, including models based on discounted cash flows and options pricing models, depending on which method is appropriate in the particular case. All derivative instruments with a positive fair value are recognised in the statement of financial position as assets, those with a negative value as liabilities.

In accordance with IFRS 9: (i), there is no need to separate the prepayment option from the host debt instrument for the needs of financial statements if the option's exercise price is approximately equal on each exercise date to the amortised cost of the host debt instrument. If the prepayment option does not meet the contractual cash flow characteristic test, then the financial asset as the whole shall be classified as a financial assets measured at fair value through profit or loss; (ii), exercise price of a prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract. Lost interest is the product of the principal amount prepaid multiplied by the interest rate differential. The interest rate differential is the excess of the effective interest rate of the host contract over the effective interest rate the entity would receive at the prepayment date if it reinvested the principal amount prepaid in a similar contract for the remaining term of the host contract.

The assessment of whether the call or put option is closely related to the host debt contract is made before separating the equity element of a host debt instrument in accordance with IAS 32. The method of recognising the resulting fair value gain or loss depends on whether the given derivative instrument is designated as a hedging instrument, and if it is, it also depends on the nature of the hedged item. The Group designates some derivative instruments either (1) as fair value hedge against a recognised asset or liability or against a binding contractual obligation (fair value hedge), or (2) as hedge against highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

Due to the split of derivatives classified into banking book and into trading book, the Group applies a different approach to the presentation of interest income/expense for each of these groups of derivatives that is described in Note 2.3. The remaining result from fair value measurement of derivatives is recognised in Net trading income.

### Hedge accounting

Derivative instruments that are designated and are effective hedging instruments are subject to hedge accounting policies.

Until 30 June 2022 the Group applied the hedge accounting requirements in accordance with IAS 39, instead of the requirements set forth in IFRS 9. Starting 1 July 2022 the Group applies IFRS 9 requirements in the area of hedge accounting to all hedge relations except for fair value portfolio hedges of interest rate risk where the hedged item is designated as portion that is a currency amount.

The IFRS 9 introduces also the option to recognise as separate component of equity part of the fair value of the hedging derivative instrument related to time value of option, forward element of a forward contract or currency basis spread, and reclassify it to profit or loss in the same periods during which the hedged expected future cash flows affect profit or loss. The Group takes advantage of this option and includes in the line Other components of equity fair value changes of hedging CIRS contracts in the amount attributable to currency basis spread.

## 2.13. Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost include borrowings, deposits taken, debt securities issued and subordinated liabilities. These liabilities are initially recognised at fair value reduced by the incurred transaction costs. After the initial recognition, these liabilities are recorded at adjusted cost of acquisition (amortised cost using the effective interest method). Any differences between the amount received (reduced by transaction costs) and the redemption value are recognised in the income statement over the period of duration of the respective agreements according to the effective interest rate method.

## 2.14. Intangible assets

The Group measures intangible assets initially at cost. After initial recognition, intangible assets are recognised at their cost of acquisition adjusted by the costs of improvement (rearrangement, development, reconstruction or modernisation) less any accumulated amortisation and any accumulated impairment losses. Amortisation is accrued by the straight-line method taking into account the expected period of economic useful life of the respective intangible assets.

## Computer software

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. These costs are amortised on the basis of the expected useful life of the software (1.5 - 18 years). Expenses attached to the maintenance of computer software are expensed when incurred. Expenses directly linked to the development of identifiable and unique proprietary computer programmes controlled by the Group, which are likely to generate economic benefits in excess of such costs expected to be gained over a period exceeding one year, are recognised as intangible assets. Direct costs comprise personnel expenses directly related to the software.

Capitalised costs attached to the development of software are amortised over the period of their estimated useful life (1.5 - 27 years).

Computer software directly connected with the functioning of specific information technology hardware is recognised as Tangible fixed assets.

### 2.15. Tangible fixed assets

Tangible fixed assets are carried at historical cost reduced by accumulated depreciation and accumulated impairment losses. Historical cost takes into account the expenses directly attached to the acquisition of the respective assets.

Land is not depreciated. Depreciation of other fixed assets is accounted for according to the straight-line method in order to spread their initial value reduced by the residual value over the period of their useful life which is estimated as follows for the particular categories of fixed assets:

Buildings and structures	20-40 years,
Equipment	2-20 years,
Vehicles	4-5 years,
Information technology hardware	2-10 years,
Investments in third party fixed assets	5-20 years, no longer than the period of the lease contract,
Office equipment, furniture	2-10 years.

Land and buildings consist mainly of branch outlets and offices. Residual values estimated useful life periods and depreciation method are verified at the end of the reporting period and adjusted prospectively in accordance with the arising need.

### 2.16. Investment properties

Investment properties are defined as land and buildings held for the purpose of earning rental income or because they are expected to increase in value. Investment property also includes right-of-use assets that meet the definition of investment property under IAS 40. On initial recognition investment properties are measured at cost including directly attributable transaction costs.

In subsequent measurements, investment properties are measured at fair value. The fair value of a right-of-use that meets the definition of investment property excludes the value of expected cash outflows from lease payments, which are presented separately in the Bank's statement of financial position as a lease liability in accordance with IFRS 16.

Current income and expenses are recognised in other operating income or expenses. Remeasurement changes arising from changes in fair value are also shown under other operating income or expenses in the income statement for the period. As at the date of reclassification of the property occupied by the Group to investment property, the difference between the carrying amount of the property determined in accordance with IAS 16 or IFRS 16 and its fair value is recognised by the Group in the profit or loss account in the event of a decrease in the carrying amount or reversal of a previously recognised impairment loss on this property, or in other comprehensive income, in the event of an increase in the current value above the amount of the reversed impairment loss.

### 2.17. Inventories

Inventories comprise assets held for lease as well as assets taken over as a result of terminated lease agreements. Inventories are presented in the item Other assets. Inventory disposals are valued through detailed identification of the individual purchase prices or costs of construction of the assets which relate to the realisation of the individual separate undertakings. When the inventories are sold, the carrying amount of the inventories is recognised as other operating expenses in the period in which the related revenue is recognised, which is recognised as other operating income.

## **2.18. Non-current assets held for sale and discontinued operations**

The non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets and its sale must be highly probable, i.e., the appropriate level of management must be committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan must have been initiated. Furthermore, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are priced at the lower of carrying value and fair value less costs to sell. Assets classified in this category are not depreciated.

When criteria for classification to non-current assets held for sale are not met, the Group ceases to classify the assets as held for sale and reclassifies them into appropriate category of assets. The Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- its carrying amount at a date before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale;
- its recoverable amount at the date of the subsequent decision not to sell.

Discontinued operations are a component of the Group that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operation or is a subsidiary acquired exclusively with a view to resale.

The classification to this category takes places at the moment of sale or when the operation meets criteria of the operation classified as held for sale if this moment took place previously. Disposal group which is to be taken out of usage may also be classified as discontinued operation.

## **2.19. Deferred income tax**

Liabilities or assets for deferred income tax are recognised in their full amount according to the balance sheet method in connection with the existence of temporary differences between the tax value of assets and liabilities and their carrying value. Such liabilities or assets are determined by application of the tax rates in force by virtue of law or of actual obligations at the end of the reporting period. According to expectations such tax rates applied will be in force at the time of realisation of the assets or settlement of the liabilities for deferred income tax.

The main temporary differences arise on account of impairment write-offs recognised in relation to the loss of value of credits and granted guarantees of repayment of loans, amortisation of fixed assets and intangible assets, revaluation of certain financial assets and liabilities, including contracts concerning derivative instruments and forward transactions, provisions for retirement benefits and other post-employment benefits and also deductible tax losses.

The Group presents the deferred income tax assets and liabilities netted in the statement of financial position separately for each subsidiary undergoing consolidation. Such assets and provisions may be netted against each other if the Group possesses the legal rights allowing it to simultaneously account for them when calculating the amount of the tax liability.

In the case of the Bank, the deferred income tax assets and liabilities are netted against each other separately for each country where the Bank conducts its business and is obliged to settle corporate income tax.

The Group discloses separately the amount of negative temporary differences (mainly on account of unused tax losses or unutilised tax allowances) for which the deferred income tax asset was not recognised in the statement of financial position, as well as the amount of temporary differences related to investments in subsidiaries and associates for which no deferred income tax provision has been formed.

Deferred income tax for the Group is provided on assets or liabilities due to temporary differences arising from investments in subsidiaries and associates, except where, on the basis of any probable evidence, the timing of the reversal of the temporary difference is controlled by the Group and it is possible that the difference will not reverse in the foreseeable future.

## **2.20. Leasing**

### **mBank S.A. Group as a lessee**

The Group recognises the right of use of the leased asset and a financial liability representing its obligation to make future lease payments in the amount of discounted future cash flows throughout the lease period.

The Group as a lessee applies simplified approach and it does not apply the requirements in terms of recognition, measurement and presentation for short-term lease contracts lasting no longer than 12 months for each class of underlying asset as well as for lease contracts for which the underlying asset is of low value, i.e. less than PLN 20 thousand for separate leases. Lease payments are recognised as costs using straight-line method throughout the lease period for lease contracts for which the Group applies simplified approach.

Perpetual usufruct is classified as a lease according to IFRS 16 due to the occurrence of future fees for the use of this right. The Group assumed that the lease period for this type of contracts is the remaining period of the right granted since the transition to IFRS 16.

The Group determines the period of lease for non-cancellable leases, taking into account both:

- periods covered by an option to extend the lease if the Group as a lessee is reasonably certain to exercise that option, and
- periods covered by an option to terminate the lease if the Group as a lessee is reasonably certain not to exercise that option.

The Group reassesses whether it is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise an option to extend a lease, or not to exercise an option to terminate a lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

At the commencement date, the Group as a lessee measures the right-of-use asset at cost. The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- initial direct costs incurred by the Group as a lessee in connection with the conclusion of the leasing contract, and
- an estimate of the costs to be incurred by the Group as a lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

At the commencement date, the Group measures the lease liability at the present value of outstanding lease payments, discounted at the internal leasing rate or if this rate cannot be easily determined the marginal interest rate of the Group. After initial recognition, lease liability is measured at amortised cost.

The Group applies the marginal interest rate of lessee. As the lessee the Group estimates the discount rate taking into account the duration and the currency of the contract.

All right-of-use assets are classified in tangible fixed assets (Note 26). Leasing liabilities are recognised as financial liabilities measured at amortised cost (Note 29).

Cash payments of lease liabilities are classified in statement of cash flows within financial activities. Short term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified in statement of cash flows within operating activities.

### **mBank S.A. Group as a lessor**

#### In operating lease

The Group recognises lease payments from operating leases as income on a straight-line basis or in another systematic manner. The Group recognises costs, including depreciation, incurred in order to obtain benefits from leasing. The Group adds the initial direct costs incurred in order to obtain operating leasing to the carrying value of the underlying asset and it recognises these costs as expenses incurred throughout the lease period on the same basis as lease revenues. The method of depreciation of leased out depreciable assets is the same as that foreseen by the normal depreciation rules adopted by the Group with regard to similar assets, and the depreciation charges are calculated in accordance with IAS 16 and IAS 38. In order to determine whether there has been any impairment of the object of the lease, the Group applies IAS 36.

### In finance lease

At the commencement date the Group recognises assets held under a finance lease as receivable at an amount equal to the net investment in the lease. Initial direct costs are included in the initial measurement of the net investment in the lease and reduce the amount of income recognised over the lease term. The Group recognises finance income over the lease term on a systematic and rational basis. The lease payments relating to the period reduce gross investment in the lease lowering both the principal and the unearned finance income. The Group applies the derecognition and impairment requirements of IFRS 9 to the net investment in the lease.

### **2.21. Provisions**

Loan commitments and financial guarantee contracts are subject to loan loss provisions requirements according to IFRS 9 Financial Instruments. Method of guarantee valuation is presented in Note 2.9.

According to IAS 37, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

### **2.22. Post-employment benefits and other employee benefits**

#### **Post-employment benefits**

The Group forms provisions against future liabilities on account of post-employment benefits determined on the basis of an estimation of liabilities of that type, using an actuarial model. The Group uses a principle of recognition of actuarial gains or losses from the measurement of post-employment benefits related to changes in actuarial assumptions in other comprehensive income that will not be reclassified to the income statement. The Group recognises service cost and net interest on the net defined benefit liability in the overhead cost and in other interest expenses, respectively.

#### **Equity-settled share-based payment transactions**

The Group runs programmes of remuneration based on and settled in own shares. Equity-settled share-based payment transactions are accounted for in compliance with IFRS 2 Share-based Payment. In case of the part of the programme settled in shares, the fair value of the service rendered by employees in return for options and shares granted increases the costs of the respective period corresponding to own equity. The total amount which needs to be expensed over the period when the outstanding rights of the employees for their options and shares to become exercisable are vested is determined on the basis of the fair value of the granted options and shares. There are no market vesting conditions that shall be taken into account when estimating the fair value of share options and shares at the measurement date. Non-market vesting conditions are not taken into account when estimating the fair value of share options and shares, but they are taken into account through adjustment on the number of equity instruments. At the end of each reporting period, the Group revises its estimates of the number of options and shares that are expected to become exercised.

#### **Cash-settled share-based payment transactions**

In case of the part of the programme based on cash-settled share-based payments based on shares of the ultimate parent of the Group, the fair value of the service rendered by employees in return for right to options/share appreciation rights increases the costs of the respective period, corresponding to liabilities. Until the liability related to the cash-settled share-based payments transactions is settled, the Group measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

#### **Other employee benefits**

From September 2012, the incentive programme based on phantom shares in mBank Hipoteczny has been functioning in this bank. Cash-settled part of the programme as well as the part based on phantom shares increases the costs of the given period in relation to liabilities. Expenses are recognised over the term of the programme.

## 2.23. Equity

Equity consists of capital and own funds attributable to owners of the Bank, and non-controlling interest created in compliance with the respective provisions of the law, i.e., the appropriate legislative acts, the Bank by-laws or the Company Articles of Association.

### Registered share capital

Share capital is presented at its nominal value, in accordance with the by-laws and with the entry in the National Court Register.

### Own shares

In the case of acquisition of shares in the Bank by the Bank the amount paid reduces the value of equity as own shares until the time when they are cancelled. In the case of sale or reallocation of such shares, the payment received in return is recognised in equity.

### Share premium

Share premium is formed from the share premium obtained from the issue of shares reduced by the attached direct costs incurred with that issue.

Costs directly connected with the issue of new shares and options reduce the proceeds from the issue recognised in equity.

Moreover, share premium takes into account the settlements related to incentive programs based on Bank's shares.

### Retained earnings

Retained earnings include:

- other supplementary capital,
- other reserve capital,
- general risk reserve,
- undistributed profit from previous years,
- profit (loss) for the current year.

Other supplementary capital, other reserve capital and general risk reserve are formed from allocations of profit, and they are assigned to purposes specified in the by-laws or other regulations of the law.

Moreover, other reserve capital comprises valuation of incentive programs based on the Bank's shares.

Dividends for a given year, which have been approved by the General Meeting but not distributed at the end of the reporting period, are shown under the liabilities due to dividends payable under Other liabilities.

### Other components of equity

Other components of equity result from recognition in the books of the Bank or the Group:

- valuation of financial assets at fair value through other comprehensive income,
- exchange differences on translation of foreign operations,
- actuarial gains and losses relating to post-employment benefits,
- valuation of derivative financial instruments held for cash flow hedging in relation to the effective portion of the hedge,
- cost of hedge,
- fair value measurement of assets reclassified to investment property.

### Additional equity components

Item Additional equity components include capital bonds within the meaning of the Bond Act of 15 January 2015 classified as Additional Tier I capital.

## 2.24. Valuation of items denominated in foreign currencies

### Functional currency and presentation currency

The items contained in financial reports of particular entities of the Group, including foreign branches of the Bank, are valued in the currency of the basic economic environment in which the given entity conducts its business ("functional currency"). The financial statements are presented in the Polish zloty, which is the presentation currency of the Group and the functional currency of the Bank.

### Transactions and balances

Transactions denominated in foreign currencies are converted to the functional currency at the exchange rate in force at the transaction date. Foreign exchange gains and losses on such transactions as well as balance sheet revaluation of monetary assets and liabilities denominated in foreign currency are recognised in the income statement. Foreign exchange differences arising on account of such monetary items as financial assets measured at fair value through profit or loss are recognised under gains or losses arising in connection with changes of fair value. Foreign exchange differences arising on account of such monetary items as equity instruments measured at fair value through other comprehensive income are recognised in other comprehensive income.

At the end of each reporting period non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction, and non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was measured.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange differences component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange differences component of that gain or loss is recognised in profit or loss.

Changes in fair value of monetary items valued through other comprehensive income cover foreign exchange differences arising from valuation at amortised cost, which are recognised in the income statement.

Items of the statement of financial position of foreign branches are converted from functional currency to the presentation currency with the application of the average exchange rate as at the end of the reporting period. Income statement items of these entities are converted to presentation currency with the application of the arithmetical mean of average exchange rates quoted by the National Bank of Poland on the last day of each month of the reporting period. Foreign exchange differences so arisen are recognised in other comprehensive income.

### Companies belonging to the Group

The performance and the financial position of all the entities belonging to the Group, none of which conduct their operations under hyperinflationary conditions, the functional currencies of which differ from the presentation currency, are converted to the presentation currency as follows:

- assets and liabilities in each presented statement of financial position are converted at the average rate of exchange of the National Bank of Poland (NBP) in force at the end of this reporting period,
- revenues and expenses in each income statement are converted at the rate equal to the arithmetical mean of the average rates quoted by NBP on the last day of each of 12 months of each presented periods,
- all resulting foreign exchange differences are recognised as a distinct item of other comprehensive income.

Upon consolidation foreign exchange differences arising from the conversion of net investments in companies operating abroad are recognised in other comprehensive income. Upon the disposal of a foreign operation such foreign exchange differences are recognised in the income statement as part of the profit or loss arising upon disposal.

### Leasing business

In the case of mBank Group as a lessee, the profit and loss account includes negative or positive foreign exchange differences from the conversion of the lease liability expressed in a foreign currency after conversion into PLN at the time of initial recognition.

In the case of mBank Group as a lessor in finance lease, exchange rate differences from the valuation of receivables in the amount equal to the net investment in the lease in a foreign currency are charged to the income statement at the end of the reporting period.

## 2.25. Trust and fiduciary activities

mBank S.A. operates trust and fiduciary activities covering domestic and foreign securities and services provided to investment and pension funds.

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties. Fee and commission income from trust and fiduciary activities is recognised in accordance with IFRS 15. In connection with these, the Bank makes decisions concerning the allocation, purchase and sale of a wide variety of financial instruments. Assets held in a fiduciary capacity are not included in these financial statements as they do not belong to the Group.

Other companies belonging to the Group do not conduct any trust or fiduciary activities.

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

These financial statements include the requirements of all the International Accounting Standards and the International Financial Reporting Standards endorsed by the European Union, and related interpretations which have been endorsed and binding for annual periods starting on 1 January 2024.

### 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 had 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 had no significant impact on the financial statements.
Amendments to IAS 7 and IFRS 7 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 had no significant impact on the financial statements.

Published Standards and Interpretations which have been issued but are not yet binding or have not been adopted early

Standards and interpretations	Description of the changes	The beginning of the binding period	Impact on the Group's financial statements in the period of initial application
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 standards 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
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.
IFRS 19 Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries' financial statements while maintaining the usefulness of the information for users of their financial statements. A subsidiary is eligible if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.	1 January 2027	The standard will not apply for the purpose of preparing Group's financial statements.
Amendments to IFRS 9 and IFRS 7 – classification and measurement	The amendments to IFRS 9 and IFRS 7 relate to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features. The amendments also include the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income.	1 January 2026	The application of the new standards will not have a significant impact on the financial statements.
Amendments to various standards resulting from the annual review of International Financial Reporting Standards	The amendments cover IFRS 1, IFRS 7 (including implementation guidance), IFRS 9, IFRS 10 and IAS 7 and consist of improving readability, accessibility and consistency with other standards and eliminating ambiguities in selected paragraphs.	1 January 2026	The application of the amended standards will have no significant impact on the financial statements.
Amendments to IFRS 9 and IFRS 7 - contracts relating to electricity dependent on natural conditions	The changes to nature-based electricity contracts relate to requirements for the possibility to apply the own-use exemption and hedge accounting with associated disclosures. The scope of the amendments is narrow and only if the contracts meet certain characteristics, they will be subject to the amendments.	1 January 2026	The application of the amended standards will have no significant impact on the financial statements.

## The interest rate benchmark reform

Since year 2021, mBank continued efforts to implement the reform of reference rates initiated by Regulation 2016/1011 of The European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (further "BMR") which resulted, inter alia, in the Financial Conduct Authority's (further "FCA") decision to cease quoting or lose representativeness of LIBOR rates (further "IBOR reform").

In order to effectively implement the changes resulting from the IBOR reform, a project was launched at mBank in 2020 involving Bank's units responsible for risk management, treasury, retail and corporate banking, financial markets, IT, accounting, reporting and compliance areas. The implementation of the project is supervised by the Steering Committee and the Capital, Asset and Liability Management Committee.

As a result of the project, the Bank updated and implemented changes to its action plan in the event of material changes or discontinuation of an index or benchmark.

The Bank has also adjusted risk models to the new reference rates and implemented IT changes to properly handle the new reference rates as well as business relevant products and instruments based on those rates. Wherever possible appropriated fallback clauses were introduced to customer contracts.

In case of retail clients with loans with interest still calculated in 2024 based on LIBOR reference rates, the Bank proposed signing an annex changing the reference rate to an alternative rate. Signing the annex was voluntary, and in a situation where borrowers did not sign the annex, the interest rate after discontinuation of the LIBOR was set in accordance with the last value of the reference rate.

In case of corporate clients LIBOR USD index was replaced in loan contracts by alternative index already in 2023.

In the second half of 2022 the National Working Group on Reference Rate Reform (NGR) was established to prepare a 'roadmap' and a timetable of actions for the smooth and safe implementation of the various elements of the process leading to the replacement of the WIBOR interest rate index with a new reference index (hereinafter WIBOR reform).

Representatives of the Ministry of Finance, the National Bank of Poland, the Office of the Financial Supervision Authority, the Bank Guarantee Fund, the Polish Development Fund, the Warsaw Stock Exchange, the National Depository for Securities, Bank Gospodarstwa Krajowego, the GPW Benchmark, and banks participate in the NGR activities.

In line with the initial decision taken by the NGR Steering Committee, the WIBOR index was to be replaced by the new index by the end of 2024. In October 2023, the NGR Steering Committee announced that it was pushing back the deadline for completing the transition from WIBOR to the new benchmark to the end of 2027 and on 10 December 2024 decided that it would be replaced by WIRF- index (POLSTR).

The key risks faced by the Bank in relation to the WIBOR are:

- the risk of uncertainty regarding the transition of contracts to alternative reference rates, which could lead to an adverse change in the risk profile of these contracts,
- the risk of slow adaptation of the new reference rate by the financial markets, including the delayed development of the derivatives market required to manage the interest rate risk profile.

In order to mitigate these risks, the Bank has launched a separate project for implementation of the WIBOR reform, actively participates in the NGR activities and takes advantage of the solutions developed during consultation process led by International Swaps and Derivatives Association (ISDA), Polish Bank Association and other international organisations.

The Bank has also intensified activities related to implementing required changes to WIBOR based contracts with retail and corporate customers. Particular emphasis, in order to maximise the percentage of annexed agreements was placed on effective and transparent communication of the required changes.

The Bank is also working to remove products based on the WIBOR index from its current offering and replace them with products based on alternative rates. In 2024, the Bank began selling cash and revolving loans to individual customers based on the NBP reference rate.

The table below presents the Bank's exposure as at 31 December 2024 to material reference rates in scope of the interest rate benchmark reform for which the transition to the alternative reference rates was not yet completed.

(PLN million)	The contractual amount of non-derivative financial asset	The contractual amount of non-derivative financial liabilities	Nominal amount of derivatives as a net amount of receivables and liabilities for derivative transactions
PLN WIBOR	88 179	893	(29 632)
PLN WIBID	-	4 034	-
<b>Total</b>	<b>88 179</b>	<b>4 927</b>	<b>(29 632)</b>

Bank currently is not offering any products based on BMR non-compliant reference rates.

The impact of the IBOR reform on hedge accounting is presented in Note 20.

### 3. Risk management

The mBank Group manages risk on the basis of regulatory requirements and best market practice, by developing risk management strategies, policies and guidelines.

The risk management process is conducted at all levels of the organisational structure, starting at the levels of the Supervisory Board (including Risk Committee of the Supervisory Board) and the Bank's Management Board, through specialised committees and organisational units responsible for risk identification, measurement, monitoring, control and reduction, down to each business unit of the Group.

#### 3.1. Risk management in mBank Group in 2024 – regulatory environment

The mBank Group takes actions on an ongoing basis to adapt the risk management principles to changing external conditions, including changes in the law.

##### Changes regarding the calculation of capital requirements (CRR Regulation)

The Group monitors the regulatory changes resulting from the implementation of the updated standards of the Basel Committee on Banking Supervision into EU legislation, in particular those related to the revision of the methodologies for calculating capital requirements (so-called Basel 4). In June 2024, the CRR III/CRD VI regulatory package was published. The changes in the Regulation (EU) No. 575/2013 of the European Parliament and Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (Official Journal of the European Union, L 176/1, 2013, as amended – CRR Regulation) mainly relate to the methodologies for calculating capital requirements for the different types of risk: credit risk, market risk and operational risk. In case of mBank Group, particularly significant are the changes to the methods of calculating capital requirements for credit risk, due to the application of the internal rating-based approach, which is also subject to change.

The changes also translate into prudential reporting and capital adequacy disclosures. The new regulations apply from the beginning of 2025.

##### Amendments to the CRD IV Directive

The amended CRD foresees additional requirements for ESG risks, in the context of risk management, measurement and monitoring, economic capital calculation, or stress scenario analyses. The provisions of the CRD require transposition into local laws and will be effective from January 2026.

##### Updated disclosure requirements (Pillar III)

Commission Implementing Regulation (EU) 2024/3172 of 29 November 2024, which repealed Commission Implementing Regulation (EU) 2021/637, established uniform disclosure formats to implement the Basel III standards.

##### Uniform rules for instant payments in EUR

The Bank is working on adapting to the requirements of the regulation establishing uniform rules for instant payments in euro throughout the European Union (Regulation (EU) 2024/886). The regulation aims to improve competition in the payments market, reduce market concentration and increase the choice of electronic payment methods, especially in the case of cross-border payments. This goal is to be achieved by ensuring that all payment accounts are available for instant transfers 24 hours a day, 7 days a week.

##### Recommendations of the Polish Financial Supervision Authority (PFSA)

In order to update good practices binding on banks, including in the context of new guidelines and requirements defined by the European supervisory authorities, taking into account regulatory solutions and practices applied in other countries, the Office of Polish Financial Supervision Authority (PFSA Office) regularly works on updating recommendations addressed to banks.

In 2024, the PFSA published updated Recommendation G on interest rate risk management. In connection with the publication of the final version of the EBA Guidelines for the Management of Interest Rate Risk in the Banking Book and Credit Spread Risk in the Banking Book, amended Recommendation takes into account the new requirements under the aforementioned regulations.

In 2024, the Bank has completed the process of adapting to the changes in Recommendation S on best practices for managing mortgage-backed credit exposures.

##### New PFSA requirement for long-term funding ratio

In accordance with earlier announcements by representatives of the PFSA Office, on 15 July 2024, the PFSA adopted a recommendation regarding the Long-Term Funding Ratio (LTFR). The purpose of this recommendation is to reduce the risk associated with the current model of financing mortgage loans by banks, in particular to reduce liquidity and interest rate risk. Currently, loan financing by banks is mainly based on retail deposits, and in particular on current accounts. The introduction of the recommendation is intended to increase the scale of financing mortgage loans with long-term debt instruments. The applied

weighting system rewards instruments with longer maturities, with the highest weight assigned to maturities of at least 5 years. Issues of green debt instruments, surpluses of own funds and fixed-rate loans were also given preferential weight. The PFSA expects that banks subject to the recommendation will maintain the LFR at a level of at least 40% from 31 December 2026.

### **IBOR reform**

The Group has carried out work to convert LIBOR CHF, EUR, JPY, GBP and USD which were withdrawn in accordance with the Financial Conduct Authority (FCA) announcements.

The Group is also involved in the work of the National Working Group on Benchmark Reform (NGR), which was established in connection with the planned reform of benchmarks in Poland and, among others, is to introduce a new interest rate benchmark, for which the input data is information representing O/N (overnight) transactions. The work of the NGR is aimed at ensuring the credibility, transparency and reliability of the development and application of the new reference interest rate index. The Bank has given this work an exceedingly high priority and is guided by the schedule published by the NGR.

Additional information on the impact of IBOR reform is presented in Note 2.26 and Note 20.

### **EBA guidelines and standards on interest rate risk in the banking book**

In October 2022, EBA published final standards and guidelines with regard to the management of interest rate risk in the banking book as part of the review of existing guidelines:

- revised guidelines on the interest rate risk in the banking book (IRRBB) and credit spread risk arising from banking book activities (CSRBB); they replaced EBA Guidelines issued in 2018,
- technical standards on the standardised approach and the simplified standardised approach for the assessment of IRRBB,
- technical standards on supervisory outlier testing (SOT) for interest rate risk in the banking book.

The indicated regulations contain provisions and requirements for the management of IRRBB. In particular they extend the CSRBB risk management rules analogous to the current IRRBB rules, clarify the rules for calculating the sensitivity of interest income and specify the calculation of regulatory measures, including the level of regulatory limits. Additionally, Delegated Act of European Union 2024/856 from 1 December 2023, went into force on 14 May 2024 and supplemented Directive of the European Parliament and of the Council 2013/36/EU with regards to technical standards, defining large decline at 5% of Tier I capital. The Group has adjusted internal regulation on interest rate and credit spread risk management to the regulatory requirements.

### **Environmental (E), social (S) and corporate governance (G) risks**

Environmental (E), social (S) and governance (G) risks and related new legal regulations and technological solutions are modifying the business models of mBank Group clients. Adaptation to the dynamically changing business and regulatory environment is inevitable. mBank Group constantly monitors regulatory changes in these areas and analyse their impact on our clients.

Materialization of environmental risks can affect a Bank's financial performance directly (e.g., through the destruction of fixed assets), but also indirectly by affecting customers (e.g. by lower economic growth, tightening of financial conditions).

In this area, the principles of conduct result from legislation (mainly European) and guidelines from supervisory authorities.

#### Regulatory changes in the area of sustainable development (CRR III/CRD VI)

Published on 19 June 2024 in the Official Journal of the European Union, two legal acts amend the regulations of EU law which are fundamental for the functioning of banks:

- Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the minimum capital threshold – as Regulation CRR III,
- Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third country branches and environmental, social and corporate governance risks – as Directive CRD VI.

In the area of environmental risk resulting from the adjustment process and trends within the transformation, particularly with respect to the goals related to achieving climate neutrality, CRD VI requires the Management Board to develop a detailed plan with measurable targets and processes for monitoring financial risks arising from environmental factors in the short, medium and long term. The updated Directive CRD provides additional requirements for ESG risks, in the context of risk management, measurement and monitoring, economic capital calculations or stress scenario analyses.

CRR III requires a Bank to disclose qualitative information on environmental (E), social (S) and corporate governance (G) and quantitative tables on environmental risks by physical risk and transition risk, in terms of:

- adopted strategies and actions taken to support clients and subsidiaries in their adaptation/transformation to a sustainable economy, requiring the Bank to expand its existing processes for disclosing the above information and data,
- the green asset ratio (GAR),
- the Banking Book Taxonomy Alignment Ratio (BTAR), which is an extension of the GAR measure to smaller customers (who do not disclose non-financial information).

The Bank will disclose the issues mentioned above starting from June 2025.

#### EBA recommendation

In the first half of 2024 the EBA has consulted on guidelines for ESG risk management "Guidelines on the management of ESG risks". The document contains guidelines regarding internal processes and risk management that financial institutions should implement to ensure the resilience of their business model and risk profile in the short, medium, and long term. The bank should incorporate ESG risks, including environmental risks, into its regular risk management framework as a horizontal risk. To this end, it should integrate ESG risks into internal processes and include them in its reporting. The bank should also develop transformation plans in line with the adopted policies and strategies. The final document was published on 9 January 2025. The guidelines will come into effect in January 2026.

The regulatory environment concerning social risk (S) within the sustainable development context is crucial for ensuring responsible and sustainable management of the Bank's activities. The materialization of social risks can negatively impact the Bank on multiple levels, from its reputation and financial stability to regulatory compliance. The principles governing social risk management arise from current legislation, primarily at the European level, as well as from the guidelines of supervisory authorities.

The most important regulatory documents and guideline in this area, in addition to the CRR/CRD VI directives and EBA recommendations mentioned earlier, are:

- Regulation (EU) 2020/852 (EU Taxonomy Regulation), which refers to social and corporate governance issues in the criterion for minimum guarantees,
- Directive (EU) 2019/882 (European Accessibility Act).

The corporate governance requirements are additionally a result of:

- Commercial Companies Code, Banking Law and capital market regulations,
- supervisory recommendations, including Recommendation Z on the principles of internal governance in banks and the "Corporate Governance Principles for Supervised Institutions", issued by the PFSA and the European Banking Authority's (EBA) guidelines on internal governance,
- market standards, including the "Best Practices for Companies Listed on the WSE 2021".

In 2024, in connection with the Regulation (EU) of the European Parliament and of the Council on digital operational resilience for the financial sector (DORA) and the guidelines of the Directive (EU) of the European Parliament and of the Council on improving gender balance among directors of listed companies, the Policy for the Assessment of Qualifications (Suitability), Appointment and Dismissal of Members of the Bank's Bodies was updated. The Bank has also updated the Policy for the Identification of Key Functions, Succession Planning, Appointment and Dismissal of Key Function Holders and Assessment of Their Suitability.

The mBank Group also reports ESG issues as part of its sustainability reporting. For 2024, disclosure is prepared for the first time in accordance with the Corporate Sustainability Reporting Directive (CSRD). It extended reporting obligations on the impact of companies on communities and the environment, also in terms of alignment with regulators' guidelines. Companies are obliged to prepare sustainability reports based on this directive.

### **3.2. Principles of risk management**

Managing credit risk, the Group focused on identifying factors that could significantly affect customers and the quality of the portfolio.

- In the corporate banking area, the Bank maintained cautious approach to its credit risk policies changes. At the same time, the Bank continued projects that are expected to result in the automation and simplification of the credit process.
- In the retail banking area, the Bank takes into account the risks associated with the current economic situation. The situation of households and SMEs is subject to intense pressure caused by high volatility of macroeconomic and geopolitical factors. The Bank adapts to this situation by maintaining a conservative credit policy, particularly in the area of creditworthiness assessment.

Risk management roles and responsibilities in the mBank Group are organised around the three lines of defence scheme:

- The first line of defence is business units (Business), which primarily pursue business goals. As part of achieving these goals, Business manages risk and capital. Business takes the risk and capital aspects into account when making all decisions within the boundaries of the risk appetite defined for the mBank Group. The Senior Line Management within the Business identifies threats in its own domain and is responsible for having effective control mechanisms in place. This means that Business is the owner of all types of risk associated with its operations (including risks related to outsourced activities);
- The second line of defence are primarily organizational units in the risk management area (Risk), Security, Data Protection Inspector and Compliance function, which create risk management strategies for each risk type, support and supervise the Business in their implementation and independently analyse and assess the risk. To ensure that the Business is supported and supervised in an objective manner, the second line of defence operates independently of the Business;
- The third line of defence is Internal Audit, ensuring independent assessment of activities connected with risk management performed by the first and the second line of defence.

### 3.2.1. Risk culture

Risk culture is the norms, attitudes and behaviours that relate to risk awareness, risk taking, risk management and the controls that shape risk decisions.

Risk culture is a key element of effective risk management, including capital and liquidity risk management. It influences the decisions made by management and employees in the course of day-to-day operations and the risks they take.

mBank Group recognizes that a proper risk culture contributes to a more sustainable business model, which is especially important when banks are facing economic, financial and geopolitical difficulties. Therefore, mBank Group develops it, promotes it and monitors it.

Risk culture at mBank Group is part of its organizational culture. Therefore, the basis for further development of risk culture is:

- mBank values define culture of trust and positive intentions: authenticity, empathy, courage, responsibility, cooperation. These values define the most important behaviours from the Bank's perspective and its further development,
- Code of Conduct, which defines minimum standards that apply to all employees in relations with each other and in relations with customers and business partners.

In order to properly develop the risk culture and use properly selected tools, mBank Group must be aware of its current status. Therefore, mBank Group assesses it in a comprehensive and multi-faceted manner through the analysis of five areas, for which mBank Group defines indicators. The indicators can be quantitative or qualitative in order to best reflect norms, attitudes and behaviours in mBank Group. Indicators are created and evaluated based on internal regulations for assessing risk culture. In assessing risk culture, mBank Group incorporates the results of a survey examining sentiment, satisfaction and commitment among employees, which is a horizontal and qualitative component of the assessment. It reflects a broad view of relevant culture topics among all employees and at all levels of management.

Detailed rules for assessing and monitoring risk culture are described in the Risk Management Strategy and internal regulation for Risk Culture Assessment.

### 3.2.2. Responsibilities in the risk management process

**Supervisory Board** supervises the Bank's activities with regard to the risk management system and evaluates its adequacy and effectiveness. The Supervisory Board considers regular and comprehensive information on all important matters concerning the Bank's activities provided by the Management Board, the risks associated with its activities and the ways and effectiveness of managing these risks. In particular, the Supervisory Board approves the mBank Group Risk Management Strategy and supervises its implementation.

**Risk Committee of the Supervisory Board** exercises constant supervision over the credit, market, liquidity and non-financial (including operational) risks. In particular the Risk Committee issues recommendations regarding approval of risk management strategies, including the Risk Management Strategy, by the Supervisory Board. In addition, the Risk Committee issues recommendations in terms of individual counterparty risk, in accordance with the parameters defined by the Supervisory Board.

**Management Board of the Bank** designs, implements and ensures the operation of the risk management system. In particular, the Management Board defines and implements the Risk Management Strategy of the Group and is responsible for defining and implementing the principles of managing individual risk types and for their consistency with the Risk Management Strategy. The Management Board establishes the organisational structure of the Bank and allocates tasks and responsibilities to individual organisational units, ensuring the appropriate distribution of roles in the risk management. The Management Board is also responsible for developing, implementing, effectiveness and updating written strategies, policies and procedures for risk management system, internal capital adequacy assessment process, capital management and capital planning, and internal control system.

**Chief Risk Officer** is responsible for integrated risk and capital management of the Bank and the Group in the scope of defining strategies and policies, measuring, controlling and independent reporting on all risk types (in particular credit risk, market risk, liquidity risk, non-financial risk including operational risk), approving limits (in accordance with internal regulations), and for processes of managing the risk of the retail credit portfolio and corporate portfolio.

**Chief Environmental Risk Officer (CERO)** is responsible for developing the Bank's environmental risk management in the scope of setting appropriate standards, overseeing the process and methodology of carbon footprint control, overseeing the internal control rules, greenwashing risk and climate stress tests.

#### The Committees:

- **The Committees of the Business and Risk Forum of mBank Group** is a platform for making decisions and dialogue between organizational units in particular business lines and the risk management area in mBank and mBank and the mBank Group subsidiaries. The Business and Risk Forum is constituted by the following bodies Retail Banking Risk Committee (KRD), Corporate and Investment Banking Risk Committee (KRC), and Financial Markets Risk Committee (KRF). The main function of the above-mentioned committees is to develop the principles of risk management and risk appetite. The Committees take decisions and make recommendations concerning in particular risk policies, processes and tools for risk assessment, risk limitation system, assessing the quality and profitability of portfolio of exposures to clients, approval of introducing new products to the offer and key aspects of selling investment products to retail banking clients.
- **Model Risk Committee** is responsible for supervising the model risk management process, performing an informative, discussion, decision-making and legislative function in this respect.
- **Capital, Assets and Liabilities Committee (CALCO)** is responsible for the systematic monitoring of the balance sheet structure and capital, and the allocation of funds within acceptable risks. Its purpose is to optimise financial result, as well as to shape and allocate capital in a way that maximises return on equity of the mBank Group.
- **Sustainable Development Committee of mBank Group** is a platform for making decisions, issuing recommendations and dialogue on sustainable development. The Committee shapes, promotes and monitors sustainable development in the mBank Group.
- **Credit Committee of the mBank Group** makes loan decisions and issues recommendations, and thus has an impact on the implementation of concentration risk management principles in particular in terms of exposures to individual clients and group of affiliated entities, including large exposures. The Committee shall also take decisions on debt conversion into shares, stocks, taking over properties in return for debts (applies to the Bank).
- **Investment Banking Committee** ensures proper and effective risk management in investment transactions offered by the Brokerage Bureau. The Committee is in particular responsible for the identification and management of potential risks posed by the transaction under consideration as well the fast and efficient exchange of information between the Business and the risk management area on the Bank's strategy adopted towards the customer.
- **Committee for Data Quality and Information Systems Development** ensures conditions for the creation, maintenance and development of an effective data quality management system and the development of information systems within the rules set out in the Bank's Data Governance procedures.
- **Security Committee** has the power to make decisions regarding the approval of activities significant from the Group's point of view in the terms of banking crime, cybersecurity, information protection, including its protection in IT systems, physical protection and technical security, and ensuring the continuity of the Group's operations.
- **IT Architecture Committee** is responsible for the effective management of IT resources in mBank and the mBank Group subsidiaries. It ensures consistency of elements and flexibility of IT solutions in the Group, effective use of IT resources, optimization of the use of knowledge and experience in the field of IT and repeatability of processes carried out in the field of IT.

- **Foreign Branch Supervision Committee of mBank S.A.** is responsible, among others, for issuing recommendations on approval of the operational strategy and the rules for stable and prudent management of a particular foreign branch of the Bank, especially with reference to credit risk.

The function of management at the strategic level and the function of control of credit, market, liquidity and operational risks and risk of models used to quantify the aforesaid risk types are performed in the risk management area supervised by the Vice - President of the Management Board, Chief Risk Officer.

### 3.2.3. Internal capital and liquidity adequacy assessment process (ICAAP/ILAAP)

The mBank Group applies the internal capital adequacy assessment process (ICAAP) aimed at maintaining own funds at the level adequate to the profile and the level of risk in its operations.

The ICAAP includes:

- risk inventory in the mBank Group,
- calculation of internal capital and own funds requirements for coverage of risk,
- capital aggregation,
- stress tests,
- setting the limits on the utilisation of capital resources,
- capital planning and allocation,
- monitoring consisting in a permanent identification of risk involved in mBank Group operations and analysis of the level of capital for risk coverage,
- annual review of the process.

The liquidity adequacy assessment process (ILAAP) implemented in mBank Group plays a key role in maintaining the Bank's and the Group's business continuity by ensuring an appropriate liquidity and financial position. ILAAP comprises of:

- Group's liquidity and funding risk inventory,
- calculation of liquidity measures, including modelling of selected banking products,
- management, taking into account the stress tests, liquidity contingency plan, early warning indicators (EWI), recovery indicators (RI) and limits monitoring,
- process review and assessment,
- Funds Transfer Pricing (FTP) system,
- model validation.

The ICAAP and ILAAP are reviewed by the Bank's Management Board on a regular basis. Reviews of these processes are supervised by the Supervisory Board of the Bank.

#### Material risks in the mBank Group's operations

The Management Board is taking activities for ensuring that the Bank manages all material risks arising from the implementation of adopted business strategy of the mBank Group. Therefore, the mBank Group carries out an annual process of identifying and assessing risk materiality. All material types of risk are included in the Risk Management Strategy of mBank Group, in particular in the process of risk bearing capacity management.

The following risks were recognised as material for the Group as of 31 December 2024: credit risk, market risk, operational risk, business risk (including strategic risk), liquidity risk, compliance risk, reputational risk, risk of foreign currency portfolio, model risk, capital risk (including risk of excessive leverage) and securitisation risk. In addition material risks include environmental risk (E) treated as a horizontal risk, i.e. one that can materialise in existing risk categories identified as part of the risk inventory process, social risk (S) and corporate governance risk (G).

### 3.2.4. Risk appetite

Risk appetite is defined within the mBank Group as the maximum risk, in terms of both amount and structure, which the Group is willing and able to incur in pursuing its business objectives undergoing concern scenario.

#### Capital and liquidity buffers

mBank Group determines the risk appetite to ensure continued compliance with supervisory requirements on capital adequacy and liquidity, set in the European and Polish regulations. Therefore, the Group maintains capital and liquidity buffers above regulatory requirements to ensure that the Group is functioning in an uninterrupted manner in the case of negative changes in the Group or in its environment, thereby providing the ability to assure risk bearing capacity. Funding sources and capital position of the Group and liquidity risk profile, both in the regulatory and economic perspective, are taken into consideration while defining the risk capacity and risk appetite. The Bank maintains capital and liquid assets on the levels ensuring to meet regulatory requirements under normal and realistic stress conditions.

The mBank Group takes proactive measures to minimise potential negative effects resulting from unexpected and sudden withdrawals of funds deposited by customers. These actions are aimed at ensuring financial stability and protecting customers' interests in the event of such situations occurring in the future. This is supported by the entire architecture of the liquidity risk management system, thanks to which the Group shapes the desired liquidity risk profile. In daily liquidity risk management, the Group monitors liquidity and liquidity risk, using a number of early warning indicators, including those covering the intraday horizon.

mBank Group's risk appetite covers all significant risks and key risk concentrations embedded in its business strategy by setting appropriate capital buffers necessary in case of materialisation of selected risk factors related to existing portfolios and planned business and addressing new regulatory requirements and potential negative macroeconomic changes.

As a result of internal discussion on risk appetite, the target capital ratios and internal liquidity buffers and the horizon of survival for the mBank Group are determined. In order to determine the appropriate size of the liquidity buffer, a minimum level of the LCR indicator above the regulatory requirement was established.

#### Risk Bearing Capacity

Risk bearing capacity is expressed in terms of capital, funding resources and liquidity reserves available for allocation so as to ensure safety in baseline scenario and stress scenario. The maximum risk that mBank Group is willing and able to incur, while accepting threats resulting from mBank Group business strategy, is subject to the following conditions:

- adequate risk bearing capacity must be ensured (limits must be ensured in normal conditions) in accordance with ICAAP principles,
- internal targets set for regulatory capital ratios and liquidity must be observed,
- financial liquidity and adequate structural liquidity of the Group must be ensured at all times in accordance with ILAAP principles.

mBank Group's approach to the assessment and control of mBank Group risk bearing capacity covers internal and regulatory requirements.

#### Risk limit system

The mBank Group applies a risk limit system in order to ensure effective allocation of risk appetite. The structure of limits translates the risk appetite into specific constraints on risks occurring in the Group's activity. In addition to the limits, monitoring action triggers and early warning indicators are also used to ensure the safe operation of the Group.

#### **3.2.5. Stress tests within ICAAP and ILAAP**

Stress tests are used in the management and capital and liquidity planning of the Bank and the Group. Stress tests allow an assessment of the Group's resistance in the context of adverse, yet plausible scenarios of external and internal events.

The stress tests are conducted assuming scenario of unfavourable economic conditions that may adversely affect the Group's financial, capital and liquidity position. The macroeconomic scenarios adopted for analysis enable a comprehensive analysis of all significant types of risk and, in particular, an analysis of the impact on the Group's capital adequacy and liquidity.

As part of ICAAP, the Group carries out stress tests using various scenarios, including historical scenarios, macroeconomic scenarios for economic downturn, scenarios that take into account idiosyncratic events, in the context of specific risk concentrations in the Bank and Group. Such analyses are carried out for scenarios at various levels of severity, which are characterised by different probability levels regarding their realisation.

The ILAAP scenarios include negative idiosyncratic events, events concerning the entire market and combined scenarios. These scenarios are supplemented by a reverse scenario that identifies risk factors. In addition, an integrated scenario is carried out, which also takes into account the impact of factors derived from other types of risk.

Sensitivity analyses are a key tool for assessing the sensitivity of the liquidity measure to changes in selected risk factors and help in designing and verifying the credibility of stress scenarios.

The Group and the Bank carry out so called reverse stress tests, the goal of which is to identify events potentially leading to unviability of the Bank and the Group. Reverse stress tests are used for making strategic decisions concerning the acceptable risk profile of the Group.

### 3.2.6. Financial results of mBank and mBank Group in the context of regulatory requirements

The Group monitors the recovery plan indicators in the areas of liquidity, capital, profitability and assets quality in accordance with the governance stipulated in the Recovery Plan for mBank Group including the scope of meeting the trigger of recovery plan.

In line with the guidelines of European Banking Authority (EBA/GL/2021/11) on recovery plan indicators, profitability indicators should capture any institution's income-related aspect that could lead to a rapid deterioration in the institution's financial position through lowered retained earnings (or losses) impacting own funds of the institution.

The profitability of core business model of the Group in 2024 remained at a high level. The results for 2024 were partially influenced by additional costs of legal risk related to FX mortgage loans.

It should be emphasised that in accordance with the applicable provisions regarding recovery plans, in particular Article 142(2) of the Banking Law, the prerequisite for triggering the recovery plan related to significant deterioration of the financial situation of the Bank and the Group has not been met.

Recovery plan indicators in other areas, i.e. liquidity, capital and assets quality demonstrate the stable and robust situation of the Bank and the Group.

### 3.3. Credit risk

#### 3.3.1. Organisation of risk management

The Group actively manages credit risk in order to optimise the level of profit in terms of return on risk. Analysis of the risk in the Group operations is continuous. For the purpose of identification and monitoring of credit risk, uniform credit risk management rules are applied across the Bank's structure and its subsidiaries; they are based, among others, on separation of the credit risk assessment function and the sales function at all levels up to the Management Board. A similar approach is applied to administration of credit risk exposures as this function is performed in the risk area and the operating area and is independent from sales functions. The model of Group-wide risk management assumes participation in the process of the Bank's risk management area organisational units as well as the Credit Committee of the mBank Group (KKG).

##### Decision-making for credit exposures in the corporate area

Credit decisions are consistent with the accepted internal rules. Levels of decision-making competences are determined by a decision-making matrix. The determination of level of decision-making authority for credit decision is based on EL-rating or PD-rating and total exposure on client/group of affiliated entities. The total exposure also includes exposures on the client/group of affiliated entities in the mBank Group subsidiaries.

For clients applying for small exposure, the amount of exposure is the only determinant of the right level of decision-making.

##### Decision-making for credit exposures in the retail banking area

Due to a profile of retail banking clients, the accepted amount of exposure per client and standardisation of products offered to those clients, the credit decision-making process differs from that applied to corporate clients. The decision-making process is automated to a large extent, both in terms of acquiring data on the borrower from internal and external data sources, and in terms of risk assessment by means of scoring techniques and standardised decision-making criteria. The tasks, which are not automated concern mainly the verification of credit documentation and potential derogations when a decision is made with the escalation to the decision-making level in accordance with the applicable rules. In addition, in case of mortgage loans, the value of the collateral is established (standard applications evaluated internally, other with the use of external appraisal report which is additionally evaluated internally).

#### 3.3.2. Credit Policy

The Bank manages credit risk based on supervisory requirements, market best practices, Bank's own experiences and expertise. Credit policies, established separately for retail banking and corporate banking, play the key role in the credit risk management process. Credit policies include e.g.:

- target customer groups,
- acceptable ratings' levels defined by the expected loss value,
- criteria for acceptance of financed subjects and collaterals,
- rules for mitigating concentration risk,
- rules for selected industries and customers segments.

### 3.3.3. Collateral accepted

#### Collateral accepted in the process of granting credit products

The collateral is an important part of the credit policy. The primary role of collateral is to reduce the credit risk of the transaction and provide the Group with a realistic opportunity to repay receivables. In making a decision about granting a credit risk bearing product, the Group strives to obtain collateral adequate to the accepted risk. The Group accepts collateral only upon its assessment and provided it meets the condition of no significant correlation between the credibility of the debtor and the collateral value. Specific types of collateral that are required depend on the risk bearing product, the tenor of the transaction and the risk of the client.

The most common collateral accepted are:

- mortgage on real estate,
- registered pledge,
- cession of receivables (cession of rights),
- monetary deposit,
- financial pledge,
- guarantees and warranties,
- cash blocked,
- transfer of ownership to vehicle.

The value of real estate taken as collateral is determined on the basis of a valuation prepared by a licensed expert. Valuation submitted to the Bank is verified by a team of specialists located in the risk management area, that verifies the correctness of the market value assumptions and assesses the liquidity of the collateral. Carefully selected, most liquid flats securing retail credits can be valued automatically based on current transactional data.

The value of other collaterals is determined on the basis of available documents, typical for each type of collateral.

