

# **mBank S.A. Group Consolidated Financial Report for the third quarter of 2023**



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

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Selected financial data

(PLN thousand)

**SELECTED FINANCIAL DATA**

The selected financial data presented below are supplementary information to the condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2023 and to the condensed stand-alone financial statements of mBank S.A. for the third quarter of 2023.

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

SELECTED FINANCIAL DATA FOR THE GROUP	PLN thousand		EUR thousand	
	Period from 01.01.2023 to 30.09.2023	Period from 01.01.2022 to 30.09.2022 - restated	Period from 01.01.2023 to 30.09.2023	Period from 01.01.2022 to 30.09.2022 - restated
I. Interest income	11 132 689	5 941 432	2 432 152	1 267 370
II. Fee and commission income	2 246 379	2 283 367	490 765	487 066
III. Net trading income	(3 210)	70 087	(701)	14 950
IV. Operating profit	1 565 038	(608 596)	341 913	(129 820)
V. Profit / (loss) before income tax	1 007 640	(1 112 444)	220 139	(237 296)
VI. Net profit / (loss) attributable to Owners of mBank S.A.	44 321	(1 537 207)	9 683	(327 903)
VII. Net profit / (loss) attributable to non-controlling interests	(26)	145	(6)	31
VIII. Net cash flows from operating activities	1 386 251	12 372 518	302 853	2 639 189
IX. Net cash flows from investing activities	(455 166)	(347 951)	(99 440)	(74 222)
X. Net cash flows from financing activities	2 216 658	(3 973 600)	484 272	(847 611)
XI. Total net increase / decrease in cash and cash equivalents	3 147 743	8 050 967	687 686	1 717 356
XII. Basic earnings / (loss) per share (in PLN/EUR)	1.04	(36.26)	0.23	(7.73)
XIII. Diluted earnings / (loss) per share (in PLN/EUR)	1.04	(36.20)	0.23	(7.72)
XIV. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE GROUP	PLN thousand		EUR thousand	
	As at		As at	
	30.09.2023	31.12.2022	30.09.2023	31.12.2022
I. Total assets	225 389 156	209 892 113	48 621 356	44 754 070
II. Amounts due to other banks	3 520 323	3 270 223	759 410	697 291
III. Amounts due to customers	185 109 361	174 130 914	39 932 126	37 128 918
IV. Equity attributable to Owners of mBank S.A.	13 687 742	12 713 001	2 952 744	2 710 719
V. Non-controlling interests	2 012	2 030	434	433
VI. Share capital	169 861	169 734	36 643	36 191
VII. Number of shares	42 465 167	42 433 495	42 465 167	42 433 495
VIII. Book value per share (in PLN/EUR)	322.33	299.60	69.53	63.88
IX. Total capital ratio (%)	16.9	16.4	16.9	16.4
X. Common Equity Tier I capital ratio (%)	14.6	13.8	14.6	13.8

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

SELECTED FINANCIAL DATA FOR THE BANK	PLN thousand		EUR thousand	
	Period from 01.01.2023 to 30.09.2023	Period from 01.01.2022 to 30.09.2022 - restated	Period from 01.01.2023 to 30.09.2023	Period from 01.01.2022 to 30.09.2022 - restated
I. Interest income	10 498 735	5 724 987	2 293 652	1 221 200
II. Fee and commission income	2 088 214	2 132 456	456 211	454 875
III. Net trading income	(5 539)	44 463	(1 210)	9 484
IV. Operating profit	1 303 951	(337 447)	284 873	(71 981)
V. Profit (loss) before income tax	950 425	(1 046 855)	207 639	(223 305)
VI. Net profit (loss)	56 356	(1 521 360)	12 312	(324 522)
VII. Cash flows from operating activities	660 366	10 838 930	144 270	2 312 058
VIII. Cash flows from investing activities	(376 233)	(291 070)	(82 195)	(62 088)
IX. Cash flows from financing activities	2 977 621	(2 462 569)	650 519	(525 292)
X. Net increase / decrease in cash and cash equivalents	3 261 754	8 085 291	712 593	1 724 678
XI. Basic earnings / (losses) per share (in PLN/EUR)	1.33	(35.88)	0.29	(7.65)
XII. Diluted earnings / (losses) per share (in PLN/EUR)	1.33	(35.82)	0.29	(7.64)
XIII. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE BANK	PLN thousand		EUR thousand	
	As at		As at	
	30.09.2023	31.12.2022	30.09.2023	31.12.2022
I. Total assets	220 793 612	203 975 778	47 629 997	43 492 564
II. Amounts due to other banks	3 533 734	3 305 751	762 303	704 866
III. Amounts due to customers	185 019 050	174 000 911	39 912 643	37 101 199
IV. Equity	13 810 097	12 497 196	2 979 139	2 664 704
V. Registered share capital	169 861	169 734	36 643	36 191
VI. Number of shares	42 465 167	42 433 495	42 465 167	42 433 495
VII. Book value per share (in PLN/EUR)	325.21	294.51	70.15	62.80
VIII. Total capital ratio (%)	19.7	19.4	19.7	19.4
IX. Common Equity Tier I capital ratio (%)	17.0	16.4	17.0	16.4

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

- for items of the statement of financial position – exchange rate announced by the National Bank of Poland as at 30 September 2023: 1 EUR = 4.6356 PLN, 31 December 2022: EUR 1 = 4.6899 PLN;
- for items of the income statement – exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of three quarters of 2023 and 2022: EUR 1 = 4.5733 PLN and EUR 1 = 4.6880 PLN, respectively.

**CONTENTS**

**INTRODUCTION ..... 7**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MBANK S.A. GROUP FOR THE THIRD QUARTER OF 2023 ..... 21**

CONDENSED CONSOLIDATED INCOME STATEMENT .....21

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....23

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....24

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS .....25

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS .....26

1. *Information regarding the Group of mBank S.A.* .....26
2. *Description of relevant accounting policies* .....28
3. *Major estimates and judgments made in connection with the application of accounting policy principles* .....37
4. *Business segments* .....39
5. *Net interest income* .....43
6. *Net fee and commission income* .....44
7. *Dividend income* .....44
8. *Net trading income* .....45
9. *Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss* .....45
10. *Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss* .....45
11. *Other operating income* .....46
12. *Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss* .....46
13. *Overhead costs* .....47
14. *Other operating expense* .....47
15. *Earnings / (losses) per share* .....48
16. *Financial assets and liabilities held for trading and derivatives held for hedges* .....48
17. *Non-trading financial assets mandatorily at fair value through profit or loss* .....53
18. *Financial assets at fair value through other comprehensive income* .....53
19. *Financial assets at amortised cost* .....55
20. *Non-current assets and disposal groups classified as held for sale and liabilities held for sale* .....59
21. *Intangible assets* .....60
22. *Tangible assets* .....60
23. *Investment properties* .....60
24. *Financial liabilities measured at amortised cost* .....61
25. *Provisions* .....62
26. *Assets and liabilities for deferred income tax* .....65
27. *Retained earnings* .....65
28. *Other components of equity* .....66
29. *Fair value of asset and liabilities* .....66
30. *Legal risk related to mortgage and housing loans granted to individual customers in CHF* .....73

SELECTED EXPLANATORY INFORMATION .....80

1. *Compliance with international financial reporting standards* .....80
2. *Consistency of accounting principles and calculation methods applied to the drafting of the quarterly report and the last annual financial statements* .....80
3. *Seasonal or cyclical nature of the business* .....80
4. *Nature and values of items affecting assets, liabilities, equity, net profit/loss or cash flows, which are extraordinary in terms of their nature, magnitude or exerted impact* .....80
5. *Nature and amounts of changes in estimate values of items, which were presented in previous interim periods of the current reporting year, or changes of accounting estimates indicated in prior reporting years, if they bear a substantial impact upon the current interim period* .....80
6. *Issues, redemption and repayment of non-equity and equity securities* .....80
7. *Dividends paid (or declared) altogether or broken down by ordinary shares and other shares* .....80
8. *Significant events after the end of the third quarter of 2023, which are not reflected in the financial statements* .....81

9.	<i>Effect of changes in the structure of the entity in the third quarter of 2023, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities</i> .....	81
10.	<i>Changes in contingent liabilities and commitments</i> .....	81
11.	<i>Write-offs of the value of inventories down to net realisable value and reversals of such write-offs</i> .....	81
12.	<i>Revaluation write-offs on account of impairment of tangible fixed assets, intangible assets, or other assets as well as reversals of such write-offs</i> .....	81
13.	<i>Revaluation write-offs on account of impairment of financial assets</i> .....	81
14.	<i>Reversals of provisions against restructuring costs</i> .....	81
15.	<i>Acquisitions and disposals of tangible fixed asset items</i> .....	81
16.	<i>Material liabilities assumed on account of acquisition of tangible fixed assets</i> .....	81
17.	<i>Information about changing the process (method) of measurement the fair value of financial instruments</i> .....	81
18.	<i>Changes in the classification of financial assets due to changes of purpose or use of these assets</i> .....	81
19.	<i>Corrections of errors from previous reporting periods</i> .....	81
20.	<i>Information on changes in the economic situation and operating conditions that have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are measured at fair value or at the adjusted purchase price (amortised cost)</i> .....	81
21.	<i>Default or infringement of a loan agreement or failure to initiate composition proceedings</i> .....	81
22.	<i>Position of the management on the probability of performance of previously published profit/loss forecasts for the year in light of the results presented in the quarterly report compared to the forecast</i> .....	82
23.	<i>Registered share capital</i> .....	82
24.	<i>Material share packages</i> .....	82
25.	<i>Change in the Bank shares and rights to shares held by managers and supervisors</i> .....	83
26.	<i>Proceedings before a court, arbitration body or public administration authority</i> .....	83
27.	<i>Off-balance sheet liabilities</i> .....	86
28.	<i>Transactions with related entities</i> .....	86
29.	<i>Credit and loan guarantees, other guarantees granted of significant value</i> .....	87
30.	<i>Other information which the issuer deems necessary to assess its human resources, assets, financial position, financial performance and their changes as well as information relevant to an assessment of the issuer's capacity to meet its liabilities</i> .....	87
31.	<i>Factors affecting the results in the coming quarter</i> .....	88
32.	<i>Other information</i> .....	88
33.	<i>Events after the balance sheet date</i> .....	89

**CONDENSED STAND-ALONE FINANCIAL STATEMENT OF MBANK S.A. FOR THE THIRD QUARTER OF 2023 ..... 90**

CONDENSED STAND-ALONE INCOME STATEMENT .....	90
CONDENSED STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME .....	91
CONDENSED STAND-ALONE STATEMENT OF FINANCIAL POSITION .....	92
CONDENSED STAND-ALONE STATEMENT OF CHANGES IN EQUITY .....	93
CONDENSED STAND-ALONE STATEMENT OF CASH FLOW .....	94
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS .....	95
1. <i>Description of relevant accounting policies</i> .....	95
2. <i>Major estimates and judgments made in connection with the application of accounting policy principles</i> .....	102
SELECTED EXPLANATORY INFORMATION .....	104
1. <i>Compliance with international financial reporting standards</i> .....	104
2. <i>Consistency of accounting principles and calculation methods applied to the drafting of the quarterly report and the last annual financial statements</i> .....	104
3. <i>Seasonal or cyclical nature of the business</i> .....	104
4. <i>Nature and values of items affecting assets, liabilities, equity, net profit/(loss) or cash flows, which are extraordinary in terms of their nature, magnitude or exerted impact</i> .....	104
5. <i>Nature and amounts of changes in estimate values of items, which were presented in previous interim periods of the current reporting year, or changes of accounting estimates indicated in prior reporting years, if they bear a substantial impact upon the current interim period</i> .....	104
6. <i>Issues, redemption and repayment of non-equity and equity securities</i> .....	105
7. <i>Dividends paid (or declared) altogether or broken down by ordinary shares and other shares</i> .....	105
8. <i>Income and profit by business segments</i> .....	105

9.	<i>Significant events after the end of the third quarter of 2023, which are not reflected in the financial statements.....</i>	105
10.	<i>Effect of changes in the structure of the entity in the third quarter of 2023, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities.....</i>	105
11.	<i>Changes in contingent liabilities and commitments.....</i>	105
12.	<i>Write-offs of the value of inventories down to net realisable value and reversals of such write-offs....</i>	105
13.	<i>Revaluation write-offs on account of impairment of tangible fixed assets, intangible assets, or other assets as well as reversals of such write-offs.....</i>	105
14.	<i>Revaluation write-offs on account of impairment of financial assets.....</i>	106
15.	<i>Reversals of provisions against restructuring costs.....</i>	106
16.	<i>Acquisitions and disposals of tangible fixed asset items.....</i>	106
17.	<i>Material liabilities assumed on account of acquisition of tangible fixed assets.....</i>	106
18.	<i>Information about changing the process (method) of measurement the fair value of financial instruments.....</i>	106
19.	<i>Changes in the classification of financial assets due to changes of purpose or use of these assets ....</i>	106
20.	<i>Corrections of errors from previous reporting periods.....</i>	106
21.	<i>Information on changes in the economic situation and operating conditions that have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are measured at fair value or at the adjusted purchase price (amortised cost).....</i>	106
22.	<i>Default or infringement of a loan agreement or failure to initiate composition proceedings.....</i>	106
23.	<i>Position of the management on the probability of performance of previously published profit/loss forecasts for the year in light of the results presented in the quarterly report compared to the forecast.....</i>	106
24.	<i>Registered share capital.....</i>	107
25.	<i>Material share packages.....</i>	107
26.	<i>Earnings per share.....</i>	108
27.	<i>Proceedings before a court, arbitration body or public administration authority.....</i>	108
28.	<i>Legal risk related to mortgage and housing loans granted to individual customers in CHF.....</i>	108
29.	<i>Off-balance sheet liabilities.....</i>	108
30.	<i>Transactions with related entities.....</i>	108
31.	<i>Credit and loan guarantees, other guarantees granted of significant value.....</i>	109
32.	<i>Fair value of assets and liabilities.....</i>	109
33.	<i>Other information which the issuer deems necessary to assess its human resources, assets, financial position, financial performance and their changes as well as information relevant to an assessment of the issuer's capacity to meet its liabilities.....</i>	116
34.	<i>Factors affecting the results in the coming quarter.....</i>	116
35.	<i>Other information.....</i>	117
36.	<i>Events after the balance sheet date.....</i>	117

## INTRODUCTION

mBank Group delivered very good operating results in Q3 2023. In the period under review, mBank Group recorded a profit before tax of PLN 462.3 million and net loss attributable to mBank shareholders amounted to PLN -83.0 million. The results were negatively impacted by the cost of legal risk related to foreign currency loans and high effective tax rate.

**The gross profit of the core business** (results of mBank Group excluding the results of the FX Mortgage Loans segment) reached PLN 1 557.4 million in Q3 2023, which translated into net ROE of 31.1%.

The main factors determining the Group's financial results in Q3 2023 were as follows:

- **Higher total income** at the level of PLN 2 707.7 million, up by 0.5% compared to Q2 2023, thanks to increase of net interest income.
- **Increase in operating costs** (including depreciation) compared to the previous quarter to the level of PLN 719.2 million due to the higher personnel costs, while material costs decreased.
- **Increase in the cost of risk** to the level of PLN 258.0 million or 87 b.p. compared to 64 b.p. in the previous quarter.
- **Costs of legal risk related to foreign currency loans** stood at PLN 1 083.5 million in Q3 2023.
- **Increase in taxes on the Group's balance sheet items** compared to Q4 2022 to PLN 184.7 million.
- **Higher income tax** mainly due to the cost of legal risk related to foreign currency loans.
- **Continued organic growth and business expansion** as demonstrated by:
  - **increase in the number of retail customers** to 5 702.2 thou. (+26.3 thou. clients compared to the end of June 2023),
  - **increase in the number of corporate customers** to 34 021 (+352 clients compared to the end of June 2023).

**Net loans and advances to customers** amounted to PLN 117 805.1 million at the end of September 2023. It stood at a similar level compared to end of June 2023 (decrease by PLN 514.0 million or -0.4% quarter on quarter).

In Q3 2023, **amounts due to customers**, the main source of funding for the mBank Group's business, rose by PLN 8 446.9 million or +4.8% quarter on quarter to PLN 185 109.4 million.

As a consequence, Loan-to-deposit ratio decreased to 63.6% compared to 67.0% at the end of June 2023.

In Q3, the Bank completed its second and largest so far issuance of green Non-Preferred Senior (NPS) bonds under the Bank's EMTN programme with a total nominal value of EUR 750 million. Prior to transaction launch, mBank obtained Pre-issuance Verification Report from ESG research and rating agency Sustainalytics and Certification from the Climate Bonds Initiative. mBank will use the net proceeds of this Green Bond transaction to finance or refinance green residential buildings and Renewable Energy Projects (wind farms and photovoltaic installations). Furthermore, the Bank conducted the largest ever in Central Eastern Europe settlement of a synthetic securitisation transaction referencing a portfolio of retail non-mortgage loans denominated in PLN with a total value of PLN 9 962.8 million as of 30 June 2023. The transaction will improve the Common Equity Tier 1 (CET1) ratio by approximately 0.9 p.p., when referenced to reported figures for mBank Group at the end of June 2023. The majority of the impact was recognised in the results for Q3 2023 and the full effect is expected in Q4 2023.

mBank Group's capital ratios slightly increased in Q3 2023 compared to the end of June 2023. Total Capital Ratio stood at 16.9% at the end of September 2023, while Common Equity Tier 1 capital ratio amounted to 14.6%. In the period under review, own funds and total risk exposure amount slightly increased. At the same time, surplus over the PFSA capital requirements rose to 4.6 p.p. over the Tier 1 capital ratio and 4.6 p.p. over the total capital ratio.

## mBank S.A. Group

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

### Summary of results of mBank Group core business in Q3 2023

PLN million	Core business	Non-core	mBank Group
Net interest income	2 277.8	6.8	2 284.7
Net fee, trading and other income	442.9	-19.9	423.0
<b>Total income</b>	<b>2 720.7</b>	<b>-13.0</b>	<b>2 707.7</b>
<b>Total costs</b>	<b>-716.1</b>	<b>-3.1</b>	<b>-719.2</b>
Net impairment losses and fair value change on loans and advances	-268.0	10.0	-258.0
Cost of legal risk related to FX loans	0.0	-1 083.5	-1 083.5
<b>Operating profit</b>	<b>1 736.7</b>	<b>-1 089.7</b>	<b>647.0</b>
Taxes on the Group balance sheet items	-179.3	-5.4	-184.7
<b>Profit/loss before income tax</b>	<b>1 557.4</b>	<b>-1 095.1</b>	<b>462.3</b>
<b>Net profit/loss</b>	<b>1 012.1</b>	<b>-1 095.1</b>	<b>-83.0</b>
<b>Total assets</b>	<b>220 499.9</b>	<b>4 889.3</b>	<b>225 389.2</b>
Net interest margin	4.36%		4.26%
Cost/Income ratio	26.3%		26.6%
ROE net	31.1%		-2.4%
ROA net	1.9%		-0.1%

**Core business** – results of mBank Group excluding the FX Mortgage Loans segment.

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

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

**Net interest margin** – calculated by dividing net interest income by average interest earning assets. Net interest income calculated for the purpose of net interest margin excludes gains or losses on modification. Gains or losses on modification includes costs of credit holidays. Interest earning assets are a sum of cash and balances with the Central Bank, loans and advances to banks, debt securities (in all valuation methods) and loans and advances to customers (net; in all valuation methods). The average interest earning assets are calculated on the basis of the balances as at the end of each month. Net interest income is annualised based on the number of days in the analysed period (an annualisation factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

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

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

**ROA net** - calculated by dividing net profit/loss attributable to Owners of the Bank by the average total assets. The average total assets are calculated on the basis of the balances as at the end of each month. Net profit/loss attributable to Owners of the Bank is annualised based on the number of days in the analysed period (an annualisation factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

### Awards and distinctions received in Q3 2023

For the eleventh time in a row mBank won the special "The Best of the Best" award in the latest edition of The Best Annual Report contest organised by the Institute of Accountancy and Taxes (Instytut Rachunkowości i Podatków – IRiP). The accolade was granted for the best annual report in the financial institutions category. We were also awarded a distinction for the best Statement on Application of Corporate Governance Principles in the plebiscite. mBank's reports have been appreciated by market commentators each year, which proves their highly practical usefulness for shareholders and investors.

mBank is one of two Polish institutions which have been included on the list of the top global fintech companies. The list, composed of 200 organizations, has been compiled by the CNBC television. The catalogue was created based on the cooperation with independent research company Statista and voluntary surveys. Statista analysed over 1 500 firms across nine different market segments, evaluating each one against a set of key performance indicators, including revenue, user numbers, and total funding raised. Indexed fintech companies have been divided into nine categories: Neobanking, Digital payments, Digital assets, Digital financial planning, Digital wealth management, Alternate financing, Alternate lending, Digital banking solutions, Digital business solutions.

In the 27th edition of the consumers' Ranking of Banks published by the Financial Monthly BANK magazine, mBank placed 1st. The assessment covered ten largest Polish banks. The institutions were ranked based on the sentiment of customers aged 26 and younger. Top score in nine out of sixteen evaluated categories placed mBank on the first place overall in the ranking. In four other categories, mBank came in the top three.



Paynow payment gateway won the 11<sup>th</sup> edition of e-Commerce Polska Awards in the Innovative e-payment solution category. mBank designed the payment gateway in line with the latest trends in e-commerce. The payment gateway distinguishes itself by being tailored to the customers' needs, its comprehensive support, convenient and fast implementation of this service, security guaranteed by mBank as well as high efficiency and reliability. mBank aims to ensure 100% of payments made via the gateway to be finalised, thanks to simplifying the payment process. The award was collected by mBank and its subsidiary: mElements S.A.

### **Economy and the banking sector in Q3 2023**

Inflation continued to be the main issue in the domestic economy in the third quarter. CPI slowed to 8.2% in September from a peak of 18.4% in February. Core inflation, which excludes energy and food prices, also began to lose momentum. It fell to 8.2% in September, having peaked at 12.3% in March. The Bank expects these trends to continue until the end of the year, although it should be kept in mind that the disinflationary process is gradually coming to an end. Excluding the September data, which were heavily influenced by administrative measures, the momentum of core price growth is still far away from being in line with the NBP's inflation target. In the Bank's view, further rapid disinflation in 2024 will be difficult given the still high growth of nominal wages, expansionary fiscal policy (disposable income growth) or a gradual recovery in economic activity. As a result, the Bank forecasts average annual inflation of 11.7% in 2023 and 8.1% in 2024.

High inflation weighed on the real economic sphere in the first half of the year. Consequently, the first two quarters of 2023 probably established a trough in terms of economic activity. Monthly data show a very slow improvement since the third quarter. The biggest improvement was seen in retail sales, which began to be supported by falling inflation and, consequently, real wage growth again. A major recovery in industrial production has not been observed so far, which is probably largely due to weakness abroad. Finally, construction output also picked up in August. Given the increasingly less restrictive monetary policy, combined with the 2% safe credit program, it appears that activity in this part of the economy will continue to improve. Consumers will also be supported next year by a solid increase in the minimum wage (for the second year in a row), as well as the rather generous revaluation of the "Family 500 plus" program (an increase in the monthly benefit per child from PLN 500 to PLN 800). On the investment side, the Bank expects growth to slow down. Funds from the Recovery Fund (whose arrival could unleash investment projects) are a risk factor in this area. As a result, the Bank expects GDP growth of 0.4% in 2023 and 3.1% in 2024.

At the end of the third quarter and the beginning of the fourth quarter, the Monetary Policy Council decided to lower interest rates by a total of 100 basis points. As a result, the key interest rate after the October meeting is 5.75%. Given the central Bank's rhetoric, the mild monetary easing cycle can be expected to continue in the coming months. The market is of a similar opinion, although the extent of the priced in rate cuts is too high, according to the Bank. The Bank forecasts another 75 bp of cuts in the coming months, supported by a further decline in inflation. By mid-2024, the Bank expects the monetary easing cycle to be reversed and a relapse of inflation may force the Monetary Policy Council to raise rates again.

The zloty was relatively stable against the euro in the first three months of the year, with the exception of a weakening episode in February (the effect of the dollar's appreciation in the broad market). The following months saw a strengthening of the domestic currency, probably facilitated by the conversion of foreign currencies back into zlotys (counter transactions had been made previously as a result of the outbreak of war in Ukraine). The situation on the zloty market changed dramatically in early September, when the Monetary Policy Council made a much larger than expected cut in interest rates. The decision led to a temporary 5% depreciation of the zloty against the euro. The exchange rate subsequently subsided as expectations of interest rate cuts in Poland faded. Yields on domestic government bonds temporarily declined at the beginning of the third quarter, although they rose again towards the end of the period. This was supported by the behaviour of the core markets. The expansionary fiscal policy, the natural consequence of which is a sizeable budget deficit, was also not insignificant. This results in the need to issue a significant amount of Treasury securities on the domestic market in 2024. This situation is reflected in significantly higher credit risk embedded in PLN-denominated bonds (higher ASW spreads – Asset Swap spreads). In the near term, the Bank expects a lower growth rate in household and corporate deposits. As for loans, the Bank expects activity to recover, supported by lower interest rates, a strong labour market, and the "2% Safe Loan" programme.

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**Financial position of mBank Group in Q3 2023****Profit and Loss Account of mBank Group**

mBank Group's profit before tax in Q3 2023 amounted to PLN 462.3 million, and the net loss attributable to owners of mBank S.A. stood at PLN -83.0 million.

PLN M	Q2 2023	Q3 2023	Change in PLN M	Change in %
Interest income	3 657.1	3 836.9	179.8	4.9%
Interest expense	-1 456.5	-1 552.2	-95.8	6.6%
<b>Net interest income</b>	<b>2 200.6</b>	<b>2 284.7</b>	<b>84.1</b>	<b>3.8%</b>
Fee and commission income	748.0	760.6	12.7	1.7%
Fee and commission expense	-260.3	-277.9	-17.6	6.8%
<b>Net fee and commission income</b>	<b>487.6</b>	<b>482.7</b>	<b>-4.9</b>	<b>-1.0%</b>
<b>Core income</b>	<b>2 688.3</b>	<b>2 767.4</b>	<b>79.1</b>	<b>2.9%</b>
Dividend income	4.5	0.2	-4.3	-96.1%
Net trading income	-3.3	-7.1	-3.7	111.6%
Other income	3.6	0.2	-3.5	-95.3%
Other operating income	63.9	88.4	24.5	38.3%
Other operating expenses	-61.5	-141.3	-79.8	129.6%
<b>Total income</b>	<b>2 695.4</b>	<b>2 707.7</b>	<b>12.3</b>	<b>0.5%</b>
Net impairment losses and fair value change on loans and advances	-192.2	-258.0	-65.8	34.2%
Costs of legal risk related to foreign currency loans	-1 540.2	-1 083.5	456.7	-29.6%
Overhead costs and depreciation	-704.4	-719.2	-14.7	2.1%
<b>Operating profit or loss</b>	<b>258.6</b>	<b>647.0</b>	<b>388.4</b>	<b>150.2%</b>
Taxes on the Group balance sheet items	-182.7	-184.7	-2.0	1.1%
<b>Profit/Loss before income tax</b>	<b>75.8</b>	<b>462.3</b>	<b>386.5</b>	<b>509.6%</b>
Income tax expense	-91.3	-545.3	-454.1	497.4%
<b>Net profit/loss</b>	<b>-15.4</b>	<b>-83.0</b>	<b>-67.6</b>	<b>437.5%</b>
<b>- attributable to owners of mBank S.A.</b>	<b>-15.5</b>	<b>-83.0</b>	<b>-67.5</b>	<b>436.3%</b>
- non-controlling interests	0.0	0.0	0.0	-
ROA net	0.0%	-0.1%		
ROE gross	2.2%	13.2%		
ROE net	-0.4%	-2.4%		
Cost / Income ratio	26.1%	26.6%		
Net interest margin	4.3%	4.3%		
Common Equity Tier 1 ratio	14.5%	14.6%		
Total capital ratio	16.8%	16.9%		

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

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

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

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

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

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

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

## mBank S.A. Group

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

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

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

### Income of mBank Group

mBank Group generated total income of PLN 2 707.7 million in Q3 2023, which represents an increase by 0.5% quarter on quarter. The increase was driven by a higher net interest income.

**Net interest income** remained the main source of income of mBank Group in Q3 2023 and stood at PLN 2 284.7 million, which represents an increase by 3.8% quarter on quarter.

**Interest income** increased by PLN 179.8 million or 4.9% quarter on quarter. Income on loans and advances increased by PLN 67.6 million or 2.5% quarter on quarter. Income on investment securities increased by PLN 68.0 million or 10.6% due to the increase in the value of the debt securities portfolio and yield on such securities thanks to the change in its structure. Interest expense increased by PLN 95.8 million or 6.6% quarter on quarter, mainly due to higher deposit costs driven by its increasing volume.

**Net interest margin** of mBank Group slightly decreased quarter on quarter and amounted to 4.26% in Q3 2023 compared to 4.33% in the previous quarter.

**Net fee and commission income** was the second largest income line. It decreased marginally quarter on quarter (by PLN 4.9 million or -1.0%) and amounted to PLN 482.7 million.

**Fee and commission income** rose by PLN 12.7 million or 1.7% quarter on quarter. The largest increase was recorded in payment cards-related fees and commissions (up by PLN 7.3 million i.e. 4.2% quarter on quarter). Fees from brokerage activity and debt securities issue increased by PLN 5.2 million, or 14.5%.

Fee and commission expense in Q3 2023 was higher quarter on quarter by PLN 17.6 million or 6.8%, mainly due to increase of commissions paid to external entities for sale of the Group's products, payment cards-related fees and other discharged fees.

**Net trading income** decreased quarter on quarter and amounted to PLN -7.1 million. Foreign exchange result and gains or losses from hedge accounting decreased compared to the previous quarter, while gains or losses on financial assets and liabilities held for trading increased.

**Other income** (an item including gains or losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses on non-trading equity instruments and debt securities mandatorily measured at fair value through profit or loss) decreased quarter on quarter to PLN 0.2 million in Q3 2023 from PLN 3.6 million in Q2 2023.

**Net other operating income** amounted to PLN -53.0 million and decreased quarter on quarter. Other operating expenses were higher compared to the previous quarter due to increased legal provisions for legal risk related to two corporate clients.

### Costs of mBank Group

In Q3 2023, mBank Group continued its efforts to further increase efficiency as measured by the Cost/Income ratio. Total overhead costs of mBank Group (including depreciation) stood at PLN 719.2 million and increased quarter on quarter (by PLN 14.7 million i.e. 2.1%), mainly due to increase of staff-related expenses and depreciation, while material costs decreased. Cost efficiency remained excellent at 26.6%.

## mBank S.A. Group

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

PLN M	Q2 2023	Q3 2023	Change	PLN M
Staff-related expenses	-350.8	-365.8	-15.1	4.3%
Material costs, including:	-222.2	-213.5	8.7	-3.9%
- administration and real estate services costs	-89.0	-81.5	7.4	-8.4%
- IT costs	-62.8	-59.5	3.2	-5.2%
- marketing costs	-48.5	-48.8	-0.2	0.5%
- consulting costs	-18.0	-18.6	-0.6	3.5%
- other material costs	-4.0	-5.1	-1.1	27.7%
Taxes and fees	-10.4	-10.5	-0.1	1.2%
Contributions and transfers to the Bank Guarantee Fund	1.1	0.0	-1.1	-100.0%
Contributions to the Social Benefits Fund	-3.3	-3.1	0.2	-4.7%
Depreciation	-118.8	-126.2	-7.4	6.2%
<b>Cost / Income ratio</b>	<b>-704.4</b>	<b>-719.2</b>	<b>-14.7</b>	<b>2.1%</b>
Employment (FTE)	26.1%	26.6%	-	-
Staff-related expenses	7 171	7 218	48	0.7%

Staff-related expenses increased quarter on quarter by PLN 15.1 million i.e. 4.3% in Q3 2023 mainly due to higher cost of variable remuneration components and increase of FTEs. During the period under review, the number of FTEs in mBank Group increased by 48.

Material costs decreased by PLN 8.7 million i.e. 3.9% quarter on quarter in Q3 2023. During the period under review, mainly administration and property maintenance costs and IT costs decreased.

Depreciation increased by PLN 7.4 million or 6.2% quarter on quarter, driven by earlier investments.

Cost efficiency as measured by the Cost/Income ratio amounted to 26.6% in Q3 2023 compared to 26.1% in Q2 2023. The normalised Cost/Income ratio in Q3 2023 (including ¼ of the contribution to the resolution fund of the Bank Guarantee Fund and adjusted for the impact of "credit holidays") stood at 28.2% compared to 27.8% in Q2 2023.

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

In Q3 2023, net impairment losses and fair value change on loans and advances of mBank Group (calculated as the sum of two items: impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss) stood at PLN 258.0 million. Compared with the previous quarter, it increased by PLN 65.8 million or 34.2%. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss is related to the part of the portfolio of loans and advances measured at amortised cost. The item "gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss" is related to the credit risk of the portfolio of loans and advances measured with the use of that method.

PLN M	Q2 2023	Q3 2023	Change	PLN M
Retail Banking	-256.4	-174.2	82.2	-32.1%
Corporate and Investment Banking	46.2	-92.6	-138.8	+/-
FX Mortgage Loans	17.3	10.0	-7.3	-42.4%
Treasury and Other	0.7	-1.2	-1.9	+/-
<b>Total net impairment losses and fair value change on loans and advances</b>	<b>-192.2</b>	<b>-258.0</b>	<b>-65.8</b>	<b>34.2%</b>

Impairment on and change in the fair value of loans and advances in the Retail Banking segment decreased by 82.2 million compared to the previous quarter and amounted to PLN 174.2 million. In Q2 2023, the Bank updated macroeconomic scenario in risk parameters used in the models, which translated into higher cost of risk.

Impairment on and change in the fair value of loans and advances in the FX Mortgage Loans segment was positive and amounted to PLN 10.0 million. The release of provisions was driven by the increase of the cost of legal risk related to this portfolio and consequently the decline of the value of this portfolio.

Impairment on and change in the fair value of loans and advances in the Corporate and Investment Banking segment amounted to PLN 92.6 million, which represents an increase by PLN 138.8 million quarter on quarter. Realised lower impairment losses in Q2 2023 result mainly from efficient management of the debt

## mBank S.A. Group

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

collection and restructuring portfolio, which contributed to a release of part of previously created provisions. In Q3 2023, risk costs result mainly from created provisions for the default portfolio as well as the increase of the new acquisition.

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

Legal risk costs connected with foreign currency loans stood at PLN 1 083.5 million in Q3 2023. These costs were mainly driven by the updates to the expected distribution of court judgements, estimated cost of the settlement program, as well as amendments of other model and market parameters. More information about the method of calculating legal risk costs is provided in Note 30 to this report.

### Consolidated statement of financial position

The balance sheet total of mBank Group stood at PLN 225 389.2 million at the end of September 2023 and was higher compared with the end of June 2023, by 5.9%. The key driver of the dynamic on the asset side was the increase of the volume of investment securities and loans and advances to banks, including reverse repo transactions. On the total liabilities and equity side, the key drivers were inflow of deposits from clients and the issuance of green Non-Preferred Senior (NPS) bonds, which increased the volume of Liabilities from debt securities in issue.

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

### Assets of mBank Group

PLN M	30.09.2022	30.06.2023	30.09.2023	QoQ change	YoY change
Cash and balances with Central Bank	20 488.1	15 962.1	18 223.1	14.2%	-11.1%
Loans and advances to banks	9 654.1	11 927.8	18 323.6	53.6%	89.8%
Securities held for trading and derivative instruments	3 373.1	2 828.0	2 056.6	-27.3%	-39.0%
Net loans and advances to customers	125 289.5	118 319.0	117 805.1	-0.4%	-6.0%
Investment securities	39 999.6	56 677.1	61 852.8	9.1%	54.6%
Intangible assets	1 323.4	1 580.0	1 613.3	2.1%	21.9%
Tangible assets	1 464.9	1 455.0	1 438.3	-1.1%	-1.8%
Other assets	4 083.5	4 178.9	4 076.4	-2.5%	-0.2%
<b>Total assets</b>	<b>205 676.3</b>	<b>212 927.9</b>	<b>225 389.2</b>	<b>5.9%</b>	<b>9.6%</b>

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

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

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

Net loans and advances to customers were the largest asset category of mBank Group at the end of Q3 2023. As at the end of Q3 2023 their share in total assets amounted to 52.3% compared with 55.6% at the end of the previous quarter. At the end of Q3 2023, net loans and advances to customers (a total of loans and advances measured at amortised cost, loans and advances mandatorily measured at fair value through profit or loss, and loans and advances classified as assets held for trading) amounted to PLN 117 805.1 million, which represents a quarter on quarter decrease by PLN 514.0 million or -0.4%.

