

mBank S.A. Group
Consolidated Financial Report
for the first half of 2023



mBank S.A. Group

Consolidated financial report for the first half of 2023

Selected financial data

(PLN thousand)

SELECTED FINANCIAL DATA

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

Selected financial data for the mBank S.A. Group

SELECTED FINANCIAL DATA FOR THE GROUP	PLN thousand		EUR thousand	
	Period from 01.01.2023 to 30.06.2023	Period from 01.01.2022 to 30.06.2022 - restated	Period from 01.01.2023 to 30.06.2023	Period from 01.01.2022 to 30.06.2022 - restated
I. Interest income	7 295 761	4 063 229	1 581 565	875 187
II. Fee and commission income	1 485 747	1 545 497	322 078	332 888
III. Net trading income	3 854	96 485	835	20 782
IV. Operating profit	918 021	1 638 784	199 007	352 981
V. Profit / (loss) before income tax	545 301	1 311 840	118 210	282 560
VI. Net profit / (loss) attributable to Owners of mBank S.A.	127 337	742 037	27 604	159 829
VII. Net profit / (loss) attributable to non-controlling interests	(44)	115	(10)	25
VIII. Net cash flows from operating activities	1 717 515	3 258 358	372 321	701 824
IX. Net cash flows from investing activities	(286 556)	(263 203)	(62 119)	(56 692)
X. Net cash flows from financing activities	(1 335 354)	(334 431)	(289 476)	(72 034)
XI. Total net increase / decrease in cash and cash equivalents	95 605	2 660 724	20 725	573 098
XII. Basic earnings / (loss) per share (in PLN/EUR)	3.00	17.51	0.65	3.77
XIII. Diluted earnings / (loss) per share (in PLN/EUR)	3.00	17.47	0.65	3.76
XIV. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE GROUP	PLN thousand		EUR thousand	
	As at		As at	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
I. Total assets	212 927 857	209 892 113	47 845 731	44 754 070
II. Amounts due to other banks	3 204 420	3 270 223	720 046	697 291
III. Amounts due to customers	176 662 495	174 130 914	39 696 761	37 128 918
IV. Equity attributable to Owners of mBank S.A.	13 467 680	12 713 001	3 026 241	2 710 719
V. Non-controlling interests	1 990	2 030	447	433
VI. Share capital	169 860	169 734	38 168	36 191
VII. Number of shares	42 464 892	42 433 495	42 464 892	42 433 495
VIII. Book value per share (in PLN/EUR)	317.15	299.60	71.26	63.88
IX. Total capital ratio (%)	16.8	16.4	16.8	16.4
X. Common Equity Tier I capital ratio (%)	14.5	13.8	14.5	13.8

Selected financial data for mBank S.A.

SELECTED FINANCIAL DATA FOR THE BANK	PLN thousand		EUR thousand	
	Period from 01.01.2023 to 30.06.2023	Period from 01.01.2022 to 30.06.2022 - restated	Period from 01.01.2023 to 30.06.2023	Period from 01.01.2022 to 30.06.2022 - restated
I. Interest income	6 864 941	3 710 395	1 488 173	799 189
II. Fee and commission income	1 379 553	1 446 339	299 058	311 530
III. Net trading income	7 574	67 604	1 642	14 561
IV. Operating profit	765 770	1 496 151	166 003	322 259
V. Profit (loss) before income tax	526 520	1 277 254	114 138	275 110
VI. Net profit (loss)	159 056	731 299	34 480	157 516
VII. Cash flows from operating activities	1 585 530	3 142 704	343 709	676 913
VIII. Cash flows from investing activities	(248 139)	(207 800)	(53 791)	(44 758)
IX. Cash flows from financing activities	(1 125 646)	(232 396)	(244 016)	(50 056)
X. Net increase / decrease in cash and cash equivalents	211 745	2 702 508	45 902	582 098
XI. Basic earnings / (losses) per share (in PLN/EUR)	3.75	17.25	0.81	3.72
XII. Diluted earnings / (losses) per share (in PLN/EUR)	3.74	17.22	0.81	3.71
XIII. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE BANK	PLN thousand		EUR thousand	
	As at		As at	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
I. Total assets	207 690 943	203 975 778	46 668 976	43 492 564
II. Amounts due to other banks	3 271 342	3 305 751	735 083	704 866
III. Amounts due to customers	176 606 914	174 000 911	39 684 272	37 101 199
IV. Equity	13 578 617	12 497 196	3 051 169	2 664 704
V. Registered share capital	169 860	169 734	38 168	36 191
VI. Number of shares	42 464 892	42 433 495	42 464 892	42 433 495
VII. Book value per share (in PLN/EUR)	319.76	294.51	71.85	62.80
VIII. Total capital ratio (%)	19.4	19.4	19.4	19.4
IX. Common Equity Tier I capital ratio (%)	16.7	16.4	16.7	16.4

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

- for items of the statement of financial position – exchange rate announced by the National Bank of Poland as at 30 June 2023: 1 EUR = 4.4503 PLN, 31 December 2022: EUR 1 = 4.6899 PLN;
- for items of the income statement – exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of the first half of 2023 and 2022: EUR 1 = 4.6130 PLN and EUR 1 = 4.6427 PLN, respectively.

CONTENTS

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MBANK S.A. GROUP FOR THE FIRST HALF OF 2023	7
CONDENSED CONSOLIDATED INCOME STATEMENT	7
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	8
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	9
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	11
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	12
1. Information regarding the Group of mBank S.A.	12
2. Description of relevant accounting policies	14
3. Major estimates and judgments made in connection with the application of accounting policy principles	23
4. Business segments	26
5. Net interest income	30
6. Net fee and commission income	31
7. Dividend income	31
8. Net trading income	32
9. Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	32
10. Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	32
11. Other operating income	33
12. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	33
13. Overhead costs	34
14. Other operating expense	34
15. Earnings / (losses) per share	35
16. Financial assets and liabilities held for trading and derivatives held for hedges	35
17. Non-trading financial assets mandatorily at fair value through profit or loss	39
18. Financial assets at fair value through other comprehensive income	40
19. Financial assets at amortised cost	42
20. Non-current assets and disposal groups classified as held for sale and liabilities held for sale	46
21. Intangible assets	47
22. Tangible assets	47
23. Investment properties	47
24. Financial liabilities measured at amortised cost	48
25. Provisions	49
26. Assets and liabilities for deferred income tax	51
27. Retained earnings	51
28. Other components of equity	52
29. Fair value of asset and liabilities	52
30. Legal risk related to mortgage and housing loans granted to individual customers in CHF	59
31. Prudential consolidation	65
SELECTED EXPLANATORY INFORMATION	69
1. Compliance with international financial reporting standards	69
2. Consistency of accounting principles and calculation methods applied to the drafting of the quarterly report and the last annual financial statements	69
3. Seasonal or cyclical nature of the business	69
4. Nature and values of items affecting assets, liabilities, equity, net profit/loss or cash flows, which are extraordinary in terms of their nature, magnitude or exerted impact	69
5. Nature and amounts of changes in estimate values of items, which were presented in previous interim periods of the current reporting year, or changes of accounting estimates indicated in prior reporting years, if they bear a substantial impact upon the current interim period	69
6. Issues, redemption and repayment of non-equity and equity securities	69
7. Dividends paid (or declared) altogether or broken down by ordinary shares and other shares	69
8. Significant events after the end of the first half of 2023, which are not reflected in the financial statements	69

9.	<i>Effect of changes in the structure of the entity in the first half of 2023, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities</i>	70
10.	<i>Changes in contingent liabilities and commitments</i>	70
11.	<i>Write-offs of the value of inventories down to net realisable value and reversals of such write-offs</i>	70
12.	<i>Revaluation write-offs on account of impairment of tangible fixed assets, intangible assets, or other assets as well as reversals of such write-offs</i>	70
13.	<i>Revaluation write-offs on account of impairment of financial assets</i>	70
14.	<i>Reversals of provisions against restructuring costs</i>	70
15.	<i>Acquisitions and disposals of tangible fixed asset items</i>	70
16.	<i>Material liabilities assumed on account of acquisition of tangible fixed assets</i>	70
17.	<i>Information about changing the process (method) of measurement the fair value of financial instruments</i>	70
18.	<i>Changes in the classification of financial assets due to changes of purpose or use of these assets</i>	70
19.	<i>Corrections of errors from previous reporting periods</i>	70
20.	<i>Information on changes in the economic situation and operating conditions that have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are measured at fair value or at the adjusted purchase price (amortised cost)</i>	70
21.	<i>Default or infringement of a loan agreement or failure to initiate composition proceedings</i>	70
22.	<i>Position of the management on the probability of performance of previously published profit/loss forecasts for the year in light of the results presented in the quarterly report compared to the forecast</i>	71
23.	<i>Registered share capital</i>	71
24.	<i>Material share packages</i>	71
25.	<i>Change in Bank shares and rights to shares held by managers and supervisors</i>	72
26.	<i>Proceedings before a court, arbitration body or public administration authority</i>	72
27.	<i>Off-balance sheet liabilities</i>	75
28.	<i>Transactions with related entities</i>	76
29.	<i>Credit and loan guarantees, other guarantees granted of significant value</i>	76
30.	<i>Other information which the issuer deems necessary to assess its human resources, assets, financial position, financial performance and their changes as well as information relevant to an assessment of the issuer's capacity to meet its liabilities</i>	76
31.	<i>Factors affecting the results in the coming quarter</i>	77
32.	<i>Other information</i>	77
33.	<i>Events after the balance sheet date</i>	78

CONDENSED STAND-ALONE FINANCIAL STATEMENT OF MBANK S.A. FOR THE FIRST HALF OF 2023 79

CONDENSED STAND-ALONE INCOME STATEMENT	79
CONDENSED STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME	80
CONDENSED STAND-ALONE STATEMENT OF FINANCIAL POSITION	81
CONDENSED STAND-ALONE STATEMENT OF CHANGES IN EQUITY	82
CONDENSED STAND-ALONE STATEMENT OF CASH FLOW	83
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS	84
1. <i>Description of relevant accounting policies</i>	84
2. <i>Major estimates and judgments made in connection with the application of accounting policy principles</i>	91
SELECTED EXPLANATORY INFORMATION	94
1. <i>Compliance with international financial reporting standards</i>	94
2. <i>Consistency of accounting principles and calculation methods applied to the drafting of the quarterly report and the last annual financial statements</i>	94
3. <i>Seasonal or cyclical nature of the business</i>	94
4. <i>Nature and values of items affecting assets, liabilities, equity, net profit/(loss) or cash flows, which are extraordinary in terms of their nature, magnitude or exerted impact</i>	94
5. <i>Nature and amounts of changes in estimate values of items, which were presented in previous interim periods of the current reporting year, or changes of accounting estimates indicated in prior reporting years, if they bear a substantial impact upon the current interim period</i>	94
6. <i>Issues, redemption and repayment of non-equity and equity securities</i>	94
7. <i>Dividends paid (or declared) altogether or broken down by ordinary shares and other shares</i>	95
8. <i>Income and profit by business segments</i>	95

9.	<i>Significant events after the end of the first half of 2023, which are not reflected in the financial statements.....</i>	95
10.	<i>Effect of changes in the structure of the entity in the first half of 2023, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities</i>	95
11.	<i>Changes in contingent liabilities and commitments</i>	97
12.	<i>Write-offs of the value of inventories down to net realisable value and reversals of such write-offs.....</i>	97
13.	<i>Revaluation write-offs on account of impairment of tangible fixed assets, intangible assets, or other assets as well as reversals of such write-offs.....</i>	97
14.	<i>Revaluation write-offs on account of impairment of financial assets</i>	97
15.	<i>Reversals of provisions against restructuring costs</i>	97
16.	<i>Acquisitions and disposals of tangible fixed asset items.....</i>	97
17.	<i>Material liabilities assumed on account of acquisition of tangible fixed assets</i>	97
18.	<i>Information about changing the process (method) of measurement the fair value of financial instruments.....</i>	97
19.	<i>Changes in the classification of financial assets due to changes of purpose or use of these assets</i>	97
20.	<i>Corrections of errors from previous reporting periods</i>	97
21.	<i>Information on changes in the economic situation and operating conditions that have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are measured at fair value or at the adjusted purchase price (amortised cost)</i>	97
22.	<i>Default or infringement of a loan agreement or failure to initiate composition proceedings</i>	98
23.	<i>Position of the management on the probability of performance of previously published profit/loss forecasts for the year in light of the results presented in the quarterly report compared to the forecast</i>	98
24.	<i>Registered share capital</i>	98
25.	<i>Material share packages.....</i>	98
26.	<i>Earnings per share</i>	99
27.	<i>Proceedings before a court, arbitration body or public administration authority.....</i>	99
28.	<i>Legal risk related to mortgage and housing loans granted to individual customers in CHF.....</i>	99
29.	<i>Off-balance sheet liabilities.....</i>	99
30.	<i>Transactions with related entities</i>	99
31.	<i>Credit and loan guarantees, other guarantees granted of significant value</i>	100
32.	<i>Fair value of assets and liabilities.....</i>	100
33.	<i>Other information which the issuer deems necessary to assess its human resources, assets, financial position, financial performance and their changes as well as information relevant to an assessment of the issuer's capacity to meet its liabilities</i>	107
34.	<i>Factors affecting the results in the coming quarter</i>	107
35.	<i>Other information.....</i>	108
36.	<i>Events after the balance sheet date</i>	108

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

	Note	Period from 01.04.2023 to 30.06.2023	Period from 01.01.2023 to 30.06.2023	Period from 01.04.2022 to 30.06.2022 - restated	Period from 01.01.2022 to 30.06.2022 - restated
Interest income, including:	5	3 657 108	7 295 761	2 339 685	4 063 229
<i>Interest income accounted for using the effective interest method</i>		3 596 076	7 150 153	2 302 141	3 991 093
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		61 032	145 608	37 544	72 136
Interest expenses	5	(1 456 473)	(3 062 016)	(636 854)	(853 806)
Net interest income		2 200 635	4 233 745	1 702 831	3 209 423
Fee and commission income	6	747 963	1 485 747	759 831	1 545 497
Fee and commission expenses	6	(260 322)	(497 043)	(212 059)	(406 988)
Net fee and commission income		487 641	988 704	547 772	1 138 509
Dividend income	7	4 506	4 628	3 991	4 826
Net trading income	8	(3 338)	3 854	858	96 485
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	9	(9 651)	4 880	(72 201)	(81 082)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	10	(2 517)	(51 352)	(30 443)	(50 498)
Other operating income	11	63 888	142 622	83 605	149 957
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	12	(176 425)	(349 850)	(194 058)	(451 905)
Costs of legal risk related to foreign currency loans	30	(1 540 192)	(2 348 680)	(175 094)	(367 848)
Overhead costs	13	(585 595)	(1 321 198)	(899 263)	(1 626 623)
Depreciation		(118 847)	(238 131)	(120 164)	(236 698)
Other operating expenses	14	(61 537)	(151 201)	(82 479)	(145 762)
Operating profit		258 568	918 021	765 355	1 638 784
Taxes on the Group balance sheet items		(182 722)	(372 720)	(167 105)	(326 944)
Profit / (loss) before income tax		75 846	545 301	598 250	1 311 840
Income tax expense	26	(91 287)	(418 008)	(368 422)	(569 688)
Net profit / (loss)		(15 441)	127 293	229 828	742 152
Net profit / (loss) attributable to:					
- owners of mBank S.A.		(15 478)	127 337	229 708	742 037
- non-controlling interests		37	(44)	120	115
Earnings / (loss) per share (in PLN)	15	(0.37)	3.00	5.42	17.51
Diluted earnings / (loss) per share (in PLN)	15	(0.36)	3.00	5.41	17.47

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period from 01.04.2023 to 30.06.2023	Period from 01.01.2023 to 30.06.2023	Period from 01.04.2022 to 30.06.2022	Period from 01.01.2022 to 30.06.2022
Net profit / (loss)	(15 441)	127 293	229 828	742 152
Other comprehensive income net of tax, including:	217 939	623 046	(445 798)	(1 090 094)
Items that may be reclassified subsequently to the income statement	217 939	623 046	(445 798)	(1 090 094)
Exchange differences on translation of foreign operations (net)	(11 783)	(12 144)	67	690
Cash flows hedges (net)	127 908	281 685	(299 816)	(642 318)
Cost of hedge (net)	614	(13 853)	-	-
Change in valuation of debt instruments at fair value through other comprehensive income (net)	101 200	367 358	(146 049)	(448 466)
Items that will not be reclassified to the income statement	-	-	-	-
Actuarial gains and losses relating to post-employment benefits (net)	-	-	-	-
Reclassification to investment properties (net)	-	-	-	-
Total comprehensive income (net)	202 498	750 339	(215 970)	(347 942)
Total comprehensive income (net), attributable to:				
- Owners of mBank S.A.	202 461	750 383	(216 090)	(348 057)
- Non-controlling interests	37	(44)	120	115

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30.06.2023	31.12.2022
Cash and balances with the Central Bank		15 962 102	16 014 318
Financial assets held for trading and hedging derivatives	16	2 867 397	2 524 652
Non-trading financial assets mandatorily at fair value through profit or loss, including:	17	941 080	1 044 189
<i>Equity instruments</i>		194 892	185 788
<i>Debt securities</i>		47 787	45 009
<i>Loans and advances to customers</i>		698 401	813 392
Financial assets at fair value through other comprehensive income	18	35 985 288	35 117 450
Financial assets at amortised cost, including:	19	149 958 163	148 138 819
<i>Debt securities</i>		20 449 154	19 002 527
<i>Loans and advances to banks</i>		11 927 815	9 806 262
<i>Loans and advances to customers</i>		117 581 194	119 330 030
Fair value changes of the hedged items in portfolio hedge of interest rate risk		14 228	3 064
Non-current assets and disposal groups classified as held for sale	20	-	26 747
Intangible assets	21	1 579 977	1 391 707
Tangible assets	22	1 454 981	1 484 933
Investment properties	23	136 909	136 909
Current income tax assets		80 422	28 302
Deferred income tax assets	26	1 460 492	1 875 728
Other assets		2 486 818	2 105 295
TOTAL ASSETS		212 927 857	209 892 113
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities held for trading and hedging derivatives	16	1 918 138	2 086 111
Financial liabilities measured at amortised cost, including:	24	191 642 072	190 567 661
<i>Amounts due to banks</i>		3 204 420	3 270 223
<i>Amounts due to customers</i>		176 662 495	174 130 914
<i>Lease liabilities</i>		932 670	960 324
<i>Debt securities issued</i>		8 157 055	9 465 479
<i>Subordinated liabilities</i>		2 685 432	2 740 721
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(1 006 997)	(1 528 582)
Liabilities included in disposal groups classified as held for sale	20	-	7 375
Provisions	25	1 508 645	1 362 259
Current income tax liabilities		36 996	571 456
Other liabilities		5 359 333	4 110 802
TOTAL LIABILITIES		199 458 187	197 177 082
EQUITY			
Equity attributable to Owners of mBank S.A.		13 467 680	12 713 001
Share capital:		3 616 094	3 604 778
Registered share capital		169 860	169 734
Share premium		3 446 234	3 435 044
Retained earnings:	27	10 746 153	10 625 836
- Profit from the previous years		10 618 816	11 328 527
- Profit (loss) for the current year		127 337	(702 691)
Other components of equity	28	(894 567)	(1 517 613)
Non-controlling interests		1 990	2 030
TOTAL EQUITY		13 469 670	12 715 031
TOTAL LIABILITIES AND EQUITY		212 927 857	209 892 113

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in equity from 1 January to 30 June 2023

	Share capital		Retained earnings		Other components of equity	Equity attributable to Owners of mBank S.A.	Non-controlling interests	Total equity
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year				
Equity as at 1 January 2023	169 734	3 435 044	11 328 527	(702 691)	(1 517 613)	12 713 001	2 030	12 715 031
Transfer of profit/loss from previous year	-	-	(702 691)	702 691	-	-	-	-
Total comprehensive income	-	-	-	127 337	623 046	750 383	(44)	750 339
Issuance of ordinary shares	126	-	-	-	-	126	-	126
Other increase or decrease in equity	-	-	-	-	-	-	4	4
Stock option program for employees	-	11 190	(7 020)	-	-	4 170	-	4 170
<i>value of services provided by the employees</i>	-	-	4 170	-	-	4 170	-	4 170
<i>settlement of exercised options</i>	-	11 190	(11 190)	-	-	-	-	-
Equity as at 30 June 2023	169 860	3 446 234	10 618 816	127 337	(894 567)	13 467 680	1 990	13 469 670

Changes in equity from 1 January to 31 December 2022

	Share capital		Retained earnings		Other components of equity	Equity attributable to Owners of mBank S.A.	Non-controlling interests	Total equity
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year				
Equity as at 1 January 2022	169 540	3 424 404	12 505 247	(1 178 753)	(1 204 388)	13 716 050	1 866	13 717 916
Transfer of profit/loss from previous year	-	-	(1 178 753)	1 178 753	-	-	-	-
Total comprehensive income	-	-	-	(702 691)	(313 225)	(1 015 916)	164	(1 015 752)
Issuance of ordinary shares	194	-	-	-	-	194	-	194
Stock option program for employees	-	10 640	2 033	-	-	12 673	-	12 673
<i>value of services provided by the employees</i>	-	-	12 673	-	-	12 673	-	12 673
<i>settlement of exercised options</i>	-	10 640	(10 640)	-	-	-	-	-
Equity as at 31 December 2022	169 734	3 435 044	11 328 527	(702 691)	(1 517 613)	12 713 001	2 030	12 715 031

Changes in equity from 1 January to 30 June 2022

	Share capital		Retained earnings		Other components of equity	Equity attributable to Owners of mBank S.A.	Non-controlling interests	Total equity
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year				
Equity as at 1 January 2022	169 540	3 424 404	12 505 247	(1 178 753)	(1 204 388)	13 716 050	1 866	13 717 916
Transfer of profit/loss from previous year	-	-	(1 178 753)	1 178 753	-	-	-	-
Total comprehensive income	-	-	-	742 037	(1 090 094)	(348 057)	115	(347 942)
Issuance of ordinary shares	116	-	-	-	-	116	-	116
Other increase or decrease in equity	-	-	-	-	-	-	(18)	(18)
Stock option program for employees	-	6 418	1 103	-	-	7 521	-	7 521
<i>value of services provided by the employees</i>	-	-	7 521	-	-	7 521	-	7 521
<i>settlement of exercised options</i>	-	6 418	(6 418)	-	-	-	-	-
Equity as at 30 June 2022	169 656	3 430 822	11 327 597	742 037	(2 294 482)	13 375 630	1 963	13 377 593

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Period from 01.01.2023 to 30.06.2023	Period from 01.01.2022 to 30.06.2022 - restated
Profit / (loss) before income tax	545 301	1 311 840
Adjustments:	1 172 214	1 946 518
Income taxes paid	(721 220)	(222 543)
Depreciation, including depreciation of fixed assets provided under operating lease	250 980	250 307
Foreign exchange (gains) losses related to financing activities	(481 335)	304 134
(Gains) losses on investing activities	(4 292)	12 023
Dividends received	(4 628)	(4 826)
Interest income (income statement)	(7 295 761)	(4 063 229)
Interest expense (income statement)	3 062 016	853 806
Interest received	6 232 829	3 742 191
Interest paid	(2 651 091)	(620 140)
Changes in loans and advances to banks	(1 872 995)	918 868
Changes in financial assets and liabilities held for trading and hedging derivatives	219 270	(1 570 819)
Changes in loans and advances to customers	2 142 176	(8 073 763)
Changes in securities at fair value through other comprehensive income	253 709	9 109 341
Changes in securities at amortised cost	(1 414 700)	(2 111 922)
Changes of non-trading securities mandatorily at fair value through profit or loss	(13 273)	50 994
Changes in other assets	(382 865)	(352 191)
Changes in amounts due to banks	37 251	(749 717)
Changes in amounts due to customers	2 477 460	3 914 934
Changes in lease liabilities	(66 730)	33 987
Changes in issued debt securities	4 626	(1 283 293)
Changes in provisions	146 386	112 429
Changes in other liabilities	1 254 401	1 695 947
A. Cash flows from operating activities	1 717 515	3 258 358
Disposal of intangible assets and tangible fixed assets	69 690	34 511
Dividends received	4 628	4 826
Acquisition of shares in subsidiaries	(60)	-
Purchase of intangible assets and tangible fixed assets	(360 814)	(302 540)
B. Cash flows from investing activities	(286 556)	(263 203)
Issue of debt securities	392 687	1 136 581
Issue of ordinary shares	126	116
Redemption of debt securities	(1 549 709)	(1 395 524)
Payments of lease liabilities	(83 886)	(46 918)
Interest paid from loans and advances received from banks and from subordinated liabilities	(94 572)	(28 686)
C. Cash flows from financing activities	(1 335 354)	(334 431)
Net increase / decrease in cash and cash equivalents (A+B+C)	95 605	2 660 724
Effects of exchange rate changes on cash and cash equivalents	(6 144)	71 979
Cash and cash equivalents at the beginning of the reporting period	16 292 024	12 540 599
Cash and cash equivalents at the end of the reporting period	16 381 485	15 273 302

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

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

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

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

As at 30 June 2023 mBank S.A. Group covered by the Consolidated Financial Statements comprised the following companies:

mBank S.A. – the parent entity

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

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

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

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

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

As at 30 June 2023 the headcount of mBank S.A. amounted to 6 527 FTEs (Full Time Equivalentents), and of the Group to 7 171 FTEs (30 June 2022: Bank 6 333 FTEs; Group 6 999 FTEs).