Each collateral is monitored. Frequency of monitoring depends on the type of collateral and is specified in internal regulations.

In the corporate banking area, in the case of collateral on fixed assets or financial assets, the final value of collateral is brought to a Most Realistic Value (MRV) using Empirical Coverage Factor (ECF), which reflects the pessimistic variant of debt recovery from the collateral through forced sale. Personal collateral is assessed taking into account the financial standing of provider. The Bank assigns the risk parameter PCV (which is an equivalent of Most Realistic Value for fixed assets collateral). In cases when PD parameter of the collateral provider is equal or worse than PD parameter of the debtor, then PCV parameter is zero.

mBank has a collateral policies in the area of retail banking and corporate banking. The most important elements of these policies are:

- indication of collateral preferred and unrecommended,
- recommendations regarding the requirements of collateral in specific situations,
- frequency of collateral monitoring,
- Bank's approach to collateral with MRV parameter equal to zero.

#### Collateral accepted for transactions in derivative instruments

mBank manages the risk of derivative instruments. Credit exposures arising from concluded derivative transactions are managed as a part of clients' general credit limits, taking into account potential impact of changes in market parameters on the value of the exposure. Existing master agreements with contractors obligate the Bank to monitor the value of exposure to the client on a daily basis and provide for additional collateral against the exposure to be contributed by the client or mBank in accordance with signed agreements. At the same time, the master agreements provide for early settlement of the transaction with the client in the event of breach of contract. mBank applies an Early Warning Process in order to monitor the usage of limits on derivatives and the Bank's ability to respond to the client when the exposure due to open derivative transactions nears the maximum limit. Moreover, taking into consideration credit risk related to a derivative limit granted to a specific client, the Bank may apply additional collaterals from the standard catalogue of collaterals applicable to credit risk products, as well as in specific situation from the expanded catalogue of collaterals for credit risk products in accordance with the criteria indicated in the internal Bank regulations.

### Collaterals accepted by the mBank Group subsidiaries

The mBank Group subsidiaries accept various forms of legal collateral of credit risk-bearing products. Their list depends on the specific nature of activities, type of offered products and transaction risk.

mBank Hipoteczny applies mortgage on the financed real estate as the basic collateral. Additional collateral may include bills of exchange or civil surety by the borrowing company's owners, as well as pledge on shares in the borrower's company. Loan insurance in an insurance company approved by the Bank may be accepted for a period necessary to effectively set up collateral.

mFactoring accepts only highly liquid collateral. Apart from own blank bills of exchange, these are mainly bill of exchange surety of the owners of the customer's company, cession of receivables from bank accounts (mainly those maintained by mBank), insurance of receivables, cession of rights from insurance policies in respect of receivables, concluded by customers.

mLeasing applies types of collateral that are most similar to those of mBank. The subsidiary accepts both standard personal collateral: bill of exchange and civil surety, letters of comfort, guarantees, assuming the debt, debt take over, and tangible collateral: mortgage, registered liens, transfer of ownership of collateral, transfer of receivables and cession of receivables and rights to an insurance policy, as well as deposits. The company manages the residual value risk based on Eurotax Glass's Forecast. The residual value calculations include the lease subject, lease term, estimated mileage, estimated condition of the vehicle after the lease term. The residual value also includes factors such as retrofitting, colour and year of manufacture (if the vehicle was manufactured earlier than the lease year). The obtained value is reduced by a safety factor to cover the risks associated with the fact that the user of the vehicle is not also its owner, i.e. the vehicle is the subject of the long-term rental. In the final stage, the residual value calculation is verified with the prices observed in the used car market and approved by authorised personnel. During the term of the contract, if for six-month periods, counting from the date of handover of the vehicle, the proportional mileage of the vehicle differs from the one agreed by the parties by more than 10%, the financing party has the right to recalculate the amount of the remuneration instalments based on the new estimated mileage of the vehicle. After the end of the contract, the company settles possible excess consumption and possible excess mileage by applying additional fees.

#### **3.3.4. Rating system**

The rating system is a key element of the credit risk management process in the corporate banking area. It consists of four main elements:

- customer rating (PD-rating) – describing the probability of default (PD),
- Loss Given Default (LGD) model for non-default portfolio (for default portfolio individual method of estimating recoveries is used). Model consists of the following components: recoveries from unsecured part of the credit (based on contractual and customer factors, information from financial statement), recoveries from secured part of exposure (based on collateral factors),
- Exposure at Default (EAD) model, which includes Credit Conversion Factor (CCF) model and Limit Utilisation (LU) model. The components are based on contract and customer characteristics,
- credit rating (EL-rating) – describing expected loss (EL) and taking into consideration both customer risk (PD) and transaction risk (LGD, Loss Given Default – loss resulting from default). EL can be described as  $PD \cdot LGD$ . EL indicator is used mainly at the credit decision-making stage.

The rating produces relative credit risk measures, both as percentages (PD% and EL%) and on a conventional scale from 1.0 to 6.5 (PD-rating, EL-rating) for corporations (sales over PLN 50 million) and SMEs (sales up to and including PLN 50 million). PD rating calculation is a strictly defined process, which comprises seven steps including: financial analysis of annual reports, financial analysis of interim figures, assessment of timeliness of presenting financial statements, analysis of qualitative risks, warning indicators, level of integration of the debtor's group, and additional discretionary criteria. Credit rating based on expected loss (EL) is created by combining customer risk rating and transaction risk rating, which results from the value of exposure (EAD, Exposure at Default) and the character and coverage with collateral for transactions concluded with the client (LGD). LGD, described as percentage of EAD, is a function of possibly executed value of tangible and financial collateral and depends on the type and the value of the collateral, the type of transaction and the ratio of recovery from sources other than collateral.

The rating system used in the retail banking area is used to assess the risk of secured and non-mortgage-secured transactions against individuals and micro and small businesses. The following models operate within the retail rating system:

- Loss Given Default (LGD) model, which covers the entire retail portfolio. The ultimate loss level is determined basing on integration of three components:
  - recovery rate for cured cases (based on mean recoveries achieved for cured defaults),
  - recovery rate for non-cured cases (based on contractual factors, bank-client relations and collateral characteristic),
  - probability of cure (based on socio-demographic factors and full product structure of contract owner).

Estimation of loss level takes place in homogenous segments, taking into account the type of product and the type of collateral. Separate models are in place for non-default and default portfolio;

- Exposure at Default (EAD) model, which includes Credit Conversion Factor (CCF) model, Limit Utilisation (LU) model and Prepayments model. The components are based on contract and customer characteristics;
- PD model with a modular structure, which integrates results of scoring cards dedicated to the retail area:
  - application scoring cards (based on socio-demographic factors, factors describing the characteristics of business activity and factors related with the specific of the loan products held/applied for),
  - behavioural scoring cards (based on information on the history of credit and deposit relation with the Bank),
  - internal scoring card based on Credit Information Bureau data (regarding the data about liabilities held outside the Bank).

Rating systems generate probabilities of default of borrowers directly in the form of PDs expressed in percentages (continuous scale). Rating classes are created based on procedures for grouping PDs expressed in percentages on the basis of a geometric ladder (the so-called masterscale). In external reporting, the Bank uses mapping of the internal PD rating scale to external ratings. Both the process of mapping probability of default into rating classes and the way in which internal ratings are translated into external ratings are the result of using a single, common rating scale (masterscale) within the Commerzbank group. The rating scale used at the Bank is used to visualise the level of credit risk to individuals, micro and small businesses, and medium and large business entities. The mapping method is shown in the table below.

Sub-portfolio	1				2			3		4		5			6	7	8	
PD rating	1.0 - 1.2	1.4	1.6	1.8	2	2.2	2.4 - 2.6	2.8	3	3.2 - 3.4	3.6 - 3.8	4	4.2 - 4.6	4.8	5	5.2 - 5.8	No rating	6.1 - 6.5
S&P	AAA	AA+	AA, AA-	A+, A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	B-	CCC+ till C	Not applicable	D
	Investment Grade							Sub-investment Grade			Non-investment Grade						Default	

All the mBank Group subsidiaries, whose operations are burdened with credit risk, before concluding an agreement and upon its performance, apply a monitoring process to estimate the risk using rating systems applied by the mBank Group. Rating systems that are used by the Group subsidiaries are due to the nature of their business; at the same time the factoring and leasing companies use the PD-rating of the customer, and the leasing company applies additionally credit rating (EL-rating). A rating based on supervisory measures (slotting approach) is applied in the case of mortgage loans for specialised lending for income property and real estate leasing.

### 3.3.5. Monitoring and validation of models

All models of risk parameters applied in mBank and in the Group subsidiaries (mLeasing, mBank Hipoteczny), including, i.e. PD models (with all components), LGD models and CCF models are subject to detailed and annual monitoring by modelling units. Moreover, the models are cyclically validated by mBank's independent Validation Unit and/or Validation Unit in subsidiary (if relevant).

The monitoring includes tests to check discriminatory power of individual models or their components, stability over time, the materiality of individual deviations of empirical values from theoretical values and the impact on portfolio parameters. The modelling unit recalibrates the respective models, i.e. in case of identification of some mismatches.

Reports on the performed monitoring/back tests are presented to the model users and the independent Validation Unit.

### Validation

Validation is an internal, complex process of independent and objective assessment of model operation, which is consistent with the Recommendation W requirements and - in case of the AIRB method - meets the supervisory guidelines set out in the CRR. The validation rules are set out in general in the Model Management Policy (PZM) and described in detail in other internal regulations of mBank and other Group subsidiaries. The validated models are those that are directly or indirectly used in the assessment of capital adequacy under the AIRB approach, those directly or indirectly used in the process of calculation of provisions under IFRS 9 and others listed in the Bank's List of Models PZM.

In case of AIRB models, an independence of Validation Unit is assured in the organisational structures of the Bank or the Group's subsidiary in relation to the units involved in the model's construction/maintenance, i.e. the model owner and users. The Validation Unit is responsible for the validation in mBank. The scope of validation performed by the Validation Unit covers the assessment of model concept and assumptions, correctness of their construction, implementation, their application process and effectiveness, together with the status of the remedial actions taken.

Depending on the materiality and complexity of the model, as well as the type of validation task to be performed, the validation may be complex (covering both quantitative and qualitative elements) or limited (mainly focused on the quantitative analyses and selected qualitative elements). The validation results are documented in the validation report containing, in particular, an assessment used for the purpose of approving the model, and recommendations, if any, in the form of precautionary and remedial actions, about the irregularities found.

Validation tasks are performed in accordance with the annual validation plan. Both validation plan and the results of performed validation tasks are approved by the Model Risk Committee.

### IRB Method Change Policy

The Bank implemented the "IRB Method Change Policy" approved by the Management Board. The Policy contains internal rules for the management changes within the IRB approach, based on the supervisory guidelines and taking into account the organisational specifics of the Bank. The Policy specifies the stages of the change management process, defines roles and responsibilities, describes in detail the rules of classification of changes, in particular classification criteria based on the guidelines published by the European Central Bank.

### **3.3.6. Calculating expected credit losses**

The Group calculates expected credit losses consistently with the International Financial Reporting Standards and in accordance with Polish banking law requirements and requirements of the Polish Financial Supervision Authority.

#### **3.3.6.1. How exposures are classified to Stages**

The Bank, by implementing International Financial Reporting Standards classifies credit exposures to Stages:

- Stage 1 – exposures for which the risk did not increase significantly since the initial recognition in the loan portfolio,
- Stage 2 – exposures for which, as at the reporting date, a significant deterioration in credit quality was identified compared to the date of their initial recognition,
- Stage 3 – exposures for which impairment triggers were identified during its lifetime in portfolio,
- POCI (purchased or originated credit-impaired asset) – assets identified as credit-impaired at initial recognition.

In the Bank the assignment of exposure to Stage 2 takes place according to the Transfer Logic algorithm, which defines the qualitative and quantitative criteria indicating a significant increase of credit risk, while the classification exposure to the Stage 3 is determined by loss-events.

Once the quantitative or qualitative criteria that were used to classify the exposure in Stage 2 at the reporting date are no longer met (the client and the exposure assigned to them no longer meet any of the Transfer Logic qualitative or quantitative criteria), the exposure will be moved from Stage 2 to Stage 1. In case of exposures classified as forborne, the additional condition for reclassification to Stage 1 is the 24-month probation period during which the loan has a performing status.

The exposure may also be transferred from Stage 3 to Stage 2 or to Stage 1 if for each loss-event assigned to debtor, probation period has elapsed and, debtor's assessment carried out after probation period, has not shown that the debtor is unlikely to fully repay its obligations without recourse to realising security.

Probation period refers to the period in which debtor properly fulfils its obligations, calculated from the moment event leading to loss-event ceases.

Probation period is calculated separately for each loss-event. Probation period is also maintained when the exposure due to which loss-event has occurred has been repaid, written off or sold. Probation period equals:

- for distressed restructuring – 12 months,
- for other loss-events – 3 months.

During probation period, the Bank assesses debtor's credit behaviour, and the exit from probation period depends on proper service.

### **3.3.6.1.1. Significant deterioration of credit quality (classification to Stage 2)**

A significant deterioration in credit quality is recognised for the assets concerned on the basis of quantitative and qualitative criteria, with the assets being transferred to Stage 2 once at least one of such qualitative or quantitative criteria is met.

Qualitative criteria are:

- the number of days of delay in paying the amount due is greater than or equal to 31 days, taking into account materiality thresholds:
  - the absolute threshold refers to the past due exposure amount and amounts to PLN 400 for retail exposures in Polish branch and exposures of Private Banking debtors, registered in corporate systems, CZK 2 500 for retail exposures in the foreign branch of the Bank in the Czech Republic, EUR 100 for retail exposures in the foreign branch of the Bank in Slovakia and PLN 2 000 for exposures in the area of corporate and investment banking,
  - the relative threshold refers to the ratio of the past due exposure amount to the total balance sheet exposure amount and amounts to 1%,
- the number of days of delay in paying the amount due of exposure is greater than or equal to 91 days (without materiality thresholds),
- occurrence of the Forborne performing flag (the client status shows that they are experiencing difficulties in repaying the loan commitment, as defined by the Bank),
- threefold PD backstop indicator – at least threefold increase of current PD level estimated over a 12-month horizon in relation to PD at initial recognition date,
- occurrence of the Watch List flag (the Bank's internal process designed to identify corporate clients who are subject to increased monitoring in terms of changes in credit quality, in accordance with the Watch List classification rules adopted by the Bank),
- deterioration of the risk profile of the entire exposure portfolio due to the type of product, industry or distribution channel (for retail customers).

The Bank quantifies the level of credit risk in relation to all exposures or clients for which credit exposures exists.

The quantitative criterion of the Transfer Logic is based on a significant deterioration in credit quality, which is assessed on the basis of relative and absolute long-term change in Probability of Default (PD), specified for the exposure at the reporting date, relative to the long-term PD specified on initial recognition. This factor is determined separately for the retail and corporate portfolio within the homogeneous segments in terms of probability of default events and exposure characteristics. Where relative and absolute change in long-term PD exceeds "the transition thresholds", the exposure is moved to Stage 2. An important issue in the process of calculating the credit quality deterioration is initial date recognition consistent in the entire Bank, against which the deterioration of credit quality is examined. Initial date re-recognition is determined for the exposures for which substantial modification of contractual terms took place. Each change of initial recognition date results in recalculation taking into account the new exposure characteristics, initial PD parameter at the new initial recognition date, against which the credit quality deterioration is examined.

### **3.3.6.1.2. Low credit risk**

For exposures, whose characteristics are indicative of low credit risks (LCR), expected credit losses are always determined on a 12-month basis. Exposures designated as LCR may not be transferred from Stage 1 to Stage 2, although they can be moved from Stage 1 to Stage 3 upon being recognised as credit-impaired. The Group applies the LCR criterion to clients from the government and central bank segment with investment grade ratings and to clients from Local Government Units segment. The LCR criterion is not used in the retail banking segment.

### 3.3.6.1.3. Impairment triggers – corporate portfolio

The list of definite loss events in corporate portfolio:

- the number of days past due of the principal, interest or fees is over 90 days (in the case of exposures to banks over 14 days). Number of days past due is calculated at the debtor level and commences when both absolute and relative materiality thresholds have been exceeded, where:
  - absolute threshold refers to the sum of all overdue amounts related to the debtor's liabilities towards the Bank and amounts to PLN 2 000 for corporate and investment banking debtors and PLN 400 for Private Banking debtors registered in corporate systems,
  - relative threshold refers to the ratio of all overdue amounts related to the debtor's liabilities towards the Bank to the sum of balance sheet exposures related to given debtor and amounts to 1%,
- the Bank's sale of the credit obligation with material economic loss related to change in creditworthiness of the debtor,
- the Bank performed distressed restructuring (the materiality threshold from which the Bank considers a diminished financial obligation to be defaulted is 1%),
- information about enforcement proceedings instigated against a debtor in the amount which in the Bank's opinion is likely to result in a loss of creditworthiness,
- information about a petition for bankruptcy, liquidation of a debtor, dissolution or annulment of a company, or about appointment of a guardian,
- declaration of bankruptcy of a debtor or acquiring by him a similar legal protection resulting in his evasion of or delay in repayment of credit obligations towards the Bank, the parent or subsidiary entity of the Bank,
- information about dismissal of a petition for bankruptcy of a debtor on grounds that the assets of the debtor are insufficient or are only sufficient to cover the costs of bankruptcy proceedings,
- debtor's failure to repay the amount of surety provided by the Government,
- termination of part or whole credit agreement by the Bank or the beginning of restructuring/collection procedures,
- fraud (embezzlement) of the debtor,
- the Bank expecting a loss on the client,
- occurrence of cross default,
- information on filing a restructuring petition or instigating a restructuring proceeding with regard to a debtor within the meaning of the Restructuring Law Act,
- information on major financial problems suffered by a debtor.

In addition, the Bank identifies loss-events specific to individual categories of entities, and so-called 'soft' loss events, introduced in order to signal situations, which may result in the loss of the debtor's ability to repay loan to the Bank. In the event of their occurrence, an in-depth analysis taking into account the specificity of the entity's operations is performed and individual decision on the classification of the exposure to one of the Stages is made.

### 3.3.6.1.4. Impairment triggers - retail receivables

The list of definite loss events in retail portfolio:

- the number of days past due of the principal, interest or fees is over 90 days. Number of days past due is calculated at the debtor level and commences when both absolute and relative materiality thresholds have been exceeded, where:
  - absolute threshold refers to the sum of all overdue amounts related to the debtor's liabilities towards the Bank and amounts to PLN 400 for Polish branch, CZK 2 500 for the foreign branch of the Bank in the Czech Republic and EUR 100 for the foreign branch of the Bank in Slovakia,
  - relative threshold refers to the ratio of all overdue amounts related to the debtor's liabilities towards the Bank to the sum of balance sheet exposures related to given debtor and amounts to 1%,
- the Bank performed distressed restructuring (the materiality threshold from which the Bank considers a diminished financial obligation to be defaulted is 1%),
- termination of the agreement by the Bank in the event of breach of the loan agreement by the debtor,
- obtaining information on the submission of a petition for consumer bankruptcy by the debtor, conducting court proceedings in this matter or a judgment by the court of consumer bankruptcy,

- obtaining information about the submission of an application by the debtor to initiate or to conduct bankruptcy/restructuring proceedings against the debtor, which, in the Bank's opinion, may result in delay or failure to repay the liability,
- recognition of the contract as fraudulent,
- the Bank's sale of the credit obligation with material economic loss related to change in creditworthiness of the debtor,
- uncollectable status of debt,
- pay-out of low-down payment insurance by insurance companies,
- occurrence of cross default.

### **3.3.6.2. Calculation of expected credit losses**

Expected credit losses (ECL) are measured at the level of a single contract or exposure (agreement). In the portfolio approach, expected credit losses are the product of multiplication of value of PD, LGD and EAD estimated individually for each exposure and the final value of expected credit losses is the sum of expected credit losses in particular periods discounted with the effective interest rate. The calculation of expected credit losses does not use a collective approach (assigning one parameter value to selected portfolios).

In order to calculate the Lifetime PD parameter, an estimation was used in which the explanatory variable is the cumulative default-rate. In this procedure, using linear regression calculated by the least squares method, a Weibull distribution curve is fitted to the empirical data. Estimates are made separately for the retail and corporate portfolio within the homogeneous segments in terms of client and exposure characteristics. In order to determine Lifetime PD values that take into account macroeconomic expectations, a scaling factor, known as the z-factor, is additionally determined. Z-factor aims to adjust the average observed Lifetime PD values to values that reflect expectations about the development of future macroeconomic conditions. The scaling factor determines the phase of the business cycle in which the economy will be in the next years of the forecast by comparing the expected values of default rates to long-term averages.

For the purposes of calculating the long-term LGD parameter, the dependent variable in the form of a loss ratio calculated using the discounted cash flow method (workout approach) was determined. To determine the estimates, a set of statistical methods was used, consisting of e.g. fractional regression, linear regression, mean in pools, or regression trees. Estimates are made separately for the retail and corporate portfolios within homogeneous segments with the use of customer and exposure characteristics. During the estimation, macroeconomic expectations were also used, which adjusted the model values based on customer- and contract-level variables.

In order to calculate the long-term EAD parameter, a set of two dependent variables was used in the form of the future utilisation of the limit (Limit Utilisation - LU) and the credit conversion factor (CCF). Model values were determined using regression trees based on client- and contract-level specific variables. In the segments in which the analyses indicated the statistical significance of macroeconomic expectations, they were included in the EAD models.

If on the reporting date the exposure credit risk did not increase significantly since the initial recognition, expected credit losses are calculated in the minimum horizon of 12-month horizon and horizon to maturity. If the exposure credit risk increased significantly since the initial recognition (exposure is in Stage 2), the Bank calculates expected credit losses in the life-time horizon (Lt ECL). The parameters used to calculate an expected credit loss in Stage 1 are identical to those used to calculate a long-term credit loss in Stage 2 for  $t=1$ , where 't' stands for year of the forecast.

The individual approach concerns all balance sheet and off-balance sheet credit exposures with an impairment in the corporate loan portfolio and Private Banking loan portfolio, which is registered in corporate systems. The expected credit losses are calculated as a difference between the value of exposure and the present value of the estimated future cash flows discounted with the effective interest rate. The method of calculating the expected recoveries takes place in scenarios and depends on the Bank's chosen strategy for the client. In case of restructuring strategy, considered scenarios are developed for exposures and assume a significant share of recoveries from the customer's own payments. In case of debt collection strategy, the scenarios are developed for each recovery source (collateral) separately. The Bank identifies scenarios at exposure/recovery source level, minimum 2 scenarios are considered obligatory, with additional condition that one of them reflects a partial loss on exposure/recovery source. Weight of particular scenario results from an expert assessment of the likelihood of scenarios based on the relevant facts of the case, in particular on existing security and their type, client's financial situation, client's willingness to cooperate, the risks that may occur in the case and micro- and macroeconomic factors.

For the valuation of expected credit losses the Bank uses data contained in the Bank's transaction systems and implemented in dedicated tools.

### 3.3.6.2.1. Use of macroeconomics scenarios in ECL estimation

Approach to the use of macroeconomic scenarios in ECL estimation is adapted to the specificity of the subsidiaries belonging to the mBank Group. The Group is required to set an expected credit loss in a way which meets the expectations for various forward-looking macroeconomic scenarios. In the case of portfolio estimation of ECL, the non-linearity factor (NLF) is set in order to adjust the value of an expected credit loss (calculated every month). NLF factor is determined separately for retail and corporate segments at least once a year. NLFs are used as scaling factors for individual ECLs that are determined at the level of individual exposures in each segment. NLFs are calculated based on results from three simulation calculations at the same reporting date, which result from relevant macroeconomic scenarios. In particular, NLF for a given segment is calculated as:

- the probability-weighted average of the expected loss from three macroeconomic scenarios ('average estimation') comprising: baseline scenario, optimistic scenario and pessimistic scenario. The weights of scenarios are consistent with probabilities of realisation each scenario – 60% for base, 20% for optimistic and 20% for pessimistic,
- divided by the expected loss determined under baseline scenario (reference estimate).

Simulation calculations, whose results are used to calculate NLF, are carried out on the basis of the same input data on exposure characteristics, but involve different risk parameter vectors, if the macroeconomic expectations defined in the scenarios are such as to affect the value of these parameters.

Additionally, the inclusion of forward-looking information takes place in the models of all three credit risk parameters estimated in the lifetime horizon (Lt PD, Lt EAD, Lt LGD). In the estimates the Bank uses, among others, generally available macroeconomic (GDP, employment in the enterprise sector, unemployment rate, level of export/import, salaries, monetary financial institutions receivables from households), expectations regarding exchange rates, as well as changes in property prices, separately for residential and commercial properties.

In the case of individual ECL estimation, each time, based on an expert assessment, the Bank estimates the impact of macroeconomic factors and other general factors (e.g. the Bank's previous cooperation with the borrower, the nature of the product) on the probability of the adopted scenarios in the calculation of the estimated loss and on the assumed amounts and dates of inflow from operating cash flows and from collateral. This is done through a comprehensive expert assessment of above factors. Macroeconomic factors used in individual ECL estimation are based on assumptions for budget forecasts and financial plans used for management and reporting at mBank. In addition, in terms of macroeconomic factors, conclusions from industry analyses prepared at the Bank are taken into account, in particular conclusions from expert assessments of industries prepared for the purpose of determining the Bank's industry limits, as well as from the assessment of industry prospects and the assessment of the attractiveness of a specific sector. Future economic conditions may not be taken into account in the process of estimating ECL if Bank does not identify connection between macroeconomic factors and the level of expected loss.

### 3.3.6.2.2. Significant model and methodological changes

In 2024, the following significant changes to models and methodologies used to determine expected credit risk losses took place:

- In the first half of 2024:
  - Updating the macroeconomic indicators in the expected credit loss model. The aforementioned change consisted in determining the default rate levels of the respective portfolios on the basis of new econometric models based on the latest macroeconomic forecasts and then including these levels in the estimates of the long-term probability of default. For the long-term loss model the values of macroeconomic factors were updated,
  - Recalibration of the long-term default probability model consisting of re-estimation of the model parameters with the data sample expanded to include observations from the most recent periods,
  - Recalibration of the long-term loss model for the specialized lending portfolio involving adjusting it to the most recent data available for the recovery process and taking into account updated sensitivity to the economic environment,
  - Recalibration of the long-term loss model for the mBank branches in Czech Republic and Slovakia consisting of re-estimation of the model parameters with the data sample expanded to include observations from the most recent periods and taking into account the impact of the economic environment on the long-term loss model.

The impact of these changes on the level of expected credit loss was recognized as a release of provisions in the amount of PLN 84.7 million (positive impact on the result).

■ In the second half of 2024:

- Updating the macroeconomic indicators in the long-term PD model. The aforementioned change consisted in determining the default rate levels of the respective portfolios based on the latest macroeconomic forecasts and then including these levels in the estimates of the long-term probability of default,
- Recalibration of the long-term loss model for the corporate and retail mBank portfolios involving adjusting it to the most recent data available for the recovery process.

The impact of these changes on the level of expected credit loss was recognized as a release of provisions in the amount of PLN 5.7 million (positive impact on the result).

### 3.3.6.3. Coverage by expected credit loss allowance of individual sub-portfolios

The tables below show the percentage of the Group's balance sheet and off-balance sheet items relating to loans and advances, guarantees and letters of credit to individuals, corporate entities, public sector and the coverage of the exposure by expected credit loss allowance for each of the Bank's internal rating categories (the description of rating model is included in Note 3.3.4).

Portfolio measured at amortised cost

Sub - portfolio	31.12.2024		31.12.2023	
	Exposure (%)	Coverage by expected credit losses allowances (%)	Exposure (%)	Coverage by expected credit losses allowances (%)
1	7.40	0.05	5.60	0.07
2	36.35	0.06	32.66	0.05
3	12.64	0.19	14.26	0.20
4	27.30	0.88	24.07	0.54
5	7.09	2.51	13.33	2.20
6	0.60	5.11	0.55	5.93
7	1.47	10.23	2.04	10.89
8	1.00	0.09	0.84	0.09
Other	3.16	0.16	3.51	0.10
Default category	2.99	51.48	3.14	54.96
<b>Total</b>	<b>100.00</b>	<b>2.20</b>	<b>100.00</b>	<b>2.45</b>

As at 31 December 2024, 43.75% of the loans and advances portfolio for balance sheet and off-balance sheet exposures is categorised in the top two grades of the internal rating system (31 December 2023: 38.26%).

### 3.3.7. Fair value for credit assets

If the conditions for the measurement of a credit asset at amortised cost (IFRS 9, par. 4.1.2) are not met, then it is measured at fair value through profit and loss or by fair value through other comprehensive income.

#### 3.3.7.1. Fair value valuation of non-impaired credit assets

The valuation for non-impaired exposure is based on its discounted estimated future cash flows.

Future cash flows are determined taking into account:

- repayment schedule, and in the absence of a schedule (revolving products) - based on a statistical estimation of the credit limit utilisation in expected behavioural exposure period,
- time value of money, based on risk-free interest rates set in the process of forecasting interest flows,
- cash flows amount and their schedule fluctuations stemming from the option of prepayment (early partial or full repayment of the principal) included in the loan agreement by application of prepayment factors,
- uncertainty of cash flows resulting from credit risk throughout the forecasted lifetime of the exposure by modification of contract flows using multi-year credit risk parameters Lt PD and Lt LGD,
- other factors that would be taken into consideration by the potential exposure buyer (overhead costs and the profit margin expected by market participants) during the process of calibration of the discount rate used in the valuation process.

Due to requirements of IFRS 13 for the exposures for which there are no quotes on an active market, the Bank calibrates the discount rate based on fair value at the date of the initial recognition (i.e. the cost price of exposure). Calibration margin reflects market valuation of costs related to maintaining exposures in the portfolio and market expectations about profit margin realised on similar exposures.

### **3.3.7.2. Fair value valuation of impaired credit assets**

Impaired credit assets are valued based on expected recoveries. In the case of retail exposures the valuation reflected by LGD parameters, and in the case of corporate exposures it refers to individual recovery scenarios.

### **3.3.8. Repossessed collateral**

Assets repossessed for debts classified as assets held for sale will be put up for sale on an appropriate market and sold at the earliest possible date. The process of selling collaterals repossessed by the Bank is arranged in line with the policies and procedures specified for individual types of repossessed collaterals.

The policy of the companies of the Group is to sell repossessed assets or - in the case of leases - lease them out again to another customer. Cases in which the repossessed collateral is used for own needs are rare. Such a step must be economically justified and reflect the Group companies urgent need and must at each time be approved by their Management Boards.

In 2024 and 2023, the Group did not have any repossessed collaterals that were difficult to sell. As at 31 December 2024, value of repossessed collaterals was PLN 95 045 thousand (31 December 2023: PLN 87 622 thousand) included mainly leasing assets. The value of repossessed collaterals was included in the item inventories (Note 28).

### **3.3.9. The mBank Group Forbearance Policy**

#### Definition

The mBank Group forbearance policy is a set of activities relating to renegotiation and restructuring of terms of loan agreements which is defined by internal regulations.

The Group offers forbearance to assist customers, who are temporarily or permanently in financial distress and are unable to meet their original contractual repayment terms, through agreements with less restrictive terms of repayment, without which financial difficulties would prevent satisfactory repayment under the original terms and conditions of the contract. These agreements may be initiated by the customer or the Group entities.

The type of concession offered should be appropriate to the nature and the expected duration of the customer's financial distress. Financing entity's belief in the customer's willingness and ability to repay the loan is necessary to conclude an agreement. Prior to granting a concession, an assessment of its impact on improving customer's ability to repay the loan is carried out.

The Group renegotiates loan agreements with customers in financial difficulties to maximise possibility of receivables repayment and minimise the risk of default (situation when client fails to fulfil his contractual obligation).

Exposures with modified terms and conditions under forbearance policy (hereinafter - forborne exposures) are subject to regulatory and internal reporting.

#### Instruments used

The Group maintains open communication with borrowers in order to detect any financial difficulties as early as possible and to know the reasons of such difficulties. In the case of retail borrowers with temporary financial difficulties forbearance solutions focus on temporary reductions of contractual payments among others in form of capital repayments suspension with only interest repayments kept.

For borrowers under long term financial distress extension of contractual repayment schedule may be offered which can include instalments reduction.

For the corporate borrowers in financial distress, as part of the business support process, the Group offers concessions, starting from participating in debt standstills (abandonment of actions to which the Bank is authorised in the case of violation of contractual terms or covenants) and finishing on debt restructuring agreements. Debt restructuring agreements may improve the Group's security by replacing open financing (overdraft) with factoring or invoice discount and they can waive or ease covenants (additional conditions included in the primary agreement), if it represents optimal strategy for client's business continuity.

The following list does not exhaust all possible actions that are subject to forbearance, but it includes the most common:

- maturity extension/extension of loan duration,
- restructuring (medium- or long-term refinancing),
- capitalisation of interest,
- interest deferrals,
- principal deferrals,
- full instalment deferrals,
- suspension, withdrawal from the implementation of activities resulting from additional conditions contained in the contract (covenant waiver),
- standstills.

#### Risk management

Forbearance measures have been an integral part of the Group's risk management area for many years. Forborne portfolios are subject to regular review and reporting to the area management. The effectiveness of undertaken actions, regularity of restructured transactions service in respect of types of products and borrower's segment are subject to assessment. The risk analysis of retail forborne portfolio is based on portfolio approach and corporate portfolio analysis is based on individual approach.

In corporate banking the Bank's every exposure to borrowers with recognised loss event is classified as default and impairment test is required to be carried out. Every exposure classified as default is being taken over by the specialised unit dedicated to restructuring and debt collection, which defines and implements the Bank's optimal strategy towards the client from the point of view of minimising losses, i.e. restructuring or debt collection. All exposures to borrowers in financial difficulties with granted concessions including classified as default have the forborne status. Non-default debtors, i.e. without recognised loss event, who received the concession (forbearance measures), are subject to close monitoring (Watch List – WL) by all units involved in the loan granting process. Their financial situation is subject to close monitoring, and they are under constant review to establish whether any of impairment indicators had materialised.

The Group does not use dedicated models to determine level of portfolio provision and special-purpose provision for forborne portfolio.

#### Forborne exit conditions – corporate banking area

The Group ceases to recognise the exposure as forborne if all of the following conditions are met:

- the debtor financial situation's analysis showed improvement, and the exposure has been recognised as performing and it was reclassified from the non-performing category,
- at least two years after exposure had been recognised as performing have passed (probation period),
- for the last 12 months of probation period significant and regular capital or interest payments have been made by the borrowers,
- none of the debtor exposures is more than 30 days overdue at the end of probation period.

#### Forborne exit conditions – retail banking area

The Bank ceases to recognise the contract as forborne when all of the following conditions are met:

- the contract is recognised as performing,
- at least two years (probation period) have passed since the exposure was recognised as performing,
- at least from the middle of the abovementioned probation period regular capital or interest payments were made (lack of significant delays in repayment longer than 30 days),
- none of the debtor's exposures are overdue more than 30 days and at the same time the due amount does not exceed material threshold defined in internal regulations of the Bank at the end of the 2-year probation period.

Portfolio characteristics

	31.12.2024			31.12.2023		
	Gross carrying amount	Accumulated impairment	Net value/ fair value	Gross carrying amount	Accumulated impairment	Net value/ fair value
<b>Loans and advances to customers at amortised cost</b>	<b>124 455 194</b>	<b>(3 566 418)</b>	<b>120 888 776</b>	<b>116 584 779</b>	<b>(3 708 199)</b>	<b>112 876 580</b>
of which: forborne exposures	2 679 284	(556 049)	2 123 235	2 814 885	(502 193)	2 312 692
<i>of which: defaulted</i>	<i>1 426 627</i>	<i>(531 589)</i>	<i>895 038</i>	<i>1 164 879</i>	<i>(459 218)</i>	<i>705 661</i>
<b>Loans and advances to customers mandatorily at fair value through profit or loss</b>			<b>486 850</b>			<b>603 713</b>
of which: forborne exposures			494			1 128
<i>of which: defaulted</i>			<i>272</i>			<i>606</i>
<b>Forborne exposures, total</b>			<b>2 123 729</b>			<b>2 313 820</b>
<i>of which: defaulted</i>			<i>895 310</i>			<i>706 267</i>

Change of carrying value of forborne exposures	31.12.2024	31.12.2023
<b>As at the beginning of the period</b>	<b>2 313 820</b>	<b>2 184 522</b>
Outflow from forborne exposures	(761 771)	(715 962)
Inflow to forborne exposures	851 725	978 425
Changes in existing exposures	(280 045)	(133 165)
<b>As at the end of the period</b>	<b>2 123 729</b>	<b>2 313 820</b>

The analysis carried out for the above reporting periods showed a negligible share of exposures that leave the forbearance status and then return to it within one year.

Forborne exposures by client segment	31.12.2024	31.12.2023
Individual customers	1 070 718	1 218 300
<i>including: housing and mortgage loans</i>	<i>716 428</i>	<i>948 354</i>
Corporate customers	1 041 518	1 095 520
Public customers	11 493	-
<b>Total</b>	<b>2 123 729</b>	<b>2 313 820</b>

Forborne exposures by the type of concession	31.12.2024	31.12.2023
Refinancing	188 381	148 567
Modification of terms and conditions	1 935 348	2 165 253
<b>Total</b>	<b>2 123 729</b>	<b>2 313 820</b>

Forborne exposures by geographical breakdown	31.12.2024	31.12.2023
Poland	1 953 228	2 120 966
Other countries	170 501	192 854
<b>Total</b>	<b>2 123 729</b>	<b>2 313 820</b>

Forborne exposures by days past due	31.12.2024	31.12.2023
Not past due	109 501	128 879
Past due less than 30 days	1 672 431	1 756 500
Past due 31 - 90 days	80 880	117 756
Past due over 90 days	260 917	310 685
<b>Total</b>	<b>2 123 729</b>	<b>2 313 820</b>

Forborne exposures by industry	31.12.2024	31.12.2023
Individual customers	1 070 718	1 218 300
Construction	192 325	209 812
Real estate	143 641	114 698
Wood, furniture and paper products	127 701	98 162
Scientific and technical activities	86 329	62 584
Hotels and restaurants	80 498	80 462
Construction materials	67 672	85 526
Transport and logistics	55 626	29 911
Metals	48 033	89 028
Retail trade	40 595	32 200
Other	210 591	293 137
<b>Total</b>	<b>2 123 729</b>	<b>2 313 820</b>

### 3.3.10. Counterparty risk that arises from derivatives transactions

The credit exposure on mBank portfolio to derivative transactions is calculated as the sum of the replacement cost of each transaction (which is its current net present value - NPV) and its estimated future potential exposure (Add-on). Moreover, the Bank uses credit mitigation techniques such as netting and collateralisation. The former is implemented if close-out netting agreement is signed, whereas the latter requires prior Credit Supported Annex (CSA) or suitable clauses in the framework agreement concluded in order to collateralise the exposure. CSA states that the variation margin may be called if current valuation of the portfolio exceeds the predefined level (threshold). Moreover, as far as existing agreements are concerned, additional collateral (initial margin, etc.) may also be exchanged. Credit exposure to the derivatives portfolio is adjusted appropriately depending on the collateral being paid or received in accordance with the binding agreements. For the purpose of the counterparty risk calculation only positive NPV at the derivative portfolio level is taken into account.

Credit exposure control is performed through an integrated system in real time. In particular the level of the allocated credit exposure limit usage is monitored on a daily basis. In addition, compliance with restrictions resulting from credit decisions, supervisory regulations and business decisions is controlled. Credit exposure limits are subject to limit decomposition into different products and maturities.

The decomposition of mBank credit exposure of the derivatives portfolio based on the counterparty type is as follows:

- 34.1% banks,
- 22.3% central counterparties (CCP),
- 10.2% financial institutions,
- 33.4% corporates, private banking and others.

The breakdown of mBank credit exposure of the derivatives portfolio based on client type is as follows:

Client type	Credit exposure 2024 (PLN million)	Credit exposure 2023 (PLN million)
Bank CSA	1 394	1 410
Central counterparties	912	498
Corporate customers with limit	1 368	1 196
Non-banking financial institutions	417	314
Corporate customers with cash collateral and others*	(1)	(2)

\*negative exposure means overcollateralization

Positive NPV (netting included) and inflows and outflows of the collateral for mBank of the derivatives portfolio is depicted below:

(PLN million)	Banks*		CCP*		Corporates and others			
	2024	2023	2024	2023	CSA	w/o CSA**	CSA	w/o CSA**
					2024		2023	
NPV***	60.63	92.02	44.48	35.21	26.00	137.63	5.18	167.79
Collateral received (including collateral posted to custodian)	670.34	580.04	-	-	-	5.45	-	15.06
Collateral posted (including collateral posted to custodian)	602.70	507.87	594.33	370.57	-	-	-	-

\*\*collateral excluding variation margin and default fund (collateral posted to the CCP lest one of its participants defaults)

\*\*collateral based on NPV and its estimated future potential exposure

\*\*\*NPV with initial margin adjustment for banks, CCPs and corporates with CSA

### 3.4. Concentration of assets, liabilities and off-balance sheet items

#### Geographic concentration risk

In order to actively manage the risk of concentration by country, the Group:

- complies with the formal procedures aimed at identifying, measurement and monitoring this risk,
- complies with the formal limits mitigating the risk by country and the procedures to be followed when the limits are exceeded,
- uses a management reporting system, which enables monitoring the risk level by country and supports the decision-making process related to management,
- maintains contacts with a selected group of the largest banks with good ratings, which are active in handling foreign transactions. On some markets, where the risk is difficult to estimate, the Bank uses the services of its foreign correspondent banks, e.g. Commerzbank, and insurance of the Export Credit Insurance Corporation ('KUKÉ'), which covers the economic and political risk.

As at 31 December 2024 and as at 31 December 2023 there was no substantial level of geographical concentration in the credit portfolio of mBank Group. In terms of exposure relating to countries other than Poland there was no substantial share of impaired exposures.

#### Sector concentration risk

Monitoring exposures in sectors, defined in line with Polish Classification of Economic Activities, is carried out in individual subsidiaries of the Group.

mBank analyses the sector concentration risk in order to build its corporate portfolio in a safe and effective way and manages industrial concentration risk determining industrial limits.

Limiting covers all the sectors in which the Bank's exposure exceeds 5% of the total amount of corporate exposures at the end of a given reporting period and sectors indicated by the Corporate and Investment Banking Risk Committee (KRK).

The Bank set industrial limits on a level not higher than:

- 12% of the gross loan corporate portfolio for low-risk sectors but not higher than 60% of Tier I,
- 10% of the gross loan corporate portfolio for medium risk sectors but not higher than 50% of Tier I,
- 7% of the gross loan corporate portfolio for high-risk sectors but not higher than 35% of Tier I.

In the case when the utilisation of the limit exceeds 90%, an analysis is carried out to assess whether it is necessary to take activities preventing the exceeding of limits. Decision in this regard shall be taken by the KRK.

The table below presents the concentration structure of mBank S.A. balance sheet exposure into individual industries. The industry division is built on the basis of the value chain concept, in which entities operating in a given market (suppliers, manufacturers, sellers) are concentrated within one industry.

The table 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 the mBank Group

31.12.2024											
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	68 183 621	58 600 833	8 856 463	2 392 064	305 125	56.37%	(219 017)	(480 267)	(1 196 614)	(74 966)
2.	Real estate	6 940 538	5 847 807	922 810	393 680	23 074	5.78%	(18 594)	(29 541)	(215 933)	17 235
3.	Construction	4 805 010	4 306 949	312 402	361 347	2 227	4.00%	(16 095)	(5 831)	(155 227)	(762)
4.	Food sector	3 467 877	2 907 281	559 663	55 804	-	2.83%	(8 195)	(13 797)	(32 879)	-
5.	Power and heating distribution	3 378 664	3 331 722	61 745	68 983	-	2.78%	(26 384)	(1 332)	(56 070)	-
6.	Transport and logistics	3 022 466	2 454 267	484 283	183 349	989	2.51%	(6 054)	(6 100)	(101 235)	12 967
7.	Motorisation	2 431 726	2 190 090	235 686	31 841	-	1.97%	(4 641)	(1 834)	(20 236)	820
8.	Metals	2 263 809	1 678 243	549 267	154 952	7 616	1.92%	(6 062)	(6 818)	(108 757)	(4 632)
9.	Scientific and technical activities	2 204 818	2 068 531	123 068	65 958	4 775	1.82%	(6 183)	(1 616)	(44 943)	(4 772)
10.	Financial activities	2 213 468	2 174 878	33 343	9 410	10 025	1.79%	(5 296)	(405)	(8 364)	(123)
11.	Construction materials	1 952 928	1 501 949	436 691	48 894	11 320	1.61%	(4 112)	(4 207)	(30 665)	(6 942)
12.	Human health	1 840 638	1 649 604	197 187	15 277	-	1.50%	(8 990)	(2 186)	(10 254)	-
13.	Chemicals and plastic products	1 659 520	1 486 101	143 145	68 676	246	1.36%	(4 618)	(1 559)	(33 548)	1 077
14.	Wholesale trade	1 412 412	1 164 831	214 395	144 885	-	1.22%	(3 938)	(2 162)	(105 599)	-
15.	Wood, furniture and paper products	1 368 828	851 360	441 138	86 963	1	1.11%	(2 825)	(2 167)	(48 382)	42 740
16.	Fuel	1 242 643	1 137 683	73 595	152 288	104	1.10%	(2 591)	(469)	(120 978)	3 011
17.	Retail trade	1 248 438	1 096 107	120 670	56 475	12 990	1.03%	(3 685)	(2 038)	(32 056)	(25)
18.	IT	1 113 066	1 062 353	41 391	40 167	1	0.92%	(3 893)	(584)	(26 369)	-
19.	Rental and leasing activities	1 054 248	912 244	134 961	29 826	-	0.87%	(2 835)	(961)	(18 987)	-
20.	Other	9 084 058	7 986 647	1 099 962	256 964	7 553	7.51%	(82 051)	(16 083)	(167 460)	(1 474)
<b>Total</b>		<b>120 888 776</b>	<b>104 409 480</b>	<b>15 041 865</b>	<b>4 617 803</b>	<b>386 046</b>	<b>100.00%</b>	<b>(436 059)</b>	<b>(579 957)</b>	<b>(2 534 556)</b>	<b>(15 846)</b>

  

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>

The table below presents the risk of limited sectors (i.e. sectors for which, as at the balance sheet date, the Group/Bank had maximum exposure limits in relation to the corporate exposure portfolio) at the end of 2024 and at the end of 2023.

No.	Sectors	31.12.2024	31.12.2023
1.	Financial sector	low	low
2.	Food sector	medium	medium
3.	Construction	medium	high
4.	Metals	-	high
5.	Power	-	medium
6.	Automobile sector	medium	-

As of 2024, the Group also applies the sector concentration limitation rules to the residential developer's sector and the Renewable Energy sector. The risk of both sectors has been assessed as medium.

### **Large exposures concentration risk**

The purpose of management of the large exposures' concentration risk is an ongoing monitoring of the level of limits set by the CRR Regulation. In order to ensure safety against the risk of exceeding the regulatory limits in mBank:

- internal limits, lower than those specified in the CRR Regulation, are set,
- daily monitoring of large exposures is carried out and the participants of the lending and investment processes are immediately informed in the case of internal limits exceeding.

These activities have a direct impact on the Bank's decisions concerning new exposures and the increase of existing exposures.

mBank pays particular attention to the correct identification of the scale of risk of significant credit exposures defined in the Bank's internal regulations. In the case of exceeding specified amount of exposure/limit to a customer/group of affiliated customers identified as bulk risk, the financing requires additional decision of the Bank's Management Board irrespective of the PD-rating and the decision-making level.

The Bank monitors large exposures that are subject to exposure limit i.e. exposures after taking into account the effect of the credit risk mitigation (in accordance with art. 401-403 of CRR Regulation) and exemptions (art. 390 paragraph 6, art. 400, art. 493, paragraph 3 of CRR Regulation), which are equal or exceed 10% of Tier I. At the end of 2024, the Bank has not registered any large exposure in relation to the possibility of applying a zero-risk weight to exposures to central governments and central banks of Member States in the currency of another Member State in accordance with the provisions of the amendment to the CRR.

The Credit Committee of mBank Group is responsible for the supervision over risk concentration and large exposures at the level of mBank subsidiaries.

### **3.5. Market risk**

In its operations, the mBank Group is exposed to market risk, which is defined as a risk resulting from unfavourable change of the current valuation of financial instruments in the mBank Group's portfolios due to changes of the market risk factors, in particular:

- interest rates,
- foreign exchange rates,
- stock share prices and indices,
- implied volatilities of relevant options,
- credit spreads (to the extent reflecting market fluctuations of debt instruments prices, reflecting credit spread for corporate bonds, and spread between government yield curve and swap curve – for government bonds).

In terms of the banking book, the mBank Group distinguishes the interest rate risk, which is defined as the risk of an adverse change in both the current valuation of the banking book position and the net interest income as a result of changes in interest rates.

#### **3.5.1. Organisation of market risk management**

In the process of organisation of the market risk management, mBank follows requirements resulting from the law and supervisory recommendations, in particular the PFSA Recommendations (among others A, C, G and I) and the EBA guidelines, concerning market risk management.

The fundamental principle applied in the organisation of the market risk management is the separation of the market risk control and monitoring functions from the functions related to opening and keeping open market risk positions.

### 3.5.2. Tools and measures

For the purpose of internal management, the Bank quantifies exposure to market risk, both for banking and trading book, by measuring:

- the Value at Risk (VaR),
- expected loss under condition that this loss exceeds Value at Risk (ES – Expected Shortfall),
- the Value at Risk in stressed conditions (Stressed VaR),
- economic capital to cover market risk,
- stress tests scenario values,
- portfolio sensitivities to changes of market prices or market parameters (IR BPV – Interest Rate Basis Point Value, CS BPV – Credit Spread Basis Point Value).

The Bank allocates market risk to positions in the banking book, irrespective of the method of presentation of the financial result on those positions used for financial accounting purposes. Market risk measures for interest rate positions in the banking books are determined on the basis of Net Present Value (NPV).

The Bank monitors market risk on a daily basis. For selected risk measures, the measurement is conducted on a weekly basis (Stressed VaR, CS BPV by rating classes) or monthly (economic capital).

For the banking book, the Bank also uses the following measures (described in more detail in the chapter on interest rate risk):

- sensitivity of the economic value of capital (delta EVE),
- sensitivity of net interest income (delta NII),
- sensitivity of net interest income with changes in fair valuation (EaR),
- repricing gap.

The Value at Risk (VaR) is calculated for each risk factor using the historical method for a 1-day and a 10-day holding period and a 95%, 97.5% and 99% confidence level, assuming a static portfolio. In this method, historical data concerning risk factors for last 254 business days are taken into consideration.

The expected loss under condition that it exceeds Value at Risk (ES) is calculated on the basis of VaR calculation as the average of six worst losses.

The Value at Risk in stressed conditions is a measure of the potential portfolio loss under adverse market conditions that deviate from typical market behaviour. The calculation is analogous to the Value at Risk calculation, the only difference being the period of occurrence of stressed conditions, which is determined on the basis of series of Value at Risk based on 12-month window of risk factors changes since second half of 2021.

The economic capital for market risk is a capital to cover losses in the course of one year coming from changes in valuation of financial instruments which built the mBank Group's portfolios and resulting from changes of prices and values of market parameters.

Stress tests are additional measures of market risk, supplementing the measurement of the Value at Risk. They show the hypothetical changes in the current valuation of the mBank Group's portfolios, which would take place as a result of realisation of the so-called stress scenarios, i.e. market situations at which the risk factors would reach specified extreme values, assuming a static portfolio.

Stress tests consist of two parts: standard stress tests designated for standard risk factors (foreign exchange rates, interest rates, stock prices and their volatility), as well as stress tests, which involve changes in credit spreads. This takes into account, among other things, the need for covering in stress tests analysis the independent effect of basis risk (the spread between government yield curve and swap curve), which the Group is exposed to, due to maintaining the portfolio of Treasury bonds.

IR BPV is a sensitivity measure of the current valuation of the portfolios to an increase in interest rates by 1 basis point, and CS BPV to an increase in credit spread by 1 basis point.

In order to reflect the interest rate risk of the retail and corporate banking products with unspecified interest revaluation dates or rates administered by mBank, the Bank uses the so-called replicating portfolio models. The approach to current accounts takes into account the division of the stable part into the parts sensitive and insensitive to changes in interest rates. The tenor structure adopted for stable parts of the capital and current accounts, insensitive to changes in interest rates, reflects the approved Bank's strategy to stabilise the net interest income. The tenor structure for the stable part of savings accounts is modelled.

The VaR and IR BPV measurement results presented later in the report show the perspective including modelling of stable parts of capital and non-maturity products (NMD – non-maturity deposits).

