

Selected non-audited consolidated financial information of mBank S.A. Group for the fourth quarter of 2023



These Selected Non-Audited Consolidated Financial Information of mBank S.A. Group for the Fourth Quarter of 2023 does not meet the definition of an interim report included in the International Accounting Standard 34 Interim Financial Reporting or the Regulation of the Minister of Finance of 29 March 2018 on current and financial reports published by the issuers of securities and the rules of equal treatment of the information required by the laws of a non-member state.

Legal basis: article 17 (1) of Regulation (EU) No 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse (MAR).

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mBank Group S.A.Selected non-audited consolidated financial information
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(PLN thousand)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Period from 01.10.2023 to 31.12.2023	Period from 01.01.2023 to 31.12.2023	Period from 01.10.2022 to 31.12.2022 - restated	Period from 01.01.2022 to 31.12.2022 - restated
Interest income, including:	3 694 076	14 826 765	3 324 374	9 265 806
<i>Interest income accounted for using the effective interest method</i>	3 607 564	14 522 983	3 275 042	9 093 789
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	86 512	303 782	49 332	172 017
Interest expenses	(1 339 037)	(5 953 294)	(1 346 161)	(3 341 812)
Net interest income	2 355 039	8 873 471	1 978 213	5 923 994
Fee and commission income	769 533	3 015 912	742 729	3 026 096
Fee and commission expenses	(325 033)	(1 100 004)	(274 979)	(906 019)
Net fee and commission income	444 500	1 915 908	467 750	2 120 077
Dividend income	4 683	9 486	123	5 236
Net trading income	76 553	73 343	27 111	97 198
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	37 285	34 100	6 885	(50 924)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(1 535)	(50 941)	(34 312)	(91 548)
Other operating income	86 736	317 712	51 048	265 162
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(475 233)	(1 076 778)	(183 227)	(817 972)
Costs of legal risk related to foreign currency loans	(1 475 988)	(4 908 205)	(430 097)	(3 112 265)
Overhead costs	(656 297)	(2 570 433)	(517 479)	(2 851 881)
Depreciation	(139 648)	(504 016)	(113 617)	(467 308)
Other operating expenses	(106 993)	(399 507)	(67 646)	(443 613)
Operating profit	149 102	1 714 140	1 184 752	576 156
Taxes on the Group balance sheet items	(186 154)	(743 552)	(180 327)	(684 175)
Profit/(losses) before income tax	(37 052)	970 588	1 004 425	(108 019)
Income tax expense	16 815	(946 530)	(169 890)	(594 508)
Net profit/(losses)	(20 237)	24 058	834 535	(702 527)
Net profit/(losses) attributable to:				
- Owners of mBank S.A.	(20 267)	24 054	834 516	(702 691)
- Non-controlling interests	30	4	19	164
Earnings/(losses) per share (in PLN)	(0.47)	0.57	19.67	(16.57)
Diluted earnings/(losses) per share (in PLN)	(0.47)	0.57	19.64	(16.55)

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period from 01.10.2023 to 31.12.2023	Period from 01.01.2023 to 31.12.2023	Period from 01.10.2022 to 31.12.2022	Period from 01.01.2022 to 31.12.2022
Net profit	(20 237)	24 058	834 535	(702 527)
Other comprehensive income net of tax, including:	63 963	987 085	399 547	(313 225)
Items that may be reclassified subsequently to the income statement	70 500	993 622	396 076	(316 696)
Exchange differences on translation of foreign operations (net)	(36 278)	(36 667)	(5 275)	6 194
Cash flows hedges (net)	58 640	482 405	157 865	(296 666)
Cost of hedge (net)	(17 503)	(20 714)	(10 936)	27 105
Debt instruments at fair value through other comprehensive income (net)	65 641	568 598	254 422	(53 329)
Items that will not be reclassified to the income statement	(6 537)	(6 537)	3 471	3 471
Actuarial gains and losses relating to post-employment benefits (net)	(6 537)	(6 537)	3 471	3 471
Investment properties (net)	-	-	-	-
Total comprehensive income (net)	43 726	1 011 143	1 234 082	(1 015 752)
Total comprehensive income (net), attributable to:				
- Owners of mBank S.A.	43 696	1 011 139	1 234 063	(1 015 916)
- Non-controlling interests	30	4	19	164

mBank Group S.A.Selected non-audited consolidated financial information
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(PLN thousand)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	31.12.2023	30.09.2023 - restated	31.12.2022 - restated	01.01.2022 - restated
Cash and Cash equivalents	36 702 427	19 451 659	16 250 951	12 540 599
Financial assets held for trading and derivatives held for hedges	1 760 033	2 096 669	2 524 652	2 589 076
Non-trading financial assets mandatorily at fair value through profit or loss, including:	898 798	905 299	1 044 189	1 417 191
<i>Equity instruments</i>	244 941	200 259	185 788	224 389
<i>Debt securities</i>	50 144	49 249	45 009	81 128
<i>Loans and advances to customers</i>	603 713	655 791	813 392	1 111 674
Financial assets at fair value through other comprehensive income	36 965 077	36 605 524	35 117 450	36 206 059
Financial assets at amortised cost, including:	143 319 329	159 202 035	147 902 186	139 580 826
<i>Debt securities</i>	23 323 690	24 997 760	19 002 527	16 164 103
<i>Loans and advances to banks</i>	7 119 059	17 095 049	9 569 629	6 891 348
<i>Loans and advances to customers</i>	112 876 580	117 109 226	119 330 030	116 525 375
Fair value changes of the hedged items in portfolio hedge of interest rate risk	20 204	20 259	3 064	(110 033)
Non-current assets and disposal groups classified as held for sale	-	-	26 747	31 247
Intangible assets	1 701 939	1 613 303	1 391 707	1 283 953
Tangible assets	1 481 401	1 438 295	1 484 933	1 542 250
Investment properties	111 964	136 909	136 909	127 510
Current income tax assets	41 035	29 418	28 302	28 147
Deferred income tax assets	1 379 540	1 386 286	1 875 728	1 392 350
Other assets	2 598 769	2 503 500	2 105 295	1 744 199
TOTAL ASSETS	226 980 516	225 389 156	209 892 113	198 373 374
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities held for trading and derivatives held for hedges	1 495 754	1 547 722	2 086 111	2 011 182
Financial liabilities measured at amortised cost, including:	203 458 575	204 267 679	190 567 661	179 348 925
<i>Amounts due to banks</i>	3 315 302	3 520 323	3 270 223	5 266 179
<i>Amounts due to customers</i>	185 467 455	185 109 361	174 130 914	157 071 670
<i>Lease liabilities</i>	855 725	932 881	960 324	956 838
<i>Debt securities issued</i>	11 105 165	11 958 340	9 465 479	13 429 782
<i>Subordinated liabilities</i>	2 714 928	2 746 774	2 740 721	2 624 456
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(565 985)	(676 371)	(1 528 582)	(1 055 478)
Liabilities classified as held for sale	-	-	7 375	7 425
Provisions	2 345 584	1 899 971	1 362 259	836 900
Current income tax liabilities	201 184	347 352	571 456	61 910
Deferred income tax liabilities	-	-	-	89
Other liabilities	6 308 178	4 313 049	4 110 802	3 444 505
TOTAL LIABILITIES	213 243 290	211 699 402	197 177 082	184 655 458
EQUITY				
Equity attributable to Owners of mBank S.A.	13 735 187	13 687 742	12 713 001	13 716 050
Share capital:	3 616 185	3 616 185	3 604 778	3 593 944
Registered share capital	169 861	169 861	169 734	169 540
Share premium	3 446 324	3 446 324	3 435 044	3 424 404
Retained earnings, including:	10 649 530	10 666 048	10 625 836	11 326 494
- Profit from the previous years	10 625 476	10 621 727	11 328 527	12 505 247
- Profit for the current year	24 054	44 321	(702 691)	(1 178 753)
Other components of equity	(530 528)	(594 491)	(1 517 613)	(1 204 388)
Non-controlling interests	2 039	2 012	2 030	1 866
TOTAL EQUITY	13 737 226	13 689 754	12 715 031	13 717 916
TOTAL LIABILITIES AND EQUITY	226 980 516	225 389 156	209 892 113	198 373 374