As at 30 June 2023 the employment in mBank S.A. was 7 503 persons, and in the Group 8 416 persons (30 June 2022: Bank 7 361 persons; Group 9 756 persons)

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

Retail Banking segment

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

Corporate and Investment Banking segment

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

Treasury and Other segment

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

Other information concerning companies of the Group

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

Since the beginning of 2022 Group started to consolidate subsidiaries mFinanse CZ s.r.o. and mFinanse SK s.r.o. in relation to the start of their operating activities. The mFinanse companies in the Czech Republic and Slovakia operate in the area of financial intermediation in the sale of banking products distributed by mBank’s branches in the Czech Republic and Slovakia. The mFinanse companies in the Czech Republic and Slovakia took over the tasks that were previously carried out by mBank Branches in these countries. Moreover, in the first quarter of 2022, Group ceased to consolidate the subsidiary G-Invest Sp. z o.o. due to its immaterial impact on financial result and on financial statements of mBank S.A. Group.

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

The name of subsidiary	30.06.2023		31.12.2022		30.06.2022	
	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method
mBank Hipoteczny S.A.	100%	full	100%	full	100%	full
mLeasing Sp. z o.o.	100%	full	100%	full	100%	full
mFinanse S.A.	100%	full	100%	full	100%	full
mFaktoring S.A.	100%	full	100%	full	100%	full
Future Tech Fundusz Inwestycyjny Zamknięty	98.04%	full	98.04%	full	98.04%	full
mElements S.A.	100%	full	100%	full	100%	full
Asekum Sp. z o.o.	100%	full	100%	full	100%	full
LeaseLink Sp. z o.o.	100%	full	100%	full	100%	full
mFinanse CZ s.r.o.	100%	full	100%	full	100%	full
mFinanse SK s.r.o.	100%	full	100%	full	100%	full
mTowarzystwo Funduszy Inwestycyjnych S.A.	100%	full	100%	-	100%	-

The Management Board of mBank S.A. approved these condensed consolidated financial statements for issue on 1 August 2023.

2. Description of relevant accounting policies

Accounting basis

The condensed consolidated financial statements of mBank S.A. Group have been prepared for the 3 and 6-month periods ended 30 June 2023. Comparative data include the 3 and 6-month periods ended 30 June 2022 for the condensed consolidated income statement, condensed consolidated statement of comprehensive income, 6-month period ended 30 June 2022 for the condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity, additionally for the period from 1 January to 31 December 2022 for the condensed consolidated statement of changes in equity, and in the case of the condensed consolidated statement of financial position, data as at 31 December 2022.

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

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

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

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

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

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

New standards, interpretations and amendments to published standards

Standards and interpretations endorsed by the European Union

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

Standards and interpretations not yet endorsed by the European Union

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

Standards and interpretations	Description of the changes	The beginning of the binding period	Impact on the Group's financial statements in the period of initial application
Amendments to IAS 1, Classification of liabilities as current or non-current	Amendments to IAS 1 affect the requirements for the presentation of liabilities in the financial statements. In particular, they explain one of the criteria for classifying liabilities as non-current.	1 January 2024	The application of the amended standard will have no significant impact on the financial statements.
Amendments to IFRS 16 Leasing	Amendment to IFRS 16 requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.	1 January 2024	The application of the amended standard will have no significant impact on the financial statements.
Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules	The amendments introduce temporary exceptions to the recognition of deferred tax liabilities and assets in respect of Pillar Two of the international tax reform agreed at the OECD. In addition to the exceptions, the amendment introduces additional disclosures relating to the reform.	1 January 2023	The application of the amended standard will have no significant impact on the financial statements.
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	Amendments introduce additional disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.	1 January 2024	The application of the amended standard will have no significant impact on the financial statements.

Comparative data

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

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

- Separation of the item Lease liabilities (adjustment 2)

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

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

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

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

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

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

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

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

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

The above changes were due to the adjustment of the presentation of selected assets and liabilities, income and expenses positions to the prevailing market practice. The changes did not affect equity levels and the Group's income statements in the comparative periods presented in these financial statements. Comparative figures as of 1 January 2022 and 30 June 2022 and for the 3 and 6-month periods ended 30 June 2022 have been restated accordingly.

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

	No	Period from 01.01.2022 to 30.06.2022 before restatement	restatement	Period from 01.01.2022 to 30.06.2022 after restatement
Interest income, including:		4 048 398	14 831	4 063 229
<i>Interest income accounted for using the effective interest method</i>	1	3 976 262	14 831	3 991 093
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		72 136	-	72 136
Interest expenses	7	(860 691)	6 885	(853 806)
Net interest income		3 187 707	21 716	3 209 423
Fee and commission income	1	1 560 328	(14 831)	1 545 497
Fee and commission expenses		(406 988)	-	(406 988)
Net fee and commission income		1 153 340	(14 831)	1 138 509
Dividend income		4 826	-	4 826
Net trading income		96 485	-	96 485
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(81 082)	-	(81 082)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss		(50 498)	-	(50 498)
Other operating income		149 957	-	149 957
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	7	(445 020)	(6 885)	(451 905)
Costs of legal risk related to foreign currency loans		(367 848)	-	(367 848)
Overhead costs		(1 626 623)	-	(1 626 623)
Depreciation		(236 698)	-	(236 698)
Other operating expenses		(145 762)	-	(145 762)
Operating profit		1 638 784	-	1 638 784
Tax on the Group's balance sheet items		(326 944)	-	(326 944)
Profit / (loss) before income tax		1 311 840	-	1 311 840
Income tax expense		(569 688)	-	(569 688)
Net profit / (loss)		742 152	-	742 152
Net profit / (loss) attributable to:				
- Owners of mBank S.A.		742 037	-	742 037
- Non-controlling interests		115	-	115

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

Restatements in consolidated income statement for the period from 1 April 2022 to 30 June 2022

	No	Period from 01.04.2022 to 30.06.2022 before restatement	restatement	Period from 01.04.2022 to 30.06.2022 after restatement
Interest income, including:		2 332 111	7 574	2 339 685
<i>Interest income accounted for using the effective interest method</i>	1	2 294 567	7 574	2 302 141
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		37 544	-	37 544
Interest expenses	7	(643 739)	6 885	(636 854)
Net interest income		1 688 372	14 459	1 702 831
Fee and commission income	1	767 405	(7 574)	759 831
Fee and commission expenses		(212 059)	-	(212 059)
Net fee and commission income		555 346	(7 574)	547 772
Dividend income		3 991	-	3 991
Net trading income		858	-	858
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(72 201)	-	(72 201)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss		(30 443)	-	(30 443)
Other operating income		83 605	-	83 605
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	7	(187 173)	(6 885)	(194 058)
Costs of legal risk related to foreign currency loans		(175 094)	-	(175 094)
Overhead costs		(899 263)	-	(899 263)
Depreciation		(120 164)	-	(120 164)
Other operating expenses		(82 479)	-	(82 479)
Operating profit		765 355	-	765 355
Tax on the Group's balance sheet items		(167 105)	-	(167 105)
Profit / (loss) before income tax		598 250	-	598 250
Income tax expense		(368 422)	-	(368 422)
Net profit / (loss)		229 828	-	229 828
Net profit / (loss) attributable to:				
- Owners of mBank S.A.		229 708	-	229 708
- Non-controlling interests		120	-	120

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

Restatements in consolidated statement of financial position at 1 January 2022

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

Restatements in consolidated statement of financial position at 30 June 2022

ASSETS	No	30.06.2022 before restatement	restatement	30.06.2022 after restatement
Financial assets at amortised cost, including:		152 430 428	(454 200)	151 976 228
<i>Debt securities</i>		18 297 028	-	18 297 028
<i>Loans and advances to banks</i>		8 547 677	-	8 547 677
<i>Loans and advances to customers</i>	5	125 585 723	(454 200)	125 131 523
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	2 075 964	(2 226 725)	(150 761)
Other assets	5	1 629 401	454 200	2 083 601
Other items		48 261 355	-	48 261 355
TOTAL ASSETS		204 397 148	(2 226 725)	202 170 423
LIABILITIES AND EQUITY	No	30.06.2022 before restatement	restatement	30.06.2022 after restatement
Financial liabilities measured at amortised cost, including:		181 571 464	-	181 571 464
<i>Amounts due to banks</i>	3	2 651 752	1 913 201	4 564 953
<i>Amounts due to customers</i>	2,3	164 013 605	(2 917 622)	161 095 983
<i>Lease liabilities</i>	2	-	1 004 421	1 004 421
<i>Debt securities issued</i>		12 203 802	-	12 203 802
<i>Subordinated liabilities</i>		2 702 305	-	2 702 305
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	150 761	(2 226 725)	(2 075 964)
Provisions	4	924 324	25 005	949 329
Other liabilities	4	5 027 609	(25 005)	5 002 604
Other items		3 345 397	-	3 345 397
TOTAL LIABILITIES		191 019 555	(2 226 725)	188 792 830
TOTAL EQUITY		13 377 593	-	13 377 593
TOTAL LIABILITIES AND EQUITY		204 397 148	(2 226 725)	202 170 423

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

	No	Period from 01.01.2022 to 30.06.2022 before restatement	restatement	Period from 01.01.2022 to 30.06.2022 after restatement
Profit / (loss) before income tax		1 311 840	-	1 311 840
Adjustments, including:		1 946 518	-	1 946 518
Income taxes paid		(222 543)	-	(222 543)
Depreciation, including depreciation of fixed assets provided under operating lease		250 307	-	250 307
Foreign exchange (gains) losses related to financing activities		304 134	-	304 134
(Gains) losses on investing activities		12 023	-	12 023
Dividends received		(4 826)	-	(4 826)
Interest income (income statement)	1	(4 048 398)	(14 831)	(4 063 229)
Interest expense (income statement)	7	860 691	(6 885)	853 806
Interest received	1	3 727 360	14 831	3 742 191
Interest paid	7	(627 025)	6 885	(620 140)
Changes in loans and advances to banks		918 868	-	918 868
Changes in financial assets and liabilities held for trading and hedging derivatives		(1 570 819)	-	(1 570 819)
Changes in loans and advances to customers	5	(8 150 584)	76 821	(8 073 763)
Changes in financial assets at fair value through other comprehensive income		9 109 341	-	9 109 341
Changes in securities at amortised cost		(2 111 922)	-	(2 111 922)
Changes of non-trading securities mandatorily at fair value through profit or loss		50 994	-	50 994
Changes in other assets	5	(275 370)	(76 821)	(352 191)
Changes in amounts due to banks	3	(652 949)	(96 768)	(749 717)
Changes in amounts due to customers	2,3	3 852 153	62 781	3 914 934
Changes in lease liabilities	2	-	33 987	33 987
Changes in issued debt securities		(1 283 293)	-	(1 283 293)
Changes in provisions	4	112 869	(440)	112 429
Changes in other liabilities	4	1 695 507	440	1 695 947
A. Cash flows from operating activities		3 258 358	-	3 258 358
B. Cash flows from investing activities		(263 203)	-	(263 203)
C. Cash flows from financing activities		(334 431)	-	(334 431)
Net increase / decrease in cash and cash equivalents (A+B+C)		2 660 724	-	2 660 724
Effects of exchange rate changes on cash and cash equivalents		71 979	-	71 979
Cash and cash equivalents at the beginning of the reporting period		12 540 599	-	12 540 599
Cash and cash equivalents at the end of the reporting period		15 273 302	-	15 273 302

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

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

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

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

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

Impact of credit holidays on the financial result of the Group

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

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

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

By 30 June 2023, customers owning 79.5% of the value of the assumed eligible mortgage loan portfolio had submitted applications applying for an average of 7.3 months of credit holidays. As of 30 June 2023 the gross carrying value of the loans being subject to the credit holidays amounted to PLN 24 282.0 million.

Impairment of loans and advances

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the income statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions, on the basis of which the estimated cash flow amounts and their anticipated timing are determined, are regularly verified. If the current value of estimated cash flows (discounted recoveries from payments of capital, discounted recoveries from interests, discounted recoveries from off-balance sheet liabilities and discounted recoveries from collaterals for on-balance and off-balance sheet loans and advances, weighed by the probability of realization of specific scenarios) for portfolio of loans and advances which are impaired as of 30 June 2023, change by +/- 10%, the estimated loans and advances impairment would either decrease by PLN 66.0 million or increase by PLN 70.9 million (as at 31 December 2022: PLN 74.5 million and PLN 81.3 million). This estimation was performed for portfolio of loans and advances and for off-balance sheet liabilities individually assessed for impairment on the basis of future cash flows due to repayments and recovery from collateral – Stage 3. The rules of determining write-downs and provisions for impairment of credit exposures have been described under Note 3.3.6 of Consolidated financial statements of mBank S.A. Group for 2022, published on 2 March 2023.

Actions taken in relation to the current situation in Ukraine

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

Country	Direct exposure as at 30.06.2023												
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	-	-	-	-	-	-	-	-	-	-	-	-	-
Russia	-	-	150	-	-	-	-	-	-	-	(150)	-	44 528
Belarus	-	1 074	-	-	-	-	-	-	-	(418)	-	-	-
Total	-	1 074	150	-	-	-	-	-	-	(418)	(150)	-	44 528

There was also identified an indirect exposure: a balance sheet exposure of PLN 328.7 million and an off-balance sheet exposure of PLN 211.5 million towards corporate clients whose business is indirectly exposed to the risk of Russia's aggression towards Ukraine.

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

Country	Indirect exposure as at 30.06.2023												
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	85 411	6 904	368	-	35 780	50	-	-	(403)	(200)	(296)	-	-
Russia	150 569	26 354	48 375	-	173 667	-	-	-	(281)	(146)	(48 149)	-	-
Belarus	10 358	304	80	-	1 998	-	-	-	(29)	(6)	(80)	-	-
Total	246 338	33 562	48 823	-	211 445	50	-	-	(713)	(352)	(48 525)	-	-

Impact of the macroeconomic environment forecast on the expected credit loss values

In the first half of 2023, the Group worked on updating the forecasts of future macroeconomic conditions that are incorporated into the risk parameter models used to calculate the expected credit loss. The forecasts take into account the current development of the economic situation and they are consistent with the forecasts used by the Group in the planning process.

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

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

Scenario as of 30.06.2023		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast
GDP	y/y	0.4%	3.1%	1.9%	4.0%	-1.6%	1.5%
Unemployment rate	end of the year	5.3%	5.1%	4.3%	3.5%	5.5%	5.9%
Real estate price index	y/y	102.8	107.5	103.5	114.4	93.6	103.6
WIBOR3M	end of the year	6.95%	6.20%	8.25%	8.20%	5.75%	4.70%

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

Scenario as of 31.12.2022		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast
GDP	y/y	0.2%	2.6%	1.9%	4.0%	-3.5%	3.3%
Unemployment rate	end of the year	5.7%	5.5%	4.3%	3.5%	5.5%	5.9%
Real estate price index	y/y	102.7	106.0	105.8	105.8	101.8	102.1
WIBOR3M	end of the year	7.20%	6.20%	9.00%	7.00%	5.77%	4.77%

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

Scenario as of	Change in impairment allowance			
	30.06.2023			
	Stage 1	Stage 2	Stage 3	Total
optimistic	47 206	35 172	173	82 551
pessimistic	(78 544)	(51 275)	(172)	(129 991)

The above results were estimated taking into account the allocation to the Stage 2 calculated individually for given scenario. The ECL sensitivity analysis was performed for 92% of the assets of the portfolio of loans and advances to customers (excluding the impaired exposures and the exposures not valued with the use of models).

In the second quarter of 2023, for the specialised lending portfolio, there was provided a recalibration of long-term default probability and long-term loss models used for the calculation of expected credit losses and there was provided an update of macroeconomic forecasts. The total impact on the level of expected credit loss of all changes for the specialised lending portfolio in the first half of 2023 was a creation of provisions in the amount of PLN 14.2 million (negative impact on the result).

For the remaining loan portfolio, in the first half of 2023, there was performed an update of macroeconomic forecasts, used in the expected credit loss model. Additionally, in the long-term PD-parameter model, there were reflected current and forecasted loss ratios of individual sub-portfolios. The impact of these changes on the level of expected credit loss, for the loan portfolio not including specialised lending, was recognised as a creation of provisions in the amount of PLN 47.3 million (negative impact on the result) in the first half of 2023. Additionally, the impact on the fair value valuation of the non-mortgage portfolio amounted to PLN -4.9 million in the first half of 2023 (negative impact on the result).

Fair value of derivatives and other financial instruments

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

Deferred tax assets

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

Income tax in interim financial statements

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

The calculation of the average annual effective income tax rate requires the use of a pre-tax income forecast for the entire fiscal year and permanent differences between the carrying amounts of assets and liabilities and their tax base. The projected annual effective tax rate calculated in this way amounted to 76.7% and was applied to the profit before tax for the first half of 2023. In the first half of 2022, the projected annual effective tax rate was 43.4%.

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

The greatest impact on the value of the average annual effective tax rate in relation to the nominal income tax rate in the first half of 2023 resulted from the cost of legal risk related to foreign currency loans, the banking tax and other mandatory fees which are not tax-deductible costs (including Bank Guarantee Fund fees).

Revenue and expenses from sale of insurance products bundled with loans

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

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

Liabilities due to post-employment employee benefits

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

Leasing classification

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

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

4. Business segments

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

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

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

- **The Retail Banking segment**, which offers a full range of products and services to individual customers, including Private Banking customers and micro-businesses. The key products and services offered to customers in this segment include lending products (mortgage loans, overdrafts, cash loans, car loans, credit cards), deposit products (current and savings accounts, term deposits), debit cards, insurance products, brokerage services, investment advice, asset management services and leasing services. The results of the Retail Banking segment include the results of foreign branches of mBank in the Czech Republic and Slovakia. The Retail Banking segment also includes the results of mFinanse S.A., mFinanse CZ s.r.o., mFinanse SK s.r.o., mTowarzystwo Funduszy Inwestycyjnych S.A. and LeaseLink Sp. z o.o., as well as the results of retail segments of mLeasing Sp. z o.o., Asekum Sp. z o.o., mElements S.A. and mBank Hipoteczny S.A.

- The Corporate and Investment Banking segment, which offers financial services to small, medium and large-sized companies, public sector entities, financial institutions and banks. The key products offered to these customers include transactional banking (cash management, current accounts, term deposits, internet banking, trade finance services, letters of credit and guarantees), working capital and investment loans, project finance, structured and mezzanine finance services as well as custody, leasing and factoring services. The products of this segment include operations in foreign currencies, capital and derivatives markets, both proprietary and on behalf of customers, as well as services for arranging and financing securities issues, financial consulting and brokerage services for financial institutions. The Corporate and Investment Banking segment also generates result of foreign exchange risk management. This segment includes the results of the following subsidiaries: mFactoring S.A. and the results of corporate segments of mLeasing Sp. z o. o., Asekum Sp. z o.o., mElements S.A. and mBank Hipoteczny S.A. till the separation and a transfer of the separated part of business to mBank S.A., which was described in Point 9 of Selected Explanatory Information of these financial statements.
- The Treasury and Other segment consists primarily of treasury and money markets operations, liquidity and interest rate risks management of the Bank and its investment portfolio. The results of the segment include result of internal settlements of fund transfer pricing, result of items classified as hedge accounting and results not allocated to other segments. This segment also includes the results of mLeasing Sp. z o.o and mBank Hipoteczny S.A. with regard to activities concerning funding and results of Future Tech Fundusz Inwestycyjny Zamknięty.
- FX Mortgage Loans segment consists primarily of foreign currency mortgage loans with indexation clauses granted to individual customers. These types of loans are no longer offered to customers. The segment's assets include only the portfolio of active mortgage loans originally granted in foreign currencies (mainly in CHF, EUR and USD). The segment's liabilities do not include the financing of the portfolio of such loans, which was included in the liabilities of other segments.