The measurement methodology is subject to initial and periodic validation carried out by the Validation Unit and control by the Internal Audit Department.

In order to mitigate market risk exposure the limits are established on:

- VaR at 97.5% confidence level for a 1-day holding period,
- stress tests results,
- sensitivity measures IR BPV and CS BPV.

Decisions regarding the values of market risk limits are taken by:

- the Supervisory Board (with respect to the mBank Group's portfolio),
- the Management Board (with respect to mBank's portfolio),
- the Financial Markets Risk Committee (with respect to the business unit's portfolios).

### 3.5.3. Risk measurement

mBank's positions are the main source of market risk for the mBank Group.

#### Value at Risk

In 2024, the Bank's market risk exposure, as measured by the Value at Risk (VaR, for a 1-day holding period, at 97.5% confidence level), was at low level in relation to VaR limits, which was mainly caused by decrease in market volatility over the observation horizon.

The table below presents VaR and Stressed VaR for the Group's and mBank's portfolios.

PLN 000's	2024				2023			
	mBank Group		mBank		mBank Group		mBank	
	31.12.2024	Mean	31.12.2024	Mean	31.12.2023	Mean	31.12.2023	Mean
VaR IR	30 871	19 761	30 129	19 081	13 944	15 588	14 065	15 147
VaR FX	2 053	1 249	2 150	1 259	1 245	683	1 243	661
VaR CS	56 292	49 526	55 456	48 838	53 871	74 789	53 394	73 608
<b>VaR</b>	<b>44 254</b>	<b>40 446</b>	<b>42 215</b>	<b>40 124</b>	<b>49 861</b>	<b>77 807</b>	<b>50 869</b>	<b>77 098</b>
<b>Stressed VaR</b>	<b>171 484</b>	<b>121 811</b>	<b>167 993</b>	<b>119 120</b>	<b>100 141</b>	<b>89 755</b>	<b>98 210</b>	<b>88 529</b>

*VaR IR – interest rate risk (without separate credit spread)*

*VaR FX – currency risk*

*VaR CS – credit spread risk*

The measurement results are presented taking into the account the estimation of stable parts of capital and current accounts.

The value at risk (VaR) was largely influenced by the portfolios of instruments sensitive to interest rates and the credit spread - mainly the portfolios of treasury debt securities (in banking and trading book) and positions resulting from interest rate exchange transactions. The decrease of VaR value was caused by lower volatility on the financial markets in comparison with previous period, while the increase in Stressed VaR resulted mainly from the increase of the interest rate exposure.

#### Sensitivity measures

The table presents the values of IR BPV and CS BPV (+1 b.p.) measures for the Group's and mBank's portfolios, broken down into banking and trading book.

PLN 000's	IR BPV				CS BPV			
	mBank Group		mBank		mBank Group		mBank	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Banking book	(3 206)	(1 501)	(3 110)	(1 455)	(10 738)	(8 481)	(10 604)	(8 401)
Trading book	(296)	(38)	(296)	(38)	(557)	(282)	(557)	(282)
<b>Total</b>	<b>(3 502)</b>	<b>(1 539)</b>	<b>(3 406)</b>	<b>(1 493)</b>	<b>(11 295)</b>	<b>(8 763)</b>	<b>(11 161)</b>	<b>(8 683)</b>

The credit spread sensitivity (CS BPV) for mBank's banking book increased in 2024 due to gradual growth of the bond portfolio and results in c.a. 80% from the positions in debt securities valued at amortised cost. Changes in market prices have no impact on the revaluation reserve or the income statement for these positions.

Interest rate risk sensitivity (IR BPV) has increased in 2024 primarily due to increased purchase of treasury bonds.

### 3.6. Currency risk

The Group is exposed to changes in currency exchange rates due to other than PLN financial assets and liabilities. The following tables present the exposure of the Group to currency risk as at 31 December 2024 and 31 December 2023. They present carrying amount of assets and liabilities of the Group and off-balance sheet liabilities broken down by currency.

31.12.2024	PLN	EUR	USD	CHF	CZK	Other	Total
<b>ASSETS</b>							
Cash and cash equivalents	19 152 772	16 989 947	168 230	1 462	342 763	25 752	36 680 926
Financial assets held for trading and hedging derivatives	1 697 873	128 698	13 024	-	1 007	112	1 840 714
Non-trading financial assets mandatorily at fair value through profit or loss, including:	824 405	9 336	91 241	-	804	-	925 786
<i>Equity instruments</i>	364 715	2 421	39 792	-	804	-	407 732
<i>Debt securities</i>	-	-	31 204	-	-	-	31 204
<i>Loans and advances to customers</i>	459 690	6 915	20 245	-	-	-	486 850
Financial assets at fair value through other comprehensive income	34 499 571	89 272	-	-	-	-	34 588 843
Financial assets at amortised cost, including:	124 811 783	22 394 151	1 969 173	881 475	14 420 653	115 642	164 592 877
<i>Debt securities</i>	30 447 429	2 523 407	994 808	-	-	-	33 965 644
<i>Loans and advances to banks</i>	515 631	675 386	130 570	-	8 416 450	420	9 738 457
<i>Loans and advances to customers</i>	93 848 723	19 195 358	843 795	881 475	6 004 203	115 222	120 888 776
Fair value changes of the hedged items in portfolio hedge of interest rate risk	16 891	-	-	-	-	-	16 891
Non-current assets and disposal groups classified as held for sale	102 810	-	-	-	-	-	102 810
Intangible assets	1 954 643	160	-	-	1 890	-	1 956 693
Tangible assets	1 426 118	8 550	-	-	27 143	-	1 461 811
Current income tax assets	-	13 139	-	-	46 516	-	59 655
Deferred income tax assets	1 348 895	12 574	-	-	2 548	-	1 364 017
Other assets	1 579 782	689 201	9 720	271	85 246	2 120	2 366 340
<b>TOTAL ASSETS</b>	<b>187 415 543</b>	<b>40 335 028</b>	<b>2 251 388</b>	<b>883 208</b>	<b>14 928 570</b>	<b>143 626</b>	<b>245 957 363</b>
<b>LIABILITIES</b>							
Financial liabilities held for trading and hedging derivatives	905 818	170 277	16 702	161	-	1 079	1 094 037
Financial liabilities measured at amortised cost, including:	154 351 791	39 658 315	7 429 746	3 871 201	12 804 767	1 295 242	219 411 062
<i>Amounts due to banks</i>	913 874	164 163	52 443	1 928 942	-	9	3 059 431
<i>Amounts due to customers</i>	150 467 813	28 093 175	7 377 303	806 815	12 783 724	1 280 148	200 808 978
<i>Lease liabilities</i>	89 263	611 389	-	-	21 043	15 085	736 780
<i>Debt securities issued</i>	1 340 748	10 789 588	-	-	-	-	12 130 336
<i>Subordinated liabilities</i>	1 540 093	-	-	1 135 444	-	-	2 675 537
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(454 562)	81 146	-	-	(20 152)	-	(393 568)
Liabilities classified as held for sale	30 940	-	-	-	-	-	30 940
Provisions	1 910 700	25 297	15 184	1 321 091	4 689	210	3 277 171
Current income tax liabilities	179 049	25 986	-	-	33 242	-	238 277
Other liabilities	3 832 693	196 144	176 329	207 580	85 519	34 185	4 532 450
<b>TOTAL LIABILITIES</b>	<b>160 756 429</b>	<b>40 157 165</b>	<b>7 637 961</b>	<b>5 400 033</b>	<b>12 908 065</b>	<b>1 330 716</b>	<b>228 190 369</b>
<b>Net on-balance sheet position</b>	<b>26 659 114</b>	<b>177 863</b>	<b>(5 386 573)</b>	<b>(4 516 825)</b>	<b>2 020 505</b>	<b>(1 187 090)</b>	<b>17 766 994</b>
Loan commitments and other commitments	33 460 087	3 331 173	167 966	3	484 767	449	37 444 445
Guarantees, banker's acceptances, documentary and commercial letters of credit	6 679 341	1 867 887	439 518	98	110	68 532	9 055 486

31.12.2023	PLN	EUR	USD	CHF	CZK	Other	Total
<b>ASSETS</b>							
Cash and cash equivalents	16 828 524	19 370 366	145 464	2 427	319 947	35 699	36 702 427
Financial assets held for trading and hedging derivatives	1 638 495	108 519	12 791	137	-	91	1 760 033
Non-trading financial assets mandatorily at fair value through profit or loss, including:	811 521	16 990	69 455	-	832	-	898 798
<i>Equity instruments</i>	242 421	1 688	-	-	832	-	244 941
<i>Debt securities</i>	-	-	50 144	-	-	-	50 144
<i>Loans and advances to customers</i>	569 100	15 302	19 311	-	-	-	603 713
Financial assets at fair value through other comprehensive income	36 805 635	81 448	77 994	-	-	-	36 965 077
Financial assets at amortised cost, including:	106 425 206	21 212 082	1 128 768	2 109 034	12 304 708	139 531	143 319 329
<i>Debt securities</i>	21 377 625	1 791 218	154 847	-	-	-	23 323 690
<i>Loans and advances to banks</i>	310 963	448 541	199 281	-	6 160 212	62	7 119 059
<i>Loans and advances to customers</i>	84 736 618	18 972 323	774 640	2 109 034	6 144 496	139 469	112 876 580
Fair value changes of the hedged items in portfolio hedge of interest rate risk	20 204	-	-	-	-	-	20 204
Intangible assets	1 699 588	127	-	-	2 224	-	1 701 939
Tangible assets	1 441 223	5 778	-	-	34 400	-	1 481 401
Investment properties	111 964	-	-	-	-	-	111 964
Current income tax assets	-	4 557	-	-	36 478	-	41 035
Deferred income tax assets	1 369 469	7 870	-	-	2 201	-	1 379 540
Other assets	1 954 445	475 487	9 674	213	158 606	344	2 598 769
<b>TOTAL ASSETS</b>	<b>169 106 274</b>	<b>41 283 224</b>	<b>1 444 146</b>	<b>2 111 811</b>	<b>12 859 396</b>	<b>175 665</b>	<b>226 980 516</b>
<b>LIABILITIES</b>							
Financial liabilities held for trading and hedging derivatives	1 165 468	286 666	24 594	18 686	-	340	1 495 754
Financial liabilities measured at amortised cost, including:	138 384 001	39 522 805	7 952 008	4 494 789	11 715 308	1 389 664	203 458 575
<i>Amounts due to banks</i>	677 861	625 404	73 595	1 938 380	1	61	3 315 302
<i>Amounts due to customers</i>	134 340 754	29 379 764	7 878 413	806 668	11 689 228	1 372 628	185 467 455
<i>Lease liabilities</i>	120 355	692 316	-	-	26 079	16 975	855 725
<i>Debt securities issued</i>	1 702 252	8 825 321	-	577 592	-	-	11 105 165
<i>Subordinated liabilities</i>	1 542 779	-	-	1 172 149	-	-	2 714 928
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(638 774)	72 789	-	-	-	-	(565 985)
Provisions	737 421	15 084	11 323	1 574 685	7 067	4	2 345 584
Current income tax liabilities	130 727	19 166	-	-	51 291	-	201 184
Other liabilities	5 280 553	414 980	240 240	184 323	166 533	21 549	6 308 178
<b>TOTAL LIABILITIES</b>	<b>145 059 396</b>	<b>40 331 490</b>	<b>8 228 165</b>	<b>6 272 483</b>	<b>11 940 199</b>	<b>1 411 557</b>	<b>213 243 290</b>
<b>Net on-balance sheet position</b>	<b>24 046 878</b>	<b>951 734</b>	<b>(6 784 019)</b>	<b>(4 160 672)</b>	<b>919 197</b>	<b>(1 235 892)</b>	<b>13 737 226</b>
Loan commitments and other commitments	30 552 486	3 000 487	279 795	3	493 472	31 987	34 358 230
Guarantees, banker's acceptances, documentary and commercial letters of credit	5 914 921	1 836 601	430 718	170	71	19 192	8 201 673

### 3.7. Interest rate risk

#### mBank S.A.

In the process of management of interest rate risk in the banking book, the Group ensures independence of risk identification, measurement, monitoring and control functions from activity related to risk-taking functions.

Interest rate risk of the banking book is the risk resulting from the exposure of the Bank's interest income and capital to the adverse impact of interest rates movements. Following recommendations of the PFSA, in particular Recommendation G, EBA guidelines (EBA/GL/2022/14) and EC Delegated Regulation 2024/856, the Bank monitors the banking book structure in terms of repricing risk, basis risk, yield curve risk and customer option risk.

The basic measures of interest rate risk of the banking book are:

- sensitivity of net interest income (delta NII), i.e. the difference of net interest income between the base and alternative scenarios, assuming different shifts in the yield curve and changes in the balance sheet structure, including supervisory outlier test (SOT) and NII sensitivity plus fair value changes (EaR),
- sensitivity of the economic value of equity (delta EVE), i.e. the difference in the present value of cash flows between the base scenario and the alternative scenario, assuming various shifts in the yield curve, including those in line with the EBA guidelines on the supervisory outlier test (SOT).

The interest rate risk in the banking portfolio is hedged and managed based on the delta NII and EVE limits, including SOT and EaR limits, limits for market risk - imposed on Value at Risk (VaR), stress tests as well as IR BPV and CS BPV.

The Bank calculates and monitors on monthly and quarterly basis the level of sensitivity of net interest income calculated for different interest rate changes, including parallel yield curve shifts, its steepening and flattening, and the basis risk, both in constant, dynamic and run-off balance. The main assumptions used to calculate the measure are:

- the use of customer rates, which include commercial margins and market rates,
- for products without a specific maturity date, assigning repricing dates based on the replicating portfolio model,
- limits applied to the level of lower and upper clients interest rate changes resulting from legal provisions,
- including behavioural options result from deposit termination and loan prepayments.

In addition, the Bank calculates monthly and reports quarterly the sensitivity of the economic value of capital for different scenarios taking into account changes in the level and slope of the yield curve as well as currency and credit spreads, broken down into values in currencies together and separately for material currencies based on the following assumptions:

- taking into account cash flows from interest rate sensitive assets and liabilities, excluding commercial margins,
- use of risk-free curves, except for debt securities, in the case of which the curve includes credit spread,
- exclusion of capital from liabilities,
- run-off balance sheet.

In the case of calculated sensitivity measures of net interest income, the Bank takes into account the risk of partial or total early repayment of the loan before its maturity/withdrawal of funds from term deposits before their maturity. The Bank aims at stabilisation of the net interest income (NII) and optimisation of profit and loss and EVE changes within the accepted risk appetite.

The sensitivity of net interest income (based on a static balance sheet over a 12-month horizon) in the Bank as at 31 December 2024 and 31 December 2023, is presented in the table below.

	Δ NII	
	31.12.2024	31.12.2023
Sudden parallel up by 100 bp	452 024	623 076
Sudden parallel down by 100 bp	(577 735)	(835 752)

The sensitivity of the economic value of equity (for the run-off balance) in shock scenarios of interest rate changes is presented in the table below.

	Δ EVE	
	31.12.2024	31.12.2023
Parallel shock up	(1 448 663)	(995 042)
Parallel shock down	1 276 302	1 098 899
Steepened shock	216 033	81 676
Flattener shock	(502 754)	(274 768)
Short rates shock up	(945 148)	(601 574)
Short rates shock down	942 470	624 664
Maximum	(1 448 663)	(995 042)
Tier I Capital	14 843 086	12 719 997

The decrease in the ΔNII measure y/y resulted from actions taken to stabilize the net interest income, including transactions on debt securities and derivatives, in order to adjust the revaluation dates on the assets vs liabilities, with particular focus on the short part of the curve (up to 1Y). The Bank continued to hold a significant portion of funds in short-term floating rate assets that increase the sensitivity of NII to changes in interest rates, and the corresponding liabilities were insensitive to changes in interest rates in downside scenarios, i.e. current accounts, with interest at 0% (statutory floor at 0%). The remaining changes result from the increase in the total balance sheet. Additionally, the liquidity surplus at the year-end date was placed with NBP above the level of the mandatory reserve, which is insensitive to interest rate, which also resulted in a decrease in ΔNII as at 31 December 2024. At the same time, the sensitivity of NII in relation to the Bank's annual net interest income is significantly lower than in previous years,

which is caused by the increase in the duration of assets mainly due to the purchase of fixed-rate treasury bonds and interest rate swap transactions.

Due to the entry into force of the EU Commission Delegated Regulation 2024/856 establishing the definition of "large reduction" at the level of 5% of Tier I capital for supervisory outlier tests (called dNII SOT), the Bank calculates and monitors a new measure in accordance with the regulation. During the period covered by the report, the Bank's sensitivity remained below the defined supervisory threshold.

This measure is calculated using specific methodological assumptions, including stable balance sheet, historical margins for renewed products, price elasticity of the deposit base, adequate in a given market situation, which means that it should not be treated as a forecast of interest income, but a measure of sensitivity to a given moment under certain conditions. The increase in the  $\Delta$ EVE measure in absolute terms year-on-year is caused by an increase in the duration of assets mainly due to the purchase of fixed-rate treasury bonds and interest rate exchange transactions.

Remaining changes in  $\Delta$ NII and  $\Delta$ EVE levels result from the increase in the balance sheet total, which was observed between 2023 and 2024.

### **mBank Hipoteczny S.A.**

Repricing date mismatch gap and interest earnings at risk (EaR) based on the former are the key interest rate risk measures at mBank Hipoteczny S.A.

A sudden, lasting and disadvantageous change of market interest rates by 100 basis points for all maturities would result in a decrease in the annual interest income by the following amounts:

<b>EaR (PLN thousand)</b>	<b>31.12.2024</b>	<b>31.12.2023</b>
for position in PLN	4 068	3 119
for position in USD	1	3
for position in EUR	793	937

To calculate these values, there was assumed that the structure of financial assets and liabilities disclosed in the financial statements as at 31 December 2024 and 31 December 2023 would be fixed in the coming year and the mBank Hipoteczny S.A. would not take any measures to change exposure related to interest rate change risk.

### **mLeasing Sp. z o.o.**

Market risk means a potential loss caused by disadvantageous changes of market prices or parameters affected by market prices. The Company is exposed to risk arising from open currency positions and non-adjustment of products charged with the interest rate risk within the scope of maturity and/or revaluation periods.

The subsidiary applies a global measure to measure the value of bank portfolio exposed to currency and interest rate risk, namely VaR (Value at Risk).

The sum of VaR of interest rate and VaR of exchange rate constitutes the global VaR of the Company. VaR of the interest rate risk presents the impact of interest rate changes on the value of the Company's portfolio. VaR of exchange rate risk presents the impact of changes of exchange rates on estimation of items of balance-sheet assets and liabilities until the date of their revaluation (change of interest).

Pursuant to the decision of the Risk Committee of mBank S.A. concerning the rules of monitoring the level of market risk in subsidiaries belonging to the mBank Group, mBank provides indicated values of risk measures for the portfolio of mLeasing.

The amount of VaR (97.5% confidence level, holding period 1 day) cannot exceed the basic VaR limit for mLeasing applied by mBank S.A. in a given period (PLN 860 thousand at the end of 2024 and PLN 600 thousand at the end of 2023).

The table below presents VaR values as at 31 December 2024 and 31 December 2023, calculated using the parameters specified above.

<b>PLN thousand</b>	<b>VaR</b>	
	<b>31.12.2024</b>	<b>31.12.2023</b>
Interest rate risk	380	169
Currency risk	68	29
<b>Total VaR</b>	<b>448</b>	<b>198</b>

### mBank S.A. Group interest rate risk

The following tables present the Group's exposure to interest rate risk. The tables present the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

31.12.2024	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
<b>ASSETS</b>							
Cash and cash equivalents	26 283 093	-	-	-	-	10 397 833	<b>36 680 926</b>
Loans and advances to banks	9 604 336	836	-	130 205	-	3 080	<b>9 738 457</b>
Debt and equity securities and investments in subsidiaries	17 292 684	4 713 058	15 546 660	27 465 413	4 744 275	419 082	<b>70 181 172</b>
Loans and advances to customers	62 622 840	35 793 261	4 481 546	16 754 045	1 653 528	113 378	<b>121 418 598</b>
Other assets and derivative financial instruments	175 679	62 944	33 253	1 378	-	2 703 079	<b>2 976 333</b>
<b>Total assets</b>	<b>115 978 632</b>	<b>40 570 099</b>	<b>20 061 459</b>	<b>44 351 041</b>	<b>6 397 803</b>	<b>13 636 452</b>	<b>240 995 486</b>
<b>LIABILITIES</b>							
Amounts due to banks	1 118 440	-	1 310 793	619 493	-	10 705	<b>3 059 431</b>
Amounts due to customers	181 738 914	15 438 738	3 125 859	81 013	10 621	413 833	<b>200 808 978</b>
Lease liabilities	802	1 570	6 207	9 709	-	718 492	<b>736 780</b>
Debt securities issued	799 451	2 058 641	1 331 951	5 784 751	2 155 542	-	<b>12 130 336</b>
Subordinated liabilities	1 912 738	-	762 799	-	-	-	<b>2 675 537</b>
Other liabilities and derivative financial instruments	139 727	117 617	49 636	-	-	4 973 797	<b>5 280 777</b>
<b>Total liabilities</b>	<b>185 710 072</b>	<b>17 616 566</b>	<b>6 587 245</b>	<b>6 494 966</b>	<b>2 166 163</b>	<b>6 116 827</b>	<b>224 691 839</b>
<b>Total interest repricing gap</b>	<b>(69 731 440)</b>	<b>22 953 533</b>	<b>13 474 214</b>	<b>37 856 075</b>	<b>4 231 640</b>		
31.12.2023	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
<b>ASSETS</b>							
Cash and cash equivalents	35 413 551	-	-	-	-	1 288 876	<b>36 702 427</b>
Loans and advances to banks	4 261 157	2 548 406	48 585	259 818	-	1 093	<b>7 119 059</b>
Debt and equity securities and investments in subsidiaries	22 002 800	4 567 733	15 971 511	16 844 169	1 587 538	255 483	<b>61 229 234</b>
Loans and advances to customers	59 591 892	35 764 174	3 403 439	13 644 699	925 946	190 641	<b>113 520 791</b>
Other assets and derivative financial instruments	147 433	17 645	82 542	54 512	34 463	3 336 327	<b>3 672 922</b>
<b>Total assets</b>	<b>121 416 833</b>	<b>42 897 958</b>	<b>19 506 077</b>	<b>30 803 198</b>	<b>2 547 947</b>	<b>5 072 420</b>	<b>222 244 433</b>
<b>LIABILITIES</b>							
Amounts due to banks	1 292 066	71 901	1 468	1 938 343	-	11 524	<b>3 315 302</b>
Amounts due to customers	167 652 171	14 293 890	2 515 453	99 173	22 813	883 955	<b>185 467 455</b>
Lease liabilities	2 497	1 400	5 378	6 178	-	840 272	<b>855 725</b>
Debt securities issued	878 128	3 520 805	577 592	5 978 349	150 291	-	<b>11 105 165</b>
Subordinated liabilities	1 952 597	-	762 331	-	-	-	<b>2 714 928</b>
Other liabilities and derivative financial instruments	108 100	47 917	62 750	99 425	127 952	7 200 181	<b>7 646 325</b>
<b>Total liabilities</b>	<b>171 885 559</b>	<b>17 935 913</b>	<b>3 924 972</b>	<b>8 121 468</b>	<b>301 056</b>	<b>8 935 932</b>	<b>211 104 900</b>
<b>Total interest repricing gap</b>	<b>(50 468 726)</b>	<b>24 962 045</b>	<b>15 581 105</b>	<b>22 681 730</b>	<b>2 246 891</b>		

### 3.8. Liquidity risk

#### Sources of liquidity risk

The liquidity risk is understood as the risk of failure to fund assets and meet payment obligations arising from balance sheet and off-balance sheet items owed by the Bank in a timely manner and at a market price.

The reasons for liquidity risk may appear with respect to assets, liabilities and can also arise from off-balance sheet commitments.

As regards assets, their main source is the risk of market (product) liquidity, the risk of untimely repayments of loans or an excessive increase in loans granted to customers in relation to the increase in the deposit base. Market liquidity risk (product) is a threat of complete or partial impossibility of liquidating the assets held, or the possibility of selling these assets only at an unfavourable price.

As regards liabilities, the risks posed by funding and withdrawal of funds by the clients are the most common source of the liquidity risk. The former is a type of risk in terms of which, should the crisis occur, funding can be acquired only at a higher price, and in an extreme situation, it is not possible to acquire new funding or renew existing. The latter is a type of threat associated with uncertainty as to the behaviour

of clients whose decisions (for instance, about withdrawal of deposited funds) may weaken the Bank's ability to service its current financial obligations.

A source of risk for off-balance sheet liabilities is a risk posed by clients' behaviour and unexpected drawdown of granted lines. It also concerns the use of intraday and overdraft lines by custody and corporate clients. In respect of derivative transactions concluded with CSA agreements (Credit Support Annex) or settled by CCP, liquidity risk can materialise in consequence of adverse and severe changes in market conditions resulting in sudden decrease in valuation of derivative instruments and related to necessity of pledging the collateral.

Materialisation of risks arising from both balance sheet and off-balance sheet items may be experienced as severe especially in the case of high concentrations. mBank's strategy assumes diversification of sources and terms of financing, as well as assets in which excess liquidity is invested.

Additionally, the Group assesses the materiality of ESG risk factors from a liquidity risk perspective. Regardless of the results of this assessment, ESG risk factors are considered indirectly through links with other types of risk: credit, market, operational, reputation, as well as in selected processes.

Daily operations of the Bank require settlements of various payment operations. Such activity generates high level of liquidity needs during a business day. At the system level, NBP offers a tool supporting settlement of transactions (technical credit in PLN and EUR). In order to use the technical credit, the Bank maintains an appropriately sized portfolio of liquid securities meeting specific NBP requirements. The Bank also has access to secured financing in the form of a Lombard credit in the central banks of the Czech Republic and Slovakia.

Taking into account the mBank Group the liquidity risk is also identified as a possibility of unexpected growth in significant liquidity needs of subsidiaries of mBank. In the Group a centralised approach to the management of financing was introduced in order to increase the effectiveness of the used liquidity resources and to ensure better tenor match of financing with assets.

Liquidity risk may also appear as a result of usage of inappropriate models in liquidity analysis (e.g. deposit base stable part model), which may lead to underestimation of liquidity risk. It is monitored by verification and back-testing models pursuant to the Model Management Policy.

### **Organisation of risk management**

In order to ensure that the liquidity risk management process is effective, the Management Board of the Bank lies down an adequate organisational structure and delegates powers to dedicated units and Committees. Liquidity risk management is conducted based on three lines of defence.

Liquidity risk management aims at ensuring and maintaining the Bank's and the Group's ability to fulfil both current and future liabilities taking into account the cost of liquidity. The liquidity management process consists of procedures that aim at identification, measurement, controlling, monitoring, reducing and defining the acceptable level of exposure to risks. This process can be divided into two main elements in the operational sense: the part involving all forms of liquidity management and the part of controlling and monitoring liquidity risk.

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The objective of liquidity risk management is to ensure and maintain the Bank's ability to fulfil both current and future commitments. The Bank achieves this objective by diversifying stable funding sources in terms of clients' groups (from whom it acquires deposits), products and currencies groups, and at the same time, maintains liquidity buffer and optimises its balance sheet in terms of profitability. Long-term activities of mBank in this scope are carried out taking into account conditions on funding capacity and business profitability.

In 2024, the European Central Bank began a series of interest rate cuts, justifying its decisions with falling inflation in the eurozone. At the same time, the NBP, after a long break in tightening monetary policy, kept interest rates unchanged. In conditions of large excess liquidity that persisted in the Polish banking sector, banks kept deposit interest rates stable.

In 2024, the Bank operated in an uncertain geopolitical and market situation. Despite unpredictable market conditions, the Bank was characterized by high resistance to liquidity risk. The growth of the deposit base and the low dynamics of credit development had a direct impact on the strengthening of the liquidity position.

The Bank maintained high liquidity due to the high share of retail deposits in the Bank's balance sheet, a large portfolio of liquid assets and low concentration of liabilities. The high level of guaranteed deposits also was important. Additionally, in 2024, an increase in the value of the treasury bond portfolio was noted, which contributed to an increase in the level of the liquid assets buffer.

In 2024, the Bank issued AT1 capital bonds in PLN, which were included in additional instruments in Tier I capital and the own green bonds in the format of senior preferred bonds (PS) in EUR under the EMTN program, which also had a positive effect on the Bank's liquidity level.

In July 2024, the Polish Financial Supervision Authority introduced the Recommendation on the Long-Term Funding Ratio (LTFR), aimed at reducing the risk observed in Polish banking sector associated with the current structure of mortgage loan financing, which is mostly based on retail deposits, especially current deposits. The Recommendation aims to increase the financing of long-term mortgage loans with long-term debt instruments. The Recommendation LTFR promotes long-term debt instruments and loans with a fixed or periodically fixed interest rate, and also contains incentives for the issuance of green debt instruments. Banks are required to meet the minimum LTFR level of 40% from the end of 2026. The LTFR indicator is reported by mBank to the PFSA from the reporting date for the end of July 2024.

Despite such volatile market conditions, mBank's liquidity measures throughout the reporting period were well above minimum regulatory levels and internal levels that determine risk appetite.

### **The internal liquidity adequacy assessment process (ILAAP)**

In order to review the liquidity risk management system in the Bank and the Group, the ILAAP process was developed. As part of this process all elements of the liquidity risk management system are subject to review, including:

- liquidity risk management strategy,
- stress tests,
- liquidity contingency plan,
- liquidity buffer,
- intraday liquidity risk management,
- early warning system,
- identification and measurement of liquidity risk,
- reporting system.

The review is performed annually. The conclusions of the conducted review serve for further improvement and development of the liquidity risk management.

### **Tools and measures used in measuring liquidity risk**

As part of liquidity risk management, a range of risk measures are being analysed. The basic measure is mismatch gap. It covers all the assets, liabilities and off-balance sheet items of the Bank in all the currencies and time-bands set by the Bank. In 2024, the Bank held liquidity surplus, adequate to the Bank's business activity and current market situation, in the form of a portfolio of liquid treasury and money market securities that may be pledged or sold at any time without any considerable loss in value.

In accordance with Commission Delegated Regulation (EU) No 2015/61 of 10 October 2014 amended by the Commission Delegated Regulation (EU) 2018/1620 of 13 July 2018, effective since 30 April 2020 and Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 the Bank calculates the supervisory liquidity measures. In 2024, the supervisory limits were not exceeded. Moreover, the Bank conducts an in-depth analysis of long-term liquidity and sets internal limits (management action triggers) on involvement in long-term assets.

Internal limits and appropriate buffers are also imposed on supervisory measures. Relevant analysis of the stability and structure of the funding sources, including the core and concentration level of term deposits and current accounts are performed. The Bank analyses the volatility of balance sheet and off-balance sheet items, in particular open credit line facilities and current accounts and overdrafts limits utilisation. Once a year, the Bank also conducts an in-depth concentration analysis from the perspective of mBank's liquidity risk. The analysis includes an assessment of the concentration of assets, liabilities, and intra-group transactions. Additionally, as part of the concentration analysis, the Bank monitors a scenario used to assess deposit concentration. The Bank assesses how increased outflows from uninsured deposits translate into the Bank's liquidity. The scenario is modelled on the outflows that occurred in the American bank Silicon Valley Bank (SVB) just before its collapse in 2023. The outflow parameters have been appropriately adjusted to the financing structure of mBank. The purpose of the scenario is to monitor deposit concentration.

The ongoing analysis covers liquidity under normal and stressed conditions, which may result in potential liquidity loss. In order to determine the Bank's resistance to major unfavourable events, the Bank conducts scenario analyses covering extreme assumptions on the operation of financial markets and/or behavioural events relative to the Bank's clients. For this purpose stress test scenarios are regularly calculated in the short- and long-term, in the Bank stress, market stress and combined scenarios. In addition, a reverse stress test for liquidity risk is performed in the Bank on annual basis, sensitivity analysis and an intraday liquidity crisis scenario on a monthly basis. Liquidity stress tests are used in the Bank for operational management of liquidity risk.

The Bank has also adequate procedures in case mBank is threatened with financial liquidity loss. Base on severity of risk factors and the degree of the threat of financial loss relevant actions are defined either in the Contingency Plan in the case of a threat of losing financial liquidity by mBank Group (Contingency Plan) or in the Recovery Plan of mBank Group (Recovery Plan). Scenarios used in both plans are consistent with the above stress tests. In 2024 a new scenario was tested as part of the Contingency Plan. A dynamic outflow of funds scenario in which the Bank took into account the assumption of a cyber attack.

Execution of the strategy of ensuring liquidity of the Bank consists in active management of the balance sheet structure of future cash flows and keeping liquidity reserves adequate to the liquidity needs, resulting from the activity and structure of the balance sheet of the Bank, obligations to subsidiaries and the current market situation as well as the demand for liquid assets, resulting from the conducted stress tests. For this purpose, the Bank keeps a surplus of liquid and unencumbered assets constituting the Liquidity Reserves, for which there is a possibility of pledging, transaction on repo market or selling at any time without significant loss in value. Liquidity reserves were composed mainly of the Polish government debt securities in PLN and EUR, bills issued by National Bank of Poland in PLN, government debt securities in CZK, EUR and USD and other debt securities meeting the criteria of collateral for a refinancing loan with National Bank of Poland. Values of these reserves amounted to:

Value of liquidity reserves (in PLN million)	
31.12.2024	31.12.2023
68 247	58 876

In addition, mBank also maintains cash surpluses placed on accounts with central banks in Poland, the Czech Republic and Slovakia. As of 31 December 2024 the Bank accumulated a total of approximately PLN 35.4 billion on nostro accounts and interbank deposits.

In the Group the liquidity reserves are held also by mBank Hipoteczny. Liquidity reserves of mBank Hipoteczny were composed of the Polish Government debt securities in PLN and bills issued by the National Bank of Poland in PLN and amounted to:

Value of liquidity reserves (in PLN million)	
31.12.2024	31.12.2023
1 280	845

In order to support the process of liquidity risk management, a system of early warnings indicators and recovery indicators was developed in the Bank. It is composed of indicators monitoring the level of regulatory and internal limits and additionally, indicators monitoring significant changes of market factors, as well as changes in the Bank's balance sheet structure and changes in the perception of mBank brand by customers and other market participants.

Exceedance of thresholds by defined indicators may be a trigger for the launch of the Contingency Plan or the Recovery Plan.

Due to the lack of necessity of financing in foreign currencies through currency swaps and CIRS instruments, these instruments are used to invest surplus liquidity in foreign currencies. However, the Bank has an internal total limit for internal limits on the use of these instruments. Moreover, in order to limit the maturity concentration in FX swaps, the amounts obtained in such transactions are monitored in monthly time bands up to 1 year.

Other measures of liquidity risk are calculated and reported in the Bank as follows:

- concentration of funding sources,
- stability of deposit base,
- early withdrawals of deposits,
- ratio of long-term funding for the real estate market (internal Bank indicator),
- long-term funding ratio (introduced by the PFSA),
- liquidity risk concentration within off-balance sheet positions related to financial and guarantee liabilities.

The Bank includes product's liquidity in its liquidity risk management framework. It is reflected in terms of measuring market liquidity of treasury bonds, which make up Liquidity Reserves. The analysis is performed on daily basis and takes account of market liquidity determinants such as market turnover, order book depth, purchase/sale transaction spread and issue volume. The measurement of market liquidity is reflected in internal liquidity measures, where the scenario structure provides for liquidating treasury bonds held by the Bank in line with market trading in particular series of bonds. A similar check is carried out in the context of the market potential of pledging particular bond series.

## The measurement, limiting and reporting the liquidity risk

At the Bank, there is a reporting process of liquidity risk. It covers both daily information delivery to entities engaged in operational management of liquidity risk and entities controlling liquidity risk management on operational level, as well as regular reporting to higher management levels for the purpose of making strategic decisions on liquidity risk.

Daily reporting covers:

- regulatory measures,
- liquidity gaps for mBank, the mBank Group and the material subsidiaries from liquidity risk perspective with the utilisation of limits imposed on these measures,
- Stress Liquidity Reserve Requirement,
- intraday liquidity,
- other internal liquidity risk measures.

The following measures are reported weekly:

- early warning indicators (EWI),
- recovery indicators.

Monthly reporting covers:

- regulatory measures and internal liquidity measures to the Management Board Members and Financial Markets Risk Committee (KRF),
- regulatory measures, internal liquidity measures and forecasts of liquidity measures based on business development forecasts to the Capital, Assets and Liabilities Committee of the mBank Group (CALCO).

Regulatory measures and internal liquidity measures are reported on a quarterly basis to the mBank's Supervisory Board.

For the purpose of current monitoring of liquidity, the Bank establishes values of realistic, cumulated gap of cash flows according to internally adopted LAB methodology. In accordance with this methodology, the Bank calculates the realistic liquidity gap in base scenario (LAB Base Case) and stress scenarios, assuming a conservative approach in method of presenting the liquidity of assets and the amount of outflows resulting from fulfilment of Bank's obligations. The realistic gap is calculated on the basis of contractual cash flows (Note 3.8.1). Mainly cash flows in portfolios of non-banking customers' deposits, overdrafts and term loans are amended. In the calculation of the liquidity measures the Bank takes into account the possibilities of raising funds by selling or pledging the debt securities from Bank's Liquidity Reserves.

In the LAB methodology, the LAB Base Case measure is the primary management measure, and it is also used for limiting the liquidity gap in particular foreign currencies.

Value of realistic, bucket and cumulative gap of cash flows mismatch (in PLN million)					
Time range	gap LAB Base Case - 31.12.2024		gap LAB Base Case - 31.12.2023		
	bucket	cumulative	bucket	cumulative	
up to 1 working day	58 949	58 949	57 129	57 129	
up to 3 working days	1 372	60 321	(123)	57 006	
up to 7 calendar days	-	60 321	1 613	58 619	
up to 15 calendar days	(2 875)	57 446	(3 125)	55 494	
up to 1 month	(6 109)	51 337	(5 021)	50 473	
up to 2 months	1 574	52 911	(409)	50 064	
up to 3 months	(1 901)	51 010	(2 605)	47 459	
up to 4 months	(1 883)	49 127	(1 168)	46 291	
up to 5 months	(305)	48 822	(1 962)	44 329	
up to 6 months	(1 606)	47 216	(976)	43 353	
up to 7 months	(1 555)	45 661	(1 640)	41 713	
up to 8 months	(1 724)	43 937	(1 558)	40 155	
up to 9 months	(1 575)	42 362	(1 328)	38 827	
up to 10 months	(1 105)	41 257	(1 048)	37 779	
up to 11 months	(1 455)	39 802	(1 664)	36 115	
up to 12 months	(1 514)	38 288	(1 561)	34 554	

The above values should be interpreted as liquidity surplus or deficit in relevant time buckets. In 2024, an increase of deposit base and the slight dynamics of loans had a direct impact on strengthening the liquidity position.

The Bank has a limited number of transactions with rating downgrade trigger clauses, which require the Bank to provide additional security or to prepay outstanding obligations if Banks's credit rating deteriorates.

The amount of the maximum liability resulting therefrom, in the event that the Bank's rating is downgraded to BB+ or lower by two rating agencies, as of 31 December 2024, amounted to CHF 314 million (CHF 314 million as of 31 December 2023). However, this potential liability is not unconditional. Contract clauses do not preclude the parties from agreeing the amount, form and timing of additional security on a case-by-case basis.

In 2024, the Bank's liquidity remained at a safe level, which was reflected in surplus of liquid assets over short-term liabilities according to LAB in various scenarios and supervisory liquidity measures.

LAB cash flows gaps mismatches in terms up to 1 month and up to 1 year and the values of regulatory measures LCR and NSFR at the end of 2024 and 2023 are presented in the following table.

	31.12.2024	31.12.2023
LAB Base Case 1M*	51 337	50 473
LAB Base Case 1Y*	38 288	34 554
LCR	222%	217%
NSFR**	158%	155%

\* LAB measures are shown in PLN million, LCR and NSFR are relative measures presented as a decimal.

\*\* The figures in comparative period have changed due to adjustments to improve quality of the data for determination of net accounting value for loans and residual maturities.

The LCR and NSFR regulatory measures remained on safe level, significantly exceeding 100%.

### Funding sources

The strategic assumptions concerning the diversification of funding sources and profitable structure of the balance sheet are reflected in the financial plan of the mBank Group defined by selected measures, e.g. L/D ratio (Loans to Deposits). The Bank measures a specific relation of loans to deposits in order to maintain a stable structure of its balance sheet. From the end of 2023 to the end of 2024 the L/D ratio declined from 56.2% to 55.5% for the Bank and from 61.2% to 60.5% for the Group. The Bank aims at building a stable deposit base by offering to the clients the deposit and investment products, regular and specific-purpose savings offerings. Funds acquired from the Bank's clients constitute the major funding source for the business activity along with the portfolio of long-term loans from banks and issuances of debt securities (with maturities over 1 year) (Note 29). The loans and issuances together with subordinated loans (Note 29) are the core funding source for the portfolio of mortgage loans.

In order to acquire funding (also in foreign currencies) the Bank uses mid-term and long-term instruments, including credit line facilities on the international markets, unsecured issuances, bilateral loans as well as CIRS transactions.

In the Group except mBank, access to external funding have only mBank Hipoteczny via issuance of mortgage covered bonds and short-term debt securities and mLeasing via short-term debt securities.

When making funding-related decisions, in order to match the term structure of its funding sources with the structure of long-term assets, the Group takes into consideration the supervisory liquidity measures and limits, as well as the internal liquidity risk limits.

The financing strategy is based on the following assumptions:

- diversifying sources and timing of financing,
- maintaining safe regulatory levels and internal liquidity measures,
- stable increase in transaction deposits,
- incurring liabilities eligible for the MREL indicator or LTFR or ensuring the implementation of the ESG strategy e.g. by issuing green bonds,
- maintaining the issuing capacity of mBank Hipoteczny, but with the Bank's greater involvement in financing the subsidiary by purchasing its covered bonds,
- increasing financial independence from the majority shareholder.

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Liquidity risk in the mBank Group is generated mainly by mBank's items. Nevertheless, liquidity risk level in the mBank Group subsidiaries, where liquidity risk was deemed significant, is also subject to monitoring. In the subsidiaries generating the greatest liquidity risk (mBank Hipoteczny and mLeasing) the Bank monitors the level of liquidity risk on a daily basis. The data provided by these companies allow for reporting contractual cash-flow mismatch as well as calculation of a realistic cash-flows mismatch based on LAB model and modelling assumptions for selected products according to risk profiles, funding possibilities and products specificity of the subsidiary.

The levels of realistic, cumulative cash-flow mismatch in the mBank Group are presented in the following table.

Value of realistic, bucket and cumulative gap of cash flows mismatch (in PLN million)				
Time range	gap LAB Base Case - 31.12.2024		gap LAB Base Case - 31.12.2023	
	bucket	cumulative	bucket	cumulative
up to 1 working day	61 407	61 407	59 098	59 098
up to 3 working days	1 765	63 172	54	59 152
up to 7 calendar days	-	63 172	1 617	60 769
up to 15 calendar days	(2 822)	60 350	(3 074)	57 695
up to 1 month	(6 068)	54 282	(4 979)	52 716
up to 2 months	1 739	56 021	(376)	52 340
up to 3 months	(2 975)	53 046	(2 461)	49 879
up to 4 months	(1 956)	51 090	(1 239)	48 640
up to 5 months	(162)	50 928	(1 858)	46 782
up to 6 months	(1 522)	49 406	(1 184)	45 598
up to 7 months	(1 416)	47 990	(1 531)	44 067
up to 8 months	(1 627)	46 363	(1 463)	42 604
up to 9 months	(2 752)	43 611	(1 215)	41 389
up to 10 months	(977)	42 634	(982)	40 407
up to 11 months	(1 285)	41 349	(1 577)	38 830
up to 12 months	(1 436)	39 913	(1 479)	37 351

LAB gaps mismatch in terms up to 1 month and up to 1 year and the values of regulatory liquidity measures LCR and NSFR at the end of 2024 and 2023 on Group level are presented in the following table.

	31.12.2024	31.12.2023
LAB Base Case 1M*	54 282	52 716
LAB Base Case 1Y*	39 913	37 351
LCR Group	232%	225%
NSFR Group**	164%	162%

\* LAB measures are shown in PLN million, LCR and NSFR are relative measures presented as a decimal.

\*\* The figures in comparative period have changed due to adjustments to improve quality of the data for determination of net accounting value for loans and residual maturities.

For other subsidiaries, due to lower total assets and simpler products, the process of monitoring has been worked out based on the following criteria:

- the size of the balance sheet,
- the amount of net external outflows of the subsidiary (excluding intra-group transactions),
- the amount of external financing of the subsidiary,
- the share of the financing granted to customers for more than a year in the total value of financing in the subsidiary.

### 3.8.1. Cash flows from transactions in non-derivative financial instruments

The table below shows cash flows the Group is required to settle, resulting from financial liabilities. The cash flows have been presented as at the year-end date, categorised by the remaining contractual maturities. The amounts disclosed in maturity dates analysis are undiscounted contractual cash flows.

31.12.2024	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Amounts due to banks	1 130 178	-	1 305 852	629 397	-	<b>3 065 427</b>
Amounts due to customers	182 505 391	15 558 932	3 112 222	24 182	604	<b>201 201 331</b>
Lease liabilities	14 626	26 088	118 510	493 707	95 354	<b>748 285</b>
Debt securities issued	219 853	1 390 150	2 592 403	8 942 325	2 223 405	<b>15 368 136</b>
Subordinated liabilities	821 671	8 889	85 454	1 955 990	215 600	<b>3 087 604</b>
Other liabilities	4 053 394	1 869	463 748	671	-	<b>4 519 682</b>
<b>Total liabilities</b>	<b>188 745 113</b>	<b>16 985 928</b>	<b>7 678 189</b>	<b>12 046 272</b>	<b>2 534 963</b>	<b>227 990 465</b>
<b>Total assets</b>	<b>72 323 040</b>	<b>13 059 208</b>	<b>36 409 104</b>	<b>100 301 639</b>	<b>88 303 994</b>	<b>310 396 985</b>
<b>Net liquidity gap</b>	<b>(116 422 073)</b>	<b>(3 926 720)</b>	<b>28 730 915</b>	<b>88 255 367</b>	<b>85 769 031</b>	<b>82 406 520</b>

31.12.2023	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Amounts due to banks	1 258 274	36 213	30 816	2 005 981	-	<b>3 331 284</b>
Amounts due to customers	168 330 127	14 994 571	2 610 990	16 741	1 738	<b>185 954 167</b>
Lease liabilities	15 206	25 809	118 525	489 356	233 838	<b>882 734</b>
Debt securities issued	320 422	204 456	2 014 487	12 986 056	193 250	<b>15 718 671</b>
Subordinated liabilities	78 621	13 180	128 915	2 898 873	230 121	<b>3 349 710</b>
Other liabilities	4 424 798	1 125 759	12 104	457	-	<b>5 563 118</b>
<b>Total liabilities</b>	<b>174 427 448</b>	<b>16 399 988</b>	<b>4 915 837</b>	<b>18 397 464</b>	<b>658 947</b>	<b>214 799 684</b>
<b>Total assets</b>	<b>75 665 055</b>	<b>9 406 967</b>	<b>30 714 921</b>	<b>103 972 325</b>	<b>72 654 262</b>	<b>292 413 530</b>
<b>Net liquidity gap</b>	<b>(98 762 393)</b>	<b>(6 993 021)</b>	<b>25 799 084</b>	<b>85 574 861</b>	<b>71 995 315</b>	<b>77 613 846</b>

The assets which ensure the payment of all the liabilities and lending commitments comprise cash in hand, cash at the Central Bank, cash in transit and treasury bonds and other eligible bonds, amounts due from banks, loans and advances to customers.

In the normal course of business, some of the loans granted to customers with the contractual repayment date falling within the year, will be prolonged. Moreover, a part of debt securities, were pledged as collateral for liabilities. The Group could ensure cash for unexpected net outflows by selling securities and availing itself of other sources of financing, such as the market of assets backed securities.

Remaining contractual maturities for guarantees issued are presented in the Note 35.

### 3.8.2. Cash flows from derivatives

#### Derivative financial instruments settled on a net basis

Derivative financial instruments settled in net amounts by the Group comprise:

- forward Rate Agreements (FRA),
- options,
- warrants,
- overnight index swaps (OIS),
- interest rate swaps (IRS),
- cross currency interest rate swaps (CIRS),
- commodity swaps,
- bonds forwards,
- commodity forwards,
- CO2 emission forwards.

In the Group financial instruments for commodities are concluded back-to-back.

The table below shows derivative financial liabilities of the Group, the valuation of which was negative as of end of 2024 and 2023. Cash flows from these instruments are grouped by appropriate remaining maturities as at the balance sheet date and are presented in undiscounted values.

31.12.2024	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Forward Rate Agreements (FRA)	2 382	7 183	1 890	396	-	<b>11 851</b>
Overnight Index Swap (OIS)	14 090	2 939	10 729	17 534	640	<b>45 932</b>
Interest Rate Swaps (IRS)	388 469	1 037 794	769 534	1 557 701	181 285	<b>3 934 783</b>
Cross Currency Interest Rate Swaps (CIRS)	25	(901)	(2 002)	180	-	<b>(2 698)</b>
Options	20 283	102 820	147 709	302 342	17	<b>573 171</b>
Other	966	(30 981)	2 247	2 703	-	<b>(25 065)</b>
<b>Total derivatives settled on a net basis</b>	<b>426 215</b>	<b>1 118 854</b>	<b>930 107</b>	<b>1 880 856</b>	<b>181 942</b>	<b>4 537 974</b>
31.12.2023	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Forward Rate Agreements (FRA)	1 766	1 175	10 414	771	-	<b>14 126</b>
Overnight Index Swap (OIS)	7 172	8 667	32 843	38 773	(1 171)	<b>86 284</b>
Interest Rate Swaps (IRS)	284 345	683 588	1 858 769	2 289 923	267 255	<b>5 383 880</b>
Cross Currency Interest Rate Swaps (CIRS)	758	(6 324)	(16 160)	5 929	-	<b>(15 797)</b>
Options	46 399	153 063	276 391	162 316	87	<b>638 256</b>
Other	59 166	3 994	10 294	2 440	-	<b>75 894</b>
<b>Total derivatives settled on a net basis</b>	<b>399 606</b>	<b>844 163</b>	<b>2 172 551</b>	<b>2 500 152</b>	<b>266 171</b>	<b>6 182 643</b>

### Derivative financial instruments settled in gross amounts

Derivative financial instruments settled in gross amounts by the Group comprise foreign exchange derivatives: currency forwards and currency swaps.

The table below shows derivative financial liabilities/assets of the Group, which are settled on a gross basis, grouped by appropriate remaining maturities as at the balance sheet date.

<b>31.12.2024</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Currency derivatives:</b>						
- outflows	26 800 689	13 897 965	8 605 527	973 338	-	<b>50 277 519</b>
- inflows	26 836 287	13 812 126	8 567 134	954 286	-	<b>50 169 833</b>
<b>31.12.2023</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Currency derivatives:</b>						
- outflows	32 887 441	10 573 630	6 479 715	1 948 283	-	<b>51 889 069</b>
- inflows	32 855 643	10 595 231	6 498 983	1 879 000	-	<b>51 828 857</b>

The amounts disclosed in the table are undiscounted contractual outflows/inflows. The amounts presented in the table above are nominal cash flows of currency derivatives, which have not been settled, while the Note 20 shows nominal values of all open derivative transactions.

Detailed data concerning liquidity risk related to off-balance sheet items are presented in the Note 35.

### **3.9. Operational risk**

Operational risk is understood as the possibility of a loss resulting from inadequate or failed internal processes, people and systems or from external events, including also legal risk.

It is comprehensive in nature, which may have a significant impact on the Group's operations and standing. Apart from the environment and external events, its source may be the organisation itself. Due to their dynamic nature, external and internal factors influencing operational risk are subject to constant analysis and assessment.

According to the Risk Catalogue of the mBank Group, operational risk includes in particular:

- legal risk,
- conduct risk,
- IT risk,
- risk of cyber threats,
- money laundering, terrorism financing and violation of sanctions risk (ML/FT/SAN),
- risk of external fraud,
- risk of internal fraud,
- outsourcing risk,
- personnel and organisational risk,
- physical security risk,
- the risk of errors in implementation, delivery and process management,
- tax risk.

Operational risk does not include reputational risk; however materialisation of operational risk may increase reputational risk.

Operational risk management is performed in mBank and, at the consolidated level, in the mBank Group. While organising the operational risk management process, the Bank takes into account regulatory requirements, which are the starting point for preparation of framework for the operational risk control and management system in the Bank and the Group.

