

Management Board Report on the Performance of mBank S.A. Group in H1 2024



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

TABLE OF CONTENTS

1.	About mBank Group.....	3
1.1.	Executive summary	3
1.2.	mBank’s Authorities	4
1.3.	Composition of mBank Group and key areas of activity	5
1.4.	Subsidiaries of mBank Group	7
1.5.	Ratings of mBank and mBank Hipoteczny	8
1.6.	mBank shareholders and performance of mBank shares on the WSE	11
2.	Business activity and key achievements	13
2.1.	Key events in mBank Group in H1 2024	13
2.2.	Awards and distinctions.....	16
2.3.	Retail Banking Area	18
2.4.	Corporate and Investment Banking Area	27
2.5.	Subsidiaries of mBank Group	34
3.	Financial results and macroeconomic environment.....	36
3.1.	Economy and banking sector in H1 2024	36
3.2.	Financial results of mBank Group in H1 2024	41
4.	Risk management.....	54
4.1.	Risk management foundations	54
4.2.	Main risks of mBank Group’s business	55
4.3.	Capital adequacy	64
5.	Statements of the Management Board.....	67

1. About mBank Group

1.1. Executive summary

The key highlights of H1 2024 include:

- **Continuation of excellent operating results:**
 - **Net profit of Core Business** (mBank Group excluding the FX Mortgage Loans segment) reached **PLN 2,746.9 million**, a 20.3% increase compared to H1 2023, mainly due to dynamic growth of income
 - **Net ROE of Core Business at 40.3%**
 - **Net profit of mBank Group at PLN 684.4 million**, reduced by the cost of legal risk related to the CHF loan portfolio and the impact of "credit holidays"
 - **Increase of total income by 11.8%** compared to H1 2023, driven mainly by record-high net interest income despite the impact of "credit holidays"
- **Underlying efficiency remained excellent**, with a normalized cost-to-income ratio of 28.5%
- Effective management of CHF mortgage loans portfolio, further reducing balance sheet risks: **17,016 settlements** signed with clients, **coverage of the active portfolio with provisions increased to 130.0%**¹
- The dynamics of volumes:
 - **Growth of net loans and advances** by 1.8%² compared to the end of June 2023 recorded in both customer segments, driven by growing retail and corporate loan sales
 - **Increase in amounts due to clients by 6.2%** compared to the end of June 2023 thanks to inflows into retail and corporate customers' current accounts
- **Substantial capital buffers and MREL ratios comfortably above the minimum required levels:**
 - Safe level of the capital ratios: Tier 1 amounted to 13.7% and total capital ratio reached 15.5%
 - High surplus over the PFSA capital requirements: 4.6 p.p. over the Tier 1 capital ratio and 4.4 p.p. over the total capital ratio
 - Decision to retain profit earned in 2024 to ensure further dynamic business growth while maintaining adequate capital buffers
 - MREL (TREA) at the level of 22.79%, significantly over minimum requirements
 - Liquidity ratios of mBank significantly surpassing the regulatory minima: LCR amounted to 213% and NSFR to 152%
- **Start of the first phase of the mOkazje zakupy project** – the possibility of shopping on the Morele platform directly in the mobile application of the bank for the first 50,000 customers
- **mBank's convenient and secure solutions attract individual and corporate clients:**
 - the number of monthly active users (MAU) of mBank mobile application increased to 3.4 million
 - share of the mobile application in the sale of non-mortgage loans increased to 63% in the first half of 2024
 - the number of unique users of Finance Manager (PFM) reached an average of 1.6 million in the first half of 2024
 - 91.7% of corporate customers have at least one user of mCompany Mobile
 - the percentage of electronically submitted credit applications by corporate clients reached 86.9%

¹ Coverage of mortgage loans portfolio in CHF with created provisions for legal risk – the cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and housing loans in CHF divided by the net value of mortgage and housing loans in CHF increased by the impact of legal risk concerning lawsuits and settlement program related to active loans recognised as a reduction of gross carrying amount of loans.

² Excluding reverse repo/sell-buy back transactions.

1.2. mBank's Authorities

Supervisory Board of mBank

On January 1, 2024, Bernhard Spalt has begun his tenure as a Member of the Supervisory Board of mBank S.A. He replaced Dr. Marcus Chromik, who announced his resignation from his position as a Member of the Supervisory Board of mBank to the Chairwoman of the Supervisory Board of mBank on October 20, 2023 with effect as of December 31, 2023.

As of June 30, 2024, the Supervisory Board of mBank S.A. was composed as follows:

1. Prof. Agnieszka Słomka-Gołębiowska – Chairwoman of the Supervisory Board
2. Dr Bettina Orlopp – Deputy Chairwoman of the Supervisory Board
3. Dr Hans-Georg Beyer – Member of the Supervisory Board
4. Tomasz Bieske – Member of the Supervisory Board
5. Mirosław Godlewski – Member of the Supervisory Board
6. Aleksandra Gren – Member of the Supervisory Board
7. Thomas Schaufler – Member of the Supervisory Board
8. Bernhard Spalt – Member of the Supervisory Board.

There are four independent members in the Supervisory Board:

1. Prof. Agnieszka Słomka-Gołębiowska
2. Aleksandra Gren
3. Mirosław Godlewski
4. Tomasz Bieske

Four committees operate within the Supervisory Board: the Risk Committee, the Audit Committee, the Remuneration and Nomination Committee and the IT Committee.

The composition of committees is presented below (in the first place – the chairperson of the committee).

Risk Committee	Audit Committee	Remuneration and Nomination Committee	IT Committee
<u>Bernhard Spalt</u>	<u>Tomasz Bieske</u>	<u>Prof. Agnieszka Słomka-Gołębiowska</u>	<u>Aleksandra Gren</u>
Prof. Agnieszka Słomka-Gołębiowska	Aleksandra Gren	Dr Bettina Orlopp	Mirosław Godlewski
Aleksandra Gren	Prof. Agnieszka Słomka-Gołębiowska	Tomasz Bieske	Thomas Schaufler
Mirosław Godlewski	Dr Bettina Orlopp	Mirosław Godlewski	
Thomas Schaufler	Dr Hans-Georg Beyer	Bernhard Spalt	

Management Board of mBank

On July 4, 2024 Cezary Stypułkowski handed in his resignation as President of the Management Board of mBank with immediate effect. His resignation was submitted following consultations with the Supervisory Board and is an integral part of the succession process. The process, which was conducted in line with the best practices, was transparent and organized.

On June 5, 2024 Cezary Kocik was conditionally appointed as President of the Management Board of mBank. Appointment of Cezary Kocik to the position of President of the Management Board of mBank S.A. by the Supervisory Board is conditional on obtaining the consent of the Polish Financial Supervision Authority. Moreover, on 25 July 2024, the Supervisory Board of mBank S.A. appointed Krzysztof Bratos to the Management Board of mBank S.A. as Vice President of the Management Board for Retail Banking, replacing Cezary Kocik, effective 26 July 2024.

As of June 30, 2024, the composition of the Management Board was as follows:

1. Cezary Stypułkowski - President of the Management Board, Chief Executive Officer
2. Krzysztof Dąbrowski - Vice-president of the Management Board, Head of Operations and Information Technology
3. Cezary Kocik - Vice-president of the Management Board, Head of Retail Banking
4. Marek Lusztyn - Vice-president of the Management Board, Chief Risk Officer
5. Julia Nusser - Vice-President of the Management Board, Chief People & Regulatory Officer
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

More information on the competences and CVs of individual members of the Supervisory Board and the Management Board can be found on the website <https://www.mbank.pl/en/about-us/bank-authorities/>.

1.3. Composition of mBank Group and key areas of activity

The subsidiaries of mBank Group offer a complex service for the customers and allow for processes optimisation and achieving various business targets. The structure of mBank Group from the perspective of segments and business areas is presented below:

Segment	Retail Banking	Corporate and Investment Banking
Bank	<ul style="list-style-type: none"> ■ Retail customers and microenterprises ■ Affluent retail customers (Private Banking and Wealth Management) 	<ul style="list-style-type: none"> ■ Corporations and non-banking financial institutions (K1) ■ Large Companies (K2) ■ Small and Medium Enterprises (K3) ■ Cooperation with banks and financial markets activity
Consolidated subsidiaries	<ul style="list-style-type: none"> ■ mLeasing Sp. z o.o. – Retail ■ Asekum Sp. z o.o.¹ – Retail ■ LeaseLink Sp. z o.o.¹ ■ mBank Hipoteczny S.A. ■ mFinanse S.A. ■ mFinanse CZ s.r.o.² ■ mFinanse SK s.r.o.² ■ mElements S.A. – Retail ■ mTowarzystwo Funduszy Inwestycyjnych S.A. 	<ul style="list-style-type: none"> ■ mLeasing Sp. z o.o. – Corporate ■ Asekum Sp. z o.o.¹ – Corporate ■ mFactoring S.A. ■ mElements S.A. – Corporate
Other subsidiaries	<ul style="list-style-type: none"> ■ Future Tech FIZ 	

¹mBank owns 100% shares in Asekum Sp. z o.o. and in LeaseLink Sp. z o.o. indirectly, through mLeasing Sp. z o.o.

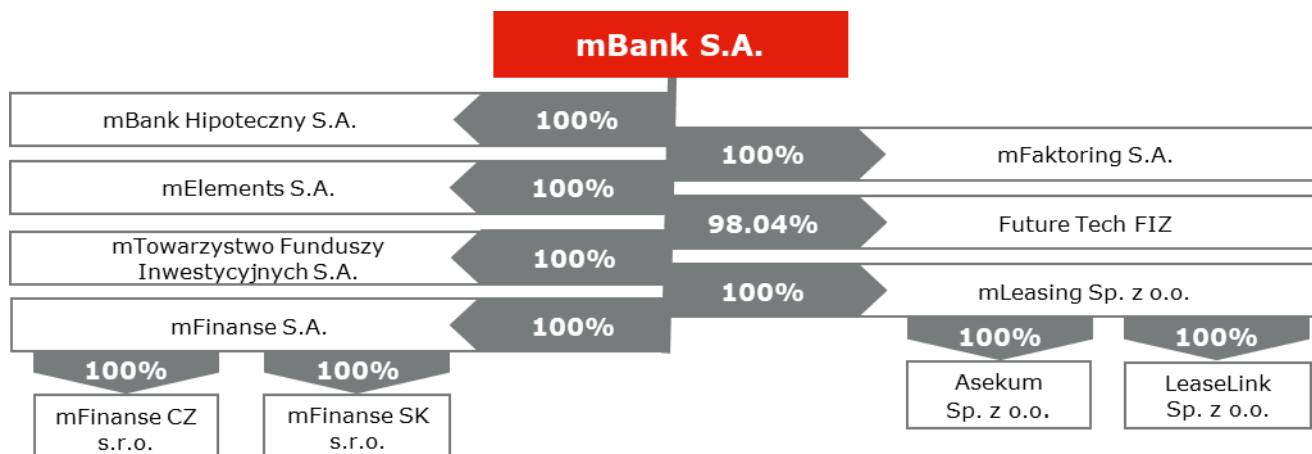
²mBank owns 100% shares in mFinanse CZ s.r.o. and in mFinanse SK s.r.o. indirectly, through mFinanse S.A.

At the beginning of 2021, we have separated FX Mortgage Loans segment from Retail Banking segment. This change aimed to present separately results related to the product, which has already been withdrawn from the offer for individual customers, and at the same time is significant from the point of view of the assigned assets and the impact on the Group's results. Thanks to that the authentic and undistorted image of mBank Group is presented. Additionally, part of the activity of the Group is the Treasury and Other segment.

mBank S.A. Group





Management Board Report on the Performance of mBank S.A. Group in H1 2024

mBank Group (including consolidated subsidiaries) as at the end of June 2024 was composed as presented on the diagram below.



1.4. Subsidiaries of mBank Group

Key Subsidiaries of mBank Group from the perspective of client offer

	<ul style="list-style-type: none"> ■ the longest track record of issuing covered bonds on the Polish capital market ■ providing stable, long-term and secure funding of mBank Group with use of pooling model in cooperation with mBank ■ rating of Moody's Investor Services of Aa1 for covered bonds – the best possible rating acquired by a Polish issuer for debt instruments in issue
	<ul style="list-style-type: none"> ■ offer including leasing, loans, car fleet rental and management for both corporate clients and individuals ■ various leasing products in corporate segment, including lease of private and commercial cars, heavy transport vehicles, car fleet management, lease of machines and equipment, real property lease ■ in the retail segment the subsidiary operates the "Leasing in Retail" programme addressed to micro-enterprises and SMEs, which can sign lease contracts using dedicated lease processes ■ leasing as an online payment method in e-commerce offered by LeaseLink
	<ul style="list-style-type: none"> ■ sixth position on the Polish factoring market among the members of the Polish Factors Association ■ financing of ongoing business operations; receivables management; credit protection; maintenance of debtors' settlement accounts and enforcement of receivables; the offer includes also domestic factoring with recourse, including guaranteed by Bank Gospodarstwa Krajowego (BGK) and with credit protection; financing within factoring consortium; ■ mFaktoring's offer available in all mBank branches providing services to SMEs and corporations in Poland ■ member of Polish Factors Association ■ participant of Poland's first factoring consortium
	<ul style="list-style-type: none"> ■ intermediary operations as an open platform for selling financial products of various institutions, including mBank ■ the offer includes loans and advances, accounts, insurances, leasing as well as factoring for both individuals and companies ■ offer of 25 active external financial entities in more than 179 stationary outlets across Poland and 126 partner branches

1.5. Ratings of mBank and mBank Hipoteczny

mBank's credit ratings assigned on request

mBank has solicited ratings assigned by S&P Global Ratings (S&P) and Fitch Ratings (Fitch).

S&P Global Ratings

On May 17, 2024, S&P Global Ratings affirmed mBank's "BBB" long-term issuer credit rating, its "A2" short-term rating and the rating of senior unsecured bonds issued by mBank: Senior Preferred Debt at "BBB" and Senior Non-Preferred Debt at "BB+". At the same time the rating agency improved the outlook of the long-term rating from stable to positive. The positive outlook reflects S&P's view that mBank is taking significant steps to derisk CHF mortgage loans. S&P expects that legal costs related to its CHF loan portfolio will remain substantial, but gradually recede over the next two years.

Fitch Ratings

On June 28, 2024, Fitch affirmed mBank's Long term Issuer Default Rating at "BBB-", Viability Rating at "bbb-" and the stable outlook of the long-term rating.

Fitch reiterated its opinion that legal risks related to FX mortgage loans constrain mBank's ratings. At the same time, mBank has well-established domestic franchise, conservative risk appetite, adequate capitalisation, and good funding and liquidity profile.

Ratings of mBank S.A.	S&P	Fitch
Long-term issuer credit rating (foreign currency)	BBB	BBB-
Short-term issuer credit rating (foreign currency)	A-2	F3
Stand-alone rating (Stand-alone Credit Profile by S&P; Viability rating by Fitch)	bbb-	bbb-
Long-term resolution counterparty ratings (long-term RCR)	BBB+	-
Short-term resolution counterparty rating (short-term RCR)	A-2	-
Ratings for unsecured issuances under Euro Medium Term Note Programme (EMTN)		
1. Senior Preferred Debt		
- Long-term rating	BBB	BBB-
- Short-term rating	A-2	F3
2. Senior Non-Preferred Debt		
- Long-term rating	BB+	BB+
- Short-term rating	A-2	F3
<i>Outlook of Long-term rating</i>	<i>positive</i>	<i>stable</i>

Other credit ratings

Moody's Investors Service

Moody's Investors Service (Moody's) evaluates mBank's creditworthiness based on publicly available information. Moody's assigned solicited rating to mBank Hipoteczny and mortgage covered bonds issued by mBank Hipoteczny.

On April 26, 2024, Moody's affirmed mBank's Baa1/P-2 long-term and short-term deposit ratings and revised the rating outlook to positive from negative. The reasons is that Moody's expects that the legal risks stemming from CHF mortgages will decline over the next 12-18 months and it will lead to enhancement of mBank's profitability and restoration of its organic capital generation.

Moody's Investors Service	Ratings of mBank ¹⁾	Ratings of mBank Hipoteczny
Long-term Deposit Rating (foreign currency)	Baa1	-
Short-term Deposit Rating (foreign currency)	Prime-2	-
Long-term Issuer Rating (foreign)	-	Baa2
Short-term Issuer Rating (foreign)	-	Prime-2
Long-term Counterparty Risk Rating (foreign currency)	A3	A3
Short-term Counterparty Risk Rating (foreign currency)	Prime-2	Prime-2
Baseline Credit Assessment (BCA)	ba1	-
Adjusted Baseline Credit Assessment	Baa3	-
Rating of covered bonds issued by mBank Hipoteczny	-	Aa1
Outlook of Long-term Deposit Rating / Issuer Rating	positive	positive

¹⁾ Ratings based solely on publicly available information

Capital Intelligence Ratings

On April 3, 2024 Capital Intelligence Ratings affirmed mBank's long-term foreign currency rating at "BBB" and short-term foreign currency rating at "A2". The rating outlook remains stable.

mBank's ESG ratings and indices

Rating of mBank assigned by Morningstar Sustainalytics

Due to the publication of a new rating methodology by Morningstar Sustainalytics on May 23, 2024, the ESG Risk Rating for mBank Group was slightly improved from 13.0 to 12.8. According to the scale used by the rating agency, the Group is exposed to a low risk of significant financial consequences related to ESG factors. The last full review of mBank Group's ESG rating took place on April 25, 2023.

In no event the ESG Risk Rating Report shall be construed as investment advice or expert opinion as defined by the applicable legislation.

Morningstar Sustainalytics' ESG Risk Ratings measure a company's exposure to industry-specific material ESG risks and how well a company is managing those risks. This multi-dimensional way of measuring ESG risk combines the concepts of management and exposure to arrive at an assessment of ESG risk, i.e. a total unmanaged ESG risk score or the ESG Risk Rating, that is comparable across all industries. Sustainalytics' ESG Risk Ratings provide a quantitative measure of unmanaged ESG risk and distinguish between five levels of risk: negligible, low, medium, high, and severe. Learn more about the ESG Risk Ratings here: www.sustainalytics.com/corporate-solutions/esg-solutions/esg-risk-ratings.

The current Sustainalytics ESG Risk Rating reports and the legal information are available at: <https://www.mbank.pl/en/investor-relations/ratings-debt-instruments/>. It must be noted that the score may change over the course of the year as various issues affect the company's ESG rating. An up-to-date rating can be obtained by investors from Morningstar Sustainalytics. Disclaimer: <https://www.sustainalytics.com/legal-disclaimers>.

Rating of mBank assigned by MSCI

On May 10, 2024, MSCI ESG Ratings maintained mBank's rating at level A (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. Previously, in October 26, 2023 it was at the same level.

The MSCI report indicates that mBank applies leading practices in various areas of human resources management in the banking sector. These include, among others, the annual employee engagement survey and internship programs. In the areas of corporate governance, business ethics and consumer protection, the bank applies solutions that are typical throughout the sector. The data protection policy is also in line with the average for global entities in the sector and includes employee training on data security and IT system audits.

The MSCI ESG Rating measures the resilience of a tested company to long-term ESG risks. Companies are rated on a scale from AAA ("Leader") to CCC ("Laggard"), depending on their exposure to industry-specific risks and their ability to manage these risks compared to peers. Information on mBank's MSCI ESG Rating with legal notices are available at: <https://www.mbank.pl/en/investor-relations/ratings-debt-instruments/ratings/>. It must be noted that the score may change over the course of the year as various issues affect the company's ESG rating. Investors can obtain a current rating from MSCI.

WIG-ESG index on the WSE

mBank has been a member of WIG-ESG index on the Warsaw Stock Exchange since the beginning of its quotation, meaning September 2019. We are one of the companies recognized as sustainable, i.e. we adhere to the rules of social responsibility, particularly in the environmental, social, economic and governance areas. Previously, we were a member of the Respect Index. According to the GPW Benchmark communication, the WIG-ESG index was last published on June 28, 2024.

Bloomberg Gender-Equality Index

mBank is a member of all previous editions of the Bloomberg Gender-Equality Index. The latest edition of the index was published in January 2023. The Index recognizes listed companies that actively support equal opportunities in the workplace. The Bloomberg experts recognized mBank's efforts to ensure equal pay for woman and man and an inclusive work culture. mBank is one of 484 companies from 45 countries acknowledged in this edition of the index. The Bloomberg Gender-Equality Index analyzes the performance of publicly traded companies with a market capitalization of more than \$1 billion on gender equality in the workplace, measured in five areas: female leadership and talent development, equal pay and pay equality, inclusive workplace culture, anti-sexual harassment policies and woman-friendly brands. Only companies whose performance is above a globally defined threshold are eligible for the index. More information about the index can be found on the website: <https://www.bloomberg.com/gei/about/>.

1.6. mBank shareholders and performance of mBank shares on the WSE

Information on mBank shares and shareholders

mBank shares have been listed on the Warsaw Stock Exchange (WSE) since 1992.

As at June 30, 2024, mBank's registered share capital amounted to PLN 169,987,892 and was divided into 42,496,973 shares, including 42,485,973 ordinary bearer shares and 11,000 ordinary registered shares with a nominal value of PLN 4 each. Each share carries one voting right at the General Meeting.

In H1 2024, the total number of shares increased by 31,806. The new shares were issued pursuant to Resolution No. 38 of the 31st Annual General Meeting of mBank S.A. dated May 9, 2018 on issuing subscription warrants, a conditional increase of the share capital with exclusion of the pre-emptive right of the existing shareholders to take up subscription warrants and shares, a change of the Company's by-laws and on applying for admission of shares to trading on the regulated market, and on dematerialisation of the shares.

Commerzbank AG is the majority shareholder. As at June 30, 2024, Commerzbank AG held 69.07% of shares and votes at the General Meeting of mBank. The remaining shares, which are in free float, are held by financial investors, in particular Polish pension funds and Polish and foreign investment funds.