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

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

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

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

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

period from 1 January to 30 June 2023	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	2 720 856	1 143 012	361 185	8 692	4 233 745
- sales to external clients	1 840 389	1 203 277	1 037 824	152 255	4 233 745
- sales to other segments	880 467	(60 265)	(676 639)	(143 563)	-
Net fee and commission income	496 199	526 941	(19 814)	(14 622)	988 704
Dividend income	-	-	4 628	-	4 628
Trading income	46 054	125 091	(140 117)	(27 174)	3 854
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	3 342	(3 926)	5 414	50	4 880
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(1 905)	100	(49 547)	-	(51 352)
Other operating income	74 693	54 755	11 564	1 610	142 622
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(413 953)	52 469	(837)	12 471	(349 850)
Costs of legal risk related to foreign currency loans	-	-	-	(2 348 680)	(2 348 680)
Overhead costs	(794 656)	(477 331)	(20 284)	(28 927)	(1 321 198)
Amortisation	(165 145)	(71 048)	(1 525)	(413)	(238 131)
Other operating expenses	(85 596)	(32 172)	(33 006)	(427)	(151 201)
Operating profit	1 879 889	1 317 891	117 661	(2 397 420)	918 021
Taxes on Group balance sheet items	(224 354)	(123 194)	(10 325)	(14 847)	(372 720)
Gross profit / (loss) of the segment	1 655 535	1 194 697	107 336	(2 412 267)	545 301
Income tax					(418 008)
Net profit / (loss) attributable to Owners of mBank S.A.					127 337
Net profit / (loss) attributable to non-controlling interests					(44)

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

period from 1 January to 30 June 2022	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	1 933 862	858 858	363 053	53 650	3 209 423
- sales to external clients	1 999 794	936 991	207 803	64 835	3 209 423
- sales to other segments	(65 932)	(78 133)	155 250	(11 185)	-
Net fee and commission income	575 739	590 624	(20 259)	(7 595)	1 138 509
Dividend income	-	-	4 826	-	4 826
Trading income	34 372	171 423	(134 563)	25 253	96 485
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(65 690)	(1 600)	(13 791)	(1)	(81 082)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(949)	(2 684)	(46 865)	-	(50 498)
Other operating income	62 563	65 201	22 080	113	149 957
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(275 825)	(165 179)	(2 157)	(8 744)	(451 905)
Costs of legal risk related to foreign currency loans	-	-	-	(367 848)	(367 848)
Overhead costs	(868 474)	(457 257)	(259 036)	(41 856)	(1 626 623)
Amortisation	(157 289)	(76 076)	(2 967)	(366)	(236 698)
Other operating expenses	(31 918)	(50 093)	(28 781)	(34 970)	(145 762)
Operating profit	1 206 391	933 217	(118 460)	(382 364)	1 638 784
Taxes on Group balance sheet items	(184 159)	(113 766)	(6 790)	(22 229)	(326 944)
Gross profit / (loss) of the segment	1 022 232	819 451	(125 250)	(404 593)	1 311 840
Income tax					(569 688)
Net profit / (loss) attributable to Owners of mBank S.A.					742 037
Net profit / (loss) attributable to non-controlling interests					115

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

30.06.2023	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Assets of the segment	69 213 747	50 379 317	87 800 428	5 534 365	212 927 857
Liabilities of the segment	126 174 354	53 004 226	19 166 311	1 113 296	199 458 187

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

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

	period from 1 January to 30 June 2023			period from 1 January to 30 June 2022		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	3 970 754	262 991	4 233 745	3 021 600	187 823	3 209 423
Net fee and commission income	962 392	26 312	988 704	1 102 107	36 402	1 138 509
Dividend income	4 628	-	4 628	4 826	-	4 826
Trading income	1 133	2 721	3 854	94 488	1 997	96 485
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	4 880	-	4 880	(81 082)	-	(81 082)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(51 092)	(260)	(51 352)	(50 380)	(118)	(50 498)
Other operating income	135 589	7 033	142 622	146 700	3 257	149 957
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(327 143)	(22 707)	(349 850)	(439 535)	(12 370)	(451 905)
Costs of legal risk related to foreign currency loans	(2 348 680)	-	(2 348 680)	(367 848)	-	(367 848)
Overhead costs	(1 230 172)	(91 026)	(1 321 198)	(1 540 592)	(86 031)	(1 626 623)
Amortisation	(230 942)	(7 189)	(238 131)	(230 000)	(6 698)	(236 698)
Other operating expenses	(144 745)	(6 456)	(151 201)	(142 038)	(3 724)	(145 762)
Operating profit	746 602	171 419	918 021	1 518 246	120 538	1 638 784
Taxes on Group balance sheet items	(344 049)	(28 671)	(372 720)	(302 466)	(24 478)	(326 944)
Gross profit / (loss) of the segment	402 553	142 748	545 301	1 215 780	96 060	1 311 840
Income tax			(418 008)			(569 688)
Net profit / (loss) attributable to Owners of mBank S.A.			127 337			742 037
Net profit / (loss) attributable to non-controlling interests			(44)			115

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

	30.06.2023			31.12.2022		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Assets of the segment, including:	203 008 301	9 919 556	212 927 857	199 392 516	10 499 597	209 892 113
- fixed assets	3 122 792	49 075	3 171 867	2 960 017	53 532	3 013 549
- deferred income tax assets	1 455 225	5 267	1 460 492	1 870 220	5 508	1 875 728
Liabilities of the segment	182 602 362	16 855 825	199 458 187	180 017 783	17 159 299	197 177 082

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

5. Net interest income

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Interest income			
Interest income accounted for using the effective interest method		7 150 153	3 991 093
Interest income of financial assets at amortised cost, including:		6 173 091	3 724 565
- <i>Loans and advances</i>		5 371 620	3 349 507
- <i>Debt securities</i>		287 643	194 472
- <i>Cash and short-term placements</i>		391 229	122 852
- <i>Gains or losses on non-substantial modification (net)</i>		36 168	(5 154)
- <i>Other</i>		86 431	62 888
Interest income on financial assets at fair value through other comprehensive income, including:		977 062	266 528
- <i>Debt securities</i>		977 062	266 528
Income similar to interest on financial assets at fair value through profit or loss		145 608	72 136
Financial assets held for trading, including:		39 729	15 330
- <i>Loans and advances</i>		2 418	1 497
- <i>Debt securities</i>		37 311	13 833
Non-trading financial assets mandatorily at fair value through profit or loss, including:		60 525	56 806
- <i>Loans and advances</i>		60 525	56 806
Interest income on derivatives classified into banking book		45 354	-
Total interest income		7 295 761	4 063 229

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

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Interest expenses			
Financial liabilities held for trading		(7 558)	(4 705)
Financial liabilities measured at amortised cost, including:		(2 283 251)	(498 579)
- <i>Deposits</i>		(1 947 907)	(314 277)
- <i>Loans received</i>		(2 272)	(2 212)
- <i>Issue of debt securities</i>		(219 858)	(118 036)
- <i>Subordinated liabilities</i>		(91 338)	(45 744)
- <i>Other financial liabilities</i>		(20 583)	(17 063)
- <i>Lease liabilities</i>		(1 293)	(1 247)
Interest expenses on derivatives classified into banking book		-	(33 852)
Interest expenses on derivatives concluded under the fair value hedge		(425 152)	(122 138)
Interest expenses on derivatives concluded under the cash flow hedge		(345 947)	(177 072)
Other		(108)	(17 460)
Total interest expense		(3 062 016)	(853 806)

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

6. Net fee and commission income

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Fee and commission income			
Payment cards-related fees		331 996	307 666
Credit-related fees and commissions		308 061	302 262
Commissions from currency transactions		245 160	261 141
Commissions from bank accounts		145 366	221 016
Commissions from money transfers		117 384	108 446
Fees from brokerage activity and debt securities issue		81 492	100 464
Commissions for agency service regarding sale of insurance products of external financial entities		65 713	59 688
Commissions due to guarantees granted and trade finance commissions		58 294	53 563
Fees from cash services		33 223	26 669
Commissions for agency service regarding sale of other products of external financial entities		31 355	45 889
Commissions on trust and fiduciary activities		15 121	17 196
Fees from portfolio management services and other management-related fees		12 182	13 400
Other		40 400	28 097
Total fee and commission income		1 485 747	1 545 497

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Fee and commission expense			
Payment cards-related fees		(153 026)	(135 442)
Commissions paid to external entities for sale of the Group's products		(96 612)	(81 939)
Commissions of insurance products		(6 351)	(7 137)
Commissions paid for sale of external financial entities' products		(16 273)	(20 443)
Discharged brokerage fees		(18 364)	(18 656)
Cash services		(28 288)	(20 659)
Fees to NBP, KIR and GPW Benchmark		(9 628)	(9 145)
Other discharged fees		(168 501)	(113 567)
Total fee and commission expense		(497 043)	(406 988)

7. Dividend income

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Non-trading financial assets mandatorily at fair value through profit or loss		4 083	3 926
Investments in non-consolidated subsidiaries		545	900
Total dividend income		4 628	4 826

8. Net trading income

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Foreign exchange result		(48 572)	81 184
Net exchange differences on translation		189 748	(173 751)
Net transaction gains/losses		(238 320)	254 935
Gains or losses on financial assets and liabilities held for trading		56 453	13 303
Derivatives, including:		54 166	10 658
- <i>Interest-bearing instruments</i>		42 072	(6 871)
- <i>Market risk instruments</i>		12 094	17 529
Equity instruments		(1 572)	(54)
Debt securities		4 140	2 290
Loans and advances		(281)	409
Gains or losses from hedge accounting		(4 027)	1 998
Net profit on hedged items		(542 273)	1 384 830
Net profit on fair value hedging instruments		535 042	(1 386 557)
Ineffective portion of cash flow hedge		3 204	3 725
Net trading income		3 854	96 485

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

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

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

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Equity instruments		20 225	(54 143)
Debt securities		5 893	(8 479)
Loans and advances		(21 238)	(18 460)
Total gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		4 880	(81 082)

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

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Gains less losses from derecognition, including:		(51 352)	(50 498)
- <i>Financial assets measured at fair value through other comprehensive income</i>		(49 447)	(49 726)
- <i>Financial assets at amortised cost</i>		(1 905)	(772)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss		(51 352)	(50 498)

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

11. Other operating income

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories		42 019	35 047
Income from services provided		6 047	8 243
Net income from operating lease and right-of-use assets in sublease		4 967	4 782
Rental income from investment properties		399	5
Income due to release of provisions for future commitments		22 824	10 025
Income from recovering receivables designated previously as prescribed, remitted or uncollectible		1 324	1 838
Income from compensations, penalties and fines received		559	226
Release of impairment provisions created for tangible assets and intangible assets		4	-
Net revenues from the sale of an organised part of the company mFinanse S.A.		9 000	20 700
Gains from sale and valuation of investment in subsidiaries and associates		5 663	14 558
Other		49 816	54 533
Total other operating income		142 622	149 957

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

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

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

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Net operating income due to operating lease and subleasing right-of-use assets, including:			
- Income from operating lease		13 880	15 561
- Income from right-of-use assets in sublease		3 936	2 830
- Depreciation cost of fixed assets provided under operating lease and right-of-use assets in sublease		(12 849)	(13 609)
Total net operating income due to operating lease and subleasing right-of-use assets		4 967	4 782

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

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Financial assets at amortised cost, including:			
Debt securities		(449)	(1 255)
<i>Stage 1</i>		(449)	(1 255)
Loans and advances		(492 153)	(457 001)
<i>Stage 1</i>		(14 282)	13 302
<i>Stage 2</i>		(55 907)	(4 986)
<i>Stage 3</i>		(449 797)	(451 160)
<i>POCI</i>		27 833	(14 157)
Financial assets at fair value through other comprehensive income, including:		(1 199)	(535)
Debt securities		(1 199)	(535)
<i>Stage 1</i>		(460)	(1 123)
<i>Stage 2</i>		(739)	588
Commitments and guarantees given		143 951	6 886
<i>Stage 1</i>		(1 838)	2 074
<i>Stage 2</i>		(3 544)	(533)
<i>Stage 3</i>		148 887	2 089
<i>POCI</i>		446	3 256
Net impairment losses on financial assets not measured at fair value through profit or loss		(349 850)	(451 905)

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

13. Overhead costs

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Staff-related expenses		(689 502)	(590 702)
Material costs, including:		(423 943)	(373 957)
- costs of administration and real estate services		(174 961)	(139 654)
- IT costs		(124 460)	(108 509)
- marketing costs		(85 649)	(69 867)
- consulting costs		(30 125)	(48 675)
- other material costs		(8 748)	(7 252)
Taxes and fees		(19 763)	(17 675)
Contributions and transfers to the Bank Guarantee Fund		(181 837)	(245 914)
Contributions to the Social Benefits Fund		(6 115)	(7 541)
Institutional Protection Scheme		(38)	(390 834)
Total overhead costs		(1 321 198)	(1 626 623)

Staff-related expenses for the first half of 2023 and for the first half of 2022 is presented below.

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Wages and salaries		(540 439)	(469 897)
Social security expenses		(102 291)	(88 679)
Employee contributions related to post-employment benefits		-	(755)
Remuneration concerning share-based payments, including:		(4 345)	(7 668)
- share-based payments settled in mBank S.A. shares		(4 170)	(7 521)
- cash-settled share-based payments		(175)	(147)
Other staff expenses		(42 427)	(23 703)
Staff-related expenses, total		(689 502)	(590 702)

14. Other operating expense

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories		(30 436)	(27 168)
Provisions for future commitments		(55 002)	(20 473)
Costs arising from provisions created for other receivables (excluding loans and advances)		(1 339)	(987)
Donations made		(5 139)	(5 903)
Compensation, penalties and fines paid		(1 067)	(2 102)
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the period		(2 839)	(2 233)
Debt collection expenses		(9 055)	(15 031)
Losses from sale and valuation of investment in subsidiaries and associates		(13 852)	(18 939)
Other operating costs		(32 472)	(52 926)
Total other operating expenses		(151 201)	(145 762)

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

15. Earnings / (losses) per share

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Basic:			
Net profit / (loss) attributable to Owners of mBank S.A.		127 337	742 037
Weighted average number of ordinary shares		42 437 832	42 385 526
Net basic profit / (loss) per share (in PLN per share)		3.00	17.51
Diluted:			
Net profit / (loss) attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share		127 337	742 037
Weighted average number of ordinary shares		42 437 832	42 385 526
Adjustments for:			
- share options and subscription warrants		62 359	78 487
Weighted average number of ordinary shares for calculation of diluted earnings per share		42 500 191	42 464 013
Diluted earnings / (losses) per share (in PLN per share)		3.00	17.47

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

	30.06.2023	31.12.2022
Derivatives, including:	1 120 005	1 500 695
- Held for trading derivative financial instruments classified into banking book	395 733	593 653
- Held for trading derivative financial instruments classified into trading book	938 857	1 199 748
- Derivative financial instruments held for fair value hedging	89 067	121 875
- Derivative financial instruments held for cash flow hedging	4 674	36 814
- Offsetting effect	(308 326)	(451 395)
Equity instruments	14 558	6 129
- Other financial corporations	10 162	-
- Non-financial corporations	4 396	6 129
Debt securities	1 693 387	978 108
- General governments, including:	1 449 286	670 227
<i>pledged securities</i>	485 038	278 219
- Credit institutions	-	24 212
- Other financial corporations	59 763	101 887
- Non-financial corporations	184 338	181 782
Loans and advances	39 447	39 720
- Corporate customers	39 447	39 720
Total financial assets held for trading and derivatives held for hedges	2 867 397	2 524 652

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

Financial liabilities held for trading and derivatives held for hedges

	30.06.2023	31.12.2022
Derivatives, including:	1 595 822	1 825 573
- Held for trading derivative financial instruments classified into banking book	249 925	395 883
- Held for trading derivative financial instruments classified into trading book	1 512 879	1 767 202
- Derivative financial instruments held for fair value hedging	1 527 862	2 106 851
- Derivative financial instruments held for cash flow hedging	424 458	679 253
- Offsetting effect	(2 119 302)	(3 123 616)
Liabilities from short sale of securities	322 316	260 538
Total financial liabilities held for trading and derivatives held for hedges	1 918 138	2 086 111

Derivative financial instruments

The Group has the following types of derivative instruments:

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

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

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

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

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

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

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

Hedge accounting

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

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

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

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

Fair value hedge accounting

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

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

Description of the hedging relation

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

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

Hedged items

The hedged items are:

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

Hedging instruments

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

Presentation of the result from hedged and hedging transactions

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Interest income / expense on derivatives concluded under the fair value hedge accounting (Note 5)		(425 152)	(122 138)
Net profit on hedged items (Note 8)		(542 273)	1 384 830
Net profit on fair value hedging instruments (Note 8)		535 042	(1 386 557)
The total results of fair value hedge accounting recognised in the income statement		(432 383)	(123 865)

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

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

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

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

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

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

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

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

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

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

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

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

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Other gross comprehensive income from cash flow hedge and cost of hedge at the beginning of the period		(950 325)	(617 534)
Unrealised gains/losses resulting from hedge included in other gross comprehensive income during the reporting period		(87 171)	(945 697)
The amount transferred in the period from other comprehensive income to profit and loss		417 827	152 712
- <i>net interest income</i>		345 947	177 072
- <i>foreign exchange result</i>		71 880	(24 360)
Accumulated other gross comprehensive income from cash flow hedge and cost of hedge at the end of the reporting period		(619 669)	(1 410 519)
Income tax on accumulated other comprehensive income at the end of the reporting period		117 738	267 999
Accumulated other net comprehensive income from cash flow hedge and cost of hedge at the end of the reporting period		(501 931)	(1 142 520)
Impact on other comprehensive income in the reporting period (gross)		330 656	(792 985)
Tax on cash flow hedges		(62 824)	150 667
Impact on other comprehensive income in the reporting period (net)		267 832	(642 318)

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Gains/losses recognised in comprehensive income (gross) during the reporting period, including:			
Unrealised gains/losses included in other comprehensive income (gross)		330 656	(792 985)
Results of cash flow hedge accounting recognised in the income statement		(414 623)	(148 987)
- <i>amount included as interest income / expense in income statement during the reporting period (Note 5)</i>		(345 947)	(177 072)
- <i>ineffective portion of hedge recognised included in other net trading income in income statement (Note 8)</i>		3 204	3 725
- <i>foreign exchange result</i>		(71 880)	24 360
Impact on other comprehensive income in the reporting period (gross)		(83 967)	(941 972)

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

	30.06.2023	31.12.2022
Equity instruments	194 892	185 788
- Other financial corporations	148 917	133 100
- Non-financial corporations	45 975	52 688
Debt securities	47 787	45 009
- Other financial corporations	47 787	45 009
Loans and advances	698 401	813 392
- Individual customers	612 832	690 795
- Corporate customers	85 521	122 509
- Public sector customers	48	88
Total non-trading financial assets mandatorily at fair value through profit or loss	941 080	1 044 189
Short-term (up to 1 year)	593 076	692 237
Long-term (over 1 year)	348 004	351 952

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

18. Financial assets at fair value through other comprehensive income

30.06.2023	Carrying amount	Gross carrying amount including valuation to fair value				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	35 985 288	35 947 316	47 729	-	-	(9 018)	(739)	-	-
- Central banks	22 029 078	22 032 908	-	-	-	(3 830)	-	-	-
- General governments, including:	11 371 181	11 373 173	-	-	-	(1 992)	-	-	-
<i>pledged securities</i>	676 526	676 526	-	-	-	-	-	-	-
- Credit institutions	402 615	403 152	-	-	-	(537)	-	-	-
- Other financial institutions, including:	1 491 897	1 445 457	47 729	-	-	(550)	(739)	-	-
<i>pledged securities</i>	390 950	390 950	-	-	-	-	-	-	-
- Non-financial corporations	690 517	692 626	-	-	-	(2 109)	-	-	-
Total financial assets at fair value through other comprehensive income	35 985 288	35 947 316	47 729	-	-	(9 018)	(739)	-	-

Short-term (up to 1 year) gross	29 633 514
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Long-term (over 1 year) gross	6 361 531
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31.12.2022	Carrying amount	Gross carrying amount including valuation to fair value				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	35 117 450	35 126 009	-	-	-	(8 559)	-	-	-
- Central banks	17 483 362	17 486 266	-	-	-	(2 904)	-	-	-
- General governments, including:	15 101 553	15 104 112	-	-	-	(2 559)	-	-	-
<i>pledged securities</i>	677 551	677 551	-	-	-	-	-	-	-
- Credit institutions	375 548	375 921	-	-	-	(373)	-	-	-
- Other financial institutions, including:	1 445 590	1 446 001	-	-	-	(411)	-	-	-
<i>pledged securities</i>	415 618	415 618	-	-	-	-	-	-	-
- Non-financial corporations	711 397	713 709	-	-	-	(2 312)	-	-	-
Total financial assets at fair value through other comprehensive income	35 117 450	35 126 009	-	-	-	(8 559)	-	-	-

Short-term (up to 1 year) gross	24 366 750
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Long-term (over 1 year) gross	10 759 259
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The above note includes government bonds pledged under the Bank Guarantee Fund and government bonds pledged as collateral for the loans received from the European Investment Bank.

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

Change from 1 January to 30 June 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Changes in credit risk	Other movements	As at the end of the period
Debt securities	(8 559)	-	-	-	(23 587)	22 979	(591)	1	(9 757)
Stage 1	(8 559)	-	158	-	(23 587)	22 979	(10)	1	(9 018)
Stage 2	-	-	(158)	-	-	-	(581)	-	(739)
Expected credit losses allowance, total	(8 559)	-	-	-	(23 587)	22 979	(591)	1	(9 757)

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

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

Change from 1 January to 30 June 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Other movements	As at the end of the period
Debt securities	35 126 009	-	-	-	126 505 229	(125 870 114)	233 921	35 995 045
Stage 1	35 126 009	-	(47 453)	-	126 505 229	(125 870 114)	233 645	35 947 316
Stage 2	-	-	47 453	-	-	-	276	47 729
Gross carrying amount, total	35 126 009	-	-	-	126 505 229	(125 870 114)	233 921	35 995 045

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

19. Financial assets at amortised cost

30.06.2023	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	20 449 154	20 452 524	-	-	-	(3 370)	-	-	-
- General governments, including:	13 911 188	13 913 578	-	-	-	(2 390)	-	-	-
<i>pledged securities</i>	1 368 471	1 368 471	-	-	-	-	-	-	-
- Credit institutions	3 023 760	3 024 280	-	-	-	(520)	-	-	-
- Other financial corporations	3 514 206	3 514 666	-	-	-	(460)	-	-	-
<i>pledged securities</i>	793 087	793 087	-	-	-	-	-	-	-
Loans and advances to banks	11 927 815	11 905 092	23 561	-	-	(364)	(474)	-	-
Loans and advances to customers	117 581 194	105 815 475	10 363 602	4 602 753	207 752	(414 310)	(440 157)	(2 626 109)	72 188
Individual customers	65 588 160	59 429 016	5 549 751	2 412 653	150 470	(226 347)	(332 453)	(1 365 721)	(29 209)
Corporate customers	51 849 793	46 243 009	4 813 801	2 190 100	57 282	(187 710)	(107 698)	(1 260 388)	101 397
Public sector customers	143 241	143 450	50	-	-	(253)	(6)	-	-
Total financial assets at amortised cost	149 958 163	138 173 091	10 387 163	4 602 753	207 752	(418 044)	(440 631)	(2 626 109)	72 188
Short-term (up to 1 year) gross	56 968 060								
Long-term (over 1 year) gross	96 402 699								

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

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

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

Loans and advances to customers

Loans and advances to customers 30.06.2023	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	15 087 015	8 188 871	6 890 660	7 484
Term loans, including:	85 171 997	59 336 309	25 699 672	136 016
- housing and mortgage loans to natural persons	45 019 700	45 019 700		
Reverse repo or buy/sell back	3 670 777	-	3 670 777	-
Finance leases	13 704 670	-	13 704 670	-
Other loans and advances	3 261 418	-	3 261 418	-
Other receivables	93 705	16 710	76 995	-
Total gross carrying amount	120 989 582	67 541 890	53 304 192	143 500
Loans and advances to customers 30.06.2023	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	(984 800)	(775 502)	(209 264)	(34)
Term loans, including:	(1 855 002)	(1 178 228)	(676 549)	(225)
- housing and mortgage loans to natural persons	(480 758)	(480 758)		
Finance leases	(508 168)	-	(508 168)	-
Other loans and advances	(55 229)	-	(55 229)	-
Other receivables	(5 189)	-	(5 189)	-
Total accumulated impairment	(3 408 388)	(1 953 730)	(1 454 399)	(259)
Total gross carrying amount	120 989 582	67 541 890	53 304 192	143 500
Total accumulated impairment	(3 408 388)	(1 953 730)	(1 454 399)	(259)
Total carrying amount	117 581 194	65 588 160	51 849 793	143 241
Short-term (up to 1 year) gross	40 410 774			
Long-term (over 1 year) gross	80 578 808			
Loans and advances to customers 31.12.2022	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	14 702 210	8 015 011	6 680 908	6 291
Term loans, including:	89 526 212	62 394 979	27 029 870	101 363
- housing and mortgage loans to natural persons	48 094 082	48 094 082		
Reverse repo or buy/sell back	1 611 154	-	1 611 154	-
Finance leases	13 351 537	-	13 351 537	-
Other loans and advances	3 301 814	-	3 301 814	-
Other receivables	91 315	21 377	69 938	-
Total gross carrying amount	122 584 242	70 431 367	52 045 221	107 654
Loans and advances to customers 31.12.2022	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	(839 171)	(680 444)	(158 711)	(16)
Term loans, including:	(1 890 949)	(1 164 635)	(725 223)	(1 091)
- housing and mortgage loans to natural persons	(501 397)	(501 397)		
Finance leases	(476 832)	-	(476 832)	-
Other loans and advances	(42 904)	-	(42 904)	-
Other receivables	(4 356)	-	(4 356)	-
Total accumulated impairment	(3 254 212)	(1 845 079)	(1 408 026)	(1 107)
Total gross carrying amount	122 584 242	70 431 367	52 045 221	107 654
Total accumulated impairment	(3 254 212)	(1 845 079)	(1 408 026)	(1 107)
Total carrying amount	119 330 030	68 586 288	50 637 195	106 547
Short-term (up to 1 year) gross	36 669 622			
Long-term (over 1 year) gross	85 914 620			

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

	30.06.2023	31.12.2022
Net housing and mortgage loans to natural persons (in PLN thousand), including:	44 538 942	47 592 685
- PLN	32 310 796	31 930 717
- CHF	3 491 001	6 141 673
- EUR	3 672 909	4 035 996
- CZK	4 893 991	5 301 068
- USD	150 534	169 647
- Other	19 711	13 584
Net housing and mortgage loans to natural persons in original currencies (main currencies in thousand)		
- PLN	32 310 796	31 930 717
- CHF	766 209	1 288 130
- EUR	825 317	860 572
- CZK	26 101 285	27 296 952
- USD	36 657	38 540