Gross loans to corporate entities marginally increased on a quarterly basis by 24.0 million and reached PLN 53 453.2 million (net of reverse repo/buy-sell-back transactions and the FX effect, loans and advances to corporate entities decreased by -0.9% quarter on quarter).

The sales of loans to corporate entities increased by 8.3% quarter on quarter and remained on a similar level compared to Q3 2022 (-0.8% year on year). It amounted to PLN 7 470.2 million in Q3 2023 (including new sales, limit increases, and renewals). Credit renewals continued to dominate the sales in Q3 2023. Their share in the total sales of corporate loans amounted to 61.3%. New sales of loans noted the steepest increase in the volume of sales (20.3% quarter on quarter). Sale of loans to K2 clients segment was the largest. It increased by 29.7% quarter on quarter to PLN 5 287.5 million.

The volume of loans to individuals decreased by PLN 325.5 million or -0.5% against the end of Q2 2023 to PLN 67 829.3 million. Gross mortgage and housing loans to individuals decreased by 1.2% quarter to quarter. The dynamics was largely impacted by the update of cash flow estimates related to CHF mortgage loans and the reduction of their gross carrying amount in accordance with IFRS 9.

## mBank S.A. Group

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

In Q3 2023, mBank Group sold PLN 785.8 million of mortgage loans, 32.4% less than in the previous quarter, and 20.1% less than in Q3 2022. The sales of mortgage loans slowed down due to expectations of clients for interest rate cuts (which materialised in September) and for mBank's participation in the "2% Safe Loan" programme. The sales of non-mortgage loans in Q3 2023 reached PLN 2 204.3 million, representing an increase by 8.6% compared with Q2 2023 and a similar level compared with Q3 2022 (-0.4% year on year).

Net of FX effect, loans to individuals decreased by 1.1% quarter on quarter.

At the end of Q3 2023, gross loans and advances to the public sector decreased by PLN 7.2 million, or -5.0% quarter on quarter and stood at PLN 136.4 million.

Investment securities were the second largest asset category at the end of Q3 2023. They accounted for 27.4% of total assets and stood at PLN 61 852.8 million. On a quarterly basis, investment securities increased quarter on quarter by PLN 5 175.7 million or 9.1%. The increase is associated, among other things, with the Bank's investment of funds, which customers have placed as deposits, in securities, in particular in treasury bonds and money bills.

Loans and advances to banks increased on a quarterly basis by PLN 6 395.8 million or 53.6%, mainly as a result of an increase in the value of reverse repo / buy-sell back transactions.

### mBank Group's total liabilities and equity

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

PLN M	30.09.2022	30.06.2023	30.09.2023	QoQ change	YoY change
Amounts due to other banks	3 716.5	3 204.4	3 520.3	9.9%	-5.3%
Amounts due to customers	170 252.7	176 662.5	185 109.4	4.8%	8.7%
Liabilities from debt securities in issue	9 511.5	8 157.1	11 958.3	46.6%	25.7%
Subordinated liabilities	2 807.8	2 685.4	2 746.8	2.3%	-2.2%
Other liabilities	7 908.9	8 748.8	8 364.6	-4.4%	5.8%
<b>Total Liabilities</b>	<b>194 197.3</b>	<b>199 458.2</b>	<b>211 699.4</b>	<b>6.1%</b>	<b>9.0%</b>
<b>Total Equity</b>	<b>11 478.9</b>	<b>13 469.7</b>	<b>13 689.8</b>	<b>1.6%</b>	<b>19.3%</b>
<b>Total Liabilities and Equity</b>	<b>205 676.3</b>	<b>212 927.9</b>	<b>225 389.2</b>	<b>5.9%</b>	<b>9.6%</b>

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

In Q3 2023, amounts due to customers, which are mBank Group's principal source of funding, rose by PLN 8 446.9 million or 4.8% quarter on quarter to the amount of PLN 185 109.4 million. The share of amounts due to customers in total liabilities and equity reached 82.1%, slightly lower compared with the end of Q2 2023 when it amounted to 83.0%.

Amounts due to individual customers increased by PLN 4 541.7 million or 3.6% compared with Q2 2023 and reached PLN 130 466.4 million at the end of September 2023. Current accounts rose quarter on quarter by PLN 5 716.5 million or 5.9%. Term deposits decreased by PLN 1 229.3 million or 4.2% on a quarterly basis.

Amounts due to corporate customers rose by PLN 3 985.6 million or 7.9% on a quarterly basis and amounted to PLN 54 200.6 million. On a quarterly basis, the Bank noted increase of funds in both current accounts and term deposits. Funds in current accounts increased by PLN 2 798.3 million or 7.6%. Term deposits increased by PLN 882.4 million quarterly, i.e. 7.3%.

Amounts due to the public sector stood at PLN 442.4 million at the end of Q3 2023, representing a quarter on quarter decrease by PLN 80.4 million (-15.4%). The magnitude of the decrease in Q3 2023 was attributable to the outflow of funds in term deposits (PLN -95.9 million or -87.5% quarter on quarter).

Another important liabilities and equity category constituted liabilities from debt securities in issue (5.3%). They increased on a quarterly basis by PLN 3 801.3 million or 46.6% to the level of PLN 11 958.3 million. In Q3 2023 the Bank completed an issuance of green Non-Preferred Senior bonds with nominal value of EUR 750 million and an issuance of Credit Linked Notes (CLN) with a nominal value of PLN 731 million related to a securitisation transaction.

Amounts due to other banks stood at PLN 3 520.3 million at the end of Q3 2023, accounting for 1.6% of total liabilities and equity of mBank Group. Compared with Q2 2023, this category went up by PLN 315.9 million or 9.9%.

## mBank S.A. Group

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

Total equity at the end of Q3 2023 amounted to PLN 13 689.8 million, representing an increase by 1.6% compared with end of June 2023. The share of equity in total liabilities and equity of mBank Group slightly decreased compared to the previous quarter and stood at 6.1% against 6.3% at the end of the previous quarter. The increase in equity compared to the end of June 2023 was positively influenced primarily by the increase of other equity items, including the following: valuation of debt securities measured at fair value through other comprehensive income (PLN +135.6 million quarter on quarter) and cash flow hedges (PLN +142.1 million quarter on quarter).

### Quality of the loan portfolio of mBank Group

As at 30 September 2023, the amount of non-performing receivables increased moderately compared with the previous quarter. At the same time, performing receivables decreased slightly. The NPL ratio increased on a quarterly basis and amounted to 4.2%.

The coverage ratio of non-performing receivables increased on a quarterly basis and amounted to 54.0% whereas the coverage ratio of non-performing receivables including impairment of performing loans increased to 72.5% compared to 71.0% at the end of June 2023.

PLN M	30.06.2023	30.09.2023	QoQ change
Impairment of non-performing loans	-2 648.7	-2 780.7	5.0%
Impairment of performing loans	-878.5	-954.4	8.6%
<b>Total impairment</b>	<b>-3 527.2</b>	<b>-3 735.2</b>	<b>5.9%</b>
<b>Non-performing receivables</b>	<b>4 966.1</b>	<b>5 153.9</b>	<b>3.8%</b>
<b>Performing receivables</b>	<b>116 876.3</b>	<b>116 387.2</b>	<b>-0.4%</b>
NPL ratio	4.1%	4.2%	
Coverage ratio of non-performing receivables	53.3%	54.0%	
Coverage ratio of non-performing receivables including impairment of performing receivables	71.0%	72.5%	

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

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

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

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

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

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

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

### Performance of segments and the business lines

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

PLN M	Q2 2023	Q3 2023	QoQ change
Retail Banking	852.2	1 002.5	17.6%
Corporate and Investment Banking	698.1	545.7	-21.8%
Treasury and Others	91.2	9.2	-89.9%
<b>Profit/loss before tax of core business</b>	<b>1 641.6</b>	<b>1 557.4</b>	<b>-5.1%</b>
FX Mortgage Loans	-1 565.8	-1 095.1	-30.1%
<b>Profit/loss before tax of mBank Group</b>	<b>75.8</b>	<b>462.3</b>	<b>509.6%</b>

## Retail Banking

mBank's Retail Banking segment serves 5 702 thousand individual clients and microenterprises in Poland, the Czech Republic and Slovakia online, directly through the call centre, via mobile banking and other state-of-the-art technological solutions, as well as in a network of 359 branches. The Bank offers a broad range of products and services including current and savings accounts, accounts for microenterprises, credit products, deposit products, payment cards, investment products, insurance products, brokerage services, and leasing for microenterprises.



### Key highlights

- Increase of total income by 5.4% to a record high of PLN 1 766.2 million and increase of profit before tax by 17.6% to PLN 1 002.5 million on a quarterly basis.

---

- Growth of retail deposits by 3.6% quarter on quarter to PLN 130 322.8 million in Poland and foreign branches.

---

- Growth of sale of non-mortgage loans by 8.6% quarter on quarter.

---

- Enabling clients to apply for the subsidised by the government "Safe 2% Loan" for residential properties. Significantly shorter time to decision and granting the loan compared to the competition, thanks to automation and digitisation of the process. Between 14 September, when mBank launched this product, and 30 September, clients submitted almost 2 300 applications.

---

- Increase in the share of sales in mobile channels in total non-mortgage loans sales to 61.0% at the end of September 2023, with an increase in the share of processes initiated by customers in digital channels to 87.4%.

---

- Increase of number of mBank retail clients to 5 702.2 thousand as well as increase of the number of mBank's mobile application users to 3 560.2 thousand.

---

- mBank continues to educate clients in the area of recognizing cybercrimes through the crime audio series "Jazgot" (Polish for "Clamor"). The series exposes investment scams promising "guaranteed high profit without risk". Anyone who saves and invests can be prone to them. The audio series is another initiative of mBank's flagship "Self-defence on the Web" campaign.

---

- Continued development of personal finance management functionalities (PFM) in mBank's mobile application, with increase of active users of PFM by 3.2% quarter on quarter. The newly released function which organises information on inflows and outflows from the account will facilitate controlling the home budget. Thanks to automatic analyses, mBank clients gained a set of information about their preferences and shopping habits, which will help them make informed financial decisions.

---

- mBank's market share in PLN mortgage loans to households kept at the level of 7.8%, slight decrease of share in non-mortgage loans to the level of 7.0% (0.1 p.p.) on a quarterly basis.

---

- Increase in market share of household current accounts to 9.4% (0.3 p.p. quarter on quarter)

### Key financial data:

PLN M	Q2 2023	Q3 2023	Change in PLN M	Change in %
Net interest income	1 401.2	1 476.7	75.5	5.4%
Net fee and commission income	253.3	247.3	-6.0	-2.4%
Net trading income	19.6	26.2	6.5	33.3%
Other income	3.9	-0.9	-4.8	+/-
Net other operating income	-2.0	16.9	18.9	-/+
<b>Total income</b>	<b>1 676.1</b>	<b>1 766.2</b>	<b>90.1</b>	<b>5.4%</b>
Net impairment losses and fair value change on loans and advances	-256.4	-174.2	82.2	-32.1%
Overhead costs and depreciation	-456.8	-474.7	-18.0	3.9%
Taxes on bank balance sheet items	-110.7	-114.7	-4.0	3.6%
<b>Profit/loss before tax of Retail Banking</b>	<b>852.2</b>	<b>1 002.5</b>	<b>150.3</b>	<b>17.6%</b>



## mBank S.A. Group

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

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

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

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

### Key business data (mBank and mBank Hipoteczny only):

thou.	30.09.2022	30.06.2023	30.09.2023	QoQ change	YoY change
<b>Number of retail clients, including:</b>	<b>5 645.9</b>	<b>5 675.9</b>	<b>5 702.2</b>	<b>0.5%</b>	<b>1.0%</b>
Poland	4 604.4	4 604.3	4 619.0	0.3%	0.3%
Foreign branches	1 041.6	1 071.5	1 083.2	1.1%	4.0%
<i>The Czech Republic</i>	723.7	748.7	757.7	1.2%	4.7%
<i>Slovakia</i>	317.9	322.9	325.5	0.8%	2.4%
Liczba użytkowników aplikacji	3 125,2	3 488,6	3 560,2	2,1%	13,9%
<i>Polska</i>	2 726,2	3 043,1	3 103,6	2,0%	13,8%
<i>Oddziały zagraniczne</i>	399,0	445,6	456,6	2,5%	14,4%
<b>PLN M</b>					
<b>Loans to retail clients, including:</b>	<b>73 495.3</b>	<b>68 643.9</b>	<b>68 283.8</b>	<b>-0.5%</b>	<b>-7.1%</b>
Poland	62 888.6	58 953.6	58 481.1	-0.8%	-7.0%
<i>mortgage loans</i>	43 567.1	40 464.7	39 936.5	-1.3%	-8.3%
<i>non-mortgage loans</i>	19 321.5	18 488.9	18 544.6	0.3%	-4.0%
Foreign branches	10 606.7	9 690.4	9 802.8	1.2%	-7.6%
<i>The Czech Republic</i>	7 334.1	6 719.3	6 706.1	-0.2%	-8.6%
<i>Slovakia</i>	3 272.7	2 971.1	3 096.6	4.2%	-5.4%
<b>Deposits of retail clients, including:</b>	<b>118 403.4</b>	<b>125 815.3</b>	<b>130 322.8</b>	<b>3.6%</b>	<b>10.1%</b>
Poland	101 024.0	109 115.2	113 318.7	3.9%	12.2%
Foreign branches	17 379.4	16 700.1	17 004.0	1.8%	-2.2%
<i>The Czech Republic</i>	12 342.7	12 063.9	12 299.1	1.9%	-0.4%
<i>Slovakia</i>	5 036.7	4 636.2	4 705.0	1.5%	-6.6%
<b>Investment assets of mBank's individual clients</b>	<b>17 402.6</b>	<b>20 807.8</b>	<b>20 780.0</b>	<b>-0.1%</b>	<b>19.4%</b>
<b>thou.</b>					
Credit cards, including:	363.0	361.6	362.9	0.4%	0.0%
<i>Poland</i>	327.8	326.4	327.6	0.4%	0.0%
<i>Foreign branches</i>	35.2	35.2	35.3	0.3%	0.3%
Debit cards, including:	4 739.0	5 058.0	5 153.1	1.9%	8.7%
<i>Poland</i>	4 026.2	4 247.2	4 326.8	1.9%	7.5%
<i>Foreign branches</i>	712.8	810.9	826.2	1.9%	15.9%

## mBank S.A. Group

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

### Corporate and Investment Banking

The Corporate and Investment Banking segment serves 34 021 corporate clients including large enterprises (K1 - annual sales exceeding PLN 1 billion and non-banking financial institutions), mid-sized enterprises (K2 - annual sales of PLN 50 million – 1 billion) and small enterprises (K3 - annual sales below PLN 50 million), through a network of dedicated 43 branches. mBank Group's offer of products and services for corporate clients focuses on traditional banking products and services (including corporate accounts, domestic and international money transfers, payment cards, cash services, and liquidity management products), corporate finance products, hedging instruments, equity capital market (ECM) services, debt capital market (DCM) instruments, mergers and acquisitions (M&A), leasing and factoring.



#### Key highlights

- Increase of net interest income by 6.8% to PLN 667.7 million, net fee and commission income by 1.5% to PLN 256.6 million and net trading income by 27.6% to PLN 68.5 million quarter on quarter.
- Growth of corporate loans by 8.3% quarter on quarter at the Bank level, supported by pronounced rebound of sale in the K2 clients segment (increase by 29.7% compared to Q2 2023).
- Growth of corporate deposits by 7.4% quarter on quarter and by 6.6% year on year at the Bank level, along an increase of market share in the corporate deposit market to 10.5% (0.1 p.p. on a quarterly basis).
- mBank Group's market share in corporate loans kept at the level of 8.0% quarter on quarter.
- 94.5% of corporate clients have at least one user of mBank's mobile application who logs in at least once a month. The number of mBank CompanyMobile users grew by 7.3% on a quarterly basis.
- An increase of +352 corporate customers in all three segments, thanks to the development of digital and mobile services for corporate customers and e-commerce support.
- 85.4% of new accounts among all corporate customers and 88.9% in the K3 segment were opened in Q3 2023 using digital process.
- In Q3 2023 mBank added new biometric identity verification to the existing options. It is addressed to representatives of clients who have an e-ID or passport from over 90 countries registered in the ICAO Public Key Directory (PKD), including Poland.

#### Key financial data:

##### Corporate and Investment Banking:

PLN M	Q2 2023	Q3 2023	Change in PLN M	Change in %
Net interest income	625.0	667.7	42.7	6.8%
Net fee and commission income	252.9	256.6	3.8	1.5%
Net trading income	53.7	68.5	14.8	27.6%
Other income	-1.5	2.2	3.7	-/+
Net other operating income	15.0	-65.5	-80.5	+/-
<b>Total income</b>	<b>945.0</b>	<b>929.5</b>	<b>-15.5</b>	<b>-1.6%</b>
Net impairment losses and fair value change on loans and advances	46.2	-92.6	-138.8	-/+
Overhead costs and depreciation	-232.8	-231.2	1.6	-0.7%
Taxes on bank balance sheet items	-60.3	-60.1	0.2	-0.3%
<b>Profit/loss before tax of Corporate and Investment Banking</b>	<b>698.1</b>	<b>545.7</b>	<b>-152.5</b>	<b>-21.8%</b>

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

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

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

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

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**Key business data (Bank only):**

	30.09.2022	30.06.2023	30.09.2023	QoQ change	YoY change
<b>Number of corporate clients, including:</b>	<b>33 014</b>	<b>33 669</b>	<b>34 021</b>	<b>1.0%</b>	<b>3.1%</b>
K1	2 225	2 327	2 346	0.8%	5.4%
K2	10 322	10 391	10 500	1.0%	1.7%
K3	20 467	20 951	21 175	1.1%	3.5%
<b>PLN M</b>					
<b>Loans to corporate clients, including:</b>	<b>35 398.0</b>	<b>36 508.7</b>	<b>36 027.4</b>	<b>-1.3%</b>	<b>1.8%</b>
K1	6 906.9	6 879.8	6 548.4	-4.8%	-5.2%
K2	22 392.2	22 889.6	23 110.9	1.0%	3.2%
K3	3 230.2	3 068.5	2 947.9	-3.9%	-8.7%
Reverse repo/buy-sell back transactions	2 868.6	3 670.8	3 420.3	-6.8%	19.2%
<b>Deposits of corporate clients, including:</b>	<b>50 115.9</b>	<b>49 733.7</b>	<b>53 400.8</b>	<b>7.4%</b>	<b>6.6%</b>
K1	14 217.7	14 240.5	14 431.8	1.3%	1.5%
K2	22 613.6	22 721.2	25 594.1	12.6%	13.2%
K3	12 995.8	12 269.3	12 944.0	5.5%	-0.4%
Repo transactions	288.9	502.7	431.0	-14.3%	49.2%

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

In Q3 2023, the profit before tax generated by mBank Group subsidiaries amounted to PLN 102.1 million.

The table below presents the profit or loss before tax posted by individual subsidiaries in Q3 2023 compared with Q2 2023.

PLN M	Q2 2023	Q3 2023	Change in %
mFinanse <sup>1</sup>	8.3	14.6	75.9%
mBank Hipoteczny	7.4	12.4	68.1%
mLeasing <sup>2</sup>	59.1	57.0	-3.5%
mFaktoring	0.5	14.6	2 697.5%
Other <sup>3</sup>	5.1	3.5	-31.8%
<b>Total</b>	<b>80.4</b>	<b>102.1</b>	<b>27.0%</b>

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

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

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

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**Updated financial targets of mBank Group**

Defining mBank Group's aspirations and goals included in the strategy for 2021-2025, mBank Group took into account expected economic and market prospects, regulatory requirements, technological progress, evolution of consumer behaviour, local constraints and internal conditions. With rapid changes in most of these dimensions over the last 2 years, supplemented by unprecedented events affecting mBank Group's activities (unparalleled monetary policy tightening, unexpected government interventions, increasingly negative line of jurisprudence in CHF-related litigations), a review of the strategy was performed in the middle of its implementation horizon.

Incorporating a new set of macroeconomic parameters as well as other factors impacting the business, volumes, current operations and resources, the strategic financial goals of mBank Group have been updated. mBank Group intends to maintain excellent operational efficiency, ensure stability, achieve specified growth rates and provide satisfactory profitability. Detailed targets for 2023-2025 are summarised in the table below.

	Measure	OLD target level (announced in 2021)	NEW target level
<b>Efficiency</b> [in 2025]	Cost/Income ratio (C/I)	~40%	<b>below 40%</b>
<b>Stability</b> [in the mid-term]	Tier 1 capital ratio	year-end level min 2.5 p.p. above the PFSA requirement	year-end level <b>min 2.5 p.p.</b> above the PFSA requirement
	Cost of risk (COR)	~0.80%	<b>~0.80%</b>
<b>Growth</b> [CAGR till 2025]	Dynamics of loans	average 2021-2025: ~8%	average 2022-2025: <b>~3%</b>
	Dynamics of deposits	average 2021-2025: ~8-9%	average 2022-2025: <b>~6%</b>
	Dynamics of total revenues	average 2021-2025: ~9-10%	average 2022-2025: <b>4-5%</b>
<b>Profitability</b> [in 2025]	Net interest margin (NIM)	~2.5%	<b>above 3.0%</b>
	Return on equity (ROE)	above 10%	<b>~14%</b>

<sup>1</sup> the growth pace calculated against the level of revenues adjusted for the negative impact of "credit holidays" at 9 191 million

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
MBANK S.A. GROUP FOR THE THIRD QUARTER OF 2023****CONDENSED CONSOLIDATED INCOME STATEMENT**

	Note	Period from 01.07.2023 to 30.09.2023	Period from 01.01.2023 to 30.09.2023	Period from 01.07.2022 to 30.09.2022 - restated	Period from 01.01.2022 to 30.09.2022 - restated
Interest income, including:	5	3 836 928	11 132 689	1 878 203	5 941 432
<i>Interest income accounted for using the effective interest method</i>		3 765 266	10 915 419	1 827 654	5 818 747
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		71 662	217 270	50 549	122 685
Interest expenses	5	(1 552 241)	(4 614 257)	(1 141 845)	(1 995 651)
<b>Net interest income</b>		<b>2 284 687</b>	<b>6 518 432</b>	<b>736 358</b>	<b>3 945 781</b>
Fee and commission income	6	760 632	2 246 379	737 870	2 283 367
Fee and commission expenses	6	(277 928)	(774 971)	(224 052)	(631 040)
<b>Net fee and commission income</b>		<b>482 704</b>	<b>1 471 408</b>	<b>513 818</b>	<b>1 652 327</b>
Dividend income	7	175	4 803	287	5 113
Net trading income	8	(7 064)	(3 210)	(26 398)	70 087
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	9	(8 065)	(3 185)	23 273	(57 809)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	10	1 946	(49 406)	(6 738)	(57 236)
Other operating income	11	88 354	230 976	64 157	214 114
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	12	(251 695)	(601 545)	(182 840)	(634 745)
Costs of legal risk related to foreign currency loans	30	(1 083 537)	(3 432 217)	(2 314 320)	(2 682 168)
Overhead costs	13	(592 938)	(1 914 136)	(707 779)	(2 334 402)
Depreciation		(126 237)	(364 368)	(116 993)	(353 691)
Other operating expenses	14	(141 313)	(292 514)	(230 205)	(375 967)
<b>Operating profit</b>		<b>647 017</b>	<b>1 565 038</b>	<b>(2 247 380)</b>	<b>(608 596)</b>
Taxes on the Group balance sheet items		(184 678)	(557 398)	(176 904)	(503 848)
<b>Profit / (loss) before income tax</b>		<b>462 339</b>	<b>1 007 640</b>	<b>(2 424 284)</b>	<b>(1 112 444)</b>
Income tax expense	26	(545 337)	(963 345)	145 070	(424 618)
<b>Net profit / (loss)</b>		<b>(82 998)</b>	<b>44 295</b>	<b>(2 279 214)</b>	<b>(1 537 062)</b>
<b>Net profit / (loss) attributable to:</b>					
- owners of mBank S.A.		(83 016)	44 321	(2 279 244)	(1 537 207)
- non-controlling interests		18	(26)	30	145
<b>Earnings / (loss) per share (in PLN)</b>	15	<b>(1.96)</b>	<b>1.04</b>	<b>(53.74)</b>	<b>(36.26)</b>
<b>Diluted earnings / (loss) per share (in PLN)</b>	15	<b>(1.96)</b>	<b>1.04</b>	<b>(53.64)</b>	<b>(36.20)</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Period from 01.07.2023 to 30.09.2023	Period from 01.01.2023 to 30.09.2023	Period from 01.07.2022 to 30.09.2022	Period from 01.01.2022 to 30.09.2022
<b>Net profit / (loss)</b>	<b>(82 998)</b>	<b>44 295</b>	<b>(2 279 214)</b>	<b>(1 537 062)</b>
<b>Other comprehensive income net of tax, including:</b>	<b>300 076</b>	<b>923 122</b>	<b>377 322</b>	<b>(712 772)</b>
<b>Items that may be reclassified subsequently to the income statement</b>	<b>300 076</b>	<b>923 122</b>	<b>377 322</b>	<b>(712 772)</b>
Exchange differences on translation of foreign operations (net)	11 755	(389)	10 779	11 469
Cash flows hedges (net)	142 080	423 765	187 787	(454 531)
Cost of hedge (net)	10 642	(3 211)	38 041	38 041
Change in valuation of debt instruments at fair value through other comprehensive income (net)	135 599	502 957	140 715	(307 751)
<b>Items that will not be reclassified to the income statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Actuarial gains and losses relating to post-employment benefits (net)	-	-	-	-
Reclassification to investment properties (net)	-	-	-	-
<b>Total comprehensive income (net)</b>	<b>217 078</b>	<b>967 417</b>	<b>(1 901 892)</b>	<b>(2 249 834)</b>
<b>Total comprehensive income (net), attributable to:</b>				
- Owners of mBank S.A.	217 060	967 443	(1 901 922)	(2 249 979)
- Non-controlling interests	18	(26)	30	145

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	<b>Note</b>	<b>30.09.2023</b>	<b>31.12.2022</b>
Cash and balances with the Central Bank		18 223 125	16 014 318
Financial assets held for trading and hedging derivatives	16	2 096 669	2 524 652
Non-trading financial assets mandatorily at fair value through profit or loss, including:	17	905 299	1 044 189
<i>Equity instruments</i>		200 259	185 788
<i>Debt securities</i>		49 249	45 009
<i>Loans and advances to customers</i>		655 791	813 392
Financial assets at fair value through other comprehensive income	18	36 605 524	35 117 450
Financial assets at amortised cost, including:	19	160 430 569	148 138 819
<i>Debt securities</i>		24 997 760	19 002 527
<i>Loans and advances to banks</i>		18 323 583	9 806 262
<i>Loans and advances to customers</i>		117 109 226	119 330 030
Fair value changes of the hedged items in portfolio hedge of interest rate risk		20 259	3 064
Non-current assets and disposal groups classified as held for sale	20	-	26 747
Intangible assets	21	1 613 303	1 391 707
Tangible assets	22	1 438 295	1 484 933
Investment properties	23	136 909	136 909
Current income tax assets		29 418	28 302
Deferred income tax assets	26	1 386 286	1 875 728
Other assets		2 503 500	2 105 295
<b>TOTAL ASSETS</b>		<b>225 389 156</b>	<b>209 892 113</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Financial liabilities held for trading and hedging derivatives	16	1 547 722	2 086 111
Financial liabilities measured at amortised cost, including:	24	204 267 679	190 567 661
<i>Amounts due to banks</i>		3 520 323	3 270 223
<i>Amounts due to customers</i>		185 109 361	174 130 914
<i>Lease liabilities</i>		932 881	960 324
<i>Debt securities issued</i>		11 958 340	9 465 479
<i>Subordinated liabilities</i>		2 746 774	2 740 721
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(676 371)	(1 528 582)
Liabilities included in disposal groups classified as held for sale	20	-	7 375
Provisions	25	1 899 971	1 362 259
Current income tax liabilities		347 352	571 456
Other liabilities		4 313 049	4 110 802
<b>TOTAL LIABILITIES</b>		<b>211 699 402</b>	<b>197 177 082</b>
<b>EQUITY</b>			
<b>Equity attributable to Owners of mBank S.A.</b>		<b>13 687 742</b>	<b>12 713 001</b>
<b>Share capital:</b>		<b>3 616 185</b>	<b>3 604 778</b>
Registered share capital		169 861	169 734
Share premium		3 446 324	3 435 044
<b>Retained earnings:</b>	27	<b>10 666 048</b>	<b>10 625 836</b>
- Profit from the previous years		10 621 727	11 328 527
- Profit (loss) for the current year		44 321	(702 691)
<b>Other components of equity</b>	28	<b>(594 491)</b>	<b>(1 517 613)</b>
<b>Non-controlling interests</b>		<b>2 012</b>	<b>2 030</b>
<b>TOTAL EQUITY</b>		<b>13 689 754</b>	<b>12 715 031</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>225 389 156</b>	<b>209 892 113</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Changes in equity from 1 January to 30 September 2023

	Share capital		Retained earnings		Other components of equity	Equity attributable to Owners of mBank S.A.	Non-controlling interests	Total equity
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year				
<b>Equity as at 1 January 2023</b>	<b>169 734</b>	<b>3 435 044</b>	<b>11 328 527</b>	<b>(702 691)</b>	<b>(1 517 613)</b>	<b>12 713 001</b>	<b>2 030</b>	<b>12 715 031</b>
Transfer of profit/loss from previous year	-	-	(702 691)	702 691	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	<b>44 321</b>	<b>923 122</b>	<b>967 443</b>	<b>(26)</b>	<b>967 417</b>
Issuance of ordinary shares	127	-	-	-	-	127	-	127
Other increase or decrease in equity	-	-	-	-	-	-	8	8
<b>Stock option program for employees</b>	-	<b>11 280</b>	<b>(4 109)</b>	-	-	<b>7 171</b>	-	<b>7 171</b>
<i>value of services provided by the employees</i>	-	-	7 171	-	-	7 171	-	7 171
<i>settlement of exercised options</i>	-	11 280	(11 280)	-	-	-	-	-
<b>Equity as at 30 September 2023</b>	<b>169 861</b>	<b>3 446 324</b>	<b>10 621 727</b>	<b>44 321</b>	<b>(594 491)</b>	<b>13 687 742</b>	<b>2 012</b>	<b>13 689 754</b>

Changes in equity from 1 January to 31 December 2022

	Share capital		Retained earnings		Other components of equity	Equity attributable to Owners of mBank S.A.	Non-controlling interests	Total equity
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year				
<b>Equity as at 1 January 2022</b>	<b>169 540</b>	<b>3 424 404</b>	<b>12 505 247</b>	<b>(1 178 753)</b>	<b>(1 204 388)</b>	<b>13 716 050</b>	<b>1 866</b>	<b>13 717 916</b>
Transfer of profit/loss from previous year	-	-	(1 178 753)	1 178 753	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	<b>(702 691)</b>	<b>(313 225)</b>	<b>(1 015 916)</b>	<b>164</b>	<b>(1 015 752)</b>
Issuance of ordinary shares	194	-	-	-	-	194	-	194
<b>Stock option program for employees</b>	-	<b>10 640</b>	<b>2 033</b>	-	-	<b>12 673</b>	-	<b>12 673</b>
<i>value of services provided by the employees</i>	-	-	12 673	-	-	12 673	-	12 673
<i>settlement of exercised options</i>	-	10 640	(10 640)	-	-	-	-	-
<b>Equity as at 31 December 2022</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>

Changes in equity from 1 January to 30 September 2022

	Share capital		Retained earnings		Other components of equity	Equity attributable to Owners of mBank S.A.	Non-controlling interests	Total equity
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year				
<b>Equity as at 1 January 2022</b>	<b>169 540</b>	<b>3 424 404</b>	<b>12 505 247</b>	<b>(1 178 753)</b>	<b>(1 204 388)</b>	<b>13 716 050</b>	<b>1 866</b>	<b>13 717 916</b>
Transfer of profit/loss from previous year	-	-	(1 178 753)	1 178 753	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	<b>(1 537 207)</b>	<b>(712 772)</b>	<b>(2 249 979)</b>	<b>145</b>	<b>(2 249 834)</b>
Issuance of ordinary shares	151	-	-	-	-	151	-	151
Other increase or decrease in equity	-	-	-	-	-	-	(15)	(15)
<b>Stock option program for employees</b>	-	<b>8 433</b>	<b>2 283</b>	-	-	<b>10 716</b>	-	<b>10 716</b>
<i>value of services provided by the employees</i>	-	-	10 716	-	-	10 716	-	10 716
<i>settlement of exercised options</i>	-	8 433	(8 433)	-	-	-	-	-
<b>Equity as at 30 September 2022</b>	<b>169 691</b>	<b>3 432 837</b>	<b>11 328 777</b>	<b>(1 537 207)</b>	<b>(1 917 160)</b>	<b>11 476 938</b>	<b>1 996</b>	<b>11 478 934</b>



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Period from 01.01.2023 to 30.09.2023	Period from 01.01.2022 to 30.09.2022 - restated
<b>Profit / (loss) before income tax</b>	<b>1 007 640</b>	<b>(1 112 444)</b>
<b>Adjustments:</b>	<b>378 611</b>	<b>13 484 962</b>
Income taxes paid	(891 796)	(331 470)
Depreciation, including depreciation of fixed assets provided under operating lease	383 555	375 208
Foreign exchange (gains) losses related to financing activities	(54 323)	830 208
(Gains) losses on investing activities	(17 526)	3 292
Dividends received	(4 803)	(5 113)
Interest income (income statement)	(11 132 689)	(5 941 432)
Interest expense (income statement)	4 614 257	1 995 651
Interest received	9 526 489	6 083 255
Interest paid	(4 355 178)	(1 648 052)
Changes in loans and advances to banks	(7 342 815)	(2 846 191)
Changes in financial assets and liabilities held for trading and hedging derivatives	1 182 189	(1 267 769)
Changes in loans and advances to customers	2 777 626	(7 748 051)
Changes in securities at fair value through other comprehensive income	161 063	15 346 659
Changes in securities at amortised cost	(6 001 839)	(2 809 742)
Changes of non-trading securities mandatorily at fair value through profit or loss	1 163	68 386
Changes in other assets	(376 747)	(315 904)
Changes in amounts due to banks	271 841	(1 730 814)
Changes in amounts due to customers	10 905 127	12 874 271
Changes in lease liabilities	(48 459)	40 184
Changes in issued debt securities	14 805	(697 332)
Changes in provisions	537 712	572 876
Changes in other liabilities	228 959	636 842
<b>A. Cash flows from operating activities</b>	<b>1 386 251</b>	<b>12 372 518</b>
Disposal of intangible assets and tangible fixed assets	90 454	46 451
Dividends received	4 803	5 113
Other investment income	-	500
Acquisition of shares in subsidiaries	(8 060)	-
Purchase of intangible assets and tangible fixed assets	(542 363)	(400 015)
<b>B. Cash flows from investing activities</b>	<b>(455 166)</b>	<b>(347 951)</b>
Issue of debt securities	4 884 161	1 465 843
Issue of ordinary shares	127	151
Redemption of debt securities	(2 395 623)	(5 303 320)
Payments of lease liabilities	(125 648)	(77 680)
Interest paid from loans and advances received from banks and from subordinated liabilities	(146 359)	(58 594)
<b>C. Cash flows from financing activities</b>	<b>2 216 658</b>	<b>(3 973 600)</b>
<b>Net increase / decrease in cash and cash equivalents (A+B+C)</b>	<b>3 147 743</b>	<b>8 050 967</b>
Effects of exchange rate changes on cash and cash equivalents	11 892	172 739
Cash and cash equivalents at the beginning of the reporting period	16 292 024	12 540 599
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>19 451 659</b>	<b>20 764 305</b>

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

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

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

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

As at 30 September 2023 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 30 September 2023 the headcount of mBank S.A. amounted to 6 568 FTEs (Full Time Equivalents), and of the Group to 7 218 FTEs (30 September 2022: Bank 6 335 FTEs; Group 6 988 FTEs).

As at 30 September 2023 the employment in mBank S.A. was 7 534 persons, and in the Group 8 203 persons (30 September 2022: Bank 7 375 persons; Group 9 503 persons).

