

mBank S.A. Group Consolidated Financial Report for the first half of 2024



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

mBank S.A. Group

Consolidated financial report for the first half of 2024

Selected financial data

(PLN thousand)

SELECTED FINANCIAL DATA

The selected financial data presented below are supplementary information to the condensed interim consolidated financial statements of mBank S.A. Group for the first half of 2024 and to the condensed interim separate financial statements of mBank S.A. for the first half of 2024.

Selected financial data for the mBank S.A. Group

SELECTED FINANCIAL DATA FOR THE GROUP	PLN thousand		EUR thousand	
	Period from 01.01.2024 to 30.06.2024	Period from 01.01.2023 to 30.06.2023 - restated	Period from 01.01.2024 to 30.06.2024	Period from 01.01.2023 to 30.06.2023 - restated
I. Interest income	6 907 391	7 295 761	1 602 308	1 581 565
II. Fee and commission income	1 556 267	1 485 747	361 007	322 078
III. Net trading income	87 009	3 854	20 183	835
IV. Operating profit	1 519 121	918 021	352 391	199 007
V. Profit / (loss) before income tax	1 151 993	545 301	267 228	118 210
VI. Net profit / (loss) attributable to Owners of mBank S.A.	684 379	127 337	158 755	27 604
VII. Net profit / (loss) attributable to non-controlling interests	77	(44)	18	(10)
VIII. Net cash flows from operating activities	(13 962 351)	1 758 588	(3 238 848)	381 224
IX. Net cash flows from investing activities	(379 087)	(286 556)	(87 937)	(62 119)
X. Net cash flows from financing activities	(659 617)	(1 335 354)	(153 011)	(289 476)
XI. Total net increase / decrease in cash and cash equivalents	(15 001 055)	136 678	(3 479 797)	29 629
XII. Basic earnings / (loss) per share (in PLN/EUR)	16.11	3.00	3.74	0.65
XIII. Diluted earnings / (loss) per share (in PLN/EUR)	16.09	3.00	3.73	0.65
XIV. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE GROUP	PLN thousand		EUR thousand	
	As at		As at	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023
I. Total assets	230 295 591	226 980 516	53 395 685	52 203 431
II. Amounts due to other banks	3 231 573	3 315 302	749 263	762 489
III. Amounts due to customers	187 531 268	185 467 455	43 480 470	42 655 808
IV. Equity attributable to Owners of mBank S.A.	14 607 261	13 735 187	3 386 798	3 158 967
V. Non-controlling interests	2 118	2 039	491	469
VI. Share capital	169 988	169 861	39 413	39 066
VII. Number of shares	42 496 973	42 465 167	42 496 973	42 465 167
VIII. Book value per share (in PLN/EUR)	343.72	323.45	79.69	74.39
IX. Total capital ratio (%)	15.5	17.0	15.5	17.0
X. Common Equity Tier I capital ratio (%)	13.7	14.7	13.7	14.7

Selected financial data for mBank S.A.

SELECTED FINANCIAL DATA FOR THE BANK	PLN thousand		EUR thousand	
	Period from 01.01.2024 to 30.06.2024	Period from 01.01.2023 to 30.06.2023	Period from 01.01.2024 to 30.06.2024	Period from 01.01.2023 to 30.06.2023
I. Interest income	6 601 191	6 864 941	1 531 279	1 488 173
II. Fee and commission income	1 416 578	1 379 553	328 604	299 058
III. Net trading income	81 039	7 574	18 799	1 642
IV. Operating profit	1 384 735	765 770	321 217	166 003
V. Profit (loss) before income tax	1 124 387	526 520	260 824	114 138
VI. Net profit (loss)	684 665	159 056	158 822	34 480
VII. Cash flows from operating activities	(14 293 319)	1 585 530	(3 315 623)	343 709
VIII. Cash flows from investing activities	(315 842)	(248 139)	(73 266)	(53 791)
IX. Cash flows from financing activities	(408 501)	(1 125 646)	(94 760)	(244 016)
X. Net increase / decrease in cash and cash equivalents	(15 017 662)	211 745	(3 483 649)	45 902
XI. Basic earnings / (losses) per share (in PLN/EUR)	16.12	3.75	3.74	0.81
XII. Diluted earnings / (losses) per share (in PLN/EUR)	16.10	3.74	3.73	0.81
XIII. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE BANK	PLN thousand		EUR thousand	
	As at		As at	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023
I. Total assets	226 152 905	222 418 476	52 435 174	51 154 203
II. Amounts due to other banks	3 250 109	3 346 208	753 561	769 597
III. Amounts due to customers	187 137 045	185 117 139	43 389 067	42 575 239
IV. Equity	14 539 462	13 662 938	3 371 079	3 142 350
V. Registered share capital	169 988	169 861	39 413	39 066
VI. Number of shares	42 496 973	42 465 167	42 496 973	42 465 167
VII. Book value per share (in PLN/EUR)	342.13	321.74	79.33	74.00
VIII. Total capital ratio (%)	17.7	19.7	17.7	19.7
IX. Common Equity Tier I capital ratio (%)	15.7	17.0	15.7	17.0

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 2024: 1 EUR = 4.3130 PLN, 31 December 2023: EUR 1 = 4.3480 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 2024 and 2023: EUR 1 = 4.3190 PLN and EUR 1 = 4.6130 PLN, respectively.

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mBank S.A. Group

Consolidated financial report for the first half of 2024

Condensed interim consolidated financial statement of mBank S.A. Group for the first half of 2024

(PLN thousand)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF MBANK S.A. GROUP FOR THE FIRST HALF OF 2024**CONDENSED CONSOLIDATED INCOME STATEMENT**

	Note	Period from 01.04.2024 to 30.06.2024	Period from 01.01.2024 to 30.06.2024	Period from 01.04.2023 to 30.06.2023	Period from 01.01.2023 to 30.06.2023
Interest income, including:	5	3 346 214	6 907 391	3 657 108	7 295 761
<i>Interest income accounted for using the effective interest method</i>		3 290 458	6 791 517	3 596 076	7 150 153
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		55 756	115 874	61 032	145 608
Interest expenses	5	(1 181 558)	(2 402 653)	(1 456 473)	(3 062 016)
Net interest income		2 164 656	4 504 738	2 200 635	4 233 745
Fee and commission income	6	788 093	1 556 267	747 963	1 485 747
Fee and commission expenses	6	(296 866)	(580 913)	(260 322)	(497 043)
Net fee and commission income		491 227	975 354	487 641	988 704
Dividend income	7	6 194	9 189	4 506	4 628
Net trading income	8	33 728	87 009	(3 338)	3 854
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	9	(2 962)	11 880	(9 651)	4 880
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	10	(2 281)	4 378	(2 517)	(51 352)
Other operating income	11	262 053	339 354	63 888	142 622
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	12	(170 029)	(217 947)	(176 425)	(349 850)
Costs of legal risk related to foreign currency loans	30	(1 033 481)	(2 404 044)	(1 540 192)	(2 348 680)
Overhead costs	13	(642 284)	(1 394 713)	(585 595)	(1 321 198)
Depreciation		(138 863)	(275 313)	(118 847)	(238 131)
Other operating expenses	14	(63 454)	(120 764)	(61 537)	(151 201)
Operating profit		904 504	1 519 121	258 568	918 021
Taxes on the Group balance sheet items		(185 217)	(367 128)	(182 722)	(372 720)
Profit / (loss) before income tax		719 287	1 151 993	75 846	545 301
Income tax expense	27	(297 397)	(467 537)	(91 287)	(418 008)
Net profit / (loss)		421 890	684 456	(15 441)	127 293
Net profit / (loss) attributable to:					
- owners of mBank S.A.		421 856	684 379	(15 478)	127 337
- non-controlling interests		34	77	37	(44)
Earnings / (loss) per share (in PLN)	15	9.93	16.11	(0.37)	3.00
Diluted earnings / (loss) per share (in PLN)	15	9.92	16.09	(0.36)	3.00

mBank S.A. Group

Consolidated financial report for the first half of 2024

Condensed interim consolidated financial statement of mBank S.A. Group for the first half of 2024 (PLN thousand)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period from 01.04.2024 to 30.06.2024	Period from 01.01.2024 to 30.06.2024	Period from 01.04.2023 to 30.06.2023	Period from 01.01.2023 to 30.06.2023
Net profit / (loss)	421 890	684 456	(15 441)	127 293
Other comprehensive income net of tax, including:	114 665	180 582	217 939	623 046
Items that may be reclassified subsequently to the income statement	114 665	180 582	217 939	623 046
Exchange differences on translation of foreign operations (net)	1 956	219	(11 783)	(12 144)
Cash flows hedges (net)	54 976	89 435	127 908	281 685
Cost of hedge (net)	(927)	(4 309)	614	(13 853)
Change in valuation of debt instruments at fair value through other comprehensive income (net)	58 660	95 237	101 200	367 358
Total comprehensive income (net)	536 555	865 038	202 498	750 339
Total comprehensive income (net), attributable to:				
- Owners of mBank S.A.	536 521	864 961	202 461	750 383
- Non-controlling interests	34	77	37	(44)

mBank S.A. Group

Consolidated financial report for the first half of 2024

Condensed interim consolidated financial statement of mBank S.A. Group for the first half of 2024

(PLN thousand)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30.06.2024	31.12.2023
Cash and cash equivalents		21 707 034	36 702 427
Financial assets held for trading and hedging derivatives	16	1 637 731	1 760 033
Non-trading financial assets mandatorily at fair value through profit or loss, including:	17	907 821	898 798
<i>Equity instruments</i>		306 424	244 941
<i>Debt securities</i>		51 513	50 144
<i>Loans and advances to customers</i>		549 884	603 713
Financial assets at fair value through other comprehensive income	18	37 452 641	36 965 077
Financial assets at amortised cost, including:	19	161 138 327	143 319 329
<i>Debt securities</i>		28 949 932	23 323 690
<i>Loans and advances to banks</i>		11 577 948	7 119 059
<i>Loans and advances to customers</i>		120 610 447	112 876 580
Fair value changes of the hedged items in portfolio hedge of interest rate risk		16 334	20 204
Intangible assets	20	1 763 204	1 701 939
Tangible assets	21	1 461 714	1 481 401
Investment properties	22	100 486	111 964
Current income tax assets		27 032	41 035
Deferred income tax assets	27	1 226 253	1 379 540
Other assets	23	2 857 014	2 598 769
TOTAL ASSETS		230 295 591	226 980 516
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities held for trading and hedging derivatives	16	1 691 718	1 495 754
Financial liabilities measured at amortised cost, including:	24	204 720 136	203 458 575
<i>Amounts due to banks</i>		3 231 573	3 315 302
<i>Amounts due to customers</i>		187 531 268	185 467 455
<i>Lease liabilities</i>		819 438	855 725
<i>Debt securities issued</i>		10 476 503	11 105 165
<i>Subordinated liabilities</i>		2 661 354	2 714 928
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(545 286)	(565 985)
Provisions	26	3 384 924	2 345 584
Current income tax liabilities		203 177	201 184
Other liabilities	25	6 231 543	6 308 178
TOTAL LIABILITIES		215 686 212	213 243 290
EQUITY			
Equity attributable to Owners of mBank S.A.		14 607 261	13 735 187
Share capital:		3 625 801	3 616 185
Registered share capital		169 988	169 861
Share premium		3 455 813	3 446 324
Retained earnings:	28	11 331 406	10 649 530
- Profit from the previous years		10 647 027	10 625 476
- Profit (loss) for the current year		684 379	24 054
Other components of equity	29	(349 946)	(530 528)
Non-controlling interests		2 118	2 039
TOTAL EQUITY		14 609 379	13 737 226
TOTAL LIABILITIES AND EQUITY		230 295 591	226 980 516

mBank S.A. Group

Consolidated financial report for the first half of 2024

Condensed interim consolidated financial statement of mBank S.A. Group for the first half of 2024 (PLN thousand)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in equity from 1 January to 30 June 2024

	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 2024	169 861	3 446 324	10 625 476	24 054	(530 528)	13 735 187	2 039	13 737 226
Transfer of profit/loss from previous year	-	-	24 054	(24 054)	-	-	-	-
Total comprehensive income	-	-	-	684 379	180 582	864 961	77	865 038
Issuance of ordinary shares	127	-	-	-	-	127	-	127
Other increase or decrease in equity	-	-	-	-	-	-	2	2
Stock option program for employees	-	9 489	(2 503)	-	-	6 986	-	6 986
<i>value of services provided by the employees</i>	-	-	6 986	-	-	6 986	-	6 986
<i>settlement of exercised options</i>	-	9 489	(9 489)	-	-	-	-	-
Equity as at 30 June 2024	169 988	3 455 813	10 647 027	684 379	(349 946)	14 607 261	2 118	14 609 379

Changes in equity from 1 January to 31 December 2023

	Share capital		Retained earnings		Other components of equity	Equity attributable to Owners of mBank S.A.	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	-	-	-	24 054	987 085	1 011 139	4	1 011 143
Issuance of ordinary shares	127	-	-	-	-	127	-	127
Other increase or decrease in equity	-	-	-	-	-	-	5	5
Stock option program for employees	-	11 280	(360)	-	-	10 920	-	10 920
<i>value of services provided by the employees</i>	-	-	10 920	-	-	10 920	-	10 920
<i>settlement of exercised options</i>	-	11 280	(11 280)	-	-	-	-	-
Equity as at 31 December 2023	169 861	3 446 324	10 625 476	24 054	(530 528)	13 735 187	2 039	13 737 226

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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Period from 01.01.2024 to 30.06.2024	Period from 01.01.2023 to 30.06.2023 - restated
Profit / (loss) before income tax	1 151 993	545 301
Adjustments:	(15 114 344)	1 213 287
Income taxes paid	(336 606)	(721 220)
Depreciation, including depreciation of fixed assets provided under operating lease	286 536	250 980
Foreign exchange (gains) losses related to financing activities	(243 370)	(481 335)
(Gains) losses on investing activities	(4 250)	(4 292)
Dividends received	(9 189)	(4 628)
Interest income (income statement)	(6 907 391)	(7 295 761)
Interest expense (income statement)	2 402 653	3 062 016
Interest received	6 755 042	6 232 829
Interest paid	(2 936 912)	(2 651 091)
Changes in loans and advances to banks	(4 316 559)	(1 831 922)
Changes in financial assets and liabilities held for trading and hedging derivatives	654 998	219 270
Changes in loans and advances to customers	(8 251 282)	2 142 176
Changes in securities at fair value through other comprehensive income	100 841	253 709
Changes in securities at amortised cost	(5 500 369)	(1 414 700)
Changes of non-trading securities mandatorily at fair value through profit or loss	(2 368)	(13 273)
Changes in other assets	(293 947)	(382 865)
Changes in amounts due to banks	3 049	37 251
Changes in amounts due to customers	2 539 202	2 477 460
Changes in lease liabilities	(14 537)	(66 730)
Changes in issued debt securities	(115 412)	4 626
Changes in provisions	1 039 224	146 386
Changes in other liabilities	36 303	1 254 401
A. Cash flows from operating activities	(13 962 351)	1 758 588
Disposal of intangible assets and tangible fixed assets	51 832	69 690
Dividends received	9 189	4 628
Acquisition of shares in subsidiaries	(41 500)	(60)
Purchase of intangible assets and tangible fixed assets	(398 608)	(360 814)
B. Cash flows from investing activities	(379 087)	(286 556)
Issue of debt securities	98 517	392 687
Issue of ordinary shares	127	126
Redemption of debt securities	(590 792)	(1 549 709)
Payments of lease liabilities	(81 056)	(83 886)
Interest paid from loans and advances received from banks and from subordinated liabilities	(86 413)	(94 572)
C. Cash flows from financing activities	(659 617)	(1 335 354)
Net increase / decrease in cash and cash equivalents (A+B+C)	(15 001 055)	136 678
Effects of exchange rate changes on cash and cash equivalents	5 662	(6 144)
Cash and cash equivalents at the beginning of the reporting period	36 702 427	16 250 951
Cash and cash equivalents at the end of the reporting period	21 707 034	16 381 485

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 2024 mBank S.A. Group covered by the Consolidated Interim Financial Statements comprised the following companies:

mBank S.A. – the parent entity

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

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

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

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

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

As at 30 June 2024 the headcount of mBank S.A. amounted to 6 835 FTEs (Full Time Equivalentents), and of the Group to 7 495 FTEs (30 June 2023: Bank 6 527 FTEs; Group 7 171 FTEs).