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

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

30.06.2023											
No.	Sectors	Carrying amount	Gross carrying amount				%	Accumulated impairment			
			Stage 1	Stage 2	Stage 3	POCI		Stage 1	Stage 2	Stage 3	POCI
1.	Individual customers	65 588 160	59 429 016	5 549 751	2 412 653	150 470	55.82%	(226 347)	(332 453)	(1 365 721)	(29 209)
2.	Real estate	6 234 458	5 096 681	794 586	616 631	18 500	5.39%	(30 915)	(43 637)	(241 245)	23 857
3.	Construction	4 748 995	4 029 098	506 628	501 815	13 259	4.17%	(23 897)	(11 435)	(272 284)	5 811
4.	Financial activities	4 541 528	4 534 427	12 972	11 518	16	3.77%	(7 245)	(370)	(9 790)	-
5.	Food sector	3 353 844	3 021 766	295 197	125 859	1 212	2.85%	(7 558)	(9 878)	(72 040)	(714)
6.	Transport and logistics	3 134 039	2 773 261	337 209	91 931	778	2.65%	(8 092)	(4 006)	(70 281)	13 239
7.	Metals	2 484 292	2 211 070	257 483	49 081	2 252	2.08%	(6 092)	(2 430)	(26 569)	(503)
8.	Construction materials	2 174 012	1 691 704	472 325	38 597	10 561	1.83%	(4 599)	(3 367)	(25 492)	(5 717)
9.	Motorisation	2 128 470	1 894 309	219 822	47 372	(14)	1.79%	(3 184)	(1 765)	(28 084)	14
10.	Power and heating distribution	2 059 324	2 049 775	22 406	72 894	-	1.77%	(25 465)	(234)	(60 052)	-
11.	Chemicals and plastic products	1 927 329	1 818 905	90 277	35 685	248	1.61%	(4 094)	(533)	(16 568)	3 409
12.	Scientific and technical activities	1 814 837	1 741 211	79 263	50 771	6 839	1.55%	(11 394)	(2 220)	(42 804)	(6 829)
13.	Wholesale trade	1 589 131	1 377 592	195 327	96 626	-	1.38%	(3 473)	(3 754)	(73 187)	-
14.	Retail trade	1 484 277	1 305 545	176 952	28 431	9	1.25%	(3 385)	(2 961)	(20 314)	-
15.	Wood, furniture and paper products	1 329 399	1 149 376	124 371	99 342	153	1.14%	(2 782)	(1 051)	(84 538)	44 528
16.	Fuel	1 212 024	1 175 470	31 806	3 193	109	1.00%	(5 318)	(303)	(1 933)	9 000
17.	Rental and leasing activities	1 058 445	1 011 090	41 876	26 744	-	0.89%	(2 035)	(655)	(18 575)	-
18.	Human health	1 064 133	1 015 596	52 252	11 264	63	0.89%	(5 553)	(1 433)	(8 004)	(52)
19.	IT	1 011 599	976 022	28 143	37 957	1	0.86%	(4 921)	(403)	(25 242)	42
20.	Other	8 642 898	7 513 561	1 074 956	244 389	3 296	7.31%	(27 961)	(17 269)	(163 386)	15 312
Total		117 581 194	105 815 475	10 363 602	4 602 753	207 752	100.00%	(414 310)	(440 157)	(2 626 109)	72 188

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

31.12.2022											
No.	Sectors	Carrying amount	Gross carrying amount				%	Accumulated impairment			
			Stage 1	Stage 2	Stage 3	POCI		Stage 1	Stage 2	Stage 3	POCI
1.	Individual customers	68 586 288	64 086 758	3 967 237	2 224 949	152 423	57.46%	(221 770)	(290 339)	(1 303 175)	(29 795)
2.	Real estate	6 448 613	5 307 400	713 098	629 903	41 720	5.46%	(29 221)	(18 305)	(200 004)	4 022
3.	Construction	4 943 126	4 216 920	449 131	527 031	13 881	4.25%	(22 610)	(13 583)	(232 226)	4 582
4.	Food sector	3 563 638	3 264 491	242 562	128 296	7 803	2.97%	(7 912)	(10 774)	(71 774)	10 946
5.	Financial activities	3 200 993	3 187 639	14 238	11 232	16	2.62%	(3 169)	(335)	(8 628)	-
6.	Transport and logistics	3 099 420	2 632 006	462 569	84 117	774	2.59%	(9 209)	(15 203)	(68 953)	13 319
7.	Metals	2 689 412	2 482 146	193 827	45 230	1 727	2.22%	(7 074)	(1 612)	(24 537)	(295)
8.	Construction materials	2 108 970	1 704 001	391 618	62 080	1 694	1.76%	(4 283)	(2 152)	(43 504)	(484)
9.	Chemicals and plastic products	2 079 293	1 951 744	107 919	39 045	(4)	1.71%	(4 359)	(932)	(16 384)	2 264
10.	Power and heating distribution	1 958 350	1 952 663	13 812	75 667	-	1.67%	(26 033)	(71)	(57 688)	-
11.	Motorisation	1 987 472	1 796 521	175 013	49 108	198	1.65%	(3 361)	(1 526)	(28 402)	(79)
12.	Scientific and technical activities	1 707 462	1 626 160	86 986	47 558	8 172	1.44%	(10 822)	(1 872)	(40 548)	(8 172)
13.	Wholesale trade	1 547 459	1 428 352	98 613	84 819	-	1.31%	(3 397)	(2 584)	(58 344)	-
14.	Retail trade	1 497 261	1 428 114	69 460	22 010	27	1.24%	(4 267)	(1 199)	(16 884)	-
15.	Wood, furniture and paper products	1 383 059	1 240 989	93 888	83 596	192	1.16%	(1 824)	(1 093)	(79 614)	46 925
16.	Fuel	1 180 621	1 138 306	33 345	18 420	943	0.97%	(4 256)	(339)	(5 283)	(515)
17.	IT	1 167 188	1 158 771	12 153	8 088	1	0.96%	(5 860)	(293)	(5 672)	-
18.	Human health	1 024 432	979 698	47 606	10 542	62	0.85%	(4 676)	(1 163)	(7 631)	(6)
19.	Rental and leasing activities	963 976	915 222	44 306	27 632	-	0.81%	(2 057)	(456)	(20 671)	-
20.	Other	8 192 997	7 033 104	1 094 510	332 712	(318)	6.90%	(26 456)	(22 049)	(221 280)	2 774
Total		119 330 030	109 531 005	8 311 891	4 512 035	229 311	100.00%	(402 616)	(385 880)	(2 511 202)	45 486

Movements in expected credit losses allowance

Change from 1 January to 30 June 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Changes in credit risk	Write-offs	Other movements	As at the end of the period
Debt securities	(2 931)	-	-	-	(495)	356	(310)	-	10	(3 370)
Stage 1	(2 931)	-	-	-	(495)	356	(310)	-	10	(3 370)
Loans and advances to banks	(1 503)	-	-	-	(380)	499	589	-	(43)	(838)
Stage 1	(563)	-	37	-	(340)	463	105	-	(66)	(364)
Stage 2	(940)	-	(37)	-	(40)	36	484	-	23	(474)
Loans and advances to customers	(3 254 212)	-	-	-	(177 919)	109 396	(424 338)	414 191	(75 506)	(3 408 388)
Stage 1	(402 616)	(142 931)	64 856	5 042	(63 893)	33 146	89 233	-	2 853	(414 310)
Stage 2	(385 880)	136 344	(89 993)	147 061	(8 353)	5 392	(246 801)	-	2 073	(440 157)
Stage 3	(2 511 202)	6 587	25 137	(152 103)	(131 162)	89 829	(288 085)	410 731	(75 841)	(2 626 109)
POCI	45 486	-	-	-	25 489	(18 971)	21 315	3 460	(4 591)	72 188
Expected credit losses allowance, total	(3 258 646)	-	-	-	(178 794)	110 251	(424 059)	414 191	(75 539)	(3 412 596)

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

Change from 1 January to 30 June 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Write-offs	Other movements	As at the end of the period
Debt securities	19 005 458	-	-	-	2 913 094	(2 157 626)	-	691 598	20 452 524
Stage 1	19 005 458	-	-	-	2 913 094	(2 157 626)	-	691 598	20 452 524
Loans and advances to banks	9 807 765	-	-	-	68 293 776	(66 158 142)	-	(14 746)	11 928 653
Stage 1	9 805 334	175	(21 600)	-	68 272 043	(66 138 954)	-	(11 906)	11 905 092
Stage 2	2 431	(175)	21 600	-	21 733	(19 188)	-	(2 840)	23 561
Loans and advances to customers	122 584 242	-	-	-	42 069 379	(36 572 954)	(414 191)	(6 676 894)	120 989 582
Stage 1	109 531 005	2 969 504	(6 353 252)	(253 320)	41 448 152	(35 351 421)	-	(6 175 193)	105 815 475
Stage 2	8 311 891	(2 930 892)	6 478 460	(794 341)	446 518	(823 131)	-	(324 903)	10 363 602
Stage 3	4 512 035	(38 612)	(125 208)	977 863	193 519	(373 094)	(410 731)	(133 019)	4 602 753
POCI	229 311	-	-	69 798	(18 810)	(25 308)	(3 460)	(43 779)	207 752
Financial assets at amortised cost, gross	151 397 465	-	-	-	113 276 249	(104 888 722)	(414 191)	(6 000 042)	153 370 759

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

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

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

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

On 29 March 2023, the Bank sold the property.

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

Non-current assets held for sale	30.06.2023	31.12.2022
Fixed asset	-	26 747
Total non-current assets held for sale	-	26 747
Liabilities classified as held for sale	30.06.2023	31.12.2022
Financial liabilities measured at amortised cost, including:	-	7 375
<i>Lease liabilities</i>	-	7 375
Total liabilities classified as held for sale	-	7 375

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

21. Intangible assets

	30.06.2023	31.12.2022
Goodwill	24 228	24 228
Patents, licences and similar assets, including:	1 223 464	1 093 558
- <i>computer software</i>	1 014 403	975 468
Other intangible assets	14 277	15 770
Intangible assets under development	318 008	258 151
Total intangible assets	1 579 977	1 391 707

22. Tangible assets

	30.06.2023	31.12.2022
Fixed assets, including:	639 472	651 403
- land	202	653
- buildings and structures	33 308	42 885
- equipment	218 686	218 885
- vehicles	180 471	175 851
- other fixed assets	206 805	213 129
Fixed assets under construction	32 661	47 091
The right to use, including:	782 848	786 439
- real estate	777 912	781 408
- the right of perpetual usufruct of land	2 130	2 146
- cars	2 286	1 924
- other	520	961
Total tangible assets	1 454 981	1 484 933

23. Investment properties

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

	30.06.2023	31.12.2022
Gross value as at the beginning of the period	136 909	127 510
Increase (due to):	-	12 862
- revaluation gains from fair value adjustments	-	12 862
Decrease (due to):	-	(3 463)
- revaluation losses from fair value adjustments	-	(3 463)
As at the end of the period	136 909	136 909

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

30.06.2023	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
Deposits	600 090	175 557 239	125 721 546	49 312 950	522 743
Current accounts	376 751	133 389 360	96 312 748	36 663 446	413 166
Term deposits	198 105	41 665 200	29 408 798	12 146 825	109 577
Repo or sell/buy back transactions	25 234	502 679	-	502 679	-
Loans and advances received	1 835 989	-	-	-	-
Other financial liabilities	768 341	1 105 256	203 169	902 087	-
Liabilities in respect of cash collaterals	590 705	572 858	31 242	541 616	-
Other	177 636	532 398	171 927	360 471	-
Total financial liabilities measured at amortised cost	3 204 420	176 662 495	125 924 715	50 215 037	522 743
Short-term (up to 1 year)	1 263 186	176 452 141			
Long-term (over 1 year)	1 941 234	210 354			

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

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

Debt securities issued

	30.06.2023	31.12.2022
Debt securities issued	8 157 055	9 465 479

As at 30 June 2023 the item Debt securities issued includes among others the liabilities due to issue of credit linked notes ("CLNs") related to the synthetic securitisation transaction referencing a portfolio of corporate and small and medium enterprises loans with a total value of PLN 965 531 thousand (PLN 922 410 thousand as at 31 December 2022). The detailed information about the abovementioned transactions is presented in the Note 29 of Consolidated financial statements of mBank S.A. Group for 2022, published on 2 March 2023.

The decrease of the debt securities issued results from the redemptions described further in Point 6 of Selected Explanatory Information.

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

25. Provisions

	30.06.2023	31.12.2022
Provisions for legal proceedings, including:	1 133 942	767 508
- provisions for legal proceedings relating to loans in foreign currencies	1 105 594	718 128
- provisions for remaining legal proceedings	28 348	49 380
Provisions for commitments and guarantees given	154 823	301 592
Provisions for post-employment benefits	19 387	21 331
Other provisions	200 493	271 828
Provisions, total	1 508 645	1 362 259

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

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

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

Movements in the provisions

Change from 1 January to 30 June 2023	Provisions for legal proceedings relating to loans in foreign currencies	Provisions for remaining legal proceedings	Other provisions
Provisions as at the beginning of the period	718 128	49 380	271 828
Change in the period, due to:	387 466	(21 032)	(71 335)
- increase of provisions	493 923	19 349	37 103
- release of provisions	(325)	(7 078)	(11 851)
- utilisation	(78 644)	(33 058)	(45 724)
- reclassification to other financial statement items	-	-	(50 833)
- foreign exchange differences	(27 488)	(245)	(30)
Provisions as at the end of the period	1 105 594	28 348	200 493

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

Change from 1 January to 30 June 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Increases due to granting and takeover	Decreased results of derecognised from balance sheet	Changes in credit risk	Other movements	As at the end of the period
Loan commitments	78 091	-	-	-	31 054	(26 248)	(1 728)	(268)	80 901
Stage 1	39 344	7 143	(2 162)	(62)	22 960	(16 391)	(8 479)	(209)	42 144
Stage 2	14 026	(6 489)	2 721	(660)	3 253	(4 070)	9 156	(5)	17 932
Stage 3	24 276	(654)	(559)	722	4 751	(5 660)	(2 766)	(27)	20 083
POCI	445	-	-	-	90	(127)	361	(27)	742
Guarantees and other financial facilities	223 501	-	-	-	8 717	(153 051)	(2 695)	(2 550)	73 922
Stage 1	4 786	3	(44)	-	3 799	(2 731)	(2 198)	(70)	3 545
Stage 2	1 084	(3)	44	(33)	630	(658)	(347)	(27)	690
Stage 3	219 228	-	-	33	5 303	(149 662)	(395)	(2 320)	72 187
POCI	(1 597)	-	-	-	(1 015)	-	245	(133)	(2 500)
Total provisions on off-balance sheet items	301 592	-	-	-	39 771	(179 299)	(4 423)	(2 818)	154 823

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

26. Assets and liabilities for deferred income tax

Deferred income tax assets	30.06.2023	31.12.2022
As at the beginning of the period	2 492 315	1 933 063
Changes recognised in the income statement	(207 049)	496 606
Changes recognised in other comprehensive income	(155 232)	70 312
Other changes	(8 465)	(7 666)
As at the end of the period	2 121 569	2 492 315
Offsetting effect	(661 077)	(616 587)
As at the end of the period, net	1 460 492	1 875 728

Provisions for deferred income tax	30.06.2023	31.12.2022
As at the beginning of the period	(616 587)	(540 802)
Changes recognised in the income statement	(49 919)	(78 661)
Changes recognised in other comprehensive income	6 307	2 626
Other changes	(878)	250
As at the end of the period	(661 077)	(616 587)
Offsetting effect	661 077	616 587
As at the end of the period, net	-	-

Income tax	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Current income tax	(161 040)	(683 508)
Deferred income tax recognised in the income statement	(256 968)	113 820
Income tax recognised in the income statement	(418 008)	(569 688)
Recognised in other comprehensive income	(148 925)	256 386
Total income tax	(566 933)	(313 302)

27. Retained earnings

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

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

	30.06.2023	31.12.2022
Other supplementary capital	8 785 058	8 740 349
Other reserve capital	99 988	107 008
General banking risk reserve	1 153 753	1 153 753
Profit from the previous year	580 017	1 327 417
Profit for the current year	127 337	(702 691)
Total retained earnings	10 746 153	10 625 836

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

28. Other components of equity

	30.06.2023	31.12.2022
Exchange differences on translating foreign operations	(3 444)	8 700
Unrealised gains (foreign exchange gains)	31 440	30 133
Unrealised losses (foreign exchange losses)	(34 884)	(21 433)
Cash flow hedges	(515 183)	(796 868)
Unrealised gains	16 637	38 796
Unrealised losses	(652 666)	(1 022 584)
Deferred income tax	120 846	186 920
Cost of hedge	13 252	27 105
Unrealised gains	16 360	33 463
Deferred income tax	(3 108)	(6 358)
Valuation of debt securities at fair value through other comprehensive income	(393 588)	(760 946)
Unrealised gains on debt instruments	20 637	15 155
Unrealised losses on debt instruments	(506 575)	(954 552)
Deferred income tax	92 350	178 451
Actuarial gains and losses relating to post-employment benefits	(7 040)	(7 040)
Actuarial gains	1 499	1 499
Actuarial losses	(10 191)	(10 191)
Deferred income tax	1 652	1 652
Reclassification to investment properties	11 436	11 436
Gains or losses on investment properties included in other comprehensive income	14 118	14 118
Deferred income tax	(2 682)	(2 682)
Total other components of equity	(894 567)	(1 517 613)

29. Fair value of asset and liabilities

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

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

The approach to the method used for the loans that are fair valued in line of IFRS 9 requirements, is described in the Note 3.3.7 to the Consolidated Financial Statements of mBank Group for 2022, published on 2 March 2023.

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

Financial assets and liabilities at amortised cost

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

	30.06.2023		31.12.2022	
	Book value	Fair value	Book value	Fair value
Financial assets at amortised cost				
Debt securities	20 449 154	18 849 841	19 002 527	16 716 128
Loans and advances to banks	11 927 815	11 936 188	9 806 262	9 808 593
Loans and advances to customers, including:	117 581 194	117 985 958	119 330 030	118 635 928
Loans and advances to individuals	65 588 160	66 238 395	68 586 288	68 379 524
Current accounts	7 413 369	7 864 627	7 334 567	7 776 122
Term loans	58 158 081	58 357 058	61 230 344	60 582 025
Other	16 710	16 710	21 377	21 377
Loans and advances to corporate entities	51 849 793	51 616 759	50 637 195	50 150 850
Current accounts	6 681 396	6 606 254	6 522 197	6 368 367
Term loans and finance lease	38 219 625	38 061 617	39 179 352	38 846 942
Reverse repo or buy/sell back transactions	3 670 777	3 670 777	1 611 154	1 611 154
Other loans and advances	3 206 189	3 206 305	3 258 910	3 258 805
Other	71 806	71 806	65 582	65 582
Loans and advances to public sector	143 241	130 804	106 547	105 554
Financial liabilities at amortised cost				
Amounts due to other banks	3 204 420	3 204 420	3 270 223	3 270 223
Amounts due to customers	176 662 495	176 659 511	174 130 914	174 126 884
Debt securities in issue	8 157 055	7 958 946	9 465 479	9 216 032
Subordinated liabilities	2 685 432	2 585 982	2 740 721	2 631 352

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

Loans and advances to banks and loans and advances to customers

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

Financial liabilities

Financial instruments representing liabilities for the Group include the following:

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

In the case of deposits, the Group has applied the curve constructed on the basis of quotations of money market rates as well as FRA and IRS contracts for appropriate currencies and maturities. In the case of subordinated liabilities, the Group used curves based on cross-currency basis swap levels taking into account the original spread on subordinated liabilities and their maturities.

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

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

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

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

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

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

30.06.2023	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
VALUATION ONLY FOR PURPOSES OF DISCLOSURE				
FINANCIAL ASSETS				
Debt securities	18 849 841	15 261 843	-	3 587 998
Loans and advances to banks	11 936 188	-	-	11 936 188
Loans and advances to customers	117 985 958	-	-	117 985 958
Total financial assets	148 771 987	15 261 843	-	133 510 144
FINANCIAL LIABILITIES				
Amounts due to banks	3 204 420	-	1 835 990	1 368 430
Amounts due to customers	176 659 511	-	211 636	176 447 875
Debt securities issued	7 958 946	3 526 323	-	4 432 623
Subordinated liabilities	2 585 982	-	2 585 982	-
Total financial liabilities	190 408 859	3 526 323	4 633 608	182 248 928

31.12.2022	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
VALUATION ONLY FOR PURPOSES OF DISCLOSURE				
FINANCIAL ASSETS				
Debt securities	16 716 128	14 185 080	-	2 531 048
Loans and advances to banks	9 808 593	-	-	9 808 593
Loans and advances to customers	118 635 928	-	-	118 635 928
Total financial assets	145 160 649	14 185 080	-	130 975 569
FINANCIAL LIABILITIES				
Amounts due to banks	3 270 223	-	1 910 721	1 359 502
Amounts due to customers	174 126 884	-	222 295	173 904 589
Debt securities issued	9 216 032	4 521 025	-	4 695 007
Subordinated liabilities	2 631 352	-	2 631 352	-
Total financial liabilities	189 244 491	4 521 025	4 764 368	179 959 098

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

Financial assets and liabilities at fair value and investment properties

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

30.06.2023	Including:	Level 1	Level 2	Level 3				
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques				
RECURRING FAIR VALUE MEASUREMENTS								
Financial assets								
Financial assets held for trading and hedging derivatives	2 867 397	1 463 844	1 120 005	283 548				
Loans and advances to customers	39 447	-	-	39 447				
Debt securities	1 693 387	1 449 286	-	244 101				
Equity instruments	14 558	14 558	-	-				
Derivative financial instruments, including:	1 120 005	-	1 120 005	-				
Derivative financial instruments held for trading	1 334 590	-	1 334 590	-				
Hedging derivative financial instruments	93 741	-	93 741	-				
Offsetting effect	(308 326)	-	(308 326)	-				
Non-trading financial assets mandatorily at fair value through profit or loss	941 080	799	-	940 281				
Loans and advances to customers	698 401	-	-	698 401				
Debt securities	47 787	-	-	47 787				
Equity securities	194 892	799	-	194 093				
Financial assets at fair value through other comprehensive income	35 985 288	12 704 053	22 029 078	1 252 157				
Debt securities	35 985 288	12 704 053	22 029 078	1 252 157				
Total financial assets	39 793 765	14 168 696	23 149 083	2 475 986				
Investment properties	136 909	-	-	136 909				
Financial liabilities								
Financial liabilities held for trading and hedging derivative financial instruments	1 918 138	322 316	1 553 326	42 496				
Derivative financial instruments, including:	1 595 822	-	1 553 326	42 496				
Derivative financial instruments held for trading	1 762 804	-	1 762 804	-				
Hedging derivative financial instruments	1 952 320	-	1 909 824	42 496				
Offsetting effect	(2 119 302)	-	(2 119 302)	-				
Liabilities from short sale of securities	322 316	322 316	-	-				
Total financial liabilities	1 918 138	322 316	1 553 326	42 496				
Financial assets measured at fair value and investment properties at Level 3 - changes from 1 January to 30 June 2023	Financial assets held for trading and hedging derivatives			Non-trading financial assets mandatorily at fair value through profit or loss			Debt securities at fair value through other comprehensive income	Investment properties
	Loans and advances	Debt securities	Derivative financial instruments	Loans and advances	Debt securities	Equity securities		
As at the beginning of the period	39 720	307 881	31 890	813 392	45 009	185 042	1 215 909	136 909
Gains and losses for the period:	(281)	17 409	(74 386)	(21 238)	2 778	13 332	4 378	-
Recognised in profit or loss:	(281)	17 409	(69 651)	(21 238)	2 778	13 332	-	-
<i>Net trading income</i>	(281)	17 409	(69 651)	-	(3 115)	299	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	-	(21 238)	5 893	20 172	-	-
<i>Other operating income/other operating expenses</i>	-	-	-	-	-	(7 139)	-	-
Recognised in other comprehensive income:	-	-	(4 735)	-	-	-	4 378	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	-	4 378	-
<i>Cash flow hedges</i>	-	-	(4 735)	-	-	-	-	-
Purchases / origination	-	371 372	-	30 432	-	2 500	588 935	-
Redemptions / total repayments	-	(92 082)	-	(78 915)	-	-	(84 961)	-
Sales	-	(1 179 761)	-	-	-	-	(629 824)	-
Issues	-	819 282	-	-	-	-	157 720	-
Change in scope of consolidation	-	-	-	-	-	(6 781)	-	-
Other changes	8	-	-	(45 270)	-	-	-	-
As at the end of the period	39 447	244 101	(42 496)	698 401	47 787	194 093	1 252 157	136 909

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

Financial assets measured at fair value and investment properties at Level 3 - changes from 1 January to 31 December 2022	Financial assets held for trading and hedging derivatives			Non-trading financial assets mandatorily at fair value through profit or loss			Debt securities at fair value through other comprehensive income	Investment properties
	Loans and advances	Debt securities	Derivative financial instruments	Loans and advances	Debt securities	Equity securities		
As at the beginning of the period	40 426	347 716	92 243	1 111 674	81 128	223 519	989 811	127 510
Gains and losses for the period:	1 419	17 049	(60 353)	(31 296)	6 095	(28 950)	(24 245)	9 399
Recognised in profit or loss:	1 419	17 049	59 425	(31 296)	6 095	(28 950)	-	9 399
<i>Net trading income</i>	1 419	17 049	59 425	-	9 299	34	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	-	(31 296)	(3 204)	(27 272)	-	-
<i>Other operating income/other operating expenses</i>	-	-	-	-	-	(1 712)	-	9 399
Recognised in other comprehensive income:	-	-	(119 778)	-	-	-	(24 245)	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	-	(24 245)	-
<i>Cash flow hedges</i>	-	-	(119 778)	-	-	-	-	-
Purchases / origination	-	857 123	-	42 873	-	2 812	1 168 416	-
Redemptions / total repayments	(3 813)	(70 526)	-	(251 960)	-	-	(319 950)	-
Sales	-	(1 553 320)	-	-	-	(14 168)	(1 032 893)	-
Issues	-	709 839	-	-	-	-	434 770	-
Change in scope of consolidation	-	-	-	-	-	2 101	-	-
Other changes	1 688	-	-	(57 899)	(42 214)	(272)	-	-
As at the end of the period	39 720	307 881	31 890	813 392	45 009	185 042	1 215 909	136 909

During first half of 2023 and in 2022 there were no transfers of financial instruments between the levels of fair value hierarchy.