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

**Retail Banking segment**

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

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**Corporate and Investment Banking segment**

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

**Treasury and Other segment**

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

**Other information concerning companies of the Group**

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

Since the beginning of 2022 Group started to consolidate subsidiaries mFinanse CZ s.r.o. and mFinanse SK s.r.o. in relation to the start of their operating activities. 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. Moreover, in the first quarter of 2022, Group ceased to consolidate the subsidiary G-Invest Sp. z o.o. due to its immaterial impact on financial result and on financial statements of mBank S.A. Group.

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

The name of subsidiary	30.09.2023		31.12.2022		30.09.2022	
	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method
mBank Hipoteczny S.A.	100%	full	100%	full	100%	full
mLeasing Sp. z o.o.	100%	full	100%	full	100%	full
mFinanse S.A.	100%	full	100%	full	100%	full
mFaktoring S.A.	100%	full	100%	full	100%	full
Future Tech Fundusz Inwestycyjny Zamknięty	98.04%	full	98.04%	full	98.04%	full
mElements S.A.	100%	full	100%	full	100%	full
Asekum Sp. z o.o.	100%	full	100%	full	100%	full
LeaseLink Sp. z o.o.	100%	full	100%	full	100%	full
mFinanse CZ s.r.o.	100%	full	100%	full	100%	full
mFinanse SK s.r.o.	100%	full	100%	full	100%	full
mTowarzystwo Funduszy Inwestycyjnych S.A.	100%	full	100%	-	100%	-

The Management Board of mBank S.A. approved these condensed consolidated financial statements for issue on 30 October 2023.

## 2. Description of relevant accounting policies

### Accounting basis

The condensed consolidated financial statements of mBank S.A. Group have been prepared for the 3 and 9-month periods ended 30 September 2023. Comparative data include the 3 and 9-month periods ended 30 September 2022 for the condensed consolidated income statement, condensed consolidated statement of comprehensive income, 9-month period ended 30 September 2022 for the condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity, additionally for the period from 1 January to 31 December 2022 for the condensed consolidated statement of changes in equity, and in the case of the condensed consolidated statement of financial position, data as at 31 December 2022.

These condensed consolidated financial statements for the third quarter of 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Consolidated financial statements of mBank S.A. Group for 2022 published on 2 March 2023. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

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

Detailed accounting principles applied to the preparation of these condensed consolidated financial statements are presented in Note 2 to the consolidated financial statements of mBank S.A. Group for 2022, published on 2 March 2023.

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

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

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

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

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

Published Standards and Interpretations which have been issued and 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
Amendment to IAS 8, Definition of Accounting Estimates	In amendment to IAS 8, the definition of a change in accounting estimates was replaced with a definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The introduction of a definition of accounting estimates and other amendments to IAS 8 was aimed to help entities distinguish changes in accounting policies from changes in accounting estimates.	1 January 2023	The application of the amended standard had no significant impact on the financial statements.
Amendments to IAS 1 and Practice Statement to IFRS 2 Disclosure of Accounting Policies	Amendments to IAS 1 and IFRS 2 Practice Statement are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments introduce the requirement to disclose material accounting policy information instead of significant accounting policies with some clarifications and examples how an entity can identify material accounting policy information.	1 January 2023	The application of the amended standard had no significant impact on the financial statements.
Amendments to IAS 12, Income tax-deferred tax related to assets and liabilities arising from a single transaction	The amendments to the standards require that the entities recognise in the financial statements deferred tax assets and liabilities resulting from transactions, other than business combinations, in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	1 January 2023	The application of the amended standard had no significant impact on the financial statements.
IFRS 17, Insurance contracts	IFRS 17 defines a new approach to the recognition, valuation, presentation and disclosure of insurance contracts. The main purpose of IFRS 17 is to guarantee the transparency and comparability of insurers' financial statements. IFRS 17 introduces a number of significant changes in relation to the existing requirements of IFRS 4. They concern, among others: methods for the valuation of insurance liabilities, recognition revenues and result from insurance contract.	1 January 2023	The application of the amended standard had no significant impact on the financial statements.
Amendments to IFRS 17, Deferral of use and exclusion of certain products from the scope	Amendments to IFRS 17 include a two-year deferral of the effective date and the fixed expiry date of the temporary exemption from applying IFRS 9 granted to insurers meeting certain criteria. Preparers of financial statements are no longer required to apply IFRS 17 to certain credit cards and similar arrangements, and loans that provide insurance coverage.	1 January 2023	The application of the amended standard had no significant impact on the financial statements.
Amendments to IFRS 17 and IFRS 9 - Comparative data	The amendment to the standards introduces optional facilities to minimise the accounting mismatch between financial assets and liabilities presented in the comparative data of the financial statements of entities applying IFRS 17 and IFRS 9 for the first time.	1 January 2023	The application of the amended standard had no significant impact on the financial statements.

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

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

Standards and interpretations	Description of the changes	The beginning of the binding period	Impact on the Group's financial statements in the period of initial application
Amendments to IAS 1, Classification of liabilities as current or non-current	Amendments to IAS 1 affect the requirements for the presentation of liabilities in the financial statements. In particular, they explain one of the criteria for classifying liabilities as non-current.	1 January 2024	The application of the amended standard will have no significant impact on the financial statements.
Amendments to IFRS 16 Leasing	Amendment to IFRS 16 requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.	1 January 2024	The application of the amended standard will have no significant impact on the financial statements.
Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules	The amendments introduce temporary exceptions to the recognition of deferred tax liabilities and assets in respect of Pillar Two of the international tax reform agreed at the OECD. In addition to the exceptions, the amendment introduces additional disclosures relating to the reform.	1 January 2023	The application of the amended standard will have no significant impact on the financial statements.
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	The amendments 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 standard will have no significant impact on the financial statements.
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability	The amendments clarify how an entity should assess the currency exchangeability and require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.	1 January 2025	The application of the amended standard will have no significant impact on the financial statements.

**Comparative data**

- Reclassification of a portion of revenues from the sale of insurance linked to credit products (adjustment 1)

Beginning with the annual Consolidated financial statements mBank S.A. Group for 2022, the Group has changed the recognition of revenue from the sale of mortgage-related insurance. Previously, the Group recognised the remuneration received monthly for insurance sales entirely as commission income. Currently the Group recognises the portion of the remuneration corresponding to the intermediary service as commission income. The remaining part of the remuneration the Group recognises now as interest income.

- Separation of the item Lease liabilities (adjustment 2)

Beginning with the annual Consolidated financial statements mBank S.A. Group for 2022, in the consolidated statement of financial position, within the item Financial liabilities measured at amortised cost, the Group has separated a new item - Lease liabilities. Previously, lease liabilities were presented within the item Liabilities to customers.

- Reclassification of loans and advances received from the European Investment Bank (adjustment 3)

Beginning with the annual Consolidated financial statements mBank S.A. Group for 2022, the Group has changed the presentation of liabilities from loans and advances received from the European Investment Bank and now presents them under Financial liabilities at amortised cost - Amounts due to banks. Previously, the Group presented these liabilities within Financial liabilities at amortised cost - Due to customers.

- Reclassification of provisions for post-employment benefits (adjustment 4)

Beginning with the annual Consolidated financial statements mBank S.A. Group for 2022, the Group has changed the presentation of provisions for post-employment benefits and now presents them within Provisions. Previously, the Group presented these liabilities under Other Liabilities.

## **mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

- **Reclassification of receivables from the settlement of cash deposit machines and cash sorting companies (adjustment 5)**

Beginning with the annual Consolidated financial statements mBank S.A. Group for 2022, the Group has changed the presentation of receivables from the settlement of deposit machines and sorting plants and now presents them within Other assets. Previously, the Group presented these settlements under Financial assets measured at amortised cost - Loans and advances to customers.

- **Presentation of the fair value changes of the hedged items in portfolio hedge of interest rate risk (adjustment 6)**

Beginning with the annual Consolidated financial statements mBank S.A. Group for 2022, the Group has changed the presentation of gains and losses on the hedged item for the fair value hedge of the interest rate exposure of a portion of portfolio of financial assets or financial liabilities. Currently the Group presents them in a single separate line item within assets, for those repricing time periods for which the hedged item is an asset or in a single separate line item within liabilities, for those repricing time periods for which the hedged item is a liability. Previously, changes in the fair value of hedged items in the interest rate hedge portfolio were presented in a separate line item on the asset or liability side depending on the sign of the balance in other words gains related to hedging the portfolio of assets or losses related to hedging the portfolio of liabilities were reported as a separate line item of assets, while losses related to hedging the portfolio of assets or gains related to hedging the portfolio of liabilities were reported as a separate line item of liabilities.

- **Reclassification of the valuation of liabilities due to issue of credit linked notes (adjustment 7)**

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

The above changes were due to the adjustment of the presentation of selected assets and liabilities, income and expenses positions to the prevailing market practice. The changes did not affect equity levels and the Group's income statements in the comparative periods presented in these financial statements. Comparative figures as of 1 January 2022 and 30 September 2022 and for the 3 and 9-month periods ended 30 September 2022 have been restated accordingly.

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

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

Restatements in consolidated income statement for the period from 1 January 2022 to 30 September 2022

	No.	Period from 01.01.2022 to 30.09.2022 before restatement	restatement	Period from 01.01.2022 to 30.09.2022 after restatement
Interest income, including:		5 918 609	22 823	5 941 432
<i>Interest income accounted for using the effective interest method</i>	1	5 795 924	22 823	5 818 747
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		122 685	-	122 685
Interest expenses	7	(2 006 675)	11 024	(1 995 651)
<b>Net interest income</b>		<b>3 911 934</b>	<b>33 847</b>	<b>3 945 781</b>
Fee and commission income	1	2 306 190	(22 823)	2 283 367
Fee and commission expenses		(631 040)	-	(631 040)
<b>Net fee and commission income</b>		<b>1 675 150</b>	<b>(22 823)</b>	<b>1 652 327</b>
Dividend income		5 113	-	5 113
Net trading income		70 087	-	70 087
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(57 809)	-	(57 809)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss		(57 236)	-	(57 236)
Other operating income		214 114	-	214 114
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	7	(623 721)	(11 024)	(634 745)
Costs of legal risk related to foreign currency loans		(2 682 168)	-	(2 682 168)
Overhead costs		(2 334 402)	-	(2 334 402)
Depreciation		(353 691)	-	(353 691)
Other operating expenses		(375 967)	-	(375 967)
<b>Operating profit</b>		<b>(608 596)</b>	-	<b>(608 596)</b>
Tax on the Group's balance sheet items		(503 848)	-	(503 848)
<b>Profit / (loss) before income tax</b>		<b>(1 112 444)</b>	-	<b>(1 112 444)</b>
Income tax expense		(424 618)	-	(424 618)
<b>Net profit / (loss)</b>		<b>(1 537 062)</b>	-	<b>(1 537 062)</b>
<b>Net profit / (loss) attributable to:</b>				
- Owners of mBank S.A.		(1 537 207)	-	(1 537 207)
- Non-controlling interests		145	-	145



**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

Restatements in consolidated income statement for the period from 1 July 2022 to 30 September 2022

	No.	Period from 01.07.2022 to 30.09.2022 before restatement	restatement	Period from 01.07.2022 to 30.09.2022 after restatement
Interest income, including:		1 870 211	7 992	1 878 203
<i>Interest income accounted for using the effective interest method</i>	1	1 819 662	7 992	1 827 654
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		50 549	-	50 549
Interest expenses	7	(1 145 984)	4 139	(1 141 845)
<b>Net interest income</b>		<b>724 227</b>	<b>12 131</b>	<b>736 358</b>
Fee and commission income	1	745 862	(7 992)	737 870
Fee and commission expenses		(224 052)	-	(224 052)
<b>Net fee and commission income</b>		<b>521 810</b>	<b>(7 992)</b>	<b>513 818</b>
Dividend income		287	-	287
Net trading income		(26 398)	-	(26 398)
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		23 273	-	23 273
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss		(6 738)	-	(6 738)
Other operating income		64 157	-	64 157
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	7	(178 701)	(4 139)	(182 840)
Costs of legal risk related to foreign currency loans		(2 314 320)	-	(2 314 320)
Overhead costs		(707 779)	-	(707 779)
Depreciation		(116 993)	-	(116 993)
Other operating expenses		(230 205)	-	(230 205)
<b>Operating profit</b>		<b>(2 247 380)</b>	-	<b>(2 247 380)</b>
Tax on the Group's balance sheet items		(176 904)	-	(176 904)
<b>Profit / (loss) before income tax</b>		<b>(2 424 284)</b>	-	<b>(2 424 284)</b>
Income tax expense		145 070	-	145 070
<b>Net profit / (loss)</b>		<b>(2 279 214)</b>	-	<b>(2 279 214)</b>
<b>Net profit / (loss) attributable to:</b>				
- Owners of mBank S.A.		(2 279 244)	-	(2 279 244)
- Non-controlling interests		30	-	30

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

Restatements in consolidated income statement for the period from 1 January 2022 to 31 December 2022

	No.	Period from 01.01.2022 to 31.12.2022 before restatement	restatement	Period from 01.01.2022 to 31.12.2022 after restatement
Interest income, including:		9 265 806	-	9 265 806
<i>Interest income accounted for using the effective interest method</i>		9 093 789	-	9 093 789
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		172 017	-	172 017
Interest expenses	7	(3 356 567)	14 755	(3 341 812)
<b>Net interest income</b>		<b>5 909 239</b>	<b>14 755</b>	<b>5 923 994</b>
Fee and commission income		3 026 096	-	3 026 096
Fee and commission expenses		(906 019)	-	(906 019)
<b>Net fee and commission income</b>		<b>2 120 077</b>	<b>-</b>	<b>2 120 077</b>
Dividend income		5 236	-	5 236
Net trading income		97 198	-	97 198
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(50 924)	-	(50 924)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss		(91 548)	-	(91 548)
Other operating income		265 162	-	265 162
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	7	(803 217)	(14 755)	(817 972)
Costs of legal risk related to foreign currency loans		(3 112 265)	-	(3 112 265)
Overhead costs		(2 851 881)	-	(2 851 881)
Depreciation		(467 308)	-	(467 308)
Other operating expenses		(443 613)	-	(443 613)
<b>Operating profit</b>		<b>576 156</b>	<b>-</b>	<b>576 156</b>
Tax on the Group's balance sheet items		(684 175)	-	(684 175)
<b>Profit / (loss) before income tax</b>		<b>(108 019)</b>	<b>-</b>	<b>(108 019)</b>
Income tax expense		(594 508)	-	(594 508)
<b>Net profit / (loss)</b>		<b>(702 527)</b>	<b>-</b>	<b>(702 527)</b>
<b>Net profit / (loss) attributable to:</b>				
- Owners of mBank S.A.		(702 691)	-	(702 691)
- Non-controlling interests		164	-	164

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**Restatements in consolidated statement of financial position at 1 January 2022**

<b>ASSETS</b>	<b>No.</b>	<b>01.01.2022 before restatement</b>	<b>restatement</b>	<b>01.01.2022 after restatement</b>
Financial assets at amortised cost, including:		140 296 538	(377 379)	139 919 159
<i>Debt securities</i>		16 164 103	-	16 164 103
<i>Loans and advances to banks</i>		7 229 681	-	7 229 681
<i>Loans and advances to customers</i>	5	116 902 754	(377 379)	116 525 375
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	1 055 478	(1 165 511)	(110 033)
Other assets	5	1 366 820	377 379	1 744 199
Other items		56 820 049	-	56 820 049
<b>TOTAL ASSETS</b>		<b>199 538 885</b>	<b>(1 165 511)</b>	<b>198 373 374</b>
<b>LIABILITIES AND EQUITY</b>	<b>No.</b>	<b>01.01.2022 before restatement</b>	<b>restatement</b>	<b>01.01.2022 after restatement</b>
Financial liabilities measured at amortised cost, including:		179 348 925	-	179 348 925
<i>Amounts due to banks</i>	3	3 359 558	1 906 621	5 266 179
<i>Amounts due to customers</i>	2,3	159 935 129	(2 863 459)	157 071 670
<i>Lease liabilities</i>	2	-	956 838	956 838
<i>Debt securities issued</i>		13 429 782	-	13 429 782
<i>Subordinated liabilities</i>		2 624 456	-	2 624 456
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	110 033	(1 165 511)	(1 055 478)
Provisions	4	811 455	25 445	836 900
Other liabilities	4	3 469 950	(25 445)	3 444 505
Other items		2 080 606	-	2 080 606
<b>TOTAL LIABILITIES</b>		<b>185 820 969</b>	<b>(1 165 511)</b>	<b>184 655 458</b>
<b>TOTAL EQUITY</b>		<b>13 717 916</b>	-	<b>13 717 916</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>199 538 885</b>	<b>(1 165 511)</b>	<b>198 373 374</b>

**Restatements in consolidated statement of financial position at 30 September 2022**

<b>ASSETS</b>	<b>No.</b>	<b>30.09.2022 before restatement</b>	<b>restatement</b>	<b>30.09.2022 after restatement</b>
Financial assets at amortised cost, including:		153 460 310	(390 352)	153 069 958
<i>Debt securities</i>		19 056 147	-	19 056 147
<i>Loans and advances to banks</i>		9 654 087	-	9 654 087
<i>Loans and advances to customers</i>	5	124 750 076	(390 352)	124 359 724
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	1 897 835	(1 904 722)	(6 887)
Other assets	5	1 639 165	390 352	2 029 517
Other items		50 583 662	-	50 583 662
<b>TOTAL ASSETS</b>		<b>207 580 972</b>	<b>(1 904 722)</b>	<b>205 676 250</b>
<b>LIABILITIES AND EQUITY</b>	<b>No.</b>	<b>30.09.2022 before restatement</b>	<b>restatement</b>	<b>30.09.2022 after restatement</b>
Financial liabilities measured at amortised cost, including:		187 309 135	-	187 309 135
<i>Amounts due to banks</i>	3	1 685 276	2 031 183	3 716 459
<i>Amounts due to customers</i>	2,3	173 304 623	(3 051 941)	170 252 682
<i>Lease liabilities</i>	2	-	1 020 758	1 020 758
<i>Debt securities issued</i>		9 511 485	-	9 511 485
<i>Subordinated liabilities</i>		2 807 751	-	2 807 751
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	6 887	(1 904 722)	(1 897 835)
Provisions	4	1 385 323	24 453	1 409 776
Other liabilities	4	3 950 208	(24 453)	3 925 755
Other items		3 450 485	-	3 450 485
<b>TOTAL LIABILITIES</b>		<b>196 102 038</b>	<b>(1 904 722)</b>	<b>194 197 316</b>
<b>TOTAL EQUITY</b>		<b>11 478 934</b>	-	<b>11 478 934</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>207 580 972</b>	<b>(1 904 722)</b>	<b>205 676 250</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

Restatements in consolidated statement of cash flows for the period from 1 January to 30 September 2022

	No.	Period from 01.01.2022 to 30.09.2022 before restatement	restatement	Period from 01.01.2022 to 30.09.2022 after restatement
<b>Profit / (loss) before income tax</b>		<b>(1 112 444)</b>	-	<b>(1 112 444)</b>
<b>Adjustments, including:</b>		<b>13 484 962</b>	-	<b>13 484 962</b>
Income taxes paid		(331 470)	-	(331 470)
Depreciation, including depreciation of fixed assets provided under operating lease		375 208	-	375 208
Foreign exchange (gains) losses related to financing activities		830 208	-	830 208
(Gains) losses on investing activities		3 292	-	3 292
Dividends received		(5 113)	-	(5 113)
Interest income (income statement)	1	(5 918 609)	(22 823)	(5 941 432)
Interest expense (income statement)	7	2 006 675	(11 024)	1 995 651
Interest received	1	6 060 432	22 823	6 083 255
Interest paid	7	(1 659 076)	11 024	(1 648 052)
Changes in loans and advances to banks		(2 846 191)	-	(2 846 191)
Changes in financial assets and liabilities held for trading and hedging derivatives		(1 267 769)	-	(1 267 769)
Changes in loans and advances to customers	5	(7 761 024)	12 973	(7 748 051)
Changes in financial assets at fair value through other comprehensive income		15 346 659	-	15 346 659
Changes in securities at amortised cost		(2 809 742)	-	(2 809 742)
Changes of non-trading securities mandatorily at fair value through profit or loss		68 386	-	68 386
Changes in other assets	5	(302 931)	(12 973)	(315 904)
Changes in amounts due to banks	3	(1 594 019)	(136 795)	(1 730 814)
Changes in amounts due to customers	2,3	12 777 660	96 611	12 874 271
Changes in lease liabilities	2	-	40 184	40 184
Changes in issued debt securities		(697 332)	-	(697 332)
Changes in provisions	4	573 868	(992)	572 876
Changes in other liabilities	4	635 850	992	636 842
<b>A. Cash flows from operating activities</b>		<b>12 372 518</b>	-	<b>12 372 518</b>
<b>B. Cash flows from investing activities</b>		<b>(347 951)</b>	-	<b>(347 951)</b>
<b>C. Cash flows from financing activities</b>		<b>(3 973 600)</b>	-	<b>(3 973 600)</b>
<b>Net increase / decrease in cash and cash equivalents (A+B+C)</b>		<b>8 050 967</b>	-	<b>8 050 967</b>
Effects of exchange rate changes on cash and cash equivalents		172 739	-	172 739
Cash and cash equivalents at the beginning of the reporting period		12 540 599	-	12 540 599
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>20 764 305</b>	-	<b>20 764 305</b>

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

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

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

#### **Provisions for legal risks relating to indexation clauses in mortgage and housing loans in CHF**

Detailed information on the impact of legal risk related to CHF mortgage and housing loans is provided in Note 30.

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

On 14 July 2022, the President of the Republic of Poland signed the Act on crowdfunding for business ventures and aid to borrowers, which introduced the possibility of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays"). Credit holidays may apply to a single contract concluded in Polish zlotys for the financing of real estate intended to meet one's own housing needs. Borrowers are entitled to suspend 8 monthly instalments: 2 monthly instalments in each of the third and fourth quarter of 2022 and 1 monthly instalment in each of the four quarters of 2023. Credit holidays apply to both the principal and interest portions of the loan. Deadlines for repayment of instalments are extended without any additional interest for the suspension periods. The Group believes that the amendment to the contractual terms of the mortgage loans implemented by the Act constituted an insignificant modification of these financial assets in accordance with IFRS 9.5.4.3.

In 2022, the Group recognised the impact of credit holidays in the total amount of PLN 1 334.4 million, out of which PLN 1 322.4 million decreased the interest income of the Group and PLN 12.0 million related to the effect on hedge accounting and decreased the net trading income. In the period of three quarters of 2023, due to an updated calculation of the impact of credit holidays, the Group recognised PLN 41.5 million gain on non-substantial modification, which increased net interest income, and PLN 12.0 million impact on hedge accounting, which increased net trading income. The negative impact of credit holidays on the valuation of the loan portfolio is settled by the appropriate recognition of interest income calculated using the effective interest rate in periods in which customers taking advantage of credit holidays do not pay the interest according to the original schedules of the loan agreements.

To calculate the impact of credit holidays, the Group estimated that customers owning 82.5% of the value of assumed eligible mortgage loan portfolio applied or will apply for the credit holidays and they will request on average 7.6 months of credit holidays.

By 30 September 2023, customers owning 78.0% of the value of the assumed eligible mortgage loan portfolio had submitted applications applying for an average of 7.3 months of credit holidays. As of 30 September 2023 the gross carrying value of the loans being subject to the credit holidays amounted to PLN 23 788.9 million.

#### **Impairment of loans and advances**

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the income statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions, on the basis of which the estimated cash flow amounts and their anticipated timing are determined, are regularly verified. If the current value of estimated cash flows (discounted recoveries from payments of capital, discounted recoveries from interests, discounted recoveries from off-balance sheet liabilities and discounted recoveries from collaterals for on-balance and off-balance sheet loans and advances, weighed by the probability of realisation of specific scenarios) for portfolio of loans and advances which are impaired as of 30 September 2023, change by +/- 10%, the estimated loans and advances impairment would either decrease by PLN 60.2 million or increase by PLN 65.5 million (as at 31 December 2022: PLN 74.5 million and PLN 81.3 million). This estimation was performed for portfolio of loans and advances and for off-balance sheet liabilities individually assessed for impairment on the basis of future cash flows due to repayments and recovery from collateral – Stage 3. The rules of determining write-downs and provisions for impairment of credit exposures have been described under Note 3.3.6 of Consolidated financial statements of mBank S.A. Group for 2022, published on 2 March 2023.

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

In the three quarters of 2023, the Group conducted a portfolio review in connection with Russia's aggression against Ukraine. The review concerned the Group's involvement in war countries (Ukraine, Russia) or in conflict-related countries (Belarus), taking into account sanctions imposed by the European Union, the United Kingdom and the USA.

As a result of the review, as of 30 September 2023, credit exposure and expected credit losses were determined in the mentioned countries, as shown in the table below.

Country	Direct exposure as at 30.09.2023												
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	-	-	-	-	-	-	-	-	-	-	-	-	-
Russia	-	-	150	-	-	-	-	-	-	-	-	(150)	46 382
Belarus	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>150</b>	-	-	-	-	-	-	-	-	<b>(150)</b>	<b>46 382</b>

There was also identified an indirect exposure: a balance sheet exposure of PLN 260.0 million and an off-balance sheet exposure of PLN 221.6 million towards corporate clients whose business is indirectly exposed to the risk of Russia's aggression towards Ukraine.

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

Country	Indirect exposure as at 30.09.2023												
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	85 508	9 973	374	-	109 022	250	-	-	(470)	(377)	(146)	-	-
Russia	40 012	61 980	51 196	-	101 112	8 249	-	-	(289)	(898)	(50 931)	-	-
Belarus	10 359	548	80	-	2 989	-	-	-	(33)	(7)	(80)	-	-
<b>Total</b>	<b>135 879</b>	<b>72 501</b>	<b>51 650</b>	-	<b>213 123</b>	<b>8 499</b>	-	-	<b>(792)</b>	<b>(1 282)</b>	<b>(51 157)</b>	-	-

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

The fair value of financial instruments not listed on active markets is determined by applying valuation techniques. All models are approved prior to being applied and they are also calibrated in order to assure that the obtained results indeed reflect the actual data and comparable market prices. As far as possible, observable market data originating from an active market are used in the models. Methods for determining the fair value of financial instruments are described in Note 2.7 of Consolidated financial statements of mBank Group for 2022, published on 2 March 2023.

**Deferred tax assets**

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

**Income tax in interim financial statements**

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

Calculating the average annual effective income tax rate requires the use of a forecast of pre-tax income for the entire financial year and permanent differences regarding the balance sheet and tax values of assets and liabilities. The projected annual effective tax rate used to calculate the income tax burden in the three quarters of 2023 was 95.6%.

## **mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

The greatest impact on the value of the average annual effective income tax rate in comparison to the nominal income tax rate in the three quarters of 2023 was costs of legal risk related to foreign currency loans, tax on financial institutions and contributions and other mandatory payments that do not constitute tax deductible costs (including fees for the Bank Guarantee Fund).

Due to the loss before tax incurred by the Group in the three quarters of 2022, the calculation of the average annual effective income tax rate for 2022 required the use of a forecast of profit before tax for the full fiscal year adjusted for the impact of costs of legal risk related to FX loans, as well as a forecast of permanent differences in the carrying and tax values of assets and liabilities. The projected annual effective tax rate calculated this way used to accrue income tax expense for the three quarters of 2022 was 27.1%.

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

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

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

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

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

### **Leasing 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.

## **4. Business segments**

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

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

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

- **The Retail Banking segment**, which offers a full range of products and services to individual customers, including Private Banking customers and micro-businesses. The key products and services offered to customers in this segment include lending products (mortgage loans, overdrafts, cash loans, car loans, credit cards), deposit products (current and savings accounts, term deposits), debit cards, insurance products, brokerage services, investment advice, asset management services and leasing services. The results of the Retail Banking segment include the results of foreign branches of mBank in the Czech Republic and Slovakia. The Retail Banking segment also includes the results of mFinanse S.A., mFinanse CZ s.r.o., mFinanse SK s.r.o., mTowarzystwo Funduszy Inwestycyjnych S.A. and 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, 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. and the results of corporate segments of mLeasing Sp. z o. o., Asekum Sp. z o.o., mElements S.A. and mBank Hipoteczny S.A. till the separation and a transfer of the separated part of business to mBank S.A., which was described in Point 9 of Selected Explanatory Information of these financial statements.
- 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 result of internal settlements of fund transfer pricing, 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 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 the assets and liabilities of a segment, as well as of its income and costs, is done on the basis of internal information prepared at the Bank for the purpose of management accounting. Assets and liabilities for which the units of the given segment are responsible as well as income and costs related to such assets and liabilities are attributed to individual business segments. The financial result of a business segment takes into account all the income and cost items attributable to it.

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

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



**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

Business segment reporting on the activities of mBank S.A. Group for the period from 1 January to 30 September 2023 – data regarding consolidated income statement.

period from 1 January to 30 September 2023	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	4 197 562	1 810 688	494 649	15 533	6 518 432
- sales to external clients	2 705 420	1 880 929	1 692 150	239 933	6 518 432
- sales to other segments	1 492 142	(70 241)	(1 197 501)	(224 400)	-
Net fee and commission income	743 492	783 560	(32 193)	(23 451)	1 471 408
Dividend income	-	-	4 803	-	4 803
Trading income	72 229	193 580	(229 396)	(39 623)	(3 210)
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(2 867)	(4 697)	4 216	163	(3 185)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(2 268)	2 310	(49 548)	100	(49 406)
Other operating income	114 808	95 762	17 534	2 872	230 976
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(582 478)	(39 334)	(2 059)	22 326	(601 545)
Costs of legal risk related to foreign currency loans	-	-	-	(3 432 217)	(3 432 217)
Overhead costs	(1 182 507)	(671 140)	(28 724)	(31 765)	(1 914 136)
Amortisation	(252 031)	(108 436)	(3 252)	(649)	(364 368)
Other operating expenses	(108 782)	(138 648)	(44 705)	(379)	(292 514)
<b>Operating profit</b>	<b>2 997 158</b>	<b>1 923 645</b>	<b>131 325</b>	<b>(3 487 090)</b>	<b>1 565 038</b>
Taxes on Group balance sheet items	(339 082)	(183 264)	(14 777)	(20 275)	(557 398)
<b>Gross profit / (loss) of the segment</b>	<b>2 658 076</b>	<b>1 740 381</b>	<b>116 548</b>	<b>(3 507 365)</b>	<b>1 007 640</b>
Income tax					(963 345)
Net profit / (loss) attributable to Owners of mBank S.A.					44 321
Net profit / (loss) attributable to non-controlling interests					(26)

Business segment reporting on the activities of mBank S.A. Group for the period from 1 January to 30 September 2022 – data regarding consolidated income statement.

period from 1 January to 30 September 2022	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	1 845 057	1 421 922	608 198	70 604	3 945 781
- sales to external clients	1 968 867	1 506 186	363 711	107 017	3 945 781
- sales to other segments	(123 810)	(84 264)	244 487	(36 413)	-
Net fee and commission income	826 325	864 933	(27 868)	(11 063)	1 652 327
Dividend income	-	-	5 113	-	5 113
Trading income	50 932	274 689	(245 204)	(10 330)	70 087
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(37 238)	(1 956)	(18 622)	7	(57 809)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(2 152)	(4 496)	(50 588)	-	(57 236)
Other operating income	84 152	92 048	37 721	193	214 114
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(415 423)	(180 834)	(721)	(37 767)	(634 745)
Costs of legal risk related to foreign currency loans	-	-	-	(2 682 168)	(2 682 168)
Overhead costs	(1 363 176)	(623 709)	(303 545)	(43 972)	(2 334 402)
Amortisation	(235 656)	(113 548)	(3 941)	(546)	(353 691)
Other operating expenses	(240 421)	(65 594)	(34 976)	(34 976)	(375 967)
<b>Operating profit</b>	<b>512 400</b>	<b>1 663 455</b>	<b>(34 433)</b>	<b>(2 750 018)</b>	<b>(608 596)</b>
Taxes on Group balance sheet items	(285 883)	(175 613)	(9 702)	(32 650)	(503 848)
<b>Gross profit / (loss) of the segment</b>	<b>226 517</b>	<b>1 487 842</b>	<b>(44 135)</b>	<b>(2 782 668)</b>	<b>(1 112 444)</b>
Income tax					(424 618)
Net profit / (loss) attributable to Owners of mBank S.A.					(1 537 207)
Net profit / (loss) attributable to non-controlling interests					145

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

30.09.2023	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Assets of the segment	69 493 701	49 792 905	101 213 281	4 889 269	<b>225 389 156</b>
Liabilities of the segment	131 001 225	56 678 470	22 607 145	1 412 562	<b>211 699 402</b>

31.12.2022	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Assets of the segment	69 698 215	50 533 222	81 489 062	8 171 614	<b>209 892 113</b>
Liabilities of the segment	122 597 611	53 720 041	20 132 826	726 604	<b>197 177 082</b>

Information about geographical areas on the activities of mBank S.A. Group for the period from 1 January to 30 September 2023 and for the period from 1 January to 30 September 2022.

	period from 1 January to 30 September 2023			period from 1 January to 30 September 2022		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	6 117 798	400 634	<b>6 518 432</b>	3 644 223	301 558	<b>3 945 781</b>
Net fee and commission income	1 426 272	45 136	<b>1 471 408</b>	1 594 293	58 034	<b>1 652 327</b>
Dividend income	4 803	-	<b>4 803</b>	5 113	-	<b>5 113</b>
Trading income	(6 877)	3 667	<b>(3 210)</b>	66 815	3 272	<b>70 087</b>
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(3 185)	-	<b>(3 185)</b>	(57 809)	-	<b>(57 809)</b>
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(49 047)	(359)	<b>(49 406)</b>	(57 116)	(120)	<b>(57 236)</b>
Other operating income	223 474	7 502	<b>230 976</b>	210 602	3 512	<b>214 114</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(576 187)	(25 358)	<b>(601 545)</b>	(624 153)	(10 592)	<b>(634 745)</b>
Costs of legal risk related to foreign currency loans	(3 432 217)	-	<b>(3 432 217)</b>	(2 682 168)	-	<b>(2 682 168)</b>
Overhead costs	(1 775 802)	(138 334)	<b>(1 914 136)</b>	(2 210 880)	(123 522)	<b>(2 334 402)</b>
Amortisation	(353 789)	(10 579)	<b>(364 368)</b>	(343 567)	(10 124)	<b>(353 691)</b>
Other operating expenses	(285 000)	(7 514)	<b>(292 514)</b>	(370 440)	(5 527)	<b>(375 967)</b>
<b>Operating profit</b>	<b>1 290 243</b>	<b>274 795</b>	<b>1 565 038</b>	<b>(825 087)</b>	<b>216 491</b>	<b>(608 596)</b>
Taxes on Group balance sheet items	(515 009)	(42 389)	<b>(557 398)</b>	(465 824)	(38 024)	<b>(503 848)</b>
<b>Gross profit / (loss) of the segment</b>	<b>775 234</b>	<b>232 406</b>	<b>1 007 640</b>	<b>(1 290 911)</b>	<b>178 467</b>	<b>(1 112 444)</b>
Income tax			(963 345)			(424 618)
Net profit / (loss) attributable to Owners of mBank S.A.			44 321			(1 537 207)
Net profit / (loss) attributable to non-controlling interests			(26)			145

Information about geographical areas on the activities of mBank S.A. Group as at 30 September 2023 and as at 31 December 2022.