As at 30 June 2024 the employment in mBank S.A. was 7 763 persons, and in the Group 8 518 persons (30 June 2023: Bank 7 503 persons; Group 8 416 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
- mBank Hipoteczny S.A. – subsidiary
- mTowarzystwo Funduszy Inwestycyjnych S.A. - subsidiary
- mElements 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

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Corporate and Investment Banking segment

- 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.

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

The name of subsidiary	30.06.2024		31.12.2023		30.06.2023	
	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%	full	100%	full

The Management Board of mBank S.A. approved these condensed interim consolidated financial statements for issue on 31 July 2024.

2. Description of relevant accounting policies

Accounting basis

The condensed interim consolidated financial statements of mBank S.A. Group have been prepared for the 3 and 6-month periods ended 30 June 2024. Comparative data include the 3 and 6-month periods ended 30 June 2023 for the condensed consolidated income statement, condensed consolidated statement of comprehensive income, 6-month period ended 30 June 2023 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 2023 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 2023.

These interim financial statements for the first half of 2024 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 2023 published on 29 February 2024. 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 interim consolidated financial statements are presented in Note 2 to the consolidated financial statements of mBank S.A. Group for 2023, published on 29 February 2024.

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 interim 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.

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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
Amendments to IAS 1, Classification of liabilities as current or non-current	The amendments to IAS 1 affect the requirements for the presentation of liabilities in the financial statements. In particular, they explain one of the criteria for classifying liabilities as non-current.	1 January 2024	The application of the amended standard had no significant impact on the financial statements.
Amendments to IFRS 16 Leasing	The amendment to IFRS 16 requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.	1 January 2024	The application of the amended standard had no significant impact on the financial statements.
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	The amendments to IAS 7 and IFRS 7 introduce additional disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.	1 January 2024	The application of the amended standards had no significant impact on the financial statements.

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 21 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability	The amendments to IAS 21 clarify how an entity should assess the currency exchangeability and require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.	1 January 2025	The application of the amended standard will have no significant impact on the financial statements.
IFRS 18 Presentation and Disclosure in Financial Statements	IFRS 18 aims to improve financial reporting by requiring additional defined subtotals in the statement of profit or loss, requiring disclosures about management-defined performance measures; and adding new principles for grouping (aggregation and disaggregation) of information. IFRS 18 replaces IAS 1 Presentation of Financial Statements. Requirements in IAS 1 that are unchanged have been transferred to IFRS 18 and other Standards.	1 January 2027	The application of the new standard will have no significant impact on the financial statements.
IFRS 19 Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries' financial statements while maintaining the usefulness of the information for users of their financial statements. A subsidiary is eligible if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.	1 January 2027	The standard will not apply for the purpose of preparing Group's financial statements.
Amendments to IFRS 9 and IFRS 7 - classification and measurement	Amendments to IFRS 9 and IFRS 7 relate to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features. The amendments include also the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income.	1 January 2026	The application of the new standard will not have a significant impact on the financial statements.

Comparative data

■ Presentation of cash and cash equivalents (adjustment 1)

Beginning with the 2023 financial statements, the Group has changed the presentation of cash and cash equivalents in the statement of financial position. Previously, the Group presented cash and balances with central bank separately, while part of cash and cash equivalents in the form of current accounts with other banks and term deposits with other banks with an original maturity of up to three months the Group presented in the item Loans and advances to banks. Currently, the Group presents all cash and cash equivalents in a single line item in the statement of financial position. In addition, as part of the restatement of comparative data, the amounts reported at the beginning of 2023 in the statement of cash flows under current accounts with other banks and term deposits with other banks with original maturities of up to three months, respectively, were adjusted.

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The above change was due to the adjustment of the presentation of selected assets and liabilities as well income and expenses to the prevailing market practice and in order to better reflect the economic nature of the effects of the transactions presented. The change 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 2023 and 30 June 2023 and for the period from 1 January to 30 June 2023 have been restated accordingly.

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

Restatements in consolidated statement of financial position at 1 January 2023

ASSETS	No	01.01.2023 before restatement	restatement	01.01.2023 after restatement
Cash and cash equivalents (previously: Cash and balances with the Central Bank)	1	16 014 318	236 633	16 250 951
Financial assets at amortised cost, including:	1	148 138 819	(236 633)	147 902 186
<i>Debt securities</i>		19 002 527	-	19 002 527
<i>Loans and advances to banks</i>	1	9 806 262	(236 633)	9 569 629
<i>Loans and advances to customers</i>		119 330 030	-	119 330 030
Other assets		45 738 976	-	45 738 976
TOTAL ASSETS		209 892 113	-	209 892 113
LIABILITIES AND EQUITY	No	01.01.2023 before restatement	restatement	01.01.2023 after restatement
TOTAL LIABILITIES AND EQUITY		209 892 113	-	209 892 113

Restatements in consolidated statement of financial position at 30 June 2023

ASSETS	No	30.06.2023 before restatement	restatement	30.06.2023 after restatement
Cash and cash equivalents (previously: Cash and balances with the Central Bank)	1	15 962 102	419 383	16 381 485
Financial assets at amortised cost, including:	1	149 958 163	(419 383)	149 538 780
<i>Debt securities</i>		20 449 154	-	20 449 154
<i>Loans and advances to banks</i>	1	11 927 815	(419 383)	11 508 432
<i>Loans and advances to customers</i>		117 581 194	-	117 581 194
Other assets		47 007 592	-	47 007 592
TOTAL ASSETS		212 927 857	-	212 927 857
LIABILITIES AND EQUITY	No	30.06.2023 before restatement	restatement	30.06.2023 after restatement
TOTAL LIABILITIES AND EQUITY		212 927 857	-	212 927 857

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Restatements in consolidated statement of cash flows for the period from 1 January to 30 June 2023

	No	Period from 01.01.2023 to 30.06.2023 before restatement	restatement	Period from 01.01.2023 to 30.06.2023 after restatement
Profit / (loss) before income tax		545 301	-	545 301
Adjustments, including:	1	1 172 214	41 073	1 213 287
Income taxes paid		(721 220)	-	(721 220)
Depreciation, including depreciation of fixed assets provided under operating lease		250 980	-	250 980
Foreign exchange (gains) losses related to financing activities		(481 335)	-	(481 335)
(Gains) losses on investing activities		(4 292)	-	(4 292)
Dividends received		(4 628)	-	(4 628)
Interest income (income statement)		(7 295 761)	-	(7 295 761)
Interest expense (income statement)		3 062 016	-	3 062 016
Interest received		6 232 829	-	6 232 829
Interest paid		(2 651 091)	-	(2 651 091)
Changes in loans and advances to banks	1	(1 872 995)	41 073	(1 831 922)
Changes in financial assets and liabilities held for trading and hedging derivatives		219 270	-	219 270
Changes in loans and advances to customers		2 142 176	-	2 142 176
Change in securities at fair value through other comprehensive income		253 709	-	253 709
Changes in securities at amortised cost		(1 414 700)	-	(1 414 700)
Changes of non-trading securities mandatorily at fair value through profit or loss		(13 273)	-	(13 273)
Changes in other assets		(382 865)	-	(382 865)
Changes in amounts due to banks		37 251	-	37 251
Changes in amounts due to customers		2 477 460	-	2 477 460
Changes in lease liabilities		(66 730)	-	(66 730)
Changes in issued debt securities		4 626	-	4 626
Changes in provisions		146 386	-	146 386
Changes in other liabilities		1 254 401	-	1 254 401
A. Cash flows from operating activities	1	1 717 515	41 073	1 758 588
B. Cash flows from investing activities		(286 556)	-	(286 556)
C. Cash flows from financing activities		(1 335 354)	-	(1 335 354)
Net increase / decrease in cash and cash equivalents (A+B+C)	1	95 605	41 073	136 678
Effects of exchange rate changes on cash and cash equivalents		(6 144)	-	(6 144)
Cash and cash equivalents at the beginning of the reporting period	1	16 292 024	(41 073)	16 250 951
Cash and cash equivalents at the end of the reporting period		16 381 485	-	16 381 485

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 and other foreign currencies

Detailed information on the impact of legal risk related to CHF and other foreign currencies mortgage and housing loans granted to individual customers is provided in Note 31.

Impact of credit holidays on the financial result of the Group

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

According to the amendment to the Act, after meeting certain conditions (loan amount below PLN 1.2 million and the proportion of the loan installment to the borrower's income exceeding 30%), borrowers have the right to suspend four monthly instalments in 2024. Credit holidays apply to both the principal and interest parts of the loan. The installment repayment dates will be extended without additional interest for the suspension periods. In the Group's opinion, the change to the contractual terms of mortgage loans implemented by the Act constituted an insignificant modification of these financial assets in accordance with IFRS 9.5.4.3.

In first half of 2024, the Group recognised the impact of credit holidays in the total amount of PLN 256.8 million, which decreased the interest income of the Group. The negative impact of credit holidays on the valuation of the loan portfolio is settled by the recognition of interest income calculated using the effective interest rate and adjusted gross carrying amount in periods in which customers taking advantage of credit holidays do not pay the interest according to the original schedules of the loan agreements.

To calculate the impact of credit holidays, the Group estimated that customers owning 87.9% of the value of assumed eligible mortgage loan portfolio (i.e. portfolio that includes loans for which the statutory criteria of benefiting from credit holidays are met) applied or will apply for the credit holidays and they will request on average 3.4 months of credit holidays.

As of 30 June 2024 the gross carrying value of the loans being subject to the credit holidays amounted to PLN 4 740.0 million.

Impairment of loans and advances

The Group reviews its loan portfolio to update the expected credit loss amount at least once per quarter. In order to determine a need to update the level of expected credit losses, 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 and off-balance liabilities, weighed by the probability of realization of specific scenarios) for portfolio of loans and advances which are impaired as of 30 June 2024, change by +/- 10%, the estimated loans and advances and off-balance liabilities impairment would either decrease by PLN 56.1 million or increase by PLN 61.9 million (as at 31 December 2023: PLN 52.8 million and PLN 56.1 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 Consolidated financial statements of mBank S.A. Group for 2023, published on 29 February 2024.

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Actions taken in relation to the current situation in Ukraine

In the first half of 2024, the Group continued to monitor its portfolio of exposures related to the war in Ukraine. The review concerned the Group's involvement in war countries (Ukraine, Russia) or in conflict-related countries (Belarus), taking into account sanctions imposed by the European Union, the United Kingdom and the USA.

As a result of the review, as of 30 June 2024, credit exposure and expected credit losses were determined in the mentioned countries, as shown in the table below.

Country	Direct exposure as at 30.06.2024												
	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)	-	43 154
Belarus	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	150	-	-	-	-	-	-	-	(150)	-	43 154

There was also identified an indirect exposure: a balance sheet exposure of PLN 204.1 million and an off-balance sheet exposure of PLN 128.6 million towards corporate clients whose business is indirectly exposed to the risk of Russia's aggression towards Ukraine.

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

Country	Indirect exposure as at 30.06.2024												
	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	72 741	28 376	5 836	-	48 653	1 467	-	-	(281)	(815)	(2 905)	-	-
Russia	3 915	7 484	73 781	-	70 043	7 845	-	-	(137)	(97)	(55 273)	-	-
Belarus	7 616	4 252	80	-	518	96	-	-	(26)	(38)	(80)	-	-
Total	84 272	40 112	79 697	-	119 214	9 408	-	-	(444)	(950)	(58 258)	-	-

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

In the first half of 2024, the Group updated the forecasts of future macroeconomic conditions that are incorporated into the risk parameter models used to calculate the expected credit loss. The forecasts take into account the current development of the economic situation in Poland and they are consistent with the forecasts used in the planning process.

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

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

Scenario as of 30.06.2024		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast
GDP	y/y	3.4%	4.2%	4.4%	4.8%	1.1%	1.7%
Unemployment rate	end of the year	3.0%	2.8%	2.2%	2.2%	3.9%	4.2%
Real estate price index	y/y	111.0	108.4	111.9	110.1	101.3	100.0
WIBOR 3M	end of the year	5.50%	4.40%	7.00%	5.65%	4.60%	3.25%

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Scenario as of 31.12.2023		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast
GDP	y/y	0.4%	3.1%	1.9%	4.0%	-1.6%	1.5%
Unemployment rate	end of the year	5.3%	5.1%	4.3%	3.5%	5.5%	5.9%
Real estate price index	y/y	102.8	107.5	103.5	114.4	93.6	103.6
WIBOR 3M	end of the year	6.95%	6.20%	8.25%	8.20%	5.75%	4.70%

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

Scenario as of	Change in impairment allowance			
	30.06.2024			
	Stage 1	Stage 2	Stage 3	Total
optimistic	87 042	126 720	1 953	215 715
pessimistic	(132 740)	(167 262)	(1 041)	(301 043)

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 90% of the assets of the portfolio of loans and advances to customers (excluding the exposures not valued with the use of models, i.e. exposures of public sector entities, non-bank financial institutions and corporate clients assessed individually as well as other impaired exposures at the date of initial recognition).

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

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

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

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 2023, published on 29 February 2024.

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 40.6% and was applied to the profit before tax for the first half of 2024. In the first half of 2023, the projected annual effective tax rate was 76.7%.

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 2024 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

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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, financial liquidity management services, 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., what happened on 18 May 2023.
- The Treasury and Other segment consists primarily of treasury and money markets operations, liquidity and interest rate risks management of the Bank and its investment portfolio. The results of the segment include result of internal settlements of fund transfer pricing, result of items classified as hedge accounting and results not allocated to other segments. This segment also includes the results of mLeasing Sp. z o.o and mBank Hipoteczny S.A. with regard to activities concerning funding and results of Future Tech Fundusz Inwestycyjny Zamknięty.
- FX Mortgage Loans segment consists primarily of foreign currency mortgage loans with indexation clauses granted to individual customers. These types of loans are no longer offered to customers. The segment's assets include only the portfolio of active mortgage loans originally granted in foreign currencies (mainly in CHF, EUR and USD). The segment's liabilities do not include the financing of the portfolio of such loans, which was included in the liabilities of other segments.

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

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

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

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

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

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

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Business segment reporting on the activities of mBank S.A. Group for the period from 1 January to 30 June 2024 – data regarding consolidated income statement.

period from 1 January to 30 June 2024	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	2 871 178	1 385 857	237 831	9 872	4 504 738
- sales to external clients	1 645 135	1 356 018	1 367 409	136 176	4 504 738
- sales to other segments	1 226 043	29 839	(1 129 578)	(126 304)	-
Net fee and commission income	503 035	512 216	(24 413)	(15 484)	975 354
Dividend income	-	-	9 189	-	9 189
Trading income	54 953	106 701	(61 911)	(12 734)	87 009
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	9 038	133	3 022	(313)	11 880
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(449)	4 364	463	-	4 378
Other operating income	66 306	227 840	41 092	4 116	339 354
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(160 469)	(63 552)	(3 699)	9 773	(217 947)
Costs of legal risk related to foreign currency loans	-	-	-	(2 404 044)	(2 404 044)
Overhead costs	(854 202)	(498 827)	(24 419)	(17 265)	(1 394 713)
Amortisation	(189 914)	(80 746)	(4 033)	(620)	(275 313)
Other operating expenses	(53 759)	(36 526)	(28 643)	(1 836)	(120 764)
Operating profit	2 245 717	1 557 460	144 479	(2 428 535)	1 519 121
Taxes on Group balance sheet items	(229 057)	(122 511)	(8 528)	(7 032)	(367 128)
Gross profit / (loss) of the segment	2 016 660	1 434 949	135 951	(2 435 567)	1 151 993
Income tax					(467 537)
Net profit / (loss) attributable to Owners of mBank S.A.					684 379
Net profit / (loss) attributable to non-controlling interests					77

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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 – data regarding consolidated statement of financial position.