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

Level 1

As at 30 June 2023 at level 1 of the fair value hierarchy, the Group has presented the fair value of held for trading government bonds in the amount of PLN 1 449 286 thousand and the fair value of government bonds and treasury bills measured at fair value through other comprehensive income in the amount of PLN 11 371 181 thousand (31 December 2022: PLN 670 227 thousand and PLN 15 101 553 thousand, respectively). Level 1 includes the fair values of corporate bonds in the amount of PLN 1 332 872 thousand (31 December 2022: PLN 1 316 626 thousand).

In addition, as at 30 June 2023 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 799 thousand (31 December 2022: PLN 746 thousand) and equity instruments in amount of PLN 14 558 thousand (31 December 2022: PLN 6 129 thousand).

As at 30 June 2023 level 1 also includes liabilities from short sale of securities in the amount of PLN 322 316 thousand (31 December 2022: PLN 260 538 thousand).

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

Level 2

As at 30 June 2023 level 2 of the fair value hierarchy mainly includes the fair values of bills issued by NBP in the amount of PLN 22 029 078 thousand (31 December 2022: PLN 17 483 362 thousand), valuation of which is based on a NPV model (discounted future cash flows) fed with interest rate curves generated by transformation of quotations taken directly from active and liquid financial markets.

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

Level 3

As at 30 June 2023 level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies in the amount of PLN 1 544 045 thousand (31 December 2022: PLN 1 568 799 thousand), and includes the fair value of a debt instrument measured at fair value through profit or loss, representing the rights to preferred stock of Visa Inc.

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

Level 3 as at 30 June 2023 includes the value of loans and advances to customers in the amount of PLN 737 848 thousand (31 December 2022: PLN 853 112 thousand). The fair value calculation process for loans and advances to customers is described in detail in the Note 3.3.7 of Consolidated financial statement of mBank S.A. Group for 2022, published on 2 March 2023.

Moreover, as at 30 June 2023 level 3 covers mainly the fair value of equity securities amounting to PLN 194 093 thousand (31 December 2022: PLN 185 042 thousand). The equity instruments presented at level 3 have been valued using the dividend discount model. The valuations were predominantly prepared based on selected financial figures provided by valued entities and discounted with the cost of equity

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

estimated using CAPM model (Capital Asset Pricing Model). At the end of first half of 2023, the cost of equity was estimated in the range from 12.9% to 13.3% (as at the end of 2022: from 13.9% to 14.4%).

As at 30 June 2023 Level 3 also includes fair value of investment property in the amount of PLN 136 909 thousand (31 December 2022: PLN 136 909 thousand). The value of the property was estimated by a property appraiser entered in the Central Register of Property Appraisers kept by the Minister of Development and Technology. The property was valued using the income method. The key unobservable parameter used in the model is the capitalisation rate of 6.75% used to discount cash flows.

As at 31 December 2022 Level 3 includes the valuation of CIRS contracts concluded under cash flow hedge accounting of the PLN mortgage loan portfolio and covered bonds issued by mBank Hipoteczny (Note 16). As at 30 June 2023 the valuation of these contracts in liabilities amounted to PLN 42 496 thousand (as at 31 December 2022 the valuation of these contracts in assets: PLN 31 890 thousand).

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

Portfolio	Fair value 30.06.2023	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	194 093	(16 488)	20 586	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through other comprehensive income	1 252 157	(22 945)	22 945	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through profit or loss	244 101	(7 539)	7 539	
Loans and advances to customers held for trading	39 447	(375)	358	The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers mandatorily at fair value through profit or loss	698 401	(9 725)	9 747	

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

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

Introduction

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

The carrying amount of mortgage and housing loans granted to natural persons in CHF as of 30 June 2023 amounted to PLN 3.5 billion (i.e. CHF 0.8 billion) compared to PLN 6.1 billion (i.e. CHF 1.3 billion) as at the end of 2022. Additionally, the volume of the portfolio of loans granted in CHF to natural persons that were already fully repaid as of 30 June 2023, taking into account the exchange rate on the date of disbursement of individual loan tranches, amounted to PLN 8.5 billion (31 December 2022: PLN 7.5 billion).

Due to the significance of the legal issues related to the CHF loan portfolio for the financial position of mBank Group as at 30 June 2023, detailed information is presented below regarding these lawsuits, significant judgments which, in the Bank's opinion, may affect the future ruling on loans indexed to CHF, proposed potential settlements with customers, accounting principles for the recognition of legal risk related to these court cases and the settlement program, as well as information on the impact of legal risk related to these court cases on the balance sheet and profit or loss account of mBank Group and the methodology used to determine this impact.

Individual court cases against the Bank concerning loans indexed to CHF

As of 30 June 2023, 20 168 individual court proceedings (31 December 2022: 17 849 proceedings) were initiated against the Bank by its customers in connection with CHF loan agreements with the total value of claims amounting to PLN 7 430.1 million (31 December 2022: PLN 5 982.1 million).

Out of the individual proceedings, 20 002 proceedings (31 December 2022: 17 627 proceedings) with the total value of claims amounting to PLN 7 426.5 million (31 December 2022: PLN 5 977.8 million) related to indexation clauses in CHF loan agreements and included claims for declaring ineffectiveness or invalidity in part (i.e. to the extent that the agreement contains contractual provisions related to indexation) or in whole of the loan agreements.

As at 30 June 2023 mBank received 3 173 final rulings in individual lawsuits (31 December 2022: 1 941 final rulings), out of which 108 rulings were favourable to the Bank and 3 065 rulings were unfavourable (31 December 2022: 97 rulings favourable and 1 844 unfavourable).

The Bank submits cassation appeals to the Supreme Court against legally binding unfavourable for the Bank judgments, stating the absolute invalidity of the credit agreement. Approximately 88% of unfavourable verdicts led to the invalidation of the loan agreement, others led to the conversion of the agreement into PLN + LIBOR/WIBOR and substitution of FX clause by the fixing rate of the NBP.

Class action against mBank S.A. concerning indexation clauses

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

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

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

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

On 12 January 2022, the hearing was held before the Regional Court in Łódź, and on 9 February 2022 the court issued a verdict dismissing the claim in its entirety. The court held that the valorised loan agreements were valid and that there were no grounds to declare them invalid due to the fact that the foreign currency valorisation mechanism was introduced into them. In the court's view, the agreements can continue to apply even after the clauses concerning the method of repayment of the loan have been eliminated from them. The plaintiff appealed against this verdict, to which the Bank responded.

On 25 April 2023, a hearing was held before the Court of Appeal in Łódź, at which the court issued an order to suspend the proceedings pending final resolution of the legal issue presented to the Supreme Court in case file III CZP 157/22 concerning the composition of the Court with jurisdiction to hear the case in group proceedings during the special regulations related to COVID-19.

As of 30 June 2023 the Bank recognised the impact of legal risk in the class action in the amount of PLN 334.9 million. The details of the methodology and calculation are described further in this note.

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

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

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

In October 2020, prejudicial questions were referred to CJEU in two individual cases against mBank. The question referred in first case aims at determining the starting point for the limitation period in the case of consumer claims for undue performance. The question referred in the second case aims at determining whether, in the event of declaring the exchange rate clause abusive, it is possible to apply in its place the provision of the Civil Code referring to the average NBP exchange rate. On 17 March 2022, the parties were heard by the Court of Justice of the European Union. The litigation position was presented by the parties: Poland, the European Commission, Spain and Finland. On 8 September 2022, the CJEU issued a ruling upholding its previous jurisprudence. The Tribunal confirmed once again that the limitation period for the consumer's claims for reimbursement of amounts unduly paid on the basis of an unfair contract term begins to run from the moment when the consumer knows or should have known about the unfairness of the contract term. The Tribunal also reiterated that the application of the supplementary standard is possible only if the cancellation of the contract is unfavourable to the borrower and the borrower agrees to apply this standard. Automatic application (irrespective of the consumer's consent) could only apply to a provision that was introduced by the national legislator in order to eliminate abusiveness if such provision would restore the balance of the parties. The Court of Justice has again emphasised that the purpose of Directive 93/13 is not to annul all contracts containing unfair terms.

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

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

In January 2022, further questions for a preliminary ruling were submitted to the CJEU in three cases pending against mBank. The question in the first case (CJEU case number: C-138/22) is aimed at determining whether, if there are grounds both for determining the absolute invalidity of the contract and for declaring the contract invalid (ineffective) due to the abusive clauses contained therein, the court should determine absolute nullity or a decision on the choice of sanctions belongs to the consumer. In this case, the CJEU decided not to answer the preliminary questions as they concerned issues reserved for national law. The questions in the second case (CJEU case number: C-139/22) concern the consequences of entering abusive clauses in the register, the possibility of repaying the loan from the beginning in a foreign currency and informing the consumer who is knowledgeable about the exchange rate risk. In this case, the CJEU, after the Bank and the other parties had submitted their written positions, decided that the judgment does not require a hearing or an Advocate General's Opinion. The date of the judgment has not yet been set. In the third case (CJEU case number: C-140/22), the questions relate to the remuneration for the use of capital and the effects of the consumer's declaration regarding the lack of consent to uphold the abusive provision in relation to the ineffectiveness of the contract, the commencement of the limitation period for the bank's claims and statutory interest. Positions have been submitted by the Bank and other parties concerned on this matter. On 11 July 2023, the Bank has requested a hearing in this case. The decision of the CJEU as to the hearing has not yet been taken.

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

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

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

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

Supreme Court resolutions on loans in CHF

On 29 January 2021, the motion for adopting a resolution has been submitted to the Supreme Court by the First President of the Supreme Court. The full bench of the Civil Chamber of the Supreme Court was to

answer to the questions if abusive provisions can be replaced with provisions of civil law or common practice, whether it is possible to maintain indexed/denominated loan as a PLN loan with an interest rate based on LIBOR, whether the theory of balance or the theory of two conditionalities will apply in the event of the CHF loan invalidity, the starting point of the limitation period in the case of the bank's claim for reimbursement of the amounts paid under the loan and whether banks and consumers can receive a remuneration for the use of their funds by the other party.

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

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

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

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

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

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

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

On 29 July 2021 the Supreme Court composed of 3 judges presented the legal issue to be resolved by a panel of 7 judges of the Supreme Court, which came down to the answer to the question whether, in the event of a loan agreement being declared invalid, a loan granted in Polish currency, indexed to a foreign currency, repaid by borrowers, the amount of possible enrichment of the lender should be calculated taking into account only the nominal amount of loan instalments, or the interest rate on instalments according to the reference rate appropriate for loans indexed to a foreign currency or appropriate for loans in PLN should be taken into account. The deadline for examining the issue, initially set for 8 November 2021, was removed from the case list, and the judge-rapporteur was also changed.

On 12 July 2023, a hearing was held at the Supreme Court in the case of III CZP 126/22 for the adoption of a resolution by a seven-judge panel to decide the legal question of whether a loan agreement is a reciprocal or bilateral contract, but not reciprocal. The hearing was adjourned to 6 October 2023.

PFSA's Chairman proposal

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

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

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

The estimated potential impact of implementation of the conversion plan on mBank, calculated as of 30 June 2023, would amount to PLN 4.1 billion if only active portfolio indexed/denominated to CHF was converted (unreviewed data). Detailed assumptions for the estimation of this impact were adopted on the basis of the Polish Financial Supervision Authority's survey dated 27 January 2021. The PFSA's Chairman proposal assumes that only active portfolio would be converted.

Settlement program

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

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

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

As of 30 June 2023 the Bank concluded 7 156 settlements (as of 31 December 2022: 1 886 settlements).

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

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

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

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

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

Therefore, the Bank believes that the appropriate way to recognise the impact of legal risk with respect to active loans and the expected impact of the settlement program offered to borrowers is to revise the cash

flow estimates associated with the loans and reduce the gross carrying amount of the loans in accordance with IFRS 9 paragraph B5.4.6.

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

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

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

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

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

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

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

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

	30.06.2023	31.12.2022
Impact of legal risk concerning lawsuits and settlement program related to active loans recognised as a reduction of gross carrying amount of loans	6 249 355	5 752 732
Impact of legal risk concerning individual lawsuits and class action case related to repaid loans and low value active loans recorded as provisions for legal proceedings	1 097 025	709 187
The cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and housing loans in CHF	7 346 380	6 461 919

Total costs of legal risk related to foreign currency loans recognised in the income statement for the first two quarters of 2023 amounted to PLN 2 348.7 million (in first two quarters of 2022: PLN 367.8 million). These costs result mainly from the inclusion of the anticipated effects of the June 2023 CJEU ruling on the costs of implementing final court judgments and the costs of settlements.

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

The methodology of calculating the impact of the legal risk related to individual court cases concerning both active and repaid loans applied by the Bank depends on numerous assumptions that take into account historical data adjusted with the Bank's expectations regarding the future. The legal risk costs recognised in the second quarter are mainly due to the inclusion of the anticipated effects of the CJEU ruling on the costs of enforcing final court judgments and settlement costs.

Expected population of borrowers who will file a lawsuit

The population of borrowers who will file a lawsuit against the Bank has been projected using statistical methods based on the Bank's litigation history and assumptions about the influx of new cases over the full projection period. The Bank assumes that the influx of plaintiffs will be significant by the end of 2026. The Bank assumes that the vast majority of the projected cases will be filed by the end of 2024, after which the number will decline.

For the purpose of calculating the impact of legal risk mBank assumes that approximately 42% of CHF borrowers i.e. 34.3 thousand borrowers, including 29.4 thousand borrowers with active loans (representing approximately 81% of borrowers with active loans) and 4.9 thousand borrowers with repaid loans (representing approximately 11% of borrowers with repaid loans) filed or with intention to file a lawsuit

against the Bank (as of 31 December 2022: 38%, i.e. 31 thousand borrowers). Moreover, the Bank assumed that some portion of borrowers will sign settlements. These assumptions, due to significant legal uncertainties surrounding CHF cases as well as other external factors that may shape clients' preferences to file the lawsuits, is highly judgmental and may be a subject to an adjustment in future. If an additional 1% of the borrowers (both holding active loans in CHF as well as borrowers who already repaid their loans in CHF) filed a lawsuit against the Bank, the impact of the legal risk would increase by approximately PLN 50.9 million (while other relevant assumptions remain constant) as compared to 30 June 2023, of which PLN 39.8 million would reduce gross carrying amount of the loans, and PLN 11.1 million would increase the provisions for legal proceedings.

The Bank estimates that 12.1% of borrowers with active CHF indexed loans will not decide to sue the Bank or sign a settlement with the Bank in the future and 89.3% of borrowers who repaid CHF indexed loans will not sue the Bank in future. In the Bank's opinion this will be influenced by the following factors: clients' expectations regarding future changes in the CHF/PLN exchange rate, clients' expectations regarding future costs of PLN loans, changes in jurisprudence in CHF loan cases, tax solutions regarding settlements, costs and duration of court proceedings, individual factors (in particular the loan repayment period and the current amount of debt). This is not a direct estimate, but the result of the difference between the estimate of the population of clients already in dispute with the Bank or intending to do so and the estimate of the population of clients who decide to settle and the number of clients with an active CHF credit agreement and borrowers who have already repaid their loans.

Distribution of expected court rulings

The expected distribution of court rulings was based on final judgments issued in cases against the Bank starting from 2020. As of 30 June 2023 the Bank assumed a loss in 95% of pending or future lawsuits, while for the remaining 5% of cases, the Bank assumed dismissal of the claim (as of 31 December 2022: 95%). If the assumed probability of loss scenario changed by +/- 1 percentage point and all other relevant assumptions remained constant, the impact of the legal risk would change by +/- PLN 66.2 million, of which PLN 58.8 million would change the gross carrying amount of loans, and PLN 7.4 million provisions for legal proceedings. In the loss scenario Bank took into account two possible scenarios for termination of court proceedings: (i) the contract remains valid but the indexation mechanism is eliminated, which transforms a loan indexed to CHF into a PLN loan subject to the interest rate for a loan indexed to CHF, (ii) the contract is invalid in its entirety, as removing the exchange rate clause would be too far-reaching change (assuming that the clause specifies the main subject of the contract).

Probability of settlement acceptance

The Bank assumed the probability of accepting settlements based in part on the results of an actively conducted settlement program and available market data, the results of the completed settlement program pilot conducted by the Bank in 2021 and 2022, and based on its own projections. As at 30 June 2023, the Bank assumed 25% probability of settlements acceptance for the entire active portfolio (32% as at 31 December 2022). The change in the probability of settlements is due to the decrease in the total number of contracts in the active portfolio (as a result of judgments and settlements signed) and the impact of the CJEU judgment C-520/21 on the effectiveness of the settlement process.

In the event of a change in the probability of accepting settlements by +/- 1 percentage point, with the remaining significant assumptions unchanged, the total amount of the impact of legal risk would change by +/- PLN 22.6 million which would change the gross carrying amount of loans.

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

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

31. Prudential consolidation

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 ("CRR Regulation"), mBank is a large subsidiary of EU parent institution, responsible for the preparation of the prudentially consolidated financial data.

Financial information presented below does not represent the International Financial Reporting Standards ("IFRS") measures as defined by the standards.

mBank S.A. Group ("the Group") consists of entities defined in accordance with the rules of prudential consolidation, specified by the CRR Regulation.

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

Basis of the preparation of the prudentially consolidated financial data

mBank S.A. Group consolidated financial data based on the rules of prudential consolidation specified by the CRR Regulation ("Consolidated prudentially financial data") have been prepared for the 3 and 6-month periods ended 30 June 2023 and 30 June 2022.

The consolidated profit presented in the prudentially consolidated financial data may be included in consolidated Common Equity Tier I for the purpose of the calculation of consolidated Common Equity Tier I capital ratio, consolidated Tier I capital ratio and consolidated total capital ratio with the prior permission of the PFSA or after approval by the General Meeting of shareholders.

The accounting policies applied for the preparation of the Group prudentially consolidated financial data are identical to those, which have been applied to the mBank S.A. Group condensed consolidated financial data for the first half of 2023, prepared in compliance with IFRS, except for the consolidation standards presented below.

The prudentially consolidated financial data includes the Bank and the following entities:

Company	30.06.2023		31.12.2022		30.06.2022	
	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method
mBank Hipoteczny S.A.	100%	full	100%	full	100%	full
mLeasing Sp. z o.o.	100%	full	100%	full	100%	full
mFinanse S.A.	100%	full	100%	full	100%	full
mFaktoring S.A.	100%	full	100%	full	100%	full
Future Tech Fundusz Inwestycyjny Zamknięty	98.04%	full	98.04%	full	98.04%	full
mElements S.A.	100%	full	100%	full	100%	full
Asekum Sp. z o.o.	100%	full	100%	full	100%	full
LeaseLink Sp. z o.o.	100%	full	100%	full	100%	full
mFinanse CZ s.r.o.	100%	full	100%	full	100%	full
mFinanse SK s.r.o.	100%	full	100%	full	100%	full
mTowarzystwo Funduszy Inwestycyjnych S.A.	100%	full	100%	-	100%	-

During preparation of prudentially consolidated financial data for 3 and 6-month periods ended on 30 June 2023, the same entities were consolidated as in process of preparation of condensed consolidated financial statements of the mBank Group for 3 and 6-month periods ended on 30 June 2023.

Entities included in the scope of prudential consolidation are defined in the Regulation CRR – institutions, financial institutions or ancillary services undertakings, which are subsidiaries or undertakings in which a participation is held, except for entities in which the total amount of assets and off-balance sheet items of the undertaking concerned is less than the smaller of the following two amounts:

- EUR 10 million;
- 1% of the total amount of assets and off-balance sheet items of the parent undertaking or the undertaking that holds the participation.