	30.09.2023			31.12.2022		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
<b>Assets of the segment, including:</b>	215 223 517	10 165 639	<b>225 389 156</b>	199 392 516	10 499 597	<b>209 892 113</b>
- fixed assets	3 141 285	47 222	<b>3 188 507</b>	2 960 017	53 532	<b>3 013 549</b>
- deferred income tax assets	1 380 866	5 420	<b>1 386 286</b>	1 870 220	5 508	<b>1 875 728</b>
<b>Liabilities of the segment</b>	194 524 205	17 175 197	<b>211 699 402</b>	180 017 783	17 159 299	<b>197 177 082</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**5. Net interest income**

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
<b>Interest income</b>			
<b>Interest income accounted for using the effective interest method</b>		<b>10 915 419</b>	<b>5 818 747</b>
Interest income of financial assets at amortised cost, including:		9 433 600	5 294 631
- <i>Loans and advances</i>		8 160 751	5 906 039
- <i>Debt securities</i>		493 631	315 105
- <i>Cash and short-term placements</i>		624 092	239 463
- <i>Gains or losses on non-substantial modification (net)</i>		32 971	(1 286 812)
- <i>Other</i>		122 155	120 836
Interest income on financial assets at fair value through other comprehensive income, including:		1 481 819	524 116
- <i>Debt securities</i>		1 481 819	524 116
<b>Income similar to interest on financial assets at fair value through profit or loss</b>		<b>217 270</b>	<b>122 685</b>
Financial assets held for trading, including:		58 953	30 321
- <i>Loans and advances</i>		4 028	2 701
- <i>Debt securities</i>		54 925	27 620
Non-trading financial assets mandatorily at fair value through profit or loss, including:		86 776	92 364
- <i>Loans and advances</i>		86 776	92 364
Interest income on derivatives classified into banking book		71 541	-
<b>Total interest income</b>		<b>11 132 689</b>	<b>5 941 432</b>

For the period ended 30 September 2022 the item Gains or losses on non-substantial modification (net) includes a loss of PLN 1 282.3 million resulting from the recognition of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays"). More information on this subject is presented in Note 3.

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

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
<b>Interest expenses</b>			
Financial liabilities held for trading		(13 196)	(8 935)
Financial liabilities measured at amortised cost, including:		(3 454 610)	(1 256 148)
- <i>Deposits</i>		(2 972 797)	(945 775)
- <i>Loans received</i>		(3 404)	(4 224)
- <i>Issue of debt securities</i>		(307 240)	(196 795)
- <i>Subordinated liabilities</i>		(138 205)	(81 448)
- <i>Other financial liabilities</i>		(31 094)	(26 002)
- <i>Lease liabilities</i>		(1 870)	(1 904)
Interest expenses on derivatives classified into banking book		-	(77 354)
Interest expenses on derivatives concluded under the fair value hedge		(653 861)	(293 687)
Interest expenses on derivatives concluded under the cash flow hedge		(492 460)	(337 454)
Other		(130)	(22 073)
<b>Total interest expense</b>		<b>(4 614 257)</b>	<b>(1 995 651)</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**6. Net fee and commission income**

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
<b>Fee and commission income</b>			
Payment cards-related fees		515 074	470 433
Credit-related fees and commissions		458 308	455 238
Commissions from currency transactions		368 700	382 920
Commissions from bank accounts		217 796	303 860
Commissions from money transfers		176 763	165 382
Fees from brokerage activity and debt securities issue		122 708	138 666
Commissions for agency service regarding sale of insurance products of external financial entities		100 758	94 023
Commissions due to guarantees granted and trade finance commissions		85 579	81 403
Commissions for agency service regarding sale of other products of external financial entities		51 651	62 017
Fees from cash services		48 123	41 133
Commissions on trust and fiduciary activities		22 734	25 285
Fees from portfolio management services and other management-related fees		18 698	19 453
Other		59 487	43 554
<b>Total fee and commission income</b>		<b>2 246 379</b>	<b>2 283 367</b>

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
<b>Fee and commission expense</b>			
Payment cards-related fees		(242 083)	(217 336)
Commissions paid to external entities for sale of the Group's products		(147 266)	(125 935)
Commissions of insurance products		(9 594)	(10 938)
Commissions paid for sale of external financial entities' products		(28 222)	(29 012)
Discharged brokerage fees		(29 154)	(27 489)
Cash services		(42 241)	(36 776)
Fees to NBP, KIR and GPW Benchmark		(14 795)	(14 703)
Other discharged fees		(261 616)	(168 851)
<b>Total fee and commission expense</b>		<b>(774 971)</b>	<b>(631 040)</b>

**7. Dividend income**

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
Non-trading financial assets mandatorily at fair value through profit or loss		4 258	4 213
Investments in non-consolidated subsidiaries		545	900
<b>Total dividend income</b>		<b>4 803</b>	<b>5 113</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**8. Net trading income**

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
<b>Foreign exchange result</b>		<b>(70 895)</b>	<b>(3 786)</b>
Net exchange differences on translation		7 305	(370 029)
Net transaction gains/losses		(78 200)	366 243
<b>Gains or losses on financial assets and liabilities held for trading</b>		<b>92 494</b>	<b>130 864</b>
Derivatives, including:		82 531	127 431
- <i>Interest-bearing instruments</i>		61 516	106 044
- <i>Market risk instruments</i>		21 015	21 387
Equity instruments		(1 919)	(606)
Debt securities		10 841	3 797
Loans and advances		1 041	242
<b>Gains or losses from hedge accounting</b>		<b>(24 809)</b>	<b>(56 991)</b>
Net profit on hedged items		(876 433)	1 421 263
Net profit on fair value hedging instruments		848 280	(1 416 757)
Ineffective portion of cash flow hedge		3 344	(61 497)
<b>Net trading income</b>		<b>(3 210)</b>	<b>70 087</b>

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

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

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

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
Equity instruments		20 178	(24 794)
Debt securities		4 163	(10 298)
Loans and advances		(27 526)	(22 717)
<b>Total gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</b>		<b>(3 185)</b>	<b>(57 809)</b>

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

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
Gains less losses from derecognition, including:		(49 406)	(57 236)
- <i>Financial assets measured at fair value through other comprehensive income</i>		(47 237)	(55 259)
- <i>Financial assets at amortised cost</i>		(2 169)	(1 977)
<b>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</b>		<b>(49 406)</b>	<b>(57 236)</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**11. Other operating income**

the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	62 946	47 737
Income from services provided	10 443	11 752
Net income from operating lease and right-of-use assets in sublease	7 155	6 544
Rental income from investment properties	608	8
Gains from changes in fair value of investment properties	-	12 862
Income due to release of provisions for future commitments	30 187	15 129
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	12 971	3 891
Income from compensations, penalties and fines received	811	328
Release of impairment provisions created for tangible assets and intangible assets	9	-
Net revenues from the sale of an organised part of the company mFinanse S.A.	13 500	30 600
Gains from sale and valuation of investment in subsidiaries and associates	8 192	16 699
Other	84 154	68 564
<b>Total other operating income</b>	<b>230 976</b>	<b>214 114</b>

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

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

Net income from operating lease and right-of-use assets in sublease generated for the three quarters of 2023 and for the three quarters of 2022 is presented below.

the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
- Income from operating lease	20 234	22 841
- Income from right-of-use assets in sublease	6 108	5 220
- Depreciation cost of fixed assets provided under operating lease and right-of-use assets in sublease	(19 187)	(21 517)
<b>Total net operating income due to operating lease and subleasing right-of-use assets</b>	<b>7 155</b>	<b>6 544</b>

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

the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
<b>Financial assets at amortised cost, including:</b>	<b>(735 467)</b>	<b>(651 842)</b>
Debt securities	(1 138)	(758)
<i>Stage 1</i>	(1 138)	(758)
Loans and advances	(734 329)	(651 084)
<i>Stage 1</i>	(19 285)	20 436
<i>Stage 2</i>	(120 793)	(35 238)
<i>Stage 3</i>	(625 220)	(635 658)
<i>POCI</i>	30 969	(624)
<b>Financial assets at fair value through other comprehensive income, including:</b>	<b>(1 442)</b>	<b>812</b>
Debt securities	(1 442)	812
<i>Stage 1</i>	(920)	224
<i>Stage 2</i>	(522)	588
<b>Commitments and guarantees given</b>	<b>135 364</b>	<b>16 285</b>
<i>Stage 1</i>	(3 419)	3 930
<i>Stage 2</i>	(5 524)	539
<i>Stage 3</i>	142 505	6 348
<i>POCI</i>	1 802	5 468
<b>Net impairment losses on financial assets not measured at fair value through profit or loss</b>	<b>(601 545)</b>	<b>(634 745)</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

**13. Overhead costs**

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
Staff-related expenses		(1 055 341)	(881 311)
Material costs, including:		(637 419)	(557 225)
- costs of administration and real estate services		(256 497)	(214 429)
- IT costs		(183 965)	(160 046)
- marketing costs		(134 409)	(105 484)
- consulting costs		(48 739)	(65 003)
- other material costs		(13 809)	(12 263)
Taxes and fees		(30 246)	(26 622)
Contributions and transfers to the Bank Guarantee Fund		(181 837)	(245 914)
Contributions to the Borrowers Support Fund		-	(184 056)
Contributions to the Social Benefits Fund		(9 237)	(11 203)
Institutional Protection Scheme		(56)	(428 071)
<b>Total overhead costs</b>		<b>(1 914 136)</b>	<b>(2 334 402)</b>

Staff-related expenses for the three quarters of 2023 and for the three quarters of 2022 is presented below.

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
Wages and salaries		(835 676)	(705 908)
Social security expenses		(152 620)	(127 844)
Employee contributions related to post-employment benefits		-	(756)
Remuneration concerning share-based payments, including:		(7 441)	(10 972)
- share-based payments settled in mBank S.A. shares		(7 171)	(10 716)
- cash-settled share-based payments		(270)	(256)
Other staff expenses		(59 604)	(35 831)
<b>Staff-related expenses, total</b>		<b>(1 055 341)</b>	<b>(881 311)</b>

**14. Other operating expense**

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories		(47 703)	(38 266)
Provisions for future commitments		(151 905)	(215 470)
Costs arising from provisions created for other receivables (excluding loans and advances)		(1 967)	(1 648)
Donations made		(5 623)	(6 150)
Compensation, penalties and fines paid		(1 241)	(2 952)
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the period		(4 417)	(4 359)
Debt collection expenses		(13 609)	(22 103)
Losses from sale and valuation of investment in subsidiaries and associates		(16 556)	(22 080)
Other operating costs		(49 493)	(62 939)
<b>Total other operating expenses</b>		<b>(292 514)</b>	<b>(375 967)</b>

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

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

For the period ended 30 September 2023, the item "Provisions for future commitments" includes, among others, the cost of provision in the amount of PLN 79 008 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. mBank will submit a cassation appeal within the deadline. At the same time, at the request of mBank, a decision was issued to suspend the enforceability and effectiveness of the judgment until the cassation proceedings are completed.

In the corresponding period of 2022, this item included, among other things, the cost of a provision set up by mFinance in connection with an inspection of the Social Insurance Institution in the amount of PLN 98 223 thousand (the issue is described in Point 26 of Selected Explanatory Data), as well as the cost of a provision in the amount of PLN 84 000 thousand for the reimbursement of additional bridge insurance costs charged to customers who were granted mortgage loans for the period before the mortgage was registered in the land register. The obligation to reimburse such costs stems from the amendment to the Law on Mortgage Loan and Supervision of Mortgage Loan Brokers and Agents, which came into effect on 17 September 2022.

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

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
<b>Basic:</b>			
Net profit / (loss) attributable to Owners of mBank S.A.		44 321	(1 537 207)
Weighted average number of ordinary shares		42 446 977	42 395 904
<b>Net basic profit / (loss) per share (in PLN per share)</b>		<b>1.04</b>	<b>(36.26)</b>
<b>Diluted:</b>			
Net profit / (loss) attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share		44 321	(1 537 207)
Weighted average number of ordinary shares		42 446 977	42 395 904
Adjustments for:			
- share options and subscription warrants		66 107	72 390
Weighted average number of ordinary shares for calculation of diluted earnings per share		42 513 084	42 468 294
<b>Diluted earnings / (losses) per share (in PLN per share)</b>		<b>1.04</b>	<b>(36.20)</b>

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

	30.09.2023	31.12.2022
<b>Derivatives, including:</b>	<b>1 030 497</b>	<b>1 500 695</b>
- Held for trading derivative financial instruments classified into banking book	245 767	593 653
- Held for trading derivative financial instruments classified into trading book	886 551	1 199 748
- Derivative financial instruments held for fair value hedging	84 521	121 875
- Derivative financial instruments held for cash flow hedging	31 725	36 814
- Offsetting effect	(218 067)	(451 395)
<b>Equity instruments</b>	<b>9 990</b>	<b>6 129</b>
- Other financial corporations	9 990	-
- Non-financial corporations	-	6 129
<b>Debt securities</b>	<b>1 016 122</b>	<b>978 108</b>
- General governments, including:	778 136	670 227
<i>pledged securities</i>	427 883	278 219
- Credit institutions	-	24 212
- Other financial corporations	102 314	101 887
- Non-financial corporations	135 672	181 782
<b>Loans and advances</b>	<b>40 060</b>	<b>39 720</b>
- Corporate customers	40 060	39 720
<b>Total financial assets held for trading and derivatives held for hedges</b>	<b>2 096 669</b>	<b>2 524 652</b>

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



**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

	30.09.2023	31.12.2022
Derivatives, including:	1 223 449	1 825 573
- Held for trading derivative financial instruments classified into banking book	277 227	395 883
- Held for trading derivative financial instruments classified into trading book	1 110 861	1 767 202
- Derivative financial instruments held for fair value hedging	1 217 053	2 106 851
- Derivative financial instruments held for cash flow hedging	257 104	679 253
- Offsetting effect	(1 638 796)	(3 123 616)
Liabilities from short sale of securities	324 273	260 538
<b>Total financial liabilities held for trading and derivatives held for hedges</b>	<b>1 547 722</b>	<b>2 086 111</b>

**Derivative financial instruments**

The Group has the following types of derivative instruments:

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

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

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

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

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

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

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

## Hedge accounting

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

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

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

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

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

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

### Fair value hedge accounting

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

At the end of each month, the Group evaluates effectiveness of the applied hedging by carrying out analysis of changes in fair value of the hedged and hedging instruments in respect of the hedged risk in order to confirm that hedging relationships are effective in accordance with the accounting policy described in Note 2.13 of Consolidated financial statements for 2022, published on 2 March 2023.

#### Description of the hedging relation

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

- fixed interest rate mortgage bonds issued by mBank Hipoteczny (mBH), a subsidiary of mBank. The hedged risk results from changes in interest rates,
- fixed interest rate loans received by mBank from European Investment Bank. The hedged risk results from changes in interest rates,
- fixed interest bonds issued by mBank. The hedged risk results from changes in interest rates,
- senior non-preferred bonds issued by mBank – fixed interest rate during 3 years since the issue date. The hedged risk results from changes in interest rates,
- senior non-preferred bonds issued by mBank – fixed interest rate during 5 years since the issue date. The hedged risk results from changes in interest rates,
- part of the fixed interest rate housing and consumer portfolio granted by mBank's foreign branch in the Czech Republic. The hedged risk results from changes in interest rates,
- part of the portfolio of deposits modelled by the Bank in PLN with economic characteristics of fixed rate deposits. The hedged risk results from changes in interest rates,
- part of the fixed interest rate mortgage portfolio owned by mBH. The hedged risk results from changes in interest rates.

## mBank S.A. Group

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

### Hedged items

The hedged items are:

- fixed interest rate mortgage bonds issued by mBH with a nominal value of EUR 426 900 thousand,
- fixed interest rate loans received by mBank from European Investment Bank with a nominal value of respectively CHF 113 110 thousand, CHF 175 560 thousand and CHF 138 388 thousand,
- fixed rate bonds issued by mBank S.A. with a nominal value of CHF 125 000 thousand,
- senior non-preferred bonds issued by mBank S.A., fixed rate during 3 years since the issue date, with nominal value of EUR 750 000 thousand,
- senior non-preferred bonds issued by mBank S.A., fixed rate during 5 years since the issue date, with nominal value of EUR 500 000 thousand,
- part of the fixed interest rate housing and consumer portfolio, denominated in CZK, granted by mBank's foreign branch in the Czech Republic,
- part of the portfolio of deposits modelled by the Bank in PLN with economic characteristics of fixed rate deposits,
- part of the fixed interest rate mortgage portfolio owned by mBH.

### Hedging instruments

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

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

Fair value adjustment of the hedged assets and liabilities as well as valuation of the hedging instruments are recognised in the income statement as trading income, with the exception of 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.

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

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
Interest income / expense on derivatives concluded under the fair value hedge accounting (Note 5)		(653 861)	(293 687)
Net profit on hedged items (Note 8)		(876 433)	1 421 263
Net profit on fair value hedging instruments (Note 8)		848 280	(1 416 757)
<b>The total results of fair value hedge accounting recognised in the income statement</b>		<b>(682 014)</b>	<b>(289 181)</b>

### **Cash flow hedge accounting**

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

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

The period from October 2023 to August 2029 is the period in which the cash flows are expected, and when they are expected to have an impact on the result.

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

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

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

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

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

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

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

For the purpose of calculating changes in the fair value of future cash flows of items being hedged, the Group uses the "hypothetical derivative" method, which assumes the possibility of reflecting the hedged item and the characteristics of the risk being hedged in the form of a derivative. The valuation principles are analogous to the principles for the valuation of interest rate derivatives, however, as required by 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".

In the case of established relationships, the period in which cash flows are expected and when they should be expected to influence the results is the period from October 2023 to September 2025.

The following note presents other comprehensive income due to cash flow hedges for the period from 1 January to 30 September 2023 and for the period from 1 January to 30 September 2022.

the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
<b>Other gross comprehensive income from cash flow hedge and cost of hedge at the beginning of the period</b>	<b>(950 325)</b>	<b>(617 534)</b>
Unrealised gains/losses resulting from hedge included in other gross comprehensive income during the reporting period (gross)	10 452	(770 519)
The amount transferred in the period from other comprehensive income to profit and loss	508 750	256 334
- <i>net interest income</i>	492 460	337 454
- <i>foreign exchange result</i>	16 290	(81 120)
<b>Accumulated other gross comprehensive income from cash flow hedge and cost of hedge at the end of the reporting period</b>	<b>(431 123)</b>	<b>(1 131 719)</b>
Income tax on accumulated other comprehensive income at the end of the reporting period	81 914	215 027
<b>Accumulated other net comprehensive income from cash flow hedge and cost of hedge at the end of the reporting period</b>	<b>(349 209)</b>	<b>(916 692)</b>
Impact on other comprehensive income in the reporting period (gross)	519 202	(514 185)
Tax on cash flow hedges	(98 648)	97 695
<b>Impact on other comprehensive income in the reporting period (net)</b>	<b>420 554</b>	<b>(416 490)</b>

the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
<b>Gains/losses recognised in comprehensive income (gross) during the reporting period, including:</b>		
Unrealised gains/losses included in other comprehensive income (gross)	519 202	(514 185)
Results of cash flow hedge accounting recognised in the income statement	(505 406)	(317 831)
- <i>amount included as interest income / expense in income statement during the reporting period (Note 5)</i>	(492 460)	(337 454)
- <i>ineffective portion of hedge recognised included in other net trading income in income statement (Note 8)</i>	3 344	(61 497)
- <i>foreign exchange result</i>	(16 290)	81 120
<b>Impact on other comprehensive income in the reporting period (gross)</b>	<b>13 796</b>	<b>(832 016)</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

	30.09.2023	31.12.2022
<b>Equity instruments</b>	<b>200 259</b>	<b>185 788</b>
- Other financial corporations	147 318	133 100
- Non-financial corporations	52 941	52 688
<b>Debt securities</b>	<b>49 249</b>	<b>45 009</b>
- Other financial corporations	49 249	45 009
<b>Loans and advances</b>	<b>655 791</b>	<b>813 392</b>
- Individual customers	571 739	690 795
- Corporate customers	84 005	122 509
- Public sector customers	47	88
<b>Total non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>905 299</b>	<b>1 044 189</b>
Short-term (up to 1 year)	555 892	692 237
Long-term (over 1 year)	349 407	351 952

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

30.09.2023	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>36 605 524</b>	<b>36 582 041</b>	<b>33 566</b>	-	-	<b>(9 561)</b>	<b>(522)</b>	-	-
- Central banks	19 621 526	19 624 938	-	-	-	(3 412)	-	-	-
- General governments, including:	14 428 715	14 431 200	-	-	-	(2 485)	-	-	-
<i>pledged securities</i>	612 320	612 320	-	-	-	-	-	-	-
- Credit institutions	402 934	403 571	-	-	-	(637)	-	-	-
- Other financial institutions, including:	1 464 576	1 432 246	33 566	-	-	(714)	(522)	-	-
<i>pledged securities</i>	400 400	400 400	-	-	-	-	-	-	-
- Non-financial corporations	687 773	690 086	-	-	-	(2 313)	-	-	-
<b>Total financial assets at fair value through other comprehensive income</b>	<b>36 605 524</b>	<b>36 582 041</b>	<b>33 566</b>	-	-	<b>(9 561)</b>	<b>(522)</b>	-	-
Short-term (up to 1 year) gross	27 233 571								
Long-term (over 1 year) gross	9 382 036								

31.12.2022	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>35 117 450</b>	<b>35 126 009</b>	-	-	-	<b>(8 559)</b>	-	-	-
- Central banks	17 483 362	17 486 266	-	-	-	(2 904)	-	-	-
- General governments, including:	15 101 553	15 104 112	-	-	-	(2 559)	-	-	-
<i>pledged securities</i>	677 551	677 551	-	-	-	-	-	-	-
- Credit institutions	375 548	375 921	-	-	-	(373)	-	-	-
- Other financial institutions, including:	1 445 590	1 446 001	-	-	-	(411)	-	-	-
<i>pledged securities</i>	415 618	415 618	-	-	-	-	-	-	-
- Non-financial corporations	711 397	713 709	-	-	-	(2 312)	-	-	-
<b>Total financial assets at fair value through other comprehensive income</b>	<b>35 117 450</b>	<b>35 126 009</b>	-	-	-	<b>(8 559)</b>	-	-	-
Short-term (up to 1 year) gross	24 366 750								
Long-term (over 1 year) gross	10 759 259								

## mBank S.A. Group

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

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

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

Change from 1 January to 30 September 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Changes in credit risk	Other movements	As at the end of the period
<b>Debt securities</b>	<b>(8 559)</b>	-	-	-	<b>(34 426)</b>	<b>33 836</b>	<b>(852)</b>	<b>(82)</b>	<b>(10 083)</b>
Stage 1	(8 559)	(146)	158	-	(34 426)	33 836	(342)	(82)	(9 561)
Stage 2	-	146	(158)	-	-	-	(510)	-	(522)
<b>Expected credit losses allowance, total</b>	<b>(8 559)</b>	-	-	-	<b>(34 426)</b>	<b>33 836</b>	<b>(852)</b>	<b>(82)</b>	<b>(10 083)</b>

Change from 1 January to 31 December 2022	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Changes in credit risk	Other movements	As at the end of the period
<b>Debt securities</b>	<b>(8 823)</b>	-	-	-	<b>(11 296)</b>	<b>10 543</b>	<b>992</b>	<b>25</b>	<b>(8 559)</b>
Stage 1	(8 235)	-	-	-	(11 296)	9 955	992	25	(8 559)
Stage 2	(588)	-	-	-	-	588	-	-	-
<b>Expected credit losses allowance, total</b>	<b>(8 823)</b>	-	-	-	<b>(11 296)</b>	<b>10 543</b>	<b>992</b>	<b>25</b>	<b>(8 559)</b>

### Explanation of changes in the financial instruments gross carrying amount including valuation to fair value impacting the changes on expected credit losses allowance

Change from 1 January to 30 September 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Other movements	As at the end of the period
<b>Debt securities</b>	<b>35 126 009</b>	-	-	-	<b>190 171 999</b>	<b>(190 473 526)</b>	<b>1 791 125</b>	<b>36 615 607</b>
Stage 1	35 126 009	13 401	(47 453)	-	190 171 999	(190 473 526)	1 791 611	36 582 041
Stage 2	-	(13 401)	47 453	-	-	-	(486)	33 566
<b>Gross carrying amount, total</b>	<b>35 126 009</b>	-	-	-	<b>190 171 999</b>	<b>(190 473 526)</b>	<b>1 791 125</b>	<b>36 615 607</b>

Change from 1 January to 31 December 2022	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Other movements	As at the end of the period
<b>Debt securities</b>	<b>36 214 882</b>	-	-	-	<b>22 203 004</b>	<b>(23 102 699)</b>	<b>(189 178)</b>	<b>35 126 009</b>
Stage 1	36 170 934	-	-	-	22 203 004	(23 058 751)	(189 178)	35 126 009
Stage 2	43 948	-	-	-	-	(43 948)	-	-
<b>Gross carrying amount, total</b>	<b>36 214 882</b>	-	-	-	<b>22 203 004</b>	<b>(23 102 699)</b>	<b>(189 178)</b>	<b>35 126 009</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**19. Financial assets at amortised cost**

30.09.2023	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>24 997 760</b>	<b>25 001 841</b>	-	-	-	<b>(4 081)</b>	-	-	-
- General governments, including:	17 299 652	17 302 596	-	-	-	(2 944)	-	-	-
<i>pledged securities</i>	1 378 056	1 378 056	-	-	-	-	-	-	-
- Credit institutions	3 444 883	3 445 475	-	-	-	(592)	-	-	-
- Other financial corporations	4 253 225	4 253 770	-	-	-	(545)	-	-	-
<i>pledged securities</i>	1 568 414	1 568 414	-	-	-	-	-	-	-
<b>Loans and advances to banks</b>	<b>18 323 583</b>	<b>18 295 951</b>	<b>28 573</b>	-	-	<b>(477)</b>	<b>(464)</b>	-	-
<b>Loans and advances to customers</b>	<b>117 109 226</b>	<b>104 574 639</b>	<b>11 151 230</b>	<b>4 769 341</b>	<b>227 803</b>	<b>(422 548)</b>	<b>(507 519)</b>	<b>(2 739 514)</b>	<b>55 794</b>
Individual customers	65 232 469	58 168 925	6 436 387	2 495 237	156 977	(217 179)	(385 867)	(1 391 049)	(30 962)
Corporate customers	51 743 855	46 334 591	4 649 618	2 274 104	70 826	(205 230)	(118 345)	(1 348 465)	86 756
Public sector customers	132 902	71 123	65 225	-	-	(139)	(3 307)	-	-
<b>Total financial assets at amortised cost</b>	<b>160 430 569</b>	<b>147 872 431</b>	<b>11 179 803</b>	<b>4 769 341</b>	<b>227 803</b>	<b>(427 106)</b>	<b>(507 983)</b>	<b>(2 739 514)</b>	<b>55 794</b>
Short-term (up to 1 year) gross	64 879 515								
Long-term (over 1 year) gross	99 169 863								

31.12.2022	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>19 002 527</b>	<b>19 005 458</b>	-	-	-	<b>(2 931)</b>	-	-	-
- General governments, including:	13 412 161	13 414 361	-	-	-	(2 200)	-	-	-
<i>pledged securities</i>	1 089 602	1 089 602	-	-	-	-	-	-	-
- Credit institutions	2 140 957	2 141 310	-	-	-	(353)	-	-	-
- Other financial corporations	3 449 409	3 449 787	-	-	-	(378)	-	-	-
<i>pledged securities</i>	1 041 894	1 041 894	-	-	-	-	-	-	-
<b>Loans and advances to banks</b>	<b>9 806 262</b>	<b>9 805 334</b>	<b>2 431</b>	-	-	<b>(563)</b>	<b>(940)</b>	-	-
<b>Loans and advances to customers</b>	<b>119 330 030</b>	<b>109 531 005</b>	<b>8 311 891</b>	<b>4 512 035</b>	<b>229 311</b>	<b>(402 616)</b>	<b>(385 880)</b>	<b>(2 511 202)</b>	<b>45 486</b>
Individual customers	68 586 288	64 086 758	3 967 237	2 224 949	152 423	(221 770)	(290 339)	(1 303 175)	(29 795)
Corporate customers	50 637 195	45 337 677	4 344 640	2 286 016	76 888	(180 755)	(95 541)	(1 207 011)	75 281
Public sector customers	106 547	106 570	14	1 070	-	(91)	-	(1 016)	-
<b>Total financial assets at amortised cost</b>	<b>148 138 819</b>	<b>138 341 797</b>	<b>8 314 322</b>	<b>4 512 035</b>	<b>229 311</b>	<b>(406 110)</b>	<b>(386 820)</b>	<b>(2 511 202)</b>	<b>45 486</b>
Short-term (up to 1 year) gross	50 200 615								
Long-term (over 1 year) gross	101 196 850								

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

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

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

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**Loans and advances to customers**

Loans and advances to customers 30.09.2023	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	14 708 781	8 139 643	6 561 343	7 795
Term loans, including:	84 857 152	59 032 099	25 696 503	128 550
- housing and mortgage loans to natural persons	44 478 192	44 478 192		
Reverse repo or buy/sell back	3 420 280	-	3 420 280	-
Finance leases	14 192 300	-	14 192 300	-
Other loans and advances	3 368 714	-	3 368 714	-
Other receivables	175 786	85 784	89 999	3
<b>Total gross carrying amount</b>	<b>120 723 013</b>	<b>67 257 526</b>	<b>53 329 139</b>	<b>136 348</b>
Loans and advances to customers 30.09.2023	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	(1 054 983)	(816 330)	(238 607)	(46)
Term loans, including:	(1 969 316)	(1 208 727)	(757 189)	(3 400)
- housing and mortgage loans to natural persons	(485 691)	(485 691)		
Finance leases	(530 096)	-	(530 096)	-
Other loans and advances	(53 723)	-	(53 723)	-
Other receivables	(5 669)	-	(5 669)	-
<b>Total accumulated impairment</b>	<b>(3 613 787)</b>	<b>(2 025 057)</b>	<b>(1 585 284)</b>	<b>(3 446)</b>
<b>Total gross carrying amount</b>	<b>120 723 013</b>	<b>67 257 526</b>	<b>53 329 139</b>	<b>136 348</b>
Total accumulated impairment	(3 613 787)	(2 025 057)	(1 585 284)	(3 446)
<b>Total carrying amount</b>	<b>117 109 226</b>	<b>65 232 469</b>	<b>51 743 855</b>	<b>132 902</b>
Short-term (up to 1 year) gross	40 841 743			
Long-term (over 1 year) gross	79 881 270			
Loans and advances to customers 31.12.2022	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	14 702 210	8 015 011	6 680 908	6 291
Term loans, including:	89 526 212	62 394 979	27 029 870	101 363
- housing and mortgage loans to natural persons	48 094 082	48 094 082		
Reverse repo or buy/sell back	1 611 154	-	1 611 154	-
Finance leases	13 351 537	-	13 351 537	-
Other loans and advances	3 301 814	-	3 301 814	-
Other receivables	91 315	21 377	69 938	-
<b>Total gross carrying amount</b>	<b>122 584 242</b>	<b>70 431 367</b>	<b>52 045 221</b>	<b>107 654</b>
Loans and advances to customers 31.12.2022	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	(839 171)	(680 444)	(158 711)	(16)
Term loans, including:	(1 890 949)	(1 164 635)	(725 223)	(1 091)
- housing and mortgage loans to natural persons	(501 397)	(501 397)		
Finance leases	(476 832)	-	(476 832)	-
Other loans and advances	(42 904)	-	(42 904)	-
Other receivables	(4 356)	-	(4 356)	-
<b>Total accumulated impairment</b>	<b>(3 254 212)</b>	<b>(1 845 079)</b>	<b>(1 408 026)</b>	<b>(1 107)</b>
<b>Total gross carrying amount</b>	<b>122 584 242</b>	<b>70 431 367</b>	<b>52 045 221</b>	<b>107 654</b>
Total accumulated impairment	(3 254 212)	(1 845 079)	(1 408 026)	(1 107)
<b>Total carrying amount</b>	<b>119 330 030</b>	<b>68 586 288</b>	<b>50 637 195</b>	<b>106 547</b>
Short-term (up to 1 year) gross	36 669 622			
Long-term (over 1 year) gross	85 914 620			



**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

	30.09.2023	31.12.2022
<b>Net housing and mortgage loans to natural persons (in PLN thousand), including:</b>	<b>43 992 501</b>	<b>47 592 685</b>
- PLN	32 463 507	31 930 717
- CHF	2 766 257	6 141 673
- EUR	3 750 525	4 035 996
- CZK	4 831 620	5 301 068
- USD	153 787	169 647
- Other	26 805	13 584
<b>Net housing and mortgage loans to natural persons in original currencies (main currencies in thousand)</b>		
- PLN	32 463 507	31 930 717
- CHF	575 944	1 288 130
- EUR	809 070	860 572
- CZK	25 416 202	27 296 952
- USD	35 194	38 540

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

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

30.09.2023											
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	65 232 469	58 168 925	6 436 387	2 495 237	156 977	55.71%	(217 179)	(385 867)	(1 391 049)	(30 962)
2.	Real estate	6 357 281	5 303 648	716 707	636 796	19 103	5.53%	(35 976)	(40 798)	(267 726)	25 527
3.	Construction	4 897 580	4 200 395	481 862	533 702	13 738	4.33%	(26 461)	(9 209)	(301 520)	5 073
4.	Financial activities	3 915 210	3 903 808	13 208	11 326	16	3.25%	(2 464)	(333)	(10 351)	-
5.	Food sector	3 388 193	3 034 923	327 215	127 156	667	2.89%	(10 127)	(14 290)	(76 633)	(718)
6.	Transport and logistics	3 316 043	2 954 899	323 633	111 429	779	2.81%	(8 796)	(5 017)	(74 078)	13 194
7.	Metals	2 428 049	2 145 726	266 714	37 171	15 016	2.04%	(6 513)	(2 855)	(26 066)	(1 144)
8.	Construction materials	2 073 830	1 592 471	474 766	38 480	10 772	1.75%	(4 649)	(3 462)	(28 646)	(5 902)
9.	Motorisation	2 030 160	1 839 001	175 268	48 519	847	1.71%	(3 474)	(1 554)	(28 463)	16
10.	Power and heating distribution	1 939 919	1 934 418	15 026	71 903	-	1.67%	(23 530)	(249)	(57 649)	-
11.	Scientific and technical activities	1 916 078	1 795 606	124 460	55 692	7 116	1.64%	(12 431)	(2 208)	(45 051)	(7 106)
12.	Chemicals and plastic products	1 821 798	1 636 338	178 721	37 858	247	1.54%	(3 272)	(13 152)	(18 283)	3 341
13.	Wholesale trade	1 470 763	1 287 988	166 009	98 752	-	1.29%	(4 027)	(3 806)	(74 153)	-
14.	Retail trade	1 514 221	1 340 018	172 329	30 360	9	1.28%	(4 080)	(2 973)	(21 442)	-
15.	Human health	1 263 493	1 205 183	68 309	10 377	63	1.06%	(10 521)	(2 022)	(7 836)	(60)
16.	Wood, furniture and paper products	1 216 897	1 026 077	133 918	102 338	152	1.05%	(2 651)	(1 432)	(87 887)	46 382
17.	Fuel	1 245 664	1 202 295	41 383	2 822	103	1.03%	(5 748)	(190)	(2 161)	7 160
18.	Rental and leasing activities	1 089 746	1 052 833	31 477	27 454	-	0.92%	(2 333)	(341)	(19 344)	-
19.	IT	983 425	961 475	15 542	36 862	1	0.84%	(5 456)	(299)	(24 718)	18
20.	Other	9 008 407	7 988 612	988 296	255 107	2 197	7.66%	(32 860)	(17 462)	(176 458)	975
<b>Total</b>		<b>117 109 226</b>	<b>104 574 639</b>	<b>11 151 230</b>	<b>4 769 341</b>	<b>227 803</b>	<b>100.00%</b>	<b>(422 548)</b>	<b>(507 519)</b>	<b>(2 739 514)</b>	<b>55 794</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