The aim of operational risk management in the Group is to reduce the causes of operational events, the probability of their occurrence and the severity of potential consequences. When deciding on the acceptable level of operational risk, the following analysis is considered: costs vs. benefits. Activities undertaken by the Group are also focused on increasing operational risk awareness and building a risk culture that allows mBank to develop appropriate risk management mechanisms and thus increase the security of the Group's activities.

Due to the dynamics of changes in factors affecting operational risk, the key elements of the risk management process are identification, assessment, control and monitoring, counteracting the materialisation of operational risk and risk reporting.

The basic tools used in the operational risk management process include:

- Self-Assessment of Operational Risk, which is performed by organisational units of the Bank and the Group companies. The purpose of this process is to ensure the risk identification and assessment and to take appropriate risk mitigation activities. In addition, Self-Assessment supports the process of introducing changes and improving control processes. The final result of the Self-Assessment is the assessment of processes, sub-processes and key operational risks and the creation of corrective action plans,
- The Register of Operating Losses is a database of losses resulting from operational events that arise. mBank also uses access to external databases on operational losses and uses them to analyse operational risk and potential threats to which institutions operating in the financial sector are exposed,
- the key risk indicators (KRI) support the ongoing monitoring of risk. The process makes it possible to predict in advance the occurrence of an increased level of operational risk and to react appropriately by organisational units in order to avoid the occurrence of operational events and losses. Thanks to the system of warning and alarm thresholds, KRI allow to determine the level of risk tolerance,
- operational risk scenarios that analyse the risks associated with the occurrence of rare but potentially very severe operational risk events,
- assessment of operational risk of products before the implementation of a new or modified product offer and the impact analysis of the outsourcing agreement on the operational risk profile.

The mBank Group identifies and assesses operational risks for all significant areas of operations as well as new and modified products, processes and systems. Risk identification takes into account both internal and external factors.

The mBank Group has a system of regular monitoring of operational risks and events, which enables the monitoring of the operational risk profile and ensures regular remedial actions. Regular monitoring allows to quickly detect weaknesses in the risk management system. Thanks to the identification and analysis of the circumstances related to the recorded event and the operational loss, the Group can better understand the reasons for the occurrence of an operational event and adequately prevent their repetition also in other areas of the organisation.

The Group has a management information system covering information on the level and profile of risk as part of management reports and operational risk reports, including reports submitted to the Management Board and the Supervisory Board.

### **Operational losses**

In 2024, as part of operational risk management, the mBank Group faced in particular losses connected with legal risk related to the foreign currency loan portfolio. The vast majority of the Group's operational losses refers to the following business lines: commercial banking and retail banking (separated in accordance with the CRR Regulation).

The level of operational risk losses is monitored on an ongoing basis and regularly reported to the Bank's Management Board, the Bank's Supervisory Board and to the committees of the Business and Risk Forum. There are monitoring and escalation mechanisms in the mBank Group when the operational loss thresholds are exceeded. They ensure an appropriate analysis of operational events and trigger corrective actions. Detailed information on the amount of operational losses incurred in 2024 and 2023 is presented in the Management Board Report on the Performance of mBank S.A. Group in 2024, in Chapter 9.2. Main risks of mBank Group's business (section on operational risk).

### **3.10. Compliance risk**

Compliance risk management is realised in mBank in accordance with the provisions of the Compliance Policy at mBank S.A. The Policy sets forth general rules for ensuring compliance of operations pursued by the Bank with provisions of law, internal regulations and market standards. It establishes a framework for the compliance assurance process, including the model adopted at the Bank, its components as well as the division of roles and responsibility.

Compliance risk is the risk posed by consequences of failure to observe the law, internal regulations and market standards in processes executed in the Group. The objective of compliance risk management is the minimisation of this risk.

Regulatory non-compliance of the Group is understood as specific situations in which:

- the Group's internal regulations do not conform with the domestic and international law and market standards,
- the Group fails to implement recommendations issued by the PFSA, other supervision authorities and the external auditor,
- the Group fails to implement the recommendations issued following internal investigations, audits and inspections covering compliance risk,
- the Group employees operate in breach of the law and internal regulations.

Compliance assurance uses the three-lines-of-defence model:

- First line of defence comprises units which manage compliance risk when implementing business goals and exercise the control function in operational processes.
- Second line of defence comprises:
  - the Compliance Department, which coordinates, oversees and supervises the performance of compliance risk management obligations at the Group and exercises the control function in compliance assurance,
  - other second-line-of-defence units entrusted with certain tasks from the compliance assurance process.
- Third line of defence comprises the Internal Audit Department, which carries out independent and objective assessment of the adequacy and effectiveness of the internal control system and the risk management system at the Group.

In all three lines of defence, the Group's employees duly apply control mechanisms or independently monitor the observance of control mechanisms.

Compliance of the Group's internal regulations with the law (both local and international) and market standards as well as their observance by the employees guarantees the achievement of the internal control system objectives in this scope. In particular, it mitigates or eliminates legal risk, reputation risk, risk of administrative sanctions and penalties, risk of financial losses resulting from materialisation of compliance risk.

All the Group employees are responsible for the implementation of compliance risk management process in line with the scope of their duties as well as granted authorisations. The Compliance Department is responsible for the coordination and supervision of the compliance risk management process.

The supervision over the implementation of common compliance standards by the mBank Group subsidiaries is exercised in a manner that does not violate applicable law, prudential regulations and independence of employees performing the compliance function in the subsidiaries, in particular under agreements concluded with the subsidiaries.

### **3.11. Business risk**

Business risk means the risk of losses resulting from deviations between actual operating profit of the mBank Group and the planned level. The calculation of deviations between actual and planned values is done separately for income and costs. In particular, the business risk includes strategic risk connected with the possibility of occurrence of negative financial consequences as a result of wrong or disadvantageous decisions or their wrong implementation. Additionally, business risk may materialize as a result of a different product structure than expected. It is assumed, that the results of the strategic decisions and business consequences of development in areas other than planned are reflected in deviations of operating profit in one-year horizon.

Business risk is included in the calculation of economic capital of mBank and the mBank Group.

In order to manage effectively and reduce business risk, the following actions are taken:

- assurance of high quality of data within planning process,
- regular analysis of reasons behind deviations of the actual financial results from plan reported by the organisational units and informing the Management Board about results of the above analyses,
- periodic verification of adopted strategy,
- regular analysis of competitors' activities.

### **3.12. Model risk**

Model risk is understood as the risk of negative consequences connected with the decisions made on the basis of the output data of models which have been improperly constructed or are improperly administered. Model risk may result in financial losses, improper business or strategic decisions or negatively influence the Bank's reputation.

The following specific subcategories can be distinguished in model risk: risk inextricably linked with the restrictions connected with modelling a given phenomenon, assumption/methodology risk, data risk, models administration risk, and risk of interdependence.

Model risk is managed in the Bank on a systemic basis by proper internal regulations concerning model and their risk management process, in particular monitoring and validation of models.

An important role in the model and their risk management process is played by the Model Risk Committee. It recommends, among others, model risk tolerance level, which is finally approved by the Management Board and the Supervisory Board.

### **3.13. Reputational risk**

The aim of management of reputational risk, defined as a risk resulting from a negative perception of the image of the Bank or other member of the group among their stakeholders, is to identify, assess and reduce reputational risk in specific processes in order to protect and strengthen the good name of mBank and the mBank Group.

All of the Bank's organisational units, foreign branches, and subsidiaries are directly responsible for any reputational risk arising from their own business activities.

Reputation risk can be secondary to other types of risk, such as credit, market, liquidity and operational risks. Reputation risk is also a primary risk when it arises directly from an ethically, environmentally or socially controversial activity. This risk is identified, measured and monitored.

To monitor and manage reputation risk, the Group uses various tools and methods:

- implementation of policies and regulations in the area of compliance, security, human and employee rights as well as services for industries and areas sensitive to the reputation risk of the Bank,
- reputation risk assessment based on negative publications,
- customer satisfaction analysis,
- employee satisfaction research,
- employer brand research,
- crisis management,
- reputation risk analysis when implementing new and modifying existing products,
- analysis of customer complaints,
- building awareness in the area of compliance,
- analysis of violations of employee rights and other rules of the Bank's operation.

### **3.14. Capital risk**

In the mBank Group there is a capital management process in order to prevent materialisation of capital risk, understood as risk resulting from the lack of capital as well as lack of the possibility to achieve sufficient capital adequate to the business activity's risk undertaken by the Bank, required to absorb unexpected losses and meet regulatory requirements enabling further independent functioning of the Bank. Capital risk encompasses the risk of excessive leverage.

Capital risk management is performed, at an individual level, in mBank and, at a consolidated level, in the mBank Group.

The capital management in the mBank Group is organised as a process including planning, steering and controlling regulatory and internal capital. Within the framework of capital management process, regular monitoring of capital adequacy and effectiveness is conducted, aimed at assurance that adequate and optimum level of capital is maintained in the mBank Group. This is supported by stress test analyses, which – among others – are based on scenarios of macro environment change, aiming to provide in depth view on current capital position, as well as its probable future developments resulting from the stress scenarios adopted for the analysis.

More information on capital adequacy of the mBank Group is provided in Note 48.

### 3.15. FX loans portfolio risk

The FX loan portfolio risk is related to mortgage and housing loans in foreign currencies, granted to individual borrowers until 2011. This risk may result in particular from the materialisation of operational (legal), as well as credit and reputational risk in relation to the above-mentioned borrowers.

The legal risk of the portfolio of loans in foreign currencies (loans indexed with a foreign exchange rate) relates to the portfolio of mortgage-secured loans granted to natural persons in the years 2004-2011.

This risk relates to the possibility of realising losses resulting from court decisions unfavourable for the Bank in cases brought by borrowers.

In managing this risk, the Group takes actions to protect its interests in court proceedings, aimed at obtaining decisions favourable to the Bank or limit the Bank's potential loss related to unfavourable rulings. In particular the Bank runs the settlement program addressed to clients with loans indexed to foreign currencies.

For effective management of legal risk of the FX loans portfolio, mBank has established the Disputed Loans Department, whose tasks include in particular:

- preparation of materials used in court proceedings,
- coordinating the activities of legal representatives,
- cooperation and communication with external institutions on indexed loans,
- organising and coordinating the settlement program.

More information on legal risk related to mortgage and housing loans granted to individual customers in foreign currencies is included in the Note 34.

Credit risk and reputational risk related to the FX loans portfolio are managed in line with the principles of managing these risks.

### 3.16. Securitisation risk

The Group carried out securitisation transactions in order to reduce the credit risks incurred and to free up some capital. The securitization risk includes, in case of the mBank Group, the risks that arise from the Bank's role as a transaction originator and servicer (monitoring of the underlying transactions, reporting, vindication). The Bank analyses on an ongoing basis the risks that may both materialise after the conclusion of securitisation transactions and the risks that may materialise in connection with the planned execution of the subsequent securitisation transactions.

### 3.17. Environmental (E), social (S) and governance (G) risks

Changes in the environment, the rapid pace of technological change, social changes and the legal changes forced by these phenomena are having an increasing impact on the activities of the various economic sectors. This also causes for the Group and for many customers the need to change or adjust their business profile. The effects of reorganizing or adjusting the business profile of customers translate into their relationship with the mBank Group. Therefore, the Group has defined environmental, social and corporate governance risks.

The Bank analyses threats posed by ESG factors, including adverse changes in the natural environment (especially climate change) or the long-term effects of these changes in a horizontal manner. This means that it examines their impact on the Bank's business profile in the widest possible spectrum, e.g. translates them into individual risk categories, including credit risk.

An essential element of risk management was the update of the risk assessment rules for corporate clients in the environmental, social and governance areas to better reflect the specificity of the Polish economy and ESG risk factors in individual sectors. ESG risk assessment is one of the elements of customer credit risk assessment. The result of the ESG risk analysis is taken into account when making a credit decision on granting financing and every year when renewing the customer's PD-rating.

The outcomes of ESG risk analysis during the credit risk analysis process impact neither credit pricings for corporate clients nor their PD-ratings in a quantitative manner. ESG risk assessment is qualitative, considered independently from clients' financial results and credit risk parameters. In the case of smaller exposures, the analysis is simplified and conducted on a portfolio basis.

In the case of smaller exposures, the analysis is simplified and conducted on a portfolio basis while in the case of exposures exceeding PLN 8 million for K2 clients (medium-sized enterprises with an annual turnover of PLN 50 million to PLN 1 billion) and K1 (large enterprises with annual turnover exceeding PLN 1 billion and non-bank financial institutions) - on case-by-case basis.

Having committed to the Science-Based Targets initiative (SBTi) in 2022 and considering the Group's earlier strategic commitment to achieving net-zero emissions, the Group has submitted for validation by SBTi the

greenhouse gas emissions reduction targets for both its own operations (scope 1 and 2) and the credit portfolio (scope 3, category 15).

### **Environmental risk (E)**

Environmental risk is the risk of negative financial impact resulting from current or future environmental factors on invested assets, customers, counterparties or balance sheet items. From the point of view of classification and the practical approach to managing this risk, the Group do not treat it as a separate type, but as a so-called horizontal risk, which affects the risks identified and managed in the Group to date to varying degrees and through varying channels of transmission. In addition, the Group distinguish two major subcategories of environmental risk:

- transformation risk understood as the risk of unforeseen financial costs for institutions that may result, directly or indirectly, from the process of adapting these institutions to a low-carbon and more environmentally sustainable economy,
- physical risk understood as the risk of negative financial effects of a changing climate, including more frequent extreme weather events and gradual climate change, as well as environmental degradation such as air, water and soil pollution, water stress, biodiversity loss and deforestation.

The Group's operations do not have a significant direct impact on the climate. The industry in which the Group operates is not one of the sectors with high greenhouse gas emissions. The Group takes care to ensure that its activities do not lead to the destruction of natural ecosystems and biodiversity. According to the Group, this impact manifests itself primarily indirectly, through the financing provided to customers. The Group has an impact on the climate through its decisions related to providing financing to customers in specific industries. The Group can reduce our impact mainly by limiting financing to customers in carbon-intensive industries through credit policies that is taken into account the EU's climate policy. The Group has completely excluded financing for entities operating in the mining, coal-fired power and fossil-fuel-based heating sectors.

The Group's preferred areas of financing include projects supporting biodiversity and water management in energy-intensive industries, and targeted projects involving the construction of electric vehicle charging stations.

The Group uses tools that analyse and quantifies environmental, social and corporate governance risks at the industry level based on a standardised set of criteria. This assessment is a mandatory part of the lending process, allowing the conscious building of exposure and monitoring the ESG profile of the corporate portfolio and better determining directions in the clients' transformation.

### **Social risk (S)**

Social risk, which is part of ESG risk, is the risk of negative, including financial, consequences caused by the actions of the mBank Group or its employees that violate the norms and rules of social relations between the Group's employees, the Group's relations with its contractors, legal entities with which the Group cooperates or customers.

Within social risks, can be distinguish:

- cyber threats, hacking attacks on both mBank Group systems and its customers,
- consequences arising from violations of human rights (including violations of labour rights, rights or freedoms of individuals in terms of personal data protection, bullying, discrimination),
- litigation with the Group's customers,
- handling controversial areas and industries,
- customer expectations that do not arise directly from contractual relationships or laws,
- public expectations of the Bank as a public trust institution that the Bank cannot meet,
- complicated and complex offerings of the Group that may create misunderstanding on the part of customers,
- social impact of natural disasters and pandemics.

### **Governance risk (G)**

Governance risk is the risk of negative consequences in the financial and non-financial areas caused by the Group's violation of the principles of corporate governance, broadly defined, arising from external and internal regulations.

Governance risk may include:

- operational risk – in light of governance risk within operational risk, legal risk, conduct risk, risk of money laundering, terrorist financing and violation of sanctions, cyber risk and tax risk are particularly relevant,
- compliance risk – resulting in the Group's failure to timely comply with new regulations,
- reputational risk – the occurrence of this type of risk can materialise through the occurrence of events that affect the Bank's stakeholders' perception of the Group.

For effective management of governance risk, the mBank Group ensures that its operations comply with a transparent system of internal regulations, in accordance with the Internal Governance Policy. In managing this risk, the Group also ensures universal and equal access to information and makes effort to ensure that the information made available is up-to-date, reliable and presented in a transparent way for key stakeholders, in accordance with the adopted Information Policy.

As part of the Internal Governance Policy, the individual areas that make up internal governance are reviewed annually. On the basis of the review, the Bank's Management Board and then the Supervisory Board assess the adequacy and effectiveness of internal governance in conjunction with the evaluation of the internal control system and the assessment of the application of corporate governance principles. As part of the assessment, possible improvement actions are identified to ensure the highest standards of management and maintenance of corporate governance.

### 3.18. 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 an asset or a liability,
- in the absence of a main market, for the most advantageous market for an asset or a liability.

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

The approach to the valuation method used for the loans at fair value in line with IFRS 9 requirements, is described in the point 3.3.7.

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 assets and financial liabilities longer than 1 year is based on discounted cash flows using appropriate interest rates.

#### Financial assets and liabilities at amortised cost

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

	31.12.2024		31.12.2023	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets at amortised cost</b>				
<b>Debt securities</b>	<b>33 965 644</b>	<b>32 805 083</b>	<b>23 323 690</b>	<b>22 266 854</b>
<b>Loans and advances to banks</b>	<b>9 738 457</b>	<b>9 747 437</b>	<b>7 119 059</b>	<b>7 126 873</b>
<b>Loans and advances to customers, including:</b>	<b>120 888 776</b>	<b>121 675 187</b>	<b>112 876 580</b>	<b>112 776 830</b>
<b>Individual customers</b>	<b>68 183 621</b>	<b>69 840 225</b>	<b>63 642 537</b>	<b>64 240 599</b>
Current receivables	6 816 927	7 150 920	7 182 778	7 568 606
Term loans	61 268 200	62 590 811	56 293 952	56 506 186
Other	98 494	98 494	165 807	165 807
<b>Corporate customers</b>	<b>52 581 735</b>	<b>51 722 980</b>	<b>49 109 195</b>	<b>48 438 128</b>
Current receivables	6 732 692	6 511 709	6 022 731	5 743 616
Term loans, including finance lease	41 057 616	40 419 844	38 571 901	38 179 949
Reverse repo or buy/sell back transactions	1 029 492	1 029 492	899 340	899 340
Other loans and advances	3 638 641	3 638 641	3 507 157	3 507 157
Other	123 294	123 294	108 066	108 066
<b>Public sector customers</b>	<b>123 420</b>	<b>111 982</b>	<b>124 848</b>	<b>98 103</b>
<b>Financial liabilities at amortised cost</b>				
<b>Amounts due to banks</b>	<b>3 059 431</b>	<b>3 059 431</b>	<b>3 315 302</b>	<b>3 315 302</b>
<b>Amounts due to customers</b>	<b>200 808 978</b>	<b>200 807 266</b>	<b>185 467 455</b>	<b>185 465 086</b>
<b>Debt securities issued</b>	<b>12 130 336</b>	<b>12 035 319</b>	<b>11 105 165</b>	<b>10 972 334</b>
<b>Subordinated liabilities</b>	<b>2 675 537</b>	<b>2 648 702</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 valuated 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 valuated portfolio and the portfolio of similar loans in mBank.

#### 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.

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

In the 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 amount 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 December 2024 and 31 December 2023.

31.12.2024	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	32 805 083	29 937 653	-	2 867 430
Loans and advances to banks	9 747 437	-	-	9 747 437
Loans and advances to customers	121 675 187	-	-	121 675 187
<b>Total financial assets</b>	<b>164 227 707</b>	<b>29 937 653</b>	<b>-</b>	<b>134 290 054</b>
<b>Financial liabilities</b>				
Amounts due to banks	3 059 431	-	1 928 928	1 130 503
Amounts due to customers	200 807 266	-	208 067	200 599 199
Debt securities issued	12 035 319	7 550 558	-	4 484 761
Subordinated liabilities	2 648 702	-	-	2 648 702
<b>Total financial liabilities</b>	<b>218 550 718</b>	<b>7 550 558</b>	<b>2 136 995</b>	<b>208 863 165</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>

### Level 1

Level 1 of financial assets includes the value of treasury securities and EIB bonds which valuation consists in the direct use of market current prices of these instruments originating from active and liquid financial markets.

Level 1 of financial liabilities includes the fair value of bonds issued by the Bank (Note 29). For the purpose of disclosures the Group applied market price of the issued debt securities.

### Level 2

Level 2 includes the fair value of long-term loans received from banks, the fair value of long-term deposits placed by customers and the fair value of the loans received from the EIB (Note 29).

The fair value of financial liabilities included in Level 2 with more than 1 year to maturity is based on cash flows discounted using interest rates. In case of the loans received from European Investment Bank, the Bank used EIB yield curve and the value of margin which was agreed upon the last contract for a loan. Based on that assumption, the spread of the Bank to market swap curve was estimated. In case of deposits the Bank used the curve based on money market rates, as well as FRA contracts and IRS contracts for appropriate currencies and maturities.

### Level 3

Level 3 includes:

- loans and advances to banks and loans and advances to customers, which is disclosed, as described earlier, based on quotation of median credit spreads for Moody's ratings,
- mortgage bonds and other debt securities issued by mBank Hipoteczny. For the valuation, the Group has applied the technique of estimation of interest flow using swap curve and discounting with the rate amended by credit spread which is obtainable in case of issue depending on currency and maturity of financial instrument,
- liabilities due to banks and to customers with maturity up to one year, for which the Group assumed that their fair value is equal to the carrying value,
- liabilities due to banks, liabilities due to customers and liabilities due to debt securities issued with maturity exceeding one year, for which were used valuation methods using at least one significant input data not based on observable market data,
- subordinated liabilities.

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

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

31.12.2024	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>1 840 714</b>	<b>931 871</b>	<b>609 993</b>	<b>298 850</b>				
Loans and advances to customers	42 972	-	-	42 972				
Debt securities	1 176 347	920 469	-	255 878				
Equity instruments	11 402	11 402	-	-				
Derivative instruments, including:	609 993	-	609 993	-				
Derivatives held for trading	777 994	-	777 994	-				
Hedging derivatives	397 537	-	397 537	-				
Offsetting effect	(565 538)	-	(565 538)	-				
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>925 786</b>	<b>40 641</b>	<b>-</b>	<b>885 145</b>				
Loans and advances to customers	486 850	-	-	486 850				
Debt securities	31 204	-	-	31 204				
Equity securities	407 732	40 641	-	367 091				
<b>Financial assets at fair value through other comprehensive income</b>	<b>34 588 843</b>	<b>18 510 457</b>	<b>14 828 961</b>	<b>1 249 425</b>				
Debt securities	34 588 843	18 510 457	14 828 961	1 249 425				
<b>Total financial assets</b>	<b>37 355 343</b>	<b>19 482 969</b>	<b>15 438 954</b>	<b>2 433 420</b>				
<b>Financial liabilities</b>								
<b>Financial liabilities held for trading and hedging derivatives</b>	<b>1 094 037</b>	<b>345 710</b>	<b>724 260</b>	<b>24 067</b>				
Derivative instruments, including:	748 327	-	724 260	24 067				
Derivatives held for trading	829 434	-	829 434	-				
Hedging derivatives	643 552	-	619 485	24 067				
Offsetting effect	(724 659)	-	(724 659)	-				
Liabilities from short sale of securities	345 710	345 710	-	-				
<b>Total financial liabilities</b>	<b>1 094 037</b>	<b>345 710</b>	<b>724 260</b>	<b>24 067</b>				
<b>Financial assets measured at fair value and investment properties at Level 3 - changes from 1 January to 31 December 2024</b>	<b>Financial assets held for trading and hedging derivatives</b>		<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>			<b>Debt securities at fair value through other comprehensive income</b>	<b>Investment properties</b>	
	<b>Loans and advances</b>	<b>Debt securities</b>	<b>Derivative financial instruments</b>	<b>Loans and advances</b>	<b>Debt securities</b>	<b>Equity securities</b>		
<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>2 438</b>	<b>1 339</b>	<b>14 378</b>	<b>450</b>	<b>6 788</b>	<b>58 113</b>	<b>13 200</b>	<b>(19 259)</b>
Recognised in profit or loss:	2 438	1 339	(21 502)	450	6 788	58 113	-	(19 259)
<i>Net trading income</i>	2 438	1 339	(21 502)	-	1 262	(28)	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	-	450	5 526	43 712	-	-
<i>Other operating income / other operating expenses</i>	-	-	-	-	-	14 429	-	(19 259)
Recognised in other comprehensive income:	-	-	35 880	-	-	-	13 200	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	-	13 200	-
<i>Cash flow hedges</i>	-	-	35 880	-	-	-	-	-
Purchases / origination	-	524 173	-	16 252	-	64 930	1 352 370	-
Redemptions / total repayments	-	(39 946)	-	(110 736)	-	-	(389 019)	-
Sales	-	(2 504 969)	-	-	-	-	(1 532 607)	-
Issues	-	2 037 774	-	-	-	-	528 168	-
Reclassification to other positions	-	-	-	-	-	-	-	(92 705)
Other changes	36	-	-	(22 829)	(25 728)	-	-	-
<b>As at the end of the period</b>	<b>42 972</b>	<b>255 878</b>	<b>(24 067)</b>	<b>486 850</b>	<b>31 204</b>	<b>367 091</b>	<b>1 249 425</b>	<b>-</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>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 instruments, including:	1 074 153	-	1 074 153	-
Derivatives held for trading	1 256 605	-	1 256 605	-
Hedging derivatives	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 derivatives</b>	<b>1 495 754</b>	<b>157 607</b>	<b>1 299 702</b>	<b>38 445</b>
Derivative instruments, including:	1 338 147	-	1 299 702	38 445
Derivatives held for trading	1 455 145	-	1 455 145	-
Hedging derivatives	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>

In 2024 and 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 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 December 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 920 469 thousand and the fair value of government bonds at fair value through other comprehensive income in the amount of PLN 17 637 073 thousand (31 December 2023: PLN 397 333 thousand and PLN 15 883 079 thousand, respectively). Level 1 includes the fair value of corporate bonds in the amount of PLN 873 384 thousand (31 December 2023: PLN 1 367 549 thousand).

In addition, as at 31 December 2024 Level 1 includes the value of the registered preferred shares of Giełda Papierów Wartościowych in the amount of PLN 849 thousand (31 December 2023: PLN 893 thousand), shares of Visa Inc. in the amount of PLN 39 792 thousand and other equity instruments in the amount of PLN 11 402 thousand (31 December 2023: PLN 10 542 thousand).

As at 31 December 2024 Level 1 also includes liabilities from short sale of securities quoted on active markets in the amount of PLN 345 710 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 December 2024 Level 2 of the fair value hierarchy includes the fair value of bills issued by NBP in the amount of PLN 14 828 961 thousand (31 December 2023: PLN 18 437 136 thousand), whose valuation 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 December 2024 Level 3 of the hierarchy presents the fair value of commercial debt securities issued by local banks and companies (bonds and deposit certificates) in the amount of PLN 1 536 507 thousand (31 December 2023: PLN 1 564 964 thousand).

Model valuation for these items assumes a valuation based on the market interest rate yield curve adjusted by the level of credit spread. The credit spread parameter reflects the credit risk of the security issuer and is determined in accordance with the Bank's internal model. This model uses credit risk parameters (e.g. PD, LGD) and information obtained from the market (including implied spreads from transactions). PD and LGD parameters are not observed on active markets and therefore have been determined on the basis of statistical analysis. Models of the valuation of debt instruments and the credit spread 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 December 2024 includes the value of loans and advances to customers in the amount of PLN 529 822 thousand (31 December 2023: PLN 644 211 thousand). The principles for fair value calculation for loans and advances to customers is described in Note 3.3.7.

Moreover, as at 31 December 2024 Level 3 covers mainly the fair value of equity securities amounting to PLN 367 091 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 valuated entities and discounted with the cost of equity estimated using CAPM model (Capital Asset Pricing Model). At the end of 2024, the cost of equity was estimated in the range from 11.8% to 12.3% (as at the end of 2023: from 12.3% to 13.8%). In addition, some of the forecasts, which assume growth above average market growth, have been discounted at the cost of capital of 25%.

As at 31 December 2023 Level 3 also included fair value of investment property in the amount of 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. As at 31 December 2024, in relation to the start of the sales process, property has been reclassified to item Non-current assets and disposal groups classified as held for sale.

Level 3 also 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 20).

As at 31 December 2024, the valuation of these contracts in liabilities amounted to PLN 24 067 thousand (as at 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 31.12.2024	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	367 091	(21 197)	26 235	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the cost of 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	1 249 425	(27 509)	27 509	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	255 878	(3 948)	3 948	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers held for trading	42 972	(152)	137	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	486 850	(6 444)	6 377	The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).

  

Portfolio	Fair value 31.12.2023	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 cost of 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	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers held for trading	40 498	(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	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 (+).

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

The Group applies estimates and adopts assumptions which impact the value 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 34.

#### Impact of credit holidays on the financial result of the Group

On 15 May 2024, an amendment to the Act on support to home loan borrowers in a difficult financial situation and Act on crowdfunding for business ventures and aid to borrowers extending the possibility of suspending the execution of mortgage loan agreements granted in Polish currency ("credit holidays") for 2024 entered into force.

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 have the right to suspend four monthly instalments in 2024. Credit holidays apply to both the principal and interest parts of the loan. The instalment repayment dates will be extended without additional interest for the suspension periods. In the Group's opinion, the change to the contractual terms of mortgage loans implemented by the Act constituted an insignificant modification of these financial assets in accordance with IFRS 9.5.4.3.

In 2024, the Group recognised the negative impact of credit holidays in the total amount of PLN 138.5 million, which decreased the interest income of the Group. The impact of credit holidays on the valuation of the loan portfolio is settled by the recognition of interest income calculated using the effective interest

rate and adjusted gross carrying amount in periods in which customers taking advantage of credit holidays do not pay the interest according to the original schedules of the loan agreements.

In 2024, credit holidays were requested by customers representing 40.7% portfolio assessed as meeting the statutory criteria of benefiting from credit holidays. These customers applied for an average 3.6 months of credit holidays.

As of 31 December 2024 the gross carrying value of the loans being subject to the credit holidays amounted to PLN 5 794.6 million.

### Impairment of loans and advances

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. 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 realisation of specific scenarios) for portfolio of loans and advances and off-balance sheet liabilities which are impaired, change by +/- 10%, the estimated loans and advances and off-balance sheet liabilities impairment would either decrease by PLN 54.7 million or increase by PLN 58.0 million as at 31 December 2024, respectively (as at 31 December 2023: PLN 52.8 million and PLN 56.1 million, respectively). 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.

### Impact of the macroeconomic environment forecast on the expected credit loss value

In the first and the second half of 2024, the Group updated the forecasts of future macroeconomic conditions that are incorporated into the risk parameter models used to calculate the expected credit loss (the detailed description of the significant model changes can be found in section 3.3.6.2.2.). The forecasts take into account the current development of the economic situation in Poland, and they are consistent with the forecasts used in the planning process.

In order to assess expected credit loss (ECL) sensitivity to the future macroeconomic conditions, the Group determined the ECL value separately for each of the scenarios used for the purposes of calculating the expected credit risk losses. The impact of the optimistic and pessimistic scenarios is presented below as the deviation of the value of provisions in a given scenario from the expected credit losses calculated for the baseline path.

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

Scenario as of 31.12.2024		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast
GDP	y/y	4.2%	3.0%	4.8%	4.1%	1.7%	2.3%
Unemployment rate	end of the year	2.8%	2.6%	2.2%	2.5%	4.2%	4.1%
Real estate price index	y/y	108.4	108.4	110.1	111.3	100.0	103.4
WIBOR3M	end of the year	4.40%	3.90%	5.65%	4.90%	3.25%	2.00%

Scenario as of 31.12.2023		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast
GDP	y/y	0.4%	3.1%	1.9%	4.0%	-1.6%	1.5%
Unemployment rate	end of the year	5.3%	5.1%	4.3%	3.5%	5.5%	5.9%
Real estate price index	y/y	102.8	107.5	103.5	114.4	93.6	103.6
WIBOR3M	end of the year	6.95%	6.20%	8.25%	8.20%	5.75%	4.70%

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

Scenario	Change in value of credit risk costs			
	31.12.2024			
	Stage 1	Stage 2	Stage 3	Total
optimistic	87 180	132 277	1 617	<b>221 074</b>
pessimistic	(101 848)	(138 287)	(830)	<b>(240 965)</b>

The above results were estimated taking into account the allocation to the Stage 2 determined individually for each macroeconomic scenario. The ECL sensitivity analysis was performed for 90% of the assets of the portfolio of loans and advances to customers (excluding the impaired exposures and the exposures not valued with the use of the models i.e., exposures of public sector entities, non-bank financial institutions and corporate clients assessed individually).

### 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 3.18.

### 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.

### 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 benefits

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

### Leasing classification

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

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

## 5. 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, liquidity management, 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 is described in Note 46.
- **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.

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 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 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 broken down into Poland and foreign countries depending on the place of origin of income and expenses. Foreign countries segment includes activity of mBank's foreign branches in the 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 December 2024 – data regarding consolidated income statement.

period from 1 January to 31 December 2024	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	6 255 683	2 852 328	454 115	26 897	9 589 023
- sales to external clients	3 733 413	2 755 342	2 857 444	242 824	9 589 023
- sales to other segments	2 522 270	96 986	(2 403 329)	(215 927)	-
Net fee and commission income	1 035 536	1 024 437	(54 029)	(34 060)	1 971 884
Dividend income	-	-	14 279	-	14 279
Trading income	120 756	233 366	(145 435)	(32 009)	176 678
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	59 287	2 740	2 715	(293)	64 449
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(2 436)	1 927	1 107	-	598
Other operating income	121 605	284 265	66 605	5 076	477 551
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(410 763)	(226 625)	(1 983)	53 413	(585 958)
Costs of legal risk related to foreign currency loans	-	-	-	(4 306 964)	(4 306 964)
Overhead costs	(1 773 326)	(957 695)	(46 039)	(24 650)	(2 801 710)
Amortisation	(405 202)	(171 616)	(8 514)	(1 298)	(586 630)
Other operating expenses	(135 407)	(74 718)	(72 489)	(4 480)	(287 094)
<b>Operating profit</b>	<b>4 865 733</b>	<b>2 968 409</b>	<b>210 332</b>	<b>(4 318 368)</b>	<b>3 726 106</b>
Taxes on Group balance sheet items	(475 952)	(247 220)	(16 649)	(12 560)	(752 381)
<b>Gross profit of the segment</b>	<b>4 389 781</b>	<b>2 721 189</b>	<b>193 683</b>	<b>(4 330 928)</b>	<b>2 973 725</b>
Income tax					(730 357)
Net profit attributable to Owners of mBank S.A.					2 243 245
Net profit attributable to non-controlling interests					123

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

period from 1 January to 31 December 2023	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	5 688 247	2 508 728	658 009	18 487	8 873 471
- sales to external clients	3 632 265	2 536 842	2 381 489	322 875	8 873 471
- sales to other segments	2 055 982	(28 114)	(1 723 480)	(304 388)	-
Net fee and commission income	956 854	1 038 658	(44 177)	(35 427)	1 915 908
Dividend income	-	-	9 486	-	9 486
Trading income	101 889	265 450	(240 828)	(53 168)	73 343
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	32 656	(4 275)	6 277	(558)	34 100
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(4 406)	1 015	(47 650)	100	(50 941)
Other operating income	153 904	134 839	25 543	3 426	317 712
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(868 398)	(224 240)	(2 608)	18 468	(1 076 778)
Costs of legal risk related to foreign currency loans	-	-	-	(4 908 205)	(4 908 205)
Overhead costs	(1 609 774)	(886 844)	(39 133)	(34 682)	(2 570 433)
Amortisation	(350 949)	(147 071)	(5 092)	(904)	(504 016)
Other operating expenses	(143 874)	(169 790)	(85 450)	(393)	(399 507)
<b>Operating profit</b>	<b>3 956 149</b>	<b>2 516 470</b>	<b>234 377</b>	<b>(4 992 856)</b>	<b>1 714 140</b>
Taxes on Group balance sheet items	(453 494)	(245 677)	(19 385)	(24 996)	(743 552)
<b>Gross profit of the segment</b>	<b>3 502 655</b>	<b>2 270 793</b>	<b>214 992</b>	<b>(5 017 852)</b>	<b>970 588</b>
Income tax					(946 530)
Net profit attributable to Owners of mBank S.A.					24 054
Net profit attributable to non-controlling interests					4

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

31.12.2024	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Assets of the segment	76 773 280	51 830 306	115 245 815	2 107 962	<b>245 957 363</b>
Liabilities of the segment	143 286 283	60 509 698	21 473 152	2 921 236	<b>228 190 369</b>

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	<b>226 980 516</b>
Liabilities of the segment	129 176 019	59 232 127	22 962 582	1 872 562	<b>213 243 290</b>

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

	from 1 January to 31 December 2024			from 1 January to 31 December 2023		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	9 114 081	474 942	<b>9 589 023</b>	8 339 132	534 339	<b>8 873 471</b>
Net fee and commission income	1 912 639	59 245	<b>1 971 884</b>	1 861 418	54 490	<b>1 915 908</b>
Dividend income	14 279	-	<b>14 279</b>	9 486	-	<b>9 486</b>
Trading income	174 418	2 260	<b>176 678</b>	69 229	4 114	<b>73 343</b>
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	64 449	-	<b>64 449</b>	34 100	-	<b>34 100</b>
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	629	(31)	<b>598</b>	(50 439)	(502)	<b>(50 941)</b>
Other operating income	470 361	7 190	<b>477 551</b>	308 982	8 730	<b>317 712</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(537 213)	(48 745)	<b>(585 958)</b>	(1 035 246)	(41 532)	<b>(1 076 778)</b>
Costs of legal risk related to foreign currency loans	(4 306 964)	-	<b>(4 306 964)</b>	(4 908 205)	-	<b>(4 908 205)</b>
Overhead costs	(2 592 720)	(208 990)	<b>(2 801 710)</b>	(2 374 842)	(195 591)	<b>(2 570 433)</b>
Amortisation	(574 745)	(11 885)	<b>(586 630)</b>	(490 450)	(13 566)	<b>(504 016)</b>
Other operating expenses	(279 892)	(7 202)	<b>(287 094)</b>	(389 430)	(10 077)	<b>(399 507)</b>
<b>Operating profit</b>	<b>3 459 322</b>	<b>266 784</b>	<b>3 726 106</b>	<b>1 373 735</b>	<b>340 405</b>	<b>1 714 140</b>
Taxes on Group balance sheet items	(699 628)	(52 753)	<b>(752 381)</b>	(687 726)	(55 826)	<b>(743 552)</b>
<b>Gross profit of the segment</b>	<b>2 759 694</b>	<b>214 031</b>	<b>2 973 725</b>	<b>686 009</b>	<b>284 579</b>	<b>970 588</b>
Income tax			(730 357)			(946 530)
Net profit attributable to Owners of mBank S.A.			2 243 245			24 054
Net profit attributable to non-controlling interests			123			4

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

	31.12.2024			31.12.2023		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
<b>Assets of the segment, including:</b>	236 235 247	9 722 116	<b>245 957 363</b>	217 452 308	9 528 208	<b>226 980 516</b>
- tangible assets	3 483 572	37 742	<b>3 521 314</b>	3 252 775	42 529	<b>3 295 304</b>
- deferred income tax assets	1 349 083	14 934	<b>1 364 017</b>	1 369 606	9 934	<b>1 379 540</b>
<b>Liabilities of the segment</b>	210 964 186	17 226 183	<b>228 190 369</b>	197 104 470	16 138 820	<b>213 243 290</b>

## 6. Net interest income

	Year ended 31 December	
	2024	2023
<b>Interest income</b>		
<b>Interest income accounted for using the effective interest method</b>	<b>14 257 452</b>	<b>14 522 983</b>
Interest income of financial assets at amortised cost, including:	12 497 452	12 583 363
- <i>Loans and advances</i>	10 441 072	10 802 020
- <i>Debt securities</i>	1 085 997	701 675
- <i>Cash and short-term placements</i>	1 042 633	882 910
- <i>Gains or losses on non-substantial modification (net)</i>	(155 839)	44 815
- <i>Other</i>	83 589	151 943
Interest income on financial assets at fair value through other comprehensive income, including:	1 760 000	1 939 620
- <i>Debt securities</i>	1 760 000	1 939 620
<b>Income similar to interest on financial assets at fair value through profit or loss, including:</b>	<b>265 814</b>	<b>303 782</b>
Financial assets held for trading, including:	64 536	75 066
- <i>Loans and advances</i>	4 911	5 198
- <i>Debt securities</i>	59 625	69 868
Non-trading financial assets mandatorily at fair value through profit or loss, including:	80 379	109 231
- <i>Loans and advances</i>	80 379	109 231
Interest income on derivatives classified into banking book	120 899	119 485
<b>Total interest income</b>	<b>14 523 266</b>	<b>14 826 765</b>

In 2024, the item Gains or losses on non-substantial modification (net) includes a loss of PLN 138.5 million resulting from the recognition of the impact of credit holiday. More information on this subject is presented in Note 4.

In 2023, due to an updated calculation of the impact of credit holidays, the Group recognised in this item a profit of PLN 57.5 million.

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.

Interest income on financial assets at amortised cost includes interest on leasing activities in the amount of PLN 1 204 080 thousand (for the period ended 31 December 2023: PLN 1 164 771 thousand).

	Year ended 31 December	
	2024	2023
<b>Interest expenses</b>		
Financial liabilities held for trading	(19 617)	(19 428)
Financial liabilities measured at amortised cost, including:	(3 787 662)	(4 461 489)
- <i>Deposits</i>	(3 072 090)	(3 771 828)
- <i>Loans received</i>	(4 377)	(4 523)
- <i>Issue of debt securities</i>	(514 905)	(459 330)
- <i>Subordinated liabilities</i>	(164 177)	(182 502)
- <i>Other financial liabilities</i>	(27 867)	(40 849)
- <i>Lease liabilities</i>	(4 246)	(2 457)
Interest expenses on derivatives concluded under the fair value hedge	(798 612)	(875 719)
Interest expenses on derivatives concluded under the cash flow hedge	(326 205)	(595 143)
Other	(2 147)	(1 515)
<b>Total interest expense</b>	<b>(4 934 243)</b>	<b>(5 953 294)</b>

Net interest income per client groups is as follows:

	Year ended 31 December	
	2024	2023
<b>Interest income</b>		
From banking sector	2 995 653	3 367 468
From other customers, including:	11 527 613	11 459 297
- individual clients	5 350 247	5 975 708
- corporate clients	4 553 193	4 509 313
- public sector	1 624 173	974 276
<b>Total interest income</b>	<b>14 523 266</b>	<b>14 826 765</b>

	Year ended 31 December	
	2024	2023
<b>Interest expenses</b>		
From banking sector	(422 198)	(424 473)
From other customers, including:	(3 832 963)	(4 886 989)
- individual clients	(1 996 844)	(2 558 002)
- corporate clients	(1 781 646)	(2 261 427)
- public sector	(54 473)	(67 560)
Debt securities issued	(514 905)	(459 330)
Subordinated liabilities	(164 177)	(182 502)
<b>Total interest expenses</b>	<b>(4 934 243)</b>	<b>(5 953 294)</b>

## 7. Net fee and commission income

	Year ended 31 December	
	2024	2023
<b>Fee and commission income</b>		
Payment cards-related fees	766 190	685 528
Credit-related fees and commissions	623 393	610 250
Commissions from currency transactions	484 935	496 457
Commissions from bank accounts	311 163	286 523
Commissions from money transfers	251 929	239 056
Fees from brokerage activity and debt securities issue	165 469	162 567
Commissions for agency service regarding sale of insurance products of external financial entities	149 576	135 495
Commissions for agency service regarding sale of other products of external financial entities	119 446	84 697
Commissions due to guarantees granted and trade finance commissions	114 560	113 659
Fees from cash services	65 688	61 916
Fees from portfolio management services and other management-related fees	36 439	27 036
Commissions on trust and fiduciary activities	31 573	30 247
Other	87 346	82 481
<b>Total fee and commission income</b>	<b>3 207 707</b>	<b>3 015 912</b>

In relation to finance leases, income relating to variable lease payments not included in the measurement of the net investment in the lease in 2024 amounted to PLN 5 013 thousand (2023: PLN 5 199 thousand). For operating leases, lease income relating to variable lease payments that do not depend on an index or a rate, in 2024 amounted to PLN 1 136 thousand (2023: PLN 919 thousand). The above-mentioned amounts are included in Credit-related fees and commissions.

	Year ended 31 December	
	2024	2023
<b>Fee and commission expenses</b>		
Payment cards-related fees	(375 879)	(332 626)
Commissions paid to external entities for sale of the Group's products	(242 339)	(206 254)
Commissions for insurance products	(17 506)	(14 505)
Commissions paid for sale of external financial entities' products	(61 655)	(48 051)
Discharged brokerage fees	(38 910)	(39 044)
Cash services	(67 097)	(60 638)
Fees to NBP, KIR and GPW Benchmark	(26 012)	(24 611)
Other discharged fees	(406 425)	(374 275)
<b>Total fee and commission expenses</b>	<b>(1 235 823)</b>	<b>(1 100 004)</b>

## 8. Dividend income

	Year ended 31 December	
	2024	2023
Non-trading financial assets mandatorily at fair value through profit or loss	4 816	4 385
Investments in non-consolidated subsidiaries	9 463	5 101
<b>Total dividend income</b>	<b>14 279</b>	<b>9 486</b>

## 9. Net trading income

	Year ended 31 December	
	2024	2023
<b>Foreign exchange result</b>	<b>81 603</b>	<b>(22 192)</b>
Net exchange differences on translation	159 168	214 733
Net transaction gains or losses	(77 565)	(236 925)
<b>Gains or losses on financial assets and liabilities held for trading</b>	<b>61 041</b>	<b>99 409</b>
Derivatives, including:	52 557	89 050
- <i>Interest-bearing instruments</i>	37 660	59 228
- <i>Market risk instruments</i>	14 897	29 822
Equity instruments	962	(1 367)
Debt securities	4 213	12 033
Loans and advances	2 438	308
Financial liabilities	871	(615)
<b>Gains or losses from hedge accounting</b>	<b>34 034</b>	<b>(3 874)</b>
Net profit on hedged items	(307 851)	(1 219 553)
Net profit on fair value hedging instruments	340 251	1 212 322
Ineffective portion of cash flow hedge	1 634	3 357
<b>Total net trading income</b>	<b>176 678</b>	<b>73 343</b>

The foreign exchange result includes profit/loss on forward contracts, options, futures and recalculation of 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 20.

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

	Year ended 31 December	
	2024	2023
Equity instruments	58 473	52 785
Debt securities	5 526	10 069
Loans and advances	450	(28 754)
<b>Total gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>64 449</b>	<b>34 100</b>

In the item Equity instruments, in 2024 the Group recognised mainly a profit resulting from revaluation to fair value of shares in Polski Standard Płatności Sp. z o.o. in the amount of PLN 43 111 thousand (in 2023: PLN 46 508 thousand).

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

	Year ended 31 December	
	2024	2023
Gains or losses from derecognition, including:	598	(50 941)
- Financial assets measured at fair value through other comprehensive income	2 510	(46 634)
- Financial assets at amortised cost	(1 912)	(4 307)
<b>Total gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</b>	<b>598</b>	<b>(50 941)</b>

The item Gains or losses from derecognition, including financial assets measured at fair value through other comprehensive income mainly comprises the result from the sale of government bonds.

The result from derecognition of financial assets measured at amortised cost is mainly due to incidental and insignificant sales of credit exposures.

## Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss by instrument

	Year ended 31 December 2024		Year ended 31 December 2023	
	Gains	Losses	Gains	Losses
Debt securities	8 529	(5 747)	8 986	(55 620)
Loans and advances	18 277	(20 461)	7 670	(11 977)
<b>Total gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</b>	<b>26 806</b>	<b>(26 208)</b>	<b>16 656</b>	<b>(67 597)</b>

## 12. Other operating income

	Year ended 31 December	
	2024	2023
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	96 073	88 545
Income from services provided	14 557	14 050
Net income from operating lease and sublease of right-of-use assets	10 219	9 585
Rental income from investment properties	337	787
Income due to release of provisions for future commitments	42 899	41 852
Income from recovered receivables designated previously as prescribed, remitted or uncollectible	174 379	14 627
Income from compensations, penalties and fines received	1 046	935
Gains from the sale of an organised part of the company mFinanse S.A.	-	18 280
Gains from sale and valuation of investments in subsidiaries and associates	29 994	14 115
Other	108 047	114 936
<b>Total other operating income</b>	<b>477 551</b>	<b>317 712</b>

Revenues from the sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories mainly include revenues of mLeasing Sp. z o.o. from the sale of leasing items.

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

Item Income from recovered receivables designated previously as prescribed, remitted or uncollectible includes income from recovered receivables in connection with a final court judgment favourable to the Bank in amount of PLN 163 991 thousand.

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

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

	Year ended 31 December	
	2024	2023
<b>Net income from operating lease and sublease of right-of-use assets including:</b>		
Income from operating lease	26 608	26 845
Income from sublease of right-of-use assets	11 186	11 862
Depreciation of assets in operating lease and subleased right-of-use assets	(27 575)	(29 122)
<b>Total net income from operating lease and sublease of right-of-use assets</b>	<b>10 219</b>	<b>9 585</b>

### 13. Overhead costs

	Year ended 31 December	
	2024	2023
Staff-related expenses	(1 618 966)	(1 447 285)
Material costs, including:	(967 360)	(886 765)
- costs of administration and real estate services	(349 622)	(333 680)
- IT costs	(276 625)	(250 664)
- marketing costs	(215 580)	(194 941)
- consulting costs	(105 045)	(87 091)
- other material costs	(20 488)	(20 389)
Taxes and fees	(48 319)	(41 453)
Contributions and transfers to the Bank Guarantee Fund	(146 790)	(181 837)
Contributions to the Social Benefits Fund	(20 275)	(13 018)
Institutional Protection Scheme	-	(75)
<b>Total overhead costs</b>	<b>(2 801 710)</b>	<b>(2 570 433)</b>

In 2024, the item Material costs includes costs related to short-term leasing contracts in the amount of PLN 203 thousand (2023: PLN 210 thousand), costs related to leasing contracts of low-value assets that are not short-term contracts in the amount of PLN 628 thousand (2023: PLN 645 thousand) and costs related to variable elements of leasing liabilities not included in the leasing liability (included in general administrative costs) in the amount of PLN 2 787 thousand (2023: PLN 2 141 thousand).

Staff-related expenses in 2024 and 2023 are presented below.

	Year ended 31 December	
	2024	2023
Wages and salaries	(1 286 262)	(1 149 725)
Social security expenses	(227 880)	(203 174)
Employee contributions related to post-employment benefits	-	(17)
Remuneration concerning share-based payments, including:	(14 708)	(11 284)
- share-based payments settled in mBank S.A. shares	(14 193)	(10 920)
- cash-settled share-based payments	(515)	(364)
Other staff expenses	(90 116)	(83 085)
<b>Staff-related expenses, total</b>	<b>(1 618 966)</b>	<b>(1 447 285)</b>

Cash-settled share-based payments relate to the costs of incentive programmes existing in the Group entities. Detailed information regarding incentive programmes to which share-based payments relate, is included under the Note 44.

#### 14. Other operating expenses

	Year ended 31 December	
	2024	2023
Losses arising from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	(74 164)	(77 795)
Provisions for future commitments	(39 293)	(159 321)
Costs arising from provisions created for other receivables (excluding loans and advances)	(5 276)	(5 162)
Donations made	(7 918)	(5 666)
Compensation, penalties and fines paid	(8 235)	(1 607)
Cost arising from write-offs of time-barred, waived and irrecoverable receivables and liabilities	-	(721)
Losses from changes in fair value of investment properties	(19 259)	(24 945)
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the period	(6 600)	(6 894)
Impairment provisions created for tangible assets and intangible assets	(1 901)	(539)
Debt collection expenses	(20 734)	(19 915)
Losses on sale and revaluation of investments in subsidiaries and associates	(18 456)	(23 726)
Other operating costs	(85 258)	(73 216)
<b>Total other operating expenses</b>	<b>(287 094)</b>	<b>(399 507)</b>

Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories comprise primarily the expenses incurred by mLeasing Sp. z o.o. from the sale of leasing items.

In 2023, the item Provisions for future commitments includes among others the cost of provision in the amount of PLN 80 167 thousand for the loss in the second instance of a court case brought by the Bank's corporate client regarding the validity of the CIRS transaction.