30.06.2024	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Assets of the segment	72 388 078	52 865 829	102 289 978	2 751 706	230 295 591
Liabilities of the segment	134 290 329	56 563 911	21 819 755	3 012 217	215 686 212

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

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Information about geographical areas on the activities of mBank S.A. Group for the period from 1 January to 30 June 2024 and for the period from 1 January to 30 June 2023.

	period from 1 January to 30 June 2024			period from 1 January to 30 June 2023		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	4 272 930	231 808	4 504 738	3 970 754	262 991	4 233 745
Net fee and commission income	950 465	24 889	975 354	962 392	26 312	988 704
Dividend income	9 189	-	9 189	4 628	-	4 628
Trading income	85 785	1 224	87 009	1 133	2 721	3 854
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	11 880	-	11 880	4 880	-	4 880
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	4 408	(30)	4 378	(51 092)	(260)	(51 352)
Other operating income	334 842	4 512	339 354	135 589	7 033	142 622
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(207 759)	(10 188)	(217 947)	(327 143)	(22 707)	(349 850)
Costs of legal risk related to foreign currency loans	(2 404 044)	-	(2 404 044)	(2 348 680)	-	(2 348 680)
Overhead costs	(1 301 208)	(93 505)	(1 394 713)	(1 230 172)	(91 026)	(1 321 198)
Amortisation	(269 409)	(5 904)	(275 313)	(230 942)	(7 189)	(238 131)
Other operating expenses	(117 265)	(3 499)	(120 764)	(144 745)	(6 456)	(151 201)
Operating profit	1 369 814	149 307	1 519 121	746 602	171 419	918 021
Taxes on Group balance sheet items	(341 502)	(25 626)	(367 128)	(344 049)	(28 671)	(372 720)
Gross profit / (loss) of the segment	1 028 312	123 681	1 151 993	402 553	142 748	545 301
Income tax			(467 537)			(418 008)
Net profit / (loss) attributable to Owners of mBank S.A.			684 379			127 337
Net profit / (loss) attributable to non-controlling interests			77			(44)

Information about geographical areas on the activities of mBank S.A. Group as at 30 June 2024 and as at 31 December 2023.

	30.06.2024			31.12.2023		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Assets of the segment, including:	220 977 856	9 317 735	230 295 591	217 452 308	9 528 208	226 980 516
- fixed assets	3 286 730	38 674	3 325 404	3 252 775	42 529	3 295 304
- deferred income tax assets	1 216 424	9 829	1 226 253	1 369 606	9 934	1 379 540
Liabilities of the segment	198 893 816	16 792 396	215 686 212	197 104 470	16 138 820	213 243 290

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(PLN thousand)

5. Net interest income

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Interest income			
Interest income accounted for using the effective interest method		6 791 517	7 150 153
Interest income of financial assets at amortised cost, including:		5 944 272	6 173 091
- <i>Loans and advances</i>		5 124 172	5 371 620
- <i>Debt securities</i>		481 789	287 643
- <i>Cash and short-term placements</i>		556 046	391 229
- <i>Gains or losses on non-substantial modification (net)</i>		(266 102)	36 168
- <i>Other</i>		48 367	86 431
Interest income on financial assets at fair value through other comprehensive income, including:		847 245	977 062
- <i>Debt securities</i>		847 245	977 062
Income similar to interest on financial assets at fair value through profit or loss		115 874	145 608
Financial assets held for trading, including:		31 292	39 729
- <i>Loans and advances</i>		2 558	2 418
- <i>Debt securities</i>		28 734	37 311
Non-trading financial assets mandatorily at fair value through profit or loss, including:		42 867	60 525
- <i>Loans and advances</i>		42 867	60 525
Interest income on derivatives classified into banking book		41 715	45 354
Total interest income		6 907 391	7 295 761

The items Gains or losses on non-substantial modification (net) include a loss of PLN 256.8 million resulting from the recognition of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays"). More information on this subject is presented in Note 3.

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

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Interest expenses			
Financial liabilities held for trading		(8 169)	(7 558)
Financial liabilities measured at amortised cost, including:		(1 821 729)	(2 283 251)
- <i>Deposits</i>		(1 465 124)	(1 947 907)
- <i>Loans received</i>		(2 175)	(2 272)
- <i>Issue of debt securities</i>		(256 094)	(219 858)
- <i>Subordinated liabilities</i>		(82 835)	(91 338)
- <i>Other financial liabilities</i>		(13 488)	(20 583)
- <i>Lease liabilities</i>		(2 013)	(1 293)
Interest expenses on derivatives concluded under the fair value hedge		(393 866)	(425 152)
Interest expenses on derivatives concluded under the cash flow hedge		(178 730)	(345 947)
Other		(159)	(108)
Total interest expense		(2 402 653)	(3 062 016)

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6. Net fee and commission income

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Fee and commission income			
Payment cards-related fees		353 574	331 996
Credit-related fees and commissions		306 270	308 061
Commissions from currency transactions		241 332	245 160
Commissions from bank accounts		148 276	145 366
Commissions from money transfers		123 024	117 384
Fees from brokerage activity and debt securities issue		88 269	81 492
Commissions for agency service regarding sale of insurance products of external financial entities		72 394	65 713
Commissions for agency service regarding sale of other products of external financial entities		59 747	31 355
Commissions due to guarantees granted and trade finance commissions		56 232	58 294
Fees from cash services		32 778	33 223
Commissions on trust and fiduciary activities		15 790	15 121
Fees from portfolio management services and other management-related fees		15 566	12 182
Other		43 015	40 400
Total fee and commission income		1 556 267	1 485 747

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Fee and commission expense			
Payment cards-related fees		(165 840)	(153 026)
Commissions paid to external entities for sale of the Group's products		(114 860)	(96 612)
Commissions of insurance products		(9 290)	(6 351)
Commissions paid for sale of external financial entities' products		(35 117)	(16 273)
Discharged brokerage fees		(17 423)	(18 364)
Cash services		(30 307)	(28 288)
Fees to NBP, KIR and GPW Benchmark		(10 097)	(9 628)
Other discharged fees		(197 979)	(168 501)
Total fee and commission expense		(580 913)	(497 043)

7. Dividend income

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Non-trading financial assets mandatorily at fair value through profit or loss		4 485	4 083
Investments in non-consolidated subsidiaries		4 704	545
Total dividend income		9 189	4 628

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(PLN thousand)

8. Net trading income

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Foreign exchange result		51 958	(48 572)
Net exchange differences on translation		35 794	189 748
Net transaction gains/losses		16 164	(238 320)
Gains or losses on financial assets and liabilities held for trading		23 365	56 453
Derivatives, including:		18 742	54 166
- <i>Interest-bearing instruments</i>		13 041	42 072
- <i>Market risk instruments</i>		5 701	12 094
Equity instruments		502	(1 572)
Debt securities		2 041	4 140
Loans and advances		1 391	(281)
Financial liabilities		689	-
Gains or losses from hedge accounting		11 686	(4 027)
Net profit on hedged items		692	(542 273)
Net profit on fair value hedging instruments		9 861	535 042
Ineffective portion of cash flow hedge		1 133	3 204
Total net trading income		87 009	3 854

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 interest rate swaps (for those instruments classified in the banking book, a portion of the result was also included in net interest income), options and other derivatives. The result of the market risk instruments operations include profit/(loss) on bond futures, index futures, security options, stock exchange index options, and options on futures contracts as well as the result from securities forward transactions, commodity futures and commodity swaps.

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

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

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Equity instruments		13 209	20 225
Debt securities		90	5 893
Loans and advances		(1 419)	(21 238)
Total gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		11 880	4 880

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

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Gains or losses from derecognition, including:		4 378	(51 352)
- <i>Financial assets measured at fair value through other comprehensive income</i>		3 175	(49 447)
- <i>Financial assets at amortised cost</i>		1 203	(1 905)
Total gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss		4 378	(51 352)

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11. Other operating income

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories		52 249	42 019
Income from services provided		7 416	6 047
Net income from operating lease and right-of-use assets in sublease		5 188	4 967
Rental income from investment properties		324	399
Income due to release of provisions for future commitments		26 551	22 824
Income from recovering receivables designated previously as prescribed, remitted or uncollectible		165 651	1 324
Income from compensations, penalties and fines received		511	559
Release of impairment provisions created for tangible assets and intangible assets		26	4
Net revenues from the sale of an organised part of the company mFinanse S.A.		-	9 000
Gains from sale and valuation of investment in subsidiaries and associates		11 680	5 663
Other		69 758	49 816
Total other operating income		339 354	142 622

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

The item Income from recovering receivables designated previously as prescribed, remitted or uncollectible includes income from the recovery of receivables in connection with a final court judgement favourable to the Bank in the amount of PLN 163 991 thousand.

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 2024 and for the first half of 2023 is presented below.

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Net operating income due to operating lease and subleasing right-of-use assets, including:			
- Income from operating lease		13 049	13 880
- Income from right-of-use assets in sublease		3 362	3 936
- Depreciation cost of fixed assets provided under operating lease and right-of-use assets in sublease		(11 223)	(12 849)
Total net operating income due to operating lease and subleasing right-of-use assets		5 188	4 967

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

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Financial assets at amortised cost, including:		(225 467)	(492 602)
Debt securities		(491)	(449)
<i>Stage 1</i>		(491)	(449)
Loans and advances		(224 976)	(492 153)
<i>Stage 1</i>		50 772	(14 282)
<i>Stage 2</i>		87 292	(55 907)
<i>Stage 3</i>		(374 431)	(449 797)
<i>POCI</i>		11 391	27 833
Financial assets at fair value through other comprehensive income, including:		474	(1 199)
Debt securities		474	(1 199)
<i>Stage 1</i>		122	(460)
<i>Stage 2</i>		352	(739)
Commitments and guarantees given		7 046	143 951
<i>Stage 1</i>		3 322	(1 838)
<i>Stage 2</i>		1 794	(3 544)
<i>Stage 3</i>		4 570	148 887
<i>POCI</i>		(2 640)	446
Net impairment losses on financial assets not measured at fair value through profit or loss		(217 947)	(349 850)

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 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Staff-related expenses		(775 506)	(689 502)
Material costs, including:		(441 717)	(423 943)
- <i>costs of administration and real estate services</i>		(179 958)	(174 961)
- <i>IT costs</i>		(135 395)	(124 460)
- <i>marketing costs</i>		(81 290)	(85 649)
- <i>consulting costs</i>		(35 970)	(30 125)
- <i>other material costs</i>		(9 104)	(8 748)
Taxes and fees		(23 567)	(19 763)
Contributions and transfers to the Bank Guarantee Fund		(146 790)	(181 837)
Contributions to the Social Benefits Fund		(7 133)	(6 115)
Institutional Protection Scheme		-	(38)
Total overhead costs		(1 394 713)	(1 321 198)

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Staff-related expenses for the first half of 2024 and for the first half of 2023 is presented below.

the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Wages and salaries	(602 631)	(540 439)
Social security expenses	(113 649)	(102 291)
Remuneration concerning share-based payments, including:	(7 161)	(4 345)
- <i>share-based payments settled in mBank S.A. shares</i>	(6 986)	(4 170)
- <i>cash-settled share-based payments</i>	(175)	(175)
Other staff expenses	(52 065)	(42 427)
Staff-related expenses, total	(775 506)	(689 502)

14. Other operating expense

the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories	(39 970)	(30 436)
Provisions for future commitments	(10 789)	(55 002)
Costs arising from provisions created for other receivables (excluding loans and advances)	(1 273)	(1 339)
Donations made	(5 567)	(5 139)
Compensation, penalties and fines paid	(3 789)	(1 067)
Losses from valuation of investment properties to fair value	(11 478)	-
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the period	(2 805)	(2 839)
Debt collection expenses	(9 500)	(9 055)
Losses from sale and valuation of investment in subsidiaries and associates	(8 905)	(13 852)
Other operating costs	(26 688)	(32 472)
Total other operating expenses	(120 764)	(151 201)

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.

15. Earnings / (losses) per share

the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Basic:		
Net profit / (loss) attributable to Owners of mBank S.A.	684 379	127 337
Weighted average number of ordinary shares	42 469 536	42 437 832
Net basic profit / (loss) per share (in PLN per share)	16.11	3.00
Diluted:		
Net profit / (loss) attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share	684 379	127 337
Weighted average number of ordinary shares	42 469 536	42 437 832
Adjustments for:		
- subscription warrants	54 930	62 359
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 524 466	42 500 191
Diluted earnings / (losses) per share (in PLN per share)	16.09	3.00

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

	30.06.2024	31.12.2023
Derivatives, including:	619 261	1 074 153
- Held for trading derivative financial instruments classified into banking book	247 379	550 507
- Held for trading derivative financial instruments classified into trading book	539 051	706 098
- Derivative financial instruments held for fair value hedging	300 507	241 597
- Derivative financial instruments held for cash flow hedging	1 518	3 615
- Offsetting effect	(469 194)	(427 664)
Equity instruments	10 942	10 542
- Other financial corporations	10 942	10 542
Debt securities	965 634	634 840
- General governments, including:	686 735	397 333
<i>pledged securities</i>	497 953	280 193
- Other financial corporations	26 306	101 660
- Non-financial corporations	252 593	135 847
Loans and advances	41 894	40 498
- Corporate customers	41 894	40 498
Total financial assets held for trading and derivatives held for hedges	1 637 731	1 760 033

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

	30.06.2024	31.12.2023
Derivatives, including:	842 197	1 338 147
- Held for trading derivative financial instruments classified into banking book	118 048	207 540
- Held for trading derivative financial instruments classified into trading book	815 050	1 247 605
- Derivative financial instruments held for fair value hedging	790 951	946 888
- Derivative financial instruments held for cash flow hedging	180 768	268 616
- Offsetting effect	(1 062 620)	(1 332 502)
Liabilities from short sale of securities	849 521	157 607
Total financial liabilities held for trading and derivatives held for hedges	1 691 718	1 495 754

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

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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 is 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).

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. WIBOR interest rate with different tenor), 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 2023, published on 29 February 2024.

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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 three years since the issue date. The hedged risk results from changes in interest rates,
- senior non-preferred bonds issued by mBank – fixed interest rate during five years since the issue date. The hedged risk results from changes in interest rates,
- part of the portfolio of deposits modelled by the Bank in PLN and EUR 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 402 000 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 three years since the issue date, with nominal value of EUR 750 000 thousand,
- senior non-preferred bonds issued by mBank S.A., fixed rate during five years since the issue date, with nominal value of EUR 500 000 thousand,
- part of the portfolio of deposits modelled by the Bank in PLN and EUR 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.

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

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Interest income / expense on derivatives concluded under the fair value hedge accounting (Note 5)		(393 866)	(425 152)
Net profit on hedged items (Note 8)		692	(542 273)
Net profit on fair value hedging instruments (Note 8)		9 861	535 042
The total results of fair value hedge accounting recognised in the income statement		(383 313)	(432 383)

Cash flow hedge accounting

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

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

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The period from July 2024 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.

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 2024 to September 2025.

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The following note presents other comprehensive income due to cash flow hedges for the period from 1 January to 30 June 2024 and for the period from 1 January to 30 June 2023.