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CONDENSED STAND-ALONE INCOME STATEMENT

	Period from 01.10.2023 to 31.12.2023	Period from 01.01.2023 to 31.12.2023	Period from 01.10.2022 to 31.12.2022 - restated	Period from 01.01.2022 to 31.12.2022 - restated
Interest income, including:	3 497 800	13 996 535	3 112 728	8 837 715
<i>Interest income accounted for using the effective interest method</i>	3 396 940	13 638 349	3 063 914	8 667 715
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	100 860	358 186	48 814	170 000
Interest expenses	(1 292 172)	(5 708 501)	(1 267 404)	(3 080 107)
Net interest income	2 205 628	8 288 034	1 845 324	5 757 608
Fee and commission income	700 829	2 789 043	691 263	2 823 719
Fee and commission expenses	(281 221)	(975 482)	(243 126)	(783 433)
Net fee and commission income	419 608	1 813 561	448 137	2 040 286
Dividend income	127	4 930	123	48 736
Net trading income	81 335	75 796	27 432	71 895
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	37 285	33 026	9 574	(46 034)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(1 034)	(48 428)	(33 924)	(96 603)
Other operating income	10 918	78 068	9 031	70 319
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(432 423)	(946 281)	(158 904)	(660 887)
Costs of legal risk related to foreign currency loans	(1 475 988)	(4 908 205)	(430 097)	(3 112 265)
Overhead costs	(588 884)	(2 310 934)	(462 311)	(2 621 691)
Depreciation	(121 893)	(434 273)	(96 740)	(402 729)
Other operating expenses	(57 378)	(264 042)	(37 338)	(265 775)
Operating profit	77 301	1 381 252	1 120 307	782 860
Taxes on the Bank balance sheet items	(181 225)	(719 651)	(172 173)	(651 954)
Share in profits (losses) of entities under the equity method	51 141	236 041	39 192	(190 435)
Profit/(losses) before income tax	(52 783)	897 642	987 326	(59 529)
Income tax expense	25 749	(868 320)	(162 690)	(637 195)
Net profit/(losses)	(27 034)	29 322	824 636	(696 724)
Earnings/(losses) per share (in PLN)	(0.64)	0.69	19.44	(16.43)
Diluted earnings/(losses) per share (in PLN)	(0.64)	0.69	19.41	(16.41)

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CONDENSED STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME

	Period from 01.10.2023 to 31.12.2023	Period from 01.01.2023 to 31.12.2023	Period from 01.10.2022 to 31.12.2022	Period from 01.01.2022 to 31.12.2022
Net profit	(27 034)	29 322	824 636	(696 724)
Other comprehensive income net of tax, including:	(123 874)	1 125 373	559 491	(200 770)
Items that may be reclassified subsequently to the income statement	(117 442)	1 131 805	556 012	(204 249)
Exchange differences on translation of foreign operations (net)	(35 715)	(35 990)	(5 179)	6 129
Cash flows hedges (net)	28 630	436 634	159 976	(199 646)
Share of other comprehensive income of entities under the equity method (net)	12 845	42 048	(9 410)	(92 514)
Debt instruments at fair value through other comprehensive income (net)	(123 202)	689 113	410 625	81 782
Items that will not be reclassified to the income statement	(6 432)	(6 432)	3 479	3 479
Actuarial gains and losses relating to post-employment benefits (net)	(6 432)	(6 432)	3 479	3 479
Investment properties (net)	-	-	-	-
Total comprehensive income (net)	(150 908)	1 154 695	1 384 127	(897 494)

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(PLN thousand)