On March 21, 2024, mBank received a notification from Nationale-Nederlanden Powszechno Towarzystwo Emerytalne S.A. (NN PTE) regarding an increase in ownership by Nationale-Nederlanden Otwarty Fundusz Emerytalny (NN OFE) above 5% in the share capital of mBank and the number of votes at the General Meeting. According to the notification, after the share purchase transactions on March 19, 2024, NN OFE held a total of 2,129,814, constituting 5.02% of the share capital and the total number of votes at the General Meeting. As a result of the aforementioned transactions, the NN PTE funds held in total 5.18% of the share capital and the total number of votes at the General Meeting of the bank.

mBank's shares are included in the following indices: WIG, WIG-Poland, WIG20, WIG20TR, WIG30, WIG30TR, WIG140, WIG-Banks, CEEplus, MSCI Poland and were a component of the WIG-ESG index until the date of cessation of publication of this index by GPW Benchmark (after the trading session on June 28, 2024).

Performance of mBank shares on the WSE

In the first half of 2024, the positive sentiment on global stock markets also affected investors on the Warsaw Stock Exchange. Stock exchange indices on the WSE broke through multi-year highs. On May 20, the WIG broad market index set another all-time record. A good sentiment on the WSE was supported by improving macroeconomic environment with falling inflation, high real wage growth and good results reported by companies from various sectors, including in particular the banking and construction sectors.

In H1 2024, WIG and the WIG20 index increased by 12.9% and 9.3% respectively, compared to the levels at the end of 2023. Banks contributed the most to the increase in these indices. The WIG-Banks index increased by 24.9% in H1 2024. On a year-on-year basis, WIG, WIG20 and WIG-Banks indices increased by 31.7%, 24.5% and 73.6%, respectively.

The demand for bank shares, in addition to good financial results driven in particular by net interest income, was impacted by the postponed prospects of interest rate cuts, the consents granted by the Polish Financial Supervision Authority for the payment of dividends from 2023 profits and the forecast of high dividends in the longer term. The market reacted to analysts' recommendations, raising the target prices of shares. Bank valuations were strongly influenced by foreign demand resulting from the improvement in investment sentiment in Poland after the political change as a result of the elections in October 2023, the first interest rate cut in 5 years by the European Central Bank on June 6, 2024 and signals from the US Fed that the interest rate hikes had ended.

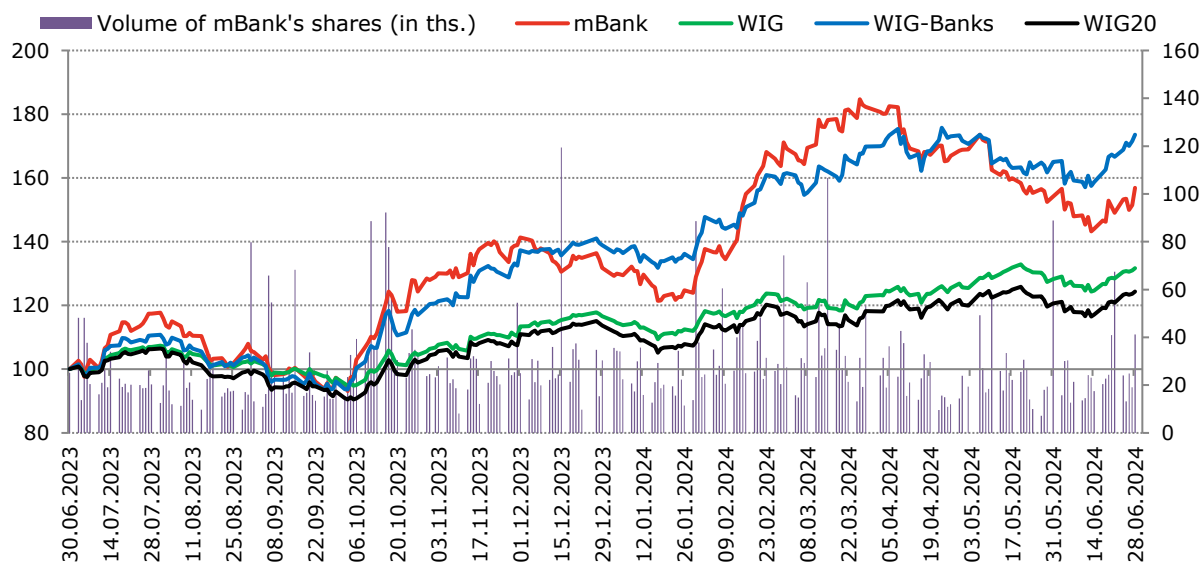
Investors' concerns about the costs of legal risk related to foreign currency housing loans incurred by Polish banks have diminished. In addition, investors have recognized that banks will benefit from the high investment needs of the economy in the coming years and the gradual release of funds from the KPO (EU National Recovery Plan), which should translate into higher credit growth in the sector.

On March 26, 2024, mBank's share price reached PLN 750 at the close of trading - the highest level in history. The lowest price in H1 2024 - PLN 493.20 - was recorded on January 17, 2024.

The closing price of mBank shares at the last trading session in H1 2024 (i.e. June 28) was PLN 637 and was 19.1% higher compared to the price on the last trading day in 2023 (i.e. December 29) and 56.9% higher than a year ago.

The chart below shows the relative changes in mBank share prices and stock exchange indices (left axis) and the volume of trading in mBank shares (right axis) in the period from June 30, 2023 to June 30, 2024.

Relative changes in mBank's share prices and stock market indices and the volume of mBank's shares traded between 30 June 2023 and 30 June 2024
(30.06.2023=100)



mBank's capitalisation amounted to PLN 27.1 billion (EUR 6.3 billion) as at June 30, 2024 compared with PLN 17.2 billion (PLN 3.9 billion) a year ago. P/BV (price/book value) ratio of mBank Group as at June 30, 2024 stood at 1.9 compared with 1.3 a year before.

Among the bank analysts and brokers actively monitoring mBank's financial performance and issuing recommendations on mBank shares, six analysts advised investors to buy shares of mBank, four issued "hold" recommendations and one recommended to sell mBank's shares.

The current consensus regarding mBank Group's expected results is available on mBank's website: <https://www.mbank.pl/en/investor-relations/shares/consensus.html>.

2. Business activity and key achievements

2.1. Key events in mBank Group in H1 2024

New features of mBank online banking and mobile app

At mBank we continuously improve our online banking and mobile app to make them more intuitive and user-friendly. Bearing in mind the rapidly improving quality of online banking services, we spare no effort to enhance our mobile app which, at the end of June 2024, was used by 3.7 million clients in total. At the end of H1 2024, c. 2 million of our clients banked exclusively using their mobile devices (mobile only).

Enhancements in mBank's finance manager facilitate taking care of financial health

Finance manager is a tool available in mBank's mobile application. It helps clients manage their budget. In May 2024, a new window appeared in the tool: asset summary and budget planning. A cleaner home screen view of the "Summary - My Assets" section includes percentage charts to help clients analyze their data. Clients can also navigate to other sections of the app more quickly. For example, if the assets have an accounts tile, after clicking on it, the client is redirected to the accounts tab (the same applies to other type of assets: savings, loans, investments). In the refreshed version of "my assets", clients can also choose how they prefer to see their data: in the form of a list or tiles.

Extended section for managing investments

mBank continue to develop the investment management area in the mobile application. Extended section for managing investments comprises more information about the fund composition in the portfolio. New screens display investment visualization. Navigation in the investment area was also simplified.

Higher application security thanks to the ability to change BLIK limits and hide elements

Mobile banking in the mBank application is even easier and safer. In the first quarter of 2024, clients were given the opportunity to manage their BLIK limits for payments and transactions in the mobile application. In addition, using the application has become even safer, thanks to new options for personalizing the view. Among them, there is an option to hide the account balance from the main screen of the mobile application.

Changes to the bank's Management Board

On March 27, 2024, the Supervisory Board of mBank elected members to the Management Board of mBank for the term of office starting on March 28, 2024. The Supervisory Board agreed with Mr. Cezary Stypułkowski that he will perform his function until the date of the Ordinary General Meeting of Shareholders approving the financial statements of mBank for the financial year 2024.

On 5 June 2024 Cezary Kocik was conditionally appointed as President of the Management Board of mBank. Appointment of Mr. Cezary Kocik to the position of President of the Management Board of mBank S.A. by the Supervisory Board is conditional on obtaining the consent of the Polish Financial Supervision Authority. Moreover, on 25 July 2024, the Supervisory Board of mBank S.A. appointed Mr Krzysztof Bratos to the Management Board of mBank S.A. as Vice President of the Management Board for Retail Banking, replacing Mr Cezary Kocik, effective 26 July 2024.

Cezary Kocik has been the Vice-president of the Management Board, Head of Retail Banking since 2012. Since 2004, together with the mBank retail banking team, he has been creating a comprehensive offer of products and services for individual clients, entrepreneurs and small businesses on three markets: Polish, Czech and Slovak. Additionally, he supervises the private banking and wealth management client segment, brokerage bureau and investment fund management company. Before joining mBank, he gained experience in corporate and investment banking as well as in the risk area.

Krzysztof Bratos has over 18 years of banking experience gained in various global institutions. He has been working in mBank Group since 2015. Since 2021, he has been the managing director responsible for private banking, wealth management and a brokerage bureau.

On 4 July 2024 Cezary Stypułkowski handed in his resignation as president of the management board of mBank with immediate effect. His resignation was submitted following consultations with the Supervisory Board and is an integral part of the succession process. The process, which was conducted in line with the best practices, was transparent and organised.

Cezary Stypułowski took the helm at mBank in October 2010. Since then the bank has strengthened its position as the most technologically advanced and customer-friendly online banking platform.

Update of the Capital management strategy of mBank Group

On July 24, 2024, the Management Board decided to update the „Capital management strategy of mBank Group”. It assumes that no dividend will be paid out from the profit earned by the bank in 2024. On July 25, 2024, the Supervisory Board approved the updated „Capital management strategy of mBank Group”.

mBank plans to use the retained profit for dynamic lending growth and further business development while maintaining the capital buffers above regulatory requirements. It will also ensure maintaining the Tier 1 ratio at a level of at least 2.5 p.p. above the minimum requirements at the end of the year, in line with mBank Group's Strategy for 2021-2025. The long-term dividend strategy of the bank for subsequent years assumes dividend pay-out at the level of 50% of net profit.

mBank settlement programme for clients with CHF mortgages

In the fourth quarter of 2022, following completion of the pilot phase, mBank launched an attractive settlement programme for customers with CHF loans. mBank has signed over 17 thousand settlements with clients until July 11th, 2024. mBank has presented the settlement offer to all clients and regularly renews it. The offer consists in converting the loan into PLN as if it had been taken out and repaid in the Polish currency from the beginning. As a result, the outstanding principal is reduced. Since the launch of the programme, more clients have decided to settle with the bank than to enter into court proceedings. During this time, mBank's Swiss franc mortgage portfolio decreased by 45%. The settlement process is efficient and does not require many formalities from borrowers. The bank is also open to negotiation with its customers. The converted loan bears interest at a variable or periodically fixed rate at an attractive level (4.99% at the date of preparation of this report). Settlements allow customers to definitively eliminate FX risk and interest rate risk for up to 5 years (interest rates may vary in the future depending on market conditions). The bank has launched a dedicated website which describes the settlement programme in detail. For more information on the settlements, see 31. explanatory note of the Consolidated Financial Statements of mBank Group S.A. for H1 2024.

mOkazje zakupy is a new shopping platform available to mBank clients

In June 2024, the pilot of the mOkazje zakupy project was launched. Thanks to mOkazje zakupy (i.e. access to the Morele shopping platform), clients will be able to shop online even more easily, directly from their favorite banking application. Both the purchase and payment will take place without leaving the application. In the first phase of the project, 50,000 mBank clients were given the opportunity to buy on the Morele platform directly in the bank's mobile application. Offers are displayed after entering the services tab. By the end of the year, all other mBank clients will also receive access. In the future, mBank also wants to invite its corporate clients to join the platform. mBank estimates that over 50,000 e-shop owners use the service (which constitutes 1/3 of all e-shops in Poland).

On the Morele platform, clients will find approximately 3 million offers from many categories. The store reaches over 1 million recipients daily via its own media and fulfills orders on 13 foreign markets, which gives merchants and brands simple and quick access to many European markets.

mBank, in its development strategy for 2021-2025, announced an increase in its share in the e-commerce market. Entering into cooperation with the Morele purchasing platform is a key action that will help achieve this goal.

In 2023, mBank clients made 240 million transactions in e-shops and spent nearly PLN 27 billion in them. This means that every fourth zloty that appeared on the e-commerce market at that time came from mBank's account (calculations based on the bank's data and PMR „Handel Internetowy w Polsce 2022”, Strategy & „Perspektywy rozwoju rynku e-commerce w Polsce 2018-2027”).

50% of clients to be financially resilient

mBank, as the first bank in Poland, signed a declaration on supporting financial health and inclusive banking, as part of the United Nations Environment Program Financial Initiative (UNEP-FI). The bank has just announced the first goal that it will implement as part of this activity. The goal is to increase and maintain financial resilience and financial well-being of Poles, through support in managing expenses and building a financial cushion.

mBank's goal set together with UNEP-FI is to increase the percentage of clients who believe they are financially resilient to at least 50%. We want to achieve this goal, among others by encouraging clients to actively use the finance manager. It is already used by over 1.6 million mBank clients.

The bank will even better help its clients to plan their finances, avoid unnecessary debt and improve risk management skills. Finance manager is a tool available in the mBank mobile application and the website. By transparently presenting current inflows and outflows, categorizing them and comparing them over time, it allows clients to efficiently analyze and manage their finances on an ongoing basis.

New, innovative methods of payment

mBank has expanded its offer of mobile wallets. Now clients can pay for purchases with a ring or watch strap equipped with Fidesmo Pay or Digiseq Pay software. Thus, mBank has become a leader among banks that enable customers to use modern forms of mobile payments.

Wearable accessories, among their numerous functions, also allow users to pay. It works similarly to smartphones or watches connected to a mobile wallet, e.g. Apple Pay or Garmin Pay. A client has to only bring such a gadget close to the terminal.

The software which allows clients to pay with a ring or a special watch strap is called Fidesmo Pay (available for Visa and Mastercard cards) or Digiseq Pay (for Mastercard cards). The devices can be purchased on the website of both software manufacturers. The device comes with instructions that explain step by step how to connect a payment card to it.

mBank clients have long been able to use Apple Pay, Google Pay, Garmin Pay, Fitbit Pay, Xiaomi Pay and Swatch Pay mobile wallets. Now two more methods have been added, and in the coming months this list will expand even further with Tappy Pay and Zepp Pay.

New strategy and good financial results of mLeasing, a subsidiary of mBank

In the first quarter of 2024, mLeasing, part of mBank Group, generated the highest result in its more than 30-year history. mLeasing generated profit before tax of PLN 77 million in the first quarter of 2024. This represents an increase of 38% compared to the same period last year and 81% more than in the fourth quarter of 2023. During the first three months of the year, subsidiary concluded leasing agreements worth almost PLN 2 billion. It stands as 7% market share.

At the beginning of 2024, the Management Board of mLeasing adopted new strategy. The adopted strategy is a response to the dynamically changing market environment and growing impact of climate change on business challenges. Strategy assumes the support of clients and partners in the coming transformation of the automotive market, including fleet owners and individual car users. The new GreenHub introduced by the strategy is a comprehensive solution to facilitate the implementation of decarbonization and emission reduction plans for mLeasing customers. The distribution strategy focuses on diversifying and strengthening its own sales channels, mainly the mAuto platform and digital shopping channels.

mBank plays together with the Great Orchestra of Christmas Charity

The Great Orchestra of Christmas Charity (WOŚP) played for 32nd time in 2024. This was the seventh anniversary of mBank's cooperation with the foundation as its partner and strategic sponsor. The 32nd WOŚP final was held on January 28, 2024. This time the foundation collected donations for the purchase of equipment for the diagnosis, monitoring and rehabilitation of lung diseases of patients in pulmonological wards for children and adults. As usual, mBank also contributed financially to the payments made by its customers. On this occasion, the bank prepared a collector's payment card with a souvenir design. This is the first WOŚP card that has a blind notch - making it easier for blind people to use it. In addition, mBank added a special "heart" icon in mobile app and transaction service, which made deposits easier and donated 1 PLN for every "click" on the icon. The first 2000 people who opened the Junior Account and ordered the payment band, received special pins with motifs associated with the Orchestra. The action ran from 8 to 28 of January. Companies served by the Corporate and Investment Banking could also add a brick to the fundraising organized by WOŚP. mBank transferred to its account the equivalent of six month's fees for accounts established by companies from January to the end of February 2024.

Operations of mBank Foundation

This year's Maths Picnic organised by mBank Foundation, which took place on March 14, the Pi Day, in the Copernicus Science Centre was dedicated to maths in space. mBank Foundation invited over 300 school students from across Poland, mostly primary school children from small towns and rural areas, to participate in it. This event marked the end of the last, 10th edition of the mPower ("mPotęga") grant programme.

March 14 was also the launch date of mFactorial (mSilnia), a new grant programme that replaced mPower after ten years. Its main goal is to develop mathematical thinking. Additionally, mFactorial promotes a practical approach to mathematics education and fosters cooperation between teachers of different subjects. The programme encompasses two categories: a contest for the best educational project (for schools) and a contest for the best lesson plan (for educators). In the former took part public primary schools, teacher training centres, universities, libraries and NGOs, while the latter attracted methodologists, teachers, educators and maths popularisers. In the first edition of mFactorial, we awarded 65 projects from all over Poland and eight original lesson plans.

Like in the previous years, on March 30, the birthday of the brilliant Polish mathematician Stefan Banach, mBank Foundation announced the results of its annual "A Step into the Future" ("Krok w przyszłość") competition. The jury of the competition, chaired by Professor Paweł Strzelecki, dean of the Faculty of Mathematics, Informatics and Mechanics of the University of Warsaw, selected the best papers in mathematics written by students that promoted innovative, original ideas or set new research directions and methods. Five out of twenty-one papers submitted for the competition qualified for the finals of the

2022/2023 edition. The jury awarded the main prize of PLN 20,000 and three distinctions of PLN 10,000 each. On June 30, mBank Foundation announced the launch of the 9th edition of the competition.

In June, mBank Foundation organised a conference titled "Rethinking Maths: Recipes for Effective Maths Education" („Matematyka na nowo. Przepisy na dobrą edukację matematyczną”), which was attended by over 100 maths teachers from across Poland. Its purpose was to design universal solutions that will help improve mathematical education and make it more effective. The key part of the conference was a debate featuring Polish and Estonian experts. It focused on the need for systemic changes pertaining to teacher autonomy, communication between teachers teaching different subjects and at different levels, and maths education based on problem solving. mBank Foundation forwarded the conclusions from the debate to the Ministry of National Education.

2.2. Awards and distinctions

In H1 2024, mBank Group has gained recognition, winning a number of awards and distinctions, with the most important as follows:

mBank wins award for best portfolio management and remains best domestic bank - Euromoney Global Private Banking Awards

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

Award for mBank's Wealth management for outstanding offering to private clients

During the international Global Private Banking Innovation Awards gala, mBank's private banking received an award for the best Wealth Management for portfolios worth from PLN 100,000 up to 250,000 US dollars. The Global Private Banker magazine also recognized mBank for investment facilitation solutions, which give private banking clients ongoing access to their portfolio, results and all statistics from the transaction service. The gala is organized by Global Private Banker magazine.

Distinction for best digital private banking at the Wealth Tech Awards

In the Wealth Tech Awards 2024 competition, mBank won in the Best Digital Private Banking in Central and Eastern Europe category. The competition was organized by PWM Financial Times. This year, the competition jury appreciated the digital development of mBank's private banking. The award covered all our activities in the digitization of private banking.

Recognition of mBank's digital offering by second place at highly prestigious Mobile Trends Awards

mBank received a special award in the Mobile Trends Awards competition. Thanks to the votes received in the online poll, mBank took second place in the "Mobile application development" category. New features that appeared in the application last year include: development of the financial management functionalities, a convenient way to connect the application to an account using a payment card, or the ability to personalize products visible on the desktop. Mobile Trends Awards are prestigious distinction in the mobile industry. For 12 years, the awards have been granted to companies which have successfully used mobile technologies in their projects.

Diamond award for most creative mobile campaign presented to mBank's mobile onboarding process

During the Performance Marketing Diamonds competition gala, mBank received the main prize "Diamond" in the category of the most creative mobile campaign. The competition jury appreciated the acquisition campaign in the mobile onboarding process, i.e. directly within the application. The competition is organized by the Chamber of Electronic Commerce. The event has an international character and is a day dedicated to marketers who specialize in performance marketing, affiliation, preparing content and e-commerce strategies.

„Financing Bank of the Year”, the Polish Private Equity & Venture Capital Association

mBank won another award from Polish Private Equity & Venture Capital Association (PSIK) in the Financing Bank of the Year category. The contest promotes the highest standards in the private equity/venture capital sector and PE/VC investor contribution to the development of Polish companies and the society. The award is even more valuable to mBank as it is provided by PSIK members representing the market. This year mBank received widespread recognition from private equity and venture capital funds.

Paynow awarded with third place at the Reinvention Awards

Paynow's mechanisms for increasing sales conversion were awarded third place in the Operational Efficiency category in the Qorus Reinvention Awards – Europe competition. Paynow is created by mBank and mElements. Conversion-increasing mechanisms are functions which give a payer buying from an online shop with Paynow implemented the best chance of successfully completing a transaction.

Golden awards for customer experience and recruitment campaign

During the Next Generation Contact Center & CX Best Practice conference, mBank received golden awards in two categories: Best Contact Center and Best Recruitment Campaign. The international jury appreciated the presentation of our "CC Premium" strategy and the recruitment process during the presentation at the conference. The "CC Premium" strategy was deemed by the competition jury to be the best and worth imitating by companies that want to provide customers with the highest quality experiences.

HR development programmes distinguished by main prize

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

First place for "Fridays with Development" programme at this year's HR Dream Team awards

mBank's "Fridays with Development" programme won the first place in the 9th edition of HR Dream Team in the category of talent development in the organization. "Fridays with development" is a series of workshops, consultations, remote trainings and webinars held every Friday. Employees can choose topics according to their interests and needs. HR Dream Team is the culmination of the most interesting, boldest and most effective projects implemented by HR teams in organizations.

Multiple prizes for mBank at this year's Employer Branding Excellence Awards competition

mBank won the main prize in the Employer Branding Strategy category in the Employer Branding Excellence Awards 2024 competition. The jury of the competition appreciated mBank's campaign "We are distinguished by people", which presents the organizational culture and values of mBank. In addition, mBank received distinctions in two other categories: External Campaign (for the "Technologies that matter" project) and Employee Advocacy (for the "Diversity Ambassadors" project). The main idea of the competition organized by the HRM Institute is to reward and present the best employer branding practices in Poland.