The consolidated financial data combine items of assets, liabilities, equity, income and expenses of the parent with those of its subsidiaries eliminating the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Any related goodwill, if goodwill has negative value, it is recognised directly in the income statement. The profit or loss and each component of other comprehensive income is attributed to the Group's owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. If the Group loses control of a subsidiary, it shall account for all amounts previously recognised in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Intra-group transactions, balances and unrealised gains on transactions between companies of the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

Prudentially consolidated income statement

	Period from 01.04.2023 to 30.06.2023	Period from 01.01.2023 to 30.06.2023	Period from 01.04.2022 to 30.06.2022 -restated	Period from 01.01.2022 to 30.06.2022 -restated
Interest income, including:	3 657 108	7 295 761	2 339 685	4 063 229
<i>Interest income accounted for using the effective interest method</i>	3 596 076	7 150 153	2 302 141	3 991 093
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	61 032	145 608	37 544	72 136
Interest expenses	(1 456 473)	(3 062 016)	(636 854)	(853 806)
Net interest income	2 200 635	4 233 745	1 702 831	3 209 423
Fee and commission income	747 963	1 485 747	759 831	1 545 497
Fee and commission expenses	(260 322)	(497 043)	(212 059)	(406 988)
Net fee and commission income	487 641	988 704	547 772	1 138 509
Dividend income	4 506	4 628	3 991	4 826
Net trading income	(3 338)	3 854	858	96 485
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(9 651)	4 880	(72 201)	(81 082)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(2 517)	(51 352)	(30 443)	(50 498)
Other operating income	63 888	142 622	83 605	149 957
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(176 425)	(349 850)	(194 058)	(451 905)
Result on provisions for legal risk related to foreign currency loans	(1 540 192)	(2 348 680)	(175 094)	(367 848)
Overhead costs	(585 595)	(1 321 198)	(899 263)	(1 626 623)
Depreciation	(118 847)	(238 131)	(120 164)	(236 698)
Other operating expenses	(61 537)	(151 201)	(82 479)	(145 762)
Operating profit	258 568	918 021	765 355	1 638 784
Taxes on the Group balance sheet items	(182 722)	(372 720)	(167 105)	(326 944)
Profit / (loss) before income tax	75 846	545 301	598 250	1 311 840
Income tax expense	(91 287)	(418 008)	(368 422)	(569 688)
Net profit / (loss)	(15 441)	127 293	229 828	742 152
Net profit / (loss) attributable to:				
- Owners of mBank S.A.	(15 478)	127 337	229 708	742 037
- Non-controlling interests	37	(44)	120	115

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

Prudentially consolidated statement of financial position

ASSETS	30.06.2023	31.12.2022
Cash and balances with the Central Bank	15 962 102	16 014 318
Financial assets held for trading and hedging derivatives	2 867 397	2 524 652
Non-trading financial assets mandatorily at fair value through profit or loss, including:	941 080	1 044 189
<i>Equity instruments</i>	194 892	185 788
<i>Debt securities</i>	47 787	45 009
<i>Loans and advances to customers</i>	698 401	813 392
Financial assets at fair value through other comprehensive income	35 985 288	35 117 450
Financial assets at amortised cost, including:	149 958 163	148 138 819
<i>Debt securities</i>	20 449 154	19 002 527
<i>Loans and advances to banks</i>	11 927 815	9 806 262
<i>Loans and advances to customers</i>	117 581 194	119 330 030
Fair value changes of the hedged items in portfolio hedge of interest rate risk	14 228	3 064
Non-current assets and disposal groups classified as held for sale	-	26 747
Intangible assets	1 579 977	1 391 707
Tangible assets	1 454 981	1 484 933
Investment properties	136 909	136 909
Current income tax assets	80 422	28 302
Deferred income tax assets	1 460 492	1 875 728
Other assets	2 486 818	2 105 295
TOTAL ASSETS	212 927 857	209 892 113
LIABILITIES AND EQUITY		
LIABILITIES		
Financial liabilities held for trading and hedging derivatives	1 918 138	2 086 111
Financial liabilities measured at amortised cost, including:	191 642 072	190 567 661
<i>Amounts due to banks</i>	3 204 420	3 270 223
<i>Amounts due to customers</i>	176 662 495	174 130 914
<i>Lease liabilities</i>	932 670	960 324
<i>Debt securities issued</i>	8 157 055	9 465 479
<i>Subordinated liabilities</i>	2 685 432	2 740 721
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(1 006 997)	(1 528 582)
Liabilities classified as held for sale	-	7 375
Provisions	1 508 645	1 362 259
Current income tax liabilities	36 996	571 456
Other liabilities	5 359 333	4 110 802
TOTAL LIABILITIES	199 458 187	197 177 082
EQUITY		
Equity attributable to Owners of mBank S.A.	13 467 680	12 713 001
Share capital:	3 616 094	3 604 778
Registered share capital	169 860	169 734
Share premium	3 446 234	3 435 044
Retained earnings:	10 746 153	10 625 836
- Profit from the previous years	10 618 816	11 328 527
- Profit for the current year	127 337	(702 691)
Other components of equity	(894 567)	(1 517 613)
Non-controlling interests	1 990	2 030
TOTAL EQUITY	13 469 670	12 715 031
TOTAL LIABILITIES AND EQUITY	212 927 857	209 892 113

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

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

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

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

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

3. Seasonal or cyclical nature of the business

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

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

In the financial results for the first half of 2023, the Bank recognised the cost of legal risk related to foreign currency loans in the amount of PLN 2 348.7 million. The detailed information in this regard is presented in Note 30.

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

The financial results for the first half of 2023 include cost of legal risk related to foreign currencies loans in the amount of PLN 2 348.7 million. The detailed information are presented in Note 30.

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

In the first half of 2023, the following issues and redemptions occurred in the Group:

- mLeasing Sp. z o.o. issued 4 series of short-term bonds in the amount of PLN 400 000 thousand and redeemed short-term bonds in the amount of PLN 400 000 thousand,
- mBank Hipoteczny S.A. redeemed the mortgage bonds in the amount of PLN 196 001 thousand and unsecured bonds in the amount of PLN 5 000 thousand,
- On 28 March 2023, Bank redeemed fixed rate bonds issued by mFinance France on 28 March 2017, acquired by the Bank in the substitution process, with a total nominal value of CHF 200 000 thousand.

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

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

8. Significant events after the end of the first half of 2023, which are not reflected in the financial statements

Events as indicated above did not occur in the Group.

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

On 18 May 2023 mBank acquired the activity of mBank Hipoteczny S.A. related to servicing part of the loans. Detailed information was described in Point 10 of Selected Explanatory Information of condensed stand-alone financial statements of mBank S.A. for the first half of 2023. This transaction had no impact on Condensed consolidated financial statements of mBank S.A. Group for the first half of 2023.

10. Changes in contingent liabilities and commitments

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

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

In the first half of 2023, events as indicated above did not occur in the Group.

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

In the first half of 2023, events as indicated above did not occur in the Group.

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

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

14. Reversals of provisions against restructuring costs

In the first half of 2023, events as indicated above did not occur in the Group.

15. Acquisitions and disposals of tangible fixed asset items

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

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

In the first half of 2023, events as indicated above did not occur in the Group.

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

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

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

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

19. Corrections of errors from previous reporting periods

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

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

In the first half of 2023, events as indicated above did not occur in the Group.

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

In the first half of 2023, events as indicated above did not occur in the Group.

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

The Bank did not publish a performance forecast for 2023.

23. Registered share capital

The total number of ordinary shares as at 30 June 2023 was 42 464 892 shares (31 December 2022: 42 433 495 shares) at PLN 4 nominal value each. All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 30 JUNE 2023						
Share type	Type of privilege	Type of limitation	Number of shares	Series / face value of issue in PLN	Paid up	Registered on
ordinary bearer*	-	-	9 989 000	39 956 000	fully paid in cash	1986
ordinary registered*	-	-	11 000	44 000	fully paid in cash	1986
ordinary bearer	-	-	2 500 000	10 000 000	fully paid in cash	1994
ordinary bearer	-	-	2 000 000	8 000 000	fully paid in cash	1995
ordinary bearer	-	-	4 500 000	18 000 000	fully paid in cash	1997
ordinary bearer	-	-	3 800 000	15 200 000	fully paid in cash	1998
ordinary bearer	-	-	170 500	682 000	fully paid in cash	2000
ordinary bearer	-	-	5 742 625	22 970 500	fully paid in cash	2004
ordinary bearer	-	-	270 847	1 083 388	fully paid in cash	2005
ordinary bearer	-	-	532 063	2 128 252	fully paid in cash	2006
ordinary bearer	-	-	144 633	578 532	fully paid in cash	2007
ordinary bearer	-	-	30 214	120 856	fully paid in cash	2008
ordinary bearer	-	-	12 395 792	49 583 168	fully paid in cash	2010
ordinary bearer	-	-	16 072	64 288	fully paid in cash	2011
ordinary bearer	-	-	36 230	144 920	fully paid in cash	2012
ordinary bearer	-	-	35 037	140 148	fully paid in cash	2013
ordinary bearer	-	-	36 044	144 176	fully paid in cash	2014
ordinary bearer	-	-	28 867	115 468	fully paid in cash	2015
ordinary bearer	-	-	41 203	164 812	fully paid in cash	2016
ordinary bearer	-	-	31 995	127 980	fully paid in cash	2017
ordinary bearer	-	-	24 860	99 440	fully paid in cash	2018
ordinary bearer	-	-	13 385	53 540	fully paid in cash	2019
ordinary bearer	-	-	16 673	66 692	fully paid in cash	2020
ordinary bearer	-	-	17 844	71 376	fully paid in cash	2021
ordinary bearer	-	-	48 611	194 444	fully paid in cash	2022
ordinary bearer	-	-	31 397	125 588	fully paid in cash	2023
Total number of shares			42 464 892			
Total registered share capital				169 859 568		
Nominal value per share (PLN)		4				

* As at the end of the reporting period

24. Material share packages

Commerzbank AG is the only shareholder holding over 5% of the share capital and votes at the General Meeting and as at 30 June 2023 it held 69.12% of the share capital and votes at the General Meeting of mBank S.A.

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

On 7 February 2023, the Bank was notified by Powszechnie Towarzystwo Emerytalne Allianz Polska S.A. (PTE Allianz Polska S.A.) about a decrease of the funds' managed by PTE Allianz Polska S.A. share in the share capital and the total number of votes at the General Meeting of mBank S.A. below 5% as a result of a sale of Bank's shares on 3 February 2023.

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

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

	Number of shares held as at the date of publishing the report for Q1 2023	Number of shares acquired from the date of publishing the report for Q1 2023 to the date of publishing the report for H1 2023	Number of shares sold from the date of publishing the report for Q1 2023 to the date of publishing the report for H1 2023	Number of shares held as at the date of publishing the report for H1 2023
Management Board				
1. Cezary Stypułkowski	27 884	3 018	-	30 902
2. Krzysztof Dąbrowski	-	1 516	-	1 516
3. Cezary Kocik	-	1 559	(1 559)	-
4. Marek Luszczyn	303	980	-	1 283
5. Julia Nusser	-	-	-	-
6. Adam Pers	-	1 532	(1 532)	-
7. Pascal Ruhland	-	-	-	-

	Number of rights to shares held as at the date of publishing the report for Q1 2023	Number of rights to shares acquired from the date of publishing the report for Q1 2023 to the date of publishing the report for H1 2023	Number of rights to shares sold from the date of publishing the report for Q1 2023 to the date of publishing the report for H1 2023	Number of rights to shares held as at the date of publishing the report for H1 2023
Management Board				
1. Cezary Stypułkowski	-	3 018	(3 018)	-
2. Krzysztof Dąbrowski	-	1 516	(1 516)	-
3. Cezary Kocik	-	1 559	(1 559)	-
4. Marek Luszczyn	-	980	(980)	-
5. Julia Nusser	-	-	-	-
6. Adam Pers	-	1 532	(1 532)	-
7. Pascal Ruhland	-	-	-	-

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

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

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

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

The value of provisions for litigations as at 30 June 2023 amounted to PLN 1 133 942 thousand of which PLN 1 105 594 thousand concerns to provisions for legal proceedings relating to loans in foreign currencies (as at 31 December 2022, respectively PLN 767 508 thousand and PLN 718 128 thousand). A potential outflow of funds due to the fulfilment of the obligation takes place at the moment of the final resolution of the cases by the courts, which is beyond the control of the Group.

Information on the most important court proceedings relating to the issuer's contingent liabilities**1. A lawsuit filed by LPP S.A.**

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

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

On 16 August 2018 mBank S.A. has submitted its statement of defence and requested that the action be dismissed. The court accepted the Defendants' requests to summon sixteen banks to join the proceedings and ordered that the banks be served with the summons. Two banks have notified of their intention to intervene in the case as an indirect intervener. In a judgment dated 27 January 2023, the District Court in Warsaw dismissed LPP S.A.'s lawsuit in its entirety. The verdict is not final, on 27 March 2023 LPP S.A. has filed an appeal, to which the Bank filed a response on 26 June 2023.

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

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

The plaintiff accuses the two sued banks as well as other banks operating in Poland of taking part in a collusion breaching the Competition and Consumer Protection Act and the Treaty on the Functioning of the European Union, i.e. a collusion restricting competition in the market of acquiring services connected with settling clients' liabilities towards the plaintiff on account of card payments for goods and services purchased by clients on the territory of Poland. On 28 May 2020, mBank S.A. filed a response to the lawsuit and moved for a dismissal of a claim. The Court allowed for the motions of Defendants to summon 16 banks to participate in the case and preordained the service of a summoning motion to the banks. Two banks have notified of their intention to intervene in the case as an indirect intervener.

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

Detailed information on the class action against the Bank is provided in Note 30.

4. Individual court proceedings concerning indexation clauses

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

Tax inspections

On 11 May 2021, the Head of the Customs and Tax Office in Opole (Urząd Celno-Skarbowy w Opolu) has initiated tax audits regarding the correctness and reliability of withholding tax (WHT) settlements on payments listed in Art. 21 sec. 1 of the Act of 15 February 1992 on corporate income tax for years 2018 and 2019. The tax audit is under way.

Between 9 September 2022 and 17 July 2023, the Office for Selected Economic Entities (Úrad Pre Vybrané Hospodárske Subjekty) in Bratislava carried out tax audits regarding the correctness of settlements of corporate income tax (CIT) for 2019 year in mBank S.A. Slovak Branch. The tax audit did not reveal any irregularities.

The tax authorities may inspect at any time the books and records within 5 years subsequent to the reported tax year and may impose additional tax assessments and penalties. In the opinion of the Management Board there are no circumstances, which would indicate that crystallising of material tax liabilities in this respect is probable.

Inspection by the Social Insurance Institution (ZUS)

mFinanse S.A., a subsidiary of the Bank, was inspected by the Social Insurance Institution (ZUS) in the period from 16 May 2022 to 2 March 2023. The subject of the inspection was the area of correctness and reliability of calculating social insurance contributions and other contributions that the Social Insurance Institution is obliged to collect, as well as reporting for social insurance and health insurance for the years 2018 - 2021. On 3 March 2023, the Company received the Social Insurance Institution's inspection protocol in the aforementioned scope, to which the mFinanse submitted objections. As of the date of these financial statements, the Company has not received a tax assessment decision from the Social Insurance Institution.

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

In connection with the above issue, as of 30 June 2023, the Group had a provision in the amount of PLN 116 873 thousand (as at 31 December 2022: PLN 99 346 thousand).

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

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

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

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

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

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

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

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

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

- Proceedings for considering provisions of a master agreement as abusive instituted ex officio on 12 April 2019. The proceedings concern amendment clauses stipulating circumstances under which the Bank is authorised to amend the terms and conditions of the agreement, including the amount of fees and commissions. In the opinion of the President of the Office of Competition and Consumer Protection (UOKiK), the amendment clauses used by the Bank give it an unlimited right to unilaterally and freely change the manner of performing the agreement. As a consequence, the UOKiK President represents the view that the clauses used by mBank define the rights and obligations of consumers contrary to good morals and grossly violate their interest and, thus, are abusive. The Bank does not agree with this stance. In a letter of 28 April 2023, the President of UOKiK extended the proceedings until 31 August 2023.
- On 21 July 2017, the UOKiK instigated proceedings against mBank with regard to violation of consumers' collective interests. The UOKiK charged the Bank with failing to adequately inform clients about FX risk and about shifting FX risk onto consumers, and with incorrectly determining (inflating) credit instalments. In the letter dated 18 August 2017 the Bank responded to the charges. In the letter dated 18 February 2019 the UOKiK President requested detailed information on the handling of mortgages indexed to foreign currencies, to which the Bank replied. In the letter dated 14 October 2021 the UOKiK President informed the Bank that the evidentiary proceedings had ended and appointed a time limit for the Bank to peruse the case file and to comment on the evidence collected in the case. The Bank commented on the evidence collected within the prescribed period. The President of UOKiK extended the termination of the proceedings until 31 July 2022. As at the date of approval of these financial statements, the Group has not received information about another extension of the proceedings.
- By way of decision of 8 July 2022, the President of the Office of Competition and Consumer Protection (UOKiK) instigated proceedings on the application of practices violating consumers' collective interests, consisting in a failure to refund the cost of transactions which consumers reported as unauthorised or to restore account balances that would have existed had such transactions not been executed under the procedure and within the time limit specified in the Payment Services Act, as well as practices consisting in providing consumers with incorrect information on the bank's verification of whether a payment instrument was used correctly in response to customer reports. On 22 August 2022, mBank S.A. took a stance on the accusations made in the said decision. In December 2022 UOKiK initiated the workshops with the participation of interested banks, aimed at developing a common method of responding to unauthorized transactions, in which the Bank is the participant.

27. Off-balance sheet liabilities

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

	30.06.2023	31.12.2022
Contingent liabilities granted and received	51 306 963	50 778 749
Commitments granted	41 263 094	41 276 600
Financing	32 724 048	33 164 015
Guarantees and other financial facilities	8 049 861	8 112 585
Other liabilities	489 185	-
Commitments received	10 043 869	9 502 149
Financial commitments received	629 532	773 790
Guarantees received	9 414 337	8 728 359
Derivative financial instruments (nominal value of contracts)	651 262 915	726 104 598
Interest rate derivatives	549 856 074	592 314 888
Currency derivatives	95 996 311	127 927 043
Market risk derivatives	5 410 530	5 862 667
Total off-balance sheet items	702 569 878	776 883 347

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

28. Transactions with related entities

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

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

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

	mBank's subsidiaries			Commerzbank AG			Other companies of the Commerzbank AG Group		
	30.06.2023	31.12.2022	30.06.2022	30.06.2023	31.12.2022	30.06.2022	30.06.2023	31.12.2022	30.06.2022
Statement of financial position									
Assets	2 547	2 390		840 875	684 577		5 691	37	
Liabilities	30 679	24 752		2 014 211	2 598 059		213 944	77 829	
Income Statement									
Interest income	-		26	32 471		20 174	-		17
Interest expense	(372)		(12)	(28 180)		(20 091)	(1 560)		(145)
Fee and commission income	44		224	3 108		2 216	26		146
Fee and commission expense	(12 892)		(10 962)	-		-	-		-
Other operating income	1 167		1 114	943		2 620	-		-
Overhead costs, amortisation and other operating expenses	(2)		-	(6 978)		(5 590)	-		-
Contingent liabilities granted and received									
Liabilities granted	383 433	410 882		2 098 567	2 101 314		1 619	1 608	
Liabilities received	-	-		1 864 681	1 915 387		-	-	

The total costs of remuneration of Members of the Supervisory Board, the Management Board and other key management personnel of the Bank that perform their duties from 1 January to 30 June 2023 recognised in the Group's income statement for that period amounted to PLN 18 894 thousand (in the period from 1 January to 30 June 2022: PLN 15 544 thousand).

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

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

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

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

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

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

Changes in the Management Board of mBank S.A.

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

Supervisory Board of mBank S.A.

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

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

Changes in the Supervisory Board of mBank S.A.

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

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

31. Factors affecting the results in the coming quarter

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

32. Other information

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

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

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed consolidated financial statement of mBank S.A. Group for the first half of 2023

(PLN thousand)

■ Transitional arrangements in response to the COVID-19 pandemic

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

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

The transitional arrangements ceased to apply from 1 January 2023.

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

	30.06.2023		31.12.2022	
	Measures reported	Measures calculated without taking into account transitional provisions	Measures reported	Measures calculated without taking into account transitional provisions
Common Equity Tier I capital (PLN thousand)	12 719 795	n/a	12 153 665	11 807 391
Tier I capital (PLN thousand)	12 719 795	n/a	12 153 665	11 807 391
Own funds (PLN thousand)	14 780 086	n/a	14 403 163	14 056 888
Common Equity Tier I ratio (%)	14.5	n/a	13.8	13.4
Tier I capital ratio (%)	14.5	n/a	13.8	13.4
Total capital ratio (%)	16.8	n/a	16.4	16.0

33. Events after the balance sheet date

From 30 June 2023 until the date of approval of these condensed consolidated financial statements, no events occurred, which would require additional disclosure in these condensed consolidated financial statements.

CONDENSED STAND-ALONE FINANCIAL STATEMENT OF MBANK S.A. FOR THE FIRST HALF OF 2023

CONDENSED STAND-ALONE INCOME STATEMENT

	Period from 01.04.2023 to 30.06.2023	Period from 01.01.2023 to 30.06.2023	Period from 01.04.2022 to 30.06.2022 -restated	Period from 01.01.2022 to 30.06.2022 -restated
Interest income, including:	3 453 687	6 864 941	2 142 970	3 710 395
<i>Interest income accounted for using the effective interest method</i>	3 379 441	6 696 995	2 116 011	3 639 445
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	74 246	167 946	26 959	70 950
Interest expenses	(1 392 169)	(2 930 783)	(561 479)	(746 840)
Net interest income	2 061 518	3 934 158	1 581 491	2 963 555
Fee and commission income	694 798	1 379 553	711 038	1 446 339
Fee and commission expenses	(238 433)	(444 442)	(180 048)	(345 645)
Net fee and commission income	456 365	935 111	530 990	1 100 694
Dividend income	4 506	4 628	47 491	48 326
Net trading income	(55)	7 574	(23 300)	67 604
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(10 143)	3 806	(71 408)	(79 516)
Gains less losses from derecognition of assets and liabilities not measured at fair value through profit or loss	(1 475)	(50 310)	(32 337)	(56 354)
Other operating income	14 309	45 711	22 967	39 227
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(132 489)	(285 806)	(163 577)	(394 573)
Result on provisions for legal risk related to foreign currency loans	(1 540 192)	(2 348 680)	(175 094)	(367 848)
Overhead costs	(523 105)	(1 188 511)	(844 784)	(1 509 274)
Depreciation	(102 020)	(203 516)	(104 108)	(205 425)
Other operating expenses	(45 506)	(88 395)	(63 818)	(110 265)
Operating profit (loss)	181 713	765 770	704 513	1 496 151
Tax on the Bank's balance sheet items	(176 726)	(359 105)	(159 210)	(311 221)
Share in profits (losses) of entities under the equity method	49 731	119 855	27 985	92 324
Profit (loss) before income tax	54 718	526 520	573 288	1 277 254
Income tax expense	(54 319)	(367 464)	(356 096)	(545 955)
Net profit (loss)	399	159 056	217 192	731 299
Earnings (losses) per share (in PLN)	0.01	3.75	5.12	17.25
Diluted earnings (losses) per share (in PLN)	0.01	3.74	5.11	17.22

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

CONDENSED STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME

	Period from 01.04.2023 to 30.06.2023	Period from 01.01.2023 to 30.06.2023	Period from 01.04.2022 to 30.06.2022	Period from 01.01.2022 to 30.06.2022
Net profit (loss)	399	159 056	217 192	731 299
Other comprehensive income net of tax, including:	331 398	918 069	(972 693)	(1 731 799)
Items that may be reclassified subsequently to the income statement	331 398	918 069	(972 693)	(1 731 799)
Exchange differences on translation of foreign operations (net)	(11 648)	(11 944)	52	675
Cash flows hedges (net)	124 526	271 668	(280 643)	(585 163)
Share of other comprehensive income of entities under the equity method (net)	11 378	11 780	(42 963)	(81 130)
Debt instruments at fair value through other comprehensive income (net)	207 142	646 565	(649 139)	(1 066 181)
Items that will not be reclassified to the income statement	-	-	-	-
Actuarial gains and losses relating to post-employment benefits (net)	-	-	-	-
Reclassification to investment properties (net)	-	-	-	-
Total comprehensive income (net)	331 797	1 077 125	(755 501)	(1 000 500)

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

CONDENSED STAND-ALONE STATEMENT OF FINANCIAL POSITION

ASSETS	30.06.2023	31.12.2022
Cash and balances with the Central Bank	15 918 276	15 906 492
Financial assets held for trading and derivatives held for hedges	2 896 302	2 589 681
Non-trading financial assets mandatorily at fair value through profit or loss, including:	888 128	878 995
<i>Equity instruments</i>	141 940	121 416
<i>Debt securities</i>	47 787	45 009
<i>Loans and advances to customers</i>	698 401	712 570
Financial assets at fair value through other comprehensive income	54 850 734	53 842 726
<i>Debt securities</i>	35 571 392	34 420 653
<i>Loans and advances to customers</i>	19 279 342	19 422 073
Financial assets at amortised cost, including:	125 734 337	123 405 293
<i>Debt securities</i>	21 652 480	20 206 976
<i>Loans and advances to banks</i>	15 060 355	15 392 870
<i>Loans and advances to customers</i>	89 021 502	87 805 447
Investments in subsidiaries	2 030 578	2 057 455
Non-current assets and disposal groups classified as held for sale	-	26 747
Intangible assets	1 399 654	1 209 722
Tangible assets	1 144 058	1 172 714
Investment properties	136 909	136 909
Current income tax assets	80 381	28 302
Deferred income tax assets	778 127	1 145 916
Other assets	1 833 459	1 574 826
TOTAL ASSETS	207 690 943	203 975 778
LIABILITIES AND EQUITY		
LIABILITIES		
Financial liabilities held for trading and derivatives held for hedges	1 858 200	2 075 013
Financial liabilities measured at amortised cost, including:	187 032 041	185 551 517
<i>Amounts due to banks</i>	3 271 342	3 305 751
<i>Amounts due to customers</i>	176 606 914	174 000 911
<i>Lease liabilities</i>	932 899	955 436
<i>Debt securities issued</i>	3 535 454	4 548 698
<i>Subordinated liabilities</i>	2 685 432	2 740 721
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(1 006 997)	(1 528 582)
Liabilities classified as held for sale	-	7 375
Provisions	1 391 634	1 287 578
Current income tax liabilities	34 444	594 203
Other liabilities	4 803 004	3 491 478
TOTAL LIABILITIES	194 112 326	191 478 582
EQUITY		
Share capital:	3 616 094	3 604 778
Registered share capital	169 860	169 734
Share premium	3 446 234	3 435 044
Retained earnings:	10 706 248	10 554 212
- Profit from previous years	10 547 192	11 250 936
- Profit (loss) for the current year	159 056	(696 724)
Other components of equity	(743 725)	(1 661 794)
TOTAL EQUITY	13 578 617	12 497 196
TOTAL LIABILITIES AND EQUITY	207 690 943	203 975 778