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
CASH FLOW HEDGE			
Other gross comprehensive income from cash flow hedge at the beginning of the period		(388 226)	(983 788)
Gains/losses included in other gross comprehensive income during the reporting period		(78 817)	(70 068)
The amount transferred in the period from other comprehensive income to profit and loss		189 230	417 827
- <i>net interest income</i>		178 730	345 947
- <i>foreign exchange result</i>		10 500	71 880
Accumulated other gross comprehensive income from cash flow hedge at the end of the reporting period		(277 813)	(636 029)
Income tax on accumulated other comprehensive income at the end of the reporting period		52 785	120 846
Accumulated other net comprehensive income from cash flow hedge at the end of the reporting period		(225 028)	(515 183)
Impact on other comprehensive income in the reporting period (gross)		110 413	347 759
Income tax on cash flow hedges		(20 978)	(66 074)
Impact of cash flow hedge on other comprehensive income in the reporting period (net)		89 435	281 685
COST OF HEDGE			
Other gross comprehensive income from cost of hedge at the beginning of the period		7 890	33 463
Gains/losses resulting from hedge accounting cost included in other comprehensive income during the reporting period (gross)		(5 699)	(17 482)
The amount transferred in the period from other comprehensive income to profit and loss		379	379
- <i>Amount of amortisation from separate component of equity to profit or loss related to the foreign currency basis spread from the time of designation</i>		379	379
Accumulated other gross comprehensive income from cost of hedge at the end of the reporting period		2 570	16 360
Income tax on accumulated other comprehensive income at the end of the reporting period		(488)	(3 108)
Accumulated other net comprehensive income from cost of hedge at the end of the reporting period		2 082	13 252
Impact on other comprehensive income in the reporting period (gross)		(5 320)	(17 103)
Income tax on cost of hedges		1 011	3 250
Impact of cost of hedge on other comprehensive income in the reporting period (net)		(4 309)	(13 853)
Gains/losses recognised in comprehensive income (gross) during the reporting period, including:			
Unrealised gains/losses included in other comprehensive income (gross)		105 093	330 656
Results of cash flow hedge accounting recognised in the income statement		(188 097)	(414 623)
- <i>amount included as interest income / expense in income statement during the reporting period (Note 5)</i>		(178 730)	(345 947)
- <i>ineffective portion of hedge recognised included in other net trading income in income statement (Note 8)</i>		1 133	3 204
- <i>foreign exchange result</i>		(10 500)	(71 880)
Impact on other comprehensive income in the reporting period (gross)		(83 004)	(83 967)

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

	30.06.2024	31.12.2023
Equity instruments	306 424	244 941
- Other financial corporations	191 745	191 395
- Non-financial corporations	114 679	53 546
Debt securities	51 513	50 144
- Other financial corporations	51 513	50 144
Loans and advances	549 884	603 713
- Individual customers	485 875	536 920
- Corporate customers	63 962	66 676
- Public sector customers	47	117
Total non-trading financial assets mandatorily at fair value through profit or loss	907 821	898 798
Short-term (up to 1 year)	475 778	517 858
Long-term (over 1 year)	432 043	380 940

18. Financial assets at fair value through other comprehensive income

30.06.2024	Carrying amount	Gross carrying amount including valuation to fair value				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	37 452 641	37 431 596	31 247	-	-	(9 692)	(510)	-	-
- Central banks	14 742 624	14 744 941	-	-	-	(2 317)	-	-	-
- General governments, including: <i>pledged securities</i>	20 527 571	20 531 141	-	-	-	(3 570)	-	-	-
- Credit institutions	312 641	312 641	-	-	-	-	-	-	-
- Other financial institutions, including: <i>pledged securities</i>	396 176	396 801	-	-	-	(625)	-	-	-
- Non-financial corporations	1 078 551	1 048 796	31 247	-	-	(982)	(510)	-	-
	381 493	381 493	-	-	-	-	-	-	-
	707 719	709 917	-	-	-	(2 198)	-	-	-
Total financial assets at fair value through other comprehensive income	37 452 641	37 431 596	31 247	-	-	(9 692)	(510)	-	-
Short-term (up to 1 year) gross	26 252 786								
Long-term (over 1 year) gross	11 210 057								

31.12.2023	Carrying amount	Gross carrying amount including valuation to fair value				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	36 965 077	36 947 018	28 800	-	-	(9 879)	(862)	-	-
- Central banks	18 437 136	18 440 343	-	-	-	(3 207)	-	-	-
- General governments, including: <i>pledged securities</i>	15 883 079	15 885 813	-	-	-	(2 734)	-	-	-
- Credit institutions	618 614	618 614	-	-	-	-	-	-	-
- Other financial institutions, including: <i>pledged securities</i>	479 769	480 464	-	-	-	(695)	-	-	-
- Non-financial corporations	1 567 142	1 540 594	28 800	-	-	(1 390)	(862)	-	-
	383 022	383 022	-	-	-	-	-	-	-
	597 951	599 804	-	-	-	(1 853)	-	-	-
Total financial assets at fair value through other comprehensive income	36 965 077	36 947 018	28 800	-	-	(9 879)	(862)	-	-
Short-term (up to 1 year) gross	23 401 182								
Long-term (over 1 year) gross	13 574 636								

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

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

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

30.06.2024	Stage 1	Stage 2	Stage 3	POCI	TOTAL
DEBT SECURITIES					
As at the beginning of the period	(9 879)	(862)	-	-	(10 741)
Changes affecting the profit and loss account, including:	122	352	-	-	474
<i>Transfer to Stage 2</i>	89	(89)	-	-	-
<i>Increases due to grants and acquisitions</i>	(14 053)	-	-	-	(14 053)
<i>Decreases due to derecognition</i>	13 864	30	-	-	13 894
<i>Changes due to changes in credit risk (net)</i>	222	411	-	-	633
Other movements	65	-	-	-	65
As at the end of the period	(9 692)	(510)	-	-	(10 202)
TOTAL	(9 692)	(510)	-	-	(10 202)

31.12.2023	Stage 1	Stage 2	Stage 3	POCI	TOTAL
DEBT SECURITIES					
As at the beginning of the period	(8 559)	-	-	-	(8 559)
Changes affecting the profit and loss account, including:	(1 325)	(862)	-	-	(2 187)
<i>Transfer to Stage 1</i>	(256)	256	-	-	-
<i>Transfer to Stage 2</i>	355	(355)	-	-	-
<i>Increases due to grants and acquisitions</i>	(43 001)	-	-	-	(43 001)
<i>Decreases due to derecognition</i>	43 051	271	-	-	43 322
<i>Changes due to changes in credit risk (net)</i>	(1 474)	(1 034)	-	-	(2 508)
Other movements	5	-	-	-	5
As at the end of the period	(9 879)	(862)	-	-	(10 741)
TOTAL	(9 879)	(862)	-	-	(10 741)

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

30.06.2024	Stage 1	Stage 2	Stage 3	POCI	TOTAL
DEBT SECURITIES					
As at the beginning of the period	36 947 018	28 800	-	-	36 975 818
Transfer to Stage 2	(4 246)	4 246	-	-	-
Increases due to grants and acquisitions	85 716 607	-	-	-	85 716 607
Decreases due to derecognition	(85 714 541)	(1 432)	-	-	(85 715 973)
Other movements	486 758	(367)	-	-	486 391
As at the end of the period	37 431 596	31 247	-	-	37 462 843
TOTAL	37 431 596	31 247	-	-	37 462 843

31.12.2023	Stage 1	Stage 2	Stage 3	POCI	TOTAL
DEBT SECURITIES					
As at the beginning of the period	35 126 009	-	-	-	35 126 009
Transfer to Stage 1	20 486	(20 486)	-	-	-
Transfer to Stage 2	(66 590)	66 590	-	-	-
Increases due to grants and acquisitions	238 874 139	-	-	-	238 874 139
Decreases due to derecognition	(243 078 427)	(17 985)	-	-	(243 096 412)
Other movements	6 071 401	681	-	-	6 072 082
As at the end of the period	36 947 018	28 800	-	-	36 975 818
TOTAL	36 947 018	28 800	-	-	36 975 818

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19. Financial assets at amortised cost

30.06.2024	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	28 949 932	28 954 410	-	-	-	(4 478)	-	-	-
- General governments, including:	20 416 647	20 419 958	-	-	-	(3 311)	-	-	-
<i>pledged securities</i>	1 792 925	1 792 925	-	-	-	-	-	-	-
- Credit institutions	3 418 599	3 419 120	-	-	-	(521)	-	-	-
- Other financial corporations	5 114 686	5 115 332	-	-	-	(646)	-	-	-
<i>pledged securities</i>	1 171 427	1 171 427	-	-	-	-	-	-	-
Loans and advances to banks	11 577 948	11 577 052	1 317	-	-	(420)	(1)	-	-
Loans and advances to customers	120 610 447	104 528 656	14 622 825	4 906 182	310 084	(346 647)	(589 868)	(2 839 330)	18 545
Individual customers	64 865 812	55 231 090	9 012 708	2 474 948	212 379	(167 003)	(485 340)	(1 370 904)	(42 066)
Corporate customers	55 606 753	49 228 813	5 549 297	2 401 065	97 705	(179 502)	(100 674)	(1 450 562)	60 611
Public sector customers	137 882	68 753	60 820	30 169	-	(142)	(3 854)	(17 864)	-
Total financial assets at amortised cost	161 138 327	145 060 118	14 624 142	4 906 182	310 084	(351 545)	(589 869)	(2 839 330)	18 545

Short-term (up to 1 year) gross 60 745 501

Long-term (over 1 year) gross 104 155 025

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

Short-term (up to 1 year) gross 48 574 543

Long-term (over 1 year) gross 98 457 290

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

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

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

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Loans and advances to customers

Loans and advances to customers 30.06.2024	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	15 139 560	8 000 301	7 127 098	12 161
Term loans, including:	85 601 718	58 870 652	26 583 485	147 581
- housing and mortgage loans to natural persons	43 436 456	43 436 456		
Reverse repo or buy/sell back	4 728 017	-	4 728 017	-
Finance leases	14 936 218	-	14 936 218	-
Other loans and advances	3 772 446	-	3 772 446	-
Other receivables	189 788	60 172	129 616	-
Total gross carrying amount	124 367 747	66 931 125	57 276 880	159 742
Loans and advances to customers 30.06.2024	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	(1 089 451)	(835 154)	(254 230)	(67)
Term loans, including:	(1 997 595)	(1 230 159)	(745 643)	(21 793)
- housing and mortgage loans to natural persons	(465 708)	(465 708)		
Finance leases	(599 123)	-	(599 123)	-
Other loans and advances	(64 065)	-	(64 065)	-
Other receivables	(7 066)	-	(7 066)	-
Total accumulated impairment	(3 757 300)	(2 065 313)	(1 670 127)	(21 860)
Total gross carrying amount	124 367 747	66 931 125	57 276 880	159 742
Total accumulated impairment	(3 757 300)	(2 065 313)	(1 670 127)	(21 860)
Total carrying amount	120 610 447	64 865 812	55 606 753	137 882
Short-term (up to 1 year) gross	42 600 992			
Long-term (over 1 year) gross	81 766 755			
Loans and advances to customers 31.12.2023	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	14 255 338	8 015 731	6 231 569	8 038
Term loans, including:	83 353 746	57 541 623	25 687 382	124 741
- housing and mortgage loans to natural persons	43 121 382	43 121 382		
Reverse repo or buy/sell back	899 340	-	899 340	-
Finance leases	14 234 472	-	14 234 472	-
Other loans and advances	3 561 752	-	3 561 752	-
Other receivables	280 131	165 807	114 324	-
Total gross carrying amount	116 584 779	65 723 161	50 728 839	132 779
Loans and advances to customers 31.12.2023	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	(1 041 837)	(832 953)	(208 838)	(46)
Term loans, including:	(2 035 613)	(1 247 671)	(780 057)	(7 885)
- housing and mortgage loans to natural persons	(486 982)	(486 982)		
Finance leases	(569 896)	-	(569 896)	-
Other loans and advances	(54 595)	-	(54 595)	-
Other receivables	(6 258)	-	(6 258)	-
Total accumulated impairment	(3 708 199)	(2 080 624)	(1 619 644)	(7 931)
Total gross carrying amount	116 584 779	65 723 161	50 728 839	132 779
Total accumulated impairment	(3 708 199)	(2 080 624)	(1 619 644)	(7 931)
Total carrying amount	112 876 580	63 642 537	49 109 195	124 848
Short-term (up to 1 year) gross	37 643 371			
Long-term (over 1 year) gross	78 941 408			

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

	30.06.2024	31.12.2023
Net housing and mortgage loans to natural persons (in PLN thousand), including:	42 970 748	42 634 400
- PLN	34 640 872	32 993 018
- CHF	1 032 358	1 852 703
- EUR	3 172 077	3 361 632
- CZK	4 052 333	4 330 701
- USD	65 159	86 934
- Other	7 949	9 412
Net housing and mortgage loans to natural persons in original currencies (main currencies in thousand)		
- PLN	34 640 872	32 993 018
- CHF	230 370	395 640
- EUR	735 469	773 144
- CZK	23 505 412	24 620 244
- USD	16 160	22 093

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

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

30.06.2024											
No	Sectors	Carrying amount	Gross carrying amount				%	Accumulated impairment			
			Stage 1	Stage 2	Stage 3	POCI		Stage 1	Stage 2	Stage 3	POCI
1.	Individual customers	64 865 812	55 231 090	9 012 708	2 474 948	212 379	53.82%	(167 003)	(485 340)	(1 370 904)	(42 066)
2.	Real estate	6 382 607	5 390 407	827 551	402 049	22 121	5.34%	(21 462)	(32 909)	(223 194)	18 044
3.	Financial activities	5 780 271	5 723 805	50 731	11 067	9 967	4.66%	(4 818)	(568)	(9 889)	(24)
4.	Construction	5 327 631	4 661 608	483 205	445 817	13 381	4.51%	(18 402)	(9 696)	(242 391)	(5 891)
5.	Food sector	3 255 076	2 807 791	451 012	74 907	-	2.68%	(8 390)	(13 769)	(56 475)	-
6.	Transport and logistics	3 121 713	2 621 090	385 708	222 523	819	2.60%	(6 210)	(6 286)	(109 101)	13 170
7.	Power and heating distribution	2 880 529	2 881 463	11 784	71 374	-	2.38%	(26 407)	(180)	(57 505)	-
8.	Motorisation	2 521 530	2 280 300	227 095	40 071	-	2.05%	(4 540)	(1 265)	(20 951)	820
9.	Metals	2 349 519	1 864 504	429 859	147 341	8 844	1.97%	(6 362)	(3 951)	(85 167)	(5 549)
10.	Construction materials	2 084 952	1 682 734	385 485	52 388	11 035	1.71%	(3 823)	(3 716)	(32 634)	(6 517)
11.	Scientific and technical activities	2 001 198	1 841 890	145 966	68 229	5 720	1.66%	(7 068)	(3 430)	(44 399)	(5 710)
12.	Chemicals and plastic products	1 652 716	1 502 560	126 573	50 437	237	1.35%	(4 818)	(979)	(24 494)	3 200
13.	Wholesale trade	1 477 879	1 264 252	179 095	139 123	183	1.27%	(3 935)	(1 930)	(98 815)	(94)
14.	Retail trade	1 486 541	1 313 727	159 956	45 550	9	1.22%	(3 846)	(2 646)	(26 209)	-
15.	Human health	1 482 580	1 344 503	148 279	12 985	3	1.21%	(10 523)	(3 047)	(9 620)	-
16.	Wood, furniture and paper products	1 421 048	997 083	362 338	113 445	2	1.18%	(3 438)	(2 086)	(89 450)	43 154
17.	Fuel	1 296 836	1 179 088	40 590	147 626	100	1.10%	(2 747)	(265)	(73 845)	6 289
18.	IT	1 079 141	1 032 240	41 753	35 181	1	0.89%	(3 845)	(799)	(25 390)	-
19.	Rental and leasing activities	1 081 209	985 726	88 030	29 974	-	0.89%	(2 215)	(990)	(19 316)	-
20.	Other	9 061 659	7 922 795	1 065 107	321 147	25 283	7.51%	(36 795)	(16 016)	(219 581)	(281)
Total		120 610 447	104 528 656	14 622 825	4 906 182	310 084	100.00%	(346 647)	(589 868)	(2 839 330)	18 545

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31.12.2023											
No	Sectors	Carrying amount	Gross carrying amount				%	Accumulated impairment			
			Stage 1	Stage 2	Stage 3	POCI		Stage 1	Stage 2	Stage 3	POCI
1.	Individual customers	63 642 537	54 168 098	8 986 652	2 410 392	158 019	56.37%	(193 087)	(520 983)	(1 336 639)	(29 915)
2.	Real estate	6 321 030	5 288 120	865 845	444 702	17 680	5.68%	(36 655)	(50 211)	(227 658)	19 207
3.	Construction	4 616 829	3 923 440	496 613	481 884	11 722	4.21%	(23 648)	(9 615)	(271 435)	7 868
4.	Food sector	3 330 682	2 874 320	423 340	115 650	-	2.93%	(8 529)	(15 154)	(58 945)	-
5.	Transport and logistics	3 247 718	2 782 211	403 475	147 882	834	2.86%	(7 308)	(5 894)	(86 662)	13 180
6.	Power and heating distribution	2 389 976	2 384 193	22 159	69 805	-	2.12%	(30 149)	(335)	(55 697)	-
7.	Metals	2 297 587	1 894 098	389 582	36 537	14 091	2.00%	(5 486)	(4 581)	(26 172)	(482)
8.	Financial activities	2 156 460	2 108 757	50 446	10 791	16	1.86%	(2 812)	(755)	(9 983)	-
9.	Motorisation	2 137 351	1 903 344	218 663	41 892	-	1.86%	(3 812)	(1 745)	(21 927)	936
10.	Scientific and technical activities	2 025 214	1 853 450	162 978	68 135	6 372	1.79%	(14 499)	(3 849)	(41 011)	(6 362)
11.	Construction materials	1 979 311	1 520 686	449 412	41 944	10 853	1.74%	(4 154)	(2 693)	(30 587)	(6 150)
12.	Chemicals and plastic products	1 640 981	1 441 377	165 341	108 355	247	1.47%	(2 838)	(1 430)	(73 398)	3 327
13.	Retail trade	1 438 006	1 258 603	157 117	66 788	9	1.27%	(3 288)	(2 552)	(38 671)	-
14.	Wholesale trade	1 354 753	1 133 374	184 170	140 477	-	1.25%	(2 948)	(1 672)	(98 648)	-
15.	Human health	1 329 502	1 186 138	156 519	10 029	3	1.16%	(11 916)	(3 831)	(7 440)	-
16.	Wood, furniture and paper products	1 158 284	833 026	274 150	97 901	2	1.03%	(2 631)	(2 483)	(85 185)	43 504
17.	Rental and leasing activities	1 086 180	917 003	166 637	24 745	-	0.95%	(2 458)	(1 106)	(18 641)	-
18.	Fuel	1 083 435	934 854	153 882	12 213	99	0.94%	(2 451)	(19 552)	(2 645)	7 035
19.	IT	993 231	946 796	42 659	36 605	1	0.88%	(5 281)	(713)	(26 836)	-
20.	Other	8 647 513	7 046 823	1 580 729	242 773	6 251	7.63%	(32 202)	(27 929)	(169 798)	866
Total		112 876 580	96 398 711	15 350 369	4 609 500	226 199	100.00%	(396 152)	(677 083)	(2 687 978)	53 014