Honors for mBank's diversity and inclusion strategy with top position in nationwide ranking

This year, mBank was also among the most advanced employers in the field of diversity and inclusion management in Poland. The Diversity IN Check ranking is based on a study conducted by the Responsible Business Forum. It assesses the level of advancement of Polish companies in managing diversity and inclusion. mBank achieved one of the highest results in the study: over 80%.

Family-friendliness programs nominated for Businesswoman of the year awards

mBank's "Hello Mom, Hello Dad" programme was nominated in the 15th edition of the "Sukces Pisany Szminką" Businesswoman of the Year competition in the Parent-Friendly Organization category. It rewards employers who implement good practices within the organization and offer solutions that make the professional life of active parents easier.

Banking & Insurance Forum honors mBank for exemplary conduct

mBank was recognized as the friendliest institution at the Banking & Insurance Forum. mBank's involvement in the Great Orchestra of Christmas Charity was appreciated. The President of mBank's Management Board, Cezary Stypułkowski, was also honored at the Gala for his "unique visions and innovative approach to the development of the financial sector, which had a significant impact on the future of the industry."

mBank's press department recognized as a leader in a number of categories by PR experts

The mBank press department was once again recognized as industry leading. At the same time, opinion leaders indicated mBank as the most recommendable to individual customers in a study by ARC Rynek i Opinia Sp. z p.p., market research. PR specialists won first places in the following categories: speed of response, knowledge of the specificity of journalists' work, professionalism and knowledge. They are also best at building relationships with media representatives and presenting topics in an interesting way.

More information on awards and distinctions can be found on the Bank's website in the "Press Centre" section: <https://en.media.mbank.pl/>.

2.3. Retail Banking Area

mBank's Retail Banking segment serves 5,679 thou. individuals 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 172 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 financial data (as at the end of H1 2024):

Share in total income	Profit before tax	Income
59.4% ↓	PLN 2,016.7 M ↑	PLN 3,451.5 M ↑

Key highlights

- High gross profit – an increase of 21.8% compared to the first half of 2023, mainly due to higher interest income.

- Revenues at a historically high level of PLN 3,451.5 million, up by 5.5% year on year despite the negative impact of “credit holidays”.

- Visible rebound in the sale of loans, both mortgage and non-mortgage. Sale of mortgage loans increased by 149.9% year on year, mainly due to mBank’s participation in the government’s “2% Safe Loan” programme. Sale of non-mortgage loans increased by 35.3% year on year in Poland, Czech Republic and Slovakia.

- Increase of mBank's share in the cash loan market to 5.2% (by 0.1 p.p. year on year) and in the credit card loans market to 11.8% (by 0.2 p.p. year on year).

- Growth in deposits by 6.1% year on year, due to the inflows to current accounts.

- Already 30% of customers open an account with mBank using the mobile process and 81.5% of customers log into digital channels every month.

- Start of the first phase of the mOkazje zakupy project - 50 thousand of mBank customers can shop on the Morele platform directly within the mBank’s mobile application. By the end of the year, the bank will also enable this option to other users of the application.

- Another highlight of educational activities at mBank is the “Stop tomorrowing” campaign, which encourages saving for retirement and promotes healthy personal finances.

- mBank has expanded its mobile wallets offering to allow customers to pay for their purchases by innovative means. Customers can pay with a ring or strap from a watch equipped with Fidesmo Pay or Digiseq Pay software.

- „50% of financially resilient customers” is mBank’s first goal as part of the bank’s declaration on promoting financial health and inclusive banking, within the United Nations Environmental Programme Financial Initiative (UNEP-FI).

- Growth of mobile channel sales share in total non-mortgage sales to 62.7% in the first half of 2024, while the percentage of processes initiated by customers in digital channels increased to 89.0%.

* Including 127 in Poland and 45 in the Czech Republic and Slovakia; excluding mFinanse (41) and mKiosks (138).

Financial results

In H1 2024, the Retail Banking segment generated a profit before tax of PLN 2,016.7 million, which represents an increase by PLN 361.1 million, i.e. 21.8% compared with H1 2023.

PLN M	H1 2023	H1 2024	Change in PLN M	Change in %
Net interest income	2,720.9	2,871.2	150.3	5.5%
Net fee and commission income	496.2	503.0	6.8	1.4%
Net trading income	46.1	55.0	8.9	19.3%
Other income	18.8	9.8	-9.0	-47.7%
Net other operating income	-10.9	12.5	23.5	-/+
Total income	3,271.0	3,451.5	180.5	5.5%
Net impairment losses and fair value change on loans and advances	-431.3	-161.7	269.6	-62.5%
Overhead costs and depreciation	-959.8	-1,044.1	-84.3	8.8%
Taxes on the Group balance sheet items	-224.4	-229.1	-4.7	2.1%
Profit before tax of Retail Banking	1,655.5	2,016.7	361.1	21.8%

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.

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

Key business data (mBank and mBank Hipoteczny only)

thou.	30.06.2023	31.12.2023	30.06.2024	Semi-annual change	Annual change
Number of retail clients, including¹:	5,675.9	5,716.2	5,679.1	-0.6%	0.1%
Poland	4,604.3	4,614.3	4,576.5	-0.8%	-0.6%
Foreign branches	1,071.5	1,102.0	1,102.6	0.1%	2.9%
The Czech Republic	748.7	775.5	779.3	0.5%	4.1%
Slovakia	322.9	326.5	323.3	-1.0%	0.1%
Mobile application users	3,488.6	3,646.1	3,729.7	2.3%	6.9%
Poland	3,043.1	3,167.6	3,242.1	2.4%	6.5%
Foreign branches	445.6	478.5	487.6	1.9%	9.4%
PLN M					
Loans to retail clients, including:	68,643.9	66,512.0	67,579.8	1.6%	-1.6%
Poland	58,953.6	57,515.7	58,680.2	2.0%	-0.5%
mortgage loans	40,464.7	39,088.7	39,590.6	1.3%	-2.2%
non-mortgage loans	18,488.9	18,426.9	19,089.6	3.6%	3.2%
Foreign branches	9,690.4	8,996.3	8,899.6	-1.1%	-8.2%
The Czech Republic	6,719.3	6,100.7	5,945.3	-2.5%	-11.5%
Slovakia	2,971.1	2,895.6	2,954.3	2.0%	-0.6%
Deposits of retail clients, including:	125,815.3	128,291.6	133,442.8	4.0%	6.1%
Poland	109,115.2	112,337.9	116,812.0	4.0%	7.1%
Foreign branches	16,700.1	15,953.6	16,630.8	4.2%	-0.4%
The Czech Republic	12,063.9	11,547.6	12,254.3	6.1%	1.6%
Slovakia	4,636.2	4,406.0	4,376.5	-0.7%	-5.6%
Investment assets of mBank individual clients (Poland)	20,807.8	22,396.6	25,985.5	16.0%	24.9%
thou.					
Credit cards, including	361.6	367.9	363.9	-1.1%	0.6%
Poland	326.4	332.9	328.4	-1.3%	0.6%
Foreign branches	35.2	35.1	35.4	0.9%	0.6%
Debit cards, including:	5,058.0	5,233.9	5,331.8	1.9%	5.4%
Poland	4,247.2	4,379.4	4,457.1	1.8%	4.9%
Foreign branches	810.9	854.5	874.7	2.4%	7.9%

¹ Includes the number of Kompakt Finanse clients.

Retail Banking in Poland

We introduced a number of new functionalities and improvements for clients in H1 2024 to make mBank's services even easier to use. The key implementations are described in Chapter 2.1. Key events in mBank Group in H1 2024. The new functionalities include, among other solutions, enhancements to mBank's personal finance manager.

mBank's mobile application has 3,729.7 thousand users, including 3,242.1 thousand in Poland. Monthly active users (MAU) increased to 3,420,6 thou. The significance of the mobile channel in daily banking continues to rise. Share of the mobile application in the sale of non-mortgage loans (by number of pieces) increased to 63% at the end of H1 2024 compared to 60% at the end of H1 2023. For more information concerning new mobile solutions, see Chapter 2.1. Key events in mBank Group in H1 2024.

In H1 2024, our communication remained focused on introducing the new positioning of the mBank brand. In our advertising spots, we stressed that in the era of a technological race, we strive to design products and services that are simple to use, give our clients a sense of security and make their lives easier.

In the individual clients segment, we launched a new campaign promoting remote account opening via the app to achieve a mobile onboarding ratio of 50%. We chiefly focused on clients aged 30–44, as in this group the mobile onboarding ratio has not reached the target value yet.

In H1 2024, we continued our activities in the youngest clients segment, e.g., we promoted eKonto Junior account and focused on important moments in the life of young people. Among other things, we launched a new version of the product campaign.

We continued the cooperation with the Warsaw Institute of Banking within the "Captivated by Economy" ("Porwani przez ekonomię") project, which drew over 125,000 students and their 1,200 teachers in the 2023/2024 schoolyear. Lessons based on plans prepared by mBank were organised in more than 1,300 classes.

In the area of individual clients' investments, we focused on the most universal and long-term investment objective, i.e. retirement. Our message is that it is not worth procrastinating on important things in life, such as our financial future. That is why we started a new marketing campaign with the tag line "Stop tomorrowing" ("Nie jutraj"). Our target group are people aged 28–40 who procrastinate and look for excuses to not think about their retirement just yet. We want to convince them that they can start investing with as little as PLN 100 monthly, and that the earlier they do it, the more money they will be able to make.

In the business clients segment, mBank's strategy is focused on the acquisition of sole proprietors who are about to enter the market. mBank is a great choice for them as it offers accounting support in the process of starting and running a business, a business knowledge centre and competitive products, including key account functionalities that are free of charge forever. We have been running a broad-reach advertising campaign addressed to sole proprietors since the start of 2024. We intend to strengthen mBank's image as the best bank for businesses.

Throughout the first half of 2024 we carried out business in an environment of high interest rates of National Bank of Poland, and, as a consequence, increased interest rates of loans. Despite this, we observed a revival in the market for both mortgage and non-mortgage loans, stimulated, among others, by government programmes. For more information on the macroeconomic environment see chapter 3.1. Economy and banking sector in H1 2024.

Retail banking offer for individuals

Non-mortgage loans

In the first half of 2024, non-mortgage loans sales recorded very good results. A significant increase in sales resulted, i.a. from the attractive offer of mBank. At the same time, mBank focused on maintaining assumed profitability.

Our digital solutions are particularly appreciated by the clients and significantly support sales. In the first half of 2024, electronic channels were the undisputed leader among sales channels. They achieved 82% share of sales of unsecured loans measured by number of pieces. We pay special attention to the share of mobile application which amounted to 63% in the first half of 2024. This result represents an increase of 3 percentage points year on year.

We have modified the credit process to implement the requirement of the regulator regarding the suppression of the PESEL number. This is an important change for our clients and their financial security. In the first half of 2024 we also implemented the NBP reference rate for newly concluded loan agreements which we introduced in installment loans.

Mortgage loans

Mortgage loans sales also recorded very good results in the first half of 2024. Sales of the “2% Safe Loan” amounted to PLN 1.4 billion in the period under review, while since the implementation of this programme in mBank in September 2023 it amounted to PLN 2.3 billion. In the first half of 2024, we continued to focus on selling mortgage loans to internal clients. Their share in the number of granted loans in the first half of 2024 on average amounted to 74.7%.

In the first half of 2024, the share of loans for the purchase or construction of energy-efficient real estate in the value of overall mortgages sales fell to 8.7% from 12.3% in the first half of 2023. It resulted from the large sale within the government “2% Safe Loan” programme which did not promote energy-efficient properties in its assumptions. In total, in the first half of 2024 we sold PLN 379.2 million of loans financing energy-efficient real estate, which is 89% more than in the first half of 2023. Buildings financed under an energy-efficient real-estate loan must not exceed the threshold set by the bank for the value of the annual non-renewable primary energy demand indicator, as specified in the Energy Performance Certificate (EPC) or the Design Energy Performance Certificate, depending on the type of property.

The NPL ratio of the retail mortgage loan portfolio in Poland stood at 2.32% as at June 30, 2024 compared to 2.23% a year before. Excluding the portfolio in foreign currency, the NPL ratio of the retail mortgage loan portfolio stood at 1.12% compared to 0.95% a year before.

Deposits

At the end of June 2024, the value of mBank’s retail deposits in Poland amounted to PLN 116,812,0 million. This means an increase of PLN 4,474.1 million, i.e. 4.0% compared to the result at the end of 2023. Thus, at the end of the first half of the year, mBank’s share in the retail deposit market remained at a high level of 8.3%.

These results were supported by sales campaigns to mBank’s customer base, including:

- price promotions on savings accounts and 3-month term deposits in Polish zloty, thanks to which customers could benefit from attractive interest rates on new funds deposited in the bank
- special and retention offers with favorable prices, thanks to which we maintain the deposit retention rate at over 90%.

Cards and accounts

In H1 2024, we carried out a large number of acquisition efforts targeting various segments:

- Young clients received preferential foreign exchange rates for card payments as part of the multi-currency service;
- We prepared a special offer to encourage parents to open the first bank account for their children. Clients who opened the “eKonto Junior with pocket money” account and met the terms and conditions of the offer received up to PLN 150 of “pocket money” to their child’s account.

At the beginning of June, we launched a special offer for travellers. Young, adult and affluent clients received numerous discounts for travel insurance and special mOkazje deals as part of their holiday packages. Young and adult clients can also get a cashback on international card transactions, and affluent clients can use a free Visa Świat Intensive card.

At the beginning of the year, we presented changes to the tariff of fees and commissions, including new ATM withdrawal fees. Clients who mostly choose cashless payments will not feel the impact of these changes. We have introduced the changes so that the cost increase is not fixed, but dependent on a client’s choice, i.e. selection of a service connected with a given fee.

In April 2024, we added a new account to basic products and services for individuals – the “eKonto do usług” account. The new account allows active clients to use all ATMs in Poland free of charge. Clients will not pay for ATM withdrawals if they withdraw at least PLN 300 at a time. Additionally, clients who use this account can withdraw cash at a store checkout as part of the cashback service. This account can be opened by existing clients.

In H1 2024, as a signatory to the UNEP-FI Declaration on Financial Health and Inclusion, we announced the first target: to increase the share of clients who consider themselves financially resilient to at least 50%. We want to achieve this target, among others, by encouraging clients to actively use the Finance Manager.

The value of payments made by mBank retail banking clients with cards and BLIK in Poland in H1 2024 stood at PLN 60.1 billion, representing an increase of 18.0% year on year. The number of transactions of mBank clients increased by 12.1% year on year. The market share of the value of mBank cards’ transactions remains at stable level and amounted to 12.5% at the end of 2023 (latest data available).

Holiday benefits package

In 2023, 50% of clients who went abroad during their holidays took advantage of a special discount on travel insurance, offered by mBank as part of the holiday benefits package. It guaranteed discounts and bonuses. To use it, all a client had to do was activate the multi-currency service on their debit card. This could be done with one click in the mobile application - after entering the card details.

The benefits offered as part of the package are also available this year, on similar terms. The special campaign lasts from June 3 to September 30. And as part of it, clients will gain:

- lower commission for currency conversion (reduction from 3.5 to 0.5%),
- free withdrawals from all ATMs around the world,
- 15% discount on travel insurance (with an active multi-currency service, the discount is calculated automatically),
- 2-4% refund for card payments with the mBank logo abroad. The maximum moneyback value is PLN 200,
- and mOkazje "for travelers", e.g. eSky with 7% refund for the transaction and RentalCars with a 9% refund.

Investment funds for individuals

In the first half of 2024, the balance of purchases and redemptions of investment funds for retail clients was positive. The sale of funds was supported by promotions. mBank has implemented another edition of the promotion combining investment in funds with a bank deposit. Moreover, mBank encouraged systematic investing through the "Investing regularly" promotion. As part of this promotion, the bank pays a cash bonus to the clients who make regular payments to the investment fund of their choice.

In February, we refreshed the presentation of investment funds included under the SFIO Ready Strategies umbrella. The changes were introduced in the transaction system and the mobile application. We added more information about the investment itself and its composition. We want to give our clients a greater sense of control over their money and at the same time better understanding of how our experts manage it.

In the first half of 2024, mTowarzystwo Funduszy Inwestycyjnych, a subsidiary of mBank Group, completed the process of taking over investment funds that were previously managed in a white-label formula. The last fund acquired was Gotowe Strategie SFIO with assets amounting to approximately PLN 700 million. At the same time, mTFI focused on cooperation with mBank to increase sales volumes. Ultimately at the end of June 2024, the fund assets managed by mTFI reached PLN 2.4 billion.

In addition to the tasks related to the acquisition of funds, mTFI is working on harmonizing their management from an operational point of view (including external suppliers). Simultaneously, an important task continued in the first half of the year was the introduction of ESG methodology and the classification of a certain portion of the managed funds as light-green within the meaning of the SFDR Regulation. The subsidiary plans to complete this process by the end of 2024.

Brokerage and asset management

The Brokerage Bureau of mBank provides a full range of brokerage services to individuals, institutional clients and private banking clients. We are a leader in the retail client category. In the affluent client segment, we combine state-of-the-art technology with experience and professionalism. We also serve the largest Polish institutional investors, including pension funds, investment funds, and asset management companies. Our clients also include foreign funds. The Brokerage Bureau (BM) enables clients to trade in regulated markets in Poland and abroad as well as in the OTC (CFD) market. As part of wealth management services, clients can use investment advisory and asset portfolio management services. BM is an active player in the equity market, preparing and conducting public and private offerings (IPO/SPO/ABB).

In H1 2024, the turnover on the Warsaw Stock Exchange (GPW) increased modestly compared with H2 2023. BM's turnover on the GPW main market amounted to PLN 14.8 billion, which makes mBank the ninth player in terms of total turnover (drop from the eighth position, with a share of 4.32%) and the eighth player from the perspective of turnover on clients' account (4.67% share). Five most active Warsaw Stock Exchange brokers are remote members serving foreign clients.

In the period under review, mBank's Brokerage Bureau was the third player on the market as regards the number of new investment accounts (according to data of the Central Securities Depository of Poland (KDPW)). We opened approx. 8,700 investment accounts. The total number of brokerage accounts of BM's clients amounted to approx. 445,000 at the end of H1 2024.

Since the beginning of 2024, our clients, especially new ones, have continued to invest in foreign markets. At the end of H1 2024, foreign assets accounted for approx. 11% of all assets of retail clients. More than 48,000 clients held them in their portfolios.

In H1 2024, all model investment strategies managed by the Brokerage Bureau of mBank recorded positive investment results, which reflected global trends in the financial markets. The highest returns generated strategies with the largest equity component (Megatrends Strategy and Dynamic ESG Growth Strategy), whose results were boosted by increases in equity markets. Strategies with a dominant bond component (Capital Protection, Anti-Inflation, and Income Strategies) recorded slightly positive rates of return in H1.

In H1 2024, the Brokerage Bureau of mBank continued its numerous activities aiming to educate and inform clients about investing. Its engagement in this area addressed the clients' needs identified by mBank. An example of these activities is the publicly available video series "Views from the Tower" ("Widoki z Wieży"). The videos summarise events in the financial market. We also launched a new video series, "X Things That..." ("X rzeczy, które..."), in which we explain complicated financial terms in a simple, illustrative way. We also carry on with our podcast "Everyone Knows" ("Wszyscy się znają") about investing and finances. The Brokerage Bureau also authors regular publications for clients and employees. These include the "Expected Investment Directions" ("Oczekiwane Kierunki Inwestycyjne") newsletter and the "Investment Compass" ("Kompas Inwestycyjny"), a dedicated website with the latest news from the world of finance and investments. The Brokerage Bureau was also a co-organiser, together with the Warsaw Stock Exchange and Beta ETF, of the Warsaw Passive Investment Conference, a partner of the 'Wall Street' conference organised by the Association of Individual Investors and of the Invest Cuffs fair.

Assets managed by the Brokerage Bureau under the Asset Management formula increased in H1 2024. The increases resulted from both positive investment results and new clients being attracted by investments under the Asset Management formula. Strategies with a dominant share of bonds (Capital Protection Strategy, Income Strategy) were particularly popular. Clients were also keen to invest in individual Luxembourg investment policies. In Q2 2024, we launched the collective Luxembourg investment policy formula, which has also gained interest among clients.

The stock market in the first half of 2024 was characterized by low transaction activity (5 ABB and 2 SPO transactions). Apart from the technical debuts of 5 companies that moved their listings from the NewConnect market, no IPO was carried out on the main floor of the WSE.

The first half of the year was characterized by significant increases in the valuation of companies listed on the WSE, which, combined with the inflow of funds to TFI and PPK and the payment of record dividends, generally created good conditions for the placement of shares.

In the period in question, the mBank Brokerage Bureau, acting as a co-coordinator, conducted the SPO of Bioceltix S.A., started a public offering of shares with pre-emptive rights of Tatry Mountain Resorts AS and carried out 2 share purchases.

Offer for SMEs

In H1 2024, the number of new enterprises on the market dropped (-2% year on year). Lower interest in starting a business resulted mainly from political uncertainty, but also from an increase in the minimum wage, which led to higher social insurance contributions required from new entrepreneurs. The largest drop was observed in IT, where employment contracts have been gaining popularity as they ensure more stable working conditions. As an exception to the above trend, more Ukrainian citizens venture into entrepreneurship.

In the period under review, we were promoting our business account for PLN 0 forever. In our communication about business products, we focused on the added value brought by the knowledge we offer to entrepreneurs by virtue of our cooperation with accountants and via mBank's websites. In our acquisition campaign, we emphasised our support for entrepreneurs before, during and after setting up a business. New entrepreneurs who decided to set up a business with us (the process of opening a business including a bank account) received a start-up bonus.

As a result of our activities, mBank's market share in accounts opened by new companies grew by 0.5 p.p. against H1 2023.

Our turnover from the Paynow payment gateway exceeded PLN 600 million in H1 2024 (up by 30% compared with H1 2023). We launched a new special offer to reduce the costs borne by our clients and to support the development of online shops. We also gave our clients access to Apple Pay.

When it comes to the Finance mOrganiser, we focused on maximising the sale of this service in the branch network. As a result, 70% of newly acquired business clients served by our branches opted to use mOrganiser, which supports their financial and accounting processes. Additionally, thanks to numerous campaigns in digital channels advertising the benefits of using our services and having a company account

with mBank, one in two business clients opted to use mOrganiser or mAccounting already at the stage of starting a business or opening an account.