31.12.2022											
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	68 586 288	64 086 758	3 967 237	2 224 949	152 423	57.46%	(221 770)	(290 339)	(1 303 175)	(29 795)
2.	Real estate	6 448 613	5 307 400	713 098	629 903	41 720	5.46%	(29 221)	(18 305)	(200 004)	4 022
3.	Construction	4 943 126	4 216 920	449 131	527 031	13 881	4.25%	(22 610)	(13 583)	(232 226)	4 582
4.	Food sector	3 563 638	3 264 491	242 562	128 296	7 803	2.97%	(7 912)	(10 774)	(71 774)	10 946
5.	Financial activities	3 200 993	3 187 639	14 238	11 232	16	2.62%	(3 169)	(335)	(8 628)	-
6.	Transport and logistics	3 099 420	2 632 006	462 569	84 117	774	2.59%	(9 209)	(15 203)	(68 953)	13 319
7.	Metals	2 689 412	2 482 146	193 827	45 230	1 727	2.22%	(7 074)	(1 612)	(24 537)	(295)
8.	Construction materials	2 108 970	1 704 001	391 618	62 080	1 694	1.76%	(4 283)	(2 152)	(43 504)	(484)
9.	Chemicals and plastic products	2 079 293	1 951 744	107 919	39 045	(4)	1.71%	(4 359)	(932)	(16 384)	2 264
10.	Power and heating distribution	1 958 350	1 952 663	13 812	75 667	-	1.67%	(26 033)	(71)	(57 688)	-
11.	Motorisation	1 987 472	1 796 521	175 013	49 108	198	1.65%	(3 361)	(1 526)	(28 402)	(79)
12.	Scientific and technical activities	1 707 462	1 626 160	86 986	47 558	8 172	1.44%	(10 822)	(1 872)	(40 548)	(8 172)
13.	Wholesale trade	1 547 459	1 428 352	98 613	84 819	-	1.31%	(3 397)	(2 584)	(58 344)	-
14.	Retail trade	1 497 261	1 428 114	69 460	22 010	27	1.24%	(4 267)	(1 199)	(16 884)	-
15.	Wood, furniture and paper products	1 383 059	1 240 989	93 888	83 596	192	1.16%	(1 824)	(1 093)	(79 614)	46 925
16.	Fuel	1 180 621	1 138 306	33 345	18 420	943	0.97%	(4 256)	(339)	(5 283)	(515)
17.	IT	1 167 188	1 158 771	12 153	8 088	1	0.96%	(5 860)	(293)	(5 672)	-
18.	Human health	1 024 432	979 698	47 606	10 542	62	0.85%	(4 676)	(1 163)	(7 631)	(6)
19.	Rental and leasing activities	963 976	915 222	44 306	27 632	-	0.81%	(2 057)	(456)	(20 671)	-
20.	Other	8 192 997	7 033 104	1 094 510	332 712	(318)	6.90%	(26 456)	(22 049)	(221 280)	2 774
<b>Total</b>		<b>119 330 030</b>	<b>109 531 005</b>	<b>8 311 891</b>	<b>4 512 035</b>	<b>229 311</b>	<b>100.00%</b>	<b>(402 616)</b>	<b>(385 880)</b>	<b>(2 511 202)</b>	<b>45 486</b>

**Movements in expected credit losses allowance**

Change from 1 January to 30 September 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Changes in credit risk	Write-offs	Other movements	As at the end of the period
<b>Debt securities</b>	<b>(2 931)</b>	-	-	-	<b>(1 009)</b>	<b>462</b>	<b>(591)</b>	-	<b>(12)</b>	<b>(4 081)</b>
Stage 1	(2 931)	-	-	-	(1 009)	462	(591)	-	(12)	(4 081)
<b>Loans and advances to banks</b>	<b>(1 503)</b>	-	-	-	<b>(846)</b>	<b>1 237</b>	<b>769</b>	-	<b>(598)</b>	<b>(941)</b>
Stage 1	(563)	(82)	38	-	(465)	549	658	-	(612)	(477)
Stage 2	(940)	82	(38)	-	(381)	688	111	-	14	(464)
<b>Loans and advances to customers</b>	<b>(3 254 212)</b>	-	-	-	<b>(235 683)</b>	<b>159 517</b>	<b>(659 323)</b>	<b>530 221</b>	<b>(154 307)</b>	<b>(3 613 787)</b>
Stage 1	(402 616)	(212 966)	98 397	6 757	(97 483)	58 735	126 577	-	51	(422 548)
Stage 2	(385 880)	204 047	(135 349)	210 528	(13 372)	12 044	(399 153)	-	(384)	(507 519)
Stage 3	(2 511 202)	8 919	36 952	(217 285)	(148 836)	121 348	(426 318)	525 776	(128 868)	(2 739 514)
POCI	45 486	-	-	-	24 008	(32 610)	39 571	4 445	(25 106)	55 794
<b>Expected credit losses allowance, total</b>	<b>(3 258 646)</b>	-	-	-	<b>(237 538)</b>	<b>161 216</b>	<b>(659 145)</b>	<b>530 221</b>	<b>(154 917)</b>	<b>(3 618 809)</b>

Change from 1 January to 31 December 2022	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Changes in credit risk	Net changes due to methodology update	Write-offs	Other movements	As at the end of the period
<b>Debt securities</b>	<b>(2 046)</b>	-	-	-	<b>(355)</b>	<b>104</b>	<b>(634)</b>	-	-	-	<b>(2 931)</b>
Stage 1	(2 046)	-	-	-	(355)	104	(634)	-	-	-	(2 931)
<b>Loans and advances to banks</b>	<b>(983)</b>	-	-	-	<b>(3 835)</b>	<b>3 646</b>	<b>(1 429)</b>	-	-	<b>1 098</b>	<b>(1 503)</b>
Stage 1	(983)	(8)	93	-	(2 937)	2 087	104	-	-	1 081	(563)
Stage 2	-	8	(93)	-	(898)	1 559	(1 533)	-	-	17	(940)
<b>Loans and advances to customers</b>	<b>(3 178 110)</b>	-	-	-	<b>(542 587)</b>	<b>691 473</b>	<b>(980 807)</b>	<b>(5 019)</b>	<b>941 088</b>	<b>(180 250)</b>	<b>(3 254 212)</b>
Stage 1	(434 872)	(324 613)	147 430	13 323	(200 888)	153 206	220 455	25 863	-	(2 520)	(402 616)
Stage 2	(346 255)	312 293	(190 094)	264 231	(45 885)	52 537	(398 544)	(30 276)	-	(3 887)	(385 880)
Stage 3	(2 440 501)	12 320	42 664	(277 554)	(298 937)	485 013	(803 983)	1	914 638	(144 863)	(2 511 202)
POCI	43 518	-	-	-	3 123	717	1 265	(607)	26 450	(28 980)	45 486
<b>Expected credit losses allowance, total</b>	<b>(3 181 139)</b>	-	-	-	<b>(546 777)</b>	<b>695 223</b>	<b>(982 870)</b>	<b>(5 019)</b>	<b>941 088</b>	<b>(179 152)</b>	<b>(3 258 646)</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

Change from 1 January to 30 September 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Write-offs	Other movements	As at the end of the period
<b>Debt securities</b>	<b>19 005 458</b>	-	-	-	<b>6 346 226</b>	<b>(2 966 980)</b>	-	<b>2 617 137</b>	<b>25 001 841</b>
Stage 1	19 005 458	-	-	-	6 346 226	(2 966 980)	-	2 617 137	25 001 841
<b>Loans and advances to banks</b>	<b>9 807 765</b>	-	-	-	<b>107 281 265</b>	<b>(98 927 991)</b>	-	<b>163 485</b>	<b>18 324 524</b>
Stage 1	9 805 334	22 603	(23 719)	-	107 230 261	(98 892 585)	-	154 057	18 295 951
Stage 2	2 431	(22 603)	23 719	-	51 004	(35 406)	-	9 428	28 573
<b>Loans and advances to customers</b>	<b>122 584 242</b>	-	-	-	<b>63 058 513</b>	<b>(55 846 677)</b>	<b>(530 221)</b>	<b>(8 542 844)</b>	<b>120 723 013</b>
Stage 1	109 531 005	4 635 759	(9 287 888)	(362 684)	61 763 613	(53 753 204)	-	(7 951 962)	104 574 639
Stage 2	8 311 891	(4 579 243)	9 471 735	(1 125 683)	1 002 936	(1 502 757)	-	(427 649)	11 151 230
Stage 3	4 512 035	(56 516)	(183 847)	1 388 835	298 339	(533 603)	(525 776)	(130 126)	4 769 341
POCI	229 311	-	-	99 532	(6 375)	(57 113)	(4 445)	(33 107)	227 803
<b>Financial assets at amortised cost, gross</b>	<b>151 397 465</b>	-	-	-	<b>176 686 004</b>	<b>(157 741 648)</b>	<b>(530 221)</b>	<b>(5 762 222)</b>	<b>164 049 378</b>

Change from 1 January to 31 December 2022	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Write-offs	Other movements	As at the end of the period
<b>Debt securities</b>	<b>16 166 149</b>	-	-	-	<b>3 462 370</b>	<b>(557 120)</b>	-	<b>(65 941)</b>	<b>19 005 458</b>
Stage 1	16 166 149	-	-	-	3 462 370	(557 120)	-	(65 941)	19 005 458
<b>Loans and advances to banks</b>	<b>7 230 664</b>	-	-	-	<b>9 001 264</b>	<b>(6 324 873)</b>	-	<b>(99 290)</b>	<b>9 807 765</b>
Stage 1	7 230 664	-	(4 562)	-	9 001 241	(6 324 873)	-	(97 136)	9 805 334
Stage 2	-	-	4 562	-	23	-	-	(2 154)	2 431
<b>Loans and advances to customers</b>	<b>119 703 485</b>	-	-	-	<b>31 677 760</b>	<b>(21 524 796)</b>	<b>(941 088)</b>	<b>(6 331 119)</b>	<b>122 584 242</b>
Stage 1	108 905 581	1 374 190	(4 251 119)	(1 084 514)	29 933 552	(19 432 892)	-	(5 913 793)	109 531 005
Stage 2	6 223 882	(1 332 547)	4 406 448	(725 066)	1 269 963	(1 274 134)	-	(256 655)	8 311 891
Stage 3	4 339 863	(41 643)	(155 329)	1 802 585	414 937	(787 662)	(914 638)	(146 078)	4 512 035
POCI	234 159	-	-	6 995	59 308	(30 108)	(26 450)	(14 593)	229 311
<b>Financial assets at amortised cost, gross</b>	<b>143 100 298</b>	-	-	-	<b>44 141 394</b>	<b>(28 406 789)</b>	<b>(941 088)</b>	<b>(6 496 350)</b>	<b>151 397 465</b>

**20. Non-current assets and disposal groups classified as held for sale and liabilities held for sale**

In December 2021, the Bank's Management Board approved the sale of real estate in Katowice at ul. Powstańców 43, owned by mBank. The property consists of an office, service building with equipment and the right of perpetual usufruct of land.

On 5 January 2022 the Bank concluded a preliminary agreement for the sale of this property and therefore the Bank reclassified the value of the building with its equipment and the right of use perpetual usufruct of land to Non-current assets and disposal groups classified as held for sale, and the value of the lease liability related to the right of perpetual usufruct of land to the Liabilities classified as held for sale.

On 29 March 2023, the Bank sold the property.

The financial data regarding assets and liabilities held for sale are presented below.

<b>Non-current assets held for sale</b>	<b>30.09.2023</b>	<b>31.12.2022</b>
Fixed asset	-	26 747
<b>Total non-current assets held for sale</b>	<b>-</b>	<b>26 747</b>
<b>Liabilities classified as held for sale</b>	<b>30.09.2023</b>	<b>31.12.2022</b>
Financial liabilities measured at amortised cost, including:	-	7 375
<i>Lease liabilities</i>	-	7 375
<b>Total liabilities classified as held for sale</b>	<b>-</b>	<b>7 375</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**21. Intangible assets**

	30.09.2023	31.12.2022
Goodwill	24 228	24 228
Patents, licences and similar assets, including:	1 224 333	1 093 558
- <i>computer software</i>	1 019 413	975 468
Other intangible assets	13 484	15 770
Intangible assets under development	351 258	258 151
<b>Total intangible assets</b>	<b>1 613 303</b>	<b>1 391 707</b>

**22. Tangible assets**

	30.09.2023	31.12.2022
<b>Fixed assets, including:</b>	<b>652 150</b>	<b>651 403</b>
- land	202	653
- buildings and structures	32 545	42 885
- equipment	215 064	218 885
- vehicles	200 651	175 851
- other fixed assets	203 688	213 129
<b>Fixed assets under construction</b>	<b>31 541</b>	<b>47 091</b>
<b>The right to use, including:</b>	<b>754 604</b>	<b>786 439</b>
- real estate	749 659	781 408
- the right of perpetual usufruct of land	2 122	2 146
- cars	2 211	1 924
- other	612	961
<b>Total tangible assets</b>	<b>1 438 295</b>	<b>1 484 933</b>

**23. Investment properties**

Due to the change of the Bank's head office, in 2021 the Group reclassified its building at 14 Królewska St. in Warsaw, previously recognised as a fixed asset with a total carrying amount of PLN 75 645 thousand and the right of perpetual usufruct of land recognised as the right of use in the amount of PLN 37 747 thousand to the item Investment property. The difference in the revaluation of these components to fair value amounting to PLN 14 118 thousand was recognised in other comprehensive income. The building is intended for rent.

	30.09.2023	31.12.2022
<b>Gross value as at the beginning of the period</b>	<b>136 909</b>	<b>127 510</b>
<b>Increase (due to):</b>	-	<b>12 862</b>
- revaluation gains from fair value adjustments	-	12 862
<b>Decrease (due to):</b>	-	<b>(3 463)</b>
- revaluation losses from fair value adjustments	-	(3 463)
<b>As at the end of the period</b>	<b>136 909</b>	<b>136 909</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**24. Financial liabilities measured at amortised cost****Amounts due to banks and customers**

30.09.2023	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
<b>Deposits</b>	<b>801 497</b>	<b>183 572 942</b>	<b>130 208 695</b>	<b>52 921 918</b>	<b>442 329</b>
Current accounts	445 089	141 919 585	102 029 231	39 461 702	428 652
Term deposits	333 785	41 222 392	28 179 464	13 029 251	13 677
Repo or sell/buy back transactions	22 623	430 965	-	430 965	-
<b>Loans and advances received</b>	<b>1 953 210</b>	-	-	-	-
<b>Other financial liabilities</b>	<b>765 616</b>	<b>1 536 419</b>	<b>257 712</b>	<b>1 278 677</b>	<b>30</b>
Liabilities in respect of cash collaterals	444 981	747 095	33 196	713 896	3
Other	320 635	789 324	224 516	564 781	27
<b>Total financial liabilities measured at amortised cost</b>	<b>3 520 323</b>	<b>185 109 361</b>	<b>130 466 407</b>	<b>54 200 595</b>	<b>442 359</b>
Short-term (up to 1 year)	1 473 870	184 894 212			
Long-term (over 1 year)	2 046 453	215 149			

31.12.2022	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
<b>Deposits</b>	<b>546 654</b>	<b>172 979 819</b>	<b>122 669 186</b>	<b>49 050 409</b>	<b>1 260 224</b>
Current accounts	273 832	133 712 049	95 642 108	37 626 052	443 889
Term deposits	254 972	38 957 844	27 027 078	11 114 431	816 335
Repo or sell/buy back transactions	17 850	309 926	-	309 926	-
<b>Loans and advances received</b>	<b>1 910 721</b>	-	-	-	-
<b>Other financial liabilities</b>	<b>812 848</b>	<b>1 151 095</b>	<b>220 848</b>	<b>930 238</b>	<b>9</b>
Liabilities in respect of cash collaterals	715 959	509 204	39 715	469 489	-
Other	96 889	641 891	181 133	460 749	9
<b>Total financial liabilities measured at amortised cost</b>	<b>3 270 223</b>	<b>174 130 914</b>	<b>122 890 034</b>	<b>49 980 647</b>	<b>1 260 233</b>
Short-term (up to 1 year)	1 704 002	173 908 352			
Long-term (over 1 year)	1 566 221	222 562			

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

**Debt securities issued**

	30.09.2023	31.12.2022
Debt securities issued	11 958 340	9 465 479

As at 30 September 2023 the item Debt securities issued includes among others the liabilities due to issue of credit linked notes ("CLNs") related to the synthetic securitisation transaction referencing a portfolio of corporate and small and medium enterprises loans with a total value of PLN 1 691 921 thousand (PLN 922 410 thousand as at 31 December 2022).

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 (hereinafter "CLNs"). The CLNs, through the built-in financial guarantee, provides coverage of losses on the securitisation portfolio up to the amount of the mezzanine tranche.

## mBank S.A. Group

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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 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 Wiener Börse AG (Vienna Stock Exchange).

The transaction meets the requirements for significant risk transfer specified in 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 ("CRR Regulation") and has been structured as meeting the STS criteria (simple, transparent and standard securitisation) in accordance with Regulation (EU) 2021/557 of the European Parliament and of the Council of 31 March 2021 amending Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation to help the recovery from the COVID-19 crisis.

In accordance with IFRS 9, the contractual conditions of the transaction do not meet the conditions for derecognition of assets covered by the securitisation transaction from the Bank's balance sheet, as the transaction did not transfer all the risks and rewards of the loan portfolio, at the same time the Bank retained control over the portfolio of securitised loans. The liability under the issued CLNs is shown under "Financial liabilities measured at amortised cost". The carrying amount of the CLN will be adjusted for the change in the expected cash flows from the embedded financial guarantee in accordance with IFRS 9 paragraph B5.4.6.

The detailed information about the abovementioned transactions is presented in the Note 29 of Consolidated financial statements of mBank S.A. Group for 2022, published on 2 March 2023.

## 25. Provisions

	30.09.2023	31.12.2022
Provisions for legal proceedings, including:	1 525 360	767 508
- provisions for legal proceedings relating to loans in foreign currencies	1 406 234	718 128
- provisions for remaining legal proceedings	119 126	49 380
Provisions for commitments and guarantees given	163 791	301 592
Provisions for post-employment benefits	19 055	21 331
Other provisions	191 765	271 828
<b>Provisions, total</b>	<b>1 899 971</b>	<b>1 362 259</b>

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

The description regarding legal risk provisions related to mortgage and housing loans granted to individual customers in CHF is presented in Note 30.

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

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**Movements in the provisions**

Change from 1 January to 30 September 2023	Provisions for legal proceedings relating to loans in foreign currencies	Provisions for remaining legal proceedings	Other provisions
<b>Provisions as at the beginning of the period</b>	<b>718 128</b>	<b>49 380</b>	<b>271 828</b>
<b>Change in the period, due to:</b>	<b>688 106</b>	<b>69 746</b>	<b>(80 063)</b>
- increase of provisions	793 114	110 482	41 335
- release of provisions	(360)	(7 090)	(16 675)
- utilisation	(126 137)	(33 507)	(52 944)
- reclassification to other financial statement items	-	-	(51 779)
- foreign exchange differences	21 489	(139)	-
<b>Provisions as at the end of the period</b>	<b>1 406 234</b>	<b>119 126</b>	<b>191 765</b>

Change from 1 January to 31 December 2022	Provisions for legal proceedings relating to loans in foreign currencies	Provisions for remaining legal proceedings	Other provisions
<b>Provisions as at the beginning of the period</b>	<b>358 807</b>	<b>37 082</b>	<b>97 188</b>
<b>Change in the period, due to:</b>	<b>359 321</b>	<b>12 298</b>	<b>174 640</b>
- increase of provisions	292 945	19 065	392 655
- release of provisions	(1 784)	(5 500)	(4 322)
- utilisation	(143 728)	(1 392)	(214 965)
- reclassification to other financial statement items	227 553	-	1 242
- foreign exchange differences	(15 665)	125	30
<b>Provisions as at the end of the period</b>	<b>718 128</b>	<b>49 380</b>	<b>271 828</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

Change from 1 January to 30 September 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Increases due to granting and takeover	Decreased results of derecognised from balance sheet	Changes in credit risk	Other movements	As at the end of the period
<b>Loan commitments</b>	<b>78 091</b>	-	-	-	<b>44 219</b>	<b>(38 790)</b>	<b>732</b>	<b>(6)</b>	<b>84 246</b>
Stage 1	39 344	11 560	(3 277)	(88)	31 989	(23 226)	(11 947)	(25)	44 330
Stage 2	14 026	(10 573)	4 302	(1 005)	4 833	(6 730)	14 993	6	19 852
Stage 3	24 276	(987)	(1 025)	1 093	7 291	(8 662)	(2 684)	(1)	19 301
POCI	445	-	-	-	106	(172)	370	14	763
<b>Guarantees and other financial facilities</b>	<b>223 501</b>	-	-	-	<b>13 618</b>	<b>(157 333)</b>	<b>2 190</b>	<b>(2 431)</b>	<b>79 545</b>
Stage 1	4 786	36	(46)	(10)	4 980	(3 597)	(2 955)	(23)	3 171
Stage 2	1 084	(36)	46	(33)	1 116	(880)	(509)	(6)	782
Stage 3	219 228	-	-	43	8 537	(152 856)	6 745	(2 239)	79 458
POCI	(1 597)	-	-	-	(1 015)	-	(1 091)	(163)	(3 866)
<b>Total provisions on off-balance sheet items</b>	<b>301 592</b>	-	-	-	<b>57 837</b>	<b>(196 123)</b>	<b>2 922</b>	<b>(2 437)</b>	<b>163 791</b>

Change from 1 January to 31 December 2022	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Increases due to granting and takeover	Decreased results of derecognised from balance sheet	Changes in credit risk	Changes due to methodology update	Other movements	As at the end of the period
<b>Loan commitments</b>	<b>89 439</b>	-	-	-	<b>46 243</b>	<b>(39 494)</b>	<b>(22 435)</b>	<b>187</b>	<b>4 151</b>	<b>78 091</b>
Stage 1	49 142	18 509	(4 861)	(146)	35 966	(23 249)	(36 635)	487	131	39 344
Stage 2	14 576	(17 337)	5 879	(1 250)	6 149	(8 469)	14 750	(300)	28	14 026
Stage 3	24 555	(1 172)	(1 018)	1 396	5 445	(8 481)	3 538	-	13	24 276
POCI	1 166	-	-	-	(1 317)	705	(4 088)	-	3 979	445
<b>Guarantees and other financial facilities</b>	<b>228 939</b>	-	-	-	<b>53 082</b>	<b>(36 738)</b>	<b>(22 077)</b>	-	<b>295</b>	<b>223 501</b>
Stage 1	3 433	(334)	198	-	11 784	(5 339)	(4 956)	-	-	4 786
Stage 2	1 153	332	(232)	-	1 032	(918)	(293)	-	10	1 084
Stage 3	225 860	2	34	-	40 266	(30 921)	(15 970)	-	(43)	219 228
POCI	(1 507)	-	-	-	-	440	(858)	-	328	(1 597)
<b>Total provisions on off-balance sheet items</b>	<b>318 378</b>	-	-	-	<b>99 325</b>	<b>(76 232)</b>	<b>(44 512)</b>	<b>187</b>	<b>4 446</b>	<b>301 592</b>



**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

<b>Deferred income tax assets</b>	<b>30.09.2023</b>	<b>31.12.2022</b>
<b>As at the beginning of the period</b>	<b>2 492 315</b>	<b>1 933 063</b>
Changes recognised in the income statement	(87 650)	496 606
Changes recognised in other comprehensive income	(219 976)	70 312
Other changes	(7 720)	(7 666)
<b>As at the end of the period</b>	<b>2 176 969</b>	<b>2 492 315</b>
Offsetting effect	(790 683)	(616 587)
<b>As at the end of the period, net</b>	<b>1 386 286</b>	<b>1 875 728</b>

<b>Provisions for deferred income tax</b>	<b>30.09.2023</b>	<b>31.12.2022</b>
<b>As at the beginning of the period</b>	<b>(616 587)</b>	<b>(540 802)</b>
Changes recognised in the income statement	(176 010)	(78 661)
Changes recognised in other comprehensive income	3 405	2 626
Other changes	(1 491)	250
<b>As at the end of the period</b>	<b>(790 683)</b>	<b>(616 587)</b>
Offsetting effect	790 683	616 587
<b>As at the end of the period, net</b>	<b>-</b>	<b>-</b>

<b>Income tax</b>	<b>from 01.01.2023 to 30.09.2023</b>	<b>from 01.01.2022 to 30.09.2022</b>
Current income tax	(699 685)	(752 269)
Deferred income tax recognised in the income statement	(263 660)	327 651
<b>Income tax recognised in the income statement</b>	<b>(963 345)</b>	<b>(424 618)</b>
Recognised in other comprehensive income	(216 571)	168 076
<b>Total income tax</b>	<b>(1 179 916)</b>	<b>(256 542)</b>

**27. Retained earnings**

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

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

	<b>30.09.2023</b>	<b>31.12.2022</b>
Other supplementary capital	8 785 057	8 740 349
Other reserve capital	102 899	107 008
General banking risk reserve	1 153 753	1 153 753
Profit from the previous year	580 018	1 327 417
Profit for the current year	44 321	(702 691)
<b>Total retained earnings</b>	<b>10 666 048</b>	<b>10 625 836</b>

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

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

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**28. Other components of equity**

	30.09.2023	31.12.2022
<b>Exchange differences on translating foreign operations</b>	<b>8 311</b>	<b>8 700</b>
Unrealised gains (foreign exchange gains)	24 941	30 133
Unrealised losses (foreign exchange losses)	(16 630)	(21 433)
<b>Cash flow hedges</b>	<b>(373 103)</b>	<b>(796 868)</b>
Unrealised gains	16 637	38 796
Unrealised losses	(477 258)	(1 022 584)
Deferred income tax	87 518	186 920
<b>Cost of hedge</b>	<b>23 894</b>	<b>27 105</b>
Unrealised gains	29 498	33 463
Deferred income tax	(5 604)	(6 358)
<b>Valuation of debt securities at fair value through other comprehensive income</b>	<b>(257 989)</b>	<b>(760 946)</b>
Unrealised gains on debt instruments	23 277	15 155
Unrealised losses on debt instruments	(341 794)	(954 552)
Deferred income tax	60 528	178 451
<b>Actuarial gains and losses relating to post-employment benefits</b>	<b>(7 040)</b>	<b>(7 040)</b>
Actuarial gains	1 499	1 499
Actuarial losses	(10 191)	(10 191)
Deferred income tax	1 652	1 652
<b>Reclassification to investment properties</b>	<b>11 436</b>	<b>11 436</b>
Gains or losses on investment properties included in other comprehensive income	14 118	14 118
Deferred income tax	(2 682)	(2 682)
<b>Total other components of equity</b>	<b>(594 491)</b>	<b>(1 517 613)</b>

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

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

In line with IFRS 9, for accounting purposes, the Group determines the valuation of its assets and liabilities 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 method used for the loans that are fair valued in line of IFRS 9 requirements, is described in the Note 3.3.7 to the Consolidated Financial Statements of mBank Group for 2022, published on 2 March 2023.

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 marked to model using prices observable in the market. Domestic commercial papers are marked to model (discounting cash flows), which in addition to market interest rate curve uses credit spreads estimated internally.

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

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

**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.

	30.09.2023		31.12.2022	
	Book value	Fair value	Book value	Fair value
<b>Financial assets at amortised cost</b>				
<b>Debt securities</b>	<b>24 997 760</b>	<b>23 686 690</b>	<b>19 002 527</b>	<b>16 716 128</b>
<b>Loans and advances to banks</b>	<b>18 323 583</b>	<b>18 327 304</b>	<b>9 806 262</b>	<b>9 808 593</b>
<b>Loans and advances to customers, including:</b>	<b>117 109 226</b>	<b>117 975 270</b>	<b>119 330 030</b>	<b>118 635 928</b>
<b>Loans and advances to individuals</b>	<b>65 232 469</b>	<b>66 395 997</b>	<b>68 586 288</b>	<b>68 379 524</b>
Current accounts	7 323 313	7 799 515	7 334 567	7 776 122
Term loans	57 823 372	58 510 698	61 230 344	60 582 025
Other	85 784	85 784	21 377	21 377
<b>Loans and advances to corporate entities</b>	<b>51 743 855</b>	<b>51 459 242</b>	<b>50 637 195</b>	<b>50 150 850</b>
Current accounts	6 322 736	6 242 121	6 522 197	6 368 367
Term loans and finance lease	38 601 518	38 397 422	39 179 352	38 846 942
Reverse repo or buy/sell back transactions	3 420 280	3 420 280	1 611 154	1 611 154
Other loans and advances	3 314 991	3 315 089	3 258 910	3 258 805
Other	84 330	84 330	65 582	65 582
<b>Loans and advances to public sector</b>	<b>132 902</b>	<b>120 031</b>	<b>106 547</b>	<b>105 554</b>
<b>Financial liabilities at amortised cost</b>				
<b>Amounts due to other banks</b>	<b>3 520 323</b>	<b>3 520 323</b>	<b>3 270 223</b>	<b>3 270 223</b>
<b>Amounts due to customers</b>	<b>185 109 361</b>	<b>185 107 254</b>	<b>174 130 914</b>	<b>174 126 884</b>
<b>Debt securities in issue</b>	<b>11 958 340</b>	<b>11 761 660</b>	<b>9 465 479</b>	<b>9 216 032</b>
<b>Subordinated liabilities</b>	<b>2 746 774</b>	<b>2 652 707</b>	<b>2 740 721</b>	<b>2 631 352</b>

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

Loans and advances to banks and loans and advances to customers

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

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.

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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 the case of subordinated liabilities, the Group used curves based on cross-currency basis swap levels taking into account the original spread on subordinated liabilities and their maturities.

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

In 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 value of these instruments with less than 1 year to maturity was equal to the carrying amounts of the instruments.

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

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

The table below presents the fair value hierarchy of financial assets and liabilities measured at fair value in accordance with the assumptions and methods described above, exclusively for disclosure as at 30 September 2023 and as at 31 December 2022.

30.09.2023	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	23 686 690	19 603 538	-	4 083 152
Loans and advances to banks	18 327 304	-	-	18 327 304
Loans and advances to customers	117 975 270	-	-	117 975 270
<b>Total financial assets</b>	<b>159 989 264</b>	<b>19 603 538</b>	<b>-</b>	<b>140 385 726</b>
<b>FINANCIAL LIABILITIES</b>				
Amounts due to banks	3 520 323	-	1 953 210	1 567 113
Amounts due to customers	185 107 254	-	213 137	184 894 117
Debt securities issued	11 761 660	7 832 304	-	3 929 356
Subordinated liabilities	2 652 707	-	2 652 707	-
<b>Total financial liabilities</b>	<b>203 041 944</b>	<b>7 832 304</b>	<b>4 819 054</b>	<b>190 390 586</b>
31.12.2022	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	16 716 128	14 185 080	-	2 531 048
Loans and advances to banks	9 808 593	-	-	9 808 593
Loans and advances to customers	118 635 928	-	-	118 635 928
<b>Total financial assets</b>	<b>145 160 649</b>	<b>14 185 080</b>	<b>-</b>	<b>130 975 569</b>
<b>FINANCIAL LIABILITIES</b>				
Amounts due to banks	3 270 223	-	1 910 721	1 359 502
Amounts due to customers	174 126 884	-	222 295	173 904 589
Debt securities issued	9 216 032	4 521 025	-	4 695 007
Subordinated liabilities	2 631 352	-	2 631 352	-
<b>Total financial liabilities</b>	<b>189 244 491</b>	<b>4 521 025</b>	<b>4 764 368</b>	<b>179 959 098</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

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

30.09.2023	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>2 096 669</b>	<b>788 126</b>	<b>998 772</b>	<b>309 771</b>				
Loans and advances to customers	40 060	-	-	40 060				
Debt securities	1 016 122	778 136	-	237 986				
Equity instruments	9 990	9 990	-	-				
Derivative financial instruments, including:	1 030 497	-	998 772	31 725				
Derivative financial instruments held for trading	1 132 318	-	1 132 318	-				
Hedging derivative financial instruments	116 246	-	84 521	31 725				
Offsetting effect	(218 067)	-	(218 067)	-				
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>905 299</b>	<b>785</b>	<b>-</b>	<b>904 514</b>				
Loans and advances to customers	655 791	-	-	655 791				
Debt securities	49 249	-	-	49 249				
Equity securities	200 259	785	-	199 474				
<b>Financial assets at fair value through other comprehensive income</b>	<b>36 605 524</b>	<b>15 769 383</b>	<b>19 621 526</b>	<b>1 214 615</b>				
Debt securities	36 605 524	15 769 383	19 621 526	1 214 615				
<b>Total financial assets</b>	<b>39 607 492</b>	<b>16 558 294</b>	<b>20 620 298</b>	<b>2 428 900</b>				
<b>Investment properties</b>	<b>136 909</b>	<b>-</b>	<b>-</b>	<b>136 909</b>				
<b>Financial liabilities</b>								
<b>Financial liabilities held for trading and hedging derivative financial instruments</b>	<b>1 547 722</b>	<b>324 273</b>	<b>1 223 449</b>	<b>-</b>				
Derivative financial instruments, including:	1 223 449	-	1 223 449	-				
Derivative financial instruments held for trading	1 388 088	-	1 388 088	-				
Hedging derivative financial instruments	1 474 157	-	1 474 157	-				
Offsetting effect	(1 638 796)	-	(1 638 796)	-				
Liabilities from short sale of securities	324 273	324 273	-	-				
<b>Total financial liabilities</b>	<b>1 547 722</b>	<b>324 273</b>	<b>1 223 449</b>	<b>-</b>				
<b>Financial assets measured at fair value and investment properties at Level 3 - changes from 1 January to 30 September 2023</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>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>1 041</b>	<b>30 441</b>	<b>(165)</b>	<b>(27 526)</b>	<b>4 240</b>	<b>12 743</b>	<b>10 924</b>	<b>-</b>
Recognised in profit or loss:	1 041	30 441	(15 926)	(27 526)	4 240	12 743	-	-
<i>Net trading income</i>	1 041	30 441	(15 926)	-	77	(21)	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	-	(27 526)	4 163	14 108	-	-
<i>Other operating income/other operating expenses</i>	-	-	-	-	-	(1 344)	-	-
Recognised in other comprehensive income:	-	-	15 761	-	-	-	10 924	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	-	10 924	-
<i>Cash flow hedges</i>	-	-	15 761	-	-	-	-	-
Purchases / origination	-	513 795	-	32 463	-	8 470	934 983	-
Redemptions / total repayments	-	(132 656)	-	(104 729)	-	-	(97 797)	-
Sales	-	(2 041 187)	-	-	-	-	(1 104 180)	-
Issues	-	1 559 712	-	-	-	-	254 776	-
Change in scope of consolidation	-	-	-	-	-	(6 781)	-	-
Other changes	(701)	-	-	(57 809)	-	-	-	-
<b>As at the end of the period</b>	<b>40 060</b>	<b>237 986</b>	<b>31 725</b>	<b>655 791</b>	<b>49 249</b>	<b>199 474</b>	<b>1 214 615</b>	<b>136 909</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

31.12.2022	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
<b>RECURRING FAIR VALUE MEASUREMENTS</b>				
<b>Financial assets</b>				
<b>Financial assets held for trading and hedging derivatives</b>	<b>2 524 652</b>	<b>676 356</b>	<b>1 468 805</b>	<b>379 491</b>
Loans and advances to customers	39 720	-	-	39 720
Debt securities	978 108	670 227	-	307 881
Equity instruments	6 129	6 129	-	-
Derivative financial instruments, including:	1 500 695	-	1 468 805	31 890
Derivative financial instruments held for trading	1 793 401	-	1 793 401	-
Hedging derivative financial instruments	158 689	-	126 799	31 890
Offsetting effect	(451 395)	-	(451 395)	-
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>1 044 189</b>	<b>746</b>	<b>-</b>	<b>1 043 443</b>
Loans and advances to customers	813 392	-	-	813 392
Debt securities	45 009	-	-	45 009
Equity securities	185 788	746	-	185 042
<b>Financial assets at fair value through other comprehensive income</b>	<b>35 117 450</b>	<b>16 418 179</b>	<b>17 483 362</b>	<b>1 215 909</b>
Debt securities	35 117 450	16 418 179	17 483 362	1 215 909
<b>Total financial assets</b>	<b>38 686 291</b>	<b>17 095 281</b>	<b>18 952 167</b>	<b>2 638 843</b>
<b>Investment properties</b>	<b>136 909</b>	<b>-</b>	<b>-</b>	<b>136 909</b>
<b>Financial liabilities</b>				
<b>Financial liabilities held for trading and hedging derivative financial instruments</b>	<b>2 086 111</b>	<b>260 538</b>	<b>1 825 573</b>	<b>-</b>
Derivative financial instruments, including:	1 825 573	-	1 825 573	-
Derivative financial instruments held for trading	2 163 085	-	2 163 085	-
Hedging derivative financial instruments	2 786 104	-	2 786 104	-
Offsetting effect	(3 123 616)	-	(3 123 616)	-
Liabilities from short sale of securities	260 538	260 538	-	-
<b>Total financial liabilities</b>	<b>2 086 111</b>	<b>260 538</b>	<b>1 825 573</b>	<b>-</b>

Financial assets measured at fair value and investment properties at Level 3 - changes from 1 January to 31 December 2022	Financial assets held for trading and hedging derivatives			Non-trading financial assets mandatorily at fair value through profit or loss			Debt securities at fair value through other comprehensive income	Investment properties
	Loans and advances	Debt securities	Derivative financial instruments	Loans and advances	Debt securities	Equity securities		
<b>As at the beginning of the period</b>	<b>40 426</b>	<b>347 716</b>	<b>92 243</b>	<b>1 111 674</b>	<b>81 128</b>	<b>223 519</b>	<b>989 811</b>	<b>127 510</b>
<b>Gains and losses for the period:</b>	<b>1 419</b>	<b>17 049</b>	<b>(60 353)</b>	<b>(31 296)</b>	<b>6 095</b>	<b>(28 950)</b>	<b>(24 245)</b>	<b>9 399</b>
Recognised in profit or loss:	1 419	17 049	59 425	(31 296)	6 095	(28 950)	-	9 399
<i>Net trading income</i>	1 419	17 049	59 425	-	9 299	34	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	-	(31 296)	(3 204)	(27 272)	-	-
<i>Other operating income/other operating expenses</i>	-	-	-	-	-	(1 712)	-	9 399
Recognised in other comprehensive income:	-	-	(119 778)	-	-	-	(24 245)	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	-	(24 245)	-
<i>Cash flow hedges</i>	-	-	(119 778)	-	-	-	-	-
Purchases / origination	-	857 123	-	42 873	-	2 812	1 168 416	-
Redemptions / total repayments	(3 813)	(70 526)	-	(251 960)	-	-	(319 950)	-
Sales	-	(1 553 320)	-	-	-	(14 168)	(1 032 893)	-
Issues	-	709 839	-	-	-	-	434 770	-
Change in scope of consolidation	-	-	-	-	-	2 101	-	-
Other changes	1 688	-	-	(57 899)	(42 214)	(272)	-	-
<b>As at the end 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>

During three quarters of 2023 and in 2022 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. from marked-to-market valuation to marked-to-model valuation under the assumption that the valuation model for the respective type of this instrument has been already approved. The return to marked-to-market valuation method takes place after a period of at least 10 working days in which the market price was available on a continuous basis. If there is no market prices for a debt treasury bonds the above terms are respectively 2 and 5 working days.