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

	Year ended 31 December	
	2024	2023
<b>Financial assets at amortised cost, including:</b>	<b>(598 952)</b>	<b>(1 175 693)</b>
Debt securities	(700)	(1 020)
<i>Stage 1</i>	(700)	(1 020)
Loans and advances	(598 252)	(1 174 673)
<i>Stage 1</i>	(40 329)	1 628
<i>Stage 2</i>	101 617	(291 429)
<i>Stage 3</i>	(646 105)	(918 715)
<i>POCI</i>	(13 435)	33 843
<b>Financial assets at fair value through other comprehensive income, including:</b>	<b>1 153</b>	<b>(2 187)</b>
Debt securities	1 153	(2 187)
<i>Stage 1</i>	1 474	(1 325)
<i>Stage 2</i>	(321)	(862)
<b>Commitments and guarantees given</b>	<b>11 841</b>	<b>101 102</b>
<i>Stage 1</i>	(7 064)	(3 745)
<i>Stage 2</i>	(4 961)	(22 805)
<i>Stage 3</i>	24 505	125 838
<i>POCI</i>	(639)	1 814
<b>Net impairment losses on financial assets not measured at fair value through profit or loss</b>	<b>(585 958)</b>	<b>(1 076 778)</b>

In case 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 recognised in the stage after the exposure is reclassified.

## 16. Income tax expense

	Year ended 31 December	
	2024	2023
Current tax	(785 446)	(695 534)
Deferred income tax (Note 32)	55 089	(250 996)
<b>Total income tax</b>	<b>(730 357)</b>	<b>(946 530)</b>
<b>Profit before tax</b>	<b>2 973 725</b>	<b>970 588</b>
Tax calculated at Polish current tax rate (19%)	(565 008)	(184 412)
Effect of different tax rates in other countries	(28)	3
Income not subject to tax	97 083	21 030
Costs other than tax deductible costs, thereof:	(261 568)	(770 158)
<i>Cost of legal risk to foreign currency loans</i>	(65 691)	(518 821)
<i>Tax on Certain Financial Institutions</i>	(142 952)	(141 275)
<i>Contributions and other mandatory payments that are not deductible (including the Bank Guarantee Fund)</i>	(27 890)	(34 549)
<i>Other</i>	(25 035)	(75 513)
Other positions affecting income tax	(836)	(13 136)
Inactive tax losses	-	143
<b>Total tax liability</b>	<b>(730 357)</b>	<b>(946 530)</b>
<b>Effective tax rate calculation</b>		
Profit before income tax	2 973 725	970 588
Income tax	(730 357)	(946 530)
<b>Effective tax rate (%)</b>	<b>24.56%</b>	<b>97.52%</b>

From 1 January 2024 mBank S.A., mBank Hipoteczny S.A., mFinanse S.A., mLeasing Sp. z o. o., mFaktoring S.A, mZakupy Sp. z o.o., mTFI S.A. and mElements S.A. established, based on Corporate Income Tax Act, Tax Capital Group of mBank ("TCG"). According to the Corporate Income Tax Act, mBank – as a dominant entity – represents TCG with respect described by tax law. In a year preceding establishing the TCG, there was no tax losses in either of the entity that is a member of TCG. The TCG agreement has been concluded for 4 years.

From 1 January 2025 mBank S.A, mBank Hipoteczny S.A., mFinanse S.A., mLeasing Sp. z o. o., mFaktoring S.A, mZakupy Sp. z o.o., mTFI S.A. and mElements S.A terminated the TCG agreement therefore Tax Capital Group of mBank ceased to operate from 31 December 2024.

The current tax breakdown by country is presented below.

	Year ended 31 December	
	2024	2023
Poland	(716 193)	(629 763)
Czech Republic	(31 417)	(51 092)
Slovakia	(37 836)	(14 679)
<b>Total current tax</b>	<b>(785 446)</b>	<b>(695 534)</b>

Information about deferred income tax is presented under Note 32. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as presented above.

From 1 January 2025 the Act of 6 November 2024 on Compensatory Taxation of Component Units of International and Domestic Groups ('the Act') entered into force. The Bank has analysed the provisions of the Act in terms of their impact on its tax liability for this tax. Based on this analysis the Bank does not expect an impact of the provisions on its tax liability in 2025.

## 17. Earnings per share

Earnings per share for 12 months

	Year ended 31 December	
	2024	2023
<b>Basic:</b>		
Net profit attributable to Owners of mBank S.A.	2 243 245	24 054
Weighted average number of ordinary shares	42 483 329	42 451 562
<b>Net basic earnings per share (in PLN per share)</b>	<b>52.80</b>	<b>0.57</b>
<b>Diluted:</b>		
Net profit attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share	2 243 245	24 054
Weighted average number of ordinary shares	42 483 329	42 451 562
Adjustments for:		
- subscription warrants	58 672	69 647
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 542 001	42 521 209
<b>Net diluted earnings per share (in PLN per share)</b>	<b>52.73</b>	<b>0.57</b>

According to IAS 33, the Bank prepares a calculation of the diluted earnings per share taking into account contingently issuable shares as part of the incentive programmes described in the Note 44 of these consolidated statements. The calculations did not include those elements of the incentive programmes, which were antidilutive for the presented reporting periods that could potentially dilute basic earnings per share in the future.

The basic earnings per share are computed as the quotient of the Bank stockholders' share of the profit and the weighted average number of ordinary shares during the year.

The diluted earnings per share are calculated as ratio of net profits attributable to Bank's shareholder and the weighted average number of ordinary shares as if all possible ordinary shares were replaced with shares causing the dilution. The Group has one category of potential ordinary shares causing the dilution – the subscription warrants, the exercise of which enables the acquisition of shares. The number of diluting shares is computed as the number of shares that would be issued if all rights to shares were executed at the market price, determined as the average annual closing price of the Bank's shares.

## 18. Other comprehensive income

Disclosure of tax effects relating to each component of other comprehensive income	Year ended 31 December 2024			Year ended 31 December 2023		
	Before-tax amount	Tax (expense) benefit	Net amount	Before-tax amount	Tax (expense) benefit	Net amount
<b>Items that may be reclassified subsequently to the income statement</b>	<b>350 306</b>	<b>(67 688)</b>	<b>282 618</b>	<b>1 235 247</b>	<b>(241 625)</b>	<b>993 622</b>
Exchange differences on translation of foreign operations	(5 820)	-	(5 820)	(36 667)	-	(36 667)
Cash flow hedges	237 785	(45 179)	192 606	595 562	(113 157)	482 405
Cost of hedge	(8 657)	1 645	(7 012)	(25 573)	4 859	(20 714)
Change in valuation of debt instruments at fair value through other comprehensive income	126 998	(24 154)	102 844	701 925	(133 327)	568 598
<b>Items that will not be reclassified to the income statement</b>	<b>(10 341)</b>	<b>1 965</b>	<b>(8 376)</b>	<b>(8 069)</b>	<b>1 532</b>	<b>(6 537)</b>
Actuarial gains and losses relating to post-employment benefits	(10 341)	1 965	(8 376)	(8 069)	1 532	(6 537)
<b>Total other comprehensive income</b>	<b>339 965</b>	<b>(65 723)</b>	<b>274 242</b>	<b>1 227 178</b>	<b>(240 093)</b>	<b>987 085</b>

The table below presents detailed information concerning net other comprehensive income for the years 2024 and 2023.

	Year ended 31 December	
	2024	2023
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT</b>	<b>282 618</b>	<b>993 622</b>
<b>Exchange differences on translation of foreign operations</b>	<b>(5 820)</b>	<b>(36 667)</b>
Gains or losses on exchange differences on translation of foreign operations included in other comprehensive income	(5 820)	(36 667)
<i>Unrealised gains (positive differences) arising during the year (net)</i>	62 387	45 043
<i>Unrealised losses (negative differences) arising during the year (net)</i>	(68 207)	(81 710)
<b>Cash flows hedges (effective part)</b>	<b>192 606</b>	<b>482 405</b>
Gains or losses included in other comprehensive income	(89 845)	(82 743)
<i>Unrealised gains arising during the year (net)</i>	178 593	29 786
<i>Unrealised losses arising during the year (net)</i>	(268 438)	(112 529)
Reclassification to the income statement (net)	282 451	565 148
<b>Cost of hedge</b>	<b>(7 012)</b>	<b>(20 714)</b>
Gains or losses included in other comprehensive income	(6 421)	(20 214)
<i>Unrealised losses (negative differences) arising during the year (net)</i>	(6 421)	(20 214)
Reclassification to the income statement (net)	(591)	(500)
<b>Change in valuation of debt instruments at fair value through other comprehensive income</b>	<b>102 844</b>	<b>568 598</b>
Gains or losses on valuation of debt instruments included in other comprehensive income	104 877	530 824
<i>Unrealised gains on debt instruments arising during the year (net)</i>	105 988	530 824
<i>Unrealised losses on debt instruments arising during the year (net)</i>	(1 111)	-
Reclassification to the income statement (net)	(2 033)	37 774
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b>	<b>(8 376)</b>	<b>(6 537)</b>
<b>Actuarial gains and losses relating to post-employment benefits</b>	<b>(8 376)</b>	<b>(6 537)</b>
<i>Actuarial losses (net)</i>	(8 376)	(6 537)
<b>Total other comprehensive income (net)</b>	<b>274 242</b>	<b>987 085</b>

## 19. Cash and cash equivalents

	31.12.2024	31.12.2023
Cash on hand	1 284 081	1 545 034
Cash balances at central banks	35 235 461	34 993 283
Current accounts (payable on demand) and overnight deposits with other banks	161 384	164 110
<b>Total cash and cash equivalents</b>	<b>36 680 926</b>	<b>36 702 427</b>

On the basis of the Act on the National Bank of Poland of 29 August 1997, mBank holds a mandatory reserve deposit. The arithmetic mean of daily balances of the mandatory reserve that mBank is obliged to maintain during a given period in the current account with NBP amounted to:

- PLN 6 228 351 thousand for the period from 31 December 2024 to 9 February 2025,
- PLN 5 805 019 thousand for the period from 30 November 2023 to 1 January 2024.

As at 31 December 2024, the mandatory reserve in Central Bank bore 5.75% interest (31 December 2023: 5.75%).

## 20. Financial assets and liabilities held for trading and hedging derivatives

### Financial assets held for trading and hedging derivatives

	31.12.2024	31.12.2023
<b>Derivatives</b>	<b>609 993</b>	<b>1 074 153</b>
Derivatives held for trading classified into banking book	304 114	550 507
Derivatives held for trading classified into trading book	473 880	706 098
Derivatives designated as fair value hedges	397 537	241 597
Derivatives designated as cash flow hedges	-	3 615
Offsetting effect	(565 538)	(427 664)
<b>Equity instruments</b>	<b>11 402</b>	<b>10 542</b>
Other financial corporations	11 402	10 542
<b>Debt securities</b>	<b>1 176 347</b>	<b>634 840</b>
General governments	920 469	397 333
Other financial corporations	72 463	101 660
Non-financial corporations	183 415	135 847
<b>Loans and advances to customers</b>	<b>42 972</b>	<b>40 498</b>
Corporate customers	42 972	40 498
<b>Total financial assets held for trading and hedging derivatives</b>	<b>1 840 714</b>	<b>1 760 033</b>

As at 31 December 2024 the above note includes government bonds pledged in sell/buy back transactions in the amount of PLN 800 737 thousand (as at 31 December 2023: PLN 280 193 thousand).

### Financial liabilities held for trading and hedging derivatives

	31.12.2024	31.12.2023
<b>Derivatives</b>	<b>748 327</b>	<b>1 338 147</b>
Derivatives held for trading classified into banking book	180 905	207 540
Derivatives held for trading classified into trading book	648 529	1 247 605
Derivatives designated as fair value hedges	537 716	946 888
Derivatives designated as cash flow hedges	105 836	268 616
Offsetting effect	(724 659)	(1 332 502)
<b>Liabilities from short sale of securities</b>	<b>345 710</b>	<b>157 607</b>
<b>Total financial liabilities held for trading and hedging derivatives</b>	<b>1 094 037</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.

The Group applies fair value hedge accounting and cash flow hedge accounting. Detailed information on hedge accounting is presented further in this note.

The fair values of derivatives are presented in the table below.

31.12.2024	Contract amount		Fair value	
	Purchase	Sell	Assets	Liabilities
<b>Derivatives held for trading</b>				
<b>Foreign exchange derivatives</b>				
- Currency forwards	20 251 905	20 420 417	92 220	193 014
- Currency swaps	30 580 456	30 446 867	224 231	155 448
- Cross-currency interest rate swaps	2 083 209	2 078 597	24 727	769
- OTC currency options	3 892 391	6 354 551	16 118	81 321
<b>Total OTC derivatives</b>	<b>56 807 961</b>	<b>59 300 432</b>	<b>357 296</b>	<b>430 552</b>
- Currency futures	1 166 739	1 177 775	-	3 869
<b>Total foreign exchange derivatives</b>	<b>57 974 700</b>	<b>60 478 207</b>	<b>357 296</b>	<b>434 421</b>
<b>Interest rate derivatives</b>				
- Interest rate swap, OIS	226 714 879	226 714 878	301 546	289 455
- Forward rate agreements	5 326 000	5 193 000	353	328
- OTC interest rate options	468 116	694 677	5 420	8 232
<b>Total interest rate derivatives</b>	<b>232 508 995</b>	<b>232 602 555</b>	<b>307 319</b>	<b>298 015</b>
<b>Market risk transactions</b>	<b>2 840 506</b>	<b>2 775 648</b>	<b>113 379</b>	<b>96 998</b>
<b>Total derivative assets / liabilities held for trading</b>	<b>293 324 201</b>	<b>295 856 410</b>	<b>777 994</b>	<b>829 434</b>
<b>Hedging derivatives</b>				
Derivatives designated as fair value hedges	42 582 338	42 582 338	397 537	537 716
- Interest rate swap, OIS	42 582 338	42 582 338	397 537	537 716
Derivatives designated as cash flow hedges	4 021 900	4 018 930	-	105 836
- Interest rate swaps	2 740 000	2 740 000	-	81 769
- Cross-currency interest rate swaps	1 281 900	1 278 930	-	24 067
<b>Total hedging derivatives</b>	<b>46 604 238</b>	<b>46 601 268</b>	<b>397 537</b>	<b>643 552</b>
<b>Offsetting effect</b>			<b>(565 538)</b>	<b>(724 659)</b>
<b>Total</b>	<b>339 928 439</b>	<b>342 457 678</b>	<b>609 993</b>	<b>748 327</b>
Short-term (up to 1 year)	148 665 148	150 980 880	281 414	502 943
Long-term (over 1 year)	191 263 291	191 476 798	328 579	245 384

31.12.2023	Contract amount		Fair value	
	Purchase	Sell	Assets	Liabilities
<b>Derivatives held for trading</b>				
<b>Foreign exchange derivatives</b>				
- Currency forwards	18 967 527	19 464 658	58 714	489 266
- Currency swaps	33 567 168	32 990 491	629 174	107 990
- Cross-currency interest rate swaps	2 231 267	2 258 585	18 073	19 833
- OTC currency options	5 418 102	7 025 333	42 051	193 732
<b>Total OTC derivatives</b>	<b>60 184 064</b>	<b>61 739 067</b>	<b>748 012</b>	<b>810 821</b>
- Currency futures	990 998	992 403	-	-
<b>Total foreign exchange derivatives</b>	<b>61 175 062</b>	<b>62 731 470</b>	<b>748 012</b>	<b>810 821</b>
<b>Interest rate derivatives</b>				
- Interest rate swap, OIS	165 619 933	165 619 933	343 771	489 211
- Forward rate agreements	15 538 000	13 246 000	862	1 419
- OTC interest rate options	424 647	795 011	11 197	14 700
<b>Total interest rate derivatives</b>	<b>181 582 580</b>	<b>179 660 944</b>	<b>355 830</b>	<b>505 330</b>
<b>Market risk transactions</b>	<b>2 491 815</b>	<b>2 589 457</b>	<b>152 763</b>	<b>138 994</b>
<b>Total derivative assets / liabilities held for trading</b>	<b>245 249 457</b>	<b>244 981 871</b>	<b>1 256 605</b>	<b>1 455 145</b>
<b>Hedging derivatives</b>				
Derivatives designated as fair value hedges	25 973 848	25 973 848	241 597	946 888
- Interest rate swaps, OIS	25 973 848	25 973 848	241 597	946 888
Derivatives designated as cash flow hedges	7 059 400	7 033 930	3 615	268 616
- Interest rate swaps	5 755 000	5 755 000	3 615	230 171
- Cross-currency interest rate swaps	1 304 400	1 278 930	-	38 445
<b>Total hedging derivatives</b>	<b>33 033 248</b>	<b>33 007 778</b>	<b>245 212</b>	<b>1 215 504</b>
<b>Offsetting effect</b>			<b>(427 664)</b>	<b>(1 332 502)</b>
<b>Total</b>	<b>278 282 705</b>	<b>277 989 649</b>	<b>1 074 153</b>	<b>1 338 147</b>
Short-term (up to 1 year)	129 557 529	127 619 203	846 034	1 000 372
Long-term (over 1 year)	148 725 176	150 370 446	228 119	337 775

Apart from valuation of derivatives, the offsetting effect includes PLN 313 400 thousand of placed collaterals and PLN 161 374 thousand of collaterals received in connection with the derivative transactions subject to compensation (31 December 2023: PLN 929 731 thousand and PLN 79 553 thousand, respectively).

In both reporting periods, market risk transactions comprise the fair values of stock index options, shares and other equity securities, futures for commodities, swap contracts for commodities.

### Credit quality of financial assets held for trading and derivatives according to internal rating system

Sub-portfolio	31.12.2024		31.12.2023	
	Derivatives	Loans and advances to customers	Derivatives	Loans and advances to customers
1	639 577	-	922 368	-
2	100 790	-	306 747	-
3	276 401	-	78 284	-
4	72 108	-	44 624	-
5	12 346	42 972	21 790	40 498
6	70	-	2	-
7	1 354	-	22	-
8	72 859	-	127 950	-
default	26	-	30	-
offsetting effect	(565 538)		(427 664)	
<b>Total</b>	<b>609 993</b>	<b>42 972</b>	<b>1 074 153</b>	<b>40 498</b>

Rating	31.12.2024	31.12.2023
	Debt securities	Debt securities
1.0 – 1.2	920 469	397 334
2.2 – 2.8	66 748	175 427
3.0 – 3.8	189 130	62 079
<b>Total</b>	<b>1 176 347</b>	<b>634 840</b>

The rating system is described in Note 3.3.4.

As at 31 December 2024 and 31 December 2023, the Group did not hold any financial assets and financial liabilities designated upon initial recognition as at fair value through the income statement.

### Hedge accounting

The Group applies the IFRS 9 hedge accounting requirements with the exception of the fair value portfolio hedges of interest rate risk, which continue to be accounted for in line with IAS 39 requirements.

Until 30 June 2022 the Group applied the hedge accounting requirements in accordance with IAS 39, instead of the requirements set forth in IFRS 9. Starting 1 July 2022 the Group applies IFRS 9 requirements in the area of hedge accounting to all hedge relations except for fair value portfolio hedges of interest rate risk where the hedged item is designated as portion that is a currency amount.

The Group applies fair value hedge accounting and cash flow hedge accounting.

Description of hedge accounting risk management	Fair value hedge accounting	Cash flow hedge accounting
Risk category of exposures hedged and for which hedge accounting is applied	Interest rate risk	Interest rate risk and foreign currency risk
Risk occurrence	<p>The Group has long-term financial instruments (i.e.: bonds issued, covered bonds, fixed-rate loans received, mortgage loans, deposits) with fixed interest rates and is therefore exposed to fair value changes due to fluctuations in market interest rates.</p> <p>The Group determines the hedged item by identifying portfolios of similar assets or liabilities and scheduling the expected future cash flows from these items.</p> <p>Information about risk occurrence is also specified in Note 3.5.</p>	<p>The Group has loans portfolio at variable interest rates indexed to the market rate, portion of the portfolio of mortgage loans for retail customers denominated in PLN with indexed interest rates and covered bonds issued by mBank Hipoteczny denominated in EUR with fixed interest rates.</p> <p>The structure of these financial instruments exposes the Group to the variability of cash flows generated from changes in reference interest rates and exchange rate fluctuations.</p>
Risk management strategy	<p>The Group manages this risk by contracting Interest Rate Swaps and Overnight Index Swap in which they pay a fixed rate and receive a variable rate. Only the interest rate risk is covered; therefore, other risks, such as credit risk, are managed but not covered by these instruments. The interest rate risk component is determined as the change in the fair value of fixed-rate financial instruments arising solely from changes in a reference rate.</p> <p>For balances within portfolios of homogeneous instruments, such as mortgages portfolio or a deposit with economic characteristics of fixed-rate may be used to hedge risks on a portfolio basis. The Group creates separate portfolio hedges for assets and liabilities.</p>	<p>The Group manages interest rate risk with derivatives, from which it receives fixed interest rate and pay variable interest rate (IRS).</p> <p>The purpose of the hedge is to eliminate the volatility of interest cash flows on loans based on a variable interest rate during the hedged period resulting from changes in the WIBOR reference rate. The Group estimates that 100% of the volatility of the hedged flows is due to changes in the WIBOR reference rate.</p> <p>As part of the above strategy, the Group, for the hedging relationship, sets a target of hedging a portion of the portfolio of loans based on a variable interest rate, up to an amount-defined layer of this portfolio.</p> <p>In terms of mortgage loans and mortgage bonds issued by mBank Hipoteczny, the Group applies hedge accounting with respect to cash flows of the loan's portfolio denominated in PLN and mortgage bonds denominated in EUR - using currency interest rate swaps (CIRS).</p> <p>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.</p>

Description of hedge accounting risk management	Fair value hedge accounting	Cash flow hedge accounting
Determination of the risk component	<p>Fair value hedges of interest rate risk related to debt instruments and loan assets involve swapping fixed cash flows associated with loans to customers, customer deposits, or debt issued to floating cash flows by entering into interest rate swaps that either pay fixed and receive floating cash flows or that receive fixed and pay floating cash flows. Derivative instruments designated in hedge relations are based on PLN WIBOR, ESTER, CZK PRIBOR, EURIBOR and CHF SARON.</p>	<p>The Group applies cash flow hedge accounting of the part of variable interest rate loans portfolio indexed to the market rate, that was granted by the Bank. An Interest Rate Swap is the hedging instrument changing the variable interest rate to a fixed interest rate. In addition, the Group applies hedge accounting to the cash flows of its loan portfolio in PLN and mortgage bonds in EUR using currency interest rate swaps (CIRS). The risks hedged under the Group's cash flow hedge accounting are interest rate risk and exchange rate risk.</p> <p>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".</p>
How the risk component relates to the item in its entirety	<p>Risk component is identified using the risk management systems of the Group and encompasses the majority of:</p> <ul style="list-style-type: none"> <li>■ variability of cash flows due to interest rate risk and foreign exchange risk,</li> <li>■ volatility of fair value due to interest rate risk.</li> </ul> <p>In the process of management of interest rate risk in the banking book, the Group ensures independence of risk identification, measurement, monitoring, and control functions from activity related to risk-taking functions, as specified in Note 3.7. The process and risk sensitivity measurement in particular to interest rates and foreign exchange rates are described in Note 3.5.</p>	
Hedged items	<ul style="list-style-type: none"> <li>■ fixed interest rate mortgage bonds issued by mBH,</li> <li>■ fixed interest rate loans received by the Bank from European Investment Bank,</li> <li>■ fixed rate bonds issued by the Bank,</li> <li>■ senior non-preferred bonds issued by the Bank, fixed rate during three years since the issue date</li> <li>■ senior preferred and non-preferred bonds issued by the Bank, fixed rate during five years since the issue date,</li> <li>■ part of the portfolio of deposits modelled by the Bank with economic characteristics of fixed rate deposits,</li> <li>■ part of the fixed interest rate mortgage portfolio owned by mBH.</li> <li>■ part of the fixed interest rate housing and consumer loan portfolio, denominated in CZK, granted by mBank's foreign branch in the Czech Republic.</li> </ul>	<ul style="list-style-type: none"> <li>■ part of the portfolio of loans granted by the Bank at variable interest rates indexed to the market rate,</li> <li>■ part of the portfolio of housing loans for retail customers entered in the collateral register for mortgage covered bonds, denominated in PLN,</li> <li>■ mortgage bonds issued by the mBank Hipoteczny in EUR with a fixed interest rate.</li> </ul>
Hedging instruments	Interest Rate Swap and Overnight Index Swap swapping the fixed interest rate for a variable interest rate.	<p>Interest Rate Swap changing the variable interest rate to a fixed interest rate.</p> <p>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.</p>
Economic relationship between the hedged item and the hedging instrument	<p>In the first step, the existence of an economic linkage is evaluated using a qualitative assessment - the critical terms match method. If the method indicates the existence of an economic linkage between the hedged item and the hedging instrument, then the assessment is considered completed.</p> <p>Otherwise, unless there are qualitative reasons to question the existence of an economic relationship between the hedged item and the hedging instrument, the Group conducts:</p> <ul style="list-style-type: none"> <li>■ a retrospective test and a prospective test based on the linear regression analysis method for portfolio hedges of fair value of interest rate risk, which continue to be accounted for in accordance with the requirements of IAS 39,</li> <li>■ a prospective test based on the linear regression analysis method for other relationships.</li> </ul>	
Establishing the hedge ratio	<p>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).</p>	

Description of hedge accounting risk management	Fair value hedge accounting	Cash flow hedge accounting
Evaluation of hedge effectiveness	<p>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. In all identified hedging relations, the hedged risk results from changes in interest rates.</p>	<p>Efficiency tests include the valuation of hedging transactions after deducting accrued interest. Hedge effectiveness is verified by applying prospective effectiveness tests. 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.</p> <p>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.</p>
Sources of hedge ineffectiveness	<p>The sources of hedge ineffectiveness for hedging relationships for which the ineffectiveness arises include 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 valuation of 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.</p> <p>As specified in "establishing the hedge ratio" section, hedge ineffectiveness may arise due to risk of prepayment in terms of loan portfolios granted by mBank's Czech Branch.</p> <p>Hedge ineffectiveness arises also due to minimal differences (such as different date of first interest payment or different payments frequency) in the construction method and basic parameters of hedging transactions and hedged items.</p>	
Presentation of the result from hedged and hedging transactions	<p>Fair value adjustment of the hedged assets and liabilities as well as valuation of the hedging instruments are recognized 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.</p>	<p>The ineffective portion of the gains or losses on the hedging instrument is recognized in the income statement in the position Net trading income - Gains or losses from 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). In addition, amounts charged directly to other comprehensive income are transferred to the profit and loss account respectively of the item Net interest income and Foreign exchange result in the same period or periods in which the inflow of the hedged transaction is referred to the profit and loss account.</p> <p>The Group takes advantage of the option introduced by IFRS 9 to recognise as separate component of equity part of the fair value of the hedging derivative instrument related to time value of option, forward element of a forward contract or currency basis spread, and reclassify it to profit or loss in the same periods during which the hedged expected future cash flows affect profit or loss and the Group includes in the line Other components of equity fair value changes of hedging CIRS contracts in the amount attributable to currency basis spread.</p>

## Fair value hedge accounting

### Nominal values of hedging derivatives

The nominal values and weighted average interest rates of hedging instruments are summarised in the table below.

31.12.2024	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
<b>INTEREST RATE RISK</b>						
<b>Interest Rate Swaps (IRS PLN) for fair value hedging that involves swapping the fixed interest rate for a variable interest rate</b>						
Nominal value (PLN thousand)	260 000	1 200 000	4 475 000	18 339 000	-	<b>24 274 000</b>
The average rate of fixed leg	0.37%	1.43%	1.45%	4.09%	-	
<b>Interest Rate Swaps (IRS CZK) for fair value hedging that involves swapping the fixed interest rate for a variable interest rate</b>						
Nominal value (PLN thousand)	-	-	-	1 605 555	-	<b>1 605 555</b>
The average rate of fixed leg	-	-	-	3.30%	-	
<b>Interest Rate Swaps (IRS EUR) for fair value hedging that involves swapping the fixed interest rate for a variable interest rate</b>						
Nominal value (PLN thousand)	-	1 281 900	247 663	11 099 117	-	<b>12 628 680</b>
The average rate of fixed leg	-	1.07%	2.90%	4.04%	-	
<b>Overnight Index Swap (OIS EUR) for fair value hedging that involves swapping the fixed interest rate for a variable interest rate</b>						
Nominal value (PLN thousand)	-	-	-	2 136 500	-	<b>2 136 500</b>
The average rate of fixed leg	-	-	-	4.03%	-	
<b>Overnight Index Swap (OIS CHF) for fair value hedging that involves swapping the fixed interest rate for a variable interest rate</b>						
Nominal value (PLN thousand)	-	-	1 309 725	627 878	-	<b>1 937 603</b>
The average rate of fixed leg	-	-	-0.04%	-0.46%	-	
<b>31.12.2023</b>						
<b>INTEREST RATE RISK</b>						
<b>Interest Rate Swaps (IRS PLN) for fair value hedging that involves swapping the fixed interest rate for a variable interest rate</b>						
Nominal value (PLN thousand)	1 200 000	500 000	1 400 000	10 575 000	-	<b>13 675 000</b>
The average rate of fixed leg	0.23%	0.31%	0.47%	1.70%	-	
<b>Interest Rate Swaps (IRS CZK) for fair value hedging that involves swapping the fixed interest rate for a variable interest rate</b>						
Nominal value (PLN thousand)	7 198	-	-	-	-	<b>7 198</b>
The average rate of fixed leg	1.85%	-	-	-	-	
<b>Interest Rate Swaps (IRS EUR) for fair value hedging that involves swapping the fixed interest rate for a variable interest rate</b>						
Nominal value (PLN thousand)	108 265	-	-	9 598 210	-	<b>9 706 475</b>
The average rate of fixed leg	0.94%	-	-	4.16%	-	
<b>Overnight Index Swap (OIS CHF) for fair value hedging that involves swapping the fixed interest rate for a variable interest rate</b>						
Nominal value (PLN thousand)	-	-	585 350	1 999 825	-	<b>2 585 175</b>
The average rate of fixed leg	-	-	1.02%	-0.18%	-	

Designated hedging instruments and hedge ineffectiveness

All hedges: designated hedging instruments and hedge ineffectiveness

31.12.2024	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the statement of financial position that includes the hedging instrument	Changes in fair value of the hedging instrument used for calculating hedge ineffectiveness for the reporting period
		Assets	Liabilities		
<b>Fair value hedge</b>					
Interest rate risk - Interest rate swaps	42 582 338	397 537	537 716	Financial assets held for trading and hedging derivatives / Financial liabilities held for trading and hedging derivatives	340 251
31.12.2023	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the statement of financial position that includes the hedging instrument	Changes in fair value of the hedging instrument used for calculating hedge ineffectiveness for the reporting period
		Assets	Liabilities		
<b>Fair value hedge</b>					
Interest rate risk - Interest rate swaps	25 973 848	241 597	946 888	Financial assets held for trading and hedging derivatives / Financial liabilities held for trading and hedging derivatives	1 212 322

Type of coverage, covered risk and products

The following table presents the type of coverage, the risk that is covered and the products being covered:

31.12.2024	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Carrying amount of the hedged item		Line item in the statement of financial position that includes the hedged item	The change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period	The accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
	Assets	Liabilities	Assets	Liabilities			
<b>Interest rate risk - micro hedges</b>							
Bonds issued with a fixed interest rate	-	(22 065)	-	7 550 557	Financial liabilities measured at amortised cost - Debt securities issued	(78 364)	-
Fixed interest rate loans received from European Investment Bank	-	(10 476)	-	1 928 928	Financial liabilities measured at amortised cost - Amounts due to banks - Loans and advances received	(52 866)	-
Fixed interest rate mortgage bonds issued by mBH	-	12 511	-	1 720 588	Financial liabilities measured at amortised cost - Debt securities issued	(42 989)	-
Fixed interest rate housing and consumer portfolio denominated in CZK	-	-	-	-	Financial assets measured at amortised cost - Loans and advances to customers	42 511	(33 607)
<b>Interest rate risk - hedging the fair value of a portfolio of financial assets and liabilities</b>							
Fixed interest rate mortgage portfolio owned by mBH	16 891	-	376 435	-	Financial assets measured at amortised cost - Loans and advances to customers	(3 313)	-
Deposits modelled with economic characteristics of fixed-rate deposits	-	(393 568)	-	31 199 411	Financial liabilities measured at amortised cost - Amounts due to customers - Deposits	(172 830)	(3 719)
31.12.2023	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Carrying amount of the hedged item		Line item in the statement of financial position that includes the hedged item	The change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period	The accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
	Assets	Liabilities	Assets	Liabilities			
<b>Interest rate risk - micro hedges</b>							
Bonds issued with a fixed interest rate	-	(100 429)	-	5 996 198	Financial liabilities measured at amortised cost - Debt securities issued	(200 752)	-
Fixed interest rate loans received from European Investment Bank	-	(63 342)	-	1 938 343	Financial liabilities measured at amortised cost - Amounts due to banks - Loans and advances received	(63 998)	-
Fixed interest rate mortgage bonds issued by mBH	-	55 500	-	1 816 216	Financial liabilities measured at amortised cost - Debt securities issued	(62 730)	-
Fixed interest rate housing and consumer portfolio denominated in CZK	(59)	-	2 274	-	Financial assets measured at amortised cost - Loans and advances to customers	53 384	(74 108)
<b>Interest rate risk - hedging the fair value of a portfolio of financial assets and liabilities</b>							
Fixed interest rate mortgage portfolio owned by mBH	20 204	-	412 594	-	Financial assets measured at amortised cost - Loans and advances to customers	17 140	-
Deposits modelled with economic characteristics of fixed-rate deposits	-	(565 985)	-	16 075 106	Financial liabilities measured at amortised cost - Amounts due to customers - Deposits	(962 597)	(9 442)

The net impact of fair value hedges is shown in the table below:

Fair value hedges	Ineffectiveness recognised in profit or loss		Line items in profit or loss (that include hedge ineffectiveness)
	2024	2023	
Interest rate risk	32 400	(7 231)	Net trading income - Gains or losses on hedge accounting

### Cash flow hedge accounting

#### Nominal values of hedging derivatives

The nominal values and weighted average interest rates of hedging instruments are summarised in the table below.

31.12.2024	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
<b>INTEREST RATE RISK</b>						
<b>Interest rate swaps (IRS) hedging cash flows arising from granted loans with a variable interest rate denominated in PLN</b>						
Nominal value (PLN thousand)	-	300 000	2 440 000	-	-	<b>2 740 000</b>
The average rate of fixed leg	-	0.58%	1.00%	-	-	
<b>Cross interest rate swaps (CIRS) hedging cash flows arising from granted loans with a variable interest rate denominated in PLN</b>						
Nominal value (PLN thousand)	-	-	1 278 930	-	-	<b>1 278 930</b>
The average rate of fixed leg	-	-	2.43%	-	-	
<b>CURRENCY RISK</b>						
<b>Cross Interest rate swaps (CIRS) hedging cash flows arising from issued mortgage bonds</b>						
Nominal value (PLN thousand)	-	-	1 281 900	-	-	<b>1 281 900</b>
The average rate of fixed leg	-	-	0.30%	-	-	
<b>INTEREST RATE RISK</b>						
<b>Interest rate swaps (IRS) hedging cash flows arising from granted loans with a variable interest rate denominated in PLN</b>						
Nominal value (PLN thousand)	425 000	200 000	2 390 000	2 740 000	-	<b>5 755 000</b>
The average rate of fixed leg	2.36%	2.47%	1.55%	1.42%	-	
<b>Cross interest rate swaps (CIRS) hedging cash flows arising from granted loans with a variable interest rate denominated in PLN</b>						
Nominal value (PLN thousand)	-	-	-	1 278 930	-	<b>1 278 930</b>
The average rate of fixed leg	-	-	-	2.43%	-	
<b>CURRENCY RISK</b>						
<b>Cross interest rate swaps (CIRS) hedging cash flows arising from issued mortgage bonds</b>						
Nominal value (PLN thousand)	-	-	-	1 304 400	-	<b>1 304 400</b>
The average rate of fixed leg	-	-	-	0.30%	-	

Due to the Group hedging 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, the notional amount of this hedging instrument is included in both Interest Risk and Currency Risk sections of the above table.

Designated hedging instruments and hedge ineffectiveness

All hedges: designated hedging instruments and hedge ineffectiveness

31.12.2024	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the statement of financial position that includes the hedging instrument	Changes in value of the hedging instrument used for calculating hedge ineffectiveness for the reporting period
		Assets	Liabilities		
<b>Cash flow hedge</b>					
Interest rate risk - Interest rate swaps	2 740 000	-	81 769	Financial assets held for trading and hedging derivatives / Financial liabilities held for trading and hedging derivatives	(73 865)
Interest rate risk, Foreign currency risk - Cross currency interest rate swaps	2 560 830	-	24 067		(23 793)
31.12.2023	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the statement of financial position that includes the hedging instrument	Changes in value of the hedging instrument used for calculating hedge ineffectiveness for the reporting period
		Assets	Liabilities		
<b>Cash flow hedge</b>					
Interest rate risk - Interest rate swaps	5 755 000	3 615	230 171	Financial assets held for trading and hedging derivatives / Financial liabilities held for trading and hedging derivatives	(217 578)
Interest rate risk, Foreign currency risk - Cross currency interest rate swaps	2 583 330	-	38 445		(46 098)

Type of coverage, covered risk and products

The following table presents the type of coverage, the risk that is covered and the products being covered.

31.12.2024	Carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included	The change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period	Cash flow hedge reserve	The balances remaining in the cash flow hedge reserve and the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
	Assets	Liabilities				
<b>Interest rate risk</b>						
Loans and advances to customers - loans at a variable interest rate indexed to the market rate	2 740 000	-	Financial assets measured at amortised cost – Loans and advances to customers	73 678	(126 476)	(53 037)
Mortgage loans in PLN with a variable interest rate (mBank Hipoteczny)	1 278 930	-	Financial assets measured at amortised cost – Loans and advances to customers	35 524	(34 565)	-
<b>Foreign currency risk</b>						
Mortgage bonds issued in a convertible currency at a fixed rate (mBank Hipoteczny)	-	1 281 900	Financial liabilities measured at amortised cost – Debt securities issued	(13 569)	10 600	60
31.12.2023	Carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included	The change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period	Cash flow hedge reserve	The balances remaining in the cash flow hedge reserve and the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
	Assets	Liabilities				
<b>Interest rate risk</b>						
Loans and advances to customers - loans at a variable interest rate indexed to the market rate	5 755 000	-	Financial assets measured at amortised cost – Loans and advances to customers	220 044	(319 725)	(95 457)
Mortgage loans in PLN with a variable interest rate (mBank Hipoteczny)	1 278 930	-	Financial assets measured at amortised cost – Loans and advances to customers	68 093	(67 304)	-
<b>Foreign currency risk</b>						
Mortgage bonds issued in a convertible currency at a fixed rate (mBank Hipoteczny)	-	1 304 400	Financial liabilities measured at amortised cost – Debt securities issued	(24 217)	(1 197)	-

The total result of cash flow hedge accounting recognised in the other comprehensive income

The following note presents other comprehensive income due to cash flow hedge and cost of hedge for the period from 1 January to 31 December 2024 and for the period from 1 January to 31 December 2023.

	Year ended 31 December	
	2024	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	(110 920)	(102 151)
The amount transferred in the period from other comprehensive income to profit and loss, including:	348 705	697 713
- net interest income, including:	326 205	595 143
<i>relationships for which hedge accounting continues to be applied</i>	275 823	471 869
<i>relationships for which hedge accounting is no longer applied</i>	50 382	123 274
- foreign exchange result	22 500	102 570
<b>Accumulated other gross comprehensive income from cash flow hedge at the end of the reporting period</b>	<b>(150 441)</b>	<b>(388 226)</b>
Income tax on accumulated other comprehensive income at the end of the reporting period	28 584	73 763
<b>Accumulated other net comprehensive income from cash flow hedge at the end of the reporting period</b>	<b>(121 857)</b>	<b>(314 463)</b>
Impact on other comprehensive income in the reporting period (gross)	237 785	595 562
Income tax on cash flow hedges	(45 179)	(113 157)
<b>Impact of cash flow hedge on other comprehensive income in the reporting period (net)</b>	<b>192 606</b>	<b>482 405</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 included in other gross comprehensive income during the reporting period	(7 899)	(24 815)
The amount transferred in the period from other comprehensive income to profit and loss	(758)	(758)
- <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>	(758)	(758)
<b>Accumulated other gross comprehensive income from cost of hedge at the end of the reporting period</b>	<b>(767)</b>	<b>7 890</b>
Income tax on accumulated other comprehensive income at the end of the reporting period	146	(1 499)
<b>Accumulated other net comprehensive income from cost of hedge at the end of the reporting period</b>	<b>(621)</b>	<b>6 391</b>
Impact on other comprehensive income in the reporting period (gross)	(8 657)	(25 573)
Income tax on cost of hedges	1 645	4 859
<b>Impact of cost of hedge on other comprehensive income in the reporting period (net)</b>	<b>(7 012)</b>	<b>(20 714)</b>
<b>Gains/losses recognised in comprehensive income (gross) during the reporting period, including:</b>		
Unrealised gains/losses included in other comprehensive income (gross)	229 128	569 989
Results of cash flow hedge accounting recognised in the income statement	(347 071)	(694 356)
- amount included as interest income/expense in income statement during the reporting period (Note 6), including:	(326 205)	(595 143)
<i>relationships for which hedge accounting continues to be applied</i>	(275 823)	(471 869)
<i>relationships for which hedge accounting is no longer applied</i>	(50 382)	(123 274)
- ineffective portion of hedge recognised included in other net trading income in income statement (Note 9)	1 634	3 357
- foreign exchange result	(22 500)	(102 570)
<b>Impact on comprehensive income in the reporting period (gross)</b>	<b>(117 943)</b>	<b>(124 367)</b>

## Impact of the IBOR reform on hedge accounting

In preparing the 2019 financial statements, the Bank opted for early application of the amendments under Phase 1 of the interest rate benchmark reform: the amendments to IFRS 9/IAS 39 and IFRS 7. The amendments in question modified certain requirements for hedge accounting, allowing it to continue to be applied to hedging relationships covered by the amendments during the period of uncertainty before the hedged items or hedging instruments change as a result of the interest rate benchmark reform.

In 2021, the Bank has applied for the first time the amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases under Interest Rate Benchmark Reform - Phase 2, published in August 2020.

Application of the above-mentioned Phase 1 measures allowed to maintain the hedge relationships despite uncertainty related to the value and timing of the hedged cashflows resulting from interest rate benchmark reform and lack of ability to separate reference rate interest rate component in case of IBOR related fair value hedges.

The Bank retained cumulative gains or losses in the cash flow hedge reserve for designated cash flow hedges related to IBORs subject to the interest rate benchmark reform despite the uncertainty caused by the interest rate benchmark reform related to the timing and amount of cash flows from the hedged items. In cases where the hedged future cash flows are no longer expected for reasons other than the interest rate benchmark reform, the cumulative gain or loss would be immediately reclassified to profit or loss.

The Bank will be taking advantage of the measures resulting from changes to IFRS 9/IAS 39 introduced within Phase 1 until uncertainty related to timing and amount of cashflows resulting from the interest benchmark reform ceases to impact the Bank. The above-mentioned uncertainty will be impacting the Bank until WIBOR related contracts are amended to include clauses regulating replacement of reference benchmark and establishing alternative reference rate including fixed spread as basis for contractual cashflows.

As a result of the Phase 2 amendments, in cases where the contractual terms of non-derivative financial instruments have been changed as a direct result of the interest rate benchmark reform and the new basis for determining contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately before the change), the Bank has changed the basis for determining contractual cash flows prospectively by changing the effective interest rate. Where additional changes were made that are not directly related to the reform, the relevant requirements under IFRS 9 were applied to such changes.

In cases where the interest rate benchmark reform resulted in conversion of the hedging instrument, the Bank updated the hedging documentation without terminating the hedge relationship.

Additionally for cashflow hedge relationships, if the hedged item was modified as a result of the interest rate benchmark reform, the cumulated profits or losses recognised in the cashflow hedge reserve related to IBOR hedge relations are treated as if they were calculated based on alternative reference rate.

At the end of 2024, derivative instruments designated in hedge relations are based on WIBOR, PRIBOR or EURIBOR rates.

The table below indicates the notional values and weighted average maturity of derivative instruments in hedging relationships that will be affected by the IBOR reform. Hedging derivative instruments provide a close approximation of the scope of risk exposure managed by the Bank through hedging relationships.

	31.12.2024	
	Nominal value	Average weighted maturity (in years)
<b>Interest rate swaps contracts (IRS)</b>		
WIBOR 1M	84 000	2.74
WIBOR 3M	26 580 000	2.02
WIBOR 6M	350 000	0.46
<b>Interest rate swaps contracts (IRS), total</b>	<b>27 014 000</b>	
<b>Cross interest rate swaps contracts (CIRS)</b>		
WIBOR 3M	1 281 900	0.50
<b>Cross interest rate swaps contracts (CIRS), total</b>	<b>1 281 900</b>	
<b>Total</b>	<b>28 295 900</b>	

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

	31.12.2024	31.12.2023
<b>Equity instruments</b>	<b>407 732</b>	<b>244 941</b>
Other financial corporations	267 831	191 395
Non-financial corporations	139 901	53 546
<b>Debt securities</b>	<b>31 204</b>	<b>50 144</b>
Other financial corporations	31 204	50 144
<b>Loans and advances to customers</b>	<b>486 850</b>	<b>603 713</b>
Individual customers	434 565	536 920
Corporate customers	52 151	66 676
Public sector customers	134	117
<b>Total non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>925 786</b>	<b>898 798</b>
Short-term (up to 1 year)	418 699	517 858
Long-term (over 1 year)	507 087	380 940

## Credit quality of non-trading financial assets mandatorily at fair value through profit or loss according to internal rating system

Rating	Debt securities	
	31.12.2024	31.12.2023
1.4 – 1.6	31 204	50 144
<b>Total</b>	<b>31 204</b>	<b>50 144</b>

Sub-portfolio	Loans and advances to customers	
	31.12.2024	31.12.2023
1	179	178
2	51 454	47 244
3	42 724	47 521
4	184 683	211 194
5	126 604	183 458
6	8 264	12 499
7	34 078	47 532
default	38 864	54 087
<b>Total</b>	<b>486 850</b>	<b>603 713</b>

The rating system is described in Note 3.3.4.

## 22. Financial assets at fair value through other comprehensive income

31.12.2024	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>34 588 843</b>	<b>34 487 450</b>	<b>110 901</b>	-	-	<b>(8 326)</b>	<b>(1 182)</b>	-	-
Central banks	14 828 961	14 831 236	-	-	-	(2 275)	-	-	-
General governments	17 637 073	17 639 750	-	-	-	(2 677)	-	-	-
Credit institutions	344 055	344 696	-	-	-	(641)	-	-	-
Other financial institutions	1 061 981	1 031 618	31 428	-	-	(580)	(485)	-	-
Non-financial corporations	716 773	640 150	79 473	-	-	(2 153)	(697)	-	-
<b>Total financial assets at fair value through other comprehensive income</b>	<b>34 588 843</b>	<b>34 487 450</b>	<b>110 901</b>	-	-	<b>(8 326)</b>	<b>(1 182)</b>	-	-

Short-term (up to 1 year) gross	24 873 941
Long-term (over 1 year) gross	9 724 410

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	15 883 079	15 885 813	-	-	-	(2 734)	-	-	-
Credit institutions	479 769	480 464	-	-	-	(695)	-	-	-
Other financial institutions	1 567 142	1 540 594	28 800	-	-	(1 390)	(862)	-	-
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

As at 31 December 2024, the gross carrying amounts of debt securities with fixed interest rates amounted to PLN 24 645 571 thousand and debt securities with variable interest rates PLN 9 952 780 thousand (31 December 2023, respectively: PLN 26 650 434 thousand and PLN 10 325 384 thousand).

As at 31 December 2024, the above note includes government bonds pledged under the Bank Guarantee Fund, government bonds pledged in sell/buy back transactions and securities issued by the European Investment Bank serving as collateral in connection with securitization transactions in the total amount of PLN 846 304 thousand (as at 31 December 2023: PLN 1 001 636 thousand).

As at 31 December 2024 the abovementioned value comprises the government bonds in the amount of PLN 229 641 thousand with a nominal value of PLN 250 000 thousand, which were pledged as collateral for the BFG and were deposited in a separate account at the National Depository of Securities in accordance with the Act of 10 June 2016 on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution, with further amendments (31 December 2023, respectively: PLN 618 614 thousand and PLN 645 000 thousand).

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

31.12.2024	Stage 1	Stage 2	Stage 3	POCI	TOTAL
<b>DEBT SECURITIES</b>					
<b>As at the beginning of the period</b>	<b>(9 879)</b>	<b>(862)</b>	-	-	<b>(10 741)</b>
Changes affecting the profit and loss account, including:	1 474	(321)	-	-	1 153
<i>Transfer to Stage 1</i>	(328)	328	-	-	-
<i>Transfer to Stage 2</i>	520	(520)	-	-	-
<i>Increases due to grants and acquisitions</i>	(25 916)	-	-	-	(25 916)
<i>Decreases due to derecognition</i>	26 952	441	-	-	27 393
<i>Changes due to changes in credit risk (net)</i>	246	(570)	-	-	(324)
Other movements	79	1	-	-	80
<b>As at the end of the period</b>	<b>(8 326)</b>	<b>(1 182)</b>	-	-	<b>(9 508)</b>
<b>TOTAL</b>	<b>(8 326)</b>	<b>(1 182)</b>	-	-	<b>(9 508)</b>

31.12.2023	Stage 1	Stage 2	Stage 3	POCI	TOTAL
<b>DEBT SECURITIES</b>					
<b>As at the beginning of the period</b>	<b>(8 559)</b>	-	-	-	<b>(8 559)</b>
Changes affecting the profit and loss account, including:	(1 325)	(862)	-	-	(2 187)
<i>Transfer to Stage 1</i>	(256)	256	-	-	-
<i>Transfer to Stage 2</i>	355	(355)	-	-	-
<i>Increases due to grants and acquisitions</i>	(43 001)	-	-	-	(43 001)
<i>Decreases due to derecognition</i>	43 051	271	-	-	43 322
<i>Changes due to changes in credit risk (net)</i>	(1 474)	(1 034)	-	-	(2 508)
Other movements	5	-	-	-	5
<b>As at the end of the period</b>	<b>(9 879)</b>	<b>(862)</b>	-	-	<b>(10 741)</b>
<b>TOTAL</b>	<b>(9 879)</b>	<b>(862)</b>	-	-	<b>(10 741)</b>

**Explanation of changes in the financial instruments gross carrying amount including valuation to fair value impacting the changes on expected credit losses allowance**

31.12.2024	Stage 1	Stage 2	Stage 3	POCI	TOTAL
<b>DEBT SECURITIES</b>					
<b>As at the beginning of the period</b>	<b>36 947 018</b>	<b>28 800</b>	-	-	<b>36 975 818</b>
Transfer to Stage 1	31 424	(31 424)	-	-	-
Transfer to Stage 2	(139 086)	139 086	-	-	-
Increases due to grants and acquisitions	163 924 337	-	-	-	163 924 337
Decreases due to derecognition	(167 670 577)	(28 088)	-	-	(167 698 665)
Other movements	1 394 334	2 527	-	-	1 396 861
<b>As at the end of the period</b>	<b>34 487 450</b>	<b>110 901</b>	-	-	<b>34 598 351</b>
<b>TOTAL</b>	<b>34 487 450</b>	<b>110 901</b>	-	-	<b>34 598 351</b>

31.12.2023	Stage 1	Stage 2	Stage 3	POCI	TOTAL
<b>DEBT SECURITIES</b>					
<b>As at the beginning of the period</b>	<b>35 126 009</b>	-	-	-	<b>35 126 009</b>
Transfer to Stage 1	20 486	(20 486)	-	-	-
Transfer to Stage 2	(66 590)	66 590	-	-	-
Increases due to grants and acquisitions	238 874 139	-	-	-	238 874 139
Decreases due to derecognition	(243 078 427)	(17 985)	-	-	(243 096 412)
Other movements	6 071 401	681	-	-	6 072 082
<b>As at the end of the period</b>	<b>36 947 018</b>	<b>28 800</b>	-	-	<b>36 975 818</b>
<b>TOTAL</b>	<b>36 947 018</b>	<b>28 800</b>	-	-	<b>36 975 818</b>

**Credit quality of financial assets at fair value through other comprehensive income according to internal rating system**

31.12.2024	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Debt securities at fair value through other comprehensive income</b>					
1.0 – 1.2	2 158 717	-	-	-	2 158 717
1.8 – 2.0	31 282 516	-	-	-	31 282 516
2.2 – 2.8	669 581	-	-	-	669 581
3.0 – 3.8	361 607	79 473	-	-	441 080
4.0 – 5.0	15 029	31 428	-	-	46 457
<b>Gross carrying amount including valuation to fair value</b>	<b>34 487 450</b>	<b>110 901</b>	-	-	<b>34 598 351</b>
Accumulated impairment	(8 326)	(1 182)	-	-	(9 508)
<b>Carrying amount</b>	<b>34 479 124</b>	<b>109 719</b>	-	-	<b>34 588 843</b>

31.12.2023	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Debt securities at fair value through other comprehensive income</b>					
1.0 – 1.2	923 871	-	-	-	923 871
1.4 – 1.6	1 367 706	-	-	-	1 367 706
1.8 – 2.0	33 656 424	-	-	-	33 656 424
2.2 – 2.8	583 913	-	-	-	583 913
3.0 – 3.8	365 938	-	-	-	365 938
4.0 – 5.0	49 166	28 800	-	-	77 966
<b>Gross carrying amount including valuation to fair value</b>	<b>36 947 018</b>	<b>28 800</b>	-	-	<b>36 975 818</b>
Accumulated impairment	(9 879)	(862)	-	-	(10 741)
<b>Carrying amount</b>	<b>36 937 139</b>	<b>27 938</b>	-	-	<b>36 965 077</b>

The rating system is described in Note 3.3.4.