Relations with UNIQA

In the first half of 2024, mBank continued to cooperate with its strategic insurance partner UNIQA in the area of bancassurance. The cooperation covers the sale of insurance to mBank's clients and focuses on the segment of standalone products, i.e.:

- motor insurance,
- travel insurance,
- real property insurance,
- life and health insurance.

mBank clients intensively use remote channels to contact the bank and fulfil their needs. As a result, we develop the offer of insurances with their needs in mind. All mBank insurance products which are not linked to banking products are available in every sales channel, including mBank's mobile application. In the first half of 2024, mBank clients purchased 44% of standalone insurance via a mobile application (+5 pp. year on year). We observe a systematic increase in the number of clients who have active insurance unrelated to a banking product. We plan to further promote our offer in this area.

In the first half of 2024, mBank customers were particularly interested in travel insurance. They bought 19% more travel policies than in the first half of last year, 60% of them via the mobile application.

Motor insurance was also very popular. mBank clients concluded 53% more policies of this type compared to the same period in 2023. Customers concluded 28% of motor insurance through the mobile channel.

Retail Banking in the Czech Republic and Slovakia

Despite the ongoing war in Ukraine, both the Czech and Slovak markets stabilized in the first half of 2024, mainly due to declining inflation. The decline in inflation along with other factors lead to the decision on the cut of the 2W REPO rate. These reductions have created a lot of pressure on banks and their deposit strategy. Despite these challenges, mBank maintained a very similar growth rate in its client base in comparison to the previous year, namely 2.9% year on year growth at the end of June 2024.

The different market conditions in the Czech Republic and Slovakia, especially in terms of base interest rates, had an impact on our operations in these countries. The declining trend of base rates in the Czech Republic triggered various reactions of banks and started a series of changes in interest rates of savings products. mBank adjusted its offer adequately and in the first half of 2024 delivered a deposit growth of 6.1% in the local currency. The situation in Slovakia remained stable in terms of client rates and this was reflected in the structure of mBank's deposit portfolio, where only small changes in overall deposit balances, including product allocation, were observed.

In the first half of 2024, mBank has significantly strengthened its position as a leader in the payments area, especially with the launch of a revolutionary innovation on the Czech and Slovak market, the payment ring. This new payment method is exclusively available in both markets for several months for mBank clients only. mBank has cooperated with its business partners on this project and thanks to this cooperation it was possible to secure not only the payment functionality, but also the distribution and sale of the ring itself. The payment ring has attracted great response and interest in both countries, not only from the professional public, i.e. journalists, but especially from the clients themselves. Already after the first weeks mBank registered several thousand rings sold and several tens of thousands of clients who registered their interest in this new feature. Apart from the payment ring, mBank also introduced Zepp pay, a possibility to pay with smart devices of other manufacturers, as the first on the Czech and the second on the Slovak market.

In the area of loans, on the other hand, the environment of decreasing base rates in the Czech Republic allowed for a correction and a gradual decline in interest rates on mortgage loans. This allowed the overall mortgage market to grow again after the downturn, increasing by approximately 91.3% year-on-year, which was also reflected in the growing demand for mBank mortgages.

Loans and deposits

The value of mBank's loan portfolio in the Czech Republic and Slovakia amounted to PLN 8,899.6 million at the end of June 2024, representing a decrease of 8.2% compared with the first half of 2023. The change was driven by a decrease of mBank's loan portfolio in the Czech Republic (-11.5% year on year to PLN 5,945.3 million) while in Slovakia the loan portfolio remained at a similar level compared to the previous year (-0.6% year on year to PLN 2,954.3 million). The decrease in the value of loans in mBank branch in the Czech Republic was mainly due to the appreciation of the zloty against the Czech crown during the reporting period.

mBank successfully shifted resources from the area of mortgage loan sales to cash loan sales, in line with the business decision to focus on the active non-mortgage loans sales, which are characterized by higher profitability. New sales of non-mortgage loans amounted to PLN 1,040.3 million, which represents an increase of 31.5% year on year in mBank's foreign branches (32.6% in the Czech Republic and 29.3% in Slovakia). Growth of demand in the first half of 2024 was affected by interest rates cuts by the Czech Central Bank and by the European Central Bank, which translated into lower borrowing costs.

The value of the non-mortgage loan portfolio in foreign branches of mBank increased on annual basis by 7.9% to PLN 2,933.4 million at the end of June 2024. Stronger growth was recorded in Slovakia (by 17.5% to PLN 1,057.6 million), while the portfolio in the Czech Republic grew more slowly due to changes in exchange rates (by 3.2% to PLN 1,875.8 million).

Sales of mortgage loans in mBank foreign branches increased by 10.8% year on year to PLN 92.5 million, driven by higher volume of sale in the Czech Republic (+58.1%), while the sale of mortgage loans in Slovakia decreased (-11.6%).

The value of the mortgage loan portfolio of foreign branches amounted to PLN 5,956.3 million as of June 30, 2024 and was 14.6% lower than at the end of June of the previous year. Mortgage loans fell in the Czech Republic to PLN 4,062.5 million, or 17.1% year on year. In Slovakia, mortgage loans fell to PLN 1,893.7 million, or 8.6% year on year.

The volume of deposits in mBank's foreign branches remained at a similar level (down by -0.4% year on year to PLN 16,630.8 million). Thanks to an attractive interest rate on deposits, volumes in the Czech Republic increased by 1.6% year on year. Deposits in Slovakia decreased by 5.6% to PLN 4,376.5 million compared to end of June 2023.

2.4. Corporate and Investment Banking Area

The Corporate and Investment Banking segment serves 35,729 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 and full accounting), 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 financial data (at the end of H1 2024):

Share in total income	Pre-tax profit	Total income
37,9% ↑	PLN 1,434.9 M ↑	PLN 2,200.5 M ↑

Key highlights

- Growth in gross profit by 20.1% year on year, while total revenues increased by 21.1% year on year.

- Sale of corporate loans grew by 52.6% on annual basis to PLN 21.2 billion in H1 2024, mainly driven by structured finance loans (+121.5% year on year).

- 88% of customers use the digital process when opening an account with mBank and 91.7% of customers have at least one user using mCompany Mobile banking.

- The percentage of electronically submitted loan applications reached 86.9% at the end of June 2024.

- In the first half of 2024, Paynow achieved a turnover of PLN 900 million, double the volume processed in H1 2023.

- Share of mBank in the corporate credit market increased year on year by 0.2 p. p. to 8.2% (including increase of market share in the investment loans by 0.7 p. p. to 9.0%), while share in the current deposit market increased to 13.3% (by 0.1 p. p year on year).

- As of June 30, 2024, RES (Renewable Energy Sources) portfolio of mBank amounted to PLN 4.6 billion. In the first half of 2024, mBank financed six investments including four related to photovoltaics and two investments in wind farms, allocating more than PLN 503 million for this purpose. As of June 2024, we allocate PLN 6.4 billion to finance this type of investments.

- January 2024 marked the seventh anniversary of the cooperation between the Great Orchestra of Christmas Charity (WOŚP), which played for the 32nd time this year, and mBank, the main banking partner of the foundation. The foundation raised money for the purchase of equipment for the diagnosis, monitoring and rehabilitation of lungs diseases of patients in pulmonological wards for children and adults. As usual, mBank also adds to the payments made by its customers. mBank has prepared a promotion for corporate customers. As part of this, the six-month fees for maintaining accounts, which were established in January and February are transferred to WOŚP.

Financial results

In H1 2023, the Corporate and Investment Banking segment generated a profit before tax of PLN 1,434.9 million. This result marked an increase by PLN 240.3 million or 20.1% year on year.

PLN M	H1 2023	H1 2024	Change in PLN M	Change in %
Net interest income	1,143.0	1,385.9	242.8	21.2%
Net fee and commission income	526.9	512.2	-14.7	-2.8%
Net trading income	125.1	106.7	-18.4	-14.7%
Other income	0.1	4.4	4.3	4,264.0%
Net other operating income	22.6	191.3	168.7	747.2%
Total income	1,817.7	2,200.5	382.7	21.1%
Net impairment losses and fair value change on loans and advances	48.5	-63.4	-112.0	-/+
Overhead costs and depreciation	-548.4	-579.6	-31.2	5.7%
Taxes on the Group balance sheet items	-123.2	-122.5	0.7	-0.6%
Profit before tax of Corporate and Investment Banking	1,194.7	1,434.9	240.3	20.1%

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 – 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.

Business results (mBank only)

	30.06.2023	31.12.2023	30.06.2024	YtD change	YoY change
Number of corporate clients	33,669	34,546	35,729	3.4%	6.1%
K1	2,327	2,379	2,465	3.6%	5.9%
K2	10,391	10,607	10,933	3.1%	5.2%
K3	20,951	21,560	22,331	3.6%	6.6%
PLN M					
Loans to corporate clients, including	36,508.7	33,038.2	38,681.0	17.1%	6.0%
K1	6,879.8	6,327.7	7,430.9	17.4%	8.0%
K2	22,889.6	23,082.3	23,702.5	2.7%	3.6%
K3	3,068.5	2,728.9	2,819.7	3.3%	-8.1%
Reverse repo/buy sell back transactions	3,670.8	899.3	4,728.0	425.7%	28.8%
Deposits of corporate clients, including	49,733.7	55,767.6	52,476.0	-5.9%	5.5%
K1	14,240.5	13,959.5	14,378.7	3.0%	1.0%
K2	22,721.2	27,395.9	23,938.9	-12.6%	5.4%
K3	12,269.3	14,236.8	12,906.6	-9.3%	5.2%
Repo transactions	502.7	175.4	1,251.8	613.6%	149.0%

Products and services

The market of loans to enterprises slightly decreased by 0.8% year on year, whereas the market of enterprises' deposits rose by 1.4% compared to June 2023. Despite the shrinkage of the market, mBank's loan volumes grew (+2.0%), while dynamics in the deposit volumes (+1.2% year on year) followed the market pace (in aggregates comparable to NBP methodology). At the end of June 2024, mBank's shares in the market of loans and deposits of enterprises reached 8.2% and 10.4%, respectively.

Corporate loans

The value of corporate loans at mBank (excluding repo transactions) stood at PLN 33,953.0 million at the end of June 2024, up by 3.4% compared with the end of June 2023 (PLN 32,837.9 million).

PLN M	30.06.2023	31.12.2023	30.06.2024	YoY change
Loans to corporate clients ¹	32,838	32,139	33,953	3.4%
Loans to enterprises ²	33,891	32,793	34,584	2.0%
Loans granted to local governments	56	49	31	-45.0%
Market of loans to enterprises	425,793	411,559	422,240	-0.8%
mBank's share in the market of lending to enterprises	8.0%	8.0%	8.2%	

¹ Bank, excluding reverse repo transactions.

² NBP category which ensures comparability of results of the banking sector.

Corporate deposits

The value of corporate deposits at mBank (excluding repo transactions) stood at PLN 51,224.2 million at the end of June 2024, up by 4.0% compared with the end of June 2023 (PLN 49,231.0 million).

PLN M	30.06.2023	31.12.2023	30.06.2024	YoY change
Corporate deposits ¹	49,231	55,592	51,224	4.0%
Deposits of enterprises ²	51,575	58,089	52,201	1.2%
Deposits of local governments	157	206	261	66.4%
Market of deposits of enterprises	494,191	529,410	501,328	1.4%
mBank's share in the total deposits of enterprises	10.4%	11.0%	10.4%	

¹ Bank, excluding repo transactions.

² NBP category which ensures comparability of results of the banking sector.

In the first half of 2024 mBank continued the de minimis guarantee line (PLD) agreement. mBank provided the guarantees under the government programme "Supporting Entrepreneurship with BGK guarantees and sureties". The value of utilized limit amounted to PLN 2,493.1 million. The new guarantees as part of PLD line were granted until June 30, 2018.

mBank also continued the de minimis guarantee line on the basis of the agreement signed on Jun 28, 2018. Based on the guarantee line agreement (PLD – KFG), the limit granted to mBank amounted to 6,800 million. As at June 30, 2024, the utilized limit amounted to PLN 3,986,0 million.

Agricultural guarantees

We also implemented agricultural guarantee line (FGR) Agreement. The guarantee limit granted to mBank under the agreement with BGK amounts to PLN 70,0 million. As at June 30, 2024, the utilized limit amounted to PLN 63,9 million.

FENG guarantees

On February 1, 2024, mBank signed the guarantee line agreement under the European Funds for a Modern Economy 2021-2027 (FENG) Scheme. The guarantee limit granted to mBank under the agreement with BGK amounts to PLN 470 million. As at June 30, 2024, the utilized limit amounted to PLN 68,5 million.

Liquidity guarantee, crisis guarantee, Biznesmax (POIR), COSME – only service of granted guarantees under line agreements

In 2024, mBank continued the guarantee line under the liquidity guarantee fund (FGP) granted until its termination, i.e. June 30, 2023. Within the FGP programme, the value of utilized limit amounted to PLN 2,932.9 million. As at June 30, 2024 the amount of outstanding guarantees was at PLN 191.2 million.

The FGP programme was succeeded by a guarantee under the crisis guarantee fund. The limit granted to mBank stood at PLN 1,700 million. The guarantee under the scheme ended on December 31, 2023. The value of utilized limit amounted to 1,526.9 million and the outstanding guarantees as at June 30, 2024, amounted to PLN 1,288.5 million.

We continued to implement BiznesMax guarantee line agreement (FG POIR) with the guarantee limit of PLN 750 million granted to mBank under the agreement with BGK. The guarantee under the scheme ended on December 31, 2023. The value of utilized limit amounted to PLN 734,1 million and as at June 30, 2024, the amount of outstanding guarantees reached PLN 444.4 million.

We continued the implementation of portfolio guarantee line agreement with the re-guarantee of the European Investment Bank as part of COSME programme (European Union program for the competitiveness of enterprises 2014-2020). Under the COSME programme, the value of utilized limit amounted to 1,761.7 million and the amount of outstanding guarantees stood at PLN 77.6 million as at June 30, 2024.

Corporate debt securities issues

In the first half of 2024, mBank carried out a series of new issuances (either independently or as a part of a consortium), including: RCI Leasing (PLN 650 million), Toyota Leasing (PLN 500 million), Archicom SA (PLN 358 million), Cognor SA (PLN 240 million), Polski Holding Nieruchomości SA (PLN 230 million), Develia SA (PLN 100 million). An issuance of EUR 41 million was also carried out for MLP Group SA.

Green bond issues

mBank also supports its clients in obtaining financing by issuing Green Bonds. These are bonds which have additional ecological features in line with ICMA (International Capital Market Association) standards, including: the purpose of using the funds - determining specific pro-ecological projects that can be financed from the issue, the project evaluation and selection process, including qualification criteria and identification and management of potential risks, management of funds - their segregation on a dedicated issuer's account, and periodic reporting - at least an annual report on the allocation of funds and the environmental impact resulting from the use of proceeds.

Financing of renewable energy sources (RES)

The Strategy of mBank Group for 2021–2025 allocates PLN 10 billion to the financing of green investments. It is mBank's priority to support RES projects, which reflects the bank's consistent effort to increase its presence in this area. We originally earmarked PLN 0.5 billion for this purpose, but we have been gradually increasing this limit along with the development of the market. In June 2024, the amount allocated to RES projects grew to PLN 6.4 billion.

As at June 30, 2024, mBank's RES portfolio was worth PLN 4.6 billion. In H1 2024, mBank financed six investments, including four photovoltaics projects and two wind farms, with a total value of over PLN 503 million.

These actions reflect mBank's commitment to promoting sustainable development and supporting the energy transition, which helps build a better future for all.

Sustainability Linked Loans

In H1 2024 mBank offered financing under Sustainability Linked Loans (SLL), i.e. loans related to achieving sustainable development goals, for a total amount of PLN 1.8 billion. SLL is a variety of financial tools that motivate borrowers to pursue complex and clearly defined environmental and social goals. What is characteristic of these loans is their linking to the company's ESG goals, setting demanding KPIs that are regularly monitored and assessed by independent institutions, and annual reporting of progress in achieving the goals to lenders.

Loan with a subsidy to finance investments related to sustainable development

In January 2023, mBank concluded an agreement with Bank Gospodarstwa Krajowego (BGK), becoming one of the banks offering Ecological Loan, which is subsidized by BGK from the so-called ecological premium. This bonus, which is an EU subsidy under Measure 3.01. European Funds for a Modern Economy is awarded by BGK to entrepreneurs in open competitions. Ecological Loan is dedicated to the SME sector and small MID-CAPS and MIDCAPS companies (up to 3,000 employees), financially supporting their transformation towards greater energy efficiency through infrastructure modernization. The expected effects are a reduction in primary energy consumption by at least 30%, which is confirmed by an audit. The first call for funding applications took place in 2023, and the obligatory document was an attachment in the form of a bank promise. mBank issued 25 such loan promises, and as a result of the first call, nine investments with mBank's promise received funding. Two more calls for application for the Ecological Loan are planned in 2024.

Development of Corporate Banking products and services

Transactional banking

Cash Management is the key area of mBank's Corporate Banking. It is a platform providing cutting-edge solutions that support strategic planning, monitoring and effective management of highly liquid assets. The platform offers innovative cash processing and electronic banking tools, which make daily banking easier to businesses.

The purpose of the Cash Management solutions offered by mBank is not only to increase the effectiveness of cash flow management, but also to optimise costs and generate interest income. Our dynamically growing range of products and services, including new and extended solutions, reflects our ability to adapt to the changing needs of our clients.

mBank’s extensive and continuously developing cash management offering, which supports long-term customer relationships, is reflected in the year-on-year growth rate shown below:

Number of incoming international transfers	+6.7%
Number of outgoing international transfers	+8.3%
Number of mobile application users	+9.3%
Number of mobile transactions	+56.9%
Number of active users of FX module	+33.6%

Digital onboarding of corporate customers

mBank has been successively continuing the digitalisation of business processes, which translates to fast and convenient onboarding of corporate clients. In H1 2024, as many as 87% of new accounts for corporate clients were opened online.

The online account opening process is yet another step towards streamlining and optimising customer service. In addition, it improves customer satisfaction. This way mBank strengthens its position as a leader of innovation and digital transformation in the banking sector.

Electronic banking

The digitalisation of corporate client assistance processes at mBank is the top priority of the Corporate Client Centre team. In H1 2024, the Corporate Client Centre handled nearly 11,000 interactions with corporate clients through the Online Assistant service. Compared with 14,000 interactions handled via the Online Assistant throughout 2023, the scale of the increase demonstrates the growing interest in this form of contact among clients.

Clients choose to chat or use the help of an online assistant increasingly more often, as they see it as a convenient and quick channel of communication with the bank. In H1 2024, 4,500 clients chose this form of contact, which represents a 40% increase against the same period last year.

mBank CompanyMobile

In H1 2024, the intensive development of the mBank CompanyMobile app continued. The work focused mostly on expanding the new currency exchange module in the app. As a result, the module now enables personalisation and optimisation of the user interface (UX) and allows clients to intuitively customise the tool to their needs. For example, they can choose components to be displayed on the dashboard (account balances, currency pairs and default accounts for transactions).

The new functionality analysing the exchange rate fluctuations in specific time intervals has made the app a comprehensive tool for currency trading. The users can now transfer funds to their business partners immediately after completing a currency exchange transaction. The app automatically suggests the transfer currency, the source account and the transfer amount, thus making the execution of domestic and foreign transfers faster.

The development of the FX module has contributed to a major rise in the number of currency exchange transactions executed in the mobile app (up by 25% over H1 2024). Moreover, the number of users grew by 34% compared with end of H1 2023, driven among others by the new functionalities.

eCommerce and Paynow payment gateway

Paynow, the dynamically growing payment service offered by mBank, reflects the development of the e-commerce market in Poland. In H1 2024, the value of transactions executed through the Paynow gateway reached PLN 900 million. Compared with PLN 1.1 billion reported for the entire 2023, this marks a major increase.

In H1 2024, in cooperation with mElements, an mBank Group subsidiary, the bank launched a new Paynow development strategy based on the following five key assumptions and values:

- Increasing payment conversion – online stores using Paynow can increase their sales volumes by even 5% annually.
- Building an ecosystem for e-commerce business management.
- Expertise – Paynow is a team of specialists.
- Innovative technology – Paynow is the synonym for cutting-edge solutions.
- Integration with mBank – Paynow is part of a greater whole.

This way Paynow is not only responding to the needs of the dynamically growing e-commerce market, but it is also actively shaping the future of digital payments. The innovative solutions provided to clients by Paynow are integrated with the wide range of products and services offered by mBank.

Activity of the Financial Markets Department

mBank's market shares in selected financial instrument markets as at May 31, 2024 are presented below:

	Treasury bills & bonds	IRS/FRA
mBank	11.5%	15.8%

Financial Institutions

The Strategic Clients Department provides services to financial institutions which are banks. The activity of the Department focuses, among others, on raising capital from other banks. It also deposits excess funds with them and provides financing to bank's clients and offers mBank's services with the scope of processing the PLN currency.

As at the end of June 2024, mBank had 4 active loans received (including one subordinated loan from Commerzbank) in the amount of PLN 3,034 million. The level of debt arising from loans was lower by PLN 50 million compared to first half of 2023. It was a result of appreciation of Polish zloty against Swiss franc as at the end of first half of 2024.

At the end of June 2024, mBank's exposure resulting from loans granted to other banks totaled an equivalent of PLN 88 million. At the end of June 2023 it amounted to PLN 89 million. It resulted from short- and medium-term loans granted to domestic and foreign financial institutions.

In H1 2024 the Strategic Clients Department actively supported trade transactions concluded by Polish exporters by offering short-term financing to financial institutions and setting limits for trade transactions, as well as granting financing to banks as part of syndicated loans.

mBank's custody services

mBank provides services including:

- settlement of transactions in securities registered in domestic and foreign markets;
- safe-keeping of clients' assets;
- maintenance of securities accounts and registers of securities in non-public trading;
- maintenance of asset registers of pension funds and investment funds, monitoring the valuation of their assets;
- performing operations related to benefits arising from securities.

mBank's custody clients are mainly domestic and foreign financial institutions, including in particular investment and pension funds, other banks which offer custodian and investment services, insurance companies, asset management institutions, and non-financial institutions.

As at June 30, 2024, the number of investment funds served by mBank dropped by 5.7% year on year.