Movements in expected credit losses allowance

30.06.2024	Stage 1	Stage 2	Stage 3	POCI	TOTAL
DEBT SECURITIES					
As at the beginning of the period	(3 928)	-	-	-	(3 928)
Changes affecting the profit and loss account, including:	(491)	-	-	-	(491)
<i>Increases due to grants and acquisitions</i>	(952)	-	-	-	(952)
<i>Decreases due to derecognition</i>	334	-	-	-	334
<i>Changes in credit risk (net)</i>	127	-	-	-	127
Other movements	(59)	-	-	-	(59)
As at the end of the period	(4 478)	-	-	-	(4 478)
LOANS AND ADVANCES TO BANKS					
As at the beginning of the period	(345)	(32)	-	-	(377)
Changes affecting the profit and loss account, including:	622	(2 231)	-	-	(1 609)
<i>Transfer to Stage 1</i>	(32)	32	-	-	-
<i>Transfer to Stage 2</i>	54	(54)	-	-	-
<i>Increases due to grants and acquisitions</i>	(852)	(340)	-	-	(1 192)
<i>Decreases due to derecognition</i>	460	362	-	-	822
<i>Changes in credit risk (net)</i>	992	(2 231)	-	-	(1 239)
Other movements	(697)	2 262	-	-	1 565
As at the end of the period	(420)	(1)	-	-	(421)
LOANS AND ADVANCES TO CUSTOMERS					
As at the beginning of the period	(396 152)	(677 083)	(2 687 978)	53 014	(3 708 199)
Changes affecting the profit and loss account, including:	50 150	89 523	(374 431)	11 391	(223 367)
<i>Transfer to Stage 1</i>	(158 275)	153 071	5 204	-	-
<i>Transfer to Stage 2</i>	55 759	(95 684)	39 925	-	-
<i>Transfer to Stage 3</i>	3 386	153 856	(157 242)	-	-
<i>Increases due to grants and acquisitions</i>	(78 790)	(10 421)	(129 537)	(4 010)	(222 758)
<i>Decreases due to derecognition</i>	33 398	34 873	198 739	(87 639)	179 371
<i>Changes in credit risk (net)</i>	194 672	(146 172)	(331 520)	103 040	(179 980)
Write-offs	-	-	308 927	91 215	400 142
Other movements	(645)	(2 308)	(85 848)	(137 075)	(225 876)
As at the end of the period	(346 647)	(589 868)	(2 839 330)	18 545	(3 757 300)
TOTAL	(351 545)	(589 869)	(2 839 330)	18 545	(3 762 199)

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31.12.2023	Stage 1	Stage 2	Stage 3	POCI	TOTAL
DEBT SECURITIES					
As at the beginning of the period	(2 931)	-	-	-	(2 931)
Changes affecting the profit and loss account, including:	(1 020)	-	-	-	(1 020)
<i>Increases due to grants and acquisitions</i>	(1 359)	-	-	-	(1 359)
<i>Decreases due to derecognition</i>	948	-	-	-	948
<i>Changes in credit risk (net)</i>	(609)	-	-	-	(609)
Other movements	23	-	-	-	23
As at the end of the period	(3 928)	-	-	-	(3 928)
LOANS AND ADVANCES TO BANKS					
As at the beginning of the period	(563)	(940)	-	-	(1 503)
Changes affecting the profit and loss account, including:	48	707	-	-	755
<i>Transfer to Stage 1</i>	(84)	84	-	-	-
<i>Transfer to Stage 2</i>	38	(38)	-	-	-
<i>Increases due to grants and acquisitions</i>	(713)	(418)	-	-	(1 131)
<i>Decreases due to derecognition</i>	822	782	-	-	1 604
<i>Changes in credit risk (net)</i>	(15)	297	-	-	282
Other movements	170	201	-	-	371
As at the end of the period	(345)	(32)	-	-	(377)
LOANS AND ADVANCES TO CUSTOMERS					
As at the beginning of the period	(402 616)	(385 880)	(2 511 202)	45 486	(3 254 212)
Changes affecting the profit and loss account, including:	1 580	(292 136)	(918 715)	33 843	(1 175 428)
<i>Transfer to Stage 1</i>	(264 783)	256 258	8 525	-	-
<i>Transfer to Stage 2</i>	171 201	(233 788)	62 587	-	-
<i>Transfer to Stage 3</i>	7 936	303 178	(311 114)	-	-
<i>Increases due to grants and acquisitions</i>	(131 754)	(21 585)	(162 325)	20 262	(295 402)
<i>Decreases due to derecognition</i>	69 592	18 884	169 499	(32 192)	225 783
<i>Changes in credit risk (net)</i>	149 388	(615 083)	(685 887)	45 773	(1 105 809)
Write-offs	-	-	882 822	10 868	893 690
Other movements	4 884	933	(140 883)	(37 183)	(172 249)
As at the end of the period	(396 152)	(677 083)	(2 687 978)	53 014	(3 708 199)
TOTAL	(400 425)	(677 115)	(2 687 978)	53 014	(3 712 504)

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

30.06.2024	Stage 1	Stage 2	Stage 3	POCI	TOTAL
DEBT SECURITIES					
As at the beginning of the period	23 327 618	-	-	-	23 327 618
Increases due to grants and acquisitions	6 838 843	-	-	-	6 838 843
Decreases due to derecognition	(2 509 457)	-	-	-	(2 509 457)
Other movements	1 297 406	-	-	-	1 297 406
As at the end of the period	28 954 410	-	-	-	28 954 410
LOANS AND ADVANCES TO BANKS					
As at the beginning of the period	7 117 631	1 805	-	-	7 119 436
Transfer to Stage 1	2 289	(2 289)	-	-	-
Transfer to Stage 2	(4 605)	4 605	-	-	-
Increases due to grants and acquisitions	60 420 778	20 403	-	-	60 441 181
Decreases due to derecognition	(56 018 369)	(21 135)	-	-	(56 039 504)
Other movements	59 328	(2 072)	-	-	57 256
As at the end of the period	11 577 052	1 317	-	-	11 578 369
LOANS AND ADVANCES TO CUSTOMERS					
As at the beginning of the period	96 398 711	15 350 369	4 609 500	226 199	116 584 779
Transfer to Stage 1	5 215 811	(5 188 321)	(27 490)	-	-
Transfer to Stage 2	(6 888 702)	7 068 920	(180 218)	-	-
Transfer to Stage 3	(245 365)	(1 070 782)	1 316 147	-	-
Increases due to grants and acquisitions	45 183 584	1 203 547	249 103	121 491	46 757 725
Decreases due to derecognition	(32 180 999)	(2 093 374)	(627 649)	43 277	(34 858 745)
Write-offs	-	-	(308 927)	(91 215)	(400 142)
Other movements	(2 954 384)	(647 534)	(124 284)	10 332	(3 715 870)
As at the end of the period	104 528 656	14 622 825	4 906 182	310 084	124 367 747
TOTAL	145 060 118	14 624 142	4 906 182	310 084	164 900 526

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31.12.2023	Stage 1	Stage 2	Stage 3	POCI	TOTAL
DEBT SECURITIES					
As at the beginning of the period	19 005 458	-	-	-	19 005 458
Increases due to grants and acquisitions	7 820 296	-	-	-	7 820 296
Decreases due to derecognition	(5 922 252)	-	-	-	(5 922 252)
Other movements	2 424 116	-	-	-	2 424 116
As at the end of the period	23 327 618	-	-	-	23 327 618
LOANS AND ADVANCES TO BANKS					
As at the beginning of the period	9 568 871	2 261	-	-	9 571 132
Transfer to Stage 1	19 031	(19 031)	-	-	-
Transfer to Stage 2	(18 418)	18 418	-	-	-
Increases due to grants and acquisitions	130 014 553	52 895	-	-	130 067 448
Decreases due to derecognition	(132 156 807)	(50 988)	-	-	(132 207 795)
Other movements	(309 599)	(1 750)	-	-	(311 349)
As at the end of the period	7 117 631	1 805	-	-	7 119 436
LOANS AND ADVANCES TO CUSTOMERS					
As at the beginning of the period	109 531 005	8 311 891	4 512 035	229 311	122 584 242
Transfer to Stage 1	5 835 657	(5 773 860)	(61 797)	-	-
Transfer to Stage 2	(16 143 215)	16 489 682	(346 467)	-	-
Transfer to Stage 3	(459 933)	(1 645 768)	2 105 701	-	-
Increases due to grants and acquisitions	80 078 806	1 492 365	414 652	82 596	82 068 419
Decreases due to derecognition	(72 137 393)	(2 357 100)	(997 194)	(60 184)	(75 551 871)
Write-offs	-	-	(882 822)	(10 868)	(893 690)
Other movements	(10 306 216)	(1 166 841)	(134 608)	(14 656)	(11 622 321)
As at the end of the period	96 398 711	15 350 369	4 609 500	226 199	116 584 779
TOTAL	126 843 960	15 352 174	4 609 500	226 199	147 031 833

20. Intangible assets

	30.06.2024	31.12.2023
Goodwill	24 228	24 228
Patents, licences and similar assets, including:	1 370 681	1 326 410
- <i>computer software</i>	1 192 238	1 124 975
Other intangible assets	1 069	1 114
Intangible assets under development	367 226	350 187
Total intangible assets	1 763 204	1 701 939

21. Tangible assets

	30.06.2024	31.12.2023
Fixed assets, including:	716 989	668 259
- land	202	202
- buildings and structures	30 213	31 585
- equipment	233 290	222 133
- vehicles	249 887	205 539
- other fixed assets	203 397	208 800
Fixed assets under construction	41 945	84 479
The right to use, including:	702 780	728 663
- real estate	697 529	723 764
- the right of perpetual usufruct of land	1 768	2 114
- cars	3 079	2 234
- other	404	551
Total tangible assets	1 461 714	1 481 401

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22. Investment properties

The Investment property item includes the value of the building at 14 Królewska St. in Warsaw. The building is intended for rent.

	30.06.2024	31.12.2023
Gross value as at the beginning of the period	111 964	136 909
Decrease (due to):	(11 478)	(24 945)
- revaluation losses from fair value adjustments	(11 478)	(24 945)
As at the end of the period	100 486	111 964

23. Other assets

	30.06.2024	31.12.2023
Other financial assets, including:	1 651 973	1 453 718
- debtors, including:	1 212 851	1 201 057
- settlements of cash deposit machines and cash sorting companies	486 746	560 843
- settlements of payment cards	70 175	57 664
- accrued income	93 738	151 165
- interbank balances	307 282	56 334
- settlements of securities transactions	38 102	45 162
Other non-financial assets, including:	1 205 041	1 145 051
- other accruals	163 225	150 790
- inventories	416 122	368 686
- non-financial receivables due to final verdicts in legal proceedings relating to loans in foreign currencies	482 905	499 198
- other	142 789	126 377
Total other assets	2 857 014	2 598 769

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

30.06.2024	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
Deposits	917 244	185 965 054	133 307 509	51 729 176	928 369
Current accounts	803 876	148 208 607	108 823 010	38 629 860	755 737
Term deposits	96 661	36 504 617	24 484 499	11 847 486	172 632
Repo or sell/buy back transactions	16 707	1 251 830	-	1 251 830	-
Loans and advances received	1 877 253	-	-	-	-
Other financial liabilities	437 076	1 566 214	275 037	1 291 153	24
Liabilities in respect of cash collaterals	286 558	642 876	35 845	607 031	-
Other	150 518	923 338	239 192	684 122	24
Total financial liabilities measured at amortised cost	3 231 573	187 531 268	133 582 546	53 020 329	928 393
Short-term (up to 1 year)	1 322 351	187 311 382			
Long-term (over 1 year)	1 909 222	219 886			

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31.12.2023	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
Deposits	672 902	183 923 224	128 162 427	55 144 648	616 149
Current accounts	353 417	147 695 054	103 034 512	44 066 526	594 016
Term deposits	191 337	36 052 744	25 127 915	10 902 696	22 133
Repo or sell/buy back transactions	128 148	175 426	-	175 426	-
Loans and advances received	1 938 343	-	-	-	-
Other financial liabilities	704 057	1 544 231	249 923	1 294 305	3
Liabilities in respect of cash collaterals	557 017	537 095	37 600	499 495	-
Other	147 040	1 007 136	212 323	794 810	3
Total financial liabilities measured at amortised cost	3 315 302	185 467 455	128 412 350	56 438 953	616 152
Short-term (up to 1 year)	1 320 063	185 234 011			
Long-term (over 1 year)	1 995 239	233 444			

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

The Group did not note any violations of contractual terms related to liabilities in respect of loans received.

Debt securities issued

	30.06.2024	31.12.2023
Debt securities issued	10 476 503	11 105 165

As at 30 June 2024 the item Debt securities issued includes among others the liabilities due to issue of credit linked notes ("CLNs") related to the synthetic securitisation transaction referencing a portfolio of corporate and small and medium enterprises loans with a total value of PLN 1 322 726 thousand (PLN 1 614 189 thousand as at 31 December 2023).

The synthetic securitisation transactions were performed on a portfolio of corporate and small and medium enterprises loans and retail loans with the initial nominal amount of PLN 22.6 billion. The nominal value of securitised portfolio as at 30 June 2024 amounted to PLN 17.4 billion.

The detailed information about the abovementioned transactions is presented in the Note 29 of Consolidated financial statements of mBank S.A. Group for 2023, published on 29 February 2024.

The Group did not note any violations of contractual terms related to liabilities in respect of issued debt securities.

Subordinated liabilities

	30.06.2024	31.12.2023
Subordinated liabilities	2 661 354	2 714 928

The Group did not record any delays in the payment of interest instalments and did not breach any other contractual provisions arising from its subordinated obligations.

Detailed information on loans and subordinated bonds is presented in Note 29 of the Consolidated Financial Statements of mBank S.A. Group. for 2023, published on 29 February 2024.

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25. Other liabilities

	30.06.2024	31.12.2023
Other financial liabilities, including:	5 009 964	5 052 354
Interbank settlements	3 331 072	3 299 886
Creditors, including:	1 302 346	1 365 812
- settlements of payment cards	71 597	51 575
- liabilities payable to BFG	460 667	321 453
Accrued expenses	376 546	386 656
Other non-financial liabilities, including:	1 221 579	1 255 824
Tax liabilities	195 903	184 617
Deferred income	309 729	302 860
Provisions for holiday equivalents	49 002	32 971
Provisions for other liabilities to employees	117 481	198 627
Non-financial liabilities due to final verdicts in legal proceedings relating to loans in foreign currencies	514 971	504 063
Other	34 493	32 686
Total other liabilities	6 231 543	6 308 178

26. Provisions

	30.06.2024	31.12.2023
Provisions for legal proceedings, including:	3 028 156	1 940 610
- provisions for legal proceedings relating to loans in foreign currencies	2 981 624	1 819 606
- provisions for remaining legal proceedings	46 532	121 004
Provisions for commitments and guarantees given	186 517	197 418
Provisions for post-employment benefits	27 838	29 930
Other provisions	142 413	177 626
Provisions, total	3 384 924	2 345 584

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 31.