CONDENSED STAND-ALONE STATEMENT OF FINANCIAL POSITION

ASSETS	31.12.2023	30.09.2023 - restated	31.12.2022 - restated	01.01.2022 - restated
Cash and Cash equivalents	36 641 448	19 393 947	16 120 301	12 422 956
Financial assets held for trading and derivatives held for hedges	1 767 707	2 175 363	2 589 681	2 581 174
Non-trading financial assets mandatorily at fair value through profit or loss, including:	828 268	847 022	878 995	1 221 063
<i>Equity instruments</i>	174 411	141 982	121 416	148 466
<i>Debt securities</i>	50 144	49 249	45 009	81 128
<i>Loans and advances to customers</i>	603 713	655 791	712 570	991 469
Financial assets at fair value through other comprehensive income	54 464 505	54 759 296	53 842 726	54 162 657
<i>Debt securities</i>	36 225 947	35 767 066	34 420 653	35 971 403
<i>Loans and advances to customers</i>	18 238 558	18 992 230	19 422 073	18 191 254
Financial assets at amortised cost, including:	121 056 962	136 175 798	123 191 484	113 614 250
<i>Debt securities</i>	25 527 804	27 201 942	20 206 976	16 632 915
<i>Loans and advances to banks</i>	10 476 203	20 240 528	15 179 061	10 859 568
<i>Loans and advances to customers</i>	85 052 955	88 733 328	87 805 447	86 121 767
Changes in the fair value of hedged items in hedging the portfolio against interest rate risk	-	-	-	(110 033)
Investments in subsidiaries	2 196 262	2 117 663	2 057 455	2 357 068
Non-current assets and disposal groups classified as held for sale	-	-	26 747	31 247
Intangible assets	1 513 882	1 431 729	1 209 722	1 111 479
Tangible assets	1 165 892	1 122 559	1 172 714	1 204 680
Investment properties	111 964	136 909	136 909	127 510
Current income tax assets	40 646	29 187	28 302	28 077
Deferred income tax assets	761 543	734 971	1 145 916	721 324
Other assets	1 869 397	1 869 168	1 574 826	1 234 856
TOTAL ASSETS	222 418 476	220 793 612	203 975 778	190 708 308
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities held for trading and derivatives held for hedges	1 458 852	1 598 462	2 075 013	2 044 601
Financial liabilities measured at amortised cost, including:	199 677 996	200 098 467	185 551 517	172 634 071
<i>Amounts due to banks</i>	3 346 208	3 533 734	3 305 751	5 326 622
<i>Amounts due to customers</i>	185 117 139	185 019 050	174 000 911	157 045 374
<i>Lease liabilities</i>	874 242	945 085	955 436	953 996
<i>Debt securities issued</i>	7 625 479	7 853 824	4 548 698	6 683 623
<i>Subordinated liabilities</i>	2 714 928	2 746 774	2 740 721	2 624 456
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(565 985)	(676 371)	(1 528 582)	(1 055 478)
Liabilities classified as held for sale	-	-	7 375	7 425
Provisions	2 239 144	1 786 857	1 287 578	863 829
Current income tax liabilities	198 373	344 139	594 203	54 467
Deferred income tax liabilities	-	-	-	89
Other liabilities	5 747 158	3 831 961	3 491 478	2 777 481
TOTAL LIABILITIES	208 755 538	206 983 515	191 478 582	177 326 485
EQUITY				
Share capital:	3 616 185	3 616 185	3 604 778	3 593 944
Registered share capital	169 861	169 861	169 734	169 540
Share premium	3 446 324	3 446 324	3 435 044	3 424 404
Retained earnings:	10 583 174	10 606 459	10 554 212	11 248 903
- Profit from the previous years	10 553 852	10 550 103	11 250 936	12 464 256
- Profit for the current year	29 322	56 356	(696 724)	(1 215 353)
Other components of equity	(536 421)	(412 547)	(1 661 794)	(1 461 024)
TOTAL EQUITY	13 662 938	13 810 097	12 497 196	13 381 823
TOTAL LIABILITIES AND EQUITY	222 418 476	220 793 612	203 975 778	190 708 308

Summary of mBank Group results in Q4 2023

Net loss attributable to the shareholders of mBank Group in Q4 2023 amounted to PLN -20.3 million compared with net loss of PLN -83.0 million in Q3 2023. Gross loss amounted to PLN -37.1 million, resulting mainly from booking high costs of legal risk related to foreign currency mortgage loans.

At the same time profit before tax of the Core Business (defined as mBank Group excluding FX Mortgage Loans segment) amounted to PLN 1 490.2 million compared to PLN 1 012.1 reported in Q3 2023.

Total income posted by mBank Group increased by 7.0% on the previous quarter to PLN 2 897.5 million, a record-high result.

Net interest income amounted to PLN 2 355.0 million in Q4 2023, up by 3.1% quarter on quarter. Interest income decreased slightly by 3.7% in Q4 2023, driven mainly by earlier interest rate cuts by the Monetary Policy Council (for a total of 100 bps). At the same time interest expense decreased, which was attributable mainly to lower costs of client deposits due to active management of interest rates on deposits. Net interest margin in mBank Group remained stable on a quarterly basis and in Q4 2023 reached the level of 4.3%. Net fee and commission income decreased by 7.9%, as a result of higher commission expense, while commission income increased slightly. In Q4 2023 higher costs of due diligence processes for the clients were booked and higher costs of the sale of the Bank's products by external entities.

Net trading income amounted to PLN 76.6 million. mBank Group also noted gains on non-trading financial assets mandatorily at fair value through profit or loss at PLN 37.3 million, which was attributable mainly to the valuation update of PSP Sp. z o.o. company. Other operating income net of other operating expenses amounted to PLN -20.3 million.

In Q4 2023 total overhead costs and depreciation in mBank Group increased by 10.7% to PLN 795.9 million compared with the previous quarter. Staff-related expenses increased by 7.1% in Q4 2023, resulting mainly from growing cost of wages and salaries. Simultaneously, material costs increased by 16.8%, mainly as a result of higher costs of consulting, marketing, as well as IT costs. Depreciation was higher by 10.6% on a quarterly basis.

Above mentioned trends resulted in the cost-to-income ratio lower at the level of 27.5%. Normalized cost-to-income ratio (assuming linear contribution to BGF) amounted to 29.2% compared with 28.2% in the previous quarter.

Impairment and movements in the fair value of loans and advances of mBank Group (being the sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gain/loss from non-trading loans and advances mandatorily measured at fair value through profit or loss) amounted to PLN 476.5 million in Q4 2023 (cost of risk was at the level of 165 bps compared to 87 bps in the previous quarter). The increase in costs of risk resulted from several one-off factors, including implementation of an additional trigger of classification of retail exposures to Stage 2, recalibration of the PD and LGD model in the retail portfolio and the booking of significant provisions in connection with the default of two credit exposures in the corporate portfolio.

Significant negative impact on the operating income of mBank Group had costs of legal risk related to foreign currency mortgage loans, which amounted to PLN 1 476.0 million. These costs resulted mainly from updated cost of the settlement program, the projected distribution of court verdicts and amendments of other model and market parameters, as well as from the inclusion in the model parameters of the decision of the Court of Justice of the European Union dated 12 January 2024 in case C-488/23 concerning the question of the admissibility of a claim against a consumer for compensation consisting in the judicial valorisation of the capital paid out in the event that a credit agreement is declared invalid. More information on the calculation of these costs can be found below.