2.5. Subsidiaries of mBank Group

Summary of financial results of mBank Group subsidiaries

The overall H1 2024 result of mBank Group subsidiaries amounted to PLN 128.6 million, which translates into a decrease of 14.3% compared to H1 2023. The decrease was driven by the loss incurred by mBank Hipoteczny. The result of mBank Hipoteczny was negatively impacted by the government "credit holidays" programme.

The table below presents the profit before tax posted by individual subsidiaries in H1 2024 against H1 2023.

PLN M	H1 2023	H1 2024	Change in PLN M	Change in %
mFinanse ¹	-16.6	17.8	34.4	+/-
mLeasing ²	115.1	129.3	14.2	12.4%
mBank Hipoteczny	35.4	-45.1	-80.5	-/+
mFaktoring	18.3	15.5	-2.8	-15.2%
Pozostałe ³	-2.1	11.2	13.3	+/-
Total gross profit/loss of mBank's subsidiaries	150.0	128.6	-21.4	-14.3%

¹ Including mFinanse CZ s.r.o. and mFinanse SK s.r.o.

² Including LeaseLink and Asekum.

³ „Other” subsidiaries include: mElements, Future Tech and mTFL.

Business activity of selected subsidiaries



mFinanse noted significant growth in sales in the mortgage loan market. A higher number of credit applications translated into a 197.0% increase in mortgage loan disbursements in H1 2024 compared with the same period last year (PLN 3,017.4 million vs PLN 1,016.0 million year on year). These good results resulted from higher volume of sale supported by the Safe 2% Loan government programme. The processing of the programme applications began at the end of 2023. The programme's attractive formula, which enabled a large number of clients to apply for subsidy, translated into a high number of loan applications filed with the bank. The programme, accompanied by network expansion and better sales efficiency, increased mFinanse's share in mBank's sales of mortgage loans and strengthened its position against other intermediaries.

The cash loan market also saw a high growth in sales. Increasing client interest in this form of financing of their needs, coupled with an improving economy and a large number of special price offers prepared by banks, drove the sales of cash products, which was also reflected in the subsidiary's results. The sales of non-mortgage loans went up by 47.5%, reaching PLN 586.9 million in H1 2024 vs PLN 398.0 million in H1 2023.

In H1 2024, mFinanse's profit before tax amounted to PLN 17.8 million compared with a loss of PLN 16.6 million in H1 2023. The improvement of pre-tax result was driven mainly by a high level of mortgage loan sales. In the first half of 2023, the subsidiary's gross result was affected by one-off factors: the creation of a provision after the inspection of the Social Insurance Institution (ZUS) had a negative impact (-PLN 21.2 million), and the sale of an organized part of the enterprise had a positive impact (+PLN 9.0 million).



In 2024, mLeasing established the Green Assets Department responsible for the development of products and services supporting energy transition, as well as the implementation of the process of financing investments and services supporting the decarbonisation of our clients. Additionally, the department will be tasked with the decarbonisation of mLeasing itself.

In H1 2024, mLeasing continued the financing of PV installations, heat pumps, energy storage facilities and electric vehicle charging infrastructure introduced to its product range in 2019–2023. The total value of devices financed by mLeasing amounted to PLN 54 million in this segment.

The number of leased electric vehicles (EVs) is gradually increasing. In H1 2024, the subsidiary signed lease agreements for 790 EVs worth a total of PLN 109 million.

In the second half of 2024, the subsidiary is planning to launch a platform supporting SME clients in the activities which aim to reduce costs of utilities. The platform will additionally provide information and tools useful for effective decarbonisation.

The profit before tax reported by mLeasing in H1 2024 stood at PLN 129.3 million, which represents a 12.4% increase year on year. The subsidiary's H1 2024 income of PLN 245.7 million was up by 10.7% year on year.

The value of new movable assets purchased by mLeasing in H1 2024 reached PLN 3,949.3 million, up by 10% compared with H1 2023. In H1 2024, the subsidiary financed new real estate worth PLN 9.5 million.

Bank Hipoteczny

mBank Hipoteczny (mBH) is the oldest mortgage bank operating on the Polish capital market. Since 2000, mBank Hipoteczny has been regularly issuing Polish covered bonds in Poland and abroad. As at June 30, 2024, the total value of covered bonds issued by mBH amounted to PLN 6.1 billion, which represented 34.8% of the total value of outstanding covered bonds issued by Polish mortgage banks. In its strategy for 2023–2026, mBank Hipoteczny undertook to issue green covered bonds supporting sustainable development goals (ESG). In addition, mBH continues its unsecured bonds issue programme.

In H1 2024, mBank Hipoteczny issued two series of covered bonds worth PLN 500 million and PLN 200 million without prospectus. In H1 2024, mBank Hipoteczny did not issue any bonds. It was the bank's conscious policy resulting from excess liquidity of mBank Group and its strategy focusing on intragroup financing.

mBH's total assets stood at PLN 10.1 billion at the end of June 2024, where 90.3% of this amount was attributable to the retail loans portfolio. In H1 2024, two pooling transactions were executed, adding 1,840 loan agreements worth a total of PLN 715.6 million to the bank's balance sheet. The gross value of the loans portfolio at the end of H1 2024 increased year on year, which resulted mostly from an increased pooling plan in 2024.

In H1 2024, the subsidiary's result before tax amounted to PLN -45.1 million compared with PLN 35.4 million in H1 2023. The low result was mostly caused by the negative impact of credit holidays.

Faktoring

In H1 2024, mFaktoring's turnover (the value of purchased invoices) reached PLN 17.9 billion, up by a steady 4.2% year on year. The subsidiary ranks sixth on the factoring market in Poland with a market share of 8% (according to the Polish Factors Association).

In H1 2024, mFaktoring acquired 79 new clients with limits totalling PLN 347.7 million, which constitutes a year-on-year decline. Total limits granted to the new clients were 8.1% lower and income generated by new transactions dropped by 31.9% compared to H1 2023.

Net interest and commission income amounted to PLN 34.9 million in H1 2024, down by 15.3% year on year.

mFaktoring's profit before tax in H1 2024 reached PLN 15.5 million vs PLN 18.3 million the year before.

The decline in demand for financing among mFaktoring clients reported in H1 2024 reflected the overall situation on the factoring market, which saw declines all across it. At present, there is a growing trend in the value of purchased invoices and a gradual increase in interest and commission income.

In 2024, the subsidiary has continued its cooperation in the implementation of the ESG strategy within mBank Group. mFaktoring is adjusting its reporting process to the changing requirements and, together with mBank, is developing specific measures aimed at implementing mBank Group's ESG goals.

3. Financial results and macroeconomic environment

3.1. Economy and banking sector in H1 2024

The first half of 2024 was characterized by declining inflation, which just missed the inflation target. At the same time, economic growth started to recover, although the pace of recovery is still not very strong. From a market perspective, we have seen a rise in domestic government bond yields and a strengthening of the zloty. Inflationary pressures are also cooling in the global economy. In the US, the slowdown in economic activity is becoming more pronounced, while the eurozone is slowly coming back to life.

In the first quarter, GDP growth accelerated to 2% year-on-year, compared with 1% year-on-year in the last quarter of 2022. The main driver of growth was private consumption, which contributed 2.7 percentage points to the recorded increase. A significant and positive contribution also came from government consumption, which amounted to 1.9 p.p. In the opposite direction were the contributions from inventories (-2.8 p.p.) and investments (-0.2 p.p.). The contribution from foreign trade was only slightly positive. Looking at the annual dynamics, it is worth noting the solid acceleration of private consumption mentioned above, to which the contribution of services was most likely large. Strongly rising real disposable incomes, combined with a high degree of consumer optimism, should support the recovery in private consumption over the course of the year. Strong consumption does not mean that households will not save some of their income, but the level of income growth is high enough to expect strong private consumption growth throughout the year. Investment slowed noticeably in the first quarter, falling by 1.8% year-on-year. The poor result is the consequence of the end of investment under the previous perspective of EU funds and the lack of use of funds under the new perspective (including the Recovery Fund). The investment picture should start to change at the turn of the year and the momentum should fully recover in 2025. The bank expects GDP growth at 3.5% this year.

The disinflationary trend continued throughout the first half of the year. As a result, CPI inflation reached a low of 2% year-on-year in March. Since then, we have seen only a slight rebound to 2.6% year-on-year in June (preliminary data). The decline in inflation has not escaped the core part of the basket (excluding food and energy prices) either, where it fell to 3.8% year-on-year in May. Looking ahead, there is much to suggest that the next few months will be less optimistic. Inflation is expected to rebound sharply in July as a result of the unfreezing of electricity and gas prices. The delayed and possibly staggered impact of the VAT increase on food may also contribute to higher CPI inflation. At the same time, the accelerating economic recovery could lead to a slight acceleration in core inflation later this year. The bank's forecasts point to an acceleration of CPI inflation to around 5.5% in the last quarter of 2024. Core inflation, in turn, could pick up towards 4.5%.

In the first half of the year, the Monetary Policy Council (MPC) kept the key interest rate at 5.75%. According to the July inflation projection of the National Bank of Poland, inflation will accelerate to over 6% year-on-year in the first half of 2025 and then start to decline. The inflation target is expected to be reached in the second half of 2026. Wage growth is projected to slow steadily, followed by a gradual decline in core inflation. The current communication from the MPC is rather mixed. Chairman Glapinski rules out rate cuts before the end of 2025, while other members see room for such a move. The bank forecasts the first cut in the cost of money in mid-2025.

The first few months of the year saw a rise in government bond yields and an appreciation of the zloty against the euro. The main reason for higher yields was the behavior of the underlying markets, as evidenced by relatively low and stable asset swap rates. Market participants do not seem to be very concerned about meeting the high borrowing needs this year. The release of funds under the Recovery Fund also provides an additional source of financing for the government, which works together to reduce credit risk. Recently, we have seen a pick-up in the dynamics of loans to enterprises and households. In the case of deposits, growth dynamics have shown little volatility. Looking ahead to the second half of the year, the bank expects a continuation of the moderate recovery in lending and relative stabilization on the deposit side. The recovery in lending should also extend into 2025, as investment projects under the Recovery Fund are established and the government's mortgage subsidy program may be launched.

Outlook for economic development in 2024

Key macroeconomic ratios

	2022	2023	2024F
GDP (YoY)	5.6%	0.2%	3.5%
Domestic demand (YoY)	5.2%	-3.2%	3.4%
Private consumption (YoY)	5.4%	-1.0%	4.9%
Investment (YoY)	2.7%	13.1%	-0.1%
Inflation (end of period)	16.6%	6.2%	5.7%
MPC rate (end of period)	6.75%	5.75%	5.75%
CHF/PLN (end of period)	4.73	4.68	4.34
EUR/PLN (end of period)	4.69	4.34	4.20





Banking sector – monetary aggregates (year to year)

	2022	2023	2024F
Corporate loans	9.6%	-0.7%	4.8%
Consumer loans	-3.8%	-1.3%	3.2%
Corporate deposits	11.6%	8.8%	3.4%
Consumer deposits	3.3%	11.3%	6.4%

Source: Projections of the bank’s Chief Economist as of July 31, 2024.

Prospects for mBank Group and description of potential risks in the future

The impact of various factors affecting mBank Group is summarised in the table below. It takes into account both positive and negative phenomena, which allows for a reliable presentation of the expected situation of mBank Group in the coming periods.

Net interest income & NIM	(slightly positive)	
<ul style="list-style-type: none"> ■ Interest rates in baseline scenario are expected to remain stable in Poland, while cuts in the Eurozone and Czech Republic started 		
<ul style="list-style-type: none"> ■ Rebounding loan volumes should support interest income 		
<ul style="list-style-type: none"> ■ Potential for margin improvement stemming from deposit pricing optimisation seems to be exhausted 		
Net Fee & Commission income	(slightly positive)	
<ul style="list-style-type: none"> ■ Uptrend in customer base and transactionality may be offset by lower volatility and elevated commission expenses 		
<ul style="list-style-type: none"> ■ Some adjustments to tariff of fees already implemented 		
Total costs	(negative)	
<ul style="list-style-type: none"> ■ Visible wage and inflationary pressure weights on operating costs 		
<ul style="list-style-type: none"> ■ Rising amortisation driven by investments in future growth 		
<ul style="list-style-type: none"> ■ Lack of contributions to the Deposit Guarantee Scheme 		
Loan Loss Provisions & FV change	(slightly positive)	
<ul style="list-style-type: none"> ■ The overall asset quality should not deteriorate materially thanks to prudent approach in loan origination 		
<ul style="list-style-type: none"> ■ Financial standing of borrowers may be affected by geopolitical developments and complex macroeconomic environment 		

An important factor forming the activities in the coming periods is the economic and regulatory environment, whose developments in H1 2024 are described in Chapter 3.1. Economy and banking sector in H1 2024 and later in this chapter.

Important information regarding factors that may affect mBank Group in the future is additionally described in the following sections of the Condensed Consolidated Financial Statements for the first half of 2024:

- 3. explanatory note – Major estimates and judgements made in connection with the application of accounting policy principles;
- 31. explanatory note – Legal risk related to mortgage and housing loans granted to individual customers in CHF;
- 31. selected explanatory information – Factors affecting the results in the coming quarter;
- 32. selected explanatory information – Other information.

Changes in selected regulations relevant to banks

Regulation (EU) 2024/1183 of the European Parliament and of the Council establishing the European Digital Identity Framework

On May 20, 2024, Regulation (EU) 2024/1183 of the European Parliament and of the Council establishing the European Digital Identity Framework (eIDAS 2.0 Regulation) entered into force. It aims to improve the effectiveness of Regulation (EU) 920/2014, extend its benefits to the private sector and promote trusted digital identities.

The regulation introduces the European Digital Identity Wallet (EDIW) to the eIDAS Regulation, which is the first electronic identification means harmonised at the European level. Natural and legal persons will use it to identify themselves and to provide authentication of their identity when accessing public and private services across the European Union. The sectors obliged to recognise the EDIW include banking and financial services. Institutions will be obliged to start recognising the EDIW not later than 36 months from the date of entry into force of the implementing acts which will be adopted by the European Commission by November 21, 2024, exclusively upon the voluntary request of the user.

Resolution of the Supreme Court in case no. III CZP 25/22

On April 25, 2024, the Supreme Court adopted a resolution resolving legal issues relating to loans indexed to or denominated in a foreign currency. The issues were presented by the First President of the Supreme Court in view of the discrepancies in the interpretation of law in the rulings of the Supreme Court and the common courts. The Supreme Court resolved that:

- If it is considered that a provision of an indexed or denominated loan agreement relating to the method of determining the foreign exchange rate constitutes an unlawful contractual provision and is not binding, it cannot be assumed, under current legislation, that this provision is replaced by a different method of determining the foreign exchange rate resulting from law or customs.
- If it is impossible to determine the exchange rate of a currency binding on the parties in a loan agreement indexed to or denominated in this currency, the remaining scope of the agreement is also not binding on the parties.
- If, in the performance of a loan agreement which is not binding due to unlawful nature of its provisions, the bank disbursed to the borrower the whole or part of the loan amount and the borrower made loan repayments, separate claims for recovery of sums paid but not due arise for each party.
- If a loan agreement is not binding due to unlawful nature of its provisions, the limitation period for the bank's claim for recovery of sums disbursed under the loan begins, in principle, from the day following the day on which the borrower challenged the bank about the binding nature of the agreement.
- If a loan agreement is not binding due to unlawful nature of its provisions, none of the parties has legal grounds to demand interest or other consideration for the use of its funds in the period between the time when the undue payment was made and the time when recovery of that payment became delayed.

Moreover, on April 25, 2024, the Polish Bank Association (ZBP) published an announcement in connection with this resolution, which is available on [this website](#).

Act extending the loan payment holidays into 2024

On May 7, 2024, the Act of April 12, 2024 Amending the Act on Assistance to Home Loan Borrowers in a Difficult Financial Situation and the Act on Crowdfunding of Business Undertakings and Support for Borrowers was promulgated. In accordance with the act, consumers are entitled to suspend their loan repayments:

- for two months from June 1, 2024 to August 31, 2024,
- for two months from September 1, 2024 to December 31, 2024.

The suspension of loan repayments depends on the borrower meeting certain conditions connected with, among others, the loan amount, the instalment-to-income ratio and the number of children.

Act on Ensuring Compliance of Economic Operators with Accessibility Requirements for Certain Products and Services

On May 15, 2024, the Act on Ensuring Compliance of Economic Operators with Accessibility Requirements for Certain Products and Services was published. The act sets out, among others, accessibility requirements for products and services and obliges economic operators to ensure compliance with these requirements. This pertains, among others, to automated teller machines and cash deposit machines as well as to retail banking services provided to consumers, such as credit agreements for consumers and mortgage agreements, etc. The requirements laid down in the act aim to facilitate access for persons with disabilities.

The act stipulates fines for service providers offering services that do not meet the accessibility requirements. The act enters into force on June 28, 2024, with the exceptions provided for in the act.

Amendments to Recommendation G of the Polish Financial Supervision Authority (KNF) on interest rate risk management at banks

On February 26, 2024, the Polish Financial Supervision Authority adopted the amended Recommendation G on interest rate risk management at banks. The new Recommendation G is a set of good practices for managing interest rate risk at banks and keeping the interest rate risk-sensitive volatility of the financial result and measures of economic value within limits that do not compromise the security of banks. The recommendation takes into account the current conditions for products generating interest rate risk and techniques used to manage this risk. The final wording of the new Recommendation G was determined by both domestic regulations and the recently adopted package of EU regulations on interest rate risk management. The amended Recommendation G specifies and supplements these regulations, in particular in the scope of interest rate risk management (also in the trading portfolio) at banks. The KNF expects banks to comply with the amended Recommendation G by December 31, 2024. Until then, banks must comply with the Recommendation G published in 2002.

Regulation on instant credit transfers in euro

On March 13, 2024, Regulation (EU) 2024/886 of the European Parliament and of the Council amending Regulations (EU) No 260/2012 and (EU) 2021/1230 and Directives 98/26/EC and (EU) 2015/2366 as regards instant credit transfers in euro was adopted. The regulation governs instant credit transfer transactions. It obliges payment service providers to offer the service of sending and receiving instant credit transfers and ensure verification of payees.

Act on Amending Certain Acts to Mitigate Certain Consequences of Identity Theft

The act introduces an obligation to check whether the person to whom certain services are provided has blocked their personal identification number (PESEL) in the newly created register of blocked PESEL numbers. The act obliges banks to make this check, among others, before concluding the following agreements with a consumer: a savings account agreement; a savings and settlement account agreement; an agreement on the provision of the payment service referred to in Article 3 (1) (4) of the Act of August 19, 2011 on Payment Services if the agreement provides for an option to conclude a loan agreement; a loan agreement; or a leasing agreement.

Regulation (EU) 2024/1623 of the European Parliament and of the Council (CRR III)

The regulation marks the final stage of implementation of the international prudential standards for banks agreed in 2017–2020 by the Basel Committee on Banking Supervision in the European Union (EU). The purpose of the regulation is to (i) strengthen the risk-based capital framework without a significant increase in overall capital requirements; (ii) put greater emphasis on ESG risks in the prudential framework; (iii) continue the harmonisation of supervisory powers and tools; and (iv) reduce the administrative burden to which institutions are subject in connection with public disclosures and to facilitate access to prudential information of institutions. The regulation amends Regulation (EU) 575/2013, among others, in the scope of (i) definition of entities to be included in the scope of prudential consolidation; (ii) definition of "indirect holding" and "synthetic holding"; (iii) thresholds for deductions from the Common Equity Tier 1 capital; (iv) new standardised approach, which will replace all the approaches for operational risk used so far; (v) calculation of own funds requirements for operational risk; (vi) data collection and governance; (vii) ESG – introduction of new harmonised definitions of various types of ESG risks and a requirement for institutions to notify their exposures to ESG risk to the competent authorities.

EU AML Package

On June 19, 2024, the following three legal acts were published in the Official Journal of the EU (the AML Package):

- Regulation (EU) 2024/1624 of the European Parliament and of the Council of 31 May 2024 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing ("AML Regulation");
- Directive (EU) 2024/1640 of the European Parliament and of the Council of 31 May 2024 on the mechanisms to be put in place by Member States for the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Directive (EU) 2019/1937, and amending and repealing Directive (EU) 2015/849 ("AML IV Directive"); and
- Regulation (EU) 2024/1620 of the European Parliament and of the Council of 31 May 2024 establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 ("AMLA Regulation").

3.2. Financial results of mBank Group in H1 2024

All changes presented in the analysis of financial results are calculated on the basis of the Condensed Consolidated Financial Statements for the first half of 2024 (in PLN'000). Potential disparities in the tables might be a result of rounding the values.

Profit & Loss Account

mBank Group closed H1 2024 with a profit before tax of PLN 1,152.0 million, compared with PLN 545.3 million in H1 2023 (up by PLN 606.7 million or 111.3%). Net profit attributable to the shareholders of mBank reached PLN 684.5 million, compared with PLN 127.3 million year on year (up by PLN 557.2 million or 437.7%).

PLN M	H1 2023	H1 2024	Change in PLN M	Change in %
Interest income	7,295.8	6,907.4	-388.4	-5.3%
Interest expense	-3,062.0	-2,402.7	659.4	-21.5%
Net interest income	4,233.7	4,504.7	271.0	6.4%
Fee and commission income	1,485.7	1,556.3	70.5	4.7%
Fee and commission expense	-497.0	-580.9	-83.9	16.9%
Net fee and commission income	988.7	975.4	-13.4	-1.4%
Core income	5,222.4	5,480.1	257.6	4.9%
Dividend income	4.6	9.2	4.6	98.6%
Net trading income	3.9	87.0	83.2	2,157.6%
Other income	-25.2	17.7	42.9	+/-
Other operating income	142.6	339.4	196.7	137.9%
Other operating expenses	-151.2	-120.8	30.4	-20.1%
Total income	5,197.1	5,812.6	615.4	11.8%
Net impairment losses and fair value change on loans and advances	-371.1	-219.4	151.7	-40.9%
Costs of legal risk related to foreign currency loans	-2,348.7	-2,404.0	-55.4	2.4%
Overhead costs and depreciation	-1,559.3	-1,670.0	-110.7	7.1%
Operating profit or loss	918.0	1,519.1	601.1	65.5%
Taxes on the Group balance sheet items	-372.7	-367.1	5.6	-1.5%
Profit/Loss before income tax	545.3	1,152.0	606.7	111.3%
Income tax expense	-418.0	-467.5	-49.5	11.8%
Net profit/loss attributable to:	127.3	684.5	557.2	437.7%
- Owners of mBank S.A.	127.3	684.4	557.0	437.5%
- Non-controlling interests	0.0	0.1	0.1	-
ROA net	0.1%	0.6%		
ROE gross	8.1%	16.1%		
ROE net	1.9%	9.6%		

Cost / Income ratio	30.0%	28.7%
Net interest margin	4.1%	4.4%
Common Equity Tier 1 ratio	14.5%	13.7%
Total capital ratio	16.8%	15.5%

Core income – 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 – net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses.