### **Level 1**

As at 30 September 2023 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 778 136 thousand and the fair value of government bonds and treasury bills measured at fair value through other comprehensive income in the amount of PLN 14 428 715 thousand (31 December 2022: PLN 670 227 thousand and PLN 15 101 553 thousand, respectively). Level 1 includes the fair values of corporate bonds in the amount of PLN 1 340 668 thousand (31 December 2022: PLN 1 316 626 thousand).

In addition, as at 30 September 2023 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 785 thousand (31 December 2022: PLN 746 thousand) and equity instruments in amount of PLN 9 990 thousand (31 December 2022: PLN 6 129 thousand).

As at 30 September 2023 level 1 also includes liabilities from short sale of securities in the amount of PLN 324 273 thousand (31 December 2022: PLN 260 538 thousand).

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

### **Level 2**

As at 30 September 2023 level 2 of the fair value hierarchy mainly includes the fair values of bills issued by NBP in the amount of PLN 19 621 526 thousand (31 December 2022: PLN 17 483 362 thousand), valuation of which is based on a NPV model (discounted future cash flows) fed with interest rate curves generated by transformation of quotations taken directly from active and liquid financial markets.

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

### **Level 3**

As at 30 September 2023 level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies in the amount of PLN 1 501 850 thousand (31 December 2022: PLN 1 568 799 thousand), and includes the fair value of a debt instrument measured at fair value through profit or loss, representing the rights to preferred stock of Visa Inc.

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

Level 3 as at 30 September 2023 includes the value of loans and advances to customers in the amount of PLN 695 851 thousand (31 December 2022: PLN 853 112 thousand). The fair value calculation process for loans and advances to customers is described in detail in the Note 3.3.7 of Consolidated financial statement of mBank S.A. Group for 2022, published on 2 March 2023.

Moreover, as at 30 September 2023 level 3 covers mainly the fair value of equity securities amounting to PLN 199 474 thousand (31 December 2022: PLN 185 042 thousand). The equity instruments presented at level 3 have been valued using the dividend discount model. The valuations were predominantly prepared based on selected financial figures provided by valued entities and discounted with the cost of equity

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

estimated using CAPM model (Capital Asset Pricing Model). At the end of three quarters of 2023, the cost of equity was estimated in the range from 13.0% to 13.5% (as at the end of 2022: from 13.9% to 14.4%).

As at 30 September 2023 Level 3 also includes fair value of investment property in the amount of PLN 136 909 thousand (31 December 2022: PLN 136 909 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 6.75% used to discount cash flows.

As at 31 December 2022 Level 3 includes the valuation of CIRS contracts concluded under cash flow hedge accounting of the PLN mortgage loan portfolio and covered bonds issued by mBank Hipoteczny (Note 16). As at 30 September 2023 the valuation of these contracts in liabilities amounted to PLN 31 725 thousand (as at 31 December 2022 the valuation of these contracts in assets: PLN 31 890 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 30.09.2023	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	199 474	(16 252)	20 213	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through other comprehensive income	1 214 615	(22 032)	22 032	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	237 986	(8 076)	8 076	
Loans and advances to customers held for trading	40 060	(405)	380	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	655 791	(9 946)	9 877	

Portfolio	Fair value 31.12.2022	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	185 042	(13 346)	16 364	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through other comprehensive income	1 215 868	(24 761)	24 761	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	307 881	(5 790)	5 790	
Loans and advances to customers held for trading	39 720	(460)	443	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	813 392	(10 007)	9 966	



## **30. Legal risk related to mortgage and housing loans granted to individual customers in CHF**

### **Introduction**

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

The carrying amount of mortgage and housing loans granted to natural persons in CHF as of 30 September 2023 amounted to PLN 2.8 billion (i.e. CHF 0.6 billion) compared to PLN 6.1 billion (i.e. CHF 1.3 billion) as at the end of 2022. Additionally, the volume of the portfolio of loans granted in CHF to natural persons that were already fully repaid as of 30 September 2023, taking into account the exchange rate on the date of disbursement of individual loan tranches, amounted to PLN 9.0 billion (31 December 2022: PLN 7.5 billion).

Due to the significance of the legal issues related to the CHF loan portfolio for the financial position of mBank Group as at 30 September 2023, detailed information is presented below regarding these lawsuits, significant judgments, which, in the Bank's opinion, may affect the future ruling on loans indexed to CHF, proposed potential settlements with customers, accounting principles for the recognition of legal risk related to these court cases and the 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**

As of 30 September 2023, 21 750 individual court proceedings (31 December 2022: 17 849 proceedings) were initiated against the Bank by its customers in connection with CHF loan agreements with the total value of claims amounting to PLN 8 318.3 million (31 December 2022: PLN 5 982.1 million).

Out of the individual proceedings, 21 590 proceedings (31 December 2022: 17 627 proceedings) with the total value of claims amounting to PLN 8 314.8 million (31 December 2022: PLN 5 977.8 million) related to indexation clauses in CHF loan agreements and included claims for declaring ineffectiveness or invalidity in part (i.e. to the extent that the agreement contains contractual provisions related to indexation) or in whole of the loan agreements.

As of 30 September 2023 mBank received 3 646 final rulings in individual lawsuits (31 December 2022: 1 941 final rulings), out of which 110 rulings were favourable to the Bank and 3 536 rulings were unfavourable (31 December 2022: 97 rulings favourable and 1 844 unfavourable).

The Bank submits cassation appeals to the Supreme Court against legally binding unfavourable for the Bank judgments stating the absolute invalidity of the credit agreement. Approximately 91% 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**

The Bank was also sued by the Municipal Consumer Ombudsman representing a group of 390 individuals – retail banking customers who entered into mortgage loan agreements indexed to CHF. This class action concerning indexation clauses was filed in the District Court in Łódź on 4 April 2016.

The lawsuit contains alternative claims for declaring the loan agreements partially invalid, i.e. with respect to the indexation provisions or for declaring the agreements invalid in their entirety or for declaring the indexation provisions of the agreements invalid due to the fact that they allow the loan to be valorised above 20% and below 20% of the CHF exchange rate from mBank S.A. table of exchange rates in effect on the date each of the loan agreements was concluded.

By Order dated 13 March 2018 the Court set the Class at 1 731 persons. On 19 October 2018, the Court issued judgment dismissing all of Plaintiff's claims. In its 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, emphasising that both the agreements themselves and the indexation clause are in compliance with both applicable laws and the principles of social interaction. On 11 January 2019, the Plaintiff's appeal was delivered to the Bank, to which the Bank filed a response. On 27 February 2020, a hearing was held in the Court of Appeal in Łódź. On 9 March 2020, a judgment was rendered in the case, in which the Court of Appeal returned the case to the District Court for reconsideration. On 9 June 2020, the Court of Appeal, on the motion of the Plaintiff, issued a decision by which it granted security to the Plaintiff's claims by suspending the obligation to pay principal and interest

instalments and prohibiting the Bank from making statements calling for payment and terminating the loan agreement.

On 12 January 2022, the hearing was held before the Regional Court in Łódź, and on 9 February 2022 the 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. The plaintiff appealed against this verdict, to which the Bank responded.

On 25 April 2023, a hearing was held before the Court of Appeal in Łódź, at which the court 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.

As of 30 September 2023 the Bank recognised the impact of legal risk in the class action in the amount of PLN 385.6 million. The details of the methodology and calculation are described further in this note.

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

#### **Rulings of the Court of Justice of the European Union regarding CHF mortgages**

On 3 October 2019, the CJEU issued the ruling in the prejudicial mode regarding the mortgage loan linked to the Swiss franc granted by a Polish bank. The submitted prejudicial questions were to determine, among other things, if a generally applicable custom can be used where there is no provision in domestic law that could replace an abusive exchange rate clause. In accordance with CJEU's ruling, the question of abusiveness will be decided by Polish courts. CJEU did not refer to this issue. In addition, CJEU did not make a clear-cut decision regarding the consequences of an exchange rate clause being considered abusive by a domestic court. However, the possibility of a credit agreement being performed further in PLN and with interest calculated according to LIBOR was found doubtful by the Court. If an exchange rate clause is found abusive, a domestic court must decide whether the agreement in question can be performed further or should be declared invalid, taking into account the client's will and the consequences of invalidity for the client. CJEU approved the application of a disposable norm if the invalidity of the agreement would be unfavourable for the client. CJEU rejected the application of general provisions referring to a custom or equity principles.

In October 2020, prejudicial questions were referred to CJEU in two individual cases against mBank. The question referred in first case aims at determining the starting point for the limitation period in the case of consumer claims for undue performance. The question referred in the second case aims at determining whether, in the event of declaring the exchange rate clause abusive, it is possible to apply in its place the provision of the Civil Code referring to the average NBP exchange rate. On 17 March 2022, the parties were heard by the Court of Justice of the European Union. The litigation position was presented by the parties: Poland, the European Commission, Spain and Finland. On 8 September 2022, the CJEU issued a ruling upholding its previous jurisprudence. The Tribunal confirmed once again 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. The Tribunal also reiterated that the application of the supplementary standard is possible only if the cancellation of the contract is unfavourable to the borrower and the borrower agrees to apply this standard. Automatic application (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 would restore 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.

On 29 April 2021, the CJEU issued a judgment in case C-19/20. According to this judgment, if the unfair (abusive) nature of the contractual provision leads to annulment of the contract, the Court should not annul the contract until the Court informs the consumer in an objective and comprehensive manner about the legal consequences the annulment of such a contract may cause (whether or not the consumer is represented by a legal advisor) and until the Court allows the consumer to express a free and informed consent to the questioned provision and to the continuation of the contract.

On 18 November 2021, the Court of Justice of the EU delivered its judgment in Case C-212/20, in which it assessed that in accordance with the provisions of Directive 93/13, the content of a so-called spreads clause must enable (on the basis of clear and comprehensible criteria) a reasonably well-informed, reasonably observant and rational consumer to understand how the exchange rate is to be determined, in such a way that the consumer is able to determine the rate applied by the trader himself at any time. Moreover, CJEU made an assessment that the provisions of Directive 93/13 preclude the interpretation of an illicit contract term in order to mitigate its unfairness.

In January 2022, further questions for a preliminary ruling were submitted to the CJEU in cases pending against mBank. The question in the first case (CJEU case number: C-138/22) is aimed at determining whether, if there are grounds both for determining the absolute invalidity of the contract and for declaring the contract invalid (ineffective) due to the abusive clauses contained therein, the court should determine absolute nullity or a decision on the choice of sanctions belongs to the consumer. In this case, the CJEU decided not to answer the preliminary questions as they concerned issues reserved for national law. In the case (C-140/22), the questions relate to the remuneration for the use of capital and the effects of the consumer's declaration regarding the lack of consent to uphold the abusive provision in relation to the ineffectiveness of the contract, the commencement of the limitation period for the Bank's claims and statutory interest. Positions have been submitted by the Bank and other parties concerned on this matter. On 11 July 2023 the Bank has requested a hearing in this case. The decision of the CJEU as to the hearing has not yet been taken.

In February 2023, further questions for a preliminary ruling were submitted to the CJEU in the case pending against mBank (CJEU case number: C-113/23). The first question concerns determining the beginning of the limitation period for the bank's claim against the consumer for the return of capital and aims to determine whether Directive 93/13 allows the national court to recognise that the principles of equity prevent the bank's claim for return of capital from being considered time barred. The second question concerns whether the bank, in addition to the return of the nominal amount of the capital granted to the consumer, may demand from the consumer the return of unjust enrichment resulting from the use of the Bank's capital, or whether the bank may demand not the nominal amount of the capital, but the indexed amount. The case is stayed pending the judgment in Case C-28/22, in which questions have been raised to determine the beginning of the limitation period for the entrepreneurs restitution claims. The time limit for taking a position in the case has not yet run.

On 15 June 2023, the CJEU issued its judgment in case C-520/21. Regarding the consumer's claims, the CJEU pointed out that the provisions of Directive 93/13 do not preclude the judicial interpretation of national law, according to which the 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. The principle of proportionality, which is a general principle of Union law, requires that national provisions do not go beyond what is necessary to achieve the objectives of Directive 93/13. Consequently, it is for the referring court to assess, in the light of all the circumstances of the dispute in the main proceedings, whether and to what extent the allowance of the consumer's claims, other than the reimbursement of instalments and fees, goes beyond what is necessary to achieve the objectives cited in the judgment, i.e. to restore the situation as if the credit agreement did not exist and to realise the deterrent objective of the Directive.

Regarding the bank's claims against the consumer, CJEU pointed out that the provisions of Directive 93/13 preclude the judicial interpretation of national law, according to which a credit institution is 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 jeopardise the objective of restoring the situation as if the credit agreement did not exist and the deterrent objective of Directive 93/13. According to the CJEU, an interpretation of national law according to which a credit institution has the right to demand compensation from the consumer for the consumer's use of the capital would contribute to eliminating the deterrent effect on entrepreneurs by declaring the agreement void. According to the CJEU, a bank cannot be compensated for the loss of profit analogous to the profit it intended to make from the said agreement.

The judgment in the aforementioned case in practice ruled out the possibility for banks to claim based on the so-called remuneration for the use of capital. However, in the Bank's view, it did not exclude the possibility of banks pursuing claims involving the return of disbursed capital based on its real and present value. The judgment established what should be applied under the vague solution of the problem used by the CJEU, unknown to Polish law. The Bank will monitor the development of the jurisprudence of national courts in this regard.

In August 2023, further preliminary questions were submitted to the CJEU (C-488/23) in a case pending against mBank. The question concerns whether a significant change in the purchasing power of money entitles a bank to apply to a court for the valorisation of the amount of the loan principal paid to the consumer.

On 21 September 2023, the CJEU issued a judgment in Case C-139/22, in which it indicated that in order to consider a contractual term as unfair that has not been negotiated, it is sufficient to establish that its content corresponds to the content of a provision of a model contract entered in the register of prohibited clauses. In addition, it pointed out that an unfair contractual term does not lose such character by the fact that the consumer may decide to perform his obligations under the contract on the basis of another

contractual term. The Court pointed out that a trader has an obligation to inform every consumer about the essential features of the contract and the risks associated with the contract, even if a particular consumer has adequate knowledge and experience in the field.

### **Supreme Court resolutions on loans in CHF**

On 29 January 2021, the motion for adopting a resolution has been submitted to the Supreme Court by the First President of the Supreme Court. The full bench of the Civil Chamber of the Supreme Court was to answer to the questions if abusive provisions can be replaced with provisions of civil law or common practice, whether it is possible to maintain indexed/denominated loan as a PLN loan with an interest rate based on LIBOR, whether the theory of balance or the theory of two conditionalities will apply in the event of the CHF loan invalidity, the starting point of the limitation period in the case of the bank's claim for reimbursement of the amounts paid under the loan and whether banks and consumers can receive a remuneration for the use of their funds by the other party.

There was one non-public sitting in this case, during which the Supreme Court decided to request the Ombudsman, Financial Ombudsman, Children's Ombudsman, NBP and the Polish Financial Supervision Authority to take a position. The positions of these bodies have been submitted.

At a closed session on 2 September 2021, the Supreme Court, pursuant to Article 267 of the Treaty on the Functioning of the European Union, decided to refer to the Court of Justice of the European Union with three questions for a preliminary ruling on the issue of appointing judges in the Republic of Poland. The verdict on the questions asked by the First President of the Supreme Court was not issued.

The resolution of the Supreme Court of 16 February 2021 in case III CZP 11/20 endorsed the theory of two conditionalities if a credit agreement is declared to be invalid. The Supreme Court in written justification found that the risk of insolvency of either of the unduly enriched parties is largely mitigated by the right of retention of received benefits until the other party offers to repay received benefits or secures the claims for repayment.

On 7 May 2021 (III CZP 6/21), a resolution of 7 of the Supreme Court's judges which have the force of a legal principle was issued, in which it was decided that:

- the prohibited contractual provision (Civil Code Art.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.

On 6 July 2021, the Civil Chamber of the Supreme Court refused to pass a resolution on Swiss franc indexed loans. The Supreme Court indicated that the question of whether the balance theory or the two conditionalities theory should be applied has already been resolved in the jurisprudence of the Supreme Court, including the resolution of 7 judges of 7 May 2021 (III CZP 6/21), and earlier in the resolution of 16 February 2021 (III CZP 11/20).

On 29 July 2021 the Supreme Court composed of 3 judges presented the legal issue to be resolved by a panel of 7 judges of the Supreme Court, which came down to the answer to the question whether, in the event of a loan agreement being declared invalid, a loan granted in Polish currency, indexed to a foreign currency, repaid by borrowers, the amount of possible enrichment of the lender should be calculated taking

into account only the nominal amount of loan instalments, or the interest rate on instalments according to the reference rate appropriate for loans indexed to a foreign currency or appropriate for loans in PLN should be taken into account. The deadline for examining the issue, initially set for 8 November 2021, was removed from the case list, and the judge-rapporteur was also changed.

On 12 July 2023, a hearing was held at the Supreme Court in the case of III CZP 126/22 for the adoption of a resolution by a seven-judge panel to decide the legal question of whether a loan agreement is a reciprocal or bilateral contract, but not reciprocal. On 6 October 2023, a hearing was held at which the Supreme Court did not adopt a resolution. In its oral recitals, it pointed out that the loan agreement is a reciprocal contract and decided to refer the question to the CJEU regarding the allegation of retention.

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

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

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

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

The estimated potential impact of implementation of the conversion plan on mBank, calculated as of 30 September 2023, would amount to PLN 4.0 billion if only active portfolio indexed/denominated to CHF was converted (data not verified by the auditor). Detailed assumptions for the estimation of this impact were adopted on the basis of the Polish Financial Supervision Authority's survey dated 27 January 2021. The PFSA's Chairman proposal assumes that only active portfolio would be converted.

### **Settlement program**

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

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

After conversion, the customer can decide which interest rate he chooses: temporarily fixed or variable. The Bank offers a preferential interest rate on the loan after conversion to the clients that will sign the settlement. By deciding to sign a settlement with the Bank, the client will benefits 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 30 September 2023 the Bank concluded 9 943 settlements (as of 31 December 2022: 1 886 settlements).

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

The Group recognises the impact of the legal risk related to court cases concerning indexation clauses in mortgage and housing loans in CHF 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

## mBank S.A. Group

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

Therefore, the Bank believes that the appropriate way to recognise the impact of legal risk with respect to active loans and the expected impact of the settlement program offered to borrowers is to revise the cash flow estimates associated with the loans and reduce the gross carrying amount of the loans in accordance with IFRS 9 paragraph B5.4.6.

In relation to repaid loans and loans, for which the estimated adjustment in cash flows is higher than the carrying amount, the Bank recognises provisions for legal proceedings in accordance with IAS 37 "Provisions, contingent liabilities and contingent assets".

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 are described further in this note.

### The impact of the legal risk related to court cases concerning indexation clauses in mortgage and housing loans in CHF and the voluntary settlement program

The methodology used to calculate the impact of the legal risk related to court cases concerning indexation clauses in mortgage and housing loans in CHF and the settlement program is based on historical observations and due to the lack of market data and the divergence in case law that exists, 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 CHF mortgages and housing loans and the settlement program included in the Group's statement of financial position is shown in the table below.

	30.09.2023	31.12.2022
Impact of legal risk concerning lawsuits and settlement program related to active loans recognised as a reduction of gross carrying amount of loans	6 711 350	5 752 732
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	1 397 667	709 187
<b>The cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and housing loans in CHF</b>	<b>8 109 017</b>	<b>6 461 919</b>

Total costs of legal risk related to foreign currency loans recognised in the income statement for the three quarters of 2023 amounted to PLN 3 432.2 million (in the three quarters of 2022: PLN 2 682.2 million). The legal risk costs recognised in the third quarter were mostly due to changes in the expected distribution of court judgments, the costs of settlements and changes in other model and market parameters.

### Methodology of calculating the impact of the legal risk related to individual court cases

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

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

The population of borrowers who will file a lawsuit against the Bank has been projected using statistical methods based on the Bank's litigation history and assumptions about the influx of new cases over the full projection period. The Bank assumes that the influx of plaintiffs will be significant by the end of 2026. 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 43% of CHF borrowers i.e. 34.6 thousand borrowers, including 29.7 thousand borrowers with active loans (representing approximately 91% of borrowers with active loans) and 4.9 thousand borrowers with repaid loans (representing approximately 10% of borrowers with repaid loans) filed or with intention to file a lawsuit against the Bank (as of 31 December 2022: 38%, i.e. 31 thousand borrowers). Moreover, the Bank assumed that some portion of 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% of the borrowers (both holding active loans in CHF as well as borrowers who already repaid their loans in CHF) filed a lawsuit against the Bank, the impact of the legal risk would increase by approximately PLN 65.6 million (while other relevant assumptions remain constant) as compared to 30 September 2023, of which PLN 52.1 million would reduce gross carrying amount of the loans, and PLN 13.5 million would increase the provisions for legal proceedings.

The Bank estimates that 8.5% of borrowers with active CHF indexed loans will not decide to sue the Bank or sign a settlement with the Bank in the future and 89.8% of borrowers who 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 cases against the Bank over the last 24 months. As of 30 September 2023 the Bank assumed a loss in 98.6% of pending or future lawsuits (as of 31 December 2022: 95%), while for the remaining 1.4% of cases, the Bank assumed dismissal of the claim. If the assumed probability of loss scenario changed by +/- 1 percentage point and all other relevant assumptions remained constant, the impact of the legal risk would change by +/- PLN 73.7 million, of which PLN 64.9 million would change the gross carrying amount of loans, and PLN 8.8 million provisions for legal proceedings. In the loss scenario Bank took into account two possible scenarios for termination of court proceedings: (i) the contract remains valid but the indexation mechanism is eliminated, which transforms a loan indexed to CHF into a PLN loan subject to the interest rate for a loan indexed to CHF, (ii) 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).

**Probability of settlement acceptance**

The Bank assumed the probability of accepting settlements based in part on the results of an actively conducted settlement program and available market data, the results of the completed settlement program pilot conducted by the Bank in 2021 and 2022, and based on its own projections. As at 30 September 2023, the Bank assumed 22% probability of settlements acceptance for the entire active portfolio (32% as at 31 December 2022). The change in the probability of settlements is due to the decrease in the total number of contracts in the active portfolio (as a result of judgments and settlements signed).

In the event of a change in the probability of accepting settlements by +/- 1 percentage point, with the remaining significant assumptions unchanged, the total amount of the impact of legal risk would change by +/- PLN 25.3 million which would change the gross carrying amount of loans.

**Methodology of calculating the impact of the legal risk related to the class action case**

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

**SELECTED EXPLANATORY INFORMATION****1. Compliance with international financial reporting standards**

The presented condensed consolidated report for the third quarter of 2023 fulfils the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" relating to interim financial reports.

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

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

The description of the Group's accounting policies is presented in Note 2 of Consolidated financial statements of mBank S.A. Group for 2022, published on 2 March 2023. The accounting principles adopted by the Group were applied on a continuous basis for all periods presented in the financial statements.

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

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

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

In the financial results for the third quarter of 2023, the Bank recognised the cost of legal risk related to foreign currency loans in the amount of PLN 1 083.5 million. The detailed information in this regard is presented in Note 30.

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

The financial results for the third quarter of 2023 include cost of legal risk related to foreign currencies loans in the amount of PLN 1 083.5 million. The detailed information are presented in Note 30.

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

In the third quarter of 2023, the following issues and redemptions occurred in the Group:

- 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, as part of the securitisation transaction, the Bank issued bonds related to credit risk (credit linked note), with a maturity date of 26 November 2036, with a total nominal value of PLN 731 000 thousand. Details of the transaction are presented in Note 24 of the condensed consolidated financial statements of mBank S.A. Group. for the third quarter of 2023,
- mLeasing Sp. z o.o. issued 7 series of short-term bonds in the amount of PLN 700 000 thousand and redeemed short-term bonds in the amount of PLN 600 000 thousand,
- mBank Hipoteczny S.A. redeemed the mortgage bonds in the amount of PLN 854 401 thousand and unsecured bonds in the amount of PLN 5 000 thousand,
- 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.

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

On 30 March 2023, the 36<sup>th</sup> Annual General Meeting of mBank S.A. adopted resolution regarding the covering of loss for 2022. The net loss incurred by mBank S.A. in 2022 in the amount of PLN 696 723 897.52 was covered by Bank's undivided profit from the previous years. The Annual General Meeting of mBank S.A. also decided to leave the profit from the previous years in the amount of PLN 1 401 756 971.49 undivided. The Annual General Meeting of mBank S.A did not decide about dividend payment.



**8. Significant events after the end of the third quarter of 2023, which are not reflected in the financial statements**

Events as indicated above did not occur in the Group.

**9. Effect of changes in the structure of the entity in the third quarter of 2023, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities**

In the third quarter of 2023, events as indicated above did not occur in the Group.

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

In the third quarter of 2023, there were no changes in contingent liabilities and commitments of credit nature, i.e. guarantees, letters of credit or undrawn loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

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

In the third quarter of 2023, events as indicated above did not occur in the Group.

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

In the third quarter of 2023, events as indicated above did not occur in the Group.

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

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

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

In the third quarter of 2023, events as indicated above did not occur in the Group.

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

In the third quarter of 2023 there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease operations that are performed by the companies of the Group.

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

In the third quarter of 2023, events as indicated above did not occur in the Group.

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

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

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

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

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

In the third quarter of 2023, events as indicated above did not occur in the Group. The restatements of comparative data have been described in the Note 2 in the item Comparative data.

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

In the third quarter of 2023, events as indicated above did not occur in the Group.

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

In the third quarter of 2023, events as indicated above did not occur in the Group.

## mBank S.A. Group

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

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

The Bank did not publish a performance forecast for 2023.

## 23. Registered share capital

The total number of ordinary shares as at 30 September 2023 was 42 465 167 shares (31 December 2022: 42 433 495 shares) at PLN 4 nominal value each. All issued shares were fully paid up.

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

\* As at the end of the reporting period

## 24. Material share packages

Commerzbank AG is the only shareholder holding over 5% of the share capital and votes at the General Meeting and as at 30 September 2023 it held 69.12% 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 February 2023, the Bank was notified by Powszechnie Towarzystwo Emerytalne Allianz Polska S.A. (PTE Allianz Polska S.A.) about a decrease of the funds managed by PTE Allianz Polska S.A. share in the share capital and the total number of votes at the General Meeting of mBank S.A. below 5% as a result of a sale of Bank's shares on 3 February 2023.

After the transaction, the funds managed by PTE Allianz Polska S.A. held 2 115 048 shares of mBank S.A., which represents 4.98% of the share capital and the total number of votes at the General Meeting of mBank S.A.

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

	Number of shares held as at the date of publishing the report for H1 2023	Number of shares acquired from the date of publishing the report for H1 2023 to the date of publishing the report for Q3 2023	Number of shares sold from the date of publishing the report for H1 2023 to the date of publishing the report for Q3 2023	Number of shares held as at the date of publishing the report for Q3 2023
<b>Management Board</b>				
1. Cezary Stypułkowski	30 902	-	-	30 902
2. Krzysztof Dąbrowski	1 516	-	(1 516)	-
3. Cezary Kocik	-	-	-	-
4. Marek Lusztyn	1 283	-	-	1 283
5. Julia Nusser	-	-	-	-
6. Adam Pers	-	-	-	-
7. Pascal Ruhland	-	-	-	-

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

As at the date of publishing the report for the first half 2023 and as at the date of publishing the report for the three quarters of 2023, the Members of the Supervisory Board had neither the Bank's shares nor rights to the Bank's shares.

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

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

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

The value of provisions for litigations as at 30 September 2023 amounted to PLN 1 525 360 thousand of which PLN 1 406 234 thousand concerns to provisions for legal proceedings relating to loans in foreign currencies (as at 31 December 2022, respectively PLN 767 508 thousand and PLN 718 128 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.

**2. A lawsuit filed by Polski Koncern Naftowy ORLEN S.A.**

On 7 February 2020, mBank S.A. received a lawsuit filed by Polski Koncern Naftowy ORLEN S.A. (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 30.

**4. Individual court proceedings concerning indexation clauses**

Detailed information on individual court cases against the Bank regarding CHF indexed loans is provided in Note 30.

**Tax inspections**

On 6 October 2023, mBank S.A. received the results of the inspection issued by the Head of the Customs and Tax Office in Opole, concluding the customs and tax inspection in terms of the correctness and reliability of fulfilling the payer's obligations in the field of flat-rate corporate income tax for the payment of receivables specified in Art. 21 section 1 of the Act of 15 February 1992 on corporate income tax for 2018 and 2019. The Bank agreed with the inspection findings and made tax payments for the periods covered by the inspection. The additional tax amounts paid for 2018 and 2019 are immaterial from the point of view of their impact on the entity's financial result.

From 9 September 2022 to 17 July 2023, at the Branch of mBank S.A. in Slovakia, there was an ongoing tax audit conducted by Úrad Pre Vybrané Hospodárske Subjekty in Bratislava regarding the correctness of corporate income tax (CIT) settlements for 2019. The inspection did not reveal any irregularities.

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

**Inspection by the Social Insurance Institution (ZUS)**

mFinanse S.A., a subsidiary of the Bank, was inspected by the Social Insurance Institution (ZUS) in the period from 16 May 2022 to 2 March 2023. The subject of the inspection was the area of correctness and reliability of calculating social insurance contributions and other contributions that the Social Insurance Institution is obliged to collect, as well as reporting for social insurance and health insurance for the years 2018 - 2021. On 3 March 2023, the Company received the Social Insurance Institution's inspection protocol in the aforementioned scope, to which the mFinanse submitted objections. On 20 September 2023 mFinanse received from Social Insurance Institution (ZUS) decisions regarding some of the persons subject to inspection. As at the date of preparation these financial statements, mFinanse S.A. settled the adjudicated contributions according to the received decisions along with interest.

The company is in dispute with the Social Security Institution over the interpretation of the application of social security regulation in the area of the cooperation model involving the simultaneous employment of intermediaries on a part-time basis and a civil law contract. There are currently 8 cases at the court stage in the area of the cooperation model used by the company. The Group's position is that the cooperation model used by the Company complies with the provisions of the law, including the Banking Law in terms of providing credit intermediaries with access to data covered by bank secrecy.

In connection with the above issue, as of 30 September 2023, the Group had a provision in the amount of PLN 112 986 thousand (as at 31 December 2022: PLN 99 346 thousand).

### Inspection by the Office of the Polish Financial Supervision Authority (PFSA Office)

In the period from October till December 2018 the PFSA Office employees carried out an inspection in the Bank in order to investigate whether the activities of mBank S.A. in the area of fulfilling its duties as the depositary were in conformity with the law and agreements on the performance of functions of the depositary, in particular in conformity with the Act of 27 May 2004 on Investment Funds and Management of Alternative Investment Funds (Journal of Laws of 2018, item 1355, as later amended).

The detailed findings of the inspection were presented in the protocol delivered to the Bank on 11 February 2019. On 25 February 2019, the Bank delivered to the PFSA Office its objections to the protocol as well as additional explanations related to the issues being the subject of the inspection.

On 1 April 2019, the Bank received PFSA response to the objections to the inspection protocol as well as PFSA recommendations in regard to the adjustment of the Bank's activity as a depositary bank for investment funds to the applicable law. All objections of the Bank have been rejected by the regulator.

On 25 April 2019, the Bank submitted to PFSA Office a declaration of actions taken as realisation of post inspection recommendations. PFSA by letter dated 4 September 2019 objected to the implementation of selected recommendations. On 11 October 2019 the Bank submitted to PFSA the response addressing given objections, in which the description of taken actions was further specified as well as some new solutions for implementation were presented. On 5 December 2019, the PFSA Office sent to the Bank a reply to the letter containing the acceptance of some of the Bank's activities aimed at implementing post-audit recommendations and clarifications of other expectations that are being implemented. On 14 May 2020, the Bank formally confirmed the implementation of all the PFSA recommendations.

On 27 February 2020, the Bank received the decision of PFSA Office dated 25 February 2020 to initiate administrative proceedings regarding the imposition of an administrative penalty on the Bank, pursuant to the provisions of the Act dated 27 May 2004 on Investment Funds and Management of Alternative Investment Funds. On 23 April 2021, the Bank received a decision of the PFSA dated 16 April 2021 regarding this proceeding, imposing a fine on the Bank in the total amount of PLN 4 300 thousand. The Bank paid the fine on 17 March 2022.

On 7 May 2021, the Bank applied to the Financial Supervision Authority for reconsideration of the case. On 17 December 2021, PFSA Office upheld its decision of 16 April 2021. On 21 January 2022, the Bank filed a complaint with the Provincial Administrative Court against the decision of PFSA.

On 24 August 2022, the Provincial Administrative Court dismissed the Bank's complaint regarding a fine. On 14 November 2022, the Bank filed a cassation complaint with the Supreme Administrative Court in the above case.

### 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. In a letter of 28 April 2023, the President of UOKiK extended the proceedings until 31 August 2023. As at the date of approval of these financial statements, the Group has not received information about another extension of the proceedings.
- On 21 July 2017, the UOKiK instigated proceedings against mBank with regard to violation of consumers' collective interests. The UOKiK charged the Bank with failing to adequately inform clients about FX risk and about shifting FX risk onto consumers, and with incorrectly determining (inflating) credit instalments. In the letter dated 18 August 2017 the Bank responded to the charges. In the letter dated 18 February 2019 the UOKiK President requested detailed information on the handling of mortgages indexed to foreign currencies, to which the Bank replied. In the letter dated 14 October 2021 the UOKiK President informed the Bank that the evidentiary proceedings had ended and appointed a time limit for the Bank to peruse the case file and to comment on the evidence collected in the case. The Bank commented on the evidence collected within the prescribed period. The President of UOKiK extended the termination of the proceedings until 31 July 2022. As at the date of approval of these financial statements, the Group has not received information about another extension of the proceedings.

## mBank S.A. Group

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

- By way of 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.

On 22 August 2022, mBank S.A. took a stance on the accusations made in the said decision. In a letter of 24 July 2023, the President of the Office of Competition and Consumer Protection called on the Bank to provide statistical data and provide further explanations regarding unauthorised transactions to which the Bank responded on 25 September 2023.

### 27. Off-balance sheet liabilities

Off-balance sheet liabilities and nominal value of derivative financial instruments as at 30 September 2023 and 31 December 2022 were as follows.

	30.09.2023	31.12.2022
<b>Contingent liabilities granted and received</b>	<b>51 950 174</b>	<b>50 778 749</b>
<b>Commitments granted</b>	<b>42 105 860</b>	<b>41 276 600</b>
Financing	33 238 937	33 164 015
Guarantees and other financial facilities	7 820 838	8 112 585
Other liabilities	1 046 085	-
<b>Commitments received</b>	<b>9 844 314</b>	<b>9 502 149</b>
Financial commitments received	675 633	773 790
Guarantees received	9 168 681	8 728 359
<b>Derivative financial instruments (nominal value of contracts)</b>	<b>562 331 786</b>	<b>726 104 598</b>
Interest rate derivatives	428 774 992	592 314 888
Currency derivatives	126 038 530	127 927 043
Market risk derivatives	7 518 264	5 862 667
<b>Total off-balance sheet items</b>	<b>614 281 960</b>	<b>776 883 347</b>

### 28. Transactions with related entities

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

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

The amounts of transactions with related entities, i.e. balances of receivables and liabilities as at 30 September 2023 and as at 31 December 2022, and related costs and income for the period from 1 January to 30 September 2023 and from 1 January to 30 September 2022 are presented in the table below.