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

Introduction

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

The carrying amount of mortgage and housing loans granted to natural persons in CHF as of 31 December 2023 amounted to PLN 1.9 billion (i.e. CHF 0.4 billion) compared to PLN 6.1 billion (i.e. CHF 1.3 billion) as at the end of 2022.

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The carrying amount of mortgage and housing loans granted to natural persons in other foreign currencies by mBank in Poland as of 31 December 2023 amounted to PLN 1.5 billion, compared to PLN 2.0 billion at the end of 2022.

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

	31.12.2023		31.12.2022	
	PLN billion	Number of loan contracts (thousand)	PLN billion	Number of loan contracts (thousand)
The volume of the portfolio of loans indexed to CHF granted to natural persons in Poland that were active taking into account the exchange rate on the date of disbursement of individual loan tranches	8.3	28.6	11.6	43.0
The volume of the portfolio of loans indexed to other foreign currencies granted to natural persons in Poland that were active taking into account the exchange rate on the date of disbursement of individual loan tranches	2.4	7.4	2.6	8.0
The volume of the portfolio of loans indexed to CHF granted to natural persons in Poland that were inactive taking into account the exchange rate on the date of disbursement of individual loan tranches, of which:				
	11.2	56.9	7.9	42.5
- Fully repaid loans	7.1	39.2	7.0	38.9
- Settled loans	2.8	13.3	0.4	1.9
- Loans after final verdict	1.3	4.4	0.5	1.7

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

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

As of 31 December 2023, the Bank observed individual lawsuits regarding 21 411 loan agreements indexed to CHF including of which 17 852 active loan agreements and 3 559 repaid loan agreements (as of 31 December 2022: 18 382 of which 15 722 active and 2 660 repaid loans). Additionally, as of 31 December 2023, the Bank observed individual lawsuits regarding 370 loan agreements indexed to other foreign currencies including of which 297 active loan agreements and 73 repaid loan agreements (as of 31 December 2022: 172 of which 134 active and 38 repaid loans).

As of 31 December 2023, mBank received final rulings in individual lawsuits concerning 4 487 loan agreements indexed to CHF (31 December 2022: 1 898 loans), out of which 99 rulings were favourable to the Bank and 4 388 rulings were unfavourable (31 December 2022: 83 rulings favourable and 1 815 unfavourable).

Additionally as of 31 December 2023, mBank received final rulings in individual lawsuits concerning 41 loan agreements indexed to other foreign currencies (31 December 2022: 17 loans), out of which 5 rulings were favourable to the Bank and 36 rulings were unfavourable (31 December 2022: 4 rulings favourable and 13 unfavourable).

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

Class action against mBank S.A. concerning indexation clauses

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

The lawsuit contains alternative claims for declaring the loan agreements partially invalid, i.e. with respect to the indexation provisions or for declaring the agreements invalid in their entirety or for declaring the indexation provisions of the agreements invalid due to the fact that they allow the loan to be valorised

above 20% and below 20% of the CHF exchange rate from mBank S.A. table of exchange rates in effect on the date each of the loan agreements was concluded.

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

On 9 March 2020, as a result of the plaintiff's appeal, a judgment was rendered in the case, in which the Court of Appeal returned the case to the District Court for reconsideration. On 9 June 2020, the Court of Appeal, on the motion of the Plaintiff, issued a decision by which it granted security to the Plaintiff's claims by suspending the obligation to pay principal and interest instalments and prohibiting the Bank from making statements calling for payment and terminating the loan agreement.

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

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

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

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

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

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

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

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

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

- the question of abusiveness will be decided by domestic courts,
- the possibility of a credit agreement being performed further in PLN and with interest calculated according to LIBOR was found doubtful,
- if an exchange rate clause is found abusive, a domestic court must decide whether the agreement in question can be performed further or should be declared invalid, taking into account the client's will and the consequences of invalidity for the client.
- possible is the application of a disposable norm if the invalidity of the agreement was unfavourable for the client,
- impossible is the application of general provisions referring to a custom or equity principles.

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

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

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

Obligation to inform the consumer of the consequences of invalidity

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

- if the unfair (abusive) nature of the contractual provision leads to annulment of the contract, the Court should not annul the contract until the Court informs the consumer in an objective and comprehensive manner about the legal consequences the annulment of such a contract may cause (whether or not the consumer is represented by a legal advisor) and until the Court allows the consumer to express a free and informed consent to the questioned provision and to the continuation of the contract.

Remuneration for using principal/valorisation

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

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

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

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

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

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

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

Period of limitation

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

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

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

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

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

Supreme Court resolutions on loans indexed foreign currencyThe resolution of the Full Civil Chamber of the Supreme Court case III CZP:

On 29 January 2021 the motion of the First President of the Supreme Court for adopting a resolution regarding following issues has been submitted:

- replaced abusive provisions with provisions of civil law or common practice,
- possibility to maintain indexed/denominated loan as a PLN loan with an interest rate based on LIBOR,
- the theory of balance or the theory of two conditionalities will 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,
- remuneration for the using principal for banks and consumers.

On 2 September 2021, the Supreme Court 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. By order of 9 January 2024, the CJEU declared manifestly inadmissible the request for such a ruling. 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 resolution of the 7 Supreme Court's judges of 7 May 2021 in case III CZP 6/21:

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

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

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 31 December 2023, would amount to PLN 3.5 billion if only entire active portfolio indexed/denominated to CHF was converted (data not verified by the auditor). Detailed assumptions for the estimation of this impact were adopted on the basis of the Polish Financial Supervision Authority's survey dated 27 January 2021. The PFSA's Chairman proposal assumes that only active portfolio would be converted.

Settlement program

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

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

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

As of 31 December 2023, the Bank concluded 13 321 settlements (as of 31 December 2022: 1 886 settlements).

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

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

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

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

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

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

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

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.

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(PLN thousand)

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

The details of the methodology and calculation related to credit loans indexed to CHF and to other foreign currencies and settlement program are described further in this note.