### 23. Financial assets at amortised cost

31.12.2024	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>33 965 644</b>	<b>33 970 318</b>	-	-	-	<b>(4 674)</b>	-	-	-
General governments	24 966 741	24 970 435	-	-	-	(3 694)	-	-	-
Credit institutions	3 433 368	3 433 879	-	-	-	(511)	-	-	-
Other financial institutions	5 565 535	5 566 004	-	-	-	(469)	-	-	-
<b>Loans and advances to banks</b>	<b>9 738 457</b>	<b>9 738 787</b>	<b>239</b>	-	-	<b>(569)</b>	-	-	-
<b>Loans and advances to customers</b>	<b>120 888 776</b>	<b>104 409 480</b>	<b>15 041 865</b>	<b>4 617 803</b>	<b>386 046</b>	<b>(436 059)</b>	<b>(579 957)</b>	<b>(2 534 556)</b>	<b>(15 846)</b>
Individual customers	68 183 621	58 600 833	8 856 463	2 392 064	305 125	(219 017)	(480 267)	(1 196 614)	(74 966)
Corporate customers	52 581 735	45 760 203	6 118 332	2 196 541	80 921	(216 954)	(96 191)	(1 320 237)	59 120
Public sector customers	123 420	48 444	67 070	29 198	-	(88)	(3 499)	(17 705)	-
<b>Total financial assets at amortised cost</b>	<b>164 592 877</b>	<b>148 118 585</b>	<b>15 042 104</b>	<b>4 617 803</b>	<b>386 046</b>	<b>(441 302)</b>	<b>(579 957)</b>	<b>(2 534 556)</b>	<b>(15 846)</b>
Short-term (up to 1 year) gross	53 486 193								
Long-term (over 1 year) gross	114 678 345								

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	15 666 682	15 669 481	-	-	-	(2 799)	-	-	-
Credit institutions	3 386 338	3 386 920	-	-	-	(582)	-	-	-
Other financial institutions	4 270 670	4 271 217	-	-	-	(547)	-	-	-
<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								

As of 31 December 2024, the above note comprises the government bonds pledged under the Bank Guarantee Fund, government bonds serving as collateral for loans received from the European Investment Bank, and securities issued by the European Investment Bank serving as collateral in connection with securitization transactions in the total amount of PLN 3 507 734 thousand (as of 31 December 2023: PLN 2 983 041 thousand).

As at 31 December 2024 the abovementioned value includes government bonds included in the statement of financial position in the amount of PLN 397 110 thousand with a nominal value of PLN 400 000 thousand, which were pledged as collateral for the BFG and were deposited in a separate account at the National Depository of Securities in accordance with the Act of 10 June 2016 on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution, with further amendments, as well as the government bonds, which were securing the payment commitment to the BFG guarantee fund and forced restructuring fund in the amount of PLN 415 342 thousand (31 December 2023: PLN 405 486 thousand).

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

### Loans and advances to banks

	31.12.2024	31.12.2023
Loans and advances	278 682	133 350
Reverse repo or buy/sell back	8 633 448	6 323 328
Other receivables	826 896	662 758
<b>Total (gross) loans and advances to banks</b>	<b>9 739 026</b>	<b>7 119 436</b>
Accumulated impairment	(569)	(377)
<b>Total (net) loans and advances to banks</b>	<b>9 738 457</b>	<b>7 119 059</b>
Short-term (up to 1 year) gross	9 738 579	7 074 479
Long-term (over 1 year) gross	447	44 957

The item Other receivables includes cash collaterals in the amount of PLN 603 278 thousand, placed by the Group under the derivative transactions (Note 36) (31 December 2023: PLN 365 733 thousand).

As at 31 December 2024, the variable rate loans to banks amounted to PLN 173 579 thousand (31 December 2023: PLN 17 270 thousand) and the fixed rate loans to banks amounted to PLN 105 103 thousand (31 December 2023: PLN 116 080 thousand).

As at 31 December 2024 and 31 December 2023 the placements with other banks were fixed rated. An average interest rate for placements in other banks and loans granted to other banks amounted to 5.33% (in 2023: 5.81%).

The following table presents receivables from Polish and foreign banks:

	31.12.2024		31.12.2023	
	Loans and advances to Polish banks	Loans and advances to foreign banks	Loans and advances to Polish banks	Loans and advances to foreign banks
Gross carrying amount	472 145	9 266 881	248 465	6 870 971
Accumulated impairment	(288)	(281)	(164)	(213)
<b>Loans and advances to banks, net</b>	<b>471 857</b>	<b>9 266 600</b>	<b>248 301</b>	<b>6 870 758</b>

## Loans and advances to customers

Loans and advances to customers 31.12.2024	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public sector customers
Current receivables	14 615 758	7 596 751	7 010 043	8 964
Term loans, including:	89 986 897	62 459 240	27 391 909	135 748
- housing and mortgage loans to natural persons	45 978 264	45 978 264		
Reverse repo or buy/sell back	1 029 492	-	1 029 492	-
Finance leases	14 885 011	-	14 885 011	-
Other loans and advances	3 707 809	-	3 707 809	-
Other receivables	230 227	98 494	131 733	-
<b>Total gross carrying amount</b>	<b>124 455 194</b>	<b>70 154 485</b>	<b>54 155 997</b>	<b>144 712</b>
	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public sector customers
Current receivables	(1 057 230)	(779 824)	(277 351)	(55)
Term loans, including:	(1 947 128)	(1 191 040)	(734 851)	(21 237)
- housing and mortgage loans to natural persons	(395 361)	(395 361)		
Finance leases	(484 453)	-	(484 453)	-
Other loans and advances	(69 168)	-	(69 168)	-
Other receivables	(8 439)	-	(8 439)	-
<b>Total accumulated impairment</b>	<b>(3 566 418)</b>	<b>(1 970 864)</b>	<b>(1 574 262)</b>	<b>(21 292)</b>
<b>Total gross carrying amount</b>	<b>124 455 194</b>	<b>70 154 485</b>	<b>54 155 997</b>	<b>144 712</b>
Total accumulated impairment	(3 566 418)	(1 970 864)	(1 574 262)	(21 292)
<b>Total carrying amount</b>	<b>120 888 776</b>	<b>68 183 621</b>	<b>52 581 735</b>	<b>123 420</b>
Short-term (up to 1 year) gross	38 563 265			
Long-term (over 1 year) gross	85 891 929			

Loans and advances to customers 31.12.2023	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public sector customers
Current receivables	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>
	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public sector customers
Current receivables	(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			

As at 31 December 2024, gross amount of variable interest rate loans amounted to PLN 118 252 714 thousand and fixed interest rate loans amounted to PLN 6 202 480 thousand (31 December 2023: PLN 111 968 046 thousand and PLN 4 616 733 thousand, respectively). The average interest rate for loans granted to customers (excluding reverse repo) amounted to 7.39% (31 December 2023: 7.87%).

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

As at 31 December 2024, the above note includes receivables in the amount of PLN 294 527 thousand from the National Depository of Securities CCP in connection with the Brokerage Office activity (31 December 2023: PLN 217 119 thousand).

In addition as at 31 December 2024 the item Other loans and advances includes cash collaterals in the amount of PLN 178 858 thousand placed by the Group under derivatives transactions (Note 36) (31 December 2023: PLN 371 881 thousand).

Loans and advances include receivables under finance leases.

	31.12.2024	31.12.2023
<b>Gross investment in finance leases, receivable:</b>	<b>16 852 581</b>	<b>16 386 700</b>
- not later than 1 year	6 160 169	6 117 609
- later than 1 year and not later than 2 years	4 373 426	4 049 610
- later than 2 years and not later than 3 years	3 092 977	2 976 397
- later than 3 years and not later than 4 years	1 938 321	1 693 234
- later than 4 years and not later than 5 years	873 352	1 097 529
- later than 5 years	414 336	452 321
Unearned future finance income on finance leases (negative amount)	(1 967 282)	(2 152 228)
<b>Net investment in finance leases</b>	<b>14 885 299</b>	<b>14 234 472</b>
<b>Net investment in finance leases, receivable:</b>	<b>14 885 299</b>	<b>14 234 472</b>
- not later than 1 year	5 305 370	5 178 877
- later than 1 year and not later than 2 years	3 813 717	3 462 030
- later than 2 years and not later than 3 years	2 769 812	2 634 006
- later than 3 years and not later than 4 years	1 787 369	1 518 539
- later than 4 years and not later than 5 years	818 463	1 023 783
- later than 5 years	390 568	417 237
<b>Net investment in finance leases</b>	<b>14 885 299</b>	<b>14 234 472</b>
<b>Impairment provisions for finance leases receivable</b>	<b>(484 453)</b>	<b>(569 896)</b>
<b>Net carrying amount of finance leases receivable</b>	<b>14 400 846</b>	<b>13 664 576</b>
<b>Unguaranteed residual value accruing to the lessor</b>	<b>1 276 233</b>	<b>1 212 949</b>

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

	31.12.2024	31.12.2023
<b>Net housing and mortgage loans to natural persons (in PLN thousand), including:</b>	<b>45 582 903</b>	<b>42 634 400</b>
- PLN	38 041 975	32 993 018
- CHF	665 588	1 852 703
- EUR	2 955 047	3 361 632
- CZK	3 880 208	4 330 701
- USD	32 878	86 934
- Other	7 207	9 412
<b>Net housing and mortgage loans to natural persons in original currencies (main currencies in thousand)</b>		
- PLN	38 041 975	32 993 018
- CHF	146 699	395 640
- EUR	691 563	773 144
- CZK	22 838 187	24 620 244
- USD	8 017	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.

### Credit quality of financial assets at amortised cost according to internal rating system

31.12.2024	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Debt securities at amortised cost</b>					
1.0 – 1.2	5 066 391	-	-	-	5 066 391
1.4 – 1.6	84 764	-	-	-	84 764
1.8 – 2.0	28 817 513	-	-	-	28 817 513
2.2 – 2.8	1 650	-	-	-	1 650
<b>Total gross carrying amount</b>	<b>33 970 318</b>	-	-	-	<b>33 970 318</b>
Total accumulated impairment	(4 674)	-	-	-	(4 674)
<b>Total carrying amount</b>	<b>33 965 644</b>	-	-	-	<b>33 965 644</b>
<b>Loans and advances to banks at amortised cost</b>					
1	9 240 774	235	-	-	9 241 009
2	477 139	2	-	-	477 141
3	16 187	-	-	-	16 187
4	4 687	2	-	-	4 689
<b>Total gross carrying amount</b>	<b>9 738 787</b>	<b>239</b>	-	-	<b>9 739 026</b>
Total accumulated impairment	(569)	-	-	-	(569)
<b>Total carrying amount</b>	<b>9 738 218</b>	<b>239</b>	-	-	<b>9 738 457</b>
<b>Loans and advances to customers at amortised cost</b>					
1	6 518 342	32 732	-	605	6 551 679
2	43 596 036	2 688 618	-	16 915	46 301 569
3	13 236 872	1 178 593	-	2 343	14 417 808
4	31 162 778	3 841 197	-	43 820	35 047 795
5	5 535 915	4 387 897	-	9 762	9 933 574
6	162 566	789 485	-	1 365	953 416
7	400 838	1 950 013	-	8 301	2 359 152
8	950 721	-	-	-	950 721
other	2 845 412	173 330	-	-	3 018 742
default	-	-	4 617 803	302 935	4 920 738
<b>Total gross carrying amount</b>	<b>104 409 480</b>	<b>15 041 865</b>	<b>4 617 803</b>	<b>386 046</b>	<b>124 455 194</b>
Total accumulated impairment	(436 059)	(579 957)	(2 534 556)	(15 846)	(3 566 418)
<b>Total carrying amount</b>	<b>103 973 421</b>	<b>14 461 908</b>	<b>2 083 247</b>	<b>370 200</b>	<b>120 888 776</b>

31.12.2023	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Debt securities at amortised cost</b>					
1.0 – 1.2	242 279	-	-	-	242 279
1.4 – 1.6	3 299 398	-	-	-	3 299 398
1.8 – 2.0	19 701 673	-	-	-	19 701 673
2.2 – 2.8	84 268	-	-	-	84 268
<b>Total gross carrying amount</b>	<b>23 327 618</b>	-	-	-	<b>23 327 618</b>
Total accumulated impairment	(3 928)	-	-	-	(3 928)
<b>Total carrying amount</b>	<b>23 323 690</b>	-	-	-	<b>23 323 690</b>
<b>Loans and advances to banks at amortised cost</b>					
1	6 819 010	-	-	-	6 819 010
2	195 970	-	-	-	195 970
3	84 954	-	-	-	84 954
4	17 697	1 805	-	-	19 502
<b>Total gross carrying amount</b>	<b>7 117 631</b>	<b>1 805</b>	-	-	<b>7 119 436</b>
Total accumulated impairment	(345)	(32)	-	-	(377)
<b>Total carrying amount</b>	<b>7 117 286</b>	<b>1 773</b>	-	-	<b>7 119 059</b>
<b>Loans and advances to customers at amortised cost</b>					
1	3 494 775	20 717	-	-	3 515 492
2	39 299 662	1 878 007	-	13 486	41 191 155
3	13 570 834	1 717 380	-	4 269	15 292 483
4	23 127 806	3 355 002	-	30 748	26 513 556
5	12 340 187	5 236 496	-	20 042	17 596 725
6	224 519	580 524	-	2 064	807 107
7	610 299	2 462 224	-	8 033	3 080 556
8	1 066 083	-	-	-	1 066 083
other	2 664 546	100 019	-	-	2 764 565
default	-	-	4 609 500	147 557	4 757 057
<b>Total gross carrying amount</b>	<b>96 398 711</b>	<b>15 350 369</b>	<b>4 609 500</b>	<b>226 199</b>	<b>116 584 779</b>
Total accumulated impairment	(396 152)	(677 083)	(2 687 978)	53 014	(3 708 199)
<b>Total carrying amount</b>	<b>96 002 559</b>	<b>14 673 286</b>	<b>1 921 522</b>	<b>279 213</b>	<b>112 876 580</b>

The rating system is described in Note 3.3.4.

## Movements in expected credit losses allowance

31.12.2024	Stage 1	Stage 2	Stage 3	POCI	TOTAL
<b>DEBT SECURITIES</b>					
<b>As at the beginning of the period</b>	<b>(3 928)</b>	-	-	-	<b>(3 928)</b>
Changes affecting the profit and loss account, including:	(700)	-	-	-	(700)
<i>Increases due to grants and acquisitions</i>	(2 340)	-	-	-	(2 340)
<i>Decreases due to derecognition</i>	1 795	-	-	-	1 795
<i>Changes in credit risk (net)</i>	(155)	-	-	-	(155)
Other movements	(46)	-	-	-	(46)
<b>As at the end of the period</b>	<b>(4 674)</b>	-	-	-	<b>(4 674)</b>
<b>LOANS AND ADVANCES TO BANKS</b>					
<b>As at the beginning of the period</b>	<b>(345)</b>	<b>(32)</b>	-	-	<b>(377)</b>
Changes affecting the profit and loss account, including:	222	234	-	-	456
<i>Transfer to Stage 1</i>	(32)	32	-	-	-
<i>Transfer to Stage 2</i>	54	(54)	-	-	-
<i>Increases due to grants and acquisitions</i>	(1 237)	(558)	-	-	(1 795)
<i>Decreases due to derecognition</i>	786	581	-	-	1 367
<i>Changes in credit risk (net)</i>	651	233	-	-	884
Other movements	(446)	(202)	-	-	(648)
<b>As at the end of the period</b>	<b>(569)</b>	-	-	-	<b>(569)</b>
<b>LOANS AND ADVANCES TO CUSTOMERS</b>					
<b>As at the beginning of the period</b>	<b>(396 152)</b>	<b>(677 083)</b>	<b>(2 687 978)</b>	<b>53 014</b>	<b>(3 708 199)</b>
Changes affecting the profit and loss account, including:	(40 551)	101 383	(646 105)	(13 435)	(598 708)
<i>Transfer to Stage 1</i>	(292 580)	287 656	4 924	-	-
<i>Transfer to Stage 2</i>	105 730	(172 094)	66 364	-	-
<i>Transfer to Stage 3</i>	6 573	279 553	(286 126)	-	-
<i>Increases due to grants and acquisitions</i>	(243 034)	(42 936)	(237 595)	(24 029)	(547 594)
<i>Decreases due to derecognition</i>	75 752	70 153	612 421	(121 610)	636 716
<i>Changes in credit risk (net)</i>	307 008	(320 949)	(806 093)	132 204	(687 830)
Write-offs	-	-	918 395	139 625	1 058 020
Other movements	644	(4 257)	(118 868)	(195 050)	(317 531)
<b>As at the end of the period</b>	<b>(436 059)</b>	<b>(579 957)</b>	<b>(2 534 556)</b>	<b>(15 846)</b>	<b>(3 566 418)</b>
<b>TOTAL</b>	<b>(441 302)</b>	<b>(579 957)</b>	<b>(2 534 556)</b>	<b>(15 846)</b>	<b>(3 571 661)</b>
<b>31.12.2023</b>					
<b>DEBT SECURITIES</b>					
<b>As at the beginning of the period</b>	<b>(2 931)</b>	-	-	-	<b>(2 931)</b>
Changes affecting the profit and loss account, including:	(1 020)	-	-	-	(1 020)
<i>Increases due to grants and acquisitions</i>	(1 359)	-	-	-	(1 359)
<i>Decreases due to derecognition</i>	948	-	-	-	948
<i>Changes in credit risk (net)</i>	(609)	-	-	-	(609)
Other movements	23	-	-	-	23
<b>As at the end of the period</b>	<b>(3 928)</b>	-	-	-	<b>(3 928)</b>
<b>LOANS AND ADVANCES TO BANKS</b>					
<b>As at the beginning of the period</b>	<b>(563)</b>	<b>(940)</b>	-	-	<b>(1 503)</b>
Changes affecting the profit and loss account, including:	48	707	-	-	755
<i>Transfer to Stage 1</i>	(84)	84	-	-	-
<i>Transfer to Stage 2</i>	38	(38)	-	-	-
<i>Increases due to grants and acquisitions</i>	(713)	(418)	-	-	(1 131)
<i>Decreases due to derecognition</i>	822	782	-	-	1 604
<i>Changes in credit risk (net)</i>	(15)	297	-	-	282
Other movements	170	201	-	-	371
<b>As at the end of the period</b>	<b>(345)</b>	<b>(32)</b>	-	-	<b>(377)</b>
<b>LOANS AND ADVANCES TO CUSTOMERS</b>					
<b>As at the beginning of the period</b>	<b>(402 616)</b>	<b>(385 880)</b>	<b>(2 511 202)</b>	<b>45 486</b>	<b>(3 254 212)</b>
Changes affecting the profit and loss account, including:	1 580	(292 136)	(918 715)	33 843	(1 175 428)
<i>Transfer to Stage 1</i>	(264 783)	256 258	8 525	-	-
<i>Transfer to Stage 2</i>	171 201	(233 788)	62 587	-	-
<i>Transfer to Stage 3</i>	7 936	303 178	(311 114)	-	-
<i>Increases due to grants and acquisitions</i>	(131 754)	(21 585)	(162 325)	20 262	(295 402)
<i>Decreases due to derecognition</i>	69 592	18 884	169 499	(32 192)	225 783
<i>Changes in credit risk (net)</i>	149 388	(615 083)	(685 887)	45 773	(1 105 809)
Write-offs	-	-	882 822	10 868	893 690
Other movements	4 884	933	(140 883)	(37 183)	(172 249)
<b>As at the end of the period</b>	<b>(396 152)</b>	<b>(677 083)</b>	<b>(2 687 978)</b>	<b>53 014</b>	<b>(3 708 199)</b>
<b>TOTAL</b>	<b>(400 425)</b>	<b>(677 115)</b>	<b>(2 687 978)</b>	<b>53 014</b>	<b>(3 712 504)</b>

Movements in expected credit losses resulting from changes in models are described in the Note 3.3.6.2.2.

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

31.12.2024	Stage 1	Stage 2	Stage 3	POCI	TOTAL
<b>DEBT SECURITIES</b>					
<b>As at the beginning of the period</b>	<b>23 327 618</b>	-	-	-	<b>23 327 618</b>
Increases due to grants and acquisitions	12 969 862	-	-	-	12 969 862
Decreases due to derecognition	(7 688 260)	-	-	-	(7 688 260)
Other movements	5 361 098	-	-	-	5 361 098
<b>As at the end of the period</b>	<b>33 970 318</b>	-	-	-	<b>33 970 318</b>
<b>LOANS AND ADVANCES TO BANKS</b>					
<b>As at the beginning of the period</b>	<b>7 117 631</b>	<b>1 805</b>	-	-	<b>7 119 436</b>
Transfer to Stage 1	2 289	(2 289)	-	-	-
Transfer to Stage 2	(4 614)	4 614	-	-	-
Increases due to grants and acquisitions	129 172 168	55 718	-	-	129 227 886
Decreases due to derecognition	(126 993 984)	(57 531)	-	-	(127 051 515)
Other movements	445 297	(2 078)	-	-	443 219
<b>As at the end of the period</b>	<b>9 738 787</b>	<b>239</b>	-	-	<b>9 739 026</b>
<b>LOANS AND ADVANCES TO CUSTOMERS</b>					
<b>As at the beginning of the period</b>	<b>96 398 711</b>	<b>15 350 369</b>	<b>4 609 500</b>	<b>226 199</b>	<b>116 584 779</b>
Transfer to Stage 1	9 810 149	(9 768 246)	(41 903)	-	-
Transfer to Stage 2	(14 090 343)	14 411 779	(321 436)	-	-
Transfer to Stage 3	(477 036)	(2 006 176)	2 483 212	-	-
Increases due to grants and acquisitions	96 639 980	2 862 516	478 579	260 387	100 241 462
Decreases due to derecognition	(78 173 785)	(4 509 646)	(1 450 954)	9 869	(84 124 516)
Write-offs	-	-	(918 395)	(139 625)	(1 058 020)
Other movements	(5 698 196)	(1 298 731)	(220 800)	29 216	(7 188 511)
<b>As at the end of the period</b>	<b>104 409 480</b>	<b>15 041 865</b>	<b>4 617 803</b>	<b>386 046</b>	<b>124 455 194</b>
<b>TOTAL</b>	<b>148 118 585</b>	<b>15 042 104</b>	<b>4 617 803</b>	<b>386 046</b>	<b>168 164 538</b>
<b>31.12.2023</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>TOTAL</b>
<b>DEBT SECURITIES</b>					
<b>As at the beginning of the period</b>	<b>19 005 458</b>	-	-	-	<b>19 005 458</b>
Increases due to grants and acquisitions	7 820 296	-	-	-	7 820 296
Decreases due to derecognition	(5 922 252)	-	-	-	(5 922 252)
Other movements	2 424 116	-	-	-	2 424 116
<b>As at the end of the period</b>	<b>23 327 618</b>	-	-	-	<b>23 327 618</b>
<b>LOANS AND ADVANCES TO BANKS</b>					
<b>As at the beginning of the period</b>	<b>9 568 871</b>	<b>2 261</b>	-	-	<b>9 571 132</b>
Transfer to Stage 1	19 031	(19 031)	-	-	-
Transfer to Stage 2	(18 418)	18 418	-	-	-
Increases due to grants and acquisitions	130 014 553	52 895	-	-	130 067 448
Decreases due to derecognition	(132 156 807)	(50 988)	-	-	(132 207 795)
Other movements	(309 599)	(1 750)	-	-	(311 349)
<b>As at the end of the period</b>	<b>7 117 631</b>	<b>1 805</b>	-	-	<b>7 119 436</b>
<b>LOANS AND ADVANCES TO CUSTOMERS</b>					
<b>As at the beginning of the period</b>	<b>109 531 005</b>	<b>8 311 891</b>	<b>4 512 035</b>	<b>229 311</b>	<b>122 584 242</b>
Transfer to Stage 1	5 835 657	(5 773 860)	(61 797)	-	-
Transfer to Stage 2	(16 143 215)	16 489 682	(346 467)	-	-
Transfer to Stage 3	(459 933)	(1 645 768)	2 105 701	-	-
Increases due to grants and acquisitions	80 078 806	1 492 365	414 652	82 596	82 068 419
Decreases due to derecognition	(72 137 393)	(2 357 100)	(997 194)	(60 184)	(75 551 871)
Write-offs	-	-	(882 822)	(10 868)	(893 690)
Other movements	(10 306 216)	(1 166 841)	(134 608)	(14 656)	(11 622 321)
<b>As at the end of the period</b>	<b>96 398 711</b>	<b>15 350 369</b>	<b>4 609 500</b>	<b>226 199</b>	<b>116 584 779</b>
<b>TOTAL</b>	<b>126 843 960</b>	<b>15 352 174</b>	<b>4 609 500</b>	<b>226 199</b>	<b>147 031 833</b>

The item Other changes includes among others the effect of gross carrying amount adjustments for legal risk costs related to foreign currency loans (Note 34) and losses on non-substantial modification resulting from the recognition of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays" – Note 6).

## Financial effect of collaterals

31.12.2024	Gross amount	Accumulated impairment	Accumulated impairment without cash flow from collaterals	Financial effect of collaterals
<b>Balance sheet data</b>				
Loans and advances to banks	9 739 026	(569)	(7 164)	6 595
Loans and advances to customers, including:	124 455 194	(3 566 418)	(4 552 401)	985 983
Individual customers	70 154 485	(1 970 864)	(2 055 942)	85 078
- housing and mortgage loans to natural persons	45 978 264	(395 361)	(451 582)	56 221
Corporate customers	54 155 997	(1 574 262)	(2 475 107)	900 845
Public sector customers	144 712	(21 292)	(21 352)	60
<b>Total balance sheet data</b>	<b>134 194 220</b>	<b>(3 566 987)</b>	<b>(4 559 565)</b>	<b>992 578</b>
Total balance sheet data, Stage 3	4 617 803	(2 534 556)	(3 235 685)	701 129
Total balance sheet data, POCI	386 046	(15 846)	(90 274)	74 428
<b>Off-balance sheet data</b>				
Loan commitments and other commitments	37 444 445	(112 931)	(130 354)	17 423
Guarantees, banker's acceptances, documentary and commercial letters of credit	9 055 486	(74 436)	(98 430)	23 994
<b>Total off-balance sheet data</b>	<b>46 499 931</b>	<b>(187 367)</b>	<b>(228 784)</b>	<b>41 417</b>
Total off-balance sheet data, Stage 3	187 157	(90 862)	(100 668)	9 806
Total off-balance sheet data, POCI	5 509	637	(1 457)	2 094
<b>31.12.2023</b>				
<b>Balance sheet data</b>				
Loans and advances to banks	7 119 436	(377)	(4 577)	4 200
Loans and advances to customers, including:	116 584 779	(3 708 199)	(4 868 306)	1 160 107
Individual customers	65 723 161	(2 080 624)	(2 187 971)	107 347
- housing and mortgage loans to natural persons	43 121 382	(486 982)	(555 460)	68 478
Corporate customers	50 728 839	(1 619 644)	(2 671 418)	1 051 774
Public sector customers	132 779	(7 931)	(8 917)	986
<b>Total balance sheet data</b>	<b>123 704 215</b>	<b>(3 708 576)</b>	<b>(4 872 883)</b>	<b>1 164 307</b>
Total balance sheet data, Stage 3	4 609 500	(2 687 978)	(3 458 963)	770 985
Total balance sheet data, POCI	226 199	53 014	(59 624)	112 638
<b>Off-balance sheet data</b>				
Loan commitments and other commitments	34 358 230	(102 376)	(123 845)	21 469
Guarantees, banker's acceptances, documentary and commercial letters of credit	8 201 673	(95 042)	(114 016)	18 974
<b>Total off-balance sheet data</b>	<b>42 559 903</b>	<b>(197 418)</b>	<b>(237 861)</b>	<b>40 443</b>
Total off-balance sheet data, Stage 3	227 989	(115 068)	(126 071)	11 003
Total off-balance sheet data, POCI	6 434	2 898	(806)	3 704

As at 31 December 2024 the Group has not had loans and advances to customers for which has not recognised a loss allowance because of the collateral (as at 31 December 2023 carrying amount of such loans amounted to PLN 56 606 thousand).

## 24. Non-current assets and disposal groups classified as held for sale and liabilities held for sale

In December 2024, the Bank started the process of selling properties that were previously presented as fixed assets (buildings in Bielsko-Biała, Rybnik, Rzeszów and Aleksandrów Łódzki) and property in Warsaw at Królewska 14 Street which was an investment property. Accordingly, all properties have been reclassified to Non-current assets classified as held for sale. Along with properties, liabilities arising from perpetual usufruct of land have been transferred to this item. The Bank is currently in the process of selecting bidders.

Non-current assets held for sale	31.12.2024	31.12.2023
Fixed asset	10 105	-
Investment properties	92 705	-
<b>Total non-current assets held for sale</b>	<b>102 810</b>	<b>-</b>
Liabilities classified as held for sale	31.12.2024	31.12.2023
Financial liabilities measured at amortised cost, including:	30 940	-
<i>Lease liabilities</i>	30 940	-
<b>Total liabilities classified as held for sale</b>	<b>30 940</b>	<b>-</b>

## 25. Intangible assets

	31.12.2024	31.12.2023
Goodwill	24 228	24 228
Patents, licences and similar assets, including:	1 528 172	1 326 410
- <i>computer software</i>	1 357 439	1 124 975
Other intangible assets	1 024	1 114
Intangible assets under development	403 269	350 187
<b>Total intangible assets</b>	<b>1 956 693</b>	<b>1 701 939</b>

In 2024 and 2023, the Group performed impairment tests of intangible assets under development and goodwill.

### Movements in intangible assets

Movements in intangible assets from 1 January to 31 December 2024	Patents, licences and other similar assets		Other intangible assets	Intangible assets under development	Goodwill	Total intangible assets
		Computer software				
<b>Gross value of intangible assets as at the beginning of the period</b>	<b>2 299 604</b>	<b>1 969 221</b>	<b>14 435</b>	<b>350 187</b>	<b>24 228</b>	<b>2 688 454</b>
<b>Increase (due to):</b>	<b>482 263</b>	<b>426 975</b>	<b>1</b>	<b>525 128</b>	<b>-</b>	<b>1 007 392</b>
- purchase	59 768	16 385	1	390 498	-	450 267
- transfer from intangible assets under development	422 058	410 153	-	-	-	422 058
- development costs	-	-	-	98 564	-	98 564
- other increases	437	437	-	36 066	-	36 503
<b>Decrease (due to):</b>	<b>(198 949)</b>	<b>(160 237)</b>	<b>(10 410)</b>	<b>(472 046)</b>	<b>-</b>	<b>(681 405)</b>
- liquidation	(198 301)	(159 789)	(10 410)	(7)	-	(208 718)
- transfer to intangible assets given to use	-	-	-	(422 058)	-	(422 058)
- other decreases	(648)	(448)	-	(49 981)	-	(50 629)
<b>Gross value of intangible assets as at the end of the period</b>	<b>2 582 918</b>	<b>2 235 959</b>	<b>4 026</b>	<b>403 269</b>	<b>24 228</b>	<b>3 014 441</b>
<b>Accumulated amortisation as at the beginning of the period</b>	<b>(972 007)</b>	<b>(843 059)</b>	<b>(13 321)</b>	<b>-</b>	<b>-</b>	<b>(985 328)</b>
<b>Amortisation for the period (due to):</b>	<b>(82 739)</b>	<b>(35 461)</b>	<b>10 319</b>	<b>-</b>	<b>-</b>	<b>(72 420)</b>
- amortisation	(277 012)	(191 272)	(91)	-	-	(277 103)
- other increases	(117)	(117)	-	-	-	(117)
- liquidation	194 236	155 813	10 410	-	-	204 646
- other decreases	154	115	-	-	-	154
<b>Accumulated amortisation as at the end of the period</b>	<b>(1 054 746)</b>	<b>(878 520)</b>	<b>(3 002)</b>	<b>-</b>	<b>-</b>	<b>(1 057 748)</b>
<b>Impairment losses as at the beginning of the period</b>	<b>(1 187)</b>	<b>(1 187)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 187)</b>
- decrease	1 187	1 187	-	-	-	1 187
<b>Impairment losses as at the end of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net value of intangible assets as at the end of the period</b>	<b>1 528 172</b>	<b>1 357 439</b>	<b>1 024</b>	<b>403 269</b>	<b>24 228</b>	<b>1 956 693</b>

Movements in intangible assets from 1 January to 31 December 2023	Patents, licences and other similar assets		Other intangible assets	Intangible assets under development	Goodwill	Total intangible assets
		Computer software				
<b>Gross value of intangible assets as at the beginning of the period</b>	<b>2 013 566</b>	<b>1 696 959</b>	<b>35 235</b>	<b>258 151</b>	<b>24 228</b>	<b>2 331 180</b>
<b>Increase (due to):</b>	<b>464 821</b>	<b>308 127</b>	-	<b>408 629</b>	-	<b>873 450</b>
- purchase	158 692	8 337	-	318 161	-	476 853
- transfer from intangible assets under development	283 766	278 989	-	-	-	283 766
- development costs	-	-	-	73 767	-	73 767
- other increases	22 363	20 801	-	16 701	-	39 064
<b>Decrease (due to):</b>	<b>(178 783)</b>	<b>(35 865)</b>	<b>(20 800)</b>	<b>(316 593)</b>	-	<b>(516 176)</b>
- liquidation	(177 469)	(34 551)	-	-	-	(177 469)
- transfer to intangible assets given to use	-	-	-	(283 766)	-	(283 766)
- other decreases	(1 314)	(1 314)	(20 800)	(32 827)	-	(54 941)
<b>Gross value of intangible assets as at the end of the period</b>	<b>2 299 604</b>	<b>1 969 221</b>	<b>14 435</b>	<b>350 187</b>	<b>24 228</b>	<b>2 688 454</b>
<b>Accumulated amortisation as at the beginning of the period</b>	<b>(916 492)</b>	<b>(717 975)</b>	<b>(19 465)</b>	-	-	<b>(935 957)</b>
<b>Amortisation for the period (due to):</b>	<b>(55 515)</b>	<b>(125 084)</b>	<b>6 144</b>	-	-	<b>(49 371)</b>
- amortisation	(218 015)	(144 545)	(101)	-	-	(218 116)
- other increases	(6 288)	(6 277)	-	-	-	(6 288)
- liquidation	168 278	25 348	-	-	-	168 278
- other decreases	510	390	6 245	-	-	6 755
<b>Accumulated amortisation as at the end of the period</b>	<b>(972 007)</b>	<b>(843 059)</b>	<b>(13 321)</b>	-	-	<b>(985 328)</b>
<b>Impairment losses as at the beginning of the period</b>	<b>(3 516)</b>	<b>(3 516)</b>	-	-	-	<b>(3 516)</b>
- increase	(434)	(434)	-	-	-	(434)
- decrease	2 763	2 763	-	-	-	2 763
<b>Impairment losses as at the end of the period</b>	<b>(1 187)</b>	<b>(1 187)</b>	-	-	-	<b>(1 187)</b>
<b>Net value of intangible assets as at the end of the period</b>	<b>1 326 410</b>	<b>1 124 975</b>	<b>1 114</b>	<b>350 187</b>	<b>24 228</b>	<b>1 701 939</b>

## 26. Tangible assets

	31.12.2024	31.12.2023
<b>Fixed assets, including:</b>	<b>729 165</b>	<b>668 259</b>
- land	100	202
- buildings and structures	19 220	31 585
- equipment	254 950	222 133
- vehicles	254 232	205 539
- other fixed assets	200 663	208 800
<b>Fixed assets under construction</b>	<b>80 631</b>	<b>84 479</b>
<b>Right-of-use, including:</b>	<b>652 015</b>	<b>728 663</b>
- real estate	647 814	723 764
- perpetual usufruct of land	847	2 114
- vehicles	3 062	2 234
- other	292	551
<b>Total tangible assets</b>	<b>1 461 811</b>	<b>1 481 401</b>

### Movements in fixed assets

Movements in fixed assets from 1 January to 31 December 2024	Land	Buildings and structures	Equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
<b>Gross value of fixed assets as at the beginning of the period</b>	202	83 811	682 795	272 533	482 691	84 526	1 606 558
<b>Increase (due to):</b>	-	1 015	137 818	152 718	38 975	96 324	426 850
- purchase	-	-	88 600	152 718	6 846	82 098	330 262
- transfer from fixed assets under construction	-	1 015	49 041	-	32 129	-	82 185
- other increases	-	-	177	-	-	14 226	14 403
<b>Decrease (due to):</b>	(102)	(29 283)	(48 127)	(117 591)	(24 695)	(100 172)	(319 970)
- sale	-	(135)	(8 040)	(117 591)	(797)	-	(126 563)
- liquidation	-	(638)	(35 802)	-	(22 690)	-	(59 130)
- transfer to fixed assets	-	-	-	-	-	(82 185)	(82 185)
- transfers to non-current assets classified as held for sale	(102)	(28 510)	(3 295)	-	(469)	-	(32 376)
- other decreases	-	-	(990)	-	(739)	(17 987)	(19 716)
<b>Gross value of fixed assets as at the end of the period</b>	100	55 543	772 486	307 660	496 971	80 678	1 713 438
<b>Accumulated depreciation as at the beginning of the period</b>	-	(35 316)	(460 662)	(66 994)	(273 809)	-	(836 781)
<b>Depreciation for the period (due to):</b>	-	12 343	(56 874)	13 566	(22 454)	-	(53 419)
- depreciation charge	-	(2 742)	(103 715)	(32 383)	(46 468)	-	(185 308)
- transfers to non-current assets classified as held for sale	-	14 586	2 707	-	468	-	17 761
- sale	-	135	7 581	45 949	686	-	54 351
- liquidation	-	364	35 657	-	22 231	-	58 252
- other decreases	-	-	896	-	629	-	1 525
<b>Accumulated depreciation as at the end of the period</b>	-	(22 973)	(517 536)	(53 428)	(296 263)	-	(890 200)
<b>Impairment losses as at the beginning of the period</b>	-	(16 910)	-	-	(82)	(47)	(17 039)
- increase	-	-	-	-	(45)	-	(45)
- decrease	-	3 560	-	-	82	-	3 642
<b>Impairment losses as at the end of the period</b>	-	(13 350)	-	-	(45)	(47)	(13 442)
<b>Net value of fixed assets as at the end of the period</b>	100	19 220	254 950	254 232	200 663	80 631	809 796

Movements in fixed assets from 1 January to 31 December 2023	Land	Buildings and structures	Equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
<b>Gross value of fixed assets as at the beginning of the period</b>	<b>653</b>	<b>105 397</b>	<b>648 206</b>	<b>244 327</b>	<b>471 226</b>	<b>47 115</b>	<b>1 516 924</b>
<b>Increase (due to):</b>	<b>-</b>	<b>1 146</b>	<b>97 531</b>	<b>124 772</b>	<b>39 815</b>	<b>131 642</b>	<b>394 906</b>
- purchase	-	-	60 834	124 772	7 398	110 884	303 888
- transfer from fixed assets under construction	-	1 146	36 007	-	32 384	-	69 537
- other increases	-	-	690	-	33	20 758	21 481
<b>Decrease (due to):</b>	<b>(451)</b>	<b>(22 732)</b>	<b>(62 942)</b>	<b>(96 566)</b>	<b>(28 350)</b>	<b>(94 231)</b>	<b>(305 272)</b>
- sale	(451)	(21 854)	(7 347)	(96 566)	(1 089)	(4)	(127 311)
- liquidation	-	(878)	(54 189)	-	(24 822)	-	(79 889)
- transfer to fixed assets	-	-	-	-	-	(69 537)	(69 537)
- other decreases	-	-	(1 406)	-	(2 439)	(24 690)	(28 535)
<b>Gross value of fixed assets as at the end of the period</b>	<b>202</b>	<b>83 811</b>	<b>682 795</b>	<b>272 533</b>	<b>482 691</b>	<b>84 526</b>	<b>1 606 558</b>
<b>Accumulated depreciation as at the beginning of the period</b>	<b>-</b>	<b>(41 732)</b>	<b>(429 321)</b>	<b>(68 476)</b>	<b>(257 874)</b>	<b>-</b>	<b>(797 403)</b>
<b>Depreciation for the period (due to):</b>	<b>-</b>	<b>6 416</b>	<b>(31 341)</b>	<b>1 482</b>	<b>(15 935)</b>	<b>-</b>	<b>(39 378)</b>
- depreciation charge	-	(2 964)	(93 286)	(29 129)	(42 922)	-	(168 301)
- other increases	-	-	(116)	-	-	-	(116)
- sale	-	8 972	6 903	30 611	1 046	-	47 532
- liquidation	-	408	54 052	-	23 974	-	78 434
- other decreases	-	-	1 106	-	1 967	-	3 073
<b>Accumulated depreciation as at the end of the period</b>	<b>-</b>	<b>(35 316)</b>	<b>(460 662)</b>	<b>(66 994)</b>	<b>(273 809)</b>	<b>-</b>	<b>(836 781)</b>
<b>Impairment losses as at the beginning of the period</b>	<b>-</b>	<b>(20 780)</b>	<b>-</b>	<b>-</b>	<b>(223)</b>	<b>(24)</b>	<b>(21 027)</b>
- increase	-	-	-	-	(82)	(23)	(105)
- decrease	-	3 870	-	-	223	-	4 093
<b>Impairment losses as at the end of the period</b>	<b>-</b>	<b>(16 910)</b>	<b>-</b>	<b>-</b>	<b>(82)</b>	<b>(47)</b>	<b>(17 039)</b>
<b>Net value of fixed assets as at the end of the period</b>	<b>202</b>	<b>31 585</b>	<b>222 133</b>	<b>205 539</b>	<b>208 800</b>	<b>84 479</b>	<b>752 738</b>

The recoverable value of impaired fixed assets is the net selling price determined on the basis of market prices for similar assets.

As part of its activities as a lessor, the mBank Group presents within fixed assets those assets which are leased to third parties under operating lease agreements. The table below presents future minimum lease payments under non-cancellable operating lease agreements with the Group as a lessor.

	31.12.2024	31.12.2023
<b>Minimum lease payments under non-cancellable operating lease</b>		
Up to 1 year	37 584	26 267
Over 1 year up to 2 years	28 416	18 521
Over 2 years up to 3 years	21 710	11 914
Over 3 years up to 4 years	7 022	4 880
Over 4 years up to 5 years	297	25
Over 5 years	117	-
<b>Total</b>	<b>95 146</b>	<b>61 607</b>

The Group presents depreciation of fixed assets leased under operating lease and sublease agreements as net income from operating lease (Note 12).

### Movements in right-of-use assets

Movements in rights-of-use from 1 January to 31 December 2024	Real estate	Perpetual usufruct of land	Vehicles	Other	Total
<b>Gross value of rights-of-use as at the beginning of the period</b>	<b>1 275 685</b>	<b>2 271</b>	<b>4 612</b>	<b>1 591</b>	<b>1 284 159</b>
<b>Increase (due to):</b>	<b>107 584</b>	-	<b>19 371</b>	<b>4</b>	<b>126 959</b>
- new contract	16 678	-	18 518	-	35 196
- modification of contract	90 869	-	853	4	91 726
- other increases	37	-	-	-	37
<b>Decrease (due to):</b>	<b>(72 116)</b>	<b>(1 346)</b>	<b>(18 624)</b>	<b>(83)</b>	<b>(92 169)</b>
- termination of contract	(39 000)	-	(17 491)	(77)	(56 568)
- modification of contract	(30 958)	(334)	(674)	-	(31 966)
- transfers to non-current assets classified as held for sale	-	(1 012)	-	-	(1 012)
- other decreases	(2 158)	-	(459)	(6)	(2 623)
<b>Gross value of rights-of-use as at the end of the period</b>	<b>1 311 153</b>	<b>925</b>	<b>5 359</b>	<b>1 512</b>	<b>1 318 949</b>
<b>Accumulated depreciation as at the beginning of the period</b>	<b>(551 921)</b>	<b>(157)</b>	<b>(2 378)</b>	<b>(1 040)</b>	<b>(555 496)</b>
<b>Depreciation for the period (due to):</b>	<b>(111 418)</b>	<b>79</b>	<b>81</b>	<b>(180)</b>	<b>(111 438)</b>
- depreciation charge	(150 288)	(26)	(1 245)	(235)	(151 794)
- other increases	1 068	1	50	4	1 123
- modification of contract	689	-	641	-	1 330
- termination of contract	36 903	-	323	51	37 277
- transfers to non-current assets classified as held for sale	-	104	-	-	104
- other decreases	210	-	312	-	522
<b>Accumulated depreciation as at the end of the period</b>	<b>(663 339)</b>	<b>(78)</b>	<b>(2 297)</b>	<b>(1 220)</b>	<b>(666 934)</b>
<b>Net value of rights-of-use as at the end of the period</b>	<b>647 814</b>	<b>847</b>	<b>3 062</b>	<b>292</b>	<b>652 015</b>

Movements in rights-of-use from 1 January to 31 December 2023	Real estate	Perpetual usufruct of land	Vehicles	Other	Total
<b>Gross value of rights-of-use as at the beginning of the period</b>	<b>1 235 116</b>	<b>2 271</b>	<b>3 709</b>	<b>2 033</b>	<b>1 243 129</b>
<b>Increase (due to):</b>	<b>181 582</b>	-	<b>72 528</b>	<b>147</b>	<b>254 257</b>
- new contract	19 104	-	35 487	147	54 738
- modification of contract	133 472	-	2 427	-	135 899
- other increases	29 006	-	34 614	-	63 620
<b>Decrease (due to):</b>	<b>(141 013)</b>	-	<b>(71 625)</b>	<b>(589)</b>	<b>(213 227)</b>
- termination of contract	(49 328)	-	(13 869)	(237)	(63 434)
- modification of contract	(85 656)	-	(57 263)	(305)	(143 224)
- other decreases	(6 029)	-	(493)	(47)	(6 569)
<b>Gross value of rights-of-use as at the end of the period</b>	<b>1 275 685</b>	<b>2 271</b>	<b>4 612</b>	<b>1 591</b>	<b>1 284 159</b>
<b>Accumulated depreciation as at the beginning of the period</b>	<b>(453 708)</b>	<b>(125)</b>	<b>(1 785)</b>	<b>(1 072)</b>	<b>(456 690)</b>
<b>Depreciation for the period (due to):</b>	<b>(98 213)</b>	<b>(32)</b>	<b>(593)</b>	<b>32</b>	<b>(98 806)</b>
- depreciation charge	(145 391)	(32)	(1 077)	(221)	(146 721)
- other increases	(10 114)	-	(62)	-	(10 176)
- modification of contract	9 128	-	(12 406)	-	(3 278)
- termination of contract	45 086	-	11 942	237	57 265
- other decreases	3 078	-	1 010	16	4 104
<b>Accumulated depreciation as at the end of the period</b>	<b>(551 921)</b>	<b>(157)</b>	<b>(2 378)</b>	<b>(1 040)</b>	<b>(555 496)</b>
<b>Net value of rights-of-use as at the end of the period</b>	<b>723 764</b>	<b>2 114</b>	<b>2 234</b>	<b>551</b>	<b>728 663</b>

## 27. Investment properties

	31.12.2024	31.12.2023
<b>Fair value at the beginning of the period</b>	<b>111 964</b>	<b>136 909</b>
<b>Decrease (due to):</b>	<b>(111 964)</b>	<b>(24 945)</b>
- transfer to non-current assets classified as held for sale	(92 705)	-
- losses arising from fair value adjustments	(19 259)	(24 945)
<b>Fair value at the end of the period</b>	<b>-</b>	<b>111 964</b>

The Investment properties include the value of the building at Królewska 14 St. in Warsaw. As at 31 December 2024, in connection with the start of the sales process, property have been reclassified to Non-current assets and disposal groups classified as held for sale.

## 28. Other assets

	31.12.2024	31.12.2023
<b>Other financial assets, including:</b>	<b>1 292 939</b>	<b>1 453 718</b>
- debtors, including:	1 112 298	1 201 057
- settlements of cash deposit machines and cash sorting companies	584 077	560 843
- settlements of payment cards	4 382	57 664
- accrued income	136 778	151 165
- interbank balances	36 422	56 334
- settlements of securities transactions	7 441	45 162
<b>Other non-financial assets, including:</b>	<b>1 073 401</b>	<b>1 145 051</b>
- other accruals	129 090	150 790
- inventories	315 657	368 686
- non-financial receivables due to final verdicts in legal proceedings relating to loans in foreign currencies	536 637	499 198
- other	92 017	126 377
<b>Total other assets</b>	<b>2 366 340</b>	<b>2 598 769</b>
Short-term (up to 1 year)	2 220 024	2 450 403
Long-term (over 1 year)	146 316	148 366

In 2024 and in 2023, the item Settlements of securities transactions is connected in its entirety with the Brokerage Office activity.

As at 31 December 2024 and as at 31 December 2023, the value of inventories primarily results from the business of the company mLeasing.

Throughout the year 2024 and 2023, the Group did not capitalise borrowing costs.

## Other financial assets

	31.12.2024	31.12.2023
<b>Gross other financial assets, including:</b>	<b>1 320 209</b>	<b>1 477 909</b>
- Not past due	1 306 244	1 458 195
- Past due from 1 to 90 days	4 315	3 368
- Past due over 90 days	9 650	16 346
Provisions for impaired assets (negative amount)	(27 270)	(24 191)
<b>Net other financial assets</b>	<b>1 292 939</b>	<b>1 453 718</b>

## Movements of impairment allowance for financial assets

	31.12.2024	31.12.2023
<b>As at the beginning of the period</b>	<b>(24 191)</b>	<b>(21 344)</b>
<b>Change in the period (due to)</b>	<b>(3 079)</b>	<b>(2 847)</b>
- increase of provisions	(4 636)	(3 858)
- release of provisions	232	316
- write-offs	1 326	697
- foreign exchange differences	(1)	(2)
<b>As at the end of the period</b>	<b>(27 270)</b>	<b>(24 191)</b>

## 29. Financial liabilities measured at amortised cost

### Amounts due to banks and customers

31.12.2024	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
<b>Deposits</b>	<b>873 547</b>	<b>199 652 589</b>	<b>141 988 882</b>	<b>56 822 843</b>	<b>840 864</b>
Current accounts	592 100	162 613 821	117 236 227	44 601 511	776 083
Term deposits	103 164	36 108 465	24 752 655	11 291 029	64 781
Repo or sell/buy back transactions	178 283	930 303	-	930 303	-
<b>Loans and advances received</b>	<b>1 929 197</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other financial liabilities</b>	<b>256 687</b>	<b>1 156 389</b>	<b>258 715</b>	<b>897 091</b>	<b>583</b>
Liabilities in respect of cash collaterals	125 921	587 753	37 719	549 451	583
Other	130 766	568 636	220 996	347 640	-
<b>Total financial liabilities measured at amortised cost</b>	<b>3 059 431</b>	<b>200 808 978</b>	<b>142 247 597</b>	<b>57 719 934</b>	<b>841 447</b>
Short-term (up to 1 year)	2 436 106	200 599 172			
Long-term (over 1 year)	623 325	209 806			

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>-</b>	<b>-</b>	<b>-</b>	<b>-</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 average interest rate for deposits and loans received from other banks in 2024 amounted to 5.26% (31 December 2023: 4.47%).

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

As at 31 December 2024 and as at 31 December 2023, the majority of the deposits of retail and corporate customers bore fixed interest rates. The average interest rate for amounts due to customers (excluding repo transactions) amounted to 1.56% (31 December 2023: 2.01%).