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

	mBank's subsidiaries			Commerzbank AG			Other companies of the Commerzbank AG Group		
	30.09.2023	31.12.2022	30.09.2022	30.09.2023	31.12.2022	30.09.2022	30.09.2023	31.12.2022	30.09.2022
<b>Statement of financial position</b>									
Assets	2 030	2 390		467 139	684 577		29	37	
Liabilities	36 983	24 752		2 018 775	2 598 059		79 252	77 829	
<b>Income Statement</b>									
Interest income	-		32	45 701		49 077	-		28
Interest expense	(625)		(109)	(43 935)		(32 348)	(2 030)		(732)
Fee and commission income	123		163	4 792		3 597	39		161
Fee and commission expense	(18 403)		(15 320)	-		-	-		-
Other operating income	1 398		1 367	1 427		3 355	-		-
Overhead costs, amortisation and other operating expenses	(2)		-	(5 339)		(8 264)	-		-
<b>Contingent liabilities granted and received</b>									
Liabilities granted	407 885	410 882		2 084 823	2 101 314		1 626	1 608	
Liabilities received	-	-		1 839 260	1 915 387		-	-	

The total costs of remuneration of Members of the Supervisory Board, the Management Board and other key management personnel of the Bank that perform their duties from 1 January to 30 September 2023 recognised in the Group's income statement for that period amounted to PLN 29 877 thousand (in the period from 1 January to 30 September 2022: PLN 23 185 thousand).

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

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

In the nine-month period, ended on 30 September 2023, Group has not concluded any substantial agreements regarding credit and loan guarantees or guarantees granted of a significant amount.

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

As of 30 September 2023, the Management Board of mBank S.A. performed functions in the following composition:

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

**Changes in the Management Board of mBank S.A.**

- On 17 January 2023 Mr. Andreas Böger, the Vice-President of the Management Board, Chief Financial Officer resigned from his function with the effective date of 30 April 2023.
- On 30 March 2023, the Supervisory Board of mBank S.A. appointed new members to the Management Board of the Bank as of 1 May 2023:
  - Ms. Julia Nusser, for the post of Vice-President of the Management Board, Head of Compliance, Legal Issues and HR and,
  - Mr. Pascal Ruhland, for the post of Vice-President of the Management Board, Chief Financial Officer for the duration of the present term of office of the Management Board.

## Supervisory Board of mBank S.A.

As of 30 September 2023 the composition of the Supervisory Board of mBank S.A. was as follows:

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

## Changes in the Supervisory Board of mBank S.A.

Before 30 September 2023 following changes in the Supervisory Board of mBank S.A. have occurred:

- On 14 October 2022 Mr. Arno Walter resigned from membership in the Bank's Supervisory Board with the effective date of 30 March 2023,
- On 9 December 2022, the Supervisory Board appointed Mr. Hans-Georg Beyer as the Member of the Supervisory Board of mBank S.A., as of 1 January 2023 for the duration of the present term of office of the Supervisory Board,
- On 30 March 2023, the Annual General Meeting appointed Mr. Thomas Schaufler as the Member of the Supervisory Board of mBank S.A., as of 31 March 2023 for the duration of the present term of office of the Supervisory Board.

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

The results in the coming quarter may also be affected by court settlements, the number of lawsuits and settlements, as well as potential rulings of the Supreme Court, other national institutions or Court of Justice of the European Union in cases related to foreign currencies loans, which is presented in detail in the Note 30.

## 32. Other information

- Requirements on mBank Group capital ratios as of 30 September 2023

The minimum required level of capital ratios at the end of 30 September 2023 amounted to:

- Individual total capital ratio: 12.55% and Tier 1 capital ratio: 10.20%
- Consolidated total capital ratio: 12.33% and Tier 1 capital ratio: 10.04%.

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

- Transitional arrangements in response to the COVID-19 pandemic

Until 31 December 2022 mBank Group included transitional provisions regarding the temporary treatment of unrealised gains and losses on financial instruments measured at fair value through other comprehensive income in connection with the COVID-19 pandemic, contained in the regulation of the European Parliament and of the Council (EU) 2020/873 of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic in the calculation of own funds, capital ratios and leverage ratio.

The application of the transitional provisions was intended to mitigate the negative impact of unrealised losses on government and local government debt instruments during the COVID-19 pandemic and the decision to apply them meant that the Group was able to limit the impact of significant part of the volatility of the market valuation of the government and local government bonds portfolio.

The transitional arrangements ceased to apply from 1 January 2023.

The measures reported calculated taking into account the transitional provisions as well as measures calculated without taking into account the transitional provisions are presented below.



**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed consolidated financial statement of mBank S.A. Group for the third quarter of 2023

(PLN thousand)

	30.09.2023		31.12.2022	
	Measures reported	Measures calculated without taking into account transitional provisions	Measures reported	Measures calculated without taking into account transitional provisions
Common Equity Tier I capital (PLN thousand)	12 854 870	n/d	12 153 665	11 807 391
Tier I capital (PLN thousand)	12 854 870	n/d	12 153 665	11 807 391
Own funds (PLN thousand)	14 875 159	n/d	14 403 163	14 056 888
Common Equity Tier I ratio (%)	14.6	n/d	13.8	13.4
Tier I capital ratio (%)	14.6	n/d	13.8	13.4
Total capital ratio (%)	16.9	n/d	16.4	16.0

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

- On 20 October 2023 Mr. Marcus Chromik resigned from his function with the effective date of 31 December 2023.
- On 24 October 2023, the Council of Ministers passed a draft bill to amend the Act on crowdfunding for business ventures and aid to borrowers, regarding the extension of credit holidays into 2024.

The draft stipulates that the suspension of loan repayment in 2024 would be possible under the conditions that applied in 2023, that is, it would be possible to suspend repayment of one instalment per each quarter of 2024. The new solution would be to limit the catalogue of people who are entitled to benefit from the suspension of repayment. Such an option would be available to borrowers whose loan principal amount was no more than PLN 400 thousand. If the amount was higher than PLN 400 thousand, but not more than PLN 800 thousand, the suspension of loan repayment would be subject to an additional condition - the cost of servicing the loan (principal and interest instalment) would have to exceed 50% of household income. Credit holidays in 2024 would apply to mortgage contracts in Polish zlotys concluded before 1 July 2022.

## CONDENSED STAND-ALONE FINANCIAL STATEMENT OF MBANK S.A. FOR THE THIRD QUARTER OF 2023

### CONDENSED STAND-ALONE INCOME STATEMENT

	Period from 01.07.2023 to 30.09.2023	Period from 01.01.2023 to 30.09.2023	Period from 01.07.2022 to 30.09.2022 -restated	Period from 01.01.2022 to 30.09.2022 -restated
Interest income, including:	3 633 794	10 498 735	2 014 592	5 724 987
<i>Interest income accounted for using the effective interest method</i>	3 544 414	10 241 409	1 964 356	5 603 801
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	89 380	257 326	50 236	121 186
Interest expenses	(1 485 546)	(4 416 329)	(1 065 863)	(1 812 703)
<b>Net interest income</b>	<b>2 148 248</b>	<b>6 082 406</b>	<b>948 729</b>	<b>3 912 284</b>
Fee and commission income	708 661	2 088 214	686 117	2 132 456
Fee and commission expenses	(249 819)	(694 261)	(194 662)	(540 307)
<b>Net fee and commission income</b>	<b>458 842</b>	<b>1 393 953</b>	<b>491 455</b>	<b>1 592 149</b>
Dividend income	175	4 803	287	48 613
Net trading income	(13 113)	(5 539)	(23 141)	44 463
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(8 065)	(4 259)	23 908	(55 608)
Gains less losses from derecognition of assets and liabilities not measured at fair value through profit or loss	2 916	(47 394)	(6 325)	(62 679)
Other operating income	21 439	67 150	22 061	61 288
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(228 052)	(513 858)	(107 410)	(501 983)
Result on provisions for legal risk related to foreign currency loans	(1 083 537)	(3 432 217)	(2 314 320)	(2 682 168)
Overhead costs	(533 539)	(1 722 050)	(650 106)	(2 159 380)
Depreciation	(108 864)	(312 380)	(100 564)	(305 989)
Other operating expenses	(118 269)	(206 664)	(118 172)	(228 437)
<b>Operating profit (loss)</b>	<b>538 181</b>	<b>1 303 951</b>	<b>(1 833 598)</b>	<b>(337 447)</b>
Tax on the Bank's balance sheet items	(179 321)	(538 426)	(168 560)	(479 781)
Share in profits (losses) of entities under the equity method	65 045	184 900	(321 951)	(229 627)
<b>Profit (loss) before income tax</b>	<b>423 905</b>	<b>950 425</b>	<b>(2 324 109)</b>	<b>(1 046 855)</b>
Income tax expense	(526 605)	(894 069)	71 450	(474 505)
<b>Net profit (loss)</b>	<b>(102 700)</b>	<b>56 356</b>	<b>(2 252 659)</b>	<b>(1 521 360)</b>
<b>Earnings (losses) per share (in PLN)</b>	<b>(2.42)</b>	<b>1.33</b>	<b>(53.11)</b>	<b>(35.88)</b>
<b>Diluted earnings (losses) per share (in PLN)</b>	<b>(2.41)</b>	<b>1.33</b>	<b>(53.02)</b>	<b>(35.82)</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

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

	Period from 01.07.2023 to 30.09.2023	Period from 01.01.2023 to 30.09.2023	Period from 01.07.2022 to 30.09.2022	Period from 01.01.2022 to 30.09.2022
<b>Net profit (loss)</b>	<b>(102 700)</b>	<b>56 356</b>	<b>(2 252 659)</b>	<b>(1 521 360)</b>
<b>Other comprehensive income net of tax, including:</b>	<b>331 178</b>	<b>1 249 247</b>	<b>971 538</b>	<b>(760 261)</b>
<b>Items that may be reclassified subsequently to the income statement</b>	<b>331 178</b>	<b>1 249 247</b>	<b>971 538</b>	<b>(760 261)</b>
Exchange differences on translation of foreign operations (net)	11 669	(275)	10 633	11 308
Cash flows hedges (net)	136 336	408 004	225 541	(359 622)
Share of other comprehensive income of entities under the equity method (net)	17 423	29 203	(1 974)	(83 104)
Debt instruments at fair value through other comprehensive income (net)	165 750	812 315	737 338	(328 843)
<b>Items that will not be reclassified to the income statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Actuarial gains and losses relating to post-employment benefits (net)	-	-	-	-
Reclassification to investment properties (net)	-	-	-	-
<b>Total comprehensive income (net)</b>	<b>228 478</b>	<b>1 305 603</b>	<b>(1 281 121)</b>	<b>(2 281 621)</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

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

<b>ASSETS</b>	<b>30.09.2023</b>	<b>31.12.2022</b>
Cash and balances with the Central Bank	18 176 992	15 906 492
Financial assets held for trading and derivatives held for hedges	2 175 363	2 589 681
Non-trading financial assets mandatorily at fair value through profit or loss, including:	847 022	878 995
<i>Equity instruments</i>	141 982	121 416
<i>Debt securities</i>	49 249	45 009
<i>Loans and advances to customers</i>	655 791	712 570
Financial assets at fair value through other comprehensive income	54 759 296	53 842 726
<i>Debt securities</i>	35 767 066	34 420 653
<i>Loans and advances to customers</i>	18 992 230	19 422 073
Financial assets at amortised cost, including:	137 392 753	123 405 293
<i>Debt securities</i>	27 201 942	20 206 976
<i>Loans and advances to banks</i>	21 457 483	15 392 870
<i>Loans and advances to customers</i>	88 733 328	87 805 447
Investments in subsidiaries	2 117 663	2 057 455
Non-current assets and disposal groups classified as held for sale	-	26 747
Intangible assets	1 431 729	1 209 722
Tangible assets	1 122 559	1 172 714
Investment properties	136 909	136 909
Current income tax assets	29 187	28 302
Deferred income tax assets	734 971	1 145 916
Other assets	1 869 168	1 574 826
<b>TOTAL ASSETS</b>	<b>220 793 612</b>	<b>203 975 778</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Financial liabilities held for trading and derivatives held for hedges	1 598 462	2 075 013
Financial liabilities measured at amortised cost, including:	200 098 467	185 551 517
<i>Amounts due to banks</i>	3 533 734	3 305 751
<i>Amounts due to customers</i>	185 019 050	174 000 911
<i>Lease liabilities</i>	945 085	955 436
<i>Debt securities issued</i>	7 853 824	4 548 698
<i>Subordinated liabilities</i>	2 746 774	2 740 721
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(676 371)	(1 528 582)
Liabilities classified as held for sale	-	7 375
Provisions	1 786 857	1 287 578
Current income tax liabilities	344 139	594 203
Other liabilities	3 831 961	3 491 478
<b>TOTAL LIABILITIES</b>	<b>206 983 515</b>	<b>191 478 582</b>
<b>EQUITY</b>		
<b>Share capital:</b>	<b>3 616 185</b>	<b>3 604 778</b>
Registered share capital	169 861	169 734
Share premium	3 446 324	3 435 044
<b>Retained earnings:</b>	<b>10 606 459</b>	<b>10 554 212</b>
- Profit from previous years	10 550 103	11 250 936
- Profit (loss) for the current year	56 356	(696 724)
<b>Other components of equity</b>	<b>(412 547)</b>	<b>(1 661 794)</b>
<b>TOTAL EQUITY</b>	<b>13 810 097</b>	<b>12 497 196</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>220 793 612</b>	<b>203 975 778</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

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

Changes from 1 January to 30 September 2023

	Share capital		Retained earnings		Other components of equity	Total
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year		
<b>Equity as at 1 January 2023</b>	<b>169 734</b>	<b>3 435 044</b>	<b>11 250 936</b>	<b>(696 724)</b>	<b>(1 661 794)</b>	<b>12 497 196</b>
Transfer of profit/loss from previous year	-	-	(696 724)	696 724	-	-
<b>Total comprehensive income</b>	-	-	-	<b>56 356</b>	<b>1 249 247</b>	<b>1 305 603</b>
Issuance of ordinary shares	127	-	-	-	-	127
<b>Stock option program for employees</b>	-	<b>11 280</b>	<b>(4 109)</b>	-	-	<b>7 171</b>
<i>value of services provided by the employees</i>	-	-	7 171	-	-	7 171
<i>settlement of exercised options</i>	-	11 280	(11 280)	-	-	-
<b>Equity as at 30 September 2023</b>	<b>169 861</b>	<b>3 446 324</b>	<b>10 550 103</b>	<b>56 356</b>	<b>(412 547)</b>	<b>13 810 097</b>

Changes from 1 January to 31 December 2022

	Share capital		Retained earnings		Other components of equity	Total
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year		
<b>Equity as at 1 January 2022</b>	<b>169 540</b>	<b>3 424 404</b>	<b>12 464 256</b>	<b>(1 215 353)</b>	<b>(1 461 024)</b>	<b>13 381 823</b>
Transfer of profit/loss from previous year	-	-	(1 215 353)	1 215 353	-	-
<b>Total comprehensive income</b>	-	-	-	<b>(696 724)</b>	<b>(200 770)</b>	<b>(897 494)</b>
Issuance of ordinary shares	194	-	-	-	-	194
<b>Stock option program for employees</b>	-	<b>10 640</b>	<b>2 033</b>	-	-	<b>12 673</b>
<i>value of services provided by the employees</i>	-	-	12 673	-	-	12 673
<i>settlement of exercised options</i>	-	10 640	(10 640)	-	-	-
<b>Equity as at 31 December 2022</b>	<b>169 734</b>	<b>3 435 044</b>	<b>11 250 936</b>	<b>(696 724)</b>	<b>(1 661 794)</b>	<b>12 497 196</b>

Changes from 1 January to 30 September 2022

	Share capital		Retained earnings		Other components of equity	Total
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year		
<b>Equity as at 1 January 2022</b>	<b>169 540</b>	<b>3 424 404</b>	<b>12 464 256</b>	<b>(1 215 353)</b>	<b>(1 461 024)</b>	<b>13 381 823</b>
Transfer of profit/loss from previous year	-	-	(1 215 353)	1 215 353	-	-
<b>Total comprehensive income</b>	-	-	-	<b>(1 521 360)</b>	<b>(760 261)</b>	<b>(2 281 621)</b>
Issuance of ordinary shares	151	-	-	-	-	151
<b>Stock option program for employees</b>	-	<b>8 433</b>	<b>2 283</b>	-	-	<b>10 716</b>
<i>value of services provided by the employees</i>	-	-	10 716	-	-	10 716
<i>settlement of exercised options</i>	-	8 433	(8 433)	-	-	-
<b>Equity as at 30 September 2022</b>	<b>169 691</b>	<b>3 432 837</b>	<b>11 251 186</b>	<b>(1 521 360)</b>	<b>(2 221 285)</b>	<b>11 111 069</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

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

	Period from 01.01.2023 to 30.09.2023	Period from 01.01.2022 to 30.09.2022 -restated
<b>Profit before income tax</b>	<b>950 425</b>	<b>(1 046 855)</b>
<b>Adjustments:</b>	<b>(290 059)</b>	<b>11 885 785</b>
Income taxes paid	(937 606)	(323 198)
Depreciation, including depreciation of fixed assets provided under operating lease	323 318	315 898
Foreign exchange (gains) losses related to financing activities	(9 540)	639 287
(Gains) losses on investing activities	(190 602)	211 961
Change in valuation of investments in subsidiaries accounted for using other than the equity method	2 333	19 722
Dividends received	(4 803)	(48 613)
Interest income (income statement)	(10 498 735)	(5 724 987)
Interest expense (income statement)	4 416 329	1 812 703
Interest received	9 122 205	5 733 594
Interest paid	(4 146 556)	(1 483 616)
Changes in loans and advances to banks	(5 069 533)	(3 882 700)
Changes in financial assets and liabilities held for trading and hedging derivatives	1 264 499	(1 207 796)
Changes in loans and advances to customers	2 032 641	(7 705 687)
Changes in securities at fair value through other comprehensive income	273 056	15 378 076
Changes in securities at amortised cost	(7 001 572)	(3 550 883)
Changes of non-trading equity securities mandatorily at fair value through profit or loss	(24 806)	73 161
Changes in other assets	(269 273)	(177 043)
Changes in amounts due to banks	(1 448 251)	(1 769 953)
Changes in amounts due to customers	10 977 536	12 681 924
Changes in lease liabilities	(30 312)	38 127
Changes in issued debt securities	19 773	(315 192)
Changes in provisions	538 255	472 234
Changes in other liabilities	371 585	698 766
<b>A. Cash flows from operating activities</b>	<b>660 366</b>	<b>10 838 930</b>
Disposal of intangible assets and tangible fixed assets	35 111	5 031
Dividends received	4 803	48 613
Acquisition of shares in subsidiaries	(5 560)	-
Purchase of intangible assets and tangible fixed assets	(410 587)	(344 714)
<b>B. Cash flows from investing activities</b>	<b>(376 233)</b>	<b>(291 070)</b>
Proceeds from issue of debt securities	4 196 675	642 500
Proceeds from issue of ordinary shares	127	151
Redemption of debt securities	(947 380)	(2 969 117)
Payments of financial lease liabilities	(125 442)	(77 509)
Interest paid from loans and advances received from banks and subordinated liabilities	(146 359)	(58 594)
<b>C. Cash flows from financing activities</b>	<b>2 977 621</b>	<b>(2 462 569)</b>
<b>Net increase / decrease in cash and cash equivalents (A+B+C)</b>	<b>3 261 754</b>	<b>8 085 291</b>
Effects of exchange rate changes on cash and cash equivalents	11 892	172 739
Cash and cash equivalents at the beginning of the reporting period	16 120 301	12 422 956
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>19 393 947</b>	<b>20 680 986</b>

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

The condensed financial statements of mBank S.A. have been prepared for the 3 and 9-month periods ended 30 September 2023. Comparative data include the 3 and 9-month periods ended 30 September 2022 for the condensed income statement, condensed statement of comprehensive income, 9-month period ended 30 September 2022 for the condensed statement of cash flows and condensed statement of changes in equity, additionally for the period from 1 January to 31 December 2022 for the condensed statement of changes in equity, and in the case of the condensed statement of financial position, data as at 31 December 2022.

These interim financial statements for the third quarter of 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Financial statements of mBank S.A. for 2022, published on 2 March 2023. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards.

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

Detailed accounting principles applied to the preparation of these condensed financial statements are presented in Note 2 to the financial statements of mBank S.A. for 2022, published on 2 March 2023.

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

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

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

The Management Board of mBank S.A. approved these condensed financial statements for issue on 30 October 2023.

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

The detailed information regarding the new International Accounting Standards and the International Financial Reporting Standards is presented in the condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2023.

**Comparative data**

- Reclassification of a portion of revenue from the sale of insurance linked to credit products (adjustment 1)

Beginning with the annual Financial statements mBank S.A. for 2022, the Bank has changed the recognition of revenue from the sale of mortgage-related insurance. Previously, the Bank recognised the remuneration received monthly for insurance sales entirely as commission income. Currently the Bank recognises the portion of the remuneration corresponding to the intermediary service as commission income. The remaining part of the remuneration the Bank recognises now as interest income.

- Separation of the item Lease liabilities (adjustment 2)

Beginning with the annual Financial statements of mBank S.A. for 2022, in the statement of financial position, within the item Financial liabilities measured at amortised cost, the Bank has separated a new item - Lease liabilities. Previously, lease liabilities were presented within the item Liabilities to customers.

**■ Reclassification of loans and advances received from the European Investment Bank (adjustment 3)**

Beginning with the annual Financial statements of mBank S.A. for 2022, the Bank has changed the presentation of liabilities from loans and advances received from the European Investment Bank and now presents them under Financial liabilities at amortised cost - Amounts due to banks. Previously, the Bank presented these liabilities within Financial liabilities at amortised cost - Due to customers.

**■ Reclassification of provisions for post-employment benefits (adjustment 4)**

Beginning with the annual Financial statements of mBank S.A. for 2022, the Bank has changed the presentation of provisions for post-employment benefits and now presents them within Provisions. Previously, the Bank presented these liabilities under Other Liabilities.

**■ Reclassification of receivables from the settlement of cash deposit machines and cash sorting companies (adjustment 5)**

Beginning with the annual Financial statements of mBank S.A. for 2022, the Bank has changed the presentation of receivables from the settlement of deposit machines and sorting plants and now presents them within Other assets. Previously, the Bank presented these settlements under Financial assets measured at amortised cost - Loans and advances to customers.

**■ Presentation of the fair value changes of the hedged items in portfolio hedge of interest rate risk (adjustment 6)**

Beginning with the annual Financial statements of mBank S.A. for 2022, the Bank has changed the presentation of gains and losses on the hedged item for the fair value hedge of the interest rate exposure of a portion of portfolio of financial assets or financial liabilities and since the end of 2022 the Bank presents them in a single separate line item within assets, for those repricing time periods for which the hedged item is an asset or in a single separate line item within liabilities, for those repricing time periods for which the hedged item is a liability. Previously, changes in the fair value of hedged items in the interest rate hedge portfolio were presented in a separate line item on the asset or liability side depending on the sign of the balance, i.e. gains related to hedging the portfolio of assets or losses related to hedging the portfolio of liabilities were reported as a separate title in the asset line item, while losses related to hedging the portfolio of assets or gains related to hedging the portfolio of liabilities were reported as a separate title in the liability line item.

**■ Reclassification of the valuation of liabilities due to issue of credit linked notes (adjustment 7)**

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

The above changes were due to the adjustment of the presentation of selected assets and liabilities, income and expenses positions to the prevailing market practice. The changes did not affect equity levels and the Bank's income statements in the comparative periods presented in these financial statements. Comparative figures as of 1 January 2022 and 30 September 2022 and for the 3 and 9-month periods ended 30 September 2022 have been restated accordingly.

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



**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

## Restatements in income statement for the period from 1 January to 30 September 2022

Income statement	No.	Period from 01.01.2022 to 30.09.2022 before restatement	restatement	Period from 01.01.2022 to 30.09.2022 after restatement
Interest income, including:		5 702 164	22 823	5 724 987
<i>Interest income accounted for using the effective interest method</i>	1	5 580 978	22 823	5 603 801
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		121 186	-	121 186
Interest expenses	7	(1 823 727)	11 024	(1 812 703)
<b>Net interest income</b>		<b>3 878 437</b>	<b>33 847</b>	<b>3 912 284</b>
Fee and commission income	1	2 155 279	(22 823)	2 132 456
Fee and commission expenses		(540 307)	-	(540 307)
<b>Net fee and commission income</b>		<b>1 614 972</b>	<b>(22 823)</b>	<b>1 592 149</b>
Dividend income		48 613	-	48 613
Net trading income		44 463	-	44 463
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(55 608)	-	(55 608)
Gains less losses from derecognition of assets and liabilities not measured at fair value through profit or loss		(62 679)	-	(62 679)
Other operating income		61 288	-	61 288
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	7	(490 959)	(11 024)	(501 983)
Result on provisions for legal risk related to foreign currency loans		(2 682 168)	-	(2 682 168)
Overhead costs		(2 159 380)	-	(2 159 380)
Depreciation		(305 989)	-	(305 989)
Other operating expenses		(228 437)	-	(228 437)
<b>Operating profit (loss)</b>		<b>(337 447)</b>	-	<b>(337 447)</b>
Tax on the Bank's balance sheet items		(479 781)	-	(479 781)
Share in profits (losses) of entities under the equity method		(229 627)	-	(229 627)
<b>Profit (loss) before income tax</b>		<b>(1 046 855)</b>	-	<b>(1 046 855)</b>
Income tax expense		(474 505)	-	(474 505)
<b>Net profit (loss)</b>		<b>(1 521 360)</b>	-	<b>(1 521 360)</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

## Restatements in income statement for the period from 1 July to 30 September 2022

Income statement	No.	Period from 01.07.2022 to 30.09.2022 before restatement	restatement	Period from 01.07.2022 to 30.09.2022 after restatement
Interest income, including:		2 006 600	7 992	2 014 592
<i>Interest income accounted for using the effective interest method</i>	1	1 956 364	7 992	1 964 356
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		50 236	-	50 236
Interest expenses	7	(1 070 002)	4 139	(1 065 863)
<b>Net interest income</b>		<b>936 598</b>	<b>12 131</b>	<b>948 729</b>
Fee and commission income	1	694 109	(7 992)	686 117
Fee and commission expenses		(194 662)	-	(194 662)
<b>Net fee and commission income</b>		<b>499 447</b>	<b>(7 992)</b>	<b>491 455</b>
Dividend income		287	-	287
Net trading income		(23 141)	-	(23 141)
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		23 908	-	23 908
Gains less losses from derecognition of assets and liabilities not measured at fair value through profit or loss		(6 325)	-	(6 325)
Other operating income		22 061	-	22 061
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	7	(103 271)	(4 139)	(107 410)
Result on provisions for legal risk related to foreign currency loans		(2 314 320)	-	(2 314 320)
Overhead costs		(650 106)	-	(650 106)
Depreciation		(100 564)	-	(100 564)
Other operating expenses		(118 172)	-	(118 172)
<b>Operating profit (loss)</b>		<b>(1 833 598)</b>	-	<b>(1 833 598)</b>
Tax on the Bank's balance sheet items		(168 560)	-	(168 560)
Share in profits (losses) of entities under the equity method		(321 951)	-	(321 951)
<b>Profit (loss) before income tax</b>		<b>(2 324 109)</b>	-	<b>(2 324 109)</b>
Income tax expense		71 450	-	71 450
<b>Net profit (loss)</b>		<b>(2 252 659)</b>	-	<b>(2 252 659)</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

## Restatements in income statement for the period from 1 January to 31 December 2022

Income statement	No.	Period from 01.01.2022 to 31.12.2022 before restatement	restatement	Period from 01.01.2022 to 31.12.2022 after restatement
Interest income, including:		8 837 715	-	8 837 715
<i>Interest income accounted for using the effective interest method</i>		8 667 715	-	8 667 715
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		170 000	-	170 000
Interest expenses	7	(3 094 862)	14 755	(3 080 107)
<b>Net interest income</b>		<b>5 742 853</b>	<b>14 755</b>	<b>5 757 608</b>
Fee and commission income		2 823 719	-	2 823 719
Fee and commission expenses		(783 433)	-	(783 433)
<b>Net fee and commission income</b>		<b>2 040 286</b>	-	<b>2 040 286</b>
Dividend income		48 736	-	48 736
Net trading income		71 895	-	71 895
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(46 034)	-	(46 034)
Gains less losses from derecognition of assets and liabilities not measured at fair value through profit or loss		(96 603)	-	(96 603)
Other operating income		70 319	-	70 319
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	7	(646 132)	(14 755)	(660 887)
Result on provisions for legal risk related to foreign currency loans		(3 112 265)	-	(3 112 265)
Overhead costs		(2 621 691)	-	(2 621 691)
Depreciation		(402 729)	-	(402 729)
Other operating expenses		(265 775)	-	(265 775)
<b>Operating profit (loss)</b>		<b>782 860</b>	-	<b>782 860</b>
Tax on the Bank's balance sheet items		(651 954)	-	(651 954)
Share in profits (losses) of entities under the equity method		(190 435)	-	(190 435)
<b>Profit (loss) before income tax</b>		<b>(59 529)</b>	-	<b>(59 529)</b>
Income tax expense		(637 195)	-	(637 195)
<b>Net profit (loss)</b>		<b>(696 724)</b>	-	<b>(696 724)</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

**Restatements in statement of financial position at 1 January 2022**

<b>ASSETS</b>	<b>No.</b>	<b>01.01.2022 before restatement</b>	<b>restatement</b>	<b>01.01.2022 after restatement</b>
Financial assets at amortised cost, including:		114 326 977	(377 379)	113 949 598
<i>Debt securities</i>		16 632 915	-	16 632 915
<i>Loans and advances to banks</i>		11 194 916	-	11 194 916
<i>Loans and advances to customers</i>	5	86 499 146	(377 379)	86 121 767
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	1 055 478	(1 165 511)	(110 033)
Other assets	5	857 477	377 379	1 234 856
Other items		75 633 887	-	75 633 887
<b>TOTAL ASSETS</b>		<b>191 873 819</b>	<b>(1 165 511)</b>	<b>190 708 308</b>
<b>LIABILITIES AND EQUITY</b>	<b>No.</b>	<b>01.01.2022 before restatement</b>	<b>restatement</b>	<b>01.01.2022 after restatement</b>
Financial liabilities measured at amortised cost, including:		172 634 071	-	172 634 071
<i>Amounts due to banks</i>	3	3 420 001	1 906 621	5 326 622
<i>Amounts due to customers</i>	2,3	159 905 991	(2 860 617)	157 045 374
<i>Lease liabilities</i>	2	-	953 996	953 996
<i>Debt securities issued</i>		6 683 623	-	6 683 623
<i>Subordinated liabilities</i>		2 624 456	-	2 624 456
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	110 033	(1 165 511)	(1 055 478)
Provisions	4	839 698	24 131	863 829
Other liabilities	4	2 801 612	(24 131)	2 777 481
Other items		2 106 582	-	2 106 582
<b>TOTAL LIABILITIES</b>		<b>178 491 996</b>	<b>(1 165 511)</b>	<b>177 326 485</b>
<b>TOTAL EQUITY</b>		<b>13 381 823</b>	<b>-</b>	<b>13 381 823</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>191 873 819</b>	<b>(1 165 511)</b>	<b>190 708 308</b>

**Restatements in statement of financial position at 30 September 2022**

<b>ASSETS</b>	<b>No.</b>	<b>30.09.2022 before restatement</b>	<b>restatement</b>	<b>30.09.2022 after restatement</b>
Financial assets at amortised cost, including:		128 298 356	(390 352)	127 908 004
<i>Debt securities</i>		20 260 333	-	20 260 333
<i>Loans and advances to banks</i>		14 997 150	-	14 997 150
<i>Loans and advances to customers</i>	5	93 040 873	(390 352)	92 650 521
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	1 897 835	(1 897 835)	-
Other assets	5	1 022 358	390 352	1 412 710
Other items		70 034 631	-	70 034 631
<b>TOTAL ASSETS</b>		<b>201 253 180</b>	<b>(1 897 835)</b>	<b>199 355 345</b>
<b>LIABILITIES AND EQUITY</b>	<b>No.</b>	<b>30.09.2022 before restatement</b>	<b>restatement</b>	<b>30.09.2022 after restatement</b>
Financial liabilities measured at amortised cost, including:		182 025 400	-	182 025 400
<i>Amounts due to banks</i>	3	1 706 580	2 031 183	3 737 763
<i>Amounts due to customers</i>	2,3	173 078 509	(3 047 213)	170 031 296
<i>Lease liabilities</i>	2	-	1 016 030	1 016 030
<i>Debt securities issued</i>		4 432 560	-	4 432 560
<i>Subordinated liabilities</i>		2 807 751	-	2 807 751
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	-	(1 897 835)	(1 897 835)
Provisions	4	1 311 610	22 882	1 334 492
Other liabilities	4	3 356 577	(22 882)	3 333 695
Other items		3 448 524	-	3 448 524
<b>TOTAL LIABILITIES</b>		<b>190 142 111</b>	<b>(1 897 835)</b>	<b>188 244 276</b>
<b>TOTAL EQUITY</b>		<b>11 111 069</b>	<b>-</b>	<b>11 111 069</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>201 253 180</b>	<b>(1 897 835)</b>	<b>199 355 345</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

Restatements in statement of cash flows for the period from 1 January to 30 September 2022

	No.	Period from 01.01.2022 to 30.09.2022 before restatement	restatement	Period from 01.01.2022 to 30.09.2022 after restatement
<b>Profit (loss) before income tax</b>		<b>(1 046 855)</b>	-	<b>(1 046 855)</b>
<b>Adjustments:</b>		<b>11 885 785</b>	-	<b>11 885 785</b>
Income taxes paid		(323 198)	-	(323 198)
Depreciation including depreciation of fixed assets provided under operating lease		315 898	-	315 898
Foreign exchange (gains) losses related to financial activities		639 287	-	639 287
(Gains) losses on investing activities		211 961	-	211 961
Change of valuation of investment in subsidiaries not measured at equity method		19 722	-	19 722
Dividends received		(48 613)	-	(48 613)
Interest income (income statement)	1	(5 702 164)	(22 823)	(5 724 987)
Interest expense (income statement)	7	1 823 727	(11 024)	1 812 703
Interest received	1	5 710 771	22 823	5 733 594
Interest paid	7	(1 494 640)	11 024	(1 483 616)
Changes in loans and advances to banks		(3 882 700)	-	(3 882 700)
Changes in financial assets and liabilities held for trading and hedging derivatives		(1 207 796)	-	(1 207 796)
Changes in loans and advances to customers	5	(7 718 660)	12 973	(7 705 687)
Changes in financial assets at fair value through other comprehensive income		15 378 076	-	15 378 076
Changes in securities at amortised cost		(3 550 883)	-	(3 550 883)
Changes in non-trading securities mandatorily at fair value through profit or loss		73 161	-	73 161
Changes in other assets	5	(164 070)	(12 973)	(177 043)
Changes in amounts due to banks	3	(1 633 158)	(136 795)	(1 769 953)
Changes in amounts due to customers	2,3	12 583 256	98 668	12 681 924
Changes in lease liabilities	2	-	38 127	38 127
Changes in issued debt securities		(315 192)	-	(315 192)
Changes in provisions	4	471 912	322	472 234
Changes in other liabilities	4	699 088	(322)	698 766
<b>A. Cash flows from operating activities</b>		<b>10 838 930</b>	-	<b>10 838 930</b>
<b>B. Cash flows from investing activities</b>		<b>(291 070)</b>	-	<b>(291 070)</b>
<b>C. Cash flows from financing activities</b>		<b>(2 462 569)</b>	-	<b>(2 462 569)</b>
<b>Net increase / decrease in cash and cash equivalents (A+B+C)</b>		<b>8 085 291</b>	-	<b>8 085 291</b>
Effect of exchange rate changes in cash and cash equivalents		172 739	-	172 739
Cash and cash equivalents at the beginning of the reporting period		12 422 956	-	12 422 956
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>20 680 986</b>	-	<b>20 680 986</b>

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

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

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

### **Provisions for legal risks relating to indexation clauses in mortgage and housing loans in CHF**

Detailed information on the impact of legal risk related to CHF mortgage and housing loans is provided in Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2023.