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

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

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

	31.12.2023	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, including loans in:	6 446 591	5 752 732
- CHF	6 334 478	5 752 732
- USD	47 219	-
- EUR	64 894	-
Impact of legal risk concerning individual lawsuits and class action case related to repaid loans and low value active loans recorded as provisions for legal proceedings	1 811 522	709 187
The cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and housing loans in foreign currencies	8 258 113	6 461 919

Total costs of legal risk related to foreign currency loans recognised in the income statement for the year 2023 amounted to PLN 4 908.2 million (in 2022: PLN 3 112.3 million). The legal risk costs recognised in 2023 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 regarding credit loans indexed to CHF

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

Expected population of borrowers who will file a lawsuit

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

For the purpose of calculating the impact of legal risk mBank assumes that approximately 7.9 thousand CHF borrowers including 6.1 thousand with active loans and 1.8 thousand with repaid loans, will file a lawsuit against the Bank (as of 31 December 2022: 11.4 thousand of which 9.1 thousand active and 2.3 thousand repaid loans). Moreover, the Bank assumed that some portion of CHF borrowers will sign settlements. These assumptions, due to significant legal uncertainties surrounding CHF cases as well as other external factors that may shape clients' preferences to file the lawsuits, is highly judgmental and may be a subject to an adjustment in future. If an additional 1 thousand borrowers with active loans indexed to CHF filed a lawsuit against the Bank and the loan was invalidated in its entirety, the impact of the legal risk would increase by approximately PLN 282.1 million (while other relevant assumptions remain constant) as compared to 31 December 2023, of which PLN 282.1 million would reduce gross carrying amount of the loans. If an additional 1 thousand borrowers with repaid loans indexed to CHF filed a lawsuit against the Bank and the loan was invalidated in its entirety, the impact of the legal risk would increase by approximately PLN 90.0 million (while other relevant assumptions remain constant) of which PLN 90.0 million would increase the provisions for legal proceedings.

The Bank estimates that 4.2 thousand borrowers with active CHF indexed loans will not decide to sue the Bank or sign a settlement with the Bank in the future and 33.9 thousand borrowers with repaid CHF indexed loans will not sue the Bank in future. In the Bank's opinion this will be influenced by the following factors: clients' expectations regarding future changes in the CHF/PLN exchange rate, clients' expectations regarding future costs of PLN loans, changes in jurisprudence in CHF loan cases, tax solutions regarding settlements, costs and duration of court proceedings, individual factors (in particular the loan repayment period and the current amount of debt). This is not a direct estimate, but the result of the difference between the estimate of the population of clients already in dispute with the Bank or intending to do so and the estimate of the population of clients who decide to settle and the number of clients with an active CHF credit agreement and borrowers who have already repaid their loans.

Distribution of expected court rulings

The expected distribution of court rulings was based on final judgments issued in cases against the Bank over the last 12 months. As of 31 December 2023, the Bank assumed a loss in 99% of pending or future lawsuits (as of 31 December 2022: 95%), while for the remaining 1% of cases, the Bank assumed dismissal of the claim (as of 31 December 2022: 5%). 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). If assumed that all lawsuits end unfavourably for the Bank (100% of the loss scenario), and furthermore that all judgments imply invalidity of the contract in its entirety (instead of scenarios (i) and (ii) described above), the impact of the legal risk would change by PLN 135.6 million, of which PLN 114.6 million would change the gross carrying amount of loans and PLN 21.0 million provisions for legal proceedings.

The Bank estimates that if all Bank's originated loan agreements currently under individual and class action court proceedings were declared invalid the pre-tax cost could reach ca. PLN 7.3 billion (compared to PLN 8.3 billion cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and housing loans in foreign currencies as of 31 December 2023). Overall losses would be higher or lower depending on the final court verdicts.

Probability of settlement acceptance

The Bank assumed the probability of accepting settlements based on the results of an actively conducted settlement program and available market data, and based on its own projections. As of 31 December 2023, the Bank assumed that it would conclude 6.2 thousand settlements in the future which accounts for approximately 22% of active portfolio (as of 31 December 2022 respectively 13.7 thousand and 32%), including the borrowers who already filed or are expected to file a lawsuit against the Bank.

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

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

As of 31 December 2023, the Bank recognised the impact of legal risk in the class action in the amount of PLN 364.7 million and the impact of legal risk of loans indexed to other foreign currencies in the amount of PLN 130.4 million.

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(PLN thousand)

Net interest income

Period	from 01.10.2023 to 31.12.2023	from 01.01.2023 to 31.12.2023	from 01.10.2022 to 31.12.2022	from 01.01.2022 to 31.12.2022
Interest income				
Interest income accounted for using the effective interest method	3 607 564	14 522 983	3 275 042	9 093 789
Interest income of financial assets at amortised cost, including:	3 149 763	12 583 363	2 957 368	8 251 999
- <i>Loans and advances</i>	2 641 269	10 802 020	2 666 408	8 572 447
- <i>Debt securities</i>	208 044	701 675	132 641	447 746
- <i>Cash and short-term placements</i>	258 818	882 910	141 125	380 588
- <i>Gains or losses on non-substantial modification (net)</i>	11 844	44 815	(42 120)	(1 328 932)
- <i>Other</i>	29 788	151 943	59 314	180 150
Interest income on financial assets at fair value through other comprehensive income, including:	457 801	1 939 620	317 674	841 790
- <i>Debt securities</i>	457 801	1 939 620	317 674	841 790
Income similar to interest on financial assets at fair value through profit or loss	86 512	303 782	49 332	172 017
Financial assets held for trading, including:	16 113	75 066	16 671	46 992
- <i>Loans and advances</i>	1 170	5 198	1 267	3 968
- <i>Debt securities</i>	14 943	69 868	15 404	43 024
Non-trading financial assets mandatorily at fair value through profit or loss, including:	22 455	109 231	32 661	125 025
- <i>Loans and advances</i>	22 455	109 231	32 661	125 025
Interest income on derivatives classified into banking book	47 944	119 485	-	-
Total interest income	3 694 076	14 826 765	3 324 374	9 265 806