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

Movements in the provisions

Change from 1 January to 30 June 2024	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	1 819 606	121 004	177 626
Change in the period, due to:	1 162 018	(74 472)	(35 213)
- increase of provisions	1 412 181	9 739	1 430
- release of provisions	(729)	(9 279)	(12 660)
- utilisation	(184 799)	(74 802)	(23 965)
- reclassification to other financial statement items	301	-	-
- foreign exchange differences	(64 936)	(130)	(18)
Provisions as at the end of the period	2 981 624	46 532	142 413

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Change from 1 January to 31 December 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:	1 101 478	71 624	(94 202)
- increase of provisions	1 285 462	114 518	40 203
- release of provisions	(829)	(8 512)	(21 704)
- utilisation	(177 354)	(33 741)	(63 879)
- reclassification to other financial statement items	-	-	(48 797)
- foreign exchange differences	(5 801)	(641)	(25)
Provisions as at the end of the period	1 819 606	121 004	177 626

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

30.06.2024	Stage 1	Stage 2	Stage 3	POCI	TOTAL
LOAN COMMITMENTS					
As at the beginning of the period	43 017	36 429	22 178	752	102 376
Changes affecting the profit and loss account, including:	(2 144)	(2 315)	22 504	2 527	20 572
<i>Transfer to Stage 1</i>	16 535	(15 907)	(628)	-	-
<i>Transfer to Stage 2</i>	(2 704)	3 828	(1 124)	-	-
<i>Transfer to Stage 3</i>	(24)	(1 342)	1 366	-	-
<i>Increases due to grants and acquisitions</i>	29 216	5 041	4 315	(465)	38 107
<i>Decreases due to derecognition</i>	(14 958)	(7 513)	(7 960)	(17)	(30 448)
<i>Changes in credit risk (net)</i>	(30 209)	13 578	26 535	3 009	12 913
Other movements	(29)	2	(36)	(3 052)	(3 115)
As at the end of the period	40 844	34 116	44 646	227	119 833
GUARANTEES AND OTHER FINANCIAL FACILITIES					
As at the beginning of the period	4 458	1 344	92 890	(3 650)	95 042
Changes affecting the profit and loss account, including:	(1 178)	521	(27 074)	113	(27 618)
<i>Transfer to Stage 1</i>	189	(189)	-	-	-
<i>Transfer to Stage 2</i>	(301)	301	-	-	-
<i>Transfer to Stage 3</i>	-	(16)	16	-	-
<i>Increases due to grants and acquisitions</i>	2 946	1 041	624	-	4 611
<i>Decreases due to derecognition</i>	(1 889)	(644)	(22 434)	-	(24 967)
<i>Changes in credit risk (net)</i>	(2 123)	28	(5 280)	113	(7 262)
Other movements	-	7	(33)	(714)	(740)
As at the end of the period	3 280	1 872	65 783	(4 251)	66 684
TOTAL	44 124	35 988	110 429	(4 024)	186 517

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31.12.2023	Stage 1	Stage 2	Stage 3	POCI	TOTAL
LOAN COMMITMENTS					
As at the beginning of the period	39 344	14 026	24 276	445	78 091
Changes affecting the profit and loss account, including:	3 953	22 503	(2 071)	316	24 701
Transfer to Stage 1	16 175	(14 880)	(1 295)	-	-
Transfer to Stage 2	(9 725)	11 252	(1 527)	-	-
Transfer to Stage 3	(109)	(1 448)	1 557	-	-
Increases due to grants and acquisitions	55 599	7 111	13 360	202	76 272
Decreases due to derecognition	(30 194)	(9 660)	(12 905)	(394)	(53 153)
Changes in credit risk (net)	(27 793)	30 128	(1 261)	508	1 582
Other movements	(280)	(100)	(27)	(9)	(416)
As at the end of the period	43 017	36 429	22 178	752	102 376
GUARANTEES AND OTHER FINANCIAL FACILITIES					
As at the beginning of the period	4 786	1 084	219 228	(1 597)	223 501
Changes affecting the profit and loss account, including:	(208)	302	(123 767)	(2 130)	(125 803)
Transfer to Stage 1	38	(38)	-	-	-
Transfer to Stage 2	(564)	564	-	-	-
Transfer to Stage 3	(42)	(35)	77	-	-
Increases due to grants and acquisitions	7 523	1 559	17 560	(1 015)	25 627
Decreases due to derecognition	(4 756)	(1 422)	(160 487)	-	(166 665)
Changes in credit risk (net)	(2 407)	(326)	19 083	(1 115)	15 235
Other movements	(120)	(42)	(2 571)	77	(2 656)
As at the end of the period	4 458	1 344	92 890	(3 650)	95 042
TOTAL	47 475	37 773	115 068	(2 898)	197 418

27. Assets and liabilities for deferred income tax

Deferred income tax assets	30.06.2024	31.12.2023
As at the beginning of the period	2 592 129	3 201 780
Changes recognised in the income statement	(68 702)	(365 243)
Changes recognised in other comprehensive income	(42 116)	(247 403)
Other changes	(8 231)	2 995
As at the end of the period	2 473 080	2 592 129
Offsetting effect	(1 246 827)	(1 212 589)
As at the end of the period, net	1 226 253	1 379 540
Provisions for deferred income tax	30.06.2024	31.12.2023
As at the beginning of the period	(1 212 589)	(1 326 052)
Changes recognised in the income statement	(37 172)	114 247
Changes recognised in other comprehensive income	(184)	7 310
Other changes	3 118	(8 094)
As at the end of the period	(1 246 827)	(1 212 589)
Offsetting effect	1 246 827	1 212 589
As at the end of the period, net	-	-
Income tax	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Current income tax	(361 663)	(161 040)
Deferred income tax recognised in the income statement	(105 874)	(256 968)
Income tax recognised in the income statement	(467 537)	(418 008)
Income tax recognised in other comprehensive income	(42 300)	(148 925)
Total income tax	(509 837)	(566 933)

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28. 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.

	30.06.2024	31.12.2023
Other supplementary capital	8 846 613	8 785 057
Other reserve capital	104 145	106 648
General banking risk reserve	1 153 753	1 153 753
Profit from the previous year	542 516	580 018
Profit for the current year	684 379	24 054
Total retained earnings	11 331 406	10 649 530

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.

29. Other components of equity

	30.06.2024	31.12.2023
Exchange differences on translating foreign operations	(27 748)	(27 967)
Unrealised gains (foreign exchange gains)	367	74 499
Unrealised losses (foreign exchange losses)	(28 115)	(102 466)
Cash flow hedges	(225 028)	(314 463)
Unrealised gains	715	16 637
Unrealised losses	(278 528)	(404 863)
Deferred income tax	52 785	73 763
Cost of hedge	2 082	6 391
Unrealised gains	2 570	7 890
Deferred income tax	(488)	(1 499)
Valuation of debt securities at fair value through other comprehensive income	(97 111)	(192 348)
Unrealised gains on debt instruments	29 234	26 279
Unrealised losses on debt instruments	(149 136)	(263 751)
Deferred income tax	22 791	45 124
Actuarial gains and losses relating to post-employment benefits	(13 577)	(13 577)
Actuarial gains	739	739
Actuarial losses	(17 500)	(17 500)
Deferred income tax	3 184	3 184
Reclassification to investment properties	11 436	11 436
Gains on investment properties	14 118	14 118
Deferred income tax	(2 682)	(2 682)
Total other components of equity	(349 946)	(530 528)

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30. 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 2023, published on 29 February 2024.

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.

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.

	30.06.2024		31.12.2023	
	Book value	Fair value	Book value	Fair value
Financial assets at amortised cost				
Debt securities	28 949 932	27 856 218	23 323 690	22 266 854
Loans and advances to banks	11 577 948	11 585 721	7 119 059	7 126 873
Loans and advances to customers, including:	120 610 447	121 050 901	112 876 580	112 776 830
Individual customers	64 865 812	66 201 201	63 642 537	64 240 599
Current accounts	7 165 147	7 550 507	7 182 778	7 568 606
Term loans	57 640 493	58 590 522	56 293 952	56 506 186
Other	60 172	60 172	165 807	165 807
Corporate customers	55 606 753	54 725 906	49 109 195	48 438 128
Current accounts	6 872 868	6 655 105	6 022 731	5 743 616
Term loans and finance lease	40 174 937	39 511 853	38 571 901	38 179 949
Reverse repo or buy/sell back transactions	4 728 017	4 728 017	899 340	899 340
Other loans and advances	3 708 381	3 708 381	3 507 157	3 507 157
Other	122 550	122 550	108 066	108 066
Public sector customers	137 882	123 794	124 848	98 103
Financial liabilities at amortised cost				
Amounts due to other banks	3 231 573	3 231 573	3 315 302	3 315 302
Amounts due to customers	187 531 268	187 528 830	185 467 455	185 465 086
Debt securities in issue	10 476 503	10 332 754	11 105 165	10 972 334
Subordinated liabilities	2 661 354	2 578 131	2 714 928	2 559 783

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

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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 Bank. To reflect the fact that the majority of the Group's exposures is collateralised whereas the median of market quotation is centred around unsecured issues, the Group applied appropriate adjustments. Moreover, as the benchmark for valuation of mortgage loans in PLN fair value of mortgage loans classified as valuated through fair value in accordance with IFRS 9 was used, with an adjustment relating to credit quality of the portfolio. For exposures in mBank Hipoteczny the adjustment included also a factor relating to the gap in revenue margin between the valuated portfolio and the portfolio of similar loans in mBank.

Financial liabilities

Financial instruments representing liabilities for the Group include the following:

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

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

In the case of deposits, the Group has applied the curve constructed on the basis of quotations of money market rates as well as FRA and IRS contracts for appropriate currencies and maturities. In case of subordinated liabilities, the valuation is based on discounted cash flows using market swap curves (depending on the terms of issue) adjusted for the issuer's credit risk.

In the case of 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 Group 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.

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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 2024 and as at 31 December 2023.

30.06.2024	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	27 856 218	25 063 276	-	2 792 942
Loans and advances to banks	11 585 721	-	-	11 585 721
Loans and advances to customers	121 050 901	-	-	121 050 901
Total financial assets	160 492 840	25 063 276	-	135 429 564
FINANCIAL LIABILITIES				
Amounts due to banks	3 231 573	-	1 877 252	1 354 321
Amounts due to customers	187 528 830	-	220 222	187 308 608
Debt securities issued	10 332 754	6 039 751	-	4 293 003
Subordinated liabilities	2 578 131	-	-	2 578 131
Total financial liabilities	203 671 288	6 039 751	2 097 474	195 534 063
31.12.2023	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
VALUATION ONLY FOR PURPOSES OF DISCLOSURE				
FINANCIAL ASSETS				
Debt securities	22 266 854	18 199 454	-	4 067 400
Loans and advances to banks	7 126 873	-	-	7 126 873
Loans and advances to customers	112 776 830	-	-	112 776 830
Total financial assets	142 170 557	18 199 454	-	123 971 103
FINANCIAL LIABILITIES				
Amounts due to banks	3 315 302	-	1 938 343	1 376 959
Amounts due to customers	185 465 086	-	231 230	185 233 856
Debt securities issued	10 972 334	5 996 197	-	4 976 137
Subordinated liabilities	2 559 783	-	-	2 559 783
Total financial liabilities	202 312 505	5 996 197	2 169 573	194 146 735

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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.

30.06.2024	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	1 637 731	697 677	619 261	320 793				
Loans and advances to customers	41 894	-	-	41 894				
Debt securities	965 634	686 735	-	278 899				
Equity instruments	10 942	10 942	-	-				
Derivative financial instruments, including:	619 261	-	619 261	-				
Derivative financial instruments held for trading	786 430	-	786 430	-				
Hedging derivative financial instruments	302 025	-	302 025	-				
Offsetting effect	(469 194)	-	(469 194)	-				
Non-trading financial assets mandatorily at fair value through profit or loss	907 821	1 019	-	906 802				
Loans and advances to customers	549 884	-	-	549 884				
Debt securities	51 513	-	-	51 513				
Equity securities	306 424	1 019	-	305 405				
Financial assets at fair value through other comprehensive income	37 452 641	21 401 889	14 742 624	1 308 128				
Debt securities	37 452 641	21 401 889	14 742 624	1 308 128				
Total financial assets	39 998 193	22 100 585	15 361 885	2 535 723				
Investment properties	100 486	-	-	100 486				
Financial liabilities								
Financial liabilities held for trading and hedging derivative financial instruments	1 691 718	849 521	802 377	39 820				
Derivative financial instruments, including:	842 197	-	802 377	39 820				
Derivative financial instruments held for trading	933 098	-	933 098	-				
Hedging derivative financial instruments	971 719	-	931 899	39 820				
Offsetting effect	(1 062 620)	-	(1 062 620)	-				
Liabilities from short sale of securities	849 521	849 521	-	-				
Total financial liabilities	1 691 718	849 521	802 377	39 820				
Financial assets and liabilities measured at fair value and investment properties at Level 3 - changes from 1 January to 30 June 2024	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	40 498	237 507	(38 445)	603 713	50 144	244 048	1 277 313	111 964
Gains and losses for the period:	1 391	429	(1 375)	(1 419)	1 369	16 857	9 608	(11 478)
Recognised in profit or loss:	1 391	429	(7 828)	(1 419)	1 369	16 857	-	(11 478)
<i>Net trading income</i>	1 391	429	(7 828)	-	1 279	739	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	-	(1 419)	90	13 083	-	-
<i>Other operating income/other operating expenses</i>	-	-	-	-	-	3 035	-	(11 478)
Recognised in other comprehensive income:	-	-	6 453	-	-	-	9 608	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	-	9 608	-
<i>Cash flow hedges</i>	-	-	6 453	-	-	-	-	-
Purchases / origination	-	298 965	-	16 033	-	44 500	632 339	-
Redemptions / total repayments	-	(40 296)	-	(54 652)	-	-	(39 570)	-
Sales	-	(981 418)	-	-	-	-	(900 378)	-
Issues	-	763 712	-	-	-	-	328 816	-
Other changes	5	-	-	(13 791)	-	-	-	-
As at the end of the period	41 894	278 899	(39 820)	549 884	51 513	305 405	1 308 128	100 486

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31.12.2023	Including:	Level 1	Level 2	Level 3				
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques				
RECURRING FAIR VALUE MEASUREMENTS								
Financial assets								
Financial assets held for trading and hedging derivatives	1 760 033	407 875	1 074 153	278 005				
Loans and advances to customers	40 498	-	-	40 498				
Debt securities	634 840	397 333	-	237 507				
Equity instruments	10 542	10 542	-	-				
Derivative financial instruments, including:	1 074 153	-	1 074 153	-				
Derivative financial instruments held for trading	1 256 605	-	1 256 605	-				
Hedging derivative financial instruments	245 212	-	245 212	-				
Offsetting effect	(427 664)	-	(427 664)	-				
Non-trading financial assets mandatorily at fair value through profit or loss	898 798	893	-	897 905				
Loans and advances to customers	603 713	-	-	603 713				
Debt securities	50 144	-	-	50 144				
Equity securities	244 941	893	-	244 048				
Financial assets at fair value through other comprehensive income	36 965 077	17 250 628	18 437 136	1 277 313				
Debt securities	36 965 077	17 250 628	18 437 136	1 277 313				
Total financial assets	39 623 908	17 659 396	19 511 289	2 453 223				
Investment properties	111 964	-	-	111 964				
Financial liabilities								
Financial liabilities held for trading and hedging derivative financial instruments	1 495 754	157 607	1 299 702	38 445				
Derivative financial instruments, including:	1 338 147	-	1 299 702	38 445				
Derivative financial instruments held for trading	1 455 145	-	1 455 145	-				
Hedging derivative financial instruments	1 215 504	-	1 177 059	38 445				
Offsetting effect	(1 332 502)	-	(1 332 502)	-				
Liabilities from short sale of securities	157 607	157 607	-	-				
Total financial liabilities	1 495 754	157 607	1 299 702	38 445				
Financial assets and liabilities measured at fair value and investment properties at Level 3 - changes from 1 January to 31 December 2023	Financial assets held for trading and hedging derivatives		Non-trading financial assets mandatorily at fair value through profit or loss			Debt securities at fair value through other comprehensive income	Investment properties	
	Loans and advances	Debt securities	Derivative financial instruments	Loans and advances	Debt securities	Equity securities		
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:	308	40 867	(70 335)	(28 754)	5 135	43 884	8 954	(24 945)
Recognised in profit or loss:	308	40 867	(101 269)	(28 754)	5 135	43 884	-	(24 945)
<i>Net trading income</i>	308	40 867	(101 269)	-	(4 934)	(132)	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	-	(28 754)	10 069	52 638	-	-
<i>Other operating income/other operating expenses</i>	-	-	-	-	-	(8 622)	-	(24 945)
Recognised in other comprehensive income:	-	-	30 934	-	-	-	8 954	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	-	8 954	-
<i>Cash flow hedges</i>	-	-	30 934	-	-	-	-	-
Purchases / origination	-	699 124	-	58 780	-	21 903	1 143 395	-
Redemptions / total repayments	-	(190 333)	-	(134 963)	-	-	(254 238)	-
Sales	-	(2 805 232)	-	-	-	-	(2 051 020)	-
Issues	-	2 185 200	-	-	-	-	1 214 313	-
Change in scope of consolidation	-	-	-	-	-	(6 781)	-	-
Other changes	470	-	-	(104 742)	-	-	-	-
As at the end of the period	40 498	237 507	(38 445)	603 713	50 144	244 048	1 277 313	111 964

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During first half of 2024 and in 2023 there were no transfers of financial instruments between the levels of fair value hierarchy.