CONDENSED STAND-ALONE STATEMENT OF CHANGES IN EQUITY

Changes from 1 January to 30 June 2023

	Share capital		Retained earnings		Other components of equity	Total
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year		
Equity as at 1 January 2023	169 734	3 435 044	11 250 936	(696 724)	(1 661 794)	12 497 196
Transfer of profit/loss from previous year	-	-	(696 724)	696 724	-	-
Total comprehensive income	-	-	-	159 056	918 069	1 077 125
Issuance of ordinary shares	126	-	-	-	-	126
Stock option program for employees	-	11 190	(7 020)	-	-	4 170
<i>value of services provided by the employees</i>	-	-	4 170	-	-	4 170
<i>settlement of exercised options</i>	-	11 190	(11 190)	-	-	-
Equity as at 30 June 2023	169 860	3 446 234	10 547 192	159 056	(743 725)	13 578 617

Changes from 1 January to 31 December 2022

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

Changes from 1 January to 30 June 2022

	Share capital		Retained earnings		Other components of equity	Total
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year		
Equity as at 1 January 2022	169 540	3 424 404	12 464 256	(1 215 353)	(1 461 024)	13 381 823
Transfer of profit/loss from previous year	-	-	(1 215 353)	1 215 353	-	-
Total comprehensive income	-	-	-	731 299	(1 731 799)	(1 000 500)
Issuance of ordinary shares	116	-	-	-	-	116
Stock option program for employees	-	6 418	1 103	-	-	7 521
<i>value of services provided by the employees</i>	-	-	7 521	-	-	7 521
<i>settlement of exercised options</i>	-	6 418	(6 418)	-	-	-
Equity as at 30 June 2022	169 656	3 430 822	11 250 006	731 299	(3 192 823)	12 388 960

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

CONDENSED STAND-ALONE STATEMENT OF CASH FLOW

	Period from 01.01.2023 to 30.06.2023	Period from 01.01.2022 to 30.06.2022 -restated
Profit before income tax	526 520	1 277 254
Adjustments:	1 059 010	1 865 450
Income taxes paid	(762 152)	(207 601)
Depreciation, including depreciation of fixed assets provided under operating lease	210 704	211 275
Foreign exchange (gains) losses related to financing activities	(304 986)	248 473
(Gains) losses on investing activities	(125 594)	(96 947)
Change in valuation of investments in subsidiaries accounted for using other than the equity method	1 451	16 652
Dividends received	(4 628)	(48 326)
Interest income (income statement)	(6 864 941)	(3 710 395)
Interest expense (income statement)	2 930 783	746 840
Interest received	6 031 418	3 410 528
Interest paid	(2 737 861)	(588 746)
Changes in loans and advances to banks	462 645	659 794
Changes in financial assets and liabilities held for trading and hedging derivatives	342 541	(1 572 623)
Changes in loans and advances to customers	1 215 399	(7 136 722)
Changes in securities at fair value through other comprehensive income	(56 012)	8 348 502
Changes in securities at amortised cost	(1 413 577)	(2 850 369)
Changes of non-trading equity securities mandatorily at fair value through profit or loss	(23 302)	53 698
Changes in other assets	(258 662)	(290 374)
Changes in amounts due to banks	(1 608 868)	(763 093)
Changes in amounts due to customers	2 565 645	3 736 189
Changes in lease liabilities	(60 798)	32 157
Changes in issued debt securities	35 132	(204 935)
Changes in provisions	143 032	114 132
Changes in other liabilities	1 341 641	1 757 341
A. Cash flows from operating activities	1 585 530	3 142 704
Disposal of intangible assets and tangible fixed assets	35 006	4 810
Dividends received	4 628	48 326
Acquisition of shares in subsidiaries	(60)	-
Purchase of intangible assets and tangible fixed assets	(287 713)	(260 936)
B. Cash flows from investing activities	(248 139)	(207 800)
Proceeds from issue of debt securities	-	642 500
Proceeds from issue of ordinary shares	126	116
Redemption of debt securities	(947 380)	(799 524)
Payments of financial lease liabilities	(83 820)	(46 802)
Interest paid from loans and advances received from banks and subordinated liabilities	(94 572)	(28 686)
C. Cash flows from financing activities	(1 125 646)	(232 396)
Net increase / decrease in cash and cash equivalents (A+B+C)	211 745	2 702 508
Effects of exchange rate changes on cash and cash equivalents	(6 144)	71 979
Cash and cash equivalents at the beginning of the reporting period	16 120 301	12 422 956
Cash and cash equivalents at the end of the reporting period	16 325 902	15 197 443

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

The condensed financial statements of mBank S.A. have been prepared for the 3 and 6-month periods ended 30 June 2023. Comparative data include the 3 and 6-month periods ended 30 June 2022 for the condensed income statement, condensed statement of comprehensive income, 6-month period ended 30 June 2022 for the condensed statement of cash flows and condensed statement of changes in equity, additionally for the period from 1 January to 31 December 2022 for the condensed statement of changes in equity, and in the case of the condensed statement of financial position, data as at 31 December 2022.

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

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

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

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

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

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

New standards, interpretations and amendments to published standards

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

Comparative data

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

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

- Separation of the item Lease liabilities (adjustment 2)

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

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

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

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

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

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

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

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

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

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

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

The above changes were due to the adjustment of the presentation of selected assets and liabilities, income and expenses positions to the prevailing market practice. The changes did not affect equity levels and the Bank's income statements in the comparative periods presented in these financial statements. Comparative figures as of 1 January 2022 and 30 June 2022 and for the 3 and 6-month periods ended 30 June 2022 have been restated accordingly.

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

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

Income statement	No.	Period from 01.01.2022 to 30.06.2022 before restatement	restatement	Period from 01.01.2022 to 30.06.2022 after restatement
Interest income, including:		3 695 564	14 831	3 710 395
<i>Interest income accounted for using the effective interest method</i>	1	3 624 614	14 831	3 639 445
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		70 950	-	70 950
Interest expenses	7	(753 725)	6 885	(746 840)
Net interest income		2 941 839	21 716	2 963 555
Fee and commission income	1	1 461 170	(14 831)	1 446 339
Fee and commission expenses		(345 645)	-	(345 645)
Net fee and commission income		1 115 525	(14 831)	1 100 694
Dividend income		48 326	-	48 326
Net trading income		67 604	-	67 604
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(79 516)	-	(79 516)
Gains less losses from derecognition of assets and liabilities not measured at fair value through profit or loss		(56 354)	-	(56 354)
Other operating income		39 227	-	39 227
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	7	(387 688)	(6 885)	(394 573)
Result on provisions for legal risk related to foreign currency loans		(367 848)	-	(367 848)
Overhead costs		(1 509 274)	-	(1 509 274)
Depreciation		(205 425)	-	(205 425)
Other operating expenses		(110 265)	-	(110 265)
Operating profit (loss)		1 496 151	-	1 496 151
Tax on the Bank's balance sheet items		(311 221)	-	(311 221)
Share in profits (losses) of entities under the equity method		92 324	-	92 324
Profit (loss) before income tax		1 277 254	-	1 277 254
Income tax expense		(545 955)	-	(545 955)
Net profit (loss)		731 299	-	731 299

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

Restatements in income statement for the period from 1 April to 30 June 2022

Income statement	No.	Period from 01.04.2022 to 30.06.2022 before restatement	restatement	Period from 01.04.2022 to 30.06.2022 after restatement
Interest income, including:		2 135 396	7 574	2 142 970
<i>Interest income accounted for using the effective interest method</i>	1	2 108 437	7 574	2 116 011
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		26 959	-	26 959
Interest expenses	7	(568 364)	6 885	(561 479)
Net interest income		1 567 032	14 459	1 581 491
Fee and commission income	1	718 612	(7 574)	711 038
Fee and commission expenses		(180 048)	-	(180 048)
Net fee and commission income		538 564	(7 574)	530 990
Dividend income		47 491	-	47 491
Net trading income		(23 300)	-	(23 300)
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(71 408)	-	(71 408)
Gains less losses from derecognition of assets and liabilities not measured at fair value through profit or loss		(32 337)	-	(32 337)
Other operating income		22 967	-	22 967
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	7	(156 692)	(6 885)	(163 577)
Result on provisions for legal risk related to foreign currency loans		(175 094)	-	(175 094)
Overhead costs		(844 784)	-	(844 784)
Depreciation		(104 108)	-	(104 108)
Other operating expenses		(63 818)	-	(63 818)
Operating profit (loss)		704 513	-	704 513
Tax on the Bank's balance sheet items		(159 210)	-	(159 210)
Share in profits (losses) of entities under the equity method		27 985	-	27 985
Profit (loss) before income tax		573 288	-	573 288
Income tax expense		(356 096)	-	(356 096)
Net profit (loss)		217 192	-	217 192

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

Restatements in statement of financial position at 1 January 2022

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

Restatements in statement of financial position at 30 June 2022

ASSETS	No.	30.06.2022 before restatement	restatement	30.06.2022 after restatement
Financial assets at amortised cost, including:		125 556 150	(454 200)	125 101 950
<i>Debt securities</i>		19 501 363	-	19 501 363
<i>Loans and advances to banks</i>		12 935 630	-	12 935 630
<i>Loans and advances to customers</i>	5	93 119 157	(454 200)	92 664 957
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	2 075 964	(2 226 725)	(150 761)
Other assets	5	1 065 891	454 200	1 520 091
Other items		68 289 335	-	68 289 335
TOTAL ASSETS		196 987 340	(2 226 725)	194 760 615
LIABILITIES AND EQUITY	No.	30.06.2022 before restatement	restatement	30.06.2022 after restatement
Financial liabilities measured at amortised cost, including:		175 722 786	-	175 722 786
<i>Amounts due to banks</i>	3	2 698 819	1 913 201	4 612 020
<i>Amounts due to customers</i>	2,3	163 802 990	(2 913 066)	160 889 924
<i>Lease liabilities</i>	2	-	999 865	999 865
<i>Debt securities issued</i>		6 518 672	-	6 518 672
<i>Subordinated liabilities</i>		2 702 305	-	2 702 305
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	150 761	(2 226 725)	(2 075 964)
Provisions	4	954 603	23 358	977 961
Other liabilities	4	4 421 022	(23 358)	4 397 664
Other items		3 349 208	-	3 349 208
TOTAL LIABILITIES		184 598 380	(2 226 725)	182 371 655
TOTAL EQUITY		12 388 960	-	12 388 960
TOTAL LIABILITIES AND EQUITY		196 987 340	(2 226 725)	194 760 615

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

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

	No.	Period from 01.01.2022 to 30.06.2022 before restatement	restatement	Period from 01.01.2022 to 30.06.2022 after restatement
Profit (loss) before income tax		1 277 254	-	1 277 254
Adjustments:		1 865 450	-	1 865 450
Income taxes paid		(207 601)	-	(207 601)
Depreciation including depreciation of fixed assets provided under operating lease		211 275	-	211 275
Foreign exchange (gains) losses related to financial activities		248 473	-	248 473
(Gains) losses on investing activities		(96 947)	-	(96 947)
Change of valuation of investment in subsidiaries not measured at equity method		16 652	-	16 652
Dividends received		(48 326)	-	(48 326)
Interest income (income statement)	1	(3 695 564)	(14 831)	(3 710 395)
Interest expense (income statement)	7	753 725	(6 885)	746 840
Interest received	1	3 395 697	14 831	3 410 528
Interest paid	7	(595 631)	6 885	(588 746)
Changes in loans and advances to banks		659 794	-	659 794
Changes in financial assets and liabilities held for trading and hedging derivatives		(1 572 623)	-	(1 572 623)
Changes in loans and advances to customers	5	(7 213 543)	76 821	(7 136 722)
Changes in financial assets at fair value through other comprehensive income		8 348 502	-	8 348 502
Changes in securities at amortised cost		(2 850 369)	-	(2 850 369)
Changes in non-trading securities mandatorily at fair value through profit or loss		53 698	-	53 698
Changes in other assets	5	(213 553)	(76 821)	(290 374)
Changes in amounts due to banks	3	(666 325)	(96 768)	(763 093)
Changes in amounts due to customers	2,3	3 671 578	64 611	3 736 189
Changes in lease liabilities	2	-	32 157	32 157
Changes in issued debt securities		(204 935)	-	(204 935)
Changes in provisions	4	114 905	(773)	114 132
Changes in other liabilities	4	1 756 568	773	1 757 341
A. Cash flows from operating activities		3 142 704	-	3 142 704
B. Cash flows from investing activities		(207 800)	-	(207 800)
C. Cash flows from financing activities		(232 396)	-	(232 396)
Net increase / decrease in cash and cash equivalents (A+B+C)		2 702 508	-	2 702 508
Effect of exchange rate changes in cash and cash equivalents		71 979	-	71 979
Cash and cash equivalents at the beginning of the reporting period		12 422 956	-	12 422 956
Cash and cash equivalents at the end of the reporting period		15 197 443	-	15 197 443

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

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

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

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

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

Impact of credit holidays on the financial result of the Bank

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

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

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

By 30 June 2023, customers owning 80.3% and 77.4% of the value of the assumed eligible mortgage loan portfolio of mBank and mBank Hipoteczny respectively had submitted applications applying for an average of 7.3 months of credit holidays. As of 30 June 2023 the gross carrying value of loans being subject to the credit holidays amounted to PLN 17 403.2 million at mBank and PLN 6 878.8 million at mBank Hipoteczny.

Impairment of loans and advances

The Bank reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the income statement, the Bank assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions, on the basis of which the estimated cash flow amounts and their anticipated timing are determined, are regularly verified. If the current value of estimated cash flows (discounted recoveries from payments of capital, discounted recoveries from interests, discounted recoveries from off-balance sheet liabilities and discounted recoveries from collaterals for on-balance and off-balance sheet loans and advances, weighed by the probability of realisation of specific scenarios) for portfolio of loans and advances which are impaired as of 30 June 2023, change by +/- 10%, the estimated loans and advances impairment would either decrease by PLN 66.0 million or increase by PLN 70.9 million (as at 31 December 2022: PLN 49.7 million and PLN 51.1 million). This estimation was performed for portfolio of loans and advances and for off-balance sheet liabilities individually assessed for impairment on the basis of future cash flows due to repayments and recovery from collateral – Stage 3. The rules of determining write-downs and provisions for impairment of credit exposures have been described under Note 3.3.6 of financial statements of mBank S.A. for 2022, published on 2 March 2023.

Actions taken in relation to the current situation in Ukraine

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

Country	Direct exposure as at 30.06.2023												
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	-	-	-	-	-	-	-	-	-	-	-	-	-
Russia	-	-	150	-	-	-	-	-	-	-	(150)	-	44 528
Belarus	-	1 074	-	-	-	-	-	-	-	(418)	-	-	-
Total	-	1 074	150	-	-	-	-	-	-	(418)	(150)	-	44 528

There was also identified an indirect exposure: a balance sheet exposure of PLN 242.6 million and an off-balance sheet exposure of PLN 211.5 million towards corporate clients whose business is indirectly exposed to the risk of Russia's aggression towards Ukraine.

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

Country	Indirect exposure as at 30.06.2023												
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	42 700	391	-	-	35 780	50	-	-	(132)	(33)	-	-	-
Russia	149 305	13	47 976	-	173 667	-	-	-	(279)	-	(47 976)	-	-
Belarus	2 233	-	-	-	1 998	-	-	-	(4)	-	-	-	-
Total	194 238	404	47 976	-	211 445	50	-	-	(415)	(33)	(47 976)	-	-

Impact of the macroeconomic environment forecast on the expected credit loss values

In the first half of 2023, the Bank worked on updating the forecasts of future macroeconomic conditions that are incorporated into the risk parameter models used to calculate the expected credit loss. The forecasts take into account the current development of the economic situation and they are consistent with the forecasts used by the Bank in the planning process.

In order to assess expected credit loss (ECL) sensitivity to the future macroeconomic conditions, the Bank determined the ECL value separately for each of the scenarios used for the purposes of calculating the expected credit risk losses. The impact of each of the scenarios is presented in the table as a deviation of expected credit loss in a given scenario from the base scenario.

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

Scenario as of 30.06.2023		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast
GDP	y/y	0.4%	3.1%	1.9%	4.0%	-1.6%	1.5%
Unemployment rate	end of the year	5.3%	5.1%	4.3%	3.5%	5.5%	5.9%
Real estate price index	y/y	102.8	107.5	103.5	114.4	93.6	103.6
WIBOR3M	end of the year	6.95%	6.20%	8.25%	8.20%	5.75%	4.70%

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

Scenario as of 31.12.2022		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast
GDP	y/y	0.2%	2.6%	1.9%	4.0%	-3.5%	3.3%
Unemployment rate	end of the year	5.7%	5.5%	4.3%	3.5%	5.5%	5.9%
Real estate price index	y/y	102.7	106.0	105.8	105.8	101.8	102.1
WIBOR3M	end of the year	7.20%	6.20%	9.00%	7.00%	5.77%	4.77%

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

Scenario as of	Change in impairment allowance			
	30.06.2023			
	Stage 1	Stage 2	Stage 3	Total
optimistic	45 167	32 914	170	78 251
pessimistic	(75 824)	(47 824)	(170)	(123 818)

The above results were estimated taking into account the allocation to the Stage 2 calculated individually for given scenario. The ECL sensitivity analysis was performed for 92% of the assets of the portfolio of loans and advances to customers (excluding the impaired exposures and the exposures not valued with the use of models).

In the second quarter of 2023, for the specialised lending portfolio, there was provided a recalibration of long-term default probability and long-term loss models used for the calculation of expected credit losses and there was provided an update of macroeconomic forecasts. The total impact on the level of expected credit loss of all changes for the specialised lending portfolio in the first half of 2023 was a creation of provisions in the amount of PLN 17.6 million (negative impact on the result).

For the remaining loan portfolio, in the first half of 2023, there was performed an update of macroeconomic forecasts, used in the expected credit loss model. Additionally, in the long-term PD-parameter model, there were reflected current and forecasted loss ratios of individual sub-portfolios. The impact of these changes on the level of expected credit loss, for the loan portfolio not including specialised lending, was recognised as a creation of provisions in the amount of PLN 52.7 million (negative impact on the result) in the first half of 2023. Additionally, the impact on the fair value valuation of the non-mortgage portfolio amounted to PLN -4.9 million in the first half of 2023 (negative impact on the result).

Fair value of derivatives and other financial instruments

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

Deferred tax assets

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

Income tax in interim financial statements

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

The calculation of the average annual effective income tax rate requires the use of a pre-tax income forecast for the entire fiscal year and permanent differences between the carrying amounts of assets and liabilities and their tax base. The projected annual effective tax rate calculated in this way amounted to 69.8% and was applied to the profit before tax for the first half of 2023. In the first half of 2022, the projected annual effective tax rate was 42.7%.

The greatest impact on the value of the average annual effective tax rate in relation to the nominal income tax rate in the first half of 2023 resulted from the cost of legal risk related to foreign currency loans, the banking tax and other mandatory fees which are not tax-deductible costs (including Bank Guarantee Fund fees).

Revenue and expenses from sale of insurance products bundled with loans

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

The remuneration included in fee and commission income is recognised partly as upfront income and partly including deferring over time based on the analysis of the stage of completion of the service.

Liabilities due to post-employment employee benefits

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

Leasing classification

Estimates relating to leases, where the Bank is a lessee, in areas such as determination of the duration of contracts, determining the interest rate used to discount future cash flows and determination of the depreciation rate of right-of-use assets are presented in Note 2.22 to the financial statements of mBank S.A. for 2022, published on 2 March 2023.

SELECTED EXPLANATORY INFORMATION

1. Compliance with international financial reporting standards

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

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

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

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

3. Seasonal or cyclical nature of the business

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

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

In the financial results for the first half of 2023, the Bank recognised the cost of legal risk related to foreign currency loans in the amount of PLN 2 348.7 million. The detailed information in this regard is presented in Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the first half of 2023.

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

The financial results for the first half of 2023 include cost of legal risk related to foreign currencies loans in the amount of PLN 2 348.7 million. The detailed information are presented in Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the first half of 2023.

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

- On 28 March 2023, Bank redeemed fixed rate bonds issued by mFinance France on 28 March 2017, acquired by the Bank in the substitution process, with a total nominal value of CHF 200 000 thousand.

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

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

8. Income and profit by business segments

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

9. Significant events after the end of the first half of 2023, which are not reflected in the financial statements

Events as indicated above did not occur in the Bank.

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

Acquisition by mBank the activity of mBank Hipoteczny related to servicing loans

Description of the transaction

The Division Plan of mBank Hipoteczny (mBH) was published on 31 May 2022. The plan assumed that a part of business of mBank Hipoteczny would be transferred to mBank in 2023. These were mostly commercial real estate loans. The acquisition was completed through a division of mBank Hipoteczny by separation and a transfer of the separated part of business to mBank. The division was made by way of universal succession, which means that on the day the division was registered in the National Court Register (KRS) mBank assumed all rights and obligations of mBank Hipoteczny arising from the transferred business, including from loan agreements.

On 30 March 2023, the shareholders of mBH and mBank approved the Division Plan. The organised part of the enterprise was transferred on 18 May 2023.

About the transferred business

The division of mBH was effected in accordance with Article 529 (1) (4) of the Code of Commercial Partnerships and Companies, i.e. through a transfer of certain assets and liabilities as well as rights and obligations of the company being divided in the form of an organised part of mBH's enterprise, which constitute a group of tangible and intangible assets, including liabilities, organisationally and financially separated within the existing enterprise, intended for the performance of tasks related to the business of granting and handling the following loans:

- mortgage-backed loans for the financing of commercial real estate,
- loans to local government units or guaranteed by local government units, and
- mortgage-backed loans to individuals for the financing of non-business purposes, meeting the detailed conditions laid down in the Division Plan of 31 May 2022.

The division had an effect on mBH's business line dealing with corporate mortgages ("corporate banking"). Once the division had been completed, mBank Hipoteczny discontinued its corporate business.

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

Economic rationale for the transaction

The Bank and mBH decided to pursue the division with the aim to consolidate sale processes and after-sales service within a single entity (Bank), which is expected to produce the following effects:

- create in mBank a single competence centre for the Group in the area of managing real estate finance products and services;
- unify access channels available to clients;
- increase the availability of mortgage services via electronic channels and in selected branches;
- boost the operational effectiveness of launching new solutions for clients;
- simplify the structure of the mortgage business;
- integrate and develop remote customer service tools to match the service level offered to Bank clients;
- use the Bank's know-how and IT resources to offer highly digitalised services;
- achieve cost synergies by way of eliminating overlapping structures, especially in the IT and operations area.

As a result of the transaction, mBank acquired the following assets and liabilities of mBH.

ASSETS	
Cash and balances with the Central Bank	1 783
Non-trading financial assets mandatorily at fair value through profit or loss, including:	77 568
<i>Loans and advances to customers</i>	77 568
Financial assets at amortised cost, including:	1 667 028
<i>Loans and advances to customers</i>	1 667 028
Intangible assets	12 626
Tangible assets	50
Deferred income tax assets	22 439
Other assets	39 057
TOTAL ASSETS	1 820 551
LIABILITIES	
Financial liabilities measured at amortised cost, including:	1 661 492
<i>Amounts due to banks</i>	1 661 492
Other liabilities	1 791
TOTAL LIABILITIES	1 663 283

Loans and advances to customers measured at amortised cost	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Individual customers	13 610	10 827	2 600	315	-	(42)	(32)	(58)	-
Corporate customers	1 601 712	1 230 211	139 420	350 684	21 594	(7 764)	(10 480)	(121 463)	(490)
Public sector customers	51 706	51 722	-	-	-	(16)	-	-	-
Total	1 667 028	1 292 760	142 020	350 999	21 594	(7 822)	(10 512)	(121 521)	(490)

As part of the transaction, the share capital of mBH was reduced through the cancellation of shares by PLN 116 000 thousand. In addition, the capital reserve was reduced by the amount representing the difference between the book value of organized part of the business as of the date of the split and the total amount of the reduction in share capital of mBH, i.e. by PLN 41 268 thousand.