Period	from 01.10.2023 to 31.12.2023	from 01.01.2023 to 31.12.2023	from 01.10.2022 to 31.12.2022	from 01.01.2022 to 31.12.2022
Interest expenses				
Financial liabilities held for trading	(6 232)	(19 428)	(4 751)	(13 686)
Financial liabilities measured at amortised cost, including:	(1 006 879)	(4 461 489)	(926 566)	(2 182 714)
- <i>Deposits</i>	(799 031)	(3 771 828)	(797 166)	(1 742 941)
- <i>Loans received</i>	(1 119)	(4 523)	(291)	(4 515)
- <i>Issue of debt securities</i>	(152 090)	(459 330)	(74 124)	(270 919)
- <i>Subordinated liabilities</i>	(44 297)	(182 502)	(44 877)	(126 325)
- <i>Other financial liabilities</i>	(9 755)	(40 849)	(9 485)	(35 487)
- <i>Lease liabilities</i>	(587)	(2 457)	(623)	(2 527)
Interest expenses on derivatives classified into banking book	-	-	(4 601)	(81 955)
Interest expenses on derivatives concluded under the fair value hedge	(221 858)	(875 719)	(208 819)	(502 506)
Interest expenses on derivatives concluded under the cash flow hedge	(102 683)	(595 143)	(200 541)	(537 995)
Other	(1 385)	(1 515)	(883)	(22 956)
Total interest expense	(1 339 037)	(5 953 294)	(1 346 161)	(3 341 812)

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(PLN thousand)

Net fee and commission income

Period	from 01.10.2023 to 31.12.2023	from 01.01.2023 to 31.12.2023	from 01.10.2022 to 31.12.2022	from 01.01.2022 to 31.12.2022
Fee and commission income				
Payment cards-related fees	170 454	685 528	159 390	629 823
Credit-related fees and commissions	151 942	610 250	156 879	612 117
Commissions from currency transactions	127 757	496 457	133 620	516 540
Commissions from bank accounts	68 727	286 523	79 910	383 770
Commissions from money transfers	62 293	239 056	58 513	223 895
Fees from brokerage activity and debt securities issue	39 859	162 567	33 708	172 374
Commissions for agency service regarding sale of insurance products of external financial entities	34 737	135 495	35 860	129 883
Commissions due to guarantees granted and trade finance commissions	28 080	113 659	28 577	109 980
Commissions for agency service regarding sale of other products of external financial entities	33 046	84 697	12 312	74 329
Fees from cash services	13 793	61 916	12 830	53 963
Commissions on trust and fiduciary activities	7 513	30 247	7 634	32 919
Fees from portfolio management services and other management-related fees	8 338	27 036	5 674	25 127
Other	22 994	82 481	17 822	61 376
Total fee and commission income	769 533	3 015 912	742 729	3 026 096

Period	from 01.10.2023 to 31.12.2023	from 01.01.2023 to 31.12.2023	from 01.10.2022 to 31.12.2022	from 01.01.2022 to 31.12.2022
Fee and commission expense				
Payment cards-related fees	(90 543)	(332 626)	(75 479)	(292 815)
Commissions paid to external entities for sale of the Group's products	(58 988)	(206 254)	(60 041)	(185 976)
Commissions of insurance products	(4 911)	(14 505)	(3 006)	(13 944)
Commissions paid for sale of external financial entities' products	(19 829)	(48 051)	(7 169)	(36 181)
Discharged brokerage fees	(9 890)	(39 044)	(9 334)	(36 823)
Cash services	(18 397)	(60 638)	(19 879)	(56 655)
Fees to NBP, KIR and GPW Benchmark	(9 816)	(24 611)	(7 082)	(21 785)
Other discharged fees	(112 659)	(374 275)	(92 989)	(261 840)
Total fee and commission expense	(325 033)	(1 100 004)	(274 979)	(906 019)

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

Period	from 01.10.2023 to 31.12.2023	from 01.01.2023 to 31.12.2023	from 01.10.2022 to 31.12.2022	from 01.01.2022 to 31.12.2022
Equity instruments	32 607	52 785	8 370	(16 424)
Debt securities	5 906	10 069	7 094	(3 204)
Loans and advances	(1 228)	(28 754)	(8 579)	(31 296)
Total gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	37 285	34 100	6 885	(50 924)

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(PLN thousand)

Overhead costs

Period	from 01.10.2023 to 31.12.2023	from 01.01.2023 to 31.12.2023	from 01.10.2022 to 31.12.2022	from 01.01.2022 to 31.12.2022
Staff-related expenses	(391 944)	(1 447 285)	(345 580)	(1 226 891)
Material costs, including:	(249 346)	(886 765)	(171 924)	(729 149)
- costs of administration and real estate services	(77 183)	(333 680)	(58 820)	(273 249)
- IT costs	(66 699)	(250 664)	(45 507)	(205 553)
- marketing costs	(60 532)	(194 941)	(43 623)	(149 107)
- consulting costs	(38 352)	(87 091)	(17 811)	(82 814)
- other material costs	(6 580)	(20 389)	(6 163)	(18 426)
Taxes and fees	(11 207)	(41 453)	(9 000)	(35 622)
Contributions and transfers to the Bank Guarantee Fund	-	(181 837)	(1 510)	(247 424)
Contributions to the Borrowers Support Fund	-	-	13 118	(170 938)
Contributions to the Social Benefits Fund	(3 781)	(13 018)	(2 583)	(13 786)
Institutional Protection Scheme	(19)	(75)	-	(428 071)
Total overhead costs	(656 297)	(2 570 433)	(517 479)	(2 851 881)

Staff-related expenses

Period	from 01.10.2023 to 31.12.2023	from 01.01.2023 to 31.12.2023	from 01.10.2022 to 31.12.2022	from 01.01.2022 to 31.12.2022
Wages and salaries	(314 049)	(1 149 725)	(280 021)	(985 929)
Social security expenses	(50 554)	(203 174)	(42 859)	(170 703)
Employee contributions related to post-employment benefits	(17)	(17)	-	(756)
Remuneration concerning share-based payments, including:	(3 843)	(11 284)	(2 042)	(13 014)
- share-based payments settled in mBank S.A. shares	(3 749)	(10 920)	(1 957)	(12 673)
- cash-settled share-based payments	(94)	(364)	(85)	(341)
Other staff expenses	(23 481)	(83 085)	(20 658)	(56 489)
Staff-related expenses, total	(391 944)	(1 447 285)	(345 580)	(1 226 891)

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(PLN thousand)

Comment to the consolidated statement of financial position of mBank S.A. Group

The balance sheet total of mBank Group stood at PLN 226 980.5 million at the end of 2023 and increased by 0.7% compared with the end of September 2023.