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

On 14 July 2022, the President of the Republic of Poland signed the Act on crowdfunding for business ventures and aid to borrowers ("Act"), which introduced the possibility of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays"). Credit holidays may apply to a single contract concluded in Polish zlotys for the financing of real estate intended to meet one's own housing needs. Borrowers are entitled to suspend 8 monthly instalments: 2 monthly instalments in each of the third and fourth quarter of 2022 and 1 monthly instalment in each of the four quarters of 2023. Credit holidays apply to both the principal and interest portions of the loan. Deadlines for repayment of instalments are extended without any additional interest for the suspension periods. The Bank believes that the amendment to the contractual terms of the mortgage loans implemented by the Act constituted an insignificant modification of these financial assets in accordance with IFRS 9.5.4.3.

In 2022, the Bank recognised the impact of credit holidays in the total amount of PLN 1 334.4 million, out of which PLN 955.4 million related to mBank loan portfolio and decreased the interest income of the Bank, PLN 367.0 million related to mBank Hipoteczny loan portfolio and decreased the share in profits (losses) of entities under the equity method and PLN 12.0 million related to the effect on hedge accounting and decreased the net trading income. In the period of three quarters of 2023, due to an updated calculation of the impact of credit holidays, the Bank recognised PLN 27.9 million gain on non-substantial modification related to mBank loan portfolio, which increased net interest income, PLN 13.6 million impact related to mBank Hipoteczny loan portfolio, which increased the share in profits (losses) of entities under the equity method and PLN 12.0 million impact on hedge accounting, which increased net trading income. The negative impact of credit holidays on the valuation of the loan portfolio is settled by the appropriate recognition of interest income calculated using the effective interest rate in periods in which customers taking advantage of credit holidays do not pay the interest according to the original schedules of the loan agreements.

To calculate the impact of credit holidays, the Bank estimated that customers owning 82.9% and 81.7% of the value of the assumed eligible mortgage loan portfolio of mBank and mBank Hipoteczny respectively applied or will apply for the credit holidays, and they will request on average 7.6 months of credit holidays.

By 30 September 2023, customers owning 79.1% and 75.6% of the value of the assumed eligible mortgage loan portfolio of mBank and mBank Hipoteczny respectively had submitted applications applying for an average of 7.3 months of credit holidays. As of 30 September 2023 the gross carrying value of loans being subject to the credit holidays amounted to PLN 17 033.0 million at mBank and PLN 6 756.0 million at mBank Hipoteczny.

### **Impairment of loans and advances**

The Bank reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the income statement, the Bank assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions, on the basis of which the estimated cash flow amounts and their anticipated timing are determined, are regularly verified. If the current value of estimated cash flows (discounted recoveries from payments of capital, discounted recoveries from interests, discounted recoveries from off-balance sheet liabilities and discounted recoveries from collaterals for on-balance and off-balance sheet loans and advances, weighed by the probability of realisation of specific scenarios) for portfolio of loans and advances which are impaired as of 30 September 2023, change by +/- 10%, the estimated loans and advances impairment would either decrease by PLN 60.2 million or increase by PLN 65.5 million (as at 31 December 2022: PLN 49.7 million and PLN 51.1 million). This estimation was performed for portfolio of loans and advances and for off-balance sheet liabilities individually assessed for impairment on the basis of future cash flows due to repayments and recovery from collateral – Stage 3. The rules of determining write-downs and provisions for impairment of credit exposures have been described under Note 3.3.6 of financial statements of mBank S.A. for 2022, published on 2 March 2023.

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

In the three quarters of 2023, the Bank conducted a portfolio review in connection with Russia's aggression against Ukraine. The review concerned the Bank's involvement in war countries (Ukraine, Russia) or in conflict-related countries (Belarus), taking into account sanctions imposed by the European Union, the United Kingdom and the USA. As a result of the review, as of 30 September 2023, credit exposure and expected credit losses were determined in the mentioned countries, as shown in the table below.

Country	Direct exposure as at 30.09.2023												
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	-	-	-	-	-	-	-	-	-	-	-	-	-
Russia	-	-	150	-	-	-	-	-	-	-	(150)	-	46 382
Belarus	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>150</b>	-	-	-	-	-	-	-	<b>(150)</b>	-	<b>46 382</b>

There was also identified an indirect exposure: a balance sheet exposure of PLN 159.5 million and an off-balance sheet exposure of PLN 221.6 million towards corporate clients whose business is indirectly exposed to the risk of Russia's aggression towards Ukraine.

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

Country	Indirect exposure as at 30.09.2023												
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	36 121	1 213	-	-	109 022	250	-	-	(193)	(5)	-	-	-
Russia	32 495	36 303	50 654	-	101 112	8 249	-	-	(271)	(786)	(50 654)	-	-
Belarus	2 448	245	-	-	2 989	-	-	-	(6)	(2)	-	-	-
<b>Total</b>	<b>71 064</b>	<b>37 761</b>	<b>50 654</b>	-	<b>213 123</b>	<b>8 499</b>	-	-	<b>(470)</b>	<b>(793)</b>	<b>(50 654)</b>	-	-

### Fair value of derivatives and other financial instruments

The fair value of financial instruments not listed on active markets is determined by applying valuation techniques. All models are approved prior to being applied and they are also calibrated in order to assure that the obtained results indeed reflect the actual data and comparable market prices. As far as possible, observable market data originating from an active market are used in the models. Methods for determining the fair value of financial instruments are described in Note 2.5 of financial statements of mBank S.A. for 2022, published on 2 March 2023.

### Deferred tax assets

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

### Income tax in interim financial statements

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

Calculating the average annual effective income tax rate requires the use of a forecast of pre-tax income for the entire financial year and permanent differences regarding the balance sheet and tax values of assets and liabilities. The projected annual effective tax rate used to calculate the income tax burden in the three quarters of 2023 was 94.1%.

The greatest impact on the value of the average annual effective income tax rate in comparison to the nominal income tax rate in the three quarters of 2023 was costs of legal risk related to foreign currency

loans, tax on financial institutions and contributions and other mandatory payments that do not constitute tax deductible costs (including fees for the Bank Guarantee Fund).

Due to the loss before tax incurred by the Bank in the three quarters of 2022, the calculation of the average annual effective income tax rate for 2022 required the use of a forecast of profit before tax for the full fiscal year adjusted for the impact of costs of legal risk related to FX loans, as well as a forecast of permanent differences in the carrying and tax values of assets and liabilities. The projected annual effective tax rate calculated this way used to accrue income tax expense for the three quarters of 2022 was 29.0%.

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

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

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

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

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

### **Leasing classification**

Estimates relating to leases, where the Bank is a lessee, in areas such as 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 are presented in Note 2.22 to the financial statements of mBank S.A. for 2022, published on 2 March 2023.

## **SELECTED EXPLANATORY INFORMATION**

### **1. Compliance with international financial reporting standards**

The presented condensed financial statements for the third quarter of 2023 fulfils the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" relating to interim financial reports.

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

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

The description of the Bank's accounting policies is presented in Note 2 of Financial statements of mBank S.A. for 2022, published on 2 March 2023. The accounting principles adopted by the Bank were applied on a continuous basis for all periods presented in the financial statements.

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

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

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

In the financial results for the third quarter of 2023, the Bank recognised the cost of legal risk related to foreign currency loans in the amount of PLN 1 083.5 million. The detailed information in this regard is presented in Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2023.

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

The financial results for the third quarter of 2023 include cost of legal risk related to foreign currencies loans in the amount of PLN 1 083.5 million. The detailed information are presented in Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2023.



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

- 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, as part of the securitisation transaction, the Bank issued bonds related to credit risk, the so-called credit linked note, with a maturity date of 26 November 2036, with a total nominal value of PLN 731 000 thousand. Details of the transaction are presented in Note 24 of the condensed consolidated financial statements of mBank S.A. Group. for the third quarter of 2023,
- On 28 March 2023, the 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.

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

On 30 March 2023, the 36<sup>th</sup> Annual General Meeting of mBank S.A. adopted resolution regarding the covering of loss for 2022. The net loss incurred by mBank S.A. in 2022 in the amount of PLN 696 723 897.52 was covered by the Bank's undivided profit from the previous years. The Annual General Meeting of mBank S.A. also decided to leave the profit from the previous years in the amount of PLN 1 401 756 971.49 undivided. The Annual General Meeting of mBank S.A did not decide about dividend payment.

## **8. Income and profit by business segments**

Income and profit by business segments within the Bank are presented in Note 4 of the condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2023.

## **9. Significant events after the end of the third quarter of 2023, which are not reflected in the financial statements**

Events as indicated above did not occur in the Bank.

## **10. Effect of changes in the structure of the entity in the third quarter of 2023, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities**

In the third quarter of 2023, events as indicated above did not occur in the Bank.

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

In the third quarter of 2023, there were no changes in contingent liabilities and commitments of credit nature, i.e. guarantees, letters of credit or undrawn loan amounts, other than resulting from current operating activities of the Bank. There was no single case of granting of guarantees or any other contingent liability of any material value for the Bank.

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

In the third quarter of 2023, events as indicated above did not occur in the Bank.

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

In the third quarter of 2023, events as indicated above did not occur in the Bank.

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

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
<b>Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss, including:</b>			
Financial assets at amortised cost		(610 957)	(489 999)
- debt securities		(2 430)	(816)
- loans and advances		(608 527)	(489 183)
Financial assets at fair value through other comprehensive income		(35 459)	(25 619)
- debt securities		(1 504)	829
- loans and advances		(33 955)	(26 448)
Commitments and guarantees granted		132 558	13 635
<b>Total net impairment losses on financial assets not measured at fair value through profit or loss</b>		<b>(513 858)</b>	<b>(501 983)</b>

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

In the third quarter of 2023, events as indicated above did not occur in the Bank.

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

In the third quarter of 2023, there were no material transactions of acquisition or disposal of any tangible fixed assets.

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

In the third quarter of 2023, events as indicated above did not occur in the Bank.

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

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

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

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

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

In the third quarter of 2023, events as indicated above did not occur in the Bank. The restatements of comparative data have been described in the Note 1, in the item Comparative data.

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

In the third quarter of 2023, events as indicated above did not occur in the Bank.

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

In the third quarter of 2023, events as indicated above did not occur in the Bank.

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

The Bank did not publish a performance forecast for 2023.

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

**24. Registered share capital**

The total number of ordinary shares as at 30 September 2023 was 42 465 167 shares (31 December 2022: 42 433 495 shares) at PLN 4 nominal value each. All issued shares were fully paid up.

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

\* As at the end of the reporting period

**25. Material share packages**

Commerzbank AG is the only shareholder holding over 5% of the share capital and votes at the General Meeting and as at 30 September 2023 it held 69.12% 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 February 2023, the Bank was notified by Powszechne Towarzystwo Emerytalne Allianz Polska S.A. (PTE Allianz Polska S.A.) about a decrease of the funds' managed by PTE Allianz Polska S.A. share in the share capital and the total number of votes at the General Meeting of mBank S.A. below 5% as a result of a sale of the Bank's shares on 3 February 2023.

After the transaction, the funds managed by PTE Allianz Polska S.A. held 2 115 048 shares of mBank S.A., which represents 4.98% of the share capital and the total number of votes at the General Meeting of mBank S.A.

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

**26. Earnings per share**

	the period	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
<b>Basic:</b>			
Net profit		56 356	(1 521 360)
Weighted average number of ordinary shares		42 446 977	42 395 904
<b>Net basic profit per share (in PLN per share)</b>		<b>1.33</b>	<b>(35.88)</b>
<b>Diluted:</b>			
Net profit applied for calculation of diluted earnings per share		56 356	(1 521 360)
Weighted average number of ordinary shares		42 446 977	42 395 904
Adjustments for:			
- share options and subscription warrants		66 107	72 390
Weighted average number of ordinary shares for calculation of diluted earnings per share		42 513 084	42 468 294
<b>Diluted earnings per share (in PLN per share)</b>		<b>1.33</b>	<b>(35.82)</b>

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

The information regarding the proceedings before a court, an arbitration body or a public administration authority are presented in Point 26 of Selected explanatory information in Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2023.

**28. Legal risk related to mortgage and housing loans granted to individual customers in CHF**

Detailed information on the impact of legal risk related to CHF mortgage and housing loans is provided in Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2023.

**29. Off-balance sheet liabilities**

	30.09.2023	31.12.2022
<b>Contingent liabilities granted and received</b>	<b>51 448 395</b>	<b>50 438 180</b>
<b>Commitments granted</b>	<b>41 774 081</b>	<b>41 233 031</b>
Financing	32 906 926	32 652 084
Guarantees and other financial facilities	7 821 070	8 580 947
Other liabilities	1 046 085	-
<b>Commitments received</b>	<b>9 674 314</b>	<b>9 205 149</b>
Financial commitments received	505 633	476 790
Guarantees received	9 168 681	8 728 359
<b>Derivative financial instruments (nominal value of contracts)</b>	<b>559 323 942</b>	<b>721 658 563</b>
Interest rate derivatives	424 718 405	588 523 672
Currency derivatives	127 087 273	127 272 224
Market risk derivatives	7 518 264	5 862 667
<b>Total off-balance sheet items</b>	<b>610 772 337</b>	<b>772 096 743</b>

**30. Transactions with related entities**

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

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

The amounts of transactions with related entities, i.e. balances of receivables and liabilities as at 30 September 2023 and as at 31 December 2022, and related costs and income for the period from 1 January to 30 September 2023 and from 1 January to 30 September 2022 are presented in the table below.

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

	mBank's subsidiaries			Commerzbank AG			Other companies of the Commerzbank AG Group		
	30.09.2023	31.12.2022	30.09.2022	30.09.2023	31.12.2022	30.09.2022	30.09.2023	31.12.2022	30.09.2022
<b>Statement of financial position</b>									
Assets	21 450 422	22 293 361		460 346	674 513		29	37	
Liabilities	591 208	427 198		1 890 110	2 465 567		79 252	77 829	
<b>Income Statement</b>									
Interest income	1 068 488		694 687	45 701		49 077	-		28
Interest expense	(5 283)		(41 336)	(43 653)		(31 363)	(2 030)		(732)
Fee and commission income	12 530		16 185	4 792		3 597	39		161
Fee and commission expense	(142 916)		(161 180)	-		-	-		-
Other operating income	10 918		13 248	1 427		3 355	-		-
Overhead costs, amortisation and other operating expenses	(36 078)		(3 862)	(5 339)		(8 264)	-		-
<b>Contingent liabilities granted and received</b>									
Liabilities granted	3 030 505	3 274 715		2 084 823	2 101 314		1 626	1 608	
Liabilities received	-	-		1 839 260	1 915 387		-	-	

The total costs of remuneration of Members of the Supervisory Board, the Management Board and other key management personnel of the Bank that perform their duties from 1 January to 30 September 2023 recognised in the Bank's income statement for that period amounted to PLN 29 877 thousand (in the period from 1 January to 30 September 2022: PLN 23 185 thousand).

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

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

In the nine-month period, ended on 30 September 2023, the Bank has not concluded any substantial agreements regarding credit and loan guarantees or guarantees granted of a significant amount.

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

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

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

The approach to the method used for the loans that are fair valued in line of IFRS9 requirements, is described in the Note 3.3.7 to the financial statements of mBank S.A. for 2022, published on 2 March 2023.

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

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

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

**Financial assets and liabilities at amortised cost**

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

	30.09.2023		31.12.2022	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets at amortised cost</b>				
<b>Debt securities</b>	<b>27 201 942</b>	<b>25 880 828</b>	<b>20 206 976</b>	<b>17 923 102</b>
<b>Loans and advances to banks</b>	<b>21 457 483</b>	<b>21 461 204</b>	<b>15 392 870</b>	<b>15 395 201</b>
<b>Loans and advances to customers, including:</b>	<b>88 733 328</b>	<b>89 326 861</b>	<b>87 805 447</b>	<b>87 273 053</b>
<b>Loans and advances to individuals</b>	<b>37 716 101</b>	<b>38 607 380</b>	<b>40 129 801</b>	<b>40 077 630</b>
Current accounts	7 323 313	7 799 515	7 334 567	7 776 122
Term loans	30 307 004	30 722 081	32 773 857	32 280 131
Other	85 784	85 784	21 377	21 377
<b>Loans and advances to corporate entities</b>	<b>50 884 325</b>	<b>50 599 450</b>	<b>47 622 759</b>	<b>47 143 353</b>
Current accounts	6 948 730	6 867 951	6 908 655	6 754 825
Term loans	40 050 585	39 846 489	38 531 877	38 206 301
Reverse repo or buy/sell back transactions	3 420 280	3 420 280	1 611 154	1 611 154
Other loans and advances	450 038	450 038	555 475	555 475
Other	14 692	14 692	15 598	15 598
<b>Loans and advances to public sector</b>	<b>132 902</b>	<b>120 031</b>	<b>52 887</b>	<b>52 070</b>
<b>Financial liabilities at amortised cost</b>				
<b>Amounts due to other banks</b>	<b>3 533 734</b>	<b>3 533 734</b>	<b>3 305 751</b>	<b>3 305 751</b>
<b>Amounts due to customers</b>	<b>185 019 050</b>	<b>185 016 943</b>	<b>174 000 911</b>	<b>173 996 881</b>
<b>Debt securities in issue</b>	<b>7 853 824</b>	<b>7 857 163</b>	<b>4 548 698</b>	<b>4 545 899</b>
<b>Subordinated liabilities</b>	<b>2 746 774</b>	<b>2 652 707</b>	<b>2 740 721</b>	<b>2 631 352</b>

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

Loans and advances to banks and loans and advances to customers

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

Financial liabilities

Financial instruments representing liabilities for the Bank include the following:

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

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

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

In the case of deposits, the Bank has applied the curve constructed on the basis of quotations of money market rates as well as FRA and IRS contracts for appropriate currencies and maturities. In the case of subordinated liabilities, the Bank used curves based on cross-currency basis swap levels taking into account the original spread on subordinated liabilities and their maturities.

In the case of credit risk related bonds – credit-linked notes (CLNs), the Bank uses the method of bonds discounted cash flows for the valuation. Discounted factor 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 against the issuer's credit risk with the deposited collateral, an assumption was made that these parameters would remain unchanged during the life of the bond.

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

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

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

The table below presents the fair value hierarchy of financial assets and liabilities measured at fair value in accordance with the assumptions and methods described above, exclusively for disclosure as at 30 September 2023 and as at 31 December 2022.

30.09.2023	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	25 880 828	19 603 538	-	6 277 290
Loans and advances to banks	21 461 204	-	-	21 461 204
Loans and advances to customers	89 326 861	-	-	89 326 861
<b>Total financial assets</b>	<b>136 668 893</b>	<b>19 603 538</b>	<b>-</b>	<b>117 065 355</b>
<b>FINANCIAL LIABILITIES</b>				
Amounts due to banks	3 533 734	-	1 953 210	1 580 524
Amounts due to customers	185 016 943	-	213 137	184 803 806
Debt securities issued	7 857 163	7 832 304	-	24 859
Subordinated liabilities	2 652 707	-	2 652 707	-
<b>Total financial liabilities</b>	<b>199 060 547</b>	<b>7 832 304</b>	<b>4 819 054</b>	<b>186 409 189</b>

31.12.2022	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	17 923 102	14 185 080	-	3 738 022
Loans and advances to banks	15 395 201	-	-	15 395 201
Loans and advances to customers	87 273 053	-	-	87 273 053
<b>Total financial assets</b>	<b>120 591 356</b>	<b>14 185 080</b>	<b>-</b>	<b>106 406 276</b>
<b>FINANCIAL LIABILITIES</b>				
Amounts due to banks	3 305 751	-	1 910 721	1 395 030
Amounts due to customers	173 996 881	-	222 295	173 774 586
Debt securities issued	4 545 899	4 521 025	-	24 874
Subordinated liabilities	2 631 352	-	2 631 352	-
<b>Total financial liabilities</b>	<b>184 479 883</b>	<b>4 521 025</b>	<b>4 764 368</b>	<b>175 194 490</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

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

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

30.09.2023	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>2 175 363</b>	<b>788 026</b>	<b>1 010 467</b>	<b>376 870</b>
Loans and advances to customers	40 060	-	-	40 060
Debt securities	1 114 946	778 136	-	336 810
Equity instruments	9 890	9 890	-	-
Derivative financial instruments, including:	1 010 467	-	1 010 467	-
Derivative financial instruments held for trading	1 141 588	-	1 141 588	-
Hedging derivative financial instruments	83 356	-	83 356	-
Offsetting effect	(214 477)	-	(214 477)	-
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>847 022</b>	<b>785</b>	-	<b>846 237</b>
Loans and advances to customers	655 791	-	-	655 791
Debt securities	49 249	-	-	49 249
Equity securities	141 982	785	-	141 197
<b>Financial assets at fair value through other comprehensive income</b>	<b>54 759 296</b>	<b>14 953 340</b>	<b>19 481 666</b>	<b>20 324 290</b>
Loans and advances to customers	18 992 230	-	-	18 992 230
Debt securities	35 767 066	14 953 340	19 481 666	1 332 060
<b>Total financial assets</b>	<b>57 781 681</b>	<b>15 742 151</b>	<b>20 492 133</b>	<b>21 547 397</b>
<b>Investment properties</b>	<b>136 909</b>	-	-	<b>136 909</b>
<b>Financial liabilities</b>				
<b>Financial liabilities held for trading and hedging derivatives</b>	<b>1 598 462</b>	<b>324 273</b>	<b>1 274 189</b>	-
Derivative financial instruments, including:	1 274 189	-	1 274 189	-
Derivative financial instruments held for trading	1 448 058	-	1 448 058	-
Hedging derivative financial instruments	1 369 677	-	1 369 677	-
Offsetting effect	(1 543 546)	-	(1 543 546)	-
Liabilities from short sale of securities	324 273	324 273	-	-
<b>Total financial liabilities</b>	<b>1 598 462</b>	<b>324 273</b>	<b>1 274 189</b>	-

Financial assets measured at fair value and investment properties based on Level 3 - changes in the period from 1 January to 30 September 2023	Financial assets held for trading and hedging derivatives		Non-trading financial assets mandatorily at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Investment properties
	Loans and advances to customers	Debt securities	Loans and advances to customers	Debt securities	Equity securities	Loans and advances to customers	Debt securities	
<b>As at the beginning of the period</b>	<b>39 720</b>	<b>401 865</b>	<b>712 570</b>	<b>45 009</b>	<b>120 670</b>	<b>19 422 073</b>	<b>1 719 371</b>	<b>136 909</b>
<b>Gains and losses for the period:</b>	<b>1 041</b>	<b>31 538</b>	<b>(28 600)</b>	<b>4 240</b>	<b>20 117</b>	<b>359 609</b>	<b>8 764</b>	-
Recognised in profit or loss:	1 041	31 538	(28 600)	4 240	20 117	2 012	-	-
<i>Net trading income</i>	<i>1 041</i>	<i>31 538</i>	-	<i>77</i>	<i>(22)</i>	-	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	<i>(28 600)</i>	<i>4 163</i>	<i>20 139</i>	-	-	-
<i>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</i>	-	-	-	-	-	<i>2 012</i>	-	-
Recognised in other comprehensive income:	-	-	-	-	-	357 597	8 764	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	<i>357 597</i>	<i>8 764</i>	-
Purchases / origination	-	672 840	93 609	-	410	331 475	1 366 259	-
Redemptions / total repayments	-	(191 655)	(104 729)	-	-	(713 648)	(444 397)	-
Sales	-	(2 824 976)	-	-	-	(342 199)	(1 572 713)	-
Issues	-	2 247 198	-	-	-	-	254 776	-
Other changes	(701)	-	(17 059)	-	-	(65 080)	-	-
<b>As at the end of the period</b>	<b>40 060</b>	<b>336 810</b>	<b>655 791</b>	<b>49 249</b>	<b>141 197</b>	<b>18 992 230</b>	<b>1 332 060</b>	<b>136 909</b>



**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

31.12.2022	including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
<b>RECURRING FAIR VALUE MEASUREMENTS</b>				
<b>Financial assets</b>				
<b>Financial assets held for trading and hedging derivatives</b>	<b>2 589 681</b>	<b>676 356</b>	<b>1 471 740</b>	<b>441 585</b>
Loans and advances to customers	39 720	-	-	39 720
Debt securities	1 072 092	670 227	-	401 865
Equity securities	6 129	6 129	-	-
Derivative financial instruments, including:	1 471 740	-	1 471 740	-
Derivative financial instruments held for trading	1 796 484	-	1 796 484	-
Hedging derivative financial instruments	116 735	-	116 735	-
Offsetting effect	(441 479)	-	(441 479)	-
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>878 995</b>	<b>746</b>	<b>-</b>	<b>878 249</b>
Loans and advances to customers	712 570	-	-	712 570
Debt securities	45 009	-	-	45 009
Equity securities	121 416	746	-	120 670
<b>Financial assets at fair value through other comprehensive income</b>	<b>53 842 726</b>	<b>15 617 616</b>	<b>17 083 666</b>	<b>21 141 444</b>
Loans and advances to customers	19 422 073	-	-	19 422 073
Debt securities	34 420 653	15 617 616	17 083 666	1 719 371
<b>Total financial assets</b>	<b>57 311 402</b>	<b>16 294 718</b>	<b>18 555 406</b>	<b>22 461 278</b>
<b>Investment properties</b>	<b>136 909</b>	<b>-</b>	<b>-</b>	<b>136 909</b>
<b>Financial liabilities</b>				
<b>Financial liabilities held for trading and hedging derivatives</b>	<b>2 075 013</b>	<b>260 538</b>	<b>1 814 475</b>	<b>-</b>
Derivative financial instruments, including:	1 814 475	-	1 814 475	-
Derivative financial instruments held for trading	2 175 779	-	2 175 779	-
Hedging derivative financial instruments	2 663 928	-	2 663 928	-
Offsetting effect	(3 025 232)	-	(3 025 232)	-
Liabilities from short sale of securities	260 538	260 538	-	-
<b>Total financial liabilities</b>	<b>2 075 013</b>	<b>260 538</b>	<b>1 814 475</b>	<b>-</b>

Financial assets measured at fair value and investment properties based on Level 3 - changes in the period from 1 January to 31 December 2022	Financial assets held for trading and hedging derivatives		Non-trading financial assets mandatorily at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Investment properties
	Loans and advances to customers	Debt securities	Loans and advances to customers	Debt securities	Equity securities	Loans and advances to customers	Debt securities	
<b>As at the beginning of the period</b>	<b>40 426</b>	<b>425 179</b>	<b>991 469</b>	<b>81 128</b>	<b>147 596</b>	<b>18 191 254</b>	<b>1 504 600</b>	<b>127 510</b>
<b>Gains and losses for the period:</b>	<b>1 419</b>	<b>21 633</b>	<b>(26 406)</b>	<b>6 095</b>	<b>(27 238)</b>	<b>136 247</b>	<b>(14 623)</b>	<b>9 399</b>
Recognised in profit or loss:	1 419	21 633	(26 406)	6 095	(27 238)	(6 440)	-	9 399
<i>Net trading income</i>	1 419	21 633	-	9 299	34	-	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	(26 406)	(3 204)	(27 272)	-	-	-
<i>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</i>	-	-	-	-	-	(6 440)	-	-
<i>Other operating income/other operating expenses</i>	-	-	-	-	-	-	-	9 399
Recognised in other comprehensive income:	-	-	-	-	-	142 687	(14 623)	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	142 687	(14 623)	-
Purchases / origination	-	1 132 349	42 873	-	312	4 125 086	1 994 737	-
Redemptions / total repayments	(3 813)	(117 316)	(251 960)	-	-	(810 450)	(545 447)	-
Sales	-	(2 726 211)	-	-	-	(2 075 137)	(1 654 666)	-
Issues	-	1 666 231	-	-	-	-	434 770	-
Other changes	1 688	-	(43 406)	(42 214)	-	(144 927)	-	-
<b>As at the end of the period</b>	<b>39 720</b>	<b>401 865</b>	<b>712 570</b>	<b>45 009</b>	<b>120 670</b>	<b>19 422 073</b>	<b>1 719 371</b>	<b>136 909</b>

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

During the three quarters of 2023 and during 2022 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. from marked-to-market valuation to marked-to-model valuation under the assumption that the valuation model for the respective type of this instrument has been already approved. The return to marked-to-market valuation method takes place after a period of at least 10 working days in which the market price was available on a continuous basis. If there is no market prices for a debt treasury bonds the above terms are respectively 2 and 5 working days.

**Level 1**

As at 30 September 2023 at level 1 of the fair value hierarchy, the Bank has presented the fair value of held for trading government bonds in the amount of PLN 778 136 thousand and the fair value of government bonds measured at fair value through other comprehensive income in the amount of PLN 13 612 672 thousand (31 December 2022: PLN 670 227 thousand and PLN 14 300 990 thousand, respectively). Level 1 includes the fair values of corporate bonds in the amount of PLN 1 340 668 thousand (31 December 2022: PLN 1 316 626 thousand).

In addition, as at 30 September 2023 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 785 thousand (31 December 2022: PLN 746 thousand) and equity instruments in the amount of PLN 9 890 thousand (31 December 2022: PLN 6 129 thousand).

As at 30 September 2023 Level 1 also includes liabilities from short sale of securities quoted on active markets in the amount of PLN 324 273 thousand (31 December 2022: PLN 260 538 thousand).

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

**Level 2**

Level 2 of the fair value hierarchy mainly includes the fair values of bills issued by NBP in the amount of PLN 19 481 666 thousand (31 December 2022: PLN 17 083 666 thousand), valuation of which is based on a NPV model (discounted future cash flows) fed with interest rate curves generated by transformation of quotations taken directly from active and liquid financial markets.

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

**Level 3**

Level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies in the amount of PLN 1 718 119 thousand (31 December 2022: PLN 2 166 245 thousand), and includes the fair value of a debt instrument measured at fair value through profit or loss, representing the rights to preferred stock of Visa Inc.

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

Level 3 as at 30 September 2023 includes the value of loans and advances to customers in the amount of PLN 19 688 081 thousand (31 December 2022: PLN 20 174 363 thousand). The fair value calculation process for loans and advances to customers is described in detail in the Note 3.3.7. of financial statement of mBank S.A. for 2022, published on 2 March 2023.

Moreover level 3 includes the value of loans and advances to customers in the amount of PLN 141 197 thousand (31 December 2022: PLN 120 670 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 the third quarter of 2023, the cost

**mBank S.A. Group**

Consolidated financial report for the third quarter of 2023

Condensed stand-alone financial statement of mBank S.A. for the third quarter of 2023

(PLN thousand)

of equity was estimated at the level in the range from 13.0% to 13.5% (as at the end of 2022: from 13.9% to 14.4%).

As at 30 September 2023 level 3 also includes fair value of investment property in the amount of PLN 136 909 thousand (31 December 2022: PLN 136 909 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 6.75% used to discount cash flows.

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

Portfolio	Fair value 30.09.2023	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	141 197	(16 252)	20 216	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through other comprehensive income	1 332 060	(25 069)	25 069	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	336 810	(8 081)	8 081	
Loans and advances to customers held for trading	40 060	(405)	380	
Loans and advances to customers mandatorily at fair value through profit or loss	655 791	(9 946)	9 877	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 measured at fair value through other comprehensive income	18 992 230	(17 888)	17 009	

Portfolio	Fair value 31.12.2022	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	120 670	(13 346)	16 364	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through other comprehensive income	1 719 371	(30 479)	30 479	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	401 865	(5 807)	5 807	
Loans and advances to customers held for trading	39 720	(460)	443	
Loans and advances to customers mandatorily at fair value through profit or loss	712 570	(10 007)	9 966	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 measured at fair value through other comprehensive income	19 422 073	(12 802)	11 973	

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

#### **Management Board of mBank S.A.**

As of 30 September 2023, the Management Board of mBank S.A. performed functions in the following composition:

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

#### **Changes in the Management Board of mBank S.A.**

- On 17 January 2023 Mr. Andreas Böger, the Vice-President of the Management Board, Chief Financial Officer resigned from his function with the effective date of 30 April 2023.
- On 30 March 2023, the Supervisory Board of mBank S.A. appointed new members to the Management Board of the Bank as of 1 May 2023:
  - Ms. Julia Nusser, for the post of Vice-President of the Management Board, Head of Compliance, Legal Issues and HR and,
  - Mr. Pascal Ruhland, for the post of Vice-President of the Management Board, Chief Financial Officer for the duration of the present term of office of the Management Board.

#### **Supervisory Board of mBank S.A.**

As of 30 September 2023 the composition of the Supervisory Board of mBank S.A. was as follows:

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

#### **Changes in the Supervisory Board of mBank S.A.**

Before 30 September 2023 following changes in the Supervisory Board of mBank S.A. have occurred:

- On 14 October 2022 Mr. Arno Walter resigned from membership in the Bank's Supervisory Board with the effective date of 30 March 2023,
- On 9 December 2022, the Supervisory Board appointed Mr. Hans-Georg Beyer as the Member of the Supervisory Board of mBank S.A., as of 1 January 2023 for the duration of the present term of office of the Supervisory Board,
- On 30 March 2023, the Annual General Meeting appointed Mr. Thomas Schaufler as the Member of the Supervisory Board of mBank S.A., as of 31 March 2023 for the duration of the present term of office of the Supervisory Board.

### **34. Factors affecting the results in the coming quarter**

The results in the coming quarter may also be affected by court settlements, the number of lawsuits and settlements, as well as potential rulings of the Supreme Court, other national institutions or Court of Justice of the European Union in cases related to foreign currencies loans, which is presented in detail in the Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2023.

### 35. Other information

■ Requirements on mBank Group capital ratios as of 30 September 2023

The minimum required level of capital ratios at the end of 30 September 2023 amounted to:

- Individual total capital ratio: 12.55% and Tier 1 capital ratio: 10.20%
- Consolidated total capital ratio: 12.33% and Tier 1 capital ratio: 10.04%.

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

■ Transitional arrangements in response to the COVID-19 pandemic

Until 31 December 2022 mBank included transitional provisions regarding the temporary treatment of unrealised gains and losses on financial instruments measured at fair value through other comprehensive income in connection with the COVID-19 pandemic, contained in the regulation of the European Parliament and of the Council (EU) 2020/873 of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic in the calculation of own funds, capital ratios and leverage ratio.

The application of the transitional provisions was intended to mitigate the negative impact of unrealised losses on government and local government debt instruments during the COVID-19 pandemic and the decision to apply them meant that the Bank was able to limit the impact of significant part of the volatility of the market valuation of the government and local government bonds portfolio.

The transitional arrangements ceased to apply from 1 January 2023.

The measures reported calculated taking into account the transitional provisions as well as measures calculated without taking into account the transitional provisions are presented below.

	30.09.2023		31.12.2022	
	Measures reported	Measures calculated without taking into account transitional provisions	Measures reported	Measures calculated without taking into account transitional provisions
Common Equity Tier I capital (PLN thousand)	13 118 755	n/d	12 519 047	12 251 039
Tier I capital (PLN thousand)	13 118 755	n/d	12 519 047	12 251 039
Own funds (PLN thousand)	15 167 216	n/d	14 768 545	14 500 537
Common Equity Tier I ratio (%)	17.0	n/d	16.4	16.0
Tier I capital ratio (%)	17.0	n/d	16.4	16.0
Total capital ratio (%)	19.7	n/d	19.4	19.0

### 36. Events after the balance sheet date

■ On 20 October 2023 Mr. Marcus Chromik resigned from his function with the effective date of 31 December 2023

■ On 24 October 2023, the Council of Ministers passed a draft bill to amend the Act on crowdfunding for business ventures and aid to borrowers, regarding the extension of credit holidays into 2024.

The draft stipulates that the suspension of loan repayment in 2024 would be possible under the conditions that applied in 2023, that is, it would be possible to suspend repayment of one instalment per each quarter of 2024. The new solution would be to limit the catalogue of people who are entitled to benefit from the suspension of repayment. Such an option would be available to borrowers whose loan principal amount was no more than PLN 400 thousand. If the amount was higher than PLN 400 thousand, but not more than PLN 800 thousand, the suspension of loan repayment would be subject to an additional condition - the cost of servicing the loan (principal and interest instalment) would have to exceed 50% of household income. Credit holidays in 2024 would apply to mortgage contracts in Polish zlotys concluded before 1 July 2022.