General administrative expenses including depreciation and amortisation – general administrative expenses plus depreciation and amortisation.

Impairment and change of fair value of loans and advances – sum of impairment or reversed impairment of 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.

ROA net – calculated by dividing net profit 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 attributable to Owners of the Bank is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

ROE gross – Calculated by dividing profit/loss before income tax by the average equity attributable to Owners of the Bank. The average equity is calculated on the basis of the balances as at the end of each month. Profit/loss before income tax is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

ROE net – Calculated by dividing net profit/loss attributable to Owners of the bank by the average equity attributable to Owners of the bank. 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 annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

Cost/Income ratio – general administrative expenses including depreciation and amortisation to total income (excluding tax on the Group balance sheet items).

Net interest margin – net interest income to 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 include: cash in hand and transactions with the central bank, amounts due from banks, securities (including all valuation methods), loans and advances to clients (net, including all valuation methods). Average interest-earning assets are based on balances at the end of each month. Net interest income is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

The main drivers of the financial results of mBank Group in H1 2024 included:

- **Increase in income** by 11.8% against H1 2023, driven mainly by higher net interest income; the income was also pushed up by a recovery of receivables in the amount of PLN 164.0 million under a final court decision issued in the bank’s favour in Q2 2024,
- **Increase in operating expenses** (including depreciation) by 7.1% compared with H1 2023, caused chiefly by higher staff-related costs and depreciation,
- **Decrease in risk costs** by 40.9% arising mainly from a release of part of provisions in the Investment and Corporate Banking segment in Q1 2024 and better payment discipline of retail customers,
- **Slightly higher costs of legal risk related to foreign currency loans** at the level of PLN 2,404.0 million,
- **Slightly lower taxes on Group balance sheet items,**
- **Continued organic growth and business expansion** as demonstrated by:
 - number of retail clients hitting 5,678,700 (+32,000 compared with the end of June 2023),
 - number of corporate clients hitting 35,729 (+2,060 compared with the end of June 2023).

The Total Capital Ratio stood at 15.5% compared with 17.0% at the end of 2023 and 16.8% at the end of June 2023. The Common Equity Tier 1 Capital Ratio stood at 13.7% compared with 14.7% at the end of 2023 and 14.5% at the end of June 2023. The decrease in the capital ratios was driven by an increase of the total risk exposure amount. At the same time, the surplus over the KNF minimum capital requirements reached a safe level of 4.6 p.p for the Tier 1 capital ratio and 4.4 p.p. for the total capital ratio.

Summary of results of mBank Group core business in H1 2024

Pre-tax profit on core business (mBank Group excluding the Foreign Currency Mortgage Loans segment) totalled PLN 3,587.6 million in H1 2024, up by 21.3% from PLN 2,957.6 million in H1 2023. Net profit attributable to owners of mBank went up by 20.3% to PLN 2,746.9 million in the analysed period.

This was reflected by **net ROE, which stood at 40.3%** in H1 2024 against 37.5% in H1 2023.

PLN M	Core business	Non-core	mBank Group
Net interest income	4,494.9	9.9	4,504.7
Net fee, trading and other income	1,333.8	-25.9	1,307.8
Total income	5,828.6	-16.1	5,812.6
Total costs	-1,652.1	-17.9	-1,670.0
Net impairment losses and fair value change on loans and advances	-228.8	9.5	-219.4
Cost of legal risk related to FX loans	0	-2,404.0	-2,404.0
Operating profit	3,947.7	-2,428.5	1,519.1
Taxes on the Group balance sheet items	-360.1	-7.0	-367.1
Profit before income tax	3,587.6	-2,435.6	1,152.0
Net profit	2,746.9	-2,062.5	684.5
Total assets	227,543.9	2,751.7	230,295.6
Net interest margin	4.46%		4.41%
Cost/Income ratio	28.4%		28.7%
ROE net	40.3%		9.6%
ROA net	2.5%		0.6%

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 annualized based on the number of days in the analysed period (an annualization 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 annualized based on the number of days in the analysed period (an annualization 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 annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

Contribution of business segments and business lines to the financial results

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

PLN M	H1 2023	H1 2024	Change in PLN M	Change in %
Retail Banking	1,655.5	2,016.7	361.1	21.8%
Corporate and Investment Banking	1,194.7	1,434.9	240.3	20.1%
Treasury and Others	107.3	136.0	28.6	26.7%
Profit before tax of core business	2,957.6	3,587.6	630.0	21.3%
FX Mortgage Loans	-2,412.3	-2,435.6	-23.3	1.0%
Profit before tax of mBank Group	545.3	1,152.0	606.7	111.3%

Income of mBank Group

mBank Group generated total income at the level of PLN 5,812.6 million in H1 2024 against PLN 5,197.1 million in H1 2023, which represents an increase of PLN 615.4 million or 11.8%. During this period, net interest income improved markedly.

Net interest income remained the main source of income of mBank Group in H1 2024 (77.5% of total income). It stood at PLN 4,504.7 million against PLN 4,233.7 million in H1 2023, representing an increase by PLN 271.0 million or 6.4%. Excluding the negative impact of "credit holidays" in the amount of PLN 256.8 million in H1 2024 and a positive impact of PLN 41.5 million in H1 2023, net interest income went up by 13.6%. The increase was driven by lower costs of financing, especially of deposits. In September and October 2023, the NBP interest rate was lowered by 1 p.p. in total from 6.75% to 5.75%, which had a positive impact on the costs of financing. At the same time, interest income declined.

Interest income went down by PLN 388.4 million or 5.3% year on year and stood at PLN 6,907.4 million in H1 2024. Excluding the impact of "credit holidays", interest income fell by 1.2%. In connection with the interest rate decrease, income on loans and advances to clients, constituting the main source of interest income, went down by PLN 265.0 million or 4.9% year on year. In the period under review, income from cash and short-term funds rose by PLN 164.8 million or 42.1%. The increase was attributable to a higher average value of these instruments in H1 2024 compared with H1 2023.

PLN M	H1 2023	H1 2024	Change in PLN M	Change in %
Loans and advances	5,434.6	5,169.6	-265.0	-4.9%
Investment securities	1,264.7	1,329.0	64.3	5.1%
Cash and short term funds	391.2	556.0	164.8	42.1%
Debt securities held for trading	37.3	28.7	-8.6	-23.0%
Interest income on derivatives classified into banking book	45.4	41.7	-3.6	-8.0%
Other	122.6	-217.7	-340.3	+/-
Total interest income	7,295.8	6,907.4	-388.4	-5.3%

Interest income from loans and advances includes interest income from loans and advances on the following items: assets held for trading, non-trading financial assets measured mandatorily at fair value through profit or loss and financial assets measured at amortised cost.

Interest income from investment securities includes interest income on the following items: non-trading financial assets measured mandatorily at fair value through profit or loss, including debt securities, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost, including debt securities.

Interest expense decreased by PLN 659.4 million or 21.5% year on year in H1 2024. Deposit expenses went down by PLN 482.8 million or 24.8% to PLN 1,465.1 million due to lower interest rates on deposits introduced after the interest rate decreases. In addition, interest costs on derivatives concluded under the cash flow hedge fell by PLN 167.2 million or 48.3%. Costs of debt securities in issue, which constitute the

Group's second-largest source of funding, increased by PLN 36.2 million or 16.5% owing to the issuance of bonds under the EMTN programme in September 2023 and the issuance of CLN bonds in connection with a securitisation transaction.

Net interest margin rose to 4.41% in H1 2024 from 4.08% a year before.

Net fee and commission income amounted to PLN 975.4 million in H1 2024, down by PLN 13.4 million or 1.4% year on year. The decline stemmed mainly from higher commission costs.

PLN M	H1 2023	H1 2024	Change in PLN M	Change in %
Payment cards-related fees	332.0	353.6	21.6	6.5%
Credit-related fees and commissions	308.1	306.3	-1.8	-0.6%
Commissions for foreign currencies exchange	245.2	241.3	-3.8	-1.6%
Commissions for agency service regarding sale of insurance products of external financial entities	65.7	72.4	6.7	10.2%
Fees from brokerage activity and debt securities issue	81.5	88.3	6.8	8.3%
Commissions from bank accounts	145.4	148.3	2.9	2.0%
Commissions from money transfers	117.4	123.0	5.6	4.8%
Commissions due to guarantees granted and trade finance commissions	58.3	56.2	-2.1	-3.5%
Commissions for agency service regarding sale of other products of external financial entities	31.4	59.7	28.4	90.6%
Commissions on trust and fiduciary activities	15.1	15.8	0.7	4.4%
Fees from portfolio management services and other management-related fees	12.2	15.6	3.4	27.8%
Fees from cash services	33.2	32.8	-0.4	-1.3%
Other	40.4	43.0	2.6	6.5%
Fee and commission income	1,485.7	1,556.3	70.5	4.7%

Commission income increased by PLN 70.5 million or 4.7% year on year. Payment card-related commissions, which are the largest contributor to the fee and commission income, rose by PLN 21.6 million or 6.5% compared with H1 2023 as a result of greater client activity. The number and value of cashless transactions grew by 12.1% and 18.0% on the previous year, respectively. At the same time, commissions for agency service regarding sale of products of external financial entities surged by PLN 28.4 million or 90.6% due to an increase in the sales of mortgage loans by mFinanse, mainly under the Safe 2% Loan government programme.

Fee and commission expense increased by PLN 83.9 million or 16.9% year on year in H1 2024. The increase was mainly driven by other discharged fees, commissions paid for sale of external financial entities' products and commissions paid to external entities for sale of the Group's products.

In H1 2024, **dividend income** amounted to PLN 9.2 million compared with PLN 4.6 million in H1 2023. Similarly to the previous year, income posted in the period under review included dividends received i.a. from Biuro Informacji Kredytowej (BIK) and Krajowa Izba Rozliczeniowa (KIR), in which mBank holds minority stakes.

Net trading income amounted to PLN 87.0 million in H1 2024, up by PLN 83.2 million compared with the previous year. The surge was mainly attributable to foreign exchange result.

Other income (an item including gains or losses from derecognition of financial assets and liabilities and gains or losses from non-trading financial assets mandatorily measured at fair value through profit or loss connected with equity instruments and debt securities) totalled PLN 17.7 million compared with -PLN 25.2 million in H1 2023.

Net other operating income (other operating income net of other operating expenses) stood at -PLN 218.6 million, compared with -PLN 8.6 million in H1 2023. In H1 2024, an income from the recovery of receivables in connection with a final court judgement favourable to the bank in the amount of PLN 164.0 million was posted.

Net impairment losses and fair value change on loans and advances

In H1 2024, net impairment losses and fair value change on loans and advances of mBank Group (calculated as the sum of two items: impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss) stood at -PLN 219.4 million, down by PLN 151.7 million or 40.9%, from the level of -PLN 371.1 million in H1 2023. In H1 2024, impairment or reversal of impairment on financial assets not measured at fair value through profit or loss amounted to -PLN 217.9 million, while gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss amounted to -PLN 1.4 million. 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 mainly related to the credit risk of the portfolio of loans and advances measured with the use of this method.

PLN M	H1 2023	H1 2024	Change in PLN M	Change in %
Retail Banking	-431.3	-161.7	269.6	-62.5%
Corporate and Investment Banking	48.5	-63.4	-112.0	+/-
Other	11.7	5.8	-5.9	-50.7%
Total net impairment losses and fair value change on loans and advances	-371.1	-219.4	151.7	-40.9%

Net impairment losses and fair value change on loans and advances in Retail Banking fell by PLN 269.6 million year on year and stood at PLN 161.7 million in H1 2024. The lower risk cost stems mainly from better payment discipline of retail customers.

Net impairment losses and fair value change on loans and advances in Corporate and Investment Banking stood at PLN 63.4 million in H1 2024, up by PLN 112.0 million year on year. In 2023, owing to efficient management of the restructuring and debt collection portfolio, part of provisions created earlier were released, which resulted in a positive provision balance. In 2024, the economic situation of corporate clients remained stable.

Cost of legal risk related to foreign currency loans

Costs of legal risk related to foreign currency loans stood at PLN 2,404.0 million in H1 2024, which represents a slight year-on-year increase by PLN 55.4 million. The costs are mainly due to updating model parameters for the future expected costs of execution of court judgments, in particular updating estimates of statutory interest costs in relation to the pending court cases. More information about the method of calculating legal risk costs is provided in explanatory note 31 to mBank S.A. Group Condensed Consolidated Financial Statements for H1 2024.

Costs of mBank Group

In the period under review, mBank Group pursued further investments in growth in the strategic areas, which will help to boost income in the coming years. At the same time, high operational efficiency, measured by the normalised cost-to-income ratio, increased.

Total overhead costs of mBank Group (including depreciation) stood at PLN 1,670.0 million in H1 2024, up by PLN 110.7 million or 7.1% year on year.

PLN M	H1 2023	H1 2024	Change in PLN	Change in %
Staff-related expenses	-689.5	-775.5	-86.0	12.5%
Material costs, including	-423.9	-441.7	-17.8	4.2%
- administration and real estate services costs	-175.0	-180.0	-5.0	2.9%
- IT costs	-124.5	-135.4	-10.9	8.8%
- marketing costs	-85.6	-81.3	4.4	-5.1%
- consulting costs	-30.1	-36.0	-5.8	19.4%
- other material costs	-8.7	-9.1	-0.4	4.1%
Taxes and fees	-19.8	-23.6	-3.8	19.2%
Contributions and transfer to the Bank Guarantee Fund	-181.8	-146.8	35.0	-19.3%
Contributions to the Social Benefits Fund	-6.1	-7.1	-1.0	16.6%
Depreciation	-238.1	-275.3	-37.2	15.6%
Total overhead costs and depreciation	-1,559.3	-1,670.0	-110.7	7.1%
Cost / Income ratio	30.0%	28.7%	-	-
Employment (FTE)	7,171	7,495	324	4.5%

Staff-related costs increased by PLN 86.0 million or 12.5% year on year due to higher remuneration costs. At the same time, the number of FTEs rose by 324 (mainly in the areas of IT and security and operations as well as in Retail Banking, including the foreign branches); in certain areas of the bank, the employees were also given pay rises.

Material costs went up by PLN 17.8 million or 4.2% in the period under review. At the same time, IT costs, costs of administration and real estate services as well as consulting costs escalated.

The contribution to the Bank Guarantee Fund (BFG) in H1 2024 stood at PLN 146.8 million, down by PLN 35.0 million against H1 2023. Both H1 2024 and H1 2023 costs comprise the annual contribution to the resolution fund.

Depreciation went up by PLN 37.2 million or 15.6% year on year.

As a result of changes in the income and costs of mBank Group, the cost-to-income ratio of mBank Group stood at 28.7% compared with 30.0% in the same period last year. The normalised cost-to-income ratio (net of the contribution to the resolution fund and the impact of "credit holidays" and the income from recovered receivables) improved in H1 2024 (down to 27.0% from 28.5% in H1 2023).

Changes in the consolidated statement of financial position

Changes in assets of mBank Group

In H1 2024, assets of mBank Group rose by PLN 3,315.1 million or 1.5%. As at June 30, 2024, they stood at PLN 230,295.6 million. Despite a drop in cash and cash equivalents, the assets went up thanks to higher lending and an increase in investment securities connected with, among other things, investing liquidity surpluses in Treasury bonds. As regards equity and liabilities, higher clients' deposits played the key part. Year on year, the balance sheet total of mBank Group rose by 8.2%.

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

PLN M	30.06.2023	31.12.2023	30.06.2024	YtD change	YoY change
Cash and cash equivalents	16,381.5	36,702.4	21,707.0	-40.9%	32.5%
Loans and advances to banks	11,508.4	7,119.1	11,577.9	62.6%	0.6%
Securities held for trading and derivatives held for hedges	2,828.0	1,719.5	1,595.8	-7.2%	-43.6%
Net loans and advances to customers	118,319.0	113,520.8	121,202.2	6.8%	2.4%
Investment securities	56,677.1	60,583.9	66,760.5	10.2%	17.8%
Intangible assets	1,580.0	1,701.9	1,763.2	3.6%	11.6%
Tangible assets	1,455.0	1,481.4	1,461.7	-1.3%	0.5%
Other assets	4,178.9	4,151.5	4,227.1	1.8%	1.2%
Total assets	212,927.9	226,980.5	230,295.6	1.5%	8.2%

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.

Loans and advances to customers retained the largest share in the asset structure of mBank Group at the end of H1 2024. At the end of June 2024, net loans and advances to customers (the sum 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 121,202.2 million, which represents an increase by PLN 7,681.4 million or 6.8% compared with the end of 2023. Year on year, they went up by PLN 2,883.2 million or 2.4%. As at June 30, 2024, they accounted for 52.6% of the balance sheet total against 50.0% at the end of 2023 and 55.6% at the end of H1 2023. The growth was mainly driven by a higher volume of loans to corporate clients. In H1 2024, the volume of gross loans increased across all three client segments.

PLN M	30.06.2023	31.12.2023	30.06.2024	YtD change	YoY change
Loans and advances to individuals	68,154.7	66,260.1	67,417.0	1.7%	-1.1%
Loans and advances to corporate entities	53,429.2	50,836.0	57,382.7	12.9%	7.4%
Loans and advances to public sector	143.5	132.9	159.8	20.2%	11.3%
Total (gross) loans and advances to customers	121,727.4	117,229.0	124,959.5	6.6%	2.7%
Provisions for loans and advances to customers	-3,408.4	-3,708.2	-3,757.3	1.3%	10.2%
Total (net) loans and advances to customers	118,319.0	113,520.8	121,202.2	6.8%	2.4%

Gross loans and advances to corporate clients grew by PLN 6,546.7 million or 12.9% in H1 2024 against the end of 2023. The increase in gross loans to corporate clients in H1 2024 was caused by the seasonal

loan repayment at the end of 2023 and financing granted at the beginning of 2024 under agreements signed in Q4 2023. Year on year, corporate loans rose by PLN 3,953.6 million or 7.4%. Excluding reverse repo/buy sell back transactions and the FX effect, the value of loans to corporate clients increased by 5.7% against the end of 2023 and 7.0% against H1 2023.

In H1 2024, the sales of loans to corporate clients (including new sales, increases of limits and renewals) increased by 52.6% year on year and stood at PLN 21,225.4 million. In H1 2024, new sales dominated total sales, accounting for 54.4%. Year on year, the highest surge in volume was generated by new loan sales (up by 100.9%). The volume of loan sales remained the highest in the K2 client segment. The greatest demand was recorded for long-term financing (structured finance loans), with the volume rising by 121.5% year on year.

In H1 2024, gross loans and advances to individuals went up by PLN 1,156.9 million or 1.7%. H1 2024 saw a reversal in the downward trend in loans to individuals, which had been observed since mid 2022. Year on year, the value of loans to individuals was still lower by PLN 737.7 million or 1.1%. The value of gross mortgage and housing loans to individuals stood at PLN 43,436.5 million, which marked a slight increase (by 0.7%) against December 31, 2023, and a decline by 3.5% year on year. The changes in loans to individuals were driven 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, appreciation of the PLN against main currencies, the sale of a portion of the portfolio of non-performing receivables, and higher sales volumes of mortgage and non-mortgage loans.

New sales of mortgage loans gained clear momentum in H1 2024. In H1 2024, mBank Group granted new mortgage loans worth a total of PLN 4,619.6 million, which represented an increase by 103.7% against H2 2023 and by 149.9% against H1 2023. The increase is attributable mostly to mBank Group in Poland, but foreign branches also saw higher sales. The sales growth was pushed by, among other things, mBank joining the Safe 2% Loan government programme of subsidised loan instalments. As a result, clients were eager to take out loans with attractive interest rates and the bank maintained profitable margins. The sales of mortgage loans in H1 2024 reached the highest figure since mid-2022.

In H1 2024, the sales of non-mortgage loans stood at PLN 5,606.4 million, which represented an increase by 25.5% against H2 2023 and by 35.3% against H1 2023. The growth was recorded both in Poland and foreign branches. As a result of a business decision made in this regard, mBank's foreign branches remain focused on active sales of non-mortgage loans, which are more profitable.

Net of the FX effect, loans and advances to individuals grew by 2.1% compared with the end of 2023 and remained at a similar level (down by 0.1%) year on year. Excluding the segment of FX mortgages, loans granted to individuals were up by 3.5% compared with the end of 2023 and by 4.4% year on year.

At the end of H1 2024, gross loans and advances to the public sector increased by PLN 26.9 million or 20.2% half-year on half-year and stood at PLN 159.8 million. Compared to the end of June 2023, gross loans and advances to the public sector grew by PLN 16.2 million or 11.3%.

Investment securities were the Group's second largest asset category worth PLN 66,760.5 million as at June 30, 2024, which accounted for 29.0% of total assets against 26.7% at the end of 2023. They were up by PLN 6,176.7 million or 10.2% half-year on half-year and by PLN 10,083.4 million or 17.8% year on year. The growth was driven by investment of client deposits in securities, especially in Treasury bonds.

Cash and cash equivalents stood at PLN 21,707.0 million. Half-year on half-year, they fell by PLN 14,995.4 million or 40.9% due to a lower volume of short-term overnight deposits. On an annual basis, cash and cash equivalents rose by PLN 5,325.5 million or 32.5%.

Loans and advances to banks stood at PLN 11,577.9 million, which marked an increase by PLN 4,458.9 million or 62.6% half-year on half-year, and were mainly driven by a higher value of reverse repo / buy-sell back transactions. Year on year, the figure stayed at a similar level (a rise by PLN 69.5 million or 0.6%).

Securities held for trading and hedging derivatives amounted to PLN 1,595.8 million. They were down by PLN 123.7 million or 7.2% compared with the end of 2023 and by PLN 1,232.1 million or 43.6% year on year. The decline was caused by the lower value of derivative financial instruments.