Assets of mBank Group

The largest asset category at the end of 2023 comprised the loans and advances to customers. As at the end of 2023 net loans and advances stood at PLN 113 520.8 million (down by PLN 4 284.3 million or -3.6% quarter on quarter).

Gross loans and advances to corporate clients fell to PLN 50 836.0 million, i.e. by -4.9% compared with Q3 2023 (excluding reverse repo/buy sell back transactions and the FX effect, gross loans and advances to corporate clients increased by 2.1%).

The volume of gross loans to retail clients declined by 2.3% compared with the end of Q3 2023 and amounted to PLN 66 260.1 million. The value was impacted by an adjustment related to the costs of legal risk related to foreign currency loans.

Investment securities were the second largest asset category at the end of 2023, amounting to PLN 60 583.9 million, slightly lower by 2.1% quarter on quarter.

Equity and liabilities of mBank Group

In Q4 2023, amounts due to clients, which are the mBank Group's principal source of funding, increased slightly by PLN 358.1 million (0.2%) quarter on quarter.

Amounts due to individual clients stood at PLN 128 412.4 million at the end of 2023, down by 1.6% quarter on quarter. The volume of term deposits decreased by PLN 3 051.5 million or 10.8% quarter on quarter. Clients' deposits in current and saving accounts increased by PLN 1 005.3 million (1.0%).

Amounts due to corporate clients stood at PLN 56 439.0 million at the end of Q4 2023, which represents a quarter-on-quarter increase by 4.1%. The amount was affected the most by the increase of deposits in current accounts by PLN 4 604.8 million (11.7%) with a simultaneous decline of term deposits by PLN 2 126.6 million (-16.3%).

Share of equity in total liabilities and equity of mBank Group accounted for 6.1% at the end of 2023.

Capital Ratios

The level of capital ratios reported by mBank Group increased in Q4 2023. mBank Group maintains a high level of buffers above the capital requirements of the Polish Financial Supervision Authority: 5.6 p.p. above the Common Equity Tier 1 capital ratio and 5.9 p.p. above the total capital ratio. In December 2023, the individual additional capital requirement under Pillar II for the risk related to foreign currency mortgage loans expired.

The stand alone and consolidated capital ratios reported as of 31 December 2023 are presented in the table below.

Capital ratios as of 31 December 2023	mBank S.A.	mBank S.A. Group
Common Equity Tier 1 ratio (in %)	17.0%	14.7%
Total capital ratio (in %)	19.7%	17.0%

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

	31.12.2023	30.09.2023	31.12.2022
Derivatives, including:	1 074 153	1 030 497	1 500 695
- Held for trading derivative financial instruments classified into banking book	550 507	245 767	593 653
- Held for trading derivative financial instruments classified into trading book	706 098	886 551	1 199 748
- Derivative financial instruments held for fair value hedging	241 597	84 521	121 875
- Derivative financial instruments held for cash flow hedging	3 615	31 725	36 814
- Offsetting effect	(427 664)	(218 067)	(451 395)
Equity instruments	10 542	9 990	6 129
- Other financial institutions	10 542	9 990	-
- Non-financial corporations	-	-	6 129
Debt securities	634 840	1 016 122	978 108
- General governments, including:	397 333	778 136	670 227
<i>pledged securities</i>	280 193	427 883	278 219
- Credit institutions	-	-	24 212
- Other financial institutions	101 660	102 314	101 887
- Non-financial corporations	135 847	135 672	181 782
Loans and advances	40 498	40 060	39 720
- Corporate customers	40 498	40 060	39 720
Total financial assets held for trading and hedging derivatives	1 760 033	2 096 669	2 524 652

Financial liabilities held for trading and derivatives held for hedges

	31.12.2023	30.09.2023	31.12.2022
Derivatives, including:	1 338 147	1 223 449	1 825 573
- Held for trading derivative financial instruments classified into banking book	207 540	277 227	395 883
- Held for trading derivative financial instruments classified into trading book	1 247 605	1 110 861	1 767 202
- Derivative financial instruments held for fair value hedging	946 888	1 217 053	2 106 851
- Derivative financial instruments held for cash flow hedging	268 616	257 104	679 253
- Offsetting effect	(1 332 502)	(1 638 796)	(3 123 616)
Liabilities from short sale of securities	157 607	324 273	260 538
Total financial liabilities held for trading and derivatives held for hedges	1 495 754	1 547 722	2 086 111

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

	31.12.2023	30.09.2023	31.12.2022
Equity instruments	244 941	200 259	185 788
- Other financial institutions	191 395	147 318	133 100
- Non-financial corporations	53 546	52 941	52 688
Debt securities	50 144	49 249	45 009
- Other financial institutions	50 144	49 249	45 009
Loans and advances	603 713	655 791	813 392
- Individual customers	536 920	571 739	690 795
- Corporate customers	66 676	84 005	122 509
- Public sector customers	117	47	88
Total non-trading financial assets mandatorily at fair value through profit or loss	898 798	905 299	1 044 189

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Financial assets at fair value through other comprehensive income

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

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
Debt securities	36 605 524	36 582 041	33 566	-	-	(9 561)	(522)	-	-
- 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)	-	-	-
Total financial assets at fair value through other comprehensive income	36 605 524	36 582 041	33 566	-	-	(9 561)	(522)	-	-

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
Debt securities	35 117 450	35 126 009	-	-	-	(8 559)	-	-	-
- 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)	-	-	-
Total financial assets at fair value through other comprehensive income	35 117 450	35 126 009	-	-	-	(8 559)	-	-	-

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Financial assets at amortised cost

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

30.09.2023	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	24 997 760	25 001 841	-	-	-	(4 081)	-	-	-
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 institutions, including:	4 253 225	4 253 770	-	-	-	(545)	-	-	-
<i>pledged securities</i>	1 568 414	1 568 414	-	-	-	-	-	-	-
Loans and advances to banks	17 095 049	17 080 412	15 578	-	-	(477)	(464)	-	-
Loans and advances to customers	117 109 226	104 574 639	11 151 230	4 769 341	227 803	(422 548)	(507 519)	(2 739 514)	55 794
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)	-	-
Total financial assets at amortised cost	159 202 035	146 656 892	11 166 808	4 769 341	227 803	(427 106)	(507 983)	(2 739 514)	55 794