As at 31 December 2024, the balance of loans and advances received includes the loan received from European Investment Bank in the amount of PLN 1 929 197 thousand (31 December 2023: PLN 1 938 343 thousand). The loan was collateralised with treasury bonds, which have been presented as pledged assets under Note 23 and Note 36.

### Lease liabilities

	31.12.2024	31.12.2023
Lease liabilities	736 780	855 725

Undiscounted lease liabilities by maturity dates are presented in Note 3.8.1.

### Debt securities issued

31.12.2024 Debt securities issued by type	Nominal value (currency of issue)	Carrying value of the liability according to the maturity date					Total carrying value of the liability
		Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
<b>Bonds, including:</b>		<b>210 409</b>	<b>93 773</b>	<b>145 973</b>	<b>5 896 649</b>	<b>2 715 693</b>	<b>9 062 497</b>
- PLN	1 365 065	68 054	93 773	92 168	551 937	469 953	1 275 885
- EUR	1 802 422	142 355	-	53 805	5 344 712	2 245 740	7 786 612
<b>Mortgage bonds (public), including:</b>		<b>-</b>	<b>1 288 235</b>	<b>1 329 456</b>	<b>450 148</b>	<b>-</b>	<b>3 067 839</b>
- PLN	61 855	-	-	-	64 863	-	64 863
- EUR	702 000	-	1 288 235	1 329 456	385 285	-	3 002 976
<b>Total</b>		<b>210 409</b>	<b>1 382 008</b>	<b>1 475 429</b>	<b>6 346 797</b>	<b>2 715 693</b>	<b>12 130 336</b>

31.12.2023 Debt securities issued by type	Nominal value (currency of issue)	Carrying value of the liability according to the maturity date					Total carrying value of the liability
		Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
<b>Bonds, including:</b>		<b>167 533</b>	<b>-</b>	<b>1 023 048</b>	<b>6 064 732</b>	<b>355 086</b>	<b>7 610 399</b>
- PLN	1 315 164	68 763	-	431 739	622 471	205 056	1 328 029
- EUR	1 314 000	97 329	-	15 158	5 442 261	150 030	5 704 778
- CHF	125 000	1 441	-	576 151	-	-	577 592
<b>Mortgage bonds (public), including:</b>		<b>-</b>	<b>108 863</b>	<b>242 640</b>	<b>2 927 669</b>	<b>215 594</b>	<b>3 494 766</b>
- PLN	371 597	-	-	242 640	103 268	28 315	374 223
- EUR	726 900	-	108 863	-	2 824 401	187 279	3 120 543
<b>Total</b>		<b>167 533</b>	<b>108 863</b>	<b>1 265 688</b>	<b>8 992 401</b>	<b>570 680</b>	<b>11 105 165</b>

Detailed information on the issue of mortgage bonds is provided below in this note.

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

### Movements in debt securities issued

Movements from 1 January to 31 December	2024	2023
<b>As at the beginning of the period</b>	<b>11 105 165</b>	<b>9 465 479</b>
Additions (issue)	2 656 988	4 884 161
Disposals (redemption)	(1 445 743)	(2 955 623)
Exchange differences	(168 529)	(662 871)
Other changes	(17 545)	374 019
<b>Debt securities issued as at the end of the period</b>	<b>12 130 336</b>	<b>11 105 165</b>

As at 31 December 2024, Debt securities issue includes among others liabilities from the issue of credit linked notes with a total carrying amount of PLN 1 511 939 thousand (as at 31 December 2023: PLN 1 614 189 thousand).

Synthetic securitisation transactions were carried out on a portfolio of corporate, small and medium enterprises loans and retail loans in total initial nominal value of PLN 27.8 billion. The nominal value of securitisation portfolio as at 31 December 2024 amounted to PLN 20.2 billion.

## Issues in 2024

- On 27 September 2024, the Bank issued senior preferred notes under the EMTN Programme in the total nominal value of EUR 500 000 thousand, which is the equivalent of PLN 2 138 050 thousand at the average NBP exchange rate as of 27 September 2024, maturing on 27 September 2030 (with an option of early redemption at the issuer's request on 27 September 2029). The bonds bear interest at a fixed rate for five years from the issue date and a variable rate of EURIBOR 3M plus a margin throughout the sixth year.

The bonds were admitted to trading on the regulated market of the Luxembourg Stock Exchange.

- On 6 November 2024 mBank concluded a synthetic securitisation transaction carried out on a portfolio of corporate loans in total nominal value of PLN 5 236.8 million. The Bank has the option to increase the nominal value of the transaction up to the maximum amount of PLN 7 000.0 million once, subject to investor's approval ("ramp-up option").

As part of the transaction, mBank issued credit linked notes in total nominal value of PLN 560.0 million. On the day of issue, credit linked notes were paid in the amount of PLN 418.9 million. Upon exercise of the ramp-up option, the paid-up amount of the credit linked notes will be able to increase to a maximum amount of PLN 560.0 million.

As part of the transaction, the Bank provided security to the bondholders, which was deposited with an independent custodian institution - The Bank of New York Mellon.

- mLeasing Sp. z.o.o. issued 1 series of short-term discount bonds in the amount of PLN 100 000 thousand.

## Redemption in 2024

- On 22 January 2024, on 22 April 2024, on 22 July 2024 and 22 October 2024 mBank partially redeemed credit linked notes in the amount of PLN 369 037 thousand. The notes are connected with synthetic securitisation transaction performed in March 2022; their partial redemption is a result of depreciation of securitised portfolio.
- On 22 July 2024 and 22 October 2024 mBank partially redeemed credit linked notes in the amount of EUR 11 578 thousand. The notes are connected with synthetic securitisation transaction performed in December 2022; their partial redemption is a result of depreciation of securitised portfolio.
- On 4 October 2024, the Bank redeemed fixed rate bonds issued by the Bank on 5 April 2019 under the Euro Medium Term Note Program with a total nominal value of CHF 125 000 thousand.
- mLeasing Sp. z.o.o. redeemed short-term discount bonds in a total amount of PLN 100 000 thousand.
- mBank Hipoteczny S.A. redeemed 2 series of mortgage bonds in a total amount of PLN 245 800 thousand and EUR 24 900 thousand.

## Issues in 2023

- On 11 September 2023, mBank S.A. issued non-privileged senior bonds in the amount of EUR 750 000 thousand (equivalent of PLN 3 465 675 thousand, at the average NBP exchange rate of 11 September 2023), with a maturity date of 11 September 2027 (with the option of early redemption at the issuer's request on 11 September 2026).

- On 27 September 2023, the Bank concluded a synthetic securitisation transaction referencing a portfolio of non-mortgage retail loans with a total value of PLN 9 962.8 million. The securitised portfolio has been divided into three tranches according to the order of the allocation of credit losses. The junior and senior tranches were kept by mBank. The mezzanine tranche has been acquired by external investors. Transaction structure uses synthetic excess spread. As part of the transaction, the Bank transferred a significant part of the credit risk of a selected securitised portfolio to investors via credit protection instrument, in the form of credit linked notes. The CLNs, through the built-in financial guarantee, provide coverage of losses on the securitisation portfolio up to the amount of the mezzanine tranche. The retention requirement of an economic interest is implemented in the form of retaining randomly selected eligible exposures representing at least 5% of the nominal value of the securitised loans.

As part of the transaction, on 27 September 2023, the Bank issued CLNs with a maturity date of 26 November 2036, with a nominal value in the amount of PLN 731 million. The Bank has the option of early repayment of liabilities under the CLNs. The main collateral for CLNs are debt securities (and/or cash) deposited with an independent custodian - The Bank of New York Mellon. The required value of the collateral on a specific date is determined based on the actual value of the mezzanine tranche. On 27 September 2023, CLNs were introduced to trading in the alternative trading system on the Vienna MTF operated by the Vienna Stock Exchange.

- mLeasing Sp. z.o.o. issued 7 series of short-term discount bonds in the amount of PLN 700 000 thousand.

### Redemption in 2023

- On 28 March 2023, Bank redeemed fixed rate bonds issued by mFinance France on 28 March 2017, acquired by the Bank in the substitution process, with a total nominal value of CHF 200 000 thousand.
- mLeasing Sp. z.o.o. redeemed short-term discount bonds with a total nominal value of PLN 900 000 thousand.
- mBank Hipoteczny S.A. redeemed variable rate short-term bonds with a nominal value of PLN 40 000 thousand and redeemed variable rate mortgage bonds in amount of PLN 1 047 501 thousand.

The tables below show data related to the issuance of mortgage bonds by mBank Hipoteczny.

		Mortgage bonds	
		31.12.2024	31.12.2023
1.	Mortgage bonds listed on the market	6 599 646	5 870 561
2.	Core assets from assets used as collateral	8 250 312	8 058 268
3.	Substitute assets from assets used as collateral	300 000	240 000
4.	Derivatives from assets used as collateral	2 970	25 470
5.	Level of collateral for mortgage bonds from assets used as collateral (2/1)	125.01%	137.27%
6.	Total mortgage bonds collateral level (2+3+4) / 1	129.60%	141.79%
7.	The value of receivables as collateral issue of mortgage bonds to the part which not exceeding 60% of the mortgage lending value of real estate for commercial real estate	-	-
8.	The value of receivables as collateral issue of mortgage bonds to the part which not exceeding 80% of the mortgage lending value of real estate for residential property	8 031 848	7 795 910

		Mortgage bonds	
		31.12.2024	31.12.2023
1.	Cash listed in Article 18 (3) of the Law entered in the collateral register of mortgage bonds (in nominal value)	300 000	240 000
2.	Maximum cumulative net liquidity outflow over the next 180 days in accordance with Article 18 (3a) of the Law (Surplus)	-	-
3.	Permissible value of substitute collateral (1-2)	300 000	240 000

Transactions regarding the Bank's bonds included in subordinated liabilities have been described under this Note below.

### Subordinated liabilities

31.12.2024	Nominal value	Currency	Terms of interest rate (%)	Effective interest rate (%)	Redemption date	Carrying amount as at the end of the period
Commerzbank AG	250 000	CHF	Comp. SARON + CAS + 2.75%	3.28	21.03.2028	1 135 444
Investors not associated with mBank	550 000	PLN	6M WIBOR + 1.8%	7.80	10.10.2028	559 339
Investors not associated with mBank	200 000	PLN	6M WIBOR + 1.95%	7.96	10.10.2030 <sup>1)</sup>	203 460
Investors not associated with mBank	750 000	PLN	6M WIBOR + 2.1%	8.25	17.01.2025	777 294

**2 675 537**

31.12.2023	Nominal value	Currency	Terms of interest rate (%)	Effective interest rate (%)	Redemption date	Carrying amount as at the end of the period
Commerzbank AG	250 000	CHF	Comp. SARON + CAS + 2.75%	4.59	21.03.2028	1 172 149
Investors not associated with mBank	550 000	PLN	6M WIBOR + 1.8%	7.52	10.10.2028	558 995
Investors not associated with mBank	200 000	PLN	6M WIBOR + 1.95%	7.67	10.10.2030 <sup>1)</sup>	203 336
Investors not associated with mBank	750 000	PLN	6M WIBOR + 2.1%	9.23	17.01.2025	780 448

**2 714 928**

<sup>1)</sup> The issue conditions assume the possibility of early redemption of bonds with a nominal value of PLN 200 000 thousand on 10 October 2025.

## Movements in subordinated liabilities

Change from 1 January to 31 December	2024	2023
<b>As at the beginning of the period</b>	<b>2 714 928</b>	<b>2 740 721</b>
Exchange differences	(36 030)	(21 275)
Other changes	(3 361)	(4 518)
<b>Subordinated liabilities as at the end of the period</b>	<b>2 675 537</b>	<b>2 714 928</b>
Short-term (up to 1 year)	791 262	44 228
Long-term (over 1 year)	1 884 275	2 670 700

On 29 March 2018, the Polish Financial Supervision Authority gave a consent for qualifying funds from subordinated loan in the amount of CHF 250 000 thousand received on 21 March 2018 as instruments in the Bank's Tier II capital. The amount of CHF 250 000 thousand according to the average exchange rate of the National Bank of Poland of 29 March 2018 is the equivalent of PLN 893 200 thousand.

On 9 October 2018, mBank S.A. issued two series of subordinated bonds with a total nominal value of PLN 750 000 thousand. 1 100 pieces of 10-year subordinated bonds with a nominal value of PLN 500 thousand each were issued, with maturity on 10 October 2028, and 400 pieces of 12-year subordinated bonds with a nominal value of PLN 500 thousand each, with maturity on 10 October 2030.

The Bank applied to the Polish Financial Supervision Authority for permission to be included in the supplementary capital of the Bank, in accordance with art. 127 par. 3 point 2 letter b) of the Banking Law Act, a monetary liability in the amount of PLN 750 000 thousand obtained by the Bank for the above-mentioned subordinated bond issue. The Bank obtained such consent on 28 November 2018.

According to the decision dated 8 January 2015 mBank obtained permission of the PFSA to include in Tier II capital the amount of PLN 750 000 thousand constituting subordinated liability from the bonds issue dated 17 December 2014 on total nominal value of PLN 750 000 thousand with redemption date on 17 January 2025 on terms that meet the requirements arising from the CRR Regulation.

In 2024 and 2023, the Group did not note any delays in repayments of interest instalments and was not in default of any other contractual provisions related to its subordinated liabilities.

## 30. Other liabilities

	31.12.2024	31.12.2023
<b>Other financial liabilities, including:</b>	<b>3 112 092</b>	<b>5 052 354</b>
Interbank settlements	1 298 257	3 299 886
Creditors, including:	1 377 357	1 365 812
- settlements of payment cards	69 654	51 575
- liabilities payable to BFG	363 217	321 453
Accrued expenses	436 478	386 656
<b>Other non-financial liabilities, including:</b>	<b>1 420 358</b>	<b>1 255 824</b>
Tax liabilities	145 762	184 617
Deferred income	296 302	302 860
Provisions for holiday equivalents	40 737	32 971
Provisions for other liabilities to employees	234 341	198 627
Non-financial liabilities due to final verdicts in legal proceedings relating to loans in foreign currencies	678 025	504 063
Other	25 191	32 686
<b>Total other liabilities</b>	<b>4 532 450</b>	<b>6 308 178</b>

Cash flows resulting from financial liabilities are presented in the Note 3.8.1. Liabilities payable to BFG, as a rule, are payable whenever requested by BFG and have been shown under short-term liabilities. The other components of presented liabilities are short-term liabilities.

### 31. Provisions

	31.12.2024	31.12.2023
Provisions for legal proceedings, including:	2 915 310	1 940 610
- provisions for legal proceedings relating to loans in foreign currencies	2 856 705	1 819 606
- provisions for remaining legal proceedings	58 605	121 004
Provisions for off-balance sheet commitments and guarantees given	187 367	197 418
Provisions for post-employment benefits	41 546	29 930
Other provisions	132 948	177 626
<b>Provisions, total</b>	<b>3 277 171</b>	<b>2 345 584</b>

Estimated dates of granted contingent liabilities realisation are presented in Note 35.

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

The description regarding legal risk provisions related to mortgage and housing loans granted to individual customers in foreign currencies is presented in Note 34.

The position Other provisions at the end of 2024 includes among others the provision set up by mFinance in connection with the inspection of the Social Insurance Institution in the amount of PLN 71 638 thousand (at the end of 2023: PLN 104 969 thousand). Moreover, this position included 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 in the amount of PLN 18 948 thousand (31 December 2023: PLN 26 512 thousand).

#### Movements in the provisions

Change from 1 January to 31 December 2024	Provisions for other 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>1 037 099</b>	<b>(62 399)</b>	<b>(44 678)</b>
- increase of provisions	1 959 807	28 867	10 191
- release of provisions	(808)	(11 079)	(25 589)
- utilisation	(881 521)	(79 988)	(38 528)
- reclassification to other positions	301	-	9 136
- foreign exchange differences	(40 680)	(199)	112
<b>Provisions as at the end of the period</b>	<b>2 856 705</b>	<b>58 605</b>	<b>132 948</b>

Change from 1 January to 31 December 2023	Provisions for other 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)
- utilisation	(177 354)	(33 741)	(63 879)
- reclassification to other positions	-	-	(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 and guarantees

31.12.2024	Stage 1	Stage 2	Stage 3	POCI	TOTAL
<b>LOAN COMMITMENTS</b>					
<b>As at the beginning of the period</b>	<b>43 017</b>	<b>36 429</b>	<b>22 178</b>	<b>752</b>	<b>102 376</b>
Changes affecting the profit and loss account, including:	(721)	3 416	6 967	828	10 490
Transfer to Stage 1	33 129	(32 144)	(985)	-	-
Transfer to Stage 2	(5 987)	8 108	(2 121)	-	-
Transfer to Stage 3	(84)	(2 107)	2 191	-	-
Increases due to grants and acquisitions	52 953	10 383	15 328	1 177	79 841
Decreases due to derecognition	(27 107)	(13 827)	(45 112)	(926)	(86 972)
Changes in credit risk (net)	(53 625)	33 003	37 666	577	17 621
Other movements	(72)	(39)	363	(187)	65
<b>As at the end of the period</b>	<b>42 224</b>	<b>39 806</b>	<b>29 508</b>	<b>1 393</b>	<b>112 931</b>
<b>GUARANTEES AND OTHER FINANCIAL FACILITIES</b>					
<b>As at the beginning of the period</b>	<b>4 458</b>	<b>1 344</b>	<b>92 890</b>	<b>(3 650)</b>	<b>95 042</b>
Changes affecting the profit and loss account, including:	7 785	1 545	(31 472)	(189)	(22 331)
Transfer to Stage 1	762	(762)	-	-	-
Transfer to Stage 2	(602)	602	-	-	-
Transfer to Stage 3	(26)	(53)	79	-	-
Increases due to grants and acquisitions	15 190	2 720	16 645	-	34 555
Decreases due to derecognition	(4 344)	(1 199)	(27 085)	-	(32 628)
Changes in credit risk (net)	(3 195)	237	(21 111)	(189)	(24 258)
Other movements	(13)	(7)	(64)	1 809	1 725
<b>As at the end of the period</b>	<b>12 230</b>	<b>2 882</b>	<b>61 354</b>	<b>(2 030)</b>	<b>74 436</b>
<b>TOTAL</b>	<b>54 454</b>	<b>42 688</b>	<b>90 862</b>	<b>(637)</b>	<b>187 367</b>

31.12.2023	Stage 1	Stage 2	Stage 3	POCI	TOTAL
<b>LOAN COMMITMENTS</b>					
<b>As at the beginning of the period</b>	<b>39 344</b>	<b>14 026</b>	<b>24 276</b>	<b>445</b>	<b>78 091</b>
Changes affecting the profit and loss account, including:	3 953	22 503	(2 071)	316	24 701
Transfer to Stage 1	16 175	(14 880)	(1 295)	-	-
Transfer to Stage 2	(9 725)	11 252	(1 527)	-	-
Transfer to Stage 3	(109)	(1 448)	1 557	-	-
Increases due to grants and acquisitions	55 599	7 111	13 360	202	76 272
Decreases due to derecognition	(30 194)	(9 660)	(12 905)	(394)	(53 153)
Changes in credit risk (net)	(27 793)	30 128	(1 261)	508	1 582
Other movements	(280)	(100)	(27)	(9)	(416)
<b>As at the end of the period</b>	<b>43 017</b>	<b>36 429</b>	<b>22 178</b>	<b>752</b>	<b>102 376</b>
<b>GUARANTEES AND OTHER FINANCIAL FACILITIES</b>					
<b>As at the beginning of the period</b>	<b>4 786</b>	<b>1 084</b>	<b>219 228</b>	<b>(1 597)</b>	<b>223 501</b>
Changes affecting the profit and loss account, including:	(208)	302	(123 767)	(2 130)	(125 803)
Transfer to Stage 1	38	(38)	-	-	-
Transfer to Stage 2	(564)	564	-	-	-
Transfer to Stage 3	(42)	(35)	77	-	-
Increases due to grants and acquisitions	7 523	1 559	17 560	(1 015)	25 627
Decreases due to derecognition	(4 756)	(1 422)	(160 487)	-	(166 665)
Changes in credit risk (net)	(2 407)	(326)	19 083	(1 115)	15 235
Other movements	(120)	(42)	(2 571)	77	(2 656)
<b>As at the end of the period</b>	<b>4 458</b>	<b>1 344</b>	<b>92 890</b>	<b>(3 650)</b>	<b>95 042</b>
<b>TOTAL</b>	<b>47 475</b>	<b>37 773</b>	<b>115 068</b>	<b>(2 898)</b>	<b>197 418</b>

## Movements in provisions for post-employment benefits

Period from 1 January to 31 December 2024	Pension and disability provisions	Provisions for death severance	Provisions for the Social Benefit Fund	Total
<b>Provisions for post-employment benefits</b>				
<b>At the beginning of the period</b>	<b>18 464</b>	<b>3 810</b>	<b>7 656</b>	<b>29 930</b>
<b>Change in the period, due to:</b>	<b>6 249</b>	<b>540</b>	<b>4 827</b>	<b>11 616</b>
Provision created	1 102	79	1 126	2 307
Interest expense	1 040	217	408	1 665
Actuarial gains and losses recognised in other comprehensive income (Note 18), due to:	4 766	358	5 217	10 341
- change in financing assumptions	2 643	461	1 058	4 162
- change in demographic assumptions	521	(352)	951	1 120
- other changes	1 602	249	3 208	5 059
Benefits paid	(659)	(114)	(1 924)	(2 697)
<b>At the end of the period</b>	<b>24 713</b>	<b>4 350</b>	<b>12 483</b>	<b>41 546</b>
Short-term (up to 1 year)	3 481	350	455	4 286
Long-term (over 1 year)	21 232	4 000	12 028	37 260

Period from 1 January to 31 December 2023	Pension and disability provisions	Provisions for death severance	Provisions for the Social Benefit Fund	Total
<b>Provisions for post-employment benefits</b>				
<b>At the beginning of the period</b>	<b>13 457</b>	<b>2 925</b>	<b>4 949</b>	<b>21 331</b>
<b>Change in the period, due to:</b>	<b>5 007</b>	<b>885</b>	<b>2 707</b>	<b>8 599</b>
Provision created	782	65	763	1 610
Interest expense	911	202	303	1 416
Actuarial gains and losses recognised in other comprehensive income (Note 18), due to:	4 183	636	3 250	8 069
- change in financing assumptions	2 241	453	1 411	4 105
- change in demographic assumptions	267	(457)	254	64
- other changes	1 675	640	1 585	3 900
Benefits paid	(869)	(18)	(1 609)	(2 496)
<b>At the end of the period</b>	<b>18 464</b>	<b>3 810</b>	<b>7 656</b>	<b>29 930</b>
Short-term (up to 1 year)	2 764	326	293	3 383
Long-term (over 1 year)	15 700	3 484	7 363	26 547

The discount rate is one of the key assumptions used in the actuarial valuation of provisions for post-employment benefits. If the discount rate used in the calculation of these provisions as at 31 December 2024 was decreased by 0.5 p.p. the value of the provisions would increase by PLN 2 387 thousand, and in the case of an increase of the discount rate by 0.5 p.p. the value of the provisions would fall by PLN 2 157 thousand (as at 31 December 2023: PLN 1 559 thousand and PLN 1 419 thousand, respectively).

### 32. Assets and liabilities for deferred income tax

Assets and liabilities for deferred income tax are calculated for all temporary differences in accordance with the balance sheet method, using an income tax rate, which will be in force in the year when the tax obligation arises (2024 and 2023: 19%).

Assets and liabilities for deferred income tax are not recognised as short term assets and liabilities.

Changes in assets and liabilities for deferred income tax are presented below.

Deferred income tax assets	As at 01.01.2024	Recognised in the income statement	Recognised in other comprehensive income	Other changes	As at 31.12.2024
Interest accrued	182 001	2 103	-	-	184 104
Valuation of derivative financial instruments	570 562	(259 463)	(43 019)	-	268 080
Valuation of securities	219 135	29 123	(23 604)	-	224 654
Provisions for impairment of loans and advances	613 383	(41 588)	-	-	571 795
Provisions for employee benefits	50 869	9 995	1 965	-	62 829
Other provisions	345 952	347 127	-	(6 083)	686 996
Prepayments/accruals	43 075	7 045	-	-	50 120
Tax losses carried forward	1 060	33 432	-	-	34 492
Differences between book and tax value of lease	317 226	(60 576)	-	-	256 650
Difference between book and tax value of tangible and intangible assets	195 366	(45 088)	-	-	150 278
Other negative temporary differences	53 500	(9 204)	-	2 073	46 369
<b>Total, gross</b>	<b>2 592 129</b>	<b>12 906</b>	<b>(64 658)</b>	<b>(4 010)</b>	<b>2 536 367</b>
Offsetting effect	(1 212 589)				(1 172 350)
<b>Total, net</b>	<b>1 379 540</b>				<b>1 364 017</b>

Deferred income tax liabilities	As at 01.01.2024	Recognised in the income statement	Recognised in other comprehensive income	Other changes	As at 31.12.2024
Interest accrued	(116 888)	(2 387)	-	-	(119 275)
Valuation of derivative financial instruments	(492 872)	179 587	(515)	-	(313 800)
Valuation of securities	(188 841)	(83 313)	(550)	-	(272 704)
Interest and fees received in advance	(78 905)	(63 172)	-	-	(142 077)
Difference between book and tax value of tangible and intangible assets	(276 219)	(379)	-	-	(276 598)
Prepayments regarding amortisation of applied investment relief	(39)	8	-	-	(31)
Other positive temporary differences	(58 825)	11 839	-	(879)	(47 865)
<b>Total, gross</b>	<b>(1 212 589)</b>	<b>42 183</b>	<b>(1 065)</b>	<b>(879)</b>	<b>(1 172 350)</b>
Offsetting effect	1 212 589				1 172 350
<b>Total, net</b>	<b>-</b>				<b>-</b>

Deferred income tax assets	As at 01.01.2023	Recognised in the income statement	Recognised in other comprehensive income	Other changes	As at 31.12.2023
Interest accrued	204 038	(22 037)	-	-	182 001
Valuation of derivative financial instruments	1 024 178	(336 248)	(117 368)	-	570 562
Valuation of securities	371 835	(21 133)	(131 567)	-	219 135
Provisions for impairment of loans and advances	607 413	5 970	-	-	613 383
Provisions for employee benefits	45 325	4 012	1 532	-	50 869
Other provisions	292 062	53 890	-	-	345 952
Prepayments/accruals	25 632	17 443	-	-	43 075
Tax losses carried forward	898	162	-	-	1 060
Differences between book and tax value of lease	351 471	(34 245)	-	-	317 226
Difference between book and tax value of tangible and intangible assets	214 449	(19 083)	-	-	195 366
Other negative temporary differences	64 479	(13 974)	-	2 995	53 500
<b>Total, gross</b>	<b>3 201 780</b>	<b>(365 243)</b>	<b>(247 403)</b>	<b>2 995</b>	<b>2 592 129</b>
Offsetting effect	(1 326 052)				(1 212 589)
<b>Total, net</b>	<b>1 875 728</b>				<b>1 379 540</b>

Deferred income tax liabilities	As at 01.01.2023	Recognised in the income statement	Recognised in other comprehensive income	Other changes	As at 31.12.2023
Interest accrued	(117 938)	1 050	-	-	(116 888)
Valuation of derivative financial instruments	(745 645)	243 703	9 070	-	(492 872)
Valuation of securities	(164 321)	(22 760)	(1 760)	-	(188 841)
Interest and fees received in advance	(5 413)	(73 492)	-	-	(78 905)
Difference between book and tax value of tangible and intangible assets	(242 895)	(33 324)	-	-	(276 219)
Prepayments regarding amortisation of applied investment relief	(9 163)	9 124	-	-	(39)
Other positive temporary differences	(40 677)	(10 054)	-	(8 094)	(58 825)
<b>Total, gross</b>	<b>(1 326 052)</b>	<b>114 247</b>	<b>7 310</b>	<b>(8 094)</b>	<b>(1 212 589)</b>
Offsetting effect	1 326 052				1 212 589
<b>Total, net</b>	<b>-</b>				<b>-</b>

Deferred income tax included in the income statement	Year ended 31 December	
	2024	2023
Interest accrued	(284)	(20 987)
Valuation of derivative financial instruments	(79 876)	(92 545)
Valuation of securities	(54 190)	(43 893)
Provisions for impairment of loans and advances	(41 588)	5 970
Provisions for employee benefits	9 995	4 012
Other provisions	347 127	53 890
Prepayments/accruals	7 045	17 443
Interest and fees received in advance	(63 172)	(73 492)
Prepayments regarding amortisation of applied investment relief	8	9 124
Difference between book and tax value of tangible and intangible assets	(45 467)	(52 407)
Differences between book and tax value of lease	(60 576)	(34 245)
Deferred tax losses carried forward	33 432	162
Other temporary differences	2 635	(24 028)
<b>Total deferred income tax included in the income statement (Note 16)</b>	<b>55 089</b>	<b>(250 996)</b>

The Group evaluated the recoverability of deferred tax assets. Following the rules of IAS 12 paragraph 28 and 29 the Group recognised deferred tax assets to the extent that it is probable that the Group will have sufficient taxable profits in the future periods or tax planning opportunities are available that will create taxable profit in future periods.

As at 31 December 2024, in Other provisions, the Group recognised deferred tax asset of PLN 284 736 thousand arising from the ongoing settlement program for customers with foreign currency loans denominated in CHF (31 December 2023: PLN 238 128 thousand).

The Group recognises deferred tax liabilities or assets related to temporary differences arising from investments in subsidiaries and affiliated except that the implementation of the temporary differences is controlled by the Group, and it is probable that in the foreseeable future, these differences will not be reversed. As at 31 December 2024, the Group did not include settlements on temporary differences in the total amount of PLN 1 799 974 thousand incurred due to investments in subsidiaries and affiliated companies in deferred tax calculation (31 December 2023: PLN 1 521 934 thousand).

### 33. Contingent liabilities

#### 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.

As at 31 December 2024, the total value of claims in court proceedings (trials) pending in which the Group was defendant amounted to PLN 10 714.8 million, of which PLN 8 973.4 million related to court cases concerning loans indexed to foreign currencies (31 December 2023: PLN 11 320.2 million and PLN 9 613.0 million respectively). The total value of claims in court proceedings (trials) pending in which the Group was claimants as at 31 December 2024 was PLN 9 388.7 million, of which PLN 8 962.3 million related to court cases concerning loans indexed to foreign currencies (31 December 2023: PLN 4 549.7 million and PLN 4 029.1 million respectively).

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 December 2024 amounted to PLN 2 915 310 thousand of which PLN 2 856 705 thousand concerns provisions for legal proceedings relating to loans in foreign currencies (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 relating to the issuer's contingent liabilities

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. The verdict is not final, on 27 March 2023 LPP S.A. has filed an appeal, to which the Bank filed a response on 26 June 2023. By its judgment of 23 November 2023, the Court of Appeal in Warsaw dismissed the appeal of LPP S.A. On 13 March 2024, mBank S.A. received LPP S.A.'s cassation appeal, to which mBank S.A. submitted 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 34.

4. Individual court proceedings concerning indexation clauses

Detailed information on individual court cases against the Bank regarding CHF indexed loans is provided in Note 34.

5. Legal proceedings against the Group regarding mortgage loan agreements with interest based on WIBOR

As of 31 December 2024, there were 175 lawsuits pending against the Group with a total value in dispute of PLN 46.2 million, initiated by the Group's customers, in which the customers challenge that the mortgage agreement was based on a floating interest rate structure and the rules for setting the WIBOR benchmark rate. The Group disputes the validity of the claims raised in these cases. The case law to date is favourable to the Group. As of 31 December 2024, the Group had received 4 final judgments in court cases involving WIBOR-based clauses. All of them were favourable to the Group.

These lawsuits seek to challenge WIBOR as the basis for variable interest rates. In addition, the manner in which consumers were provided with instructions and information about the volatility of the index is being challenged.

The Bank's position is that the clients' claims are unfounded, in particular in view of the fact that WIBOR is an official index whose administrator has received the relevant approvals required by law, among others from the Polish Financial Supervision Authority, and the process of its determination, carried out by the administrator (an independent entity not affiliated with the Bank), is in accordance with the law and is also subject to supervisory review by the Polish Financial Supervision Authority. The Commission confirmed WIBOR's compliance with the requirements of the law. An analogous

position was also presented by the Financial Stability Committee, which comprises representatives of the National Bank of Poland, the Polish Financial Supervision Authority, the Ministry of Finance and the Bank Guarantee Fund.

Legal issues concerning the question of the use of the WIBOR index as the basis for variable interest rates in mortgage loans are the subject of preliminary questions submitted by a Polish court to the CJEU (reference C-471/24).

6. Legal proceedings against the Bank regarding the sanction of free credit

As of 31 December 2024, there were 620 lawsuits pending against the Bank, with a total value of in dispute of PLN 15.4 million, relating to the sanction of free credit. The Bank disputes the validity of the claims raised in these cases. The case law to date is favourable to the Bank. As of 31 December 2024, the Bank has received final judgments in 31 court cases concerning free credit sanctions, of which 29 were favourable to the Bank and 2 were unfavourable. In addition, 15 proceedings ended favourably for the Bank for other reasons, including the withdrawal of a lawsuit by a customer.

The institution of the sanction of free credit is regulated in Article 45 of the Consumer Credit Act, according to which, in the event of a breach by the creditor of the provisions of the Act listed therein, the consumer, after submitting a written statement to the creditor, shall repay the credit without interest and other credit costs due to the creditor within the time limit and in the manner agreed in the credit agreement, and if no such manner has been agreed, shall repay the credit in equal instalments, payable monthly, from the date of the conclusion of the credit agreement. Pursuant to Article 45(5) of the Consumer Credit Act, the entitlement to the sanction of free credit expires one year after the execution of the credit agreement.

Legal issues concerning the institution of the sanction of free credit are the subject of numerous preliminary questions addressed by Polish courts to the CJEU, concerning, inter alia, the admissibility of interest on the financed costs of credit and information obligations against this background, the proportionality of the sanction of free credit in relation to the degree of infringement (cases: C-71/24, C-566/24, C-472/23, C-831/24, C-774/24), the interpretation of the one-year time limit for the submission of a declaration on the use of the sanction of free credit (C-566/24), the admissibility of the assignment of claims arising from a consumer credit agreement and the obligation of the court to examine the assignment agreement ex officio from the point of view of the abusive nature of the provisions contained therein (C-80/24). Furthermore, the interpretation of the provisions on the institution of the sanction of free credit, concerning, inter alia, the interpretation of the one-year time limit for the submission of the declaration on the use of the sanction of free credit and the admissibility of interest on non-interest costs, is also the subject of legal issues referred to the Supreme Court (case ref. II Ca 825/24). In case C-472/23, on 13 February 2025, the CJEU issued a ruling in which it indicated that if the calculation of the actual annual interest rate on a loan was based on contract terms that later turned out to be unfair, such a calculation does not constitute a breach of the information obligation. As to the question whether a modification clause, providing for the possibility of changing the fee during the contract, violates the information obligations, the CJEU indicated that the national court should assess whether the contract clause violates the requirements of precision and - if it could prevent the consumer from assessing the scope of his obligation, it may be considered a violation of the information obligation. As to the question whether each infringement, regardless of the degree of infringement, justifies the application of a free credit sanction from the point of view of the principles of proportionality - the CJEU pointed out that Directive 2008/48 does not preclude the free credit sanction, as long as the infringement may undermine the consumer's ability to assess the scope of his obligation.

### **Tax inspections**

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

Tax authorities may conduct 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 submitted objections.

In the period from September 2023 to 31 December 2024 mFinanse received from Social Insurance Institution (ZUS) decisions regarding some of the persons subject to inspection. As at the date of

preparation of these financial statements, mFinanse S.A. settled the adjudicated contributions according to the received decisions along with interest as to appeals submitted by the end of September 2024.

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. As at 31 December 2024 there were 299 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. As at the date of approval of these financial statements there were 25 judgments of the court of first instance in favour of the company. These judgments are not final and according to the information available to the company, ZUS filed appeals to the first 4 cases decided by the court of first instance.

In connection with the above issue, as of 31 December 2024, the Group had a provision in the amount of PLN 71 638 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.
- On 6 February 2025, the Polish Financial Supervision Authority started administrative proceedings against mBank S.A. with regard to imposing an administrative penalty under Article 138 (3) (3a) of the Banking Law Act of 29 August 1997 ("Banking Law Act") or Article 138 (7aa) (1) of the Banking Law Act. Administrative proceedings were started in connection with a suspected breach of Article 8 (1) in conjunction with Article 26 (1) of the Regulation of the Minister of Finance of 24 September 2012 on the Procedure and Conditions of Conduct for Investment Firms, Banks Referred to in Article 70 (2) of the Act on Trading in Financial Instruments, and Custodian Banks, and Article 83c (1) of the Act of 29 July 2005 on Trading in Financial Instruments, and Article 9c (1) (4) of the Banking Law. 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 were extended until 30 June 2025. At this stage of the proceedings, the amount of the potential penalty cannot be estimated reliably.
- 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. The proceedings were extended until 30 May 2025. At this stage of the proceedings, the amount of the potential penalty cannot be estimated reliably.

### Proceedings initiated by the Personal Data Protection Office (UODO)

On 23 September 2024, the President of the Personal Data Protection Office initiated administrative proceedings regarding the Bank's potential violation of personal data protection regulations. The subject of the proceedings is a potential violation of Art. 28 section 3 and art. 30 section 1 letter d of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC ("GDPR"). In the Bank's opinion, there was no violation of the provisions of the GDPR in the case under investigation. The Bank explained its legal position in a letter sent to the President of the Personal Data Protection Office, also underlining its intentions to closely cooperate with the President of the Data Protection Office. At the current stage of the proceedings, it is not possible to reliably estimate the amount of the potential penalty.

### Contingent liabilities granted and received relating to financing and guarantees

Information on the value of contingent liabilities granted and received regarding financing and guarantees is presented in Note 35.

## 34. 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, there were divergences in the evaluation of contractual provisions introducing an indexation mechanism and the consequences of determining their abusiveness (ineffectiveness), and the rulings are almost exclusively unfavourable to the Bank.

The carrying amount of mortgage and housing loans granted to natural persons in CHF as of 31 December 2024 amounted to PLN 665.6 million (i.e. 146.7 CHF million) compared to PLN 1 852.7 million (i.e. CHF 395.6 million) as of 31 December 2023.

The carrying amount of mortgage and housing loans granted to natural persons in other foreign currencies by mBank in Poland as of 31 December 2024 amounted to PLN 1 170.0 million, compared to PLN 1 507.9 million in 31 December 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).

	31.12.2024		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	4.8	16.4	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	2.2	6.7	2.4	7.4
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:	14.7	69.1	11.2	56.9
- Fully repaid loans	6.6	37.4	7.1	39.2
- Settled loans	5.5	22.9	2.8	13.3
- Loans after final verdict	2.6	8.8	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 December 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 December 2024, the Bank observed currently pending individual lawsuits and class actions regarding 15 996 loan agreements indexed to CHF including of which 12 547 active loan agreements and 3 449 repaid loan agreements (as of 31 December 2023: 21 411 of which 17 852 active and 3 559 repaid loans). Additionally, as of 31 December 2024, the Bank observed individual lawsuits regarding 683 loan agreements indexed to other foreign currencies including of which 578 active loan agreements and 105 repaid loan agreements (as of 31 December 2023: 370 of which 297 active and 73 repaid loans).

As of 31 December 2024, mBank received and executed final rulings in individual lawsuits concerning 8 916 loan agreements indexed to CHF (31 December 2023: 4 487 loans), out of which 118 rulings were favourable to the Bank and 8 798 rulings were unfavourable (31 December 2023: 99 rulings favourable and 4 388 unfavourable). Additionally, as of 31 December 2024, mBank received final rulings in individual lawsuits concerning 102 loan agreements indexed to other foreign currencies (31 December 2023: 41 loans), out of which 5 rulings were favourable to the Bank and 97 rulings were unfavourable (31 December 2023: 5 rulings favourable and 36 unfavourable).

Approximately 95% 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 in Łódź announced a verdict that set aside the previous judgment and sent the case to the Court of the 1st instance for re-examination due to the invalidity of the previous proceedings in the Court of First Instance.

On 10 September 2024, the Court of First Instance discontinued the proceedings with regard to one of the claims asserted by the plaintiff due to its partial withdrawal, i.e. with regard to the declaration of invalidity of certain enumerated provisions contained in the loan agreements of the members of the Group.

On 6 November 2024, the Court of First Instance handed down a judgment in which it discontinued the proceedings with respect to the class members who had reached settlements and those who had obtained judgments in individual cases, and to the remaining extent declared the agreements invalid. The judgment of the Court of First Instance, insofar as the court declared the loan agreements of the class members invalid, is not final.

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 emphasised 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/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. Issues relating to the plea that a claim is time-barred are currently the subject of numerous preliminary questions posed by the Polish court to the CJEU in cases C-699/24, C-767/24 and C-752/24. The Bank is monitoring the development of the jurisprudence in this regard.

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

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 an 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 published justification of the Resolution confirms the position taken in the operative part of the decision and develops certain legal issues relating to the application of the sanction of the misuse of a contractual provision equivalent to suspended invalidity, as well as discussing the issue of the consumer's declaration to which the commencement of the limitation period for the bank's claims should be linked.

The Supreme Court pointed out that the consumer's declaration should not give rise to any doubts as to the consumer's intentions and lack of intention to be bound by the prohibited provision and does not require any special form in order to be effective.

Nine judges elected before 2017 refused to attend the hearing. Six 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 monitors 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.

On 13 January 2025, the Office of the Prime Minister's website included in the list of legislative and programme work of the Council of Ministers information on planned work on a draft act on special solutions for the recognition of cases concerning credit agreements denominated or indexed to the Swiss franc concluded with consumers. The content of the project is currently unknown. Work on the project is planned for the second quarter of 2025. mBank will follow the legislative process.

### **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. Over time, the program was expanded to cover all loans indexed to foreign currencies.

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 or all of the loan balance. Settlements terms are 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 December 2024, the Bank concluded 22 902 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 will be obliged to settle the mutual benefits of the parties. In addition, settlements offered by the Bank to borrowers (including those who have not previously made legal claims), 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".

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 and 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.

	31.12.2024	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:	4 115 786	6 446 591
- CHF	3 802 760	6 334 478
- USD	85 603	47 219
- EUR	138 751	64 894
- GBP	196	-
- PLN	88 476	-
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	2 847 739	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>6 963 525</b>	<b>8 258 113</b>

The impact of legal risk concerning loans in PLN amounting to PLN 88.5 million, presented in the table above, refers to contracts that were historically indexed to foreign currencies and are currently denominated in PLN.

Total costs of legal risk related to foreign currency loans recognised in the income statement for 2024 amounted to PLN 4 307.0 million (in 2023: PLN 4 908.2 million). They are mainly due to updates to the expected costs of the settlement program, updates to the projected number of lawsuits, updates to the statutory interest costs included in the model, and updates to the probabilities of possible court judgments.

### 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 expected 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 5.3 thousand CHF borrowers including 1.7 thousand with active loans and 3.6 thousand with repaid loans, will file a lawsuit against the Bank in the future (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 318.0 million (while other relevant assumptions remain constant) as compared to 31 December 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 89.5 million (while other relevant assumptions remain constant) increasing the provisions for legal proceedings.

The Bank estimates that 1.9 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 30.4 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 of 31 December 2024, the Bank assumed a loss in 99% of pending or future lawsuits, while for the remaining 1% of cases, the Bank assumed dismissal of the claim (assumption unchanged from 31 December 2023). In the loss scenario Bank took into account 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 44.7 million, of which PLN 27.6 million would change the gross carrying amount of loans and PLN 17.1 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 Bank's counterclaims for principal to be time-barred. The Bank estimated probabilities individually for these contracts which range from 5% to 50%, assuming that the Bank's 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 unchanged, the impact of the legal risk would change by PLN 4.4 million, of which PLN 3.4 million would change the gross carrying amount of loans and PLN 1.0 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, without taking into account possible settlements, could reach ca. PLN 6.7 billion (compared to PLN 7.0 billion cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and housing loans in foreign currencies as at 31 December 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 of 31 December 2024, the Bank assumed that it would conclude 6.5 thousand settlements in the future which accounts for approximately 39% of active portfolio (as of 31 December 2023: 6.2 thousand, approximately 22%), including the borrowers who already filed 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 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 December 2024, the Bank recognised the impact of legal risk in the class action in the amount of PLN 278.2 million and the impact of legal risk of loans indexed to other foreign currencies in the amount of PLN 370.4 million.

### 35. Off-balance sheet liabilities

Off-balance sheet liabilities of the Group comprise loan commitments, guarantees and other financial facilities and other commitments.

The amounts and deadlines by which the Group will be obliged to realise its off-balance sheet liabilities by granting loans or other monetary services are presented in the table below.

#### Loan commitments, guarantees and other financial facilities and other commitments

31.12.2024	Nominal amount of off-balance loan commitments, guarantees and other financial facilities and other commitments under IFRS 9 impairment				Provisions on off-balance loan commitments, guarantees and other financial facilities and other commitments under IFRS 9 impairment			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Loan commitments	34 480 180	2 382 268	81 141	898	42 224	39 806	29 508	1 393
Guarantees and other financial facilities	8 160 834	784 025	106 016	4 611	12 230	2 882	61 354	(2 030)
Other liabilities	499 958	-	-	-	-	-	-	-

31.12.2023	Nominal amount of off-balance loan commitments, guarantees and other financial facilities and other commitments under IFRS 9 impairment				Provisions on off-balance loan commitments, guarantees and other financial facilities and other commitments under IFRS 9 impairment			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Loan commitments	32 104 719	2 164 802	86 222	2 487	43 017	36 429	22 178	752
Guarantees and other financial facilities	7 371 682	684 277	141 767	3 947	4 458	1 344	92 890	(3 650)

#### Off-balance loan commitments, guarantees, other financial facilities, other commitments and provisions for off-balance loan commitments and guarantees by internal rating system levels

31.12.2024	Stage 1	Stage 2	Stage 3	POCI	TOTAL
<b>Nominal value of off-balance loan commitments, guarantees, other financial facilities and other commitments impaired in accordance with IFRS 9</b>					
1	6 073 898	26 059	-	2 693	6 102 650
2	15 428 440	405 659	-	47	15 834 146
3	6 808 566	374 850	-	109	7 183 525
4	10 420 646	1 195 000	-	346	11 615 992
5	1 200 878	993 083	-	115	2 194 076
6	10 175	64 319	-	10	74 504
7	54 008	107 323	-	46	161 377
8	758 583	-	-	-	758 583
other	2 385 778	-	-	-	2 385 778
default	-	-	187 157	2 143	189 300
<b>Total nominal value</b>	<b>43 140 972</b>	<b>3 166 293</b>	<b>187 157</b>	<b>5 509</b>	<b>46 499 931</b>
<b>Provisions for off-balance loan commitments, guarantees, other financial facilities and other commitments impaired in accordance with IFRS 9</b>					
<b>Total provisions</b>	<b>54 454</b>	<b>42 688</b>	<b>90 862</b>	<b>(637)</b>	<b>187 367</b>

31.12.2023	Stage 1	Stage 2	Stage 3	POCI	TOTAL
<b>Nominal value of off-balance loan commitments, guarantees, other financial facilities and other commitments impaired in accordance with IFRS 9</b>					
1	5 388 831	80	-	-	5 388 911
2	10 752 498	33 188	-	8	10 785 694
3	7 194 960	199 601	-	54	7 394 615
4	10 321 729	1 476 929	-	518	11 799 176
5	2 678 245	940 521	-	103	3 618 869
6	12 964	55 514	-	2	68 480
7	25 002	143 246	-	54	168 302
8	269 432	-	-	-	269 432
other	2 832 740	-	-	-	2 832 740
default	-	-	227 989	5 695	233 684
<b>Total nominal value</b>	<b>39 476 401</b>	<b>2 849 079</b>	<b>227 989</b>	<b>6 434</b>	<b>42 559 903</b>
<b>Provisions for off-balance loan commitments, guarantees, other financial facilities and other commitments impaired in accordance with IFRS 9</b>					
<b>Total provisions</b>	<b>47 475</b>	<b>37 773</b>	<b>115 068</b>	<b>(2 898)</b>	<b>197 418</b>

The rating system is described in Note 3.3.4.

The following table presents the Group's off-balance sheet commitments granted and received as well as nominal value of open positions of derivative transactions of the Bank as at 31 December 2024 and as at 31 December 2023.

Guarantees are presented in the table below based on the contractual maturity date. Financial guarantees can be called immediately.

<b>31.12.2024</b>	<b>Up to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>Contingent liabilities granted and received</b>	<b>33 224 864</b>	<b>18 952 628</b>	<b>4 471 287</b>	<b>56 648 779</b>
<b>Commitments granted</b>	<b>29 006 849</b>	<b>13 802 675</b>	<b>3 690 407</b>	<b>46 499 931</b>
Financing	24 550 796	9 709 512	2 684 179	36 944 487
- <i>Loan commitments</i>	24 550 796	9 709 512	2 684 179	36 944 487
Guarantees and other financial facilities	3 956 095	4 093 163	1 006 228	9 055 486
- <i>Guarantees and standby letters of credit</i>	3 956 095	4 093 163	1 006 228	9 055 486
Other liabilities	499 958	-	-	499 958
<b>Commitments received</b>	<b>4 218 015</b>	<b>5 149 953</b>	<b>780 880</b>	<b>10 148 848</b>
Financial commitments received	732 537	-	-	732 537
Guarantees received	3 485 478	5 149 953	780 880	9 416 311
<b>Derivative financial instruments (nominal value of contracts)</b>	<b>299 646 028</b>	<b>347 854 415</b>	<b>34 885 674</b>	<b>682 386 117</b>
Interest rate derivatives	179 831 736	341 161 473	34 763 017	555 756 226
Currency derivatives	116 280 571	4 728 587	4 579	121 013 737
Market risk derivatives	3 533 721	1 964 355	118 078	5 616 154
<b>Total off-balance sheet items</b>	<b>332 870 892</b>	<b>366 807 043</b>	<b>39 356 961</b>	<b>739 034 896</b>

<b>31.12.2023</b>	<b>Up to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>Contingent liabilities granted and received</b>	<b>32 152 246</b>	<b>17 094 528</b>	<b>3 626 765</b>	<b>52 873 539</b>
<b>Commitments granted</b>	<b>28 332 322</b>	<b>11 464 227</b>	<b>2 763 354</b>	<b>42 559 903</b>
Financing	24 382 404	8 175 947	1 799 879	34 358 230
- <i>Loan commitments</i>	24 382 404	8 175 947	1 799 879	34 358 230
Guarantees and other financial facilities	3 949 918	3 288 280	963 475	8 201 673
- <i>Guarantees and standby letters of credit</i>	3 949 918	3 288 280	963 475	8 201 673
<b>Commitments received</b>	<b>3 819 924</b>	<b>5 630 301</b>	<b>863 411</b>	<b>10 313 636</b>
Financial commitments received	485 280	170 000	-	655 280
Guarantees received	3 334 644	5 460 301	863 411	9 658 356
<b>Derivative financial instruments (nominal value of contracts)</b>	<b>257 176 732</b>	<b>266 030 187</b>	<b>33 065 435</b>	<b>556 272 354</b>
Interest rate derivatives	138 116 383	254 096 392	32 488 445	424 701 220
Currency derivatives	115 793 994	10 690 978	4 890	126 489 862
Market risk derivatives	3 266 355	1 242 817	572 100	5 081 272
<b>Total off-balance sheet items</b>	<b>289 328 978</b>	<b>283 124 715</b>	<b>36 692 200</b>	<b>609 145 893</b>

The carrying amounts of derivatives are presented in Note 20.

As at 31 December 2024, apart from financial commitments granted by the Bank, the largest impact on the total amount of financial commitments granted was attributed to commitments granted by mFactoring in the amount of PLN 2 385 778 thousand (31 December 2023: PLN 2 832 740 thousand).

As at 31 December 2023, the impact on the total amount of financial commitments granted was also attributed to commitments granted by mBank Hipoteczny in the amount of PLN 3 129 thousand.

### 36. Pledged assets

Assets may be pledged as collateral for repo or sell/buy back transactions or derivatives contracts with other banks. Collateral may be also required in relation to stock market derivatives such as futures, options and participation in stock market.

Collateral may be placed in different form (e.g. cash, securities and pledged assets).

Similarly, customers establish collateral on their assets to secure the transaction with the Group. If securities are subject to collateral (in buy/sell back transaction) they can be re-pledged in the opposite transaction (sell/buy back).

Moreover, the Group accepts collaterals in the form of properties (esp. real estates) related to credit type transactions like loans, credit lines, banking guarantees.

The tables below present the breakdown of the measures possible to pledge by the main items of the statement of financial position of mBank Group. Treasury securities are the main component of the Group's liquidity collateral for the purpose of pledge.