Changes in liabilities and equity of mBank Group

The table below presents changes in the liabilities and equity of mBank Group in H1 2024:

PLN M	30.06.2023	31.12.2023	30.06.2024	YtD change	YoY change
Amounts due to other banks	3,204.4	3,315.3	3,231.6	-2.5%	0.8%
Amounts due to customers	176,662.5	185,467.5	187,531.3	1.1%	6.2%
Debt securities in issue	8,157.1	11,105.2	10,476.5	-5.7%	28.4%
Subordinated liabilities	2,685.4	2,714.9	2,661.4	-2.0%	-0.9%
Other liabilities	8,748.8	10,640.4	11,785.5	10.8%	34.7%
Total Liabilities	199,458.2	213,243.3	215,686.2	1.1%	8.1%
Total Equity	13,469.7	13,737.2	14,609.4	6.3%	8.5%
Total Liabilities and Equity	212,927.9	226,980.5	230,295.6	1.5%	8.2%

Other liabilities – the sum of financial liabilities held for trading and derivatives held for hedges, 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.

Amounts due to customers are the principal source of funding of mBank Group. Their share in the structure of liabilities and equity of mBank Group saw a drop both half-year on half-year and year on year, but is still on a high and safe level. As at the end of June 2024, amounts due to customers accounted for 81.4% of the group's total liabilities and equity as compared with 81.7% at the end of 2023 and 83.0% at the end of June 2023.

PLN M	30.06.2023	31.12.2023	30.06.2024	YtD change	YoY change
Individual customers	125,924.7	128,412.4	133,582.5	4.0%	6.1%
Corporate customers	50,215.0	56,439.0	53,020.3	-6.1%	5.6%
Public sector customers	522.7	616.2	928.4	50.7%	77.6%
Total amounts due to customers	176,662.5	185,467.5	187,531.3	1.1%	6.2%

At the end of H1 2024, they amounted to PLN 187,531.3 million, up by PLN 2,063.8 million or 1.1% against the end of 2023 and by PLN 10,868.8 million or 6.2% year on year. The growth was mostly driven by an increase in amounts due to individuals, both half-year on half-year and year on year.

At the end of H1, amounts due to individuals stood at PLN 133,582.5 million, having grown by PLN 5,170.2 million or 4.0% over the six months under review. Deposits of individual customers were pushed up by an inflow of funds in current accounts (up by PLN 5,788.5 million or 5.6%), while term deposits went down by PLN 643.4 million or 2.6%. In H1 2024, the bank actively managed its client deposit base. On the one hand, it ensured that its deposit product range remained attractive in a competitive environment of the banking sector, and on the other hand, it optimised the costs of deposits. On an annual basis, amounts due to individuals rose by PLN 7,657.8 million or 6.1%.

Amounts due to corporate clients stood at PLN 53,020.3 million, down by PLN 3,418.6 million or 6.1% against the end of 2023, but up by PLN 2,805.3 million or 5.6% year on year. H1 2024 saw an outflow of funds in current accounts (down by PLN 5,436.7 million or 12.3%), which was partly offset by a bigger volume of repo transactions (up by PLN 1,076.4 million or 613.6%), while term deposits grew by PLN 944.8 million or 8.7%. Year on year, we observed the opposite: an increase in funds in current accounts (up by PLN 1,966.4 million or 5.4%) and an outflow of term deposits (down by PLN 299.3 million or 2.5%).

Amounts due to the public sector stood at PLN 928.4 million. In H1 2024, they went up by PLN 312.2 million or 50.7%, and, compared with June 2023, by PLN 405.7 million or 77.6%.

Amounts due to other banks stood at PLN 3,231.6 million, down by PLN 83.7 million or 2.5% against the end of 2023. The decline was mostly generated by liabilities from cash collaterals and repo transactions with banks. We also observed a surge in funds in current accounts maintained by other banks with mBank (up by PLN 450.5 million or 127.5%).

Debt securities in issue with a share of 4.5% were another large category of liabilities and equity of mBank Group. Their value decreased by PLN 628.7 million or 5.7% against the end of 2023 due to amortisation of the portfolio of receivables arising from the securitisation and redemption of covered bonds issued by mBank Hipoteczny. Year on year, the value of debt securities in issue rose by PLN 2,319.4 million. In Q3 2023, mBank issued green non-preferred senior bonds worth EUR 750 million and CLN bonds with a nominal value of PLN 731 million in connection with a securitisation transaction.

Compared with the end of 2023, subordinated liabilities fell by PLN 53.6 million or 2.0% to the level of PLN 2,661.4 million, which was caused by the PLN appreciation vis-a-vis the Swiss franc. A part of mBank's subordinated debt is CHF-denominated (CHF 250 million).

In H1 2024, equity increased to PLN 14,609.4 million, up by PLN 872.2 million or 6.3%, pushed by the current year's profit in the areas of retained earnings and other items of own equity. At the end of H1 2024, the share of equity in total liabilities and equity of mBank Group accounted for 6.3% against 6.1% as at the end of 2023 and 6.3% on June 30, 2023.

Other information

Information on off-balance sheet items of mBank Group can be found in section 27 of the selected explanatory information of the mBank S.A. Group Consolidated Financial Statements for the first half of 2024.

Information on transactions with related entities of mBank Group can be found in section 28 of the selected explanatory information of the mBank S.A. Group Consolidated Financial Statements for the first half of 2024.

Information on agreements regarding credit and loan guarantees or guarantees granted of a significant amount can be found in section 29 of the selected explanatory information of the mBank S.A. Group Consolidated Financial Statements for the first half of 2024.

As at June 30, 2024 mBank S.A. did not have any agreements referred to in Article 141t.1 of the Banking Law Act.

Information on proceedings before a court, arbitration body or public administration authority can be found in section 27 of the selected explanatory information of the mBank S.A. Stand-Alone Financial Statements for the first half of 2024.

Financial results of mBank Group in Q2 2024

The profit before tax generated by mBank Group in Q2 2024 stood at PLN 719.3 million against PLN 432.7 million in the previous quarter. Net profit attributable to owners of mBank reached PLN 421.9 million, up from PLN 262.5 million in Q1 2024.

PLN M	Q1 2024	Q2 2024	Change in PLN M	Change in %
Interest income	3,561.2	3,346.2	-215.0	-6.0%
Interest expense	-1,221.1	-1,181.6	39.5	-3.2%
Net interest income	2,340.1	2,164.7	-175.4	-7.5%
Fee and commission income	768.2	788.1	19.9	2.6%
Fee and commission expense	-284.0	-296.9	-12.8	4.5%
Net fee and commission income	484.1	491.2	7.1	1.5%
Core income	2,824.2	2,655.9	-168.3	-6.0%
Dividend income	3.0	6.2	3.2	106.8%
Net trading income	53.3	33.7	-19.6	-36.7%
Other income	21.6	-4.0	-25.6	+/-
Other operating income	77.3	262.1	184.8	239.0%
Other operating expenses	-57.3	-63.5	-6.1	10.7%
Total income	2,922.1	2,890.4	-31.7	-1.1%
Net impairment losses and fair value change on loans and advances	-48.1	-171.3	-123.3	256.5%
Costs of legal risk related to foreign currency loans	-1,370.6	-1,033.5	337.1	-24.6%
Overhead costs and depreciation	-888.9	-781.1	107.7	-12.1%
Taxes on the Group balance sheet items	-181.9	-185.2	-3.3	1.8%
Profit/Loss before income tax	432.7	719.3	286.6	66.2%
Income tax expense	-170.1	-297.4	-127.3	74.8%
Net profit/loss attributable to:	262.6	421.9	159.3	60.7%
- Owners of mBank S.A.	262.5	421.9	159.3	60.7%
- Non-controlling interests	0.0	0.0	0.0	-
ROA net	0.5%	0.7%		
ROE gross	12.2%	19.8%		
ROE net	7.4%	11.6%		
Cost / Income ratio	30.4%	27.0%		
Net interest margin	4.4%	4.4%		
Common Equity Tier 1 ratio	14.3% ¹	13.7%		
Total capital ratio	16.2% ¹	15.5%		

¹ Ratios recalculated taking into account the retrospective inclusion of net profit for the first quarter of 2024 in own funds (after PFSA approval).

The key drivers of mBank Group's financial results in Q2 2024 compared with Q1 2024 included:

- **Decrease in net interest income** by 7.5%; excluding the negative impact of "credit holidays", net interest income went up by 3.5%;
- **Slight increase in net fee and commission income** resulting mainly from higher commission income with commission expenses rising at the same time;
- **Decrease in net trading income**, largely due to lower foreign exchange result;
- **Increase in other operating income net of other operating expenses** related to income from the recovery of receivables in connection with a final court judgement favourable to the bank in the amount of PLN 164.0 million;
- **Higher net impairment losses and fair value change on loans and advances** at the level of PLN 171.3 million, translating into an increase in risk costs to 58 bps from 17 bps in the previous quarter;
- **Lower costs of legal risk related to foreign currency loans** in the amount of PLN 1,033.5 million against PLN 1,370.6 million in Q1;
- **Decrease in operating costs (including depreciatio)** by PLN 107.7 million, driven largely by the booking of the PLN 147.8 million payment to the Resolution Fund in Q1. Net of the BFG contribution, the costs rose by 5.5% quarter on quarter;
- **Increase in taxes on Group balance sheet items** to PLN 185.2 million caused by a higher balance sheet total.

In Q2 2024, capital ratios of mBank Group decreased against the end of March 2024. The Total Capital Ratio stood at 15.5% compared with 16.2% at the end of March 2024. The Common Equity Tier 1 capital ratio reached 13.7% against 14.3% at the end of March 2024. The decrease in the capital ratios was driven by an increase of total risk exposure amount. At the same time, the surplus over the KNF minimum capital requirements reached a safe level of 4.4 p.p. for the total capital ratio and 4.6 p.p. for the Tier 1 capital ratio.

4. Risk management

4.1. Risk management foundations

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

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

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

- The first line of defence is **Business** (business units), whose task is to take risk and capital aspects into consideration when making all business decisions, within the risk appetite set for the Group;
- The second line of defence, mainly the **organisational units of the risk management area, Security, Data Protection Inspector and Compliance function**, creates framework and guidelines concerning managing individual risks, supports and supervises Business in their implementation and independently analyses and assesses the risk. The second line of defence acts independently of the Business;
- The third line of defence is **Internal Audit**, which independently assesses risk management activities performed by the first and the second line of defence.

In the communication between organisational units in the risk management area and business lines in mBank, as well as between the bank and the Group subsidiaries, an important role is played by the **Business and Risk Forum of mBank Group** which is constituted by the Retail Banking Risk Committee, Corporate and Investment Banking Risk Committee, and Financial Markets Risk Committee. The main function of these committees is to develop the principles of risk management and risk appetite in a given business line, by making decisions and issuing recommendations concerning in particular: risk policies, risk assessment processes and tools, risk limit system, assessment of the quality and profitability of the portfolio of exposures to clients, approval of introducing new products to the offer.

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

The Risk management strategy of mBank Group is based on three pillars:

- **We support sustainable growth** i.a. through the development of tools and processes designed from the client's perspective. In our credit decisions, policies, expansion and portfolio structure, we take into account the impact on the natural environment and the community in which we operate. In the dialogue with the Business, we indicate the directions of acquisition and expansion in order to jointly build a diversified loan portfolio with a significant share of prospective and responsible sectors and segments. We finance clients' needs responsibly, educate them and transparently communicate the decisions. We develop solutions in a dialogue with the client and for the sake of good loan portfolio quality.
- **We pursue prudent and stable risk management**, i.a. by shaping a safe and profitable balance sheet and managing risk in an integrated manner. We monitor newly emerging risks and build the competences of our employees in this area. We develop the ability to manage ESG and cyber risk.
- **We are developing the risk management area in response to the challenges of a changing world.** We are passionate about new technologies. We experiment to increase the level of automation and digitalization of our processes. We draw conclusions and learn from mistakes. We promote the development of a risk culture at mBank, broad understanding of risk and the importance of multi-faceted looking into the future. We learn having in mind the future needs in changing conditions.

4.2. Main risks of mBank Group's business

The Management Board of mBank takes measures to ensure that the Group manages all material risks arising from the implementation of the adopted strategy of mBank Group, in particular, through approving strategies and processes for managing material risks in the Group.

The following risks were recognized as material in the Group's operations as of June 30, 2024: credit risk, risk of foreign currency credit portfolio (associated with actual or potential threat to the bank's results and capital related to foreign currency mortgage loans granted to unsecured borrowers until 2012), operational risk, market risk, business risk (including strategic risk), liquidity risk, compliance risk, reputational risk, model risk, capital risk (including risk of excessive leverage) and securitization risk.

The following sections present the rules of managing credit, market, liquidity and operational risk in mBank Group.

Credit risk

The bank organises credit risk management processes in line with the principles and requirements set out in the resolutions and recommendations of the Polish Financial Supervision Authority (PFSA) (in particular Recommendation S, T and C), EBA's Guidelines on loan origination and monitoring and CRR/CRDIV, which address issues related to credit risk management.

Tools and measures

Credit risk inherent in financing of mBank Group clients is assessed based on shared statistical models developed for the AIRB (Advanced Internal Rating-Based) approach and uniform tools, and is based on common definitions of terms and parameters used in the credit risk management and rating process. The bank ensures their cohesion at the Group level.

The Group uses different models for particular client segments. The rules governing clear assignment of clients to a system are defined in the bank and the Group subsidiaries internal regulations.

In their credit risk management process, the bank and the Group subsidiaries use the core risk measures defined under the AIRB approach:

- PD – Probability of Default (%);
- LGD (Loss Given Default) – estimated relative loss in case of default (%);
- EAD (Exposure at Default) – estimated exposure at the time of default (amount);
- EL – Expected Loss taking into account the probability of default (amount);

and related measures including:

- RD (Risk Density) – relative expected loss defined as EL to EAD (%);
- LAD (Loss at Default) – estimated loss (amount) in case of default (the product of EAD and LGD).

In the decision-making process, for reporting and communication with business units, PD and EL are expressed in the language of rating classes whose definitions (Masterscale) are uniform across Commerzbank Group.

In its credit risk management process, the bank also attaches great importance to the assessment of unexpected loss. For this purpose, the bank uses the RWA (Risk Weighted Assets) measure, which is applied, under the AIRB approach, to calculate regulatory capital required to cover credit risk (unexpected loss).

In managing mortgage-secured credit exposures the Group uses the LtV ratio (Loan to Value), i.e. the value of the loan to the market value of the real estate which secures the loan.

Stress testing is an additional tool of credit risk assessment. Stress testing of the regulatory capital and economic capital required to cover credit risk is carried out quarterly.

In addition to the tools listed above, which are applied both in the corporate and in the retail credit risk measurement, the Group uses tools specific to these areas.

For corporate credit risk the Group defines maximum exposure to a client/group of related clients using the following credit risk mitigating measures:

- MBPZO (Maximum Safe Total Exposure) or BC (Borrowing Capacity), which defines the maximum level of financial debt of an entity from financial institutions calculated under the bank's methodology, approved by the bank's competent decision-making body;

- LG (General Limit), which defines the level of credit risk financial exposure to a client/group of related clients acceptable to the Group, approved by the bank's competent decision-making body. LG includes a structured limit and products granted outside the structured limit.

In order to minimise credit risk, the Group uses a broad range of collateral for credit products, which also enable active management of the capital requirement. In the assessment of the quality of collaterals for risk products, mBank and mLeasing use the MRV ratio (Most Realistic Value) reflecting the pessimistic variant of debt recovery from the collateral through forced sale.

The level of profitability from relations with clients is taken into account in credit decision process, so that the planned level of profitability covers at least the estimated amounts of the expected loss on bank customer involvement.

Retail credit risk measures are constructed to reflect the characteristics of this customer segment and, in the case of portfolio measures, the high granularity of the loan portfolio:

- DtI (Debt-to-Income) - i.e. monthly credit payments to the net income of a household (used for individual customers);
- DStI (Debt-Service-to-Income) – the ratio of actual yearly credit charges and other financial burdens to the applicant's yearly net income (ratio used only for individual customers);
- DPD (Days-Past-Due) - a family of portfolio risk measures based on the number of days past due date (e.g. share of contracts which are from 31 to 90 days past due date in the total portfolio by number or by value);
- Vintage ratios, which present the quality of cohorts of loans grouped by disbursement time at a different phase of their lifetime;
- CoR (Cost of risk) - cost of risk for a loan portfolio (segment), i.e. ratio of credit provisions result (or changes in valuation of contracts based on fair value approach) to the exposure;
- Roll-rates, which measure the migration of contracts between days-past-due brackets (1-30, 31-60, 61-90 DPD, etc.).

Strategy

Corporate and Investment Banking

In accordance with the Corporate Credit Risk Management Strategy in mBank Group, the main goal in this area is defining a safe level of risk appetite in sales of risk-bearing products to the Group clients and use synergies by integrating the offer of the bank and Group subsidiaries. The Corporate Credit Risk Management Strategy takes into account the statements of the mBank Group Strategy for 2021-25, which determines the most important areas of development in the coming years, including:

- The first-choice bank for e-commerce market participants,
- Best digital corporate banking for high-potential companies,
- Technology, security and data as a source of competitive advantage.

The Corporate Risk Management Strategy is realised by credit risk policies, limits reducing the risk and the principles of risk assessment of business entities applying for financing. The bank manages credit risk both at the single entity level and the consolidated level.

The Group actively manages credit risk aiming to optimise profitability taking into account the cost of risk. mBank focuses on increasing exposure to clients with low or medium PD-rating (stable financial condition) and low or medium level of risk concentration. In its current credit risk management, including concentration risk, the bank performs quarterly portfolio analyses using a Steering Matrix which incorporates PD rating and LAD. The Group strives to avoid concentration in industries and sectors where credit risk is considered excessively high. The bank uses internally defined industry limits for day-to-day management of the sector concentration risk.

The bank monitors credit portfolio on a quarterly basis including an analysis of the dynamics of change in size and (sector) segmentation of the credit portfolio, client risk (analysis of PD rating), quality of collateral against credit exposures, the scale of change in EL, Risk Density, and default exposures.

Developing its lending activities, the Group considers environmental, social and corporate governance impacts and incorporates ESG considerations into its credit risk processes and policies. Given the increasing importance of environmental change, bank places particular emphasis on the assessment of climate risks, including in particular the level of greenhouse gas emissions and their reduction potential. The Group places equal importance on social issues and corporate governance. At the same time, bank intensifies the optimization, automation and digitization of credit processes.

In compliance with the Recommendation S of the Polish Financial Supervision Authority (PFSA), the bank has identified a mortgage-secured credit exposure portfolio in retail and corporate banking and applies the Mortgage-Secured Credit Exposure Risk Management Policy. The bank manages the mortgage-secured credit exposure portfolio risk with a focus on defining an optimised portfolio structure in terms of quality (rating), currencies, country regions, tenors, and types of properties.

mBank offers innovative investment products as part of a new integrated platform that ensures appropriate product selection and efficient use of capital.

Retail Banking

Lending in retail banking is a key segment of the Group's business model, both in terms of the share in total assets and the contribution to its profits.

As credit exposures are highly granular (c.a. 2 million active loans), the retail banking credit risk management process is based on a portfolio approach. This is reflected in the statistical profile of risk rating models including the models which fulfil the regulatory requirements of the Advanced Internal Ratings-Based approach (AIRB). The AIRB parameters (PD, LGD and EL) are used widely in order to estimate credit requirements, to determine acceptance criteria and terms of transactions, and to report risks.

Furthermore, the Retail Banking credit risk management has the following characteristics:

- high standardisation and automation of the credit process, including decision-making, both in acquisition, post-sale services, and debt collection;
- little (as compared to Corporate Banking) discretionary competences in the decision-making process (e.g. no discretionary adjustment of clients' ratings);
- extensive risk reporting system based on portfolio analysis of credit exposure quality, including vintage analysis and roll-rates analysis.

The main point of reference in the retail banking credit risk management process is risk appetite defined in correlation with the strategy of mBank Group. The general principle underlying the lending strategy of the Group in terms of sales of retail loans is to address the offer to clients who have an established relationship with the bank or to address it to new clients for whom the loan is a product initiating a long-term relationship of highly transactional nature. Thereby, the bank continues to focus its non-mortgage loans policies on lending to existing clients with a high creditworthiness. To reduce risks associated with new clients, the bank develops its credit policy using, among others, credit testing and is actively developing its fraud prevention system.

The new acquisition in mortgage loans segment focuses on products which may be financed with issue of mortgage bonds. Those exposures will then be transferred to mBank Hipoteczny in the pooling process to enable the issue of mortgage bonds. In the mortgage segment, mBank focuses on meeting the credit needs of the existing population of active internal customers. The mortgage loan consolidates the relationship with the existing customer and is not used to attract external customers. mBank mainly sells products may be the basis for the issue of covered bonds. The conservative policy of assessing borrowers' reliability and creditworthiness is applied taking into account, i.a. long-term interest rate estimates (considering buffers resulting from supervisory regulations).

In order to mitigate the risk associated with a decrease in the value of mortgage collateral in relation to the value of credit exposure, the Group's credit offer is (and will be) directed mainly to clients who buy standard properties within large urban areas.

Quality of mBank Group loan portfolio

As of June 28, 2024, the share of impaired exposures in the total (gross) amount of loans and advances granted to clients (NPL) slightly increased to 4.3% from 4.2% at the end of December 2023. The increase of the indicator results from both retail and corporate business lines.

In accordance with the EBA guidelines on management of non-performing and forborne exposures, which came into force from June 30, 2019, banks are obliged to monitor and manage the NPL portfolio. Banks

should strive to maintain the value of the NPL portfolio below the threshold set by the regulator at 5%. As of June 30, 2024, the NPLREG ratio (ratio calculated according to EBA guidelines) was at 3.8%.

Provisions (defined as credit risk costs for loans and advances to customers, i.e. provisions for loans and advances at amortised cost and fair value change of loans and advances mandatorily at fair value through profit or loss) increased from PLN 3,817.7 million at the end of December 2023 to PLN 3,857.7 million at the end of June 2024.

Coverage ratios of non-performing loans and advances (coverage ratio and coverage ratio including provisions for performing loans) decreased in the analysed period respectively from 54.7% and 76.8% in December 2023 to 54.2% and 72.2% in June 2024.

The manner of identifying evidence of default is based on all available credit data of a given client and encompasses all of the client's liabilities towards the bank.