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

Level 1

As at 30 June 2024 at level 1 of the fair value hierarchy, the Group has presented the fair value of held for trading government bonds in the amount of PLN 686 735 thousand and the fair value of government bonds measured at fair value through other comprehensive income in the amount of PLN 20 527 571 thousand (31 December 2023: PLN 397 333 thousand and PLN 15 883 079 thousand, respectively). Level 1 includes the fair values of corporate bonds in the amount of PLN 874 318 thousand (31 December 2023: PLN 1 367 549 thousand).

In addition, as at 30 June 2024 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 1 019 thousand (31 December 2023: PLN 893 thousand) and equity instruments in amount of PLN 10 942 thousand (31 December 2023: PLN 10 542 thousand).

As at 30 June 2024 level 1 also includes liabilities from short sale of securities in the amount of PLN 849 521 thousand (31 December 2023: PLN 157 607 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 2024 level 2 of the fair value hierarchy mainly includes the fair values of bills issued by NBP in the amount of PLN 14 742 624 thousand (31 December 2023: PLN 18 437 136 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 2024 level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies (bonds and certificates of deposit) in the amount of PLN 1 638 540 thousand (31 December 2023: PLN 1 564 964 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 2024 includes the value of loans and advances to customers in the amount of PLN 591 778 thousand (31 December 2023: PLN 644 211 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 2023, published on 29 February 2024.

Moreover, as at 30 June 2024 level 3 covers mainly the fair value of equity securities amounting to PLN 305 405 thousand (31 December 2023: PLN 244 048 thousand). The equity instruments presented at

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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 first half of 2024, the cost of equity was estimated in the range from 11.6% to 12.2% (as at the end of 2023: from 12.3% to 13.8%). Additionally, part of the forecasts assuming growth above the average market growth were discounted with the cost of equity at the level of 25%.

As at 30 June 2024 Level 3 also includes fair value of investment property in the amount of PLN 100 486 thousand (31 December 2023: PLN 111 964 thousand). The value of the property was estimated by a property appraiser entered in the Central Register of Property Appraisers kept by the Minister of Development and Technology. The property was valued using the income method. The key unobservable parameter used in the model is the capitalisation rate of 7.25% used to discount cash flows (31 December 2023: 7.25%).

As at 30 June 2024 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 2024 the valuation of these contracts in liabilities amounted to PLN 39 820 thousand (31 December 2023 the valuation of these contracts in liabilities: PLN 38 445 thousand).

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

Portfolio	Fair value 30.06.2024	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	305 405	(20 586)	25 656	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	1 308 128	(27 218)	27 218	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	278 899	(7 211)	7 211	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers held for trading	41 894	(222)	206	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	549 884	(7 794)	7 781	The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).

Portfolio	Fair value 31.12.2023	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	244 048	(17 659)	21 431	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through other comprehensive income	1 277 313	(26 848)	26 848	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through profit or loss	237 507	(6 681)	6 681	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers held for trading	40 498	(311)	294	The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers mandatorily at fair value through profit or loss	603 713	(8 755)	8 772	The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).

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

Introduction

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

The carrying amount of mortgage and housing loans granted to natural persons in CHF as of 30 June 2024 amounted to PLN 1.0 billion (i.e. CHF 0.2 billion) compared to PLN 1.9 billion (i.e. CHF 0.4 billion) as of 31 December 2023.

The carrying amount of mortgage and housing loans granted to natural persons in other foreign currencies by mBank in Poland as of 30 June 2024 amounted to PLN 1.4 billion, compared to PLN 1.5 billion in 31 December 2023.

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

	30.06.2024		31.12.2023	
	PLN billion	Number of loan contracts (thousand)	PLN billion	Number of loan contracts (thousand)
The volume of the portfolio of loans indexed to CHF granted to natural persons in Poland that were active taking into account the exchange rate on the date of disbursement of individual loan tranches	6.9	23.5	8.3	28.6
The volume of the portfolio of loans indexed to other foreign currencies granted to natural persons in Poland that were active taking into account the exchange rate on the date of disbursement of individual loan tranches	2.3	7.1	2.4	7.4
The volume of the portfolio of loans indexed to CHF granted to natural persons in Poland that were inactive taking into account the exchange rate on the date of disbursement of individual loan tranches, of which:				
- Fully repaid loans	7.0	39.2	7.1	39.2
- Settled loans	3.9	17.0	2.8	13.3
- Loans closed after final verdict	1.7	5.8	1.3	4.4

Due to the significance of the legal issues related to the foreign currencies loan portfolio for the financial position of mBank Group as at 30 June 2024, detailed information is presented below regarding these lawsuits, significant judgments, which, in the Bank's opinion, may affect the future ruling on loans indexed to foreign currencies, proposed potential settlements with customers, accounting principles for the recognition of legal risk related to these court cases and the settlement program, as well as information on the impact of legal risk related to these court cases on the balance sheet and profit or loss account of mBank Group and the methodology used to determine this impact.

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

As of 30 June 2024, the Bank observed individual lawsuits and class actions regarding 21 621 loan agreements indexed to CHF including of which 17 338 active loan agreements and 4 283 repaid loan agreements (as of 31 December 2023: 21 411 of which 17 852 active and 3 559 repaid loans). Additionally, as of 30 June 2024, the Bank observed individual lawsuits regarding 595 loan agreements indexed to other foreign currencies including of which 481 active loan agreements and 114 repaid loan agreements (as of 31 December 2023: 370 of which 297 active and 73 repaid loans).

As of 30 June 2024, mBank received final rulings in individual lawsuits concerning 5 827 loan agreements indexed to CHF (31 December 2023: 4 487 loans), out of which 109 rulings were favourable to the Bank and 5 718 rulings were unfavourable (31 December 2023: 99 rulings favourable and 4 388 unfavourable). Additionally, as of 30 June 2024, mBank received final rulings in individual lawsuits concerning 49 loan agreements indexed to other foreign currencies (31 December 2023: 41 loans), out of which 5 rulings were favourable to the Bank and 44 rulings were unfavourable (31 December 2023: 5 rulings favourable and 36 unfavourable).

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Approximately 93% of unfavourable verdicts led to the invalidation of the loan agreement, others led to the conversion of the agreement into PLN + LIBOR/WIBOR and substitution of FX clause by the fixing rate of the NBP.

Class action against mBank S.A. concerning indexation clauses

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

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

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

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

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

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

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

On 29 January 2024 the Court of Appeal announced a verdict and set aside the previous judgment and sent the case to the Court of First Instance for re-examination due to the invalidity of the previous proceedings in the Court of First Instance. Currently, the case is again before the District Court as a Court of First Instance.

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

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

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

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

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

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

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

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

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

Obligation to inform the consumer of the consequences of invalidity

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

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

Remuneration for using principal/valorisation

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

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

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

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

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

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

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

Period of limitation

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

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

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

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

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

Supreme Court resolutions on loans indexed to foreign currencies

The resolution of the Supreme Court of 16 February 2021 in case III CZP 11/20:

- endorsed the theory of two conditionalities if a credit agreement is declared to be invalid.

The resolution of the 7 Supreme Court's judges of 7 May 2021 in case III CZP 6/21:

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

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

Resolution of the Full Court of the Civil Chamber of the Supreme Court of 25 April 2024 in the case III CZP 25/22:

- exclusion of the possibility of replacing abusive provisions with civil or common law,
- exclusion of the possibility of maintaining an indexed/denominated loan as a PLN loan with an interest rate specific to an indexed/denominated loan,
- the theory of two conditionalities has been confirmed for the invalidity of the CHF loan,
- the starting point of the limitation period in the case of the bank's claim for reimbursement of amounts paid on account of a loan runs from the day after the borrower challenges the provisions of the contract against the bank,
- remuneration for the use of capital is not due to either contracting parties.

The resolution has the force of law. The written justification for the resolution had not been published, as of the time of publication of the report.

9 judges elected before 2017 refused to attend the hearing. 6 judges submitted dissenting opinions, primarily on whether the contract should be upheld after the elimination of the conversion clauses.

Given the propensity of national courts to follow the line of the Supreme Court, mBank has taken into account the ruling in question in the provisioning model, taking into account the various possible outcomes. mBank monitors court rulings on indexed loans in terms of the development of the jurisprudential line following the Supreme Court resolution, as well as a potential legislative initiative that may also affect the provisioning model, as well as the further course of the discussion as to the interpretation of the aforementioned Supreme Court resolution.

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 were from beginning a PLN loan with an interest rate of WIBOR 3M increased by a margin used historically for such loans.

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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 2024, would amount to PLN 2.45 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 2024 the Bank concluded 17 016 settlements (as of 31 December 2023: 13 321 settlements).

Accounting policies for recognising the effect of legal risk related to court cases concerning foreign currencies 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 foreign currencies and settlements offered to CHF borrowers as reflected under:

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

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

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

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

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

According to IAS 37 the amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of reporting period. The best estimate of the expenditure required

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to settle the present obligation is the amount that the Bank would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. This amount is discounted at the balance sheet date.

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

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

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

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

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

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

	30.06.2024	31.12.2023
Impact of legal risk concerning lawsuits and settlement program related to active loans recognised as a reduction of gross carrying amount of loans in:	5 428 936	6 446 591
- CHF	5 271 126	6 334 478
- USD	66 090	47 219
- EUR	91 720	64 894
Impact of legal risk concerning individual lawsuits and class action case related to repaid loans and low value active loans recorded as provisions for legal proceedings	2 974 291	1 811 522
The cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and housing loans in CHF	8 403 227	8 258 113

Total costs of legal risk related to foreign currency loans recognised in the income statement for the first half of 2024 amounted to PLN 2 404.0 million (in first half of 2023: PLN 2 348.7 million). The costs are mainly due to updating model parameters for the future expected costs of execution of court judgments, in particular updating estimates of statutory interest costs in relation to the pending court cases.

Methodology of calculating the impact of the legal risk related to individual court cases regarding credit loans indexed to CHF

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

Expected population of borrowers who will file a lawsuit

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

For the purpose of calculating the impact of legal risk mBank assumes that approximately 5.3 thousand CHF borrowers including 3.1 thousand with active loans and 2.2 thousand with repaid loans, will file a lawsuit against the Bank in the future (as of 31 December 2023: 7.9 thousand of which 6.1 thousand active and 1.8 thousand repaid loans). Moreover, the Bank assumed that some portion of CHF borrowers will sign settlements. These assumptions, due to significant legal uncertainties surrounding CHF cases as well as other external factors that may shape clients' preferences to file the lawsuits, is highly judgmental and may be a subject to an adjustment in future. If an additional 1 thousand borrowers with active loans

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indexed to CHF filed a lawsuit against the Bank and the loan was invalidated in its entirety, the impact of the legal risk would increase by approximately PLN 301.6 million (while other relevant assumptions remain constant) as compared to 30 June 2024, reducing gross carrying amount of the loans. If an additional 1 thousand borrowers with repaid loans indexed to CHF filed a lawsuit against the Bank and the loan was invalidated in its entirety, the impact of the legal risk would increase by approximately PLN 82.5 million (while other relevant assumptions remain constant) increasing the provisions for legal proceedings.

The Bank estimates that 2.8 thousand borrowers with active CHF indexed loans will not decide to sue the Bank or sign a settlement with the Bank in the future and 32.6 thousand borrowers with repaid CHF indexed loans will not sue the Bank in future. In the Bank's opinion this will be influenced by the following factors: clients' expectations regarding future changes in the CHF/PLN exchange rate, clients' expectations regarding future costs of PLN loans, changes in jurisprudence in CHF loan cases, tax solutions regarding settlements, costs and duration of court proceedings, individual factors (in particular the loan repayment period and the current amount of debt). This is not a direct estimate, but the result of the difference between the estimate of the population of clients already in dispute with the Bank or intending to do so and the estimate of the population of clients who decide to settle and the number of clients with an active CHF credit agreement and borrowers who have already repaid their loans.

Distribution of expected court rulings

The expected distribution of court rulings was based on final judgments issued in recent cases against the Bank. As of 30 June 2024, the Bank assumed a loss in 99% of pending or future lawsuits (as of 31 December 2023: 99%), while for the remaining 1% of cases, the Bank assumed dismissal of the claim (as of 31 December 2023: 1%). In the loss scenario Bank took into account only scenario for termination of court proceedings in which the contract is invalid in its entirety, as removing the exchange rate clause would be too far-reaching change (assuming that the clause specifies the main subject of the contract). As compared to 31 December 2023 the bank excluded scenario in which the contract remains valid, but the indexation mechanism is eliminated, which transforms a loan indexed to CHF into a PLN loan subject to the interest rate for a loan indexed to CHF. If assumed that all lawsuits end unfavourably for the Bank (100% of the loss scenario), the impact of the legal risk would change by PLN 72.4 million, of which PLN 51.3 million would change the gross carrying amount of loans and PLN 21.1 million provisions for legal proceedings.

The bank estimated the impact of the resolution of the Full Court of the Civil Chamber of the Supreme Court dated 25 April 2024. According to its wording, the starting point of the limitation period begins from the day after the day the bank receives the first letter from a borrower challenging the provision of the contract, which may in some cases result in the bank's counterclaims for principal to be time-barred. The bank estimated probabilities individually for these contracts which range from 5% to 50%, assuming that the bank's claims would be considered time-barred, despite the fact that counterclaims for principal were filed by the bank before the expiration of 3 years from the date of the borrower's lawsuit. If assumed that individual probabilities will change by +/- 1 percentage point and all other relevant assumptions remained constant, the impact of the legal risk would change by PLN 8.3 million, of which PLN 6.7 million would change the gross carrying amount of loans and PLN 1.6 million provisions for legal proceedings.

The Bank estimates that if all Bank's originated loan agreements currently under individual and class action court proceedings were declared invalid the pre-tax cost could reach ca. PLN 8.4 billion (compared to PLN 8.4 billion cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and housing loans in foreign currencies as at 30 June 2024). Overall losses would be higher or lower depending on the final court verdicts, this estimate does not include the cost of the settlement program.

Probability of settlement acceptance

The Bank assumed the probability of accepting settlements based on the results of an actively conducted settlement program and available market data and based on its own projections. As of 30 June 2024, the Bank assumed that it would conclude 4.8 thousand settlements in the future which accounts for approximately 21% of active portfolio (as of 31 December 2023: 6.2 thousand, approximately 22% respectively), including the borrowers who already filed or are expected to file a lawsuit against the Bank.

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

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

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As of 30 June 2024, the Bank recognised the impact of legal risk in the class action in the amount of PLN 294.1 million and the impact of legal risk of loans indexed to other foreign currencies in the amount of PLN 211.1 million.

32. 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.

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 2024 and 30 June 2023.

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

The accounting policies applied for the preparation of the Group prudentially consolidated financial data are identical to those, which have been applied to the mBank S.A. Group condensed interim consolidated financial data for the first half of 2024, prepared in compliance with IFRS, except for the consolidation standards presented below.

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

Company	30.06.2024		31.12.2023		30.06.2023	
	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%	full	100%	full

During preparation of prudentially consolidated financial data for 3 and 6-month periods ended on 30 June 2024, the same entities were consolidated as in process of preparation of condensed interim consolidated financial statements of the mBank Group for 3 and 6-month periods ended on 30 June 2024.

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.

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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.

In the reporting periods presented in these financial statements the scope of entities included in prudential consolidation did not differ from the scope of entities included in the financial consolidation under IFRS.