31.12.2024	Assets			Fair value of the collateral received in the form of securities related to buy/sell back transactions			Assets available for pledge (3+6)
	Total assets	Pledged assets	Eligible for pledge assets	Received	Reused	Available for pledge	
	1	2	3	4	5	6	7
Debt securities (Note 20, 21, 22 and 23), including:	69 762 038	5 154 775	64 318 241	9 951 696	1 261 145	8 690 551	73 008 792
- NBP bills	14 828 961	-	14 828 961	-	-	-	14 828 961
- Government bonds	43 524 283	3 371 714	40 152 569	9 951 696	1 261 145	8 690 551	48 843 120
- Mortgage bonds	262 947	-	-	-	-	-	-
- Other non-treasury securities	11 145 847	1 783 061	9 336 711	-	-	-	9 336 711
Cash collaterals (due to derivatives transactions) (Note 23)	782 136	782 136	-	-	-	-	-
Loans and advances to customers	121 418 598	8 447 262	-	-	-	-	-
Other assets	53 994 591	-	-	-	-	-	-
<b>Total</b>	<b>245 957 363</b>	<b>14 384 173</b>	<b>64 318 241</b>	<b>9 951 696</b>	<b>1 261 145</b>	<b>8 690 551</b>	<b>73 008 792</b>

31.12.2023	Assets			Fair value of the collateral received in the form of securities related to buy/sell back transactions			Assets available for pledge (3+6)
	Total assets	Pledged assets	Eligible for pledge assets	Received	Reused	Available for pledge	
	1	2	3	4	5	6	7
Debt securities (Note 20, 21, 22 and 23), including:	60 973 751	4 264 870	53 370 200	7 153 550	425 204	6 728 346	60 098 546
- NBP bills	18 437 136	-	18 437 136	-	-	-	18 437 136
- Government bonds	31 947 094	2 394 452	29 552 642	7 153 550	425 204	6 728 346	36 280 988
- Mortgage bonds	205 695	-	-	-	-	-	-
- Other non-treasury securities	10 383 826	1 870 418	5 380 422	-	-	-	5 380 422
Cash collaterals (due to derivatives transactions) (Note 23)	737 614	737 614	-	-	-	-	-
Loans and advances to customers	113 520 791	8 239 209	-	-	-	-	-
Other assets	51 748 360	-	-	-	-	-	-
<b>Total</b>	<b>226 980 516</b>	<b>13 241 693</b>	<b>53 370 200</b>	<b>7 153 550</b>	<b>425 204</b>	<b>6 728 346</b>	<b>60 098 546</b>

mBank Hipoteczny S.A. secures issued covered and public bonds with receivables obtained from loans and advances. As at 31 December 2024, the net carrying value of loans registered in the mortgage and public bonds register, presented above as pledged assets amounted to PLN 8 447 262 thousand (31 December 2023: PLN 8 239 209 thousand).

The value of treasury securities presented as pledged assets, except for collaterals due to sell/buy back transactions, includes collateral of liabilities due to the loan received from the European Investment Bank (EIB), collateral for the guaranteed deposits fund under the Bank Guarantee Fund (BFG) and collateral for the payment commitment to the BFG guarantee fund and forced restructuring fund. The note also includes securities issued by EIB that secure CLN bonds issued.

### 37. Registered share capital

The total number of ordinary shares as at 31 December 2024 was 42 496 973 shares (31 December 2023: 42 465 167) at PLN 4 nominal value each. All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 31 DECEMBER 2024						
Share type	Type of preference	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
ordinary bearer	-	-	31 806	127 224	fully paid in cash	2024
<b>Total number of shares</b>			<b>42 496 973</b>			
<b>Total registered share capital</b>				<b>169 987 892</b>		
<b>Nominal value per share (PLN)</b>		<b>4</b>				

\* As at the end of the reporting period

In 2024, the National Depository of Securities has registered 31 806 shares of mBank, which were issued as part of the conditional increase in the share capital of the Bank by issuance of shares with no subscription rights for the existing shareholders in order to enable beneficiaries of the incentive programmes to take up shares in mBank. As a result of the above registration, in 2024 mBank's share capital increased by PLN 127 224.

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

- Commerzbank AG which held 69.07% of the share capital and votes at the General Meeting of mBank S.A. as at 31 December 2024, and
- Nationale-Nederlanden Powszechna Towarzystwo Emerytalne S.A., the funds of which held 5.18% 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 5.01% of the share capital and votes at the General Meeting of mBank S.A.

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

- On 7 March 2024, the Bank was notified by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (Nationale-Nederlanden PTE S.A.) about an increase of the funds' share 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 the 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, the Bank was notified by Nationale-Nederlanden PTE S.A. about an increase of the funds' share 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 the Bank's shares on 19 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.

### 38. Share premium

Share premium is formed from the issue of shares above its nominal value and is reduced by the direct costs incurred with that issue. This capital is intended to cover all losses that may result from the business activity of the Bank.

The increase of share premium in 2024 and 2023 results from the issue of shares under incentive programmes described under Note 44.

### 39. Retained earnings

Retained earnings include other supplementary capital, other reserve capital, general banking risk reserve, profit from 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.

	31.12.2024	31.12.2023
Other supplementary capital	8 846 613	8 785 057
Other reserve capital	111 352	106 648
General banking risk reserve	1 153 753	1 153 753
Profit from the previous years	542 516	580 018
Profit for the current year	2 243 245	24 054
<b>Total retained earnings</b>	<b>12 897 479</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 non-distributable other supplementary capital until it reaches one third 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.

#### 40. Other components of equity

	31.12.2024	31.12.2023
<b>Exchange differences on translation of foreign operations</b>	<b>(33 787)</b>	<b>(27 967)</b>
Unrealised gains (foreign exchange gains)	6 292	74 499
Unrealised losses (foreign exchange losses)	(40 079)	(102 466)
<b>Cash flow hedges</b>	<b>(121 857)</b>	<b>(314 463)</b>
Unrealised gains	10 600	16 637
Unrealised losses	(161 041)	(404 863)
Deferred income tax	28 584	73 763
<b>Cost of hedging</b>	<b>(621)</b>	<b>6 391</b>
Unrealised gains	-	7 890
Unrealised losses	(767)	-
Deferred income tax	146	(1 499)
<b>Valuation of debt financial instruments at fair value through other comprehensive income</b>	<b>(89 504)</b>	<b>(192 348)</b>
Unrealised gains on debt instruments	26 504	26 279
Unrealised losses on debt instruments	(136 978)	(263 751)
Deferred income tax	20 970	45 124
<b>Actuarial gains and losses relating to post-employment benefits</b>	<b>(21 953)</b>	<b>(13 577)</b>
Actuarial gains	386	739
Actuarial losses	(27 488)	(17 500)
Deferred income tax	5 149	3 184
<b>Reclassification to investment properties</b>	<b>11 436</b>	<b>11 436</b>
Unrealised gains on reclassification to investment properties	14 118	14 118
Deferred income tax	(2 682)	(2 682)
<b>Total other components of equity</b>	<b>(256 286)</b>	<b>(530 528)</b>

#### 41. Additional components of equity

On 6 December 2024, the Bank issued capital bonds with a total nominal value of PLN 1.5 billion (AT1 Bonds).

The AT1 Bonds were issued as capital bonds within the meaning of the Act on Bonds of 15 January 2015, in order to qualify them as additional instruments in Tier I capital (Additional Tier I). The bonds meet the requirements resulting from, among others, Article 52 of CRR Regulation. On 31 December 2024, the Bank received a decision of the Polish Financial Supervision Authority on the consent to qualify the bonds to own funds as additional instruments in Tier I capital.

The interest rate on AT1 Bonds is fixed for a period of five years, then set for subsequent five-year periods as the sum of the current PLN Swap 5Y rate and a fixed credit margin of 6.00 percentage points. The interest rate for the first five-year period is 10.63% per annum. Interest payments may be made only from Available Distributable Items.

AT1 Bonds are bonds without a specified redemption date, entitling to receive interest for an indefinite period, provided that the Bank may make an earlier redemption based on conditions stipulated the Terms & Conditions.

AT1 Bonds have a built-in loss absorption mechanism, in the form of a temporary reduction of the nominal value of the bond (temporary write-down) with a discretionary mechanism to increase the current nominal value of the bond (write-up). Furthermore, the Bank, in each case, at its discretion, may decide to write down all or part of the interest.

AT1 Bonds are bearer bonds. AT1 Bonds were introduced to the alternative trading system on Catalyst operated by the Warsaw Stock Exchange.

### Calculation of the Available Distributable Items (ADI) in accordance with art. 4 sec. 1 point 128 of CRR Regulation

In accordance with art. 4 point 128 of CRR Regulation, the "available distributable items" means the amount of the profits at the end of the last financial year plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments less any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the institution's bye-laws and sums placed to non-distributable reserves in accordance with applicable national law or the statutes of the institution, those profits, losses and reserves being determined on the basis of the individual accounts of the institution and not on the basis of the consolidated accounts.

The definition of the Available Distributable Items	Name of an item in equity	31.12.2024
Profits at the end of the last financial year	Profit for the current year	2 235 675
Profits brought forward	Undivided profit for the previous years	1 401 758
The reserve capital available for distribution before distributions to holders of own funds instruments	Other supplementary capital (before the division of the profit of the previous year) Other reserve capital General banking risk reserve	9 186 120
Losses brought forward	-	-
Profits which are non-distributable pursuant to provisions in legislation or the institution's by-laws	General banking risk reserve	(1 115 143)
Amounts placed to non-distributable reserves in accordance with applicable national law or the statutes of the institution	Other reserve capital	(40 356)
<b>TOTAL AVAILABLE DISTRIBUTABLE ITEMS</b>		<b>11 668 054</b>

### Indication and explanation of significant differences between the published information on the forecast of the issuer's financial liabilities as of the last day of the financial year and the issuer's financial liabilities arising from the issuer's accounting books as of that date

The forecasted value of the issuer's financial liabilities indicated in the Proposal to purchase AT1 bonds as of the last day of the financial year in which the Issue Day took place, i.e. 31 December 2024, was PLN 220.8 billion. The value of the issuer's financial liabilities resulting from the issuer's accounting books as at 31 December 2024 amounted to PLN 219.7 billion.

The forecasted value of the financial liabilities of the issuer's capital group as of the last day of the financial year in which the Issue Day took place, i.e. 31 December 2024, was PLN 224.9 billion. The value of the financial liabilities of the issuer's capital group resulting from the consolidated financial statements of the capital group as at 31 December 2024 amounted to PLN 223.3 billion.

The differences between the published information regarding the forecast of the financial liabilities of the issuer and the issuer's capital group as at the last day of the financial year, and the issuer's financial liabilities resulting from the issuer's accounting books or the consolidated financial statements of the issuer's capital group, are immaterial.

Forecasts of the financial liabilities of the issuer and the issuer's capital group were not verified by the auditor.

#### 42. Dividend per share

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.

#### 43. Explanatory notes to the statement of cash flow

##### Cash and cash equivalents

Amount of cash and cash equivalents is described in Note 19.

## Supplementary information to the cash flow statement

### Explanation of differences between the change in the balances resulting from the balance sheet and the change disclosed in the cash flows from operating activities

	Year ended 31 December	
	2024	2023
<b>Loans and advances to banks - change in the balances of the statement of financial position</b>	<b>(2 619 398)</b>	<b>2 450 570</b>
The difference between the interest accrued and paid in cash in the period	193 984	264 837
<b>Total change in loans and advances to banks</b>	<b>(2 425 414)</b>	<b>2 715 407</b>
<b>Financial assets and liabilities held for trading, hedging derivatives and fair value changes of the hedged items in portfolio hedge of interest rate risk - change in the balance of the statement of financial position</b>	<b>(306 668)</b>	<b>1 119 719</b>
The difference between the interest accrued and paid in cash in the period	221 184	84 648
Valuation included in other comprehensive income	229 128	569 989
<b>Total change in financial assets and liabilities held for trading and hedging derivatives</b>	<b>143 644</b>	<b>1 774 356</b>
<b>Loans and advances to customers - change in the balance of the statement of financial position</b>	<b>(7 895 333)</b>	<b>6 663 129</b>
The difference between the interest accrued and paid in cash in the period	(421 486)	287 334
<b>Total change in loans and advances to customers</b>	<b>(8 316 819)</b>	<b>6 950 463</b>
<b>Securities at fair value through other comprehensive income - change in the balance of the statement of financial position</b>	<b>2 376 234</b>	<b>(1 847 627)</b>
Valuation included in other comprehensive income	126 998	701 925
The difference between the interest accrued and paid in cash in the period	1 027 895	1 138 050
<b>Total change in securities at fair value through other comprehensive income</b>	<b>3 531 127</b>	<b>(7 652)</b>
<b>Securities measured at amortised cost - change in the balance of the statement of financial position</b>	<b>(10 641 954)</b>	<b>(4 321 163)</b>
The difference between the interest accrued and paid in cash in the period	286 542	(44 870)
<b>Total change in securities measured at amortised cost</b>	<b>(10 355 412)</b>	<b>(4 366 033)</b>
<b>Non-trading securities mandatorily at fair value through profit or loss - change in the balance of the statement of financial position</b>	<b>(143 851)</b>	<b>(64 288)</b>
Acquisition of shares in subsidiaries not included in the consolidation	65 290	21 560
Valuation change	70 011	43 174
<b>Total change in non-trading securities mandatorily at fair value through profit or loss</b>	<b>(8 550)</b>	<b>446</b>
<b>Other assets (including non-current assets held for sale) - change in the balance of the statement of financial position</b>	<b>129 619</b>	<b>(466 727)</b>
Exclusion of assets classified as held for sale	102 810	(26 747)
Other changes	(24 962)	(33 474)
<b>Total change in other assets</b>	<b>207 467</b>	<b>(526 948)</b>
<b>Amounts due to banks - change in the balance of the statement of financial position</b>	<b>(255 871)</b>	<b>45 079</b>
The difference between the interest accrued and paid in cash in the reporting period	188	(2 239)
Exchange differences	62 317	36 343
Exclusion of change in cash flows from financing activity	4 340	4 480
<b>Total change in amounts due to banks</b>	<b>(189 026)</b>	<b>83 663</b>
<b>Amounts due to customers - change in the balance of the statement of financial position</b>	<b>15 341 523</b>	<b>11 336 541</b>
The difference between the interest accrued and paid in cash in the reporting period	62 166	75 352
<b>Total change in amounts due to customers</b>	<b>15 403 689</b>	<b>11 411 893</b>
<b>Lease liabilities - change in the balance of the statement of financial position</b>	<b>(118 945)</b>	<b>(104 599)</b>
Exclusion of changes in cash flow from financing activity	172 977	167 078
Exclusion of liabilities classified as held for sale	30 940	-
Exclusion of increase in lease liabilities	(63 753)	(109 630)
<b>Total change in lease liabilities</b>	<b>21 219</b>	<b>(47 151)</b>
<b>Debt securities issued - change in the balance of the statement of financial position</b>	<b>1 025 171</b>	<b>1 639 686</b>
The difference between the interest accrued and paid in cash in the reporting period	89 527	(83 062)
Exchange differences	174 564	671 319
Exclusion of change in cash flows from financing activity	(1 211 245)	(1 928 538)
<b>Total change in debt securities issued</b>	<b>78 017</b>	<b>299 405</b>
<b>Changes in other liabilities (including liabilities held for sale) and provisions - change in the balance of the statement of financial position</b>	<b>(813 201)</b>	<b>3 173 326</b>
Valuation of incentive programmes recognised in income statement (Note 13)	14 193	10 920
Actuarial gains and losses relating to post-employment benefits recognised in other comprehensive income (Note 18)	(10 341)	(8 069)
Exclusion of change in cash flows from investing activity	34 706	(100 462)
Exclusion of liabilities classified as held for sale	(30 940)	7 363
<b>Total change in other liabilities and provisions</b>	<b>(805 583)</b>	<b>3 083 078</b>

## Interest received and paid reported in operating activities

	Year ended 31 December	
	2024	2023
<b>Interest income, including:</b>		
Loans and advances to banks	1 932 358	1 735 650
Loans and advances to customers	9 789 079	9 702 950
Debt securities	1 528 560	1 548 114
Other interest income	224 038	246 049
<b>Total interest income</b>	<b>13 474 035</b>	<b>13 232 763</b>
<b>Interest expenses, including:</b>		
Settlements with banks due to deposits received	(106 692)	(113 327)
Settlements with customers due to deposits received	(3 057 186)	(3 771 583)
Debt securities issued	(604 432)	(336 210)
Derivative instruments	(1 409 132)	(1 631 633)
Other interest expenses	(10 068)	(42 816)
<b>Total interest expenses</b>	<b>(5 187 510)</b>	<b>(5 895 569)</b>

## Cash flows from investing activities

In 2024 and in 2023, cash flows from investment activities mainly related to the settlements regarding the purchase of intangible and tangible assets.

## Cash flows from financing activities

Cash flows from financing activities mainly related to the settlements regarding the issue of debt securities and to the settlements of long-term loans received from the European Investment Bank (Note 29). Moreover, cash flows from financing activities included the settlements related to subordinated liabilities and the issue of capital bonds AT1.

The table below presents the changes in liabilities from financing activities.

	As at 01.01.2024	Cash flows	Change not connected with cash flows	As at 31.12.2024
Loans and advances received from banks (Note 29)	1 938 343	(4 340)	(4 806)	1 929 197
Lease liabilities (Note 29)	855 725	(173 294)	54 349	736 780
Debt securities issued (Note 29)	11 105 165	1 211 245	(186 074)	12 130 336
Subordinated liabilities (Note 29)	2 714 928	(167 539)	128 148	2 675 537
<b>Total liabilities from financing activities</b>	<b>16 614 161</b>	<b>866 072</b>	<b>(8 383)</b>	<b>17 471 850</b>

	As at 01.01.2023	Cash flows	Change not connected with cash flows	As at 31.12.2023
Loans and advances received from banks (Note 29)	1 910 721	(4 480)	32 102	1 938 343
Lease liabilities (Note 29)	960 324	(167 078)	62 479	855 725
Debt securities issued (Note 29)	9 465 479	1 928 538	(288 852)	11 105 165
Subordinated liabilities (Note 29)	2 740 721	(188 000)	162 207	2 714 928
<b>Total liabilities from financing activities</b>	<b>15 077 245</b>	<b>1 568 980</b>	<b>(32 064)</b>	<b>16 614 161</b>

Exchange differences and accrued interest were included in the change not related to cash flows. The total cash outflow from leases (including cash flow related to short-term lease contracts, low-value asset lease contracts that are not short-term contracts and variable components of lease liabilities that are disclosed in cash flows from operating activities) amounted to PLN 176 912 thousand (PLN 170 074 thousand in 2023).

## 44. Share-based incentive programmes

### Incentive programme for the Management Board Members and key staff of mBank Group – mBank Risk Takers

On 7 June 2018, the Supervisory Board, acting in line with the recommendation of the Remuneration Committee of the Supervisory Board and the decision of the Annual General Meeting of mBank S.A. of 9 May 2018, adopted the mBank S.A. Incentive Programme Rules.

In 2024, incentive programme in wording adopted by the resolution of 13 June 2023 of the Supervisory Board was applicable. The programme will be in force since 1 January 2018 until the day on which the earlier of the following events occur expiry of the 10-year period from the date of recording the last of the warrants taken up by programme participants in the securities account or taking up all shares.

Eligible persons under the programme include persons holding positions identified as having a material impact on the Bank's risk profile pursuant to the Risk Takers Identification Policy, referred to as Risk Takers I or Risk Takers II, excluding Risk Takers II – Members of the Management Board of mBank Hipoteczny S.A. and Members of the Management Board of mTFI S.A., which apply a different incentive programme.

Risk Taker I means a Member of the Management Board of the Bank. Risk Taker II means a person holding a position identified as having a material impact on the bank's risk profile pursuant to the Risk Takers Identification Policy, including a person holding a position of a Management Board Member in an mBank Group subsidiary.

On the terms and conditions stipulated in the Remuneration Regulations and Policy of employees with a significant impact on the risk profile of mBank (referred to as Risk Takers Remuneration Policy), Risk Takers will be able to acquire warrants free of charge and, by way of exercising the rights arising from the warrants, to acquire shares.

#### Bonus for Risk Takers I

The Supervisory Board determines the bonus amount for a given calendar year for each Management Board Member individually, based on the assessment of MBO achievement with respect to the period of at least 3 years. The bonus amount depends on the bonus pool. Starting from 2023, the base of determining the amount of the bonus pool for a given calendar year is the sum of amounts calculated based on key performance indicators "KPI". Determining the amount of bonus pool is preceded by Supervisory Board approval of KPI definition, number of KPI for a given year, percentage of each KPI in bonus pool. Supervisory Board approves the score corresponding with 100% execution of a given KPI and actual score of a given KPI. Reaching each KPI at 100% execution level corresponds with bonus pool on the level of 8-times the monthly base salary for all Management Board Members. Reaching KPI scores above or below 100% execution level for each KPI means proportional calculation above or below 100%. The percentage score for each KPI is calculated as a weighted average of scores from a calendar year, for which the bonus is granted and 2 years before this year, according to the rules specified in Risk Takers Remuneration Policy.

The bonus consists of the non-deferred part (40% of the bonus) and the deferred part (60% of the bonus).

Both the deferred part and the non-deferred part are divided into equal portions: 50% paid in cash and 50% paid in subscription warrants. The non-deferred part in cash is paid in the year when the bonus is granted. The other half of the non-deferred part (50%) is paid in subscription warrants, not earlier than after the lapse of 12 months from the date on which the consolidated financial statements of mBank Group S.A. for a given calendar year are approved.

The deferred part, both the cash portion and the subscription warrant portion, is paid in five equal annual tranches. In each tranche, the cash portion is paid once the consolidated financial statements of mBank Group for the previous calendar year have been approved, and the subscription warrant portion is paid not earlier than after the lapse of 12 months from the date on which the consolidated financial statements of mBank Group S.A. are approved.

#### Bonus for Risk Takers II

The bonus amount for a given calendar year is determined by the Bank's Management Board for a Risk Taker II, who is the Bank's employee, or by a subsidiary's Supervisory Board for Risk Taker II, who is a Member of the Management Board of mBank Group subsidiary, on the basis of assessment of MBO achievement for the period of the last three calendar years, the Economic Profit of mBank Group and the result of a business line, subsidiary or organisational unit.

The bonus consists of the non-deferred part (60% of the bonus) and the deferred part (40% of the bonus). If the bonus for Risk Taker II was granted in amount of at least EUR 180 thousand, non-deferred part is 40% and deferred part is 60% of the bonus. Both the deferred part and the non-deferred part are divided into equal portions: 50% paid in cash and 50% paid in subscription warrants. The non-deferred part in cash is paid in the year when the bonus is granted. The other half of the non-deferred part (50%) is paid

in subscription warrants, not earlier than after the lapse of 12 months from the date on which the consolidated financial statements of mBank S.A. Group for a given calendar year are approved.

The deferred part, both the cash portion and the subscription warrant portion, is paid in equal annual tranches. In each tranche, the cash portion is paid once the consolidated financial statements of mBank Group for the previous calendar year have been approved, and the subscription warrant portion is paid not earlier than after the lapse of 12 months from the date on which the consolidated financial statements of mBank S.A. Group for a given calendar year are approved.

Starting the bonus granted for 2021, the deferral period for both the cash portion and the subscription warrants portion was extended. For Risk Takers II, which positions were identified as senior management staff (applies to Managing Directors and Members of Management Boards of mBank Group subsidiaries), the deferral period was extended from three to five years, for other Risk Takers – from three to four years.

In case when the bonus amount determined for a Risk Taker II (not applied Risk Takers II identified as senior management staff) for a given calendar year does not exceed one-third of their total annual remuneration or the equivalent of EUR 50 thousand in PLN, the bonus may be paid fully in cash in a non-deferred form based on a Management Board decision.

The deferred bonus part for Risk Takers I and Risk Takers II is assessed in terms of its determination and payment. The Supervisory Board of mBank with respect to the Management Board of mBank, the Management Board of mBank with respect to the Bank's employees or the Supervisory Board of mBank Group subsidiary with respect to Members of the mBank Group subsidiary's Management Board may decide to withhold the full amount or to reduce the amount of a deferred tranche if it concludes that in a time horizon longer than one financial year, i.e. a period of at least 3 years, the Risk Taker had a direct and negative impact on the financial result or the market position of the Bank, subsidiary or Group, violated the rules and standards adopted in mBank Group or directly contributed to significant financial losses, where at least one of the scorecard components has not been met or any of the premises, stipulated in Article 142 especially (2) of the Banking Law Act, has occurred.

If the circumstances referred to the above occur at the stage of determining the Risk Taker bonus amount, the Supervisory Board of mBank, the Supervisory Board of the subsidiary or the Management Board of mBank may decide not to grant a bonus for a given calendar year or to reduce it.

Moreover, a Risk Taker I or Risk Taker II may be obliged, under the rules and within the time limit determined by the decision of the Supervisory Board of mBank, the Supervisory Board of the subsidiary or the Management Board of mBank, to return the bonus granted and paid for a given calendar year (i.e. the non-deferred part and all deferred parts) if he/she has violated rules and standards adopted in mBank Group, has materially violated the generally applicable law or has directly contributed to significant financial losses being the consequence of his/her deliberate adverse actions to the detriment of mBank Group or the subsidiary or has contributed to financial sanctions being imposed on the Bank or subsidiary by supervisory bodies under a final and unappealable decision.

The decision determining the occurrence of the said events may be taken by the end of the calendar year when the last tranche of the deferred part of the bonus granted for the year in which the event occurred is paid.

The table below presents change in the number of share warrants related to the 2018 incentive programme for Management Board Members and for key managers of mBank Group - employees with a significant impact on the risk profile of mBank.

	31.12.2024		31.12.2023	
	Number of warrants	Weighted average exercise price (in PLN)	Number of warrants	Weighted average exercise price (in PLN)
<b>Outstanding at the beginning of the period</b>	<b>76 770</b>		<b>81 102</b>	
Granted during the period	18 904		27 340	
Forfeited during the period	-		-	
Exercised during the period*	31 806	4	31 672	4
Expired during the period	-		-	
<b>Outstanding at the end of the period</b>	<b>63 868</b>		<b>76 770</b>	
<b>Exercisable at the end of the period</b>	<b>-</b>		<b>-</b>	

\* In 2024, the weighted average price of the shares was PLN 620.15 (in 2023 PLN 396.62).

## Summary of the impact of the incentive programme on the Group's statement of financial position and income statement

### Share-Based Payments settled in shares

The table below presents changes in other reserve capital generated by the above-mentioned incentive programme for share-based payments settled in mBank S.A. shares.

	31.12.2024	31.12.2023
<b>Incentive programmes</b>		
<b>As at the beginning of the period</b>	<b>35 652</b>	<b>36 012</b>
- value of services provided by the employees	14 193	10 920
- settlement of exercised options	(9 489)	(11 280)
<b>As at the end of the period</b>	<b>40 356</b>	<b>35 652</b>

### Cash-settled share-based payments

The Bank did not incur costs for the cash portion of the above programs in 2024 and 2023.

## 45. Transactions with related entities

mBank S.A. is the parent entity of 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 Group provides standard financial services to the Bank's key management personnel, Members of the Supervisory Board of the Bank and close members of their families, which comprise i.e.: maintaining bank accounts, taking deposits, granting loans or other financial services. In the Bank's opinion, these transactions are concluded on market terms and conditions.

Pursuant the Banking Law, the extension of a loan, cash advance, bank guarantee or other guarantee to the Members of the Management Board and Supervisory Board of the Bank, persons holding managerial positions at the Bank as well as at entities related financially or organisationally therewith, is governed by the by-laws adopted by the Supervisory Board of mBank S.A.

The by-laws set out detailed rules and debt limits for loans, cash advances, bank guarantees, and other guarantees in relation to aforementioned persons and entities, which are consistent with the Bank's internal regulations defining the competences of granting credit decisions concerning retail and corporate clients of the Bank. A decision to grant a loan, cash advances, bank guarantee or other guarantee to a Member of the Management Board and Supervisory Board of the Bank, person holding managerial position at the Bank or an entity related financially or organisationally therewith in excess of the limits set by the Banking Law is taken by the resolution of the Management Board and by the resolution of the Supervisory Board.

The terms and conditions of such loans, cash advances, bank guarantees or other guarantees, including in particular those related to interest rates as well as fees and commissions, cannot be more advantageous than the terms and conditions offered by the Bank to its retail or corporate clients, respectively.

The table below presents the values of transactions between the Bank and companies of mBank Group and Members of the Supervisory Board and the Management Board of mBank, key executive management of mBank, Members of the Supervisory Board and the Management Board of Commerzbank and other related persons and entities, as well as Commerzbank AG Group entities. The amounts of transactions include assets and liabilities and related costs and income as at 31 December 2024 and as at 31 December 2023.

	Members of Supervisory Board, Management Board and key management personnel of mBank as well as Supervisory Board and Management Board of Commerzbank AG		Other related companies and persons*		mBank's subsidiaries**		Commerzbank AG		Other companies of the Commerzbank AG Group	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
<b>As at the end of the period</b>										
<b>Statement of Financial Position</b>										
Assets	6 607	4 343	1 188	1 221	4 247	1 840	516 054	575 482	16	45
Liabilities	12 099	15 449	4 242	10 496	52 290	47 034	1 699 124	1 857 549	93 436	82 994
<b>Income Statement</b>										
Interest income	373	241	127	106	-	-	94 094	63 828	-	-
Interest expenses	(305)	(440)	(101)	(133)	(504)	(792)	(51 074)	(58 411)	(1 319)	(2 612)
Fee and commission income	28	24	35	33	106	167	6 467	6 333	55	54
Fee and commission expenses	-	-	-	-	(27 753)	(18 679)	-	-	-	-
Other operating income	-	-	-	62	1 093	1 642	2 202	1 914	-	-
Overhead costs, amortisation and other operating expenses	-	-	-	-	(17 200)	(2)	(7 294)	(8 118)	(11 530)	-
<b>Contingent liabilities granted and received</b>										
Liabilities granted	872	1 499	104	166	382 916	367 458	2 068 805	2 288 854	1 992	1 776
Liabilities received	-	-	-	-	-	-	1 912 420	1 956 104	-	-

\* Other related persons and entities include close family members of Members of the Supervisory and the Management Board of mBank, key executive management of mBank, Members of the Supervisory Board and the Management Board of Commerzbank, entities controlled or jointly controlled by above mentioned persons.

\*\* Applies to non-consolidated subsidiaries

## Management Board of mBank S.A.

At the end of 2024, the Management Board of mBank S.A. performed functions in the following composition:

1. Cezary Kocik – President of the Management Board,
2. Krzysztof Bratos – Vice-President of the Management Board, Head of Retail Banking,
3. Krzysztof Dąbrowski – Vice-President of the Management Board, Head of Operations and IT,
4. Marek Lusztyn – Vice-President of the Management Board, Head of Risk,
5. Julia Nusser - Vice-President of the Management Board, Head of Compliance 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.

## Changes in the Management Board of mBank S.A.

On 4 July 2024, Mr. Cezary Stypułkowski, President of the Management Board of mBank S.A., resigned from his position on the Management Board of mBank S.A., including the position of President of the Management Board of mBank S.A., with effect from 4 July 2024.

The resignation was submitted as a result of agreements with the Supervisory Board of the Bank, constituting an integral part of the succession process as the President of the Management Board of mBank. Earlier, on 5 June 2024, Mr. Cezary Kocik was conditionally appointed to the position of the President of the Management Board. The appointment of Mr. Cezary Kocik to the position of the President of the Management Board of mBank S.A. by the Supervisory Board was conditioned by obtaining the consent of the Polish Financial Supervision Authority, which was granted on 11 October 2024.

On 25 July 2024, the Supervisory Board of mBank S.A. appointed Mr. Krzysztof Bratos to the Management Board of mBank S.A. as of 26 July 2024 for the position of Vice-President of the Management Board, Head of Retail Banking, replacing Mr. Cezary Kocik.

## Supervisory Board of mBank S.A.

At the end of 2024, the composition of the Supervisory Board of mBank S.A. is as follows:

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.

## Changes in the Supervisory Board of mBank S.A.

- On 14 October 2024 Mrs. Bettina Orlopp resigned from membership in the Bank's Supervisory Board with the effective date of 27 February 2025.
- On 12 December 2024 Mr. Carsten Schmitt was recommended as a candidate for member of the Supervisory Board by the Remuneration and Nomination Committee of the Supervisory Board. His appointment to the Supervisory Board of the Bank is subject to a positive assessment of suitability.

## Remuneration of the Management Board and Supervisory Board Members

The table below presents the information on the salaries, bonuses and benefits paid and due to the Members of the Management Board of the Bank who were performing their functions at the end of 2024 and at the end of 2023, remuneration of the former Management Board Members and remuneration of Supervisory Board Members.

Remuneration paid (in PLN)	2024	2023
<b>mBank Management Board</b>		
Basic salary	12 287 419	12 472 913
Other benefits	3 709 940	3 376 357
Bonus for the previous year	1 418 666	1 292 000
Deferred bonus	662 400	654 000
<b>Remuneration of the former Management Board Members</b>		
Basic salary	1 708 953	560 000
Other benefits	462 410	139 358
Bonus for the previous year	622 203	224 000
Deferred bonus	788 400	342 000
Compensation (non-competition)	828 695	-
<b>mBank Supervisory Board</b>		
Basic salary	1 763 649	1 671 354

The total compensation of Members of the Management Board consists of basic salary, bonuses, termination payments of management agreement, prohibition of competitiveness payment, insurance costs and accommodation costs.

The above-mentioned benefits are short-term employee benefits.

The total amount of remuneration received in 2024 by Bank's Management Board Members was PLN 21 990 thousand (2023: PLN 18 843 thousand).

In accordance with the Bank's remuneration system, the Members of the Management Board of the Bank may be eligible to receive bonuses for the year 2024, which would be paid out from 2025. Therefore, a provision was created for the payment of a cash bonus for 2024 for the Members of the Management Board, which amounted to PLN 5 975 thousand as of 31 December 2024 (31 December 2023: PLN 6 310 thousand). The final decision concerning the bonus will be taken by the Remuneration and Nominations Committee of the Supervisory Board by 28 February 2025.

In 2024 and 2023, the Members of the Management Board of mBank S.A. did not receive compensation for their role as members of the management boards and supervisory boards of the Bank's related companies.

The total compensation of Members of the Supervisory Board, the Management Board and other key executive management of the Bank that performed their duties in 2024 amounted to PLN 34 132 thousand (2023: PLN 29 763 thousand).

Detailed information on the remuneration of individual Members of the Management Board and the Supervisory Board, as well as the other information about the former Members of Management Board is presented in the Management Board Report on the Performance of mBank S.A. Group in item 11.7. "Composition, powers and procedures of the Management Board and the Supervisory Board".

## Information regarding proprietary position in Bank shares by Members of the Management Board and by Members of the Supervisory Board

As at 31 December 2024, three Members of the Management Board held the Bank's shares: Mr. Krzysztof Bratos – 1 069 shares, Mr. Krzysztof Dąbrowski – 1 609 shares and Mr. Marek Lusztyn – 2 267 shares.

As at 31 December 2023, two Members of the Management Board held the Bank's shares: Mr. Cezary Stypułkowski – 30 902 shares and Mr. Marek Lusztyn – 1 283 shares.

## 46. Acquisitions and disposals

In 2023 within the Group there was an acquisition by the mBank of the mBank Hipoteczny's activities related to servicing of the part of the loans. The acquisition is described in Note 45 of the Financial statement of mBank S.A. for 2023 prepared in accordance with International Financial Reporting Standards approved on 27 February 2024.

## 47. Prudential consolidation

According to CRR Regulation, mBank is a large subsidiary of EU parent institution, responsible for the preparation of the prudentially consolidated financial data.

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

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

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

mBank S.A. Group prudentially consolidated financial data based on the rules of prudential consolidation specified by the CRR Regulation ("Consolidated prudentially financial data") have been prepared for the 12-month period ended on 31 December 2024 and for the 12-month period ended on 31 December 2023.

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

The accounting policies applied for the preparation of the Group prudentially consolidated financial data are identical to those, which have been applied to the mBank S.A. Group consolidated financial data for year 2024, prepared in compliance with IFRS, except for the consolidation standards presented below.

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

Company	31.12.2024		31.12.2023	
	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
mLeasing Sp. z o.o.	100%	full	100%	full
mFinanse S.A.	100%	full	100%	full
mFaktoring S.A.	100%	full	100%	full
Future Tech Fundusz Inwestycyjny Zamknięty	100%	full	98.04%	full
mElements S.A.	100%	full	100%	full
Asekum Sp. z o.o.	100%	full	100%	full
LeaseLink Sp. z o.o.	100%	full	100%	full
mFinanse CZ s.r.o.	100%	full	100%	full
mFinanse SK s.r.o.	100%	full	100%	full
mTowarzystwo Funduszy Inwestycyjnych S.A.	100%	full	100%	full

Information on the above-mentioned companies is included in Note 1.

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

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

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

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

### Prudentially consolidated income statement

	Year ended 31 December	
	2024	2023
Interest income, including:	14 523 266	14 826 765
<i>Interest income accounted for using the effective interest method</i>	14 257 452	14 522 983
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	265 814	303 782
Interest expenses	(4 934 243)	(5 953 294)
<b>Net interest income</b>	<b>9 589 023</b>	<b>8 873 471</b>
Fee and commission income	3 207 707	3 015 912
Fee and commission expenses	(1 235 823)	(1 100 004)
<b>Net fee and commission income</b>	<b>1 971 884</b>	<b>1 915 908</b>
Dividend income	14 279	9 486
Net trading income	176 678	73 343
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	64 449	34 100
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	598	(50 941)
Other operating income	477 551	317 712
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(585 958)	(1 076 778)
Costs of legal risk related to foreign currency loans	(4 306 964)	(4 908 205)
Overhead costs	(2 801 710)	(2 570 433)
Depreciation	(586 630)	(504 016)
Other operating expenses	(287 094)	(399 507)
<b>Operating profit</b>	<b>3 726 106</b>	<b>1 714 140</b>
Taxes on the Group balance sheet items	(752 381)	(743 552)
<b>Profit before income tax</b>	<b>2 973 725</b>	<b>970 588</b>
Income tax expense	(730 357)	(946 530)
<b>Net profit</b>	<b>2 243 368</b>	<b>24 058</b>
<b>Net profit attributable to:</b>		
- Owners of mBank S.A.	2 243 245	24 054
- Non-controlling interests	123	4

**Prudentially consolidated statement of financial position**

<b>ASSETS</b>	<b>31.12.2024</b>	<b>31.12.2023</b>
Cash and cash equivalents	36 680 926	36 702 427
Financial assets held for trading and hedging derivatives	1 840 714	1 760 033
Non-trading financial assets mandatorily at fair value through profit or loss, including:	925 786	898 798
<i>Equity instruments</i>	407 732	244 941
<i>Debt securities</i>	31 204	50 144
<i>Loans and advances to customers</i>	486 850	603 713
Financial assets at fair value through other comprehensive income - Debt securities	34 588 843	36 965 077
Financial assets at amortised cost, including:	164 592 877	143 319 329
<i>Debt securities</i>	33 965 644	23 323 690
<i>Loans and advances to banks</i>	9 738 457	7 119 059
<i>Loans and advances to customers</i>	120 888 776	112 876 580
Fair value changes of the hedged items in portfolio hedge of interest rate risk	16 891	20 204
Non-current assets and disposal groups classified as held for sale	102 810	-
Intangible assets	1 956 693	1 701 939
Tangible assets	1 461 811	1 481 401
Investment properties	-	111 964
Current income tax assets	59 655	41 035
Deferred income tax assets	1 364 017	1 379 540
Other assets	2 366 340	2 598 769
<b>TOTAL ASSETS</b>	<b>245 957 363</b>	<b>226 980 516</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Financial liabilities held for trading and hedging derivatives	1 094 037	1 495 754
Financial liabilities measured at amortised cost, including:	219 411 062	203 458 575
<i>Amounts due to banks</i>	3 059 431	3 315 302
<i>Amounts due to customers</i>	200 808 978	185 467 455
<i>Lease liabilities</i>	736 780	855 725
<i>Debt securities issued</i>	12 130 336	11 105 165
<i>Subordinated liabilities</i>	2 675 537	2 714 928
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(393 568)	(565 985)
Liabilities classified as held for sale	30 940	-
Provisions	3 277 171	2 345 584
Current income tax liabilities	238 277	201 184
Other liabilities	4 532 450	6 308 178
<b>TOTAL LIABILITIES</b>	<b>228 190 369</b>	<b>213 243 290</b>
<b>EQUITY</b>		
<b>Equity attributable to Owners of mBank S.A.</b>	<b>16 266 994</b>	<b>13 735 187</b>
<b>Share capital:</b>	<b>3 625 801</b>	<b>3 616 185</b>
Registered share capital	169 988	169 861
Share premium	3 455 813	3 446 324
<b>Retained earnings:</b>	<b>12 897 479</b>	<b>10 649 530</b>
- Profit from the previous years	10 654 234	10 625 476
- Profit for the current year	2 243 245	24 054
<b>Other components of equity</b>	<b>(256 286)</b>	<b>(530 528)</b>
<b>Additional equity components</b>	<b>1 500 000</b>	<b>-</b>
<b>Non-controlling interests</b>	<b>-</b>	<b>2 039</b>
<b>TOTAL EQUITY</b>	<b>17 766 994</b>	<b>13 737 226</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>245 957 363</b>	<b>226 980 516</b>

## 48. Capital adequacy

One of the Bank's main tasks is to ensure an adequate level of capital. As part of the capital management strategy of mBank Group, the Bank creates a framework and guidelines for the effective planning and use of the capital base, which:

- are compliant with external and internal regulations in force,
- guarantee a continuity of financial targets achievement, which render an appropriate rate of return for shareholders,
- ensure the maintenance of a strong capital basis being a fundamental support for business development.

The capital management strategy in mBank Group is based on two pillars:

- aiming at optimal level and structure of own funds, assuring capital adequacy above the capital strategic targets (established above minimum requirement taking into account the risk appetite at approved level) as well as ensuring coverage against all material risks identified in mBank Group's activity,
- effective use of the capital base, guaranteeing achievement of expected returns, including return on regulatory capital and IFRS equity and thus creating stable basis for strengthening capital in future periods.

Above pillars of the capital management allow to maintain business development while meeting the supervisory requirements in the long perspective.

### Capital ratios

The adequacy assessment of the capital base, including among others: the calculation of capital ratios and the leverage ratio, the own funds and the total capital requirement in the mBank Group was made according to the following regulations:

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on the conditions for the authorisation and prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Official Journal of the European Union, L 176/338, 2013, as amended - Directive CRD),
- the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Official Journal of the European Union, L 176/1, 2013, as amended - CRR Regulation),
- the Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014 (Official Journal of the European Union, L 97/1, 2021, as amended - ITS Regulation),
- the Banking Act of 29 August 1997 (Journal of Laws of 2024, item 1646, as amended),
- the Act of 5 August 2015 on Macroprudential Supervision of the Financial System and Crisis Management (Journal of Laws of 2024, item 559, as amended - Act).

The entities included in the scope of prudential consolidation according to the rules of the CRR Regulation are taken into account in the process of calculating consolidated own funds and the own funds requirements.

As a result of the Act that entered into force in 2015 and transposed the CRD Directive provisions to the Polish prudential regulations, as at 31 December 2024 the mBank Group is obliged to ensure adequate own funds to meet conservation capital buffer designated under the provisions of the Act of 2.5% of the total risk exposure amount (31 December 2023: 2.5%).

As at the end of 2024 and 2023 the countercyclical capital buffer rate set for relevant exposures in Poland according to the article 83 of the Act amounted to 0%. In accordance with the Ordinance of the Minister of Finance of 18 September 2024, this ratio will, from September 2025, be 1% of the total risk exposure. mBank Group specific countercyclical capital buffer calculated in accordance with the provisions of the Act as the weighted average of the countercyclical buffer rates that apply in the countries where the relevant credit exposures of the Group are located, amounted to 9 bps as at 31 December 2024 (31 December 2023: 13 bps). The value of the indicator was predominantly affected by the exposures of mBank's foreign branches in the Czech Republic and Slovakia, where the countercyclical buffer rates as at 31 December 2024 were: 1.25% and 1.5% (31 December 2023: 2.0% and 1.5% respectively).

In 2016 the Bank received an administrative decision of the PFSA that identified mBank as other systemically important institutions (O-SII) and imposed a capital buffer of the total risk exposure amount. Pursuant to the PFSA decision of 29 October 2020 the Bank was obliged to maintain the capital buffer of 0.5% of the total risk exposure, calculated in accordance with article 92(3) of the CCR Regulation, to be maintained on individual and consolidated levels. The value of the buffer specified in the administrative decision applies as at 31 December 2024.

Consequently, the all-in-one combined buffer requirement set for the mBank Group as at 31 December 2024 amounted to 3.09% of the total risk exposure amount (31 December 2023: 3.13%).

During 2024 and 2023 capital ratios both on the individual and consolidated level were above the required values taking into account the components described above.

mBank Group	31.12.2024		31.12.2023	
	Required level	Reported level	Required level	Reported level
Capital ratio				
Total capital ratio (TCR)	11.09%	15.85%	11.13%	17.04%
Tier I ratio	9.09%	14.52%	9.13%	14.71%
Common Equity Tier I ratio (CET1 ratio)	7.59%	13.05%	7.63%	14.71%

The consolidated leverage ratio calculated in accordance with the provisions of CRR Regulation and Commission Delegated Regulation (EU) 2015/62 of 10 October 2014, amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio, including fully phased-in definition of Tier I capital, amounted to 5.6% as at 31 December 2024 (31 December 2023: 5.3%).

The Group is also subject to the requirements for own funds and eligible liabilities ("MREL") referred to in Article 98(1) of the BFG Act, transposing the provisions of Article 45 of the Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms in this respect. As at 31 December 2024 the Group met the applicable minimum requirements.

### Own Funds

In accordance with the CRR Regulation, the consolidated own funds consist of consolidated Common Equity Tier I capital, consolidated Additional Tier I capital and consolidated Tier II capital.

Common Equity Tier I capital of mBank Group contains:

- capital instruments and the related share premium accounts,
- retained earnings,
- accumulated other comprehensive income and other reserves,
- funds for general banking risk,
- independently reviewed interim profits net of any foreseeable charge or dividend,
- regulatory adjustments.

Additional Tier I capital of mBank contains value of capital bonds issued included in Additional equity components.

Tier II capital of mBank Group contains capital instruments and the related share premium accounts (subordinated liabilities including amortization during the last five years to the maturity of the instruments concerned).

The consolidated own funds of mBank Group as at 31 December 2024 amounted to PLN 16 201 233 thousand, Tier I capital of mBank Group amounted to PLN 14 843 086 thousand while the consolidated Common Equity Tier I capital of mBank Group amounted to PLN 13 343 086 thousand (as at 31 December 2023 respectively: PLN 14 730 102 thousand, PLN 12 719 997 thousand and PLN 12 719 997 thousand).

In connection with the issue of capital bonds of mBank of 6 December 2024, as at 31 December 2024 value of the additional Tier I capital amounted to PLN 1 500 000 thousand.

## Total risk exposure amount (TREA)

The total risk exposure amount of mBank Group contains:

- risk weighted exposure amounts for credit risk, counterparty credit risk, securitisation transactions, dilution risk and free deliveries,
- risk exposure amount for market risk, including position risk, foreign exchange risk and commodities risk,
- risk exposure amount for operational risk,
- risk exposure amount for credit valuation adjustment,
- other risk exposure.

As at 31 December 2024 the AIRB approach was applied to the calculation of own funds requirements for credit and counterparty credit risk for the following portfolios:

- mBank corporate portfolio,
- mBank retail mortgage loan portfolio,
- mBank real estate-related specialised lending exposures for income properties (IRB slotting approach),
- mBank retail non-mortgage exposures,
- mBank retail microenterprises mortgage loan portfolio,
- other commercial banks exposures,
- credit exposures of subsidiary - mLeasing Sp. z o.o.

In the fourth quarter of 2024 the Bank has implemented the final decision of the banking authorities regarding the material changes in the models of all parameters: PD, CCF and LGD, in the portfolios subject to the AIRB method.

The total risk exposure amount of mBank Group as at 31 December 2024 amounted to PLN 102 215 740 thousand, including PLN 87 362 129 thousand of risk exposure amount for credit risk, counterparty credit risk (31 December 2023: PLN 86 460 843 thousand and PLN 73 164 652 thousand respectively).

## ICAAP process and Internal capital

The ICAAP (Internal Capital Adequacy Assessment Process) implemented in mBank Group aims at adjusting capital resources to the level and the risk profile arising from mBank Group's operations.

These resources are at a safe level. In the regulatory approach, the value of the Group's own funds is above the value required to cover the Group's total capital requirement determined pursuant to the CRR Regulation. Similarly, in the economic approach, capital resources in the form of own funds or risk coverage potential are higher than the value of internal capital estimated for the Group pursuant to the Regulation of the Minister of Finance, Funds and Regional Policy of 27 July 2021 on the detailed manner of estimation of internal capital and the bank's review of the strategy and procedures for the estimation and ongoing maintenance of internal capital.

CAPITAL ADEQUACY	31.12.2024	31.12.2023
<b>Common Equity Tier I Capital</b>	<b>13 343 086</b>	<b>12 719 997</b>
<b>Tier I capital</b>	<b>14 843 086</b>	<b>12 719 997</b>
<b>Total Own Funds</b>	<b>16 201 233</b>	<b>14 730 102</b>
Risk weighted exposure amounts for credit, counterparty credit, dilution risk and free deliveries, including:	87 362 129	73 164 652
- under standardised approach	26 854 206	24 713 979
- under AIRB approach	55 479 420	45 676 999
- securitisation transactions	5 023 261	2 770 103
- risk exposure amount for contributions to the default fund of a CCP	5 242	3 571
Total risk exposure amount for position, foreign exchange and commodities risks	1 138 790	1 284 883
Total risk exposure amount for operational risks	13 548 283	11 852 173
Total risk exposure amount for credit valuation adjustments	166 538	159 135
<b>Total risk exposure amount</b>	<b>102 215 740</b>	<b>86 460 843</b>
<b>Common Equity Tier I capital ratio</b>	<b>13.1%</b>	<b>14.7%</b>
<b>Tier I capital ratio</b>	<b>14.5%</b>	<b>14.7%</b>
<b>Total capital ratio</b>	<b>15.9%</b>	<b>17.0%</b>

<b>OWN FUNDS</b>	<b>31.12.2024</b>	<b>31.12.2023</b>
<b>Common Equity Tier I (CET1) capital before regulatory adjustments</b>	<b>15 280 992</b>	<b>13 853 740</b>
Capital instruments and the related share premium accounts	3 625 801	3 616 058
Retained earnings, including:	542 516	580 018
- profit from the previous years	542 516	580 018
Accumulated other comprehensive income (and other reserves)	8 701 679	8 361 177
Funds for general banking risk	1 153 753	1 153 753
Independently reviewed interim profits net of any foreseeable charge or dividend	1 257 243	142 734
<b>Common Equity Tier I (CET1) capital: regulatory adjustments</b>	<b>(1 937 906)</b>	<b>(1 133 743)</b>
Additional value adjustments (negative amount)	(40 150)	(43 612)
Intangible assets (net of related tax liability) (negative amount)	(1 294 385)	(1 078 269)
Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	122 478	308 072
Negative amounts resulting from the calculation of expected loss amounts	(370 809)	-
Exposure amount of the securitisation positions (negative amount) which qualify for a RW of 1 250%, where the institution opts for the deduction alternative	(39 697)	(18 647)
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(85 826)	(98 746)
Losses for the current financial year (negative amount)	-	(118 680)
Other regulatory adjustments	(229 517)	(83 861)
<b>Common Equity Tier I (CET1) capital</b>	<b>13 343 086</b>	<b>12 719 997</b>
<b>Additional Tier I (AT1) capital</b>	<b>1 500 000</b>	<b>-</b>
<b>Tier I capital (T1 = CET1 + AT1)</b>	<b>14 843 086</b>	<b>12 719 997</b>
<b>Tier II (T2) capital before regulatory adjustments</b>	<b>1 358 147</b>	<b>2 010 105</b>
Capital instruments and the related share premium accounts	1 358 147	1 874 027
Credit risk adjustments	-	136 078
<b>Tier II (T2) capital: regulatory adjustments</b>	<b>-</b>	<b>-</b>
<b>Tier II (T2) capital</b>	<b>1 358 147</b>	<b>2 010 105</b>
<b>Total capital (TC = T1 + T2)</b>	<b>16 201 233</b>	<b>14 730 102</b>

#### 49. Events after the balance sheet date

As of the date of publication of these Consolidated Financial Statements of mBank S.A. Group for 2024 there were no significant events after the balance sheet date.