The table below presents the quality of mBank Group loan portfolio as at the end of December 2023 and as at the end of June 2024.

Loans and advances to clients 28.06.2024 (PLN ('000))	At amortised cost	At fair value	Loans and advances, total
Gross carrying amount	124,367,747	694,150	125,061,897
Non-performing loans and advances	5,216,266	130,210	5,346,476
Non-performing loans ratio (NPL)	4.2%	18.8%	4.3%
Provisions for non-performing loans	-2,820,785	-79,590	-2,900,375
Provisions for performing loans	-936,515	-20,791	-957,306
Coverage ratio	54.1%	61.1%	54.2%
Coverage ratio, including provisions for performing loans	72.0%	77.1%	72.2%

Loans and advances to clients 31.12.2023 (PLN ('000))	At amortised cost	At fair value	Loans and advances, total
Gross carrying amount	116,584,779	755,415	117,340,194
Non-performing loans and advances	4,835,699	138,313	4,974,012
Non-performing loans ratio (NPL)	4.1%	18.3%	4.2%
Provisions for non-performing loans	-2,634,964	-85,566	-2,720,530
Provisions for performing loans	-1,073,235	-23,927	-1,097,162
Coverage ratio	54.5%	61.9%	54.7%
Coverage ratio, including provisions for performing loans	76.7%	79.2%	76.8%

Non-performing loans and advances - 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

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 the whole portfolio

Provisions for non-performing loans - provisions for 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

Provisions for performing loans - provisions for loans and advances at amortised cost without impairment (stages 1 and 2) and fair value change of non-default loans and advances mandatorily at fair value through profit or loss

Coverage ratio - coverage ratio of loans and advances related to the portfolio in default.

Market risk

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

Tools and measures

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

- interest rates (IR);
- foreign exchange rates (FX);
- stock share prices and indices;
- implied volatilities of relevant options;
- credit spreads (CS) to the extent reflecting market fluctuations of debt instruments prices.

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

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

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

For the banking book, the bank also uses the following measures:

- sensitivity of the economic value of capital (delta EVE);
- sensitivity of net interest income (delta NII);
- sensitivity of net interest income (delta NII) including change in fair value (delta FV) (EaR – Earnings at risk);
- sensitivity of Economic Value of Equity to credit spread (CS EVE);
- sensitivity of Net Interest Income to credit spread (CS delta NII – Credit Spread delta NII);
- sensitivity of net interest income sensitive to credit spread (delta CS NII) including change in fair value of instruments sensitive to credit spread (CS EaR – Credit Spread Earnings at Risk);
- repricing gap.

Strategy

The implementation of market risk management strategy involves managing the bank's positions in a way enabling to maintain market risk profile within the risk appetite defined by the bank.

The bank is focused on meeting customers' business needs, while reducing trade in derivatives, as well as applying the principle of lack of commodity open positions.

The bank stabilises interest income using long-term fixed-rate assets and derivatives and assuming - for equity capital and current accounts - the maximum modelled maturity of 10 years.

The main principle stipulates separation between the market risk monitoring and control functions and the functions related to opening and maintaining open market risk positions. In addition, the bank applies the rule of organisational separation between managing banking book and trading book positions.

Market risk measurement

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

Value at risk

In H1 2024, the market risk exposure, as measured by the Value at Risk (VaR for a 1-day holding period, at 97.5% confidence level), remained at a moderate level in relation to the established VaR limits.

The table below presents VaR and Stressed VaR for the Group's and mBank's portfolios (including modelling of equity capital and current accounts):

PLN ('000)	H1 2024				2023			
	mBank Group		mBank		mBank Group		mBank	
	30.06.2024	Mean	30.06.2024	Mean	31.12.2023	Mean	31.12.2023	Mean
VaR IR	22,452	17,923	22,118	17,271	13,944	15,588	14,065	15,146
VaR FX	456	915	357	886	1,245	683	1,243	661
VaR CS	50,094	50,599	49,472	49,906	53,871	74,789	53,394	73,608
VaR	35,896	41,696	35,744	41,265	49,861	77,807	50,869	77,098
Stressed VaR	126,403	111,505	123,399	108,983	100,140	89,755	98,210	88,529

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

VaR FX - FX risk

VaR CS – credit spread risk

The Value at Risk in normal (VaR) and stressed conditions (Stressed VaR) were largely influenced by the portfolios of instruments sensitive to the separate credit spread - mainly the portfolios of the Treasury bonds (in the banking and trading books). The decrease in VaR resulted from lower market volatility of interest rates used for VaR calculation. Stressed VaR increased due to increased volume of debt securities portfolio.

Sensitivities measures

The table presents the values of IR BPV and CS BPV (+1 b.p.) for the Group's and mBank's portfolios, broken down into the banking and trading books (including modelling of equity capital and current accounts):

PLN ('000)	IR BPV				CS BPV			
	mBank Group		mBank		mBank Group		mBank	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023	30.06.2024	31.12.2023	30.06.2024	31.12.2023
Banking book	-2,664	-1,501	-2,605	-1,455	-9,365	-8,481	-9,246	-8,401
Trading book	-117	-38	-117	-38	-428	-282	-428	-282
Total	-2,781	-1,539	-2,722	-1,493	-9,793	-8,763	-9,674	-8,683

The credit spread sensitivity (CS BPV) for the mBank's banking book increased in H1 2024 due to the growth of the bond portfolio and results in c.a. 74% from the positions in debt securities valued at amortised cost. Changes in market price have no impact on the revaluation reserve or the income statement for these positions. Change of the interest rate sensitivity (IR BPV) resulted mainly from increased investments in long-term fixed rate bonds hedging economic value of equity and interest income.

Interest rate risk of the banking book

The sensitivity of net interest income is calculated and monitored in the bank's base scenario assuming a normal situation and in more than 22 defined stress-test scenarios.

The table below presents the sensitivity of the net interest income within 12 months horizon, assuming a 100 bps change of market interest rates (parallel shift of the curves for all currencies with floor on product level in decreasing interest rates scenario) and based on a stable portfolio over the period.

PLN ('000)	Δ NII*	
	30.06.2024	31.12.2023
Sudden parallel up by 100 bp	547 930	623 076
Sudden parallel down by 100 bp	-664 827	-835 752

* The measure calculated at mBank level. More information on delta NII is included in the Condensed Consolidated Financial Statements for 2023.

Decrease of delta NII in H1 2024 is due to actions undertaken to stabilize interest income in anticipation of interest rates decline in the long term perspective, including extending the duration of the bond portfolio and increasing volume of IRS. Additionally, the bank continued to hold a significant amount of short-term floating-rate assets, which are sensitive to changes in interest rates and thus contribute to delta NII, funded with liabilities that are insensitive, e.g. current accounts bearing no interest (statutory floor level at 0%). The remaining changes are due to an increase in total assets. In addition, it is worth highlighting that the sensitivity of NII in relation to the bank's annual net interest income is significantly lower than in previous years.

Following the entry into force of the EU Commission Delegated Regulation 2024/856 establishing a definition of 'large reduction' at 5% of Tier1 capital for supervisory outlier tests of the change in net interest income in the banking book (delta NII SOT), the bank calculates and monitors the new measure in accordance with the regulation. For the period under review, the bank's sensitivity remained below the defined supervisory threshold.

Liquidity risk

mBank organises liquidity risk management processes in line with the requirements resulting from the law and supervisory recommendations in particular the PFSA Recommendations (among others P, C, H and S) as well as EBA guidelines concerning liquidity risk management.

mBank Group liquidity position

The liquidity position of mBank Group in the first half of 2024 was at a safe and high level, which was reflected in the high value of available liquidity buffers, reflected in high levels of liquidity measures, well above the minimum regulatory levels. mBank continued to operate in an environment of high interest rates (NBP reference rate at level of 5.75%), which translated into higher prices offered to customers for their deposits and negative impact on valuation of debt securities. In the first half of 2024, the increase in the retail deposit base and increase of loan dynamic had a direct impact on maintaining stable liquidity position.

Tools and measures

In its operations, mBank is exposed to liquidity risk, i.e. the risk of losing its ability to honor its payment obligations, arising from the bank's balance-sheet and off-balance-sheet positions, on terms favorable to the bank and at a reasonable price.

The bank has defined a set of liquidity risk measures and a system of limits, buffers and warning thresholds which protect the bank's liquidity in the event of unfavorable internal or external conditions. Independent measurement, monitoring and controlling of liquidity risk is performed daily by the Balance Risk Management Department.

The main measures used in liquidity risk management of the bank include internal measures based on liquidity gap calculation in various scenarios in LAB methodology as well as the regulatory measures i.e. LCR and NSFR.

LAB liquidity scenarios reflect the projected future cash flow gap of assets, liabilities and off-balance-sheet commitments of the bank, which represent potential risk of being unable to meet liabilities within a specific time horizon and under a certain scenario.

The methodology for measuring the liquidity gap (LAB) includes normal conditions scenario (LAB Base Case) and stress scenarios (short-term, long-term and combined). Stress scenarios are limited. Moreover, the bank has a process of reporting and monitoring of intraday liquidity position including crisis scenario for intraday liquidity. The reverse stress scenario is the complement of the liquidity stress testing system.

In order to support the process of liquidity risk management, the bank has a system of early warning indicators (EWI) and recovery indicators. Breach of thresholds by defined indicators may be a trigger for the launch of the Contingency Plan or the Recovery Plan for mBank Group.

LCR calculation and reporting is carried out in accordance with the Delegated Commission Regulation (EU) 2015/61 of October 10, 2014 with further changes. With the respect of NSFR, the bank reports to the NBP according to 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.

Strategy

The liquidity strategy is pursued by active management of the balance sheet structure and future cash flows as well as maintenance of liquidity reserves adequate to liquidity needs depending on the activity of the bank and the current market situation as well as funding needs of the Group subsidiaries. The bank manages liquidity risk at two levels: strategic (the bank's Management Board, committees of the bank) and operational (the Treasury and Investor Relations Area, Financial Markets Settlement and Services Department, subsidiaries of the bank).

Liquidity risk limiting covers supervisory (LCR and NSFR) and internal measures. The liquidity risk internal limit system is based mainly on defining acceptable level of gaps in stress conditions in specific time horizons and for different liquidity risk profiles. The bank limits also the volume of foreign currency funding of mBank with FX swaps and CIRS and monitors concentration in FX transactions maturing within 12 months. The structure of these limits reflects the bank's preferences for funding structure in those currencies.

The bank has a centralised approach to the Group's funding management. The subsidiaries are financed by mBank through the Treasury Department. Additionally, mBank Hipoteczny raises funding in the market by issuance of covered bonds and short-term debt securities and mLeasing raises funding by issuance of short-term debt securities.

The Financing Strategy is based on the following assumptions:

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

The bank has the Contingency Plan in case of a threat of losing financial liquidity, which sets the strategy, division of roles and procedures to be implemented in the event of a situation connected with the risk of losing liquidity by mBank Group and aimed at neutralising this threat. The Contingency Plan is tested annually.

Measuring liquidity risk at the consolidated and individual level

The liquidity of mBank remained at a safe, high level in 2024, as reflected in the high surplus of liquid assets over short-term liabilities in the LAB liquidity gap and in the levels of regulatory measures.

The Group's liquidity risk measurement includes in addition mBank Hipoteczny and mLeasing. mBank monitors liquidity risk of the subsidiaries to protect liquidity also at the Group level in the event of adverse events (crises).

Liquidity measures, both internal and regulatory, throughout the entire reporting period were definitely above the current structure of limits.

The table below presents the LAB gaps for tenors up to 1M and 1Y and the regulatory measures LCR and NSFR at the end of June 2024 at mBank and mBank Group level:

	28.06.2024	
Measure ¹	mBank	mBank Group
LAB Base Case 1M	48,387	50,762
LAB Base Case 1Y	34,366	36,353
LCR	213%	221%
NSFR	152%	155%

¹ LAB measures are shown in PLN million; LCR and NSFR are relative measures presented as a decimal.

Operational risk

mBank organises the operational risk management process taking into account the rules and requirements set out in external regulations, in particular in the Recommendations M, H and D of the Polish Financial Supervision Authority (PFSA), CRR Regulation and Regulation of the Minister of Development and Finance (on the risk management system and internal control system and the remuneration policy at banks), which constitute the starting point for the framework of the control system and operational risk management in mBank Group.

Tools and measures

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

In order to effectively manage operational risk, the bank uses quantitative and qualitative methods and tools that aim at reason-oriented management of this risk. The bank performs them in conjunction with the control function, which is an element of the internal control system.

In accordance with the requirements of Recommendation M, the bank has a process of identifying threats related to operational risk for all significant areas of the bank's operations and risk analysis in the process of creating new and modifying existing products, changing of processes and systems, as well as for changing the organizational structure.

The operational risk management process is carried out on the basis of a group of tools, including:

- Self-Assessment of Operational Risk, which is performed by organizational units of the bank and the Group companies. The purpose of this process is to ensure the risk identification and assessment and taking adequate risk mitigation measures. In addition, the Self-assessment supports the process of introducing changes and improving control processes. The end result of the Self-Assessment is the assessment of processes, sub-processes and key operational risks as well as the creation of the corrective action plans.
- The Register of Operating Losses is a database of losses resulting from operational events that arise, which are recorded with the focus on the cause of their occurrence. The analysis of recorded data takes place in the Integrated Risk Management Department and in organizational units. This approach enables organizational units to analyse their risk profile on an ongoing basis. mBank also uses access to external databases on operational losses and uses them to analyse operational risk and potential threats to which institutions operating in the financial sector are exposed.
- The key risk indicators KRI and risk indicators RI support the ongoing monitoring of risk. The process makes it possible to predict in advance the occurrence of an increased level of operational risk and to react appropriately by organizational units in order to avoid the occurrence of operational events and losses. KRI and RI, thanks to the system of warning and alarm thresholds, allow to determine the level of risk tolerance.
- Operational risk scenarios that analyse the risks associated with the occurrence of rare but potentially very severe operational risk events.

- Providing opinions on products before the implementation of a new or modified product offer and analysis of the impact of the outsourcing agreement on the operational risk profile.

mBank Group, through operational risk tools, monitors and improves the methods of work performed by employees in the hybrid mode.

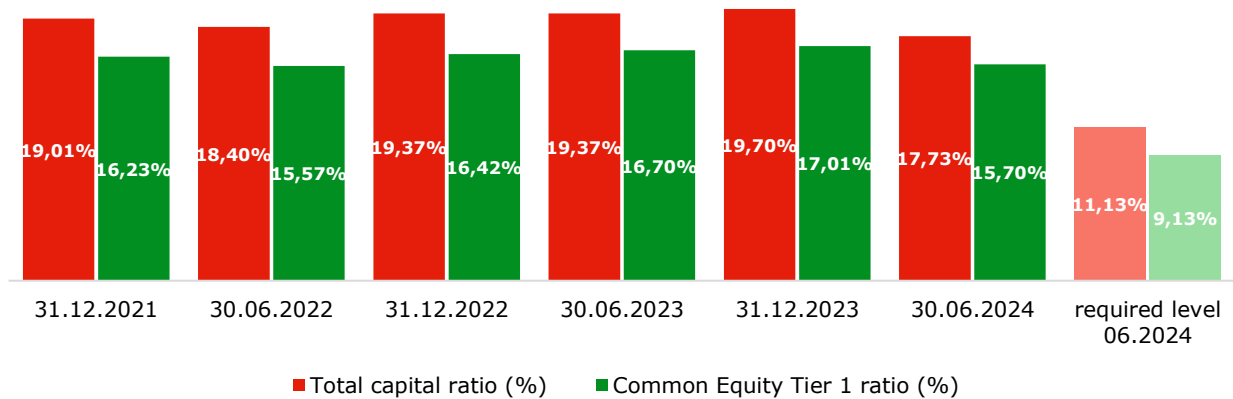
Strategy

The organisation of the operational risk control and management system is aimed at enabling effective control and management of this risk at every level of the bank’s organisational hierarchy. The structure of operational risk control and management covers in particular the role of the Supervisory Board and its Committees, Management Board of the bank, the Business and Risk Forum, the Chief Risk Officer, the Integrated Risk Management Department and the tasks assigned to persons managing operational risk in particular organisational units and business areas of the bank across all lines of defence. The central operational risk control function focuses on preparation and coordination of the operational risk control and management process in the bank, development of tools, raising awareness in the bank about operational risk and the control function as well as reporting the operational risk profile. Whereas operational risk management takes place in every organisational unit of the bank and in every subsidiary of mBank Group. It consists in identifying, evaluation and monitoring operational risk and taking actions aimed to avoid, mitigate or transfer operational risk. The operational risk management process is supervised by the Supervisory Board of the bank through its Risk Committee.

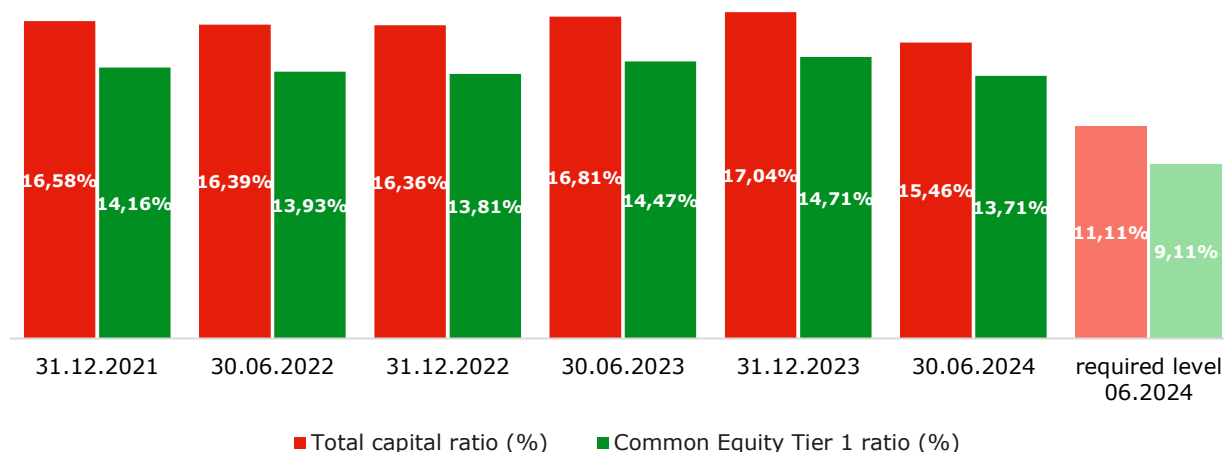
4.3. Capital adequacy

One of the bank's main tasks is to ensure an adequate level of capital. As part of the capital management policy, the bank creates a framework and guidelines for the most effective planning and use of the capital base. The strategic goals of mBank and mBank Group are aimed at maintaining the total capital ratio as well as the Common Equity Tier 1 capital ratio above the levels required by the supervision authority. This allows to maintain business development while meeting the supervisory requirements in the long perspective.

Capital adequacy of mBank



Capital adequacy of mBank Group



The Group's capital ratios in the first half of 2024 were mainly influenced by the following events affecting the Group's own funds:

- costs of legal risk related to mortgage loans in Swiss francs,
- partial amortization of subordinated liabilities included in the calculation of own funds,
- increase in the valuation of debt instruments measured at fair value through other comprehensive income,
- taking into account the net result for the first quarter of 2024 in the calculation of own funds, after obtaining the consent of the Polish Financial Supervision Authority.

In 2024 an increase of risk-weighted assets is expected, due to regulatory factors. They result from implementation of material changes in models of all parameters: PD, CCF and LGD, in the portfolios subject to the AIRB method. The bank expects a rise of the risk weighted assets at the value of ca. PLN 4.5 billion. The final impact shall depend on the conditions for implementation of models indicated in the decision of banking authorities.

Prior to the end of 2025, risk weighted assets are expected to increase as a result of (i) the implementation of CRR3 package and (ii) other regulatory requirements for advanced capital calculation methods. The impact of these factors is expected to be between PLN 4-9 billion.

mBank Group is obligated to maintain own funds on the level exceeding regulatory and supervisory requirements. Consequently the level of the required capital ratios encompasses:

- the basic requirement resulting from CRR provisions to maintain the total capital ratio of 8% and the Tier 1 ratio of 6%;
- the combined buffer requirement of additional 3.11% (on consolidated basis), which consists of:
 - the capital conservation buffer (2.5%);
 - the other systemically important institution's buffer (0.5%) - according to the PFSA decision, in 2016 mBank had been identified as other systemically important institution (O-SII) subject to a capital buffer;
 - systemic risk buffer (0.00%) -in accordance with the Regulation of the Minister of Finance, which has been in force since 19 March 2020;
 - countercyclical capital buffer (0.11%) - resulting mainly from the involvement in the Czech Republic and Slovakia.

On individual basis the value of the combined buffer requirement is 3.13%.

Capital ratios, both on consolidated and individual basis, were above the values. With a considerable surplus of own funds mBank Group comfortably meets the additional own funds requirement and the combined buffer requirement.

The consolidated leverage ratio calculated in accordance with the provisions of the CRR Regulation and the Commission Delegated Regulation (EU) 2015/62 of October 10, 2014, amending Regulation (EU)

mBank S.A. Group

Management Board Report on the Performance of mBank S.A. Group in H1 2024

No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio, amounted to 5.24%. The stand-alone leverage ratio amounted to 5.94%.

More details on capital adequacy of mBank Group in the first half of 2024 can be found in the Disclosures regarding capital adequacy of mBank S.A. Group as at June 30, 2024.

5. Statements of the Management Board

True and fair picture in the presented reports

The Management Board of mBank S.A. declares that according to their best knowledge:

- Condensed Consolidated Financial Statements for the first half of 2024 and the comparative figures were prepared in compliance with the binding accounting principles and present a true, fair and clear picture of the financial position and the condition of the assets of mBank S.A. Group as well as its financial performance;
- Management Board Report on the Performance of mBank S.A. Group in H1 2024 presents a true picture of the developments, achievements, and situation of the mBank S.A. Group, including a description of the main risks and threats.

Appointment of the auditor

The Auditor authorised to audit financial statements and performing the review of the Condensed Consolidated Financial Statements of mBank S.A. Group for the first half of 2024 and Condensed Stand-alone Financial Statements of mBank S.A. for the first half of 2024 – KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa - was appointed in compliance with legal regulations. The audit company and its auditors fulfilled the conditions necessary for issue of a review report of these financial statements, in compliance with respective provisions of Polish law and professional standards.