Settlement of the transaction / recognition of the transaction in the Bank's books

The combination was settled based on book values and had no effect on mBank's net profit in H1 2023 and net assets as at 30 June 2023. The transaction is considered a combination under common control as the organised part of the enterprise is ultimately controlled by mBank before and after the combination. In accordance with mBank's accounting policy, business combinations of entities under common control are settled under the predecessor method, whereby the assets and liabilities of the acquirees are not measured at fair value, but they are recognised in the financial statements at values arising from the consolidated financial statements of mBank S.A. Group. All settlement balances between mBank and mBH have been eliminated. The value of mBH's shares, which are valued using the equity method in mBank's separate financial statements, was reduced by the value of mBH's acquired net assets. The combination is settled prospectively, which means that the profit and loss account and the balance sheet of the acquiree are included in the financial data of the acquirer from the acquisition date and the comparative data is not restated.

11. Changes in contingent liabilities and commitments

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

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

In the first half of 2023, events as indicated above did not occur in the Bank.

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

In the first half of 2023, events as indicated above did not occur in the Bank.

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

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss, including:			
Financial assets at amortised cost		(400 774)	(382 415)
- debt securities		(1 155)	(1 331)
- loans and advances		(399 619)	(381 084)
Financial assets at fair value through other comprehensive income		(26 182)	(10 382)
- equity instruments		(1 500)	(554)
- debt securities		(24 682)	(9 828)
Commitments and guarantees granted		141 150	(1 776)
Total gains less losses from financial assets not measured at fair value through profit or loss		(285 806)	(394 573)

15. Reversals of provisions against restructuring costs

In the first half of 2023, events as indicated above did not occur in the Bank.

16. Acquisitions and disposals of tangible fixed asset items

In the first half of 2023, there were no material transactions of acquisition or disposal of any tangible fixed assets.

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

In the first half of 2023, events as indicated above did not occur in the Bank.

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

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

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

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

20. Corrections of errors from previous reporting periods

In the first half of 2023, events as indicated above did not occur in the Bank. The restatements of comparative data have been described in the Note 1, in the item "Comparative data".

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

In the first half of 2023, events as indicated above did not occur in the Bank.

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

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

In the first half of 2023, events as indicated above did not occur in the Bank.

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

The Bank did not publish a performance forecast for 2023.

24. Registered share capital

The total number of ordinary shares as at 30 June 2023 was 42 464 892 shares (31 December 2022: 42 433 495 shares) at PLN 4 nominal value each. All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 30 JUNE 2023						
Share type	Type of privilege	Type of limitation	Number of shares	Series / face value of issue in PLN	Paid up	Registered on
ordinary bearer*	-	-	9 989 000	39 956 000	fully paid in cash	1986
ordinary registered*	-	-	11 000	44 000	fully paid in cash	1986
ordinary bearer	-	-	2 500 000	10 000 000	fully paid in cash	1994
ordinary bearer	-	-	2 000 000	8 000 000	fully paid in cash	1995
ordinary bearer	-	-	4 500 000	18 000 000	fully paid in cash	1997
ordinary bearer	-	-	3 800 000	15 200 000	fully paid in cash	1998
ordinary bearer	-	-	170 500	682 000	fully paid in cash	2000
ordinary bearer	-	-	5 742 625	22 970 500	fully paid in cash	2004
ordinary bearer	-	-	270 847	1 083 388	fully paid in cash	2005
ordinary bearer	-	-	532 063	2 128 252	fully paid in cash	2006
ordinary bearer	-	-	144 633	578 532	fully paid in cash	2007
ordinary bearer	-	-	30 214	120 856	fully paid in cash	2008
ordinary bearer	-	-	12 395 792	49 583 168	fully paid in cash	2010
ordinary bearer	-	-	16 072	64 288	fully paid in cash	2011
ordinary bearer	-	-	36 230	144 920	fully paid in cash	2012
ordinary bearer	-	-	35 037	140 148	fully paid in cash	2013
ordinary bearer	-	-	36 044	144 176	fully paid in cash	2014
ordinary bearer	-	-	28 867	115 468	fully paid in cash	2015
ordinary bearer	-	-	41 203	164 812	fully paid in cash	2016
ordinary bearer	-	-	31 995	127 980	fully paid in cash	2017
ordinary bearer	-	-	24 860	99 440	fully paid in cash	2018
ordinary bearer	-	-	13 385	53 540	fully paid in cash	2019
ordinary bearer	-	-	16 673	66 692	fully paid in cash	2020
ordinary bearer	-	-	17 844	71 376	fully paid in cash	2021
ordinary bearer	-	-	48 611	194 444	fully paid in cash	2022
ordinary bearer	-	-	31 397	125 588	fully paid in cash	2023
Total number of shares			42 464 892			
Total registered share capital				169 859 568		
Nominal value per share (PLN)		4				

* As at the end of the reporting period

25. Material share packages

Commerzbank AG is the only shareholder holding over 5% of the share capital and votes at the General Meeting and as at 30 June 2023 it held 69.12% of the share capital and votes at the General Meeting of mBank S.A.

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

On 7 February 2023, the Bank was notified by Powszechnie Towarzystwo Emerytalne Allianz Polska S.A. (PTE Allianz Polska S.A.) about a decrease of the funds' managed by PTE Allianz Polska S.A. share in the share capital and the total number of votes at the General Meeting of mBank S.A. below 5% as a result of a sale of Bank's shares on 3 February 2023.

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

26. Earnings per share

	the period	from 01.01.2023 to 30.06.2023	from 01.01.2022 to 30.06.2022
Basic:			
Net profit		159 056	731 299
Weighted average number of ordinary shares		42 437 832	42 385 526
Net basic profit per share (in PLN per share)		3.75	17.25
Diluted:			
Net profit applied for calculation of diluted earnings per share		159 056	731 299
Weighted average number of ordinary shares		42 437 832	42 385 526
Adjustments for:			
- share options		62 359	78 487
Weighted average number of ordinary shares for calculation of diluted earnings per share		42 500 191	42 464 013
Diluted earnings per share (in PLN per share)		3.74	17.22

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

The information regarding the proceedings before a court, an arbitration body or a public administration authority are presented in Point 26 of Selected explanatory information in Condensed consolidated financial statements of mBank S.A. Group for the first half of 2023.

28. Legal risk related to mortgage and housing loans granted to individual customers in CHF

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

29. Off-balance sheet liabilities

	30.06.2023	31.12.2022
Contingent liabilities granted and received	50 730 741	50 438 180
Commitments granted	40 996 296	41 233 031
Financing	32 457 018	32 652 084
Guarantees and other financial facilities	8 050 093	8 580 947
Other liabilities	489 185	-
Commitments received	9 734 445	9 205 149
Financial commitments received	459 532	476 790
Guarantees received	9 274 913	8 728 359
Derivative financial instruments (nominal value of contracts)	648 312 727	721 658 563
Interest rate derivatives	545 917 672	588 523 672
Currency derivatives	96 984 525	127 272 224
Market risk derivatives	5 410 530	5 862 667
Total off-balance sheet items	699 043 468	772 096 743

30. Transactions with related entities

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

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

	mBank's subsidiaries			Commerzbank AG			Other companies of the Commerzbank AG Group		
	30.06.2023	31.12.2022	30.06.2022	30.06.2023	31.12.2022	30.06.2022	30.06.2023	31.12.2022	30.06.2022
Statement of financial position									
Assets	20 097 924	22 293 361		833 159	674 513		31	37	
Liabilities	387 729	427 198		1 870 056	2 465 567		85 833	77 829	
Income Statement									
Interest income	716 593		388 574	32 471		20 174	-		17
Interest expense	(3 082)		(3 005)	(28 084)		(19 209)	(1 377)		(145)
Fee and commission income	8 698		11 445	3 108		2 216	26		146
Fee and commission expense	(95 557)		(118 119)	-		-	-		-
Other operating income	6 775		6 782	943		2 620	-		-
Overhead costs, amortisation and other operating expenses	(34 190)		(2 293)	(6 978)		(5 590)			-
Contingent liabilities granted and received									
Liabilities granted	3 235 436	3 274 715		2 098 567	2 101 314		1 619	1 608	
Liabilities received	-	-		1 864 681	1 915 387		-	-	

The total costs of remuneration of Members of the Supervisory Board, the Management Board and other key management personnel of the Bank that perform their duties from 1 January to 30 June 2023 recognised in the Bank's income statement for that period amounted to PLN 18 894 thousand (in the period from 1 January to 30 June 2022: PLN 15 544 thousand).

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

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

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

32. Fair value of assets and liabilities

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

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

The approach to the method used for the loans that are fair valued in line of IFRS9 requirements, is described in the Note 3.3.7 to the financial statements of mBank S.A. for 2022, published on 2 March 2023.

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

Financial assets and liabilities at amortised cost

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

	30.06.2023		31.12.2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortised cost				
Debt securities	21 652 480	20 056 290	20 206 976	17 923 102
Loans and advances to banks	15 060 355	15 068 728	15 392 870	15 395 201
Loans and advances to customers, including:	89 021 502	89 192 167	87 805 447	87 273 053
Loans and advances to individuals	37 722 851	38 139 257	40 129 801	40 077 630
Current accounts	7 413 369	7 864 627	7 334 567	7 776 122
Term loans	30 292 772	30 257 920	32 773 857	32 280 131
Other	16 710	16 710	21 377	21 377
Loans and advances to corporate entities	51 155 410	50 922 106	47 622 759	47 143 353
Current accounts	7 368 895	7 293 599	6 908 655	6 754 825
Term loans	39 521 335	39 363 327	38 531 877	38 206 301
Reverse repo or buy/sell back transactions	3 670 777	3 670 777	1 611 154	1 611 154
Other loans and advances	585 415	585 415	555 475	555 475
Other	8 988	8 988	15 598	15 598
Loans and advances to public sector	143 241	130 804	52 887	52 070
Financial liabilities at amortised cost				
Amounts due to other banks	3 271 342	3 271 342	3 305 751	3 305 751
Amounts due to customers	176 606 914	176 603 930	174 000 911	173 996 881
Debt securities in issue	3 535 454	3 551 222	4 548 698	4 545 899
Subordinated liabilities	2 685 432	2 585 982	2 740 721	2 631 352

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

Loans and advances to banks and loans and advances to customers

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

Financial liabilities

Financial instruments representing liabilities for the Bank include the following:

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

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

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

In the case of deposits, the Bank has applied the curve constructed on the basis of quotations of money market rates as well as FRA and IRS contracts for appropriate currencies and maturities. In the case of subordinated liabilities, the Bank used curves based on cross-currency basis swap levels taking into account the original spread on subordinated liabilities and their maturities.

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

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

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

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

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

30.06.2023	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
VALUATION ONLY FOR PURPOSES OF DISCLOSURE				
FINANCIAL ASSETS				
Debt securities	20 056 290	15 261 843	-	4 794 447
Loans and advances to banks	15 068 728	-	-	15 068 728
Loans and advances to customers	89 192 167	-	-	89 192 167
Total financial assets	124 317 185	15 261 843	-	109 055 342
FINANCIAL LIABILITIES				
Amounts due to banks	3 271 342	-	1 835 990	1 435 352
Amounts due to customers	176 603 930	-	211 636	176 392 294
Debt securities issued	3 551 222	3 526 323	-	24 899
Subordinated liabilities	2 585 982	-	2 585 982	-
Total financial liabilities	186 012 476	3 526 323	4 633 608	177 852 545

31.12.2022	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
VALUATION ONLY FOR PURPOSES OF DISCLOSURE				
FINANCIAL ASSETS				
Debt securities	17 923 102	14 185 080	-	3 738 022
Loans and advances to banks	15 395 201	-	-	15 395 201
Loans and advances to customers	87 273 053	-	-	87 273 053
Total financial assets	120 591 356	14 185 080	-	106 406 276
FINANCIAL LIABILITIES				
Amounts due to banks	3 305 751	-	1 910 721	1 395 030
Amounts due to customers	173 996 881	-	222 295	173 774 586
Debt securities issued	4 545 899	4 521 025	-	24 874
Subordinated liabilities	2 631 352	-	2 631 352	-
Total financial liabilities	184 479 883	4 521 025	4 764 368	175 194 490

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

Financial assets and liabilities measured at fair value and investment properties

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

30.06.2023	including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
RECURRING FAIR VALUE MEASUREMENTS				
Financial assets				
Financial assets held for trading and hedging derivatives	2 896 302	1 463 844	1 148 810	283 648
Loans and advances to customers	39 447	-	-	39 447
Debt securities	1 693 487	1 449 286	-	244 201
Equity instruments	14 558	14 558	-	-
Derivative financial instruments, including:	1 148 810	-	1 148 810	-
Derivative financial instruments held for trading	1 362 611	-	1 362 611	-
Hedging derivative financial instruments	89 811	-	89 811	-
Offsetting effect	(303 612)	-	(303 612)	-
Non-trading financial assets mandatorily at fair value through profit or loss	888 128	799	-	887 329
Loans and advances to customers	698 401	-	-	698 401
Debt securities	47 787	-	-	47 787
Equity securities	141 940	799	-	141 141
Financial assets at fair value through other comprehensive income	54 850 734	11 889 919	21 974 149	20 986 666
Loans and advances to customers	19 279 342	-	-	19 279 342
Debt securities	35 571 392	11 889 919	21 974 149	1 707 324
Total financial assets	58 635 164	13 354 562	23 122 959	22 157 643
Investment properties	136 909	-	-	136 909
Financial liabilities				
Financial liabilities held for trading and hedging derivatives	1 858 200	322 316	1 535 884	-
Derivative financial instruments, including:	1 535 884	-	1 535 884	-
Derivative financial instruments held for trading	1 757 901	-	1 757 901	-
Hedging derivative financial instruments	1 801 334	-	1 801 334	-
Offsetting effect	(2 023 351)	-	(2 023 351)	-
Liabilities from short sale of securities	322 316	322 316	-	-
Total financial liabilities	1 858 200	322 316	1 535 884	-

Assets and liabilities measured at fair value and investment properties based on Level 3 - changes in the period from 1 January to 30 June 2023	Financial assets held for trading and hedging derivatives		Non-trading financial assets mandatorily at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Investment properties
	Loans and advances to customers	Debt securities	Loans and advances to customers	Debt securities	Equity securities	Loans and advances to customers	Debt securities	
As at the beginning of the period	39 720	401 865	712 570	45 009	120 670	19 422 073	1 719 371	136 909
Gains and losses for the period:	(281)	17 090	(22 312)	2 778	20 471	320 744	3 146	-
Recognised in profit or loss:	(281)	17 090	(22 312)	2 778	20 471	1 042	-	-
<i>Net trading income</i>	(281)	17 090	-	(3 115)	299	-	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	(22 312)	5 893	20 172	-	-	-
<i>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</i>	-	-	-	-	-	1 042	-	-
Recognised in other comprehensive income:	-	-	-	-	-	319 702	3 146	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	319 702	3 146	-
Purchases / origination	-	430 903	95 837	-	-	178 171	905 774	-
Redemptions / total repayments	-	(151 081)	(78 915)	-	-	(467 232)	(84 961)	-
Sales	-	(1 470 193)	-	-	-	(125 207)	(993 726)	-
Issues	-	1 015 617	-	-	-	-	157 720	-
Other changes	8	-	(8 779)	-	-	(49 207)	-	-
As at the end of the period	39 447	244 201	698 401	47 787	141 141	19 279 342	1 707 324	136 909

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

31.12.2022	including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
RECURRING FAIR VALUE MEASUREMENTS				
Financial assets				
Financial assets held for trading and hedging derivatives	2 589 681	676 356	1 471 740	441 585
Loans and advances to customers	39 720	-	-	39 720
Debt securities	1 072 092	670 227	-	401 865
Equity securities	6 129	6 129	-	-
Derivative financial instruments, including:	1 471 740	-	1 471 740	-
Derivative financial instruments held for trading	1 796 484	-	1 796 484	-
Hedging derivative financial instruments	116 735	-	116 735	-
Offsetting effect	(441 479)	-	(441 479)	-
Non-trading financial assets mandatorily at fair value through profit or loss	878 995	746	-	878 249
Loans and advances to customers	712 570	-	-	712 570
Debt securities	45 009	-	-	45 009
Equity securities	121 416	746	-	120 670
Financial assets at fair value through other comprehensive income	53 842 726	15 617 616	17 083 666	21 141 444
Loans and advances to customers	19 422 073	-	-	19 422 073
Debt securities	34 420 653	15 617 616	17 083 666	1 719 371
Total financial assets	57 311 402	16 294 718	18 555 406	22 461 278
Investment properties	136 909	-	-	136 909
Financial liabilities				
Financial liabilities held for trading and hedging derivatives	2 075 013	260 538	1 814 475	-
Derivative financial instruments, including:	1 814 475	-	1 814 475	-
Derivative financial instruments held for trading	2 175 779	-	2 175 779	-
Hedging derivative financial instruments	2 663 928	-	2 663 928	-
Offsetting effect	(3 025 232)	-	(3 025 232)	-
Liabilities from short sale of securities	260 538	260 538	-	-
Total financial liabilities	2 075 013	260 538	1 814 475	-

Assets and liabilities measured at fair value and investment properties based on Level 3 - changes in the period from 1 January to 31 December 2022	Financial assets held for trading and hedging derivatives		Non-trading financial assets mandatorily at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Investment properties
	Loans and advances to customers	Debt securities	Loans and advances to customers	Debt securities	Equity securities	Loans and advances to customers	Debt securities	
As at the beginning of the period	40 426	425 179	991 469	81 128	147 596	18 191 254	1 504 600	127 510
Gains and losses for the period:	1 419	21 633	(26 406)	6 095	(27 238)	136 247	(14 623)	9 399
Recognised in profit or loss:	1 419	21 633	(26 406)	6 095	(27 238)	(6 440)	-	9 399
<i>Net trading income</i>	1 419	21 633	-	9 299	34	-	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	(26 406)	(3 204)	(27 272)	-	-	-
<i>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</i>	-	-	-	-	-	(6 440)	-	-
<i>Other operating income/ other operating expenses</i>	-	-	-	-	-	-	-	9 399
Recognised in other comprehensive income:	-	-	-	-	-	142 687	(14 623)	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	142 687	(14 623)	-
Purchases / origination	-	1 132 349	42 873	-	312	4 125 086	1 994 737	-
Redemptions / total repayments	(3 813)	(117 316)	(251 960)	-	-	(810 450)	(545 447)	-
Sales	-	(2 726 211)	-	-	-	(2 075 137)	(1 654 666)	-
Issues	-	1 666 231	-	-	-	-	434 770	-
Other changes	1 688	-	(43 406)	(42 214)	-	(144 927)	-	-
As at the end of the period	39 720	401 865	712 570	45 009	120 670	19 422 073	1 719 371	136 909

During the first half of 2023 and during 2022 there were no transfers of financial instruments between the levels of fair value hierarchy.

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

Level 1

As at 30 June 2023 at level 1 of the fair value hierarchy, the Bank has presented the fair value of held for trading government bonds in the amount of PLN 1 449 286 thousand and the fair value of government bonds measured at fair value through other comprehensive income in the amount of PLN 10 557 047 thousand (31 December 2022: PLN 670 227 thousand and PLN 14 300 990 thousand, respectively). Level 1 includes the fair values of corporate bonds in the amount of PLN 1 332 872 thousand (31 December 2022: PLN 1 316 626 thousand).

In addition, as at 30 June 2023 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 799 thousand (31 December 2022: PLN 746 thousand) and equity instruments in the amount of PLN 14 558 thousand (31 December 2022: PLN 6 129 thousand).

As at 30 June 2023 Level 1 also includes liabilities from short sale of securities quoted on active markets in the amount of PLN 322 316 thousand (31 December 2022: PLN 260 538 thousand).

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

Level 2

Level 2 of the fair value hierarchy mainly includes the fair values of bills issued by NBP in the amount of PLN 21 974 149 thousand (31 December 2022: PLN 17 083 666 thousand), valuation of which is based on a NPV model (discounted future cash flows) fed with interest rate curves generated by transformation of quotations taken directly from active and liquid financial markets.

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

Level 3

Level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies in the amount of PLN 1 999 312 thousand (31 December 2022: PLN 2 166 245 thousand), and includes the fair value of a debt instrument measured at fair value through profit or loss, representing the rights to preferred stock of Visa Inc.

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

Level 3 as at 30 June 2023 includes the value of loans and advances to customers in the amount of PLN 20 017 190 thousand (31 December 2022: PLN 20 174 363 thousand). The fair value calculation process for loans and advances to customers is described in detail in the Note 3.3.7. of financial statement of mBank S.A. for 2022, published on 2 March 2023.

Moreover level 3 includes the value of loans and advances to customers in the amount of PLN 141 141 thousand (31 December 2022: PLN 120 670 thousand). The equity instruments presented at level 3 have been valued using the dividend discount model. The valuations were predominantly prepared based on selected financial figures provided by valued entities and discounted with the cost of equity estimated using CAPM model (Capital Asset Pricing Model). At the end of the first half of 2023, the cost of

mBank S.A. Group

Consolidated financial report for the first half of 2023

Condensed stand-alone financial statement of mBank S.A. for the first half of 2023

(PLN thousand)

equity was estimated at the level in the range from 12.9% to 13.3% (as at the end of 2022: from 13.9% to 14.4%).

As at 30 June 2023 level 3 also includes fair value of investment property in the amount of PLN 136 909 thousand (31 December 2022: PLN 136 909 thousand). The value of the property was estimated by a property appraiser entered in the Central Register of Property Appraisers kept by the Minister of Development and Technology. The property was valued using the income method. The key unobservable parameter used in the model is the capitalisation rate of 6.75% used to discount cash flows.

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

Portfolio	Fair value 30.06.2023	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	141 141	(16 488)	20 586	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through other comprehensive income	1 707 324	(26 404)	26 404	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through profit or loss	244 201	(7 544)	7 544	
Loans and advances to customers held for trading	39 447	(375)	358	The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers mandatorily at fair value through profit or loss	698 401	(9 725)	9 747	
Loans and advances to customers measured at fair value through other comprehensive income	19 279 342	(16 835)	15 907	

Portfolio	Fair value 31.12.2022	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	120 670	(13 346)	16 364	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through other comprehensive income	1 719 371	(30 479)	30 479	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through profit or loss	401 865	(5 807)	5 807	
Loans and advances to customers held for trading	39 720	(460)	443	The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers mandatorily at fair value through profit or loss	712 570	(10 007)	9 966	
Loans and advances to customers measured at fair value through other comprehensive income	19 422 073	(12 802)	11 973	

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

Management Board of mBank S.A.

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

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

Changes in the Management Board of mBank S.A.

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

Supervisory Board of mBank S.A.

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

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

Changes in the Supervisory Board of mBank S.A.

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

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

34. Factors affecting the results in the coming quarter

The results in the coming quarter may also be affected by court settlements, the number of lawsuits and settlements, as well as potential rulings of the Supreme Court, other national institutions or Court of Justice of the European Union in cases related to foreign currencies loans, which is presented in detail in the Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the first half of 2023.

35. Other information

■ Requirements on mBank Group capital ratios as of 30 June 2023

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

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

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

■ Transitional arrangements in response to the COVID-19 pandemic

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

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

The transitional arrangements ceased to apply from 1 January 2023.

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

	30.06.2023		31.12.2022	
	Measures reported	Measures calculated without taking into account transitional provisions	Measures reported	Measures calculated without taking into account transitional provisions
Common Equity Tier I capital (PLN thousand)	12 871 726	n/a	12 519 047	12 251 039
Tier I capital (PLN thousand)	12 871 726	n/a	12 519 047	12 251 039
Own funds (PLN thousand)	14 932 017	n/a	14 768 545	14 500 537
Common Equity Tier I ratio (%)	16.7	n/a	16.4	16.0
Tier I capital ratio (%)	16.7	n/a	16.4	16.0
Total capital ratio (%)	19.4	n/a	19.4	19.0

36. Events after the balance sheet date

From 30 June 2023 until the date of approval of these condensed financial statements, no events occurred, which would require additional disclosure in these condensed financial statements.