31.12.2022	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	19 002 527	19 005 458	-	-	-	(2 931)	-	-	-
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 institutions, including:	3 449 409	3 449 787	-	-	-	(378)	-	-	-
<i>pledged securities</i>	1 041 894	1 041 894	-	-	-	-	-	-	-
Loans and advances to banks	9 569 629	9 568 871	2 261	-	-	(563)	(940)	-	-
Loans and advances to customers	119 330 030	109 531 005	8 311 891	4 512 035	229 311	(402 616)	(385 880)	(2 511 202)	45 486
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)	-
Total financial assets at amortised cost	147 902 186	138 105 334	8 314 152	4 512 035	229 311	(406 110)	(386 820)	(2 511 202)	45 486

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Loans and advances to customers

Loans and advances to customers 31.12.2023	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public sector customers
Current accounts	14 255 338	8 015 731	6 231 569	8 038
Term loans, including:	83 353 746	57 541 623	25 687 382	124 741
- housing and mortgage loans to natural persons	43 121 382	43 121 382		
Reverse repo or buy/sell back	899 340	-	899 340	-
Finance leases	14 234 472	-	14 234 472	-
Other loans and advances	3 561 752	-	3 561 752	-
Other receivables	280 131	165 807	114 324	-
Total gross carrying amount	116 584 779	65 723 161	50 728 839	132 779

Loans and advances to customers 31.12.2023	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public sector customers
Current accounts	(1 041 837)	(832 953)	(208 838)	(46)
Term loans, including:	(2 035 613)	(1 247 671)	(780 057)	(7 885)
- housing and mortgage loans to natural persons	(486 982)	(486 982)		
Finance leases	(569 896)	-	(569 896)	-
Other loans and advances	(54 595)	-	(54 595)	-
Other receivables	(6 258)	-	(6 258)	-
Total accumulated impairment	(3 708 199)	(2 080 624)	(1 619 644)	(7 931)
Total gross carrying amount	116 584 779	65 723 161	50 728 839	132 779
Total accumulated impairment	(3 708 199)	(2 080 624)	(1 619 644)	(7 931)
Total carrying amount	112 876 580	63 642 537	49 109 195	124 848

Loans and advances to customers 30.09.2023	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public sector 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
Total gross carrying amount	120 723 013	67 257 526	53 329 139	136 348

Loans and advances to customers 30.09.2023	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public sector 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)	-
Total accumulated impairment	(3 613 787)	(2 025 057)	(1 585 284)	(3 446)
Total gross carrying amount	120 723 013	67 257 526	53 329 139	136 348
Total accumulated impairment	(3 613 787)	(2 025 057)	(1 585 284)	(3 446)
Total carrying amount	117 109 226	65 232 469	51 743 855	132 902

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Loans and advances to customers 31.12.2022	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public sector 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	-
Total gross carrying amount	122 584 242	70 431 367	52 045 221	107 654

Loans and advances to customers 31.12.2022	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public sector 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)	-
Total accumulated impairment	(3 254 212)	(1 845 079)	(1 408 026)	(1 107)
Total gross carrying amount	122 584 242	70 431 367	52 045 221	107 654
Total accumulated impairment	(3 254 212)	(1 845 079)	(1 408 026)	(1 107)
Total carrying amount	119 330 030	68 586 288	50 637 195	106 547

Financial liabilities measured at amortised cost

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

30.09.2023	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
Deposits	801 497	183 572 942	130 208 695	52 921 918	442 329
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 buy/sell back transactions	22 623	430 965	-	430 965	-
Loans and advances received	1 953 210	-	-	-	-
Other financial liabilities	765 616	1 536 419	257 712	1 278 677	30
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
Deposits and other financial liabilities measured at amortised cost, total	3 520 323	185 109 361	130 466 407	54 200 595	442 359

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31.12.2022	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
Deposits	546 654	172 979 819	122 669 186	49 050 409	1 260 224
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 buy/sell back transactions	17 850	309 926	-	309 926	-
Loans and advances received	1 910 721	-	-	-	-
Other financial liabilities	812 848	1 151 095	220 848	930 238	9
Liabilities in respect of cash collaterals	715 959	509 204	39 715	469 489	-
Other	96 889	641 891	181 133	460 749	9
Deposits and other financial liabilities measured at amortised cost, total	3 270 223	174 130 914	122 890 034	49 980 647	1 260 233

Business segments

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

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period from 1 January to 31 December 2022	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	3 064 525	1 989 433	794 672	75 364	5 923 994
- sales to external clients	3 038 997	2 119 313	602 494	163 190	5 923 994
- sales to other segments	25 528	(129 880)	192 178	(87 826)	-
Net fee and commission income	1 065 848	1 113 352	(43 715)	(15 408)	2 120 077
Dividend income	-	-	5 236	-	5 236
Trading income	69 646	351 362	(313 846)	(9 964)	97 198
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(27 909)	(4 566)	(15 702)	(2 747)	(50 924)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(4 548)	(6 655)	(80 345)	-	(91 548)
Other operating income	101 170	123 380	40 293	319	265 162
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(575 385)	(202 676)	(3 764)	(36 147)	(817 972)
Costs of legal risk related to foreign currency loans	-	-	-	(3 112 265)	(3 112 265)
Overhead costs	(1 681 501)	(814 781)	(311 713)	(43 886)	(2 851 881)
Amortisation	(311 753)	(150 240)	(4 597)	(718)	(467 308)
Other operating expenses	(265 597)	(100 511)	(43 009)	(34 496)	(443 613)
Operating profit	1 434 496	2 298 098	23 510	(3 179 948)	576 156
Taxes on Group balance sheet items	(391 793)	(237 491)	(13 480)	(41 411)	(684 175)
Gross profit of the segment	1 042 703	2 060 607	10 030	(3 221 359)	(108 019)
Income tax					(594 508)
Net profit attributable to Owners of mBank S.A.					(702 691)
Net profit attributable to non-controlling interests					164

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

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	209 892 113
Liabilities of the segment	122 597 611	53 720 041	20 132 826	726 604	197 177 082

Comparative data

■ Reclassification of the valuation of liabilities due to issue of credit linked notes

Beginning with the condensed consolidated financial statements of 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.

■ Presentation of cash and cash equivalents

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

The above changes were due to the adjustment of the presentation of selected assets and liabilities as well income and expenses to the prevailing market practice. The changes did not affect equity levels and the Group's net result in the comparative periods presented in these financial statements. Comparative figures have been restated accordingly.