Prudentially consolidated income statement

	Period from 01.04.2024 to 30.06.2024	Period from 01.01.2024 to 30.06.2024	Period from 01.04.2023 to 30.06.2023	Period from 01.01.2023 to 30.06.2023
Interest income, including:	3 346 214	6 907 391	3 657 108	7 295 761
<i>Interest income accounted for using the effective interest method</i>	3 290 458	6 791 517	3 596 076	7 150 153
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	55 756	115 874	61 032	145 608
Interest expenses	(1 181 558)	(2 402 653)	(1 456 473)	(3 062 016)
Net interest income	2 164 656	4 504 738	2 200 635	4 233 745
Fee and commission income	788 093	1 556 267	747 963	1 485 747
Fee and commission expenses	(296 866)	(580 913)	(260 322)	(497 043)
Net fee and commission income	491 227	975 354	487 641	988 704
Dividend income	6 194	9 189	4 506	4 628
Net trading income	33 728	87 009	(3 338)	3 854
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(2 962)	11 880	(9 651)	4 880
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(2 281)	4 378	(2 517)	(51 352)
Other operating income	262 053	339 354	63 888	142 622
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(170 029)	(217 947)	(176 425)	(349 850)
Result on provisions for legal risk related to foreign currency loans	(1 033 481)	(2 404 044)	(1 540 192)	(2 348 680)
Overhead costs	(642 284)	(1 394 713)	(585 595)	(1 321 198)
Depreciation	(138 863)	(275 313)	(118 847)	(238 131)
Other operating expenses	(63 454)	(120 764)	(61 537)	(151 201)
Operating profit	904 504	1 519 121	258 568	918 021
Taxes on the Group balance sheet items	(185 217)	(367 128)	(182 722)	(372 720)
Profit / (loss) before income tax	719 287	1 151 993	75 846	545 301
Income tax expense	(297 397)	(467 537)	(91 287)	(418 008)
Net profit / (loss)	421 890	684 456	(15 441)	127 293
Net profit / (loss) attributable to:				
- Owners of mBank S.A.	421 856	684 379	(15 478)	127 337
- Non-controlling interests	34	77	37	(44)

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Prudentially consolidated statement of financial position

ASSETS	30.06.2024	31.12.2023
Cash and cash equivalents	21 707 034	36 702 427
Financial assets held for trading and hedging derivatives	1 637 731	1 760 033
Non-trading financial assets mandatorily at fair value through profit or loss, including:	907 821	898 798
<i>Equity instruments</i>	306 424	244 941
<i>Debt securities</i>	51 513	50 144
<i>Loans and advances to customers</i>	549 884	603 713
Financial assets at fair value through other comprehensive income	37 452 641	36 965 077
Financial assets at amortised cost, including:	161 138 327	143 319 329
<i>Debt securities</i>	28 949 932	23 323 690
<i>Loans and advances to banks</i>	11 577 948	7 119 059
<i>Loans and advances to customers</i>	120 610 447	112 876 580
Fair value changes of the hedged items in portfolio hedge of interest rate risk	16 334	20 204
Intangible assets	1 763 204	1 701 939
Tangible assets	1 461 714	1 481 401
Investment properties	100 486	111 964
Current income tax assets	27 032	41 035
Deferred income tax assets	1 226 253	1 379 540
Other assets	2 857 014	2 598 769
TOTAL ASSETS	230 295 591	226 980 516
LIABILITIES AND EQUITY		
LIABILITIES		
Financial liabilities held for trading and hedging derivatives	1 691 718	1 495 754
Financial liabilities measured at amortised cost, including:	204 720 136	203 458 575
<i>Amounts due to banks</i>	3 231 573	3 315 302
<i>Amounts due to customers</i>	187 531 268	185 467 455
<i>Lease liabilities</i>	819 438	855 725
<i>Debt securities issued</i>	10 476 503	11 105 165
<i>Subordinated liabilities</i>	2 661 354	2 714 928
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(545 286)	(565 985)
Provisions	3 384 924	2 345 584
Current income tax liabilities	203 177	201 184
Other liabilities	6 231 543	6 308 178
TOTAL LIABILITIES	215 686 212	213 243 290
EQUITY		
Equity attributable to Owners of mBank S.A.	14 607 261	13 735 187
Share capital:	3 625 801	3 616 185
Registered share capital	169 988	169 861
Share premium	3 455 813	3 446 324
Retained earnings:	11 331 406	10 649 530
- Profit from the previous years	10 647 027	10 625 476
- Profit for the current year	684 379	24 054
Other components of equity	(349 946)	(530 528)
Non-controlling interests	2 118	2 039
TOTAL EQUITY	14 609 379	13 737 226
TOTAL LIABILITIES AND EQUITY	230 295 591	226 980 516

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

The presented condensed interim consolidated report for the first half of 2024 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 material accounting policies is presented in Note 2 of Consolidated financial statements of mBank S.A. Group for 2023, published on 29 February 2024. The accounting principles adopted by the Group were applied on a continuous basis for all periods presented in the financial statements with the exception of the accounting policy for income tax recognition, which in the interim statements is in accordance with IAS 34.

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 2024, the Bank recognised the cost of legal risk related to foreign currency loans in the amount of PLN 2 404.0 million. The detailed information in this regard is presented in Note 31.
- In the first half of 2024, the Group also recognised the impact of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays") which resulted in a decrease in interest income by recognising the result on non-substantial modifications of loans in the amount PLN -256.8 million. Detailed information in this regard is presented in Note 3.

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 2024 include cost of legal risk related to foreign currencies loans in the amount of PLN 2 404.0 million. The detailed information is presented in Note 31.
- In the first half of 2024, the Group also recognised the impact of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays") which resulted in a decrease in interest income by recognising the result on non-substantial modifications of loans in the amount PLN -256.8 million. Detailed information in this regard is presented in Note 3.

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

In the first half of 2024, the following issues and redemptions occurred in the Group:

- mBank Hipoteczny S.A. redeemed one series of mortgage covered bonds in the amount of PLN 241 800 thousand and EUR 24 900 thousand,
- mLeasing Sp. z o.o. issued 1 series of short-term discount bonds in the amount of PLN 100 000 thousand,
- On 22 January 2024 and on 22 April 2024 mBank partially redeemed credit linked notes in the amount of PLN 241 307 thousand. The notes are connected with synthetic securitisation transaction performed in March 2022, their partial redemption is a result of depreciation of securitised portfolio.

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

On 27 March 2024, the 37th Annual General Meeting of mBank S.A. adopted resolution regarding the profit share for 2023. The net profit earned by mBank S.A. in 2023, amounting to PLN 29 322 135.24 is assigned to the supplementary capital of mBank S.A. The Annual General Meeting of mBank S.A. also decided to

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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 2024, 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 2024, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities

In the first half of 2024, events as indicated above did not occur in the Group.

10. Changes in contingent liabilities and commitments

In the first half of 2024, 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 2024, 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 2024, events as indicated above did not occur in the Group on a significant scale.

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 interim consolidated financial statements.

14. Reversals of provisions against restructuring costs

In the first half of 2024, events as indicated above did not occur in the Group.

15. Acquisitions and disposals of tangible fixed asset items

In the first half of 2024 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 2024, 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 2024, 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 2024, events as indicated above did not occur in the Group.

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

In the first half of 2024, events as indicated above did not occur in the Group.

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 2024.

23. Registered share capital

The total number of ordinary shares as at 30 June 2024 was 42 496 973 shares (31 December 2023: 42 465 167 shares) at PLN 4 nominal value each. All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 30 JUNE 2024						
Share type	Type of privilege	Type of limitation	Number of shares	Series / face value of issue in PLN	Paid up	Registered on
ordinary bearer*	-	-	9 989 000	39 956 000	fully paid in cash	1986
ordinary registered*	-	-	11 000	44 000	fully paid in cash	1986
ordinary bearer	-	-	2 500 000	10 000 000	fully paid in cash	1994
ordinary bearer	-	-	2 000 000	8 000 000	fully paid in cash	1995
ordinary bearer	-	-	4 500 000	18 000 000	fully paid in cash	1997
ordinary bearer	-	-	3 800 000	15 200 000	fully paid in cash	1998
ordinary bearer	-	-	170 500	682 000	fully paid in cash	2000
ordinary bearer	-	-	5 742 625	22 970 500	fully paid in cash	2004
ordinary bearer	-	-	270 847	1 083 388	fully paid in cash	2005
ordinary bearer	-	-	532 063	2 128 252	fully paid in cash	2006
ordinary bearer	-	-	144 633	578 532	fully paid in cash	2007
ordinary bearer	-	-	30 214	120 856	fully paid in cash	2008
ordinary bearer	-	-	12 395 792	49 583 168	fully paid in cash	2010
ordinary bearer	-	-	16 072	64 288	fully paid in cash	2011
ordinary bearer	-	-	36 230	144 920	fully paid in cash	2012
ordinary bearer	-	-	35 037	140 148	fully paid in cash	2013
ordinary bearer	-	-	36 044	144 176	fully paid in cash	2014
ordinary bearer	-	-	28 867	115 468	fully paid in cash	2015
ordinary bearer	-	-	41 203	164 812	fully paid in cash	2016
ordinary bearer	-	-	31 995	127 980	fully paid in cash	2017
ordinary bearer	-	-	24 860	99 440	fully paid in cash	2018
ordinary bearer	-	-	13 385	53 540	fully paid in cash	2019
ordinary bearer	-	-	16 673	66 692	fully paid in cash	2020
ordinary bearer	-	-	17 844	71 376	fully paid in cash	2021
ordinary bearer	-	-	48 611	194 444	fully paid in cash	2022
ordinary bearer	-	-	31 672	126 688	fully paid in cash	2023
ordinary bearer	-	-	31 806	127 224	fully paid in cash	2024
Total number of shares			42 496 973			
Total registered share capital				169 987 892		
Nominal value per share (PLN)		4				

* As at the end of the reporting period

24. Material share packages

The shareholders holding over 5% of the share capital and votes at the General Meeting are:

- Commerzbank AG which held 69.07% of the share capital and votes at the General Meeting of mBank S.A. as at 30 June 2024, and
- Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. the funds of which held 5.18% of the share capital and votes at the General Meeting of mBank S.A. including Nationale-Nederlanden Otwarty Fundusz Emerytalny the funds of which held 5.01% of the share capital and votes at the General Meeting of mBank S.A.

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

- On 7 March 2024, Bank was notified by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (Nationale-Nederlanden PTE S.A.) about an increase of the funds' managed by Nationale-Nederlanden PTE S.A. share in the share capital and the total number of votes at the General Meeting of mBank S.A. above 5% as a result of a purchase of Bank's shares on 5 March 2024. After the transaction the funds managed by Nationale-Nederlanden PTE S.A. held 2 127 099 shares of mBank S.A., which represents 5.009% of the share capital and the total number of votes at the General Meeting of mBank S.A.

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- On 21 March 2024, Bank was notified by Nationale-Nederlanden PTE S.A. about an increase of the funds' managed by Nationale-Nederlanden Otwarty Fundusz Emerytalny (Nationale-Nederlanden OFE) share in the share capital and the total number of votes at the General Meeting of mBank S.A. above 5% as a result of a purchase of Bank's shares on 19 March 2024. After the transaction the funds managed by Nationale-Nederlanden OFE held 2 129 814 shares of mBank S.A., which represents 5.0154% of the share capital and the total number of votes at the General Meeting of mBank S.A. As a result of the above-mentioned transaction on the accounts of funds managed by Nationale-Nederlanden PTE S.A. there were a total of 2 200 912 shares of the Bank, which constituted 5.1829% of the shares and votes at the general meeting of mBank S.A.

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 2024	Number of shares acquired from the date of publishing the report for Q1 2024 to the date of publishing the report for H1 2024	Number of shares sold from the date of publishing the report for Q1 2024 to the date of publishing the report for H1 2024	Number of shares held as at the date of publishing the report for H1 2024
Management Board				
1. Cezary Kocik	-	1 653	(1 653)	-
2. Krzysztof Bratos				1 069
3. Krzysztof Dąbrowski	-	1 609	-	1 609
4. Marek Lusztyn	1 283	984	-	2 267
5. Julia Nusser	-	-	-	-
6. Adam Pers	-	1 625	(1 625)	-
7. Pascal Ruhland	-	-	-	-

	Number of rights to shares held as at the date of publishing the report for Q1 2024	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 2024	Number of rights to shares sold from the date of publishing the report for Q1 2024 to the date of publishing the report for H1 2024	Number of rights to shares held as at the date of publishing the report for H1 2024
Management Board				
1. Cezary Kocik	-	1 653	(1 653)	-
2. Krzysztof Bratos				-
3. Krzysztof Dąbrowski	-	1 609	(1 609)	-
4. Marek Lusztyn	-	984	(984)	-
5. Julia Nusser	-	-	-	-
6. Adam Pers	-	1 625	(1 625)	-
7. Pascal Ruhland	-	-	-	-

As at the date of publishing the report for the first quarter 2024 and as at the date of publishing the report for the first half of 2024, the Members of the Supervisory Board had neither Bank shares nor rights to Bank shares.

26. Contingent liabilities

Proceedings before a court, arbitration body or public administration authority

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

As at 30 June 2024, the total value of claims in court proceedings (trials) pending in which the Group was defendant amounted to PLN 11 995.1 million, of which PLN 9 888.9 million related to court cases concerning loans indexed to foreign currencies (31 December 2023: PLN 11 320.2 million and PLN 9 236.0 million respectively). The total value of claims in court proceedings (trials) pending in which the Group was claimants as at 30 June 2024 was PLN 9 288.3 million, of which PLN 8 769.5 million related to court cases concerning loans indexed to foreign currencies (31 December 2023: PLN 4 549.7 million and PLN 4 029.1 million respectively).

The Group creates provisions for litigations against entities of the Group, which as a result of the risk assessment involve a probable outflow of funds from fulfilling the liability and when a reliable estimate of the amount of the liability can be made. The amount of provisions is determined taking into account the amounts of outflow of funds calculated on the basis of scenarios of potential settlements of disputable

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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 2024 amounted to PLN 3 028 156 thousand of which PLN 2 981 624 thousand concerns to provisions for legal proceedings relating to loans in foreign currencies (31 December 2023, respectively PLN 1 940 610 thousand and PLN 1 819 606 thousand). A potential outflow of funds due to the fulfilment of the obligation takes place at the moment of the final resolution of the cases by the courts, which is beyond the control of the Group.

Information on the most important court proceedings relating to the issuer's contingent liabilities

1. A lawsuit filed by LPP S.A.

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

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

On 16 August 2018 mBank S.A. has submitted its statement of defence and requested that the action should be dismissed. The court accepted the Defendants' requests to summon sixteen banks to join the proceedings and ordered that the banks be served with the summons. Two banks have notified of their intention to intervene in the case as an indirect intervener. In a judgment dated 27 January 2023, the District Court in Warsaw dismissed LPP S.A.'s lawsuit in its entirety. The verdict is not final, on 27 March 2023 LPP S.A. has filed an appeal, to which the Bank filed a response on 26 June 2023. By its judgment of 23 November 2023, the Court of Appeal in Warsaw dismissed the appeal of LPP S.A. On 13 March 2024, mBank S.A. received LPP S.A.'s cassation appeal, to which mBank S.A. submitted a response.

2. A lawsuit filed by Orlen S.A.

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

The plaintiff accuses the two sued banks as well as other banks operating in Poland of taking part in a collusion breaching the Competition and Consumer Protection Act and the Treaty on the Functioning of the European Union, i.e. a collusion restricting competition in the market of acquiring services connected with settling clients' liabilities towards the plaintiff on account of card payments for goods and services purchased by clients on the territory of Poland.

On 28 May 2020, mBank S.A. filed a response to the lawsuit and moved for a dismissal of a claim. The Court allowed for the motions of Defendants to summon 16 banks to participate in the case and preordained the service of a summoning motion to the banks. Two banks have notified of their intention to intervene in the case as an indirect intervener.

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

Detailed information on the class action against the Bank is provided in Note 31.

4. Individual court proceedings regarding loans indexed to CHF and other foreign currencies

Detailed information on individual court cases against the Bank regarding loans indexed to CHF and other foreign currencies is provided in Note 31.

Tax inspections

In the first half of 2024 none of the mBank Group subsidiaries was a subject to tax authorities inspection.

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

Inspection by the Social Insurance Institution (ZUS)

mFinanse S.A., a subsidiary of the Bank, was inspected by the Social Insurance Institution (ZUS) in the period from 16 May 2022 to 2 March 2023. The subject of the inspection was the area of correctness and reliability of calculating social insurance contributions and other contributions that the Social Insurance Institution is obliged to collect, as well as reporting for social insurance and health insurance for the years 2018 - 2021. On 3 March 2023, the Company received the Social Insurance Institution's inspection protocol in the aforementioned scope, to which the mFinanse submitted objections. In the period from September 2023 to June 2024, mFinanse S.A. received assessment decisions from ZUS regarding some of the persons subject to control. As at the date of these financial statements, mFinanse S.A. settled the required contribution due from received and appealed ZUS decisions, along with interest.

The company is in dispute with the Social Security Institution over the interpretation of the application of social security regulation in the area of the cooperation model involving the simultaneous employment of intermediaries on a part-time basis and a civil law contract. There are currently 168 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 2024, the Group had a provision in the amount of PLN 82 506 thousand (as at 31 December 2023: PLN 104 969 thousand).

Proceedings initiated by the Polish Financial Supervision Authority (PFSA)

On 22 November 2023, the Polish Financial Supervision Authority started administrative proceedings against mBank S.A. that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. At this stage of the proceedings, the amount of the potential penalty cannot be estimated reliably.

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 December 2024. At this stage of the proceedings, the amount of the potential penalty cannot be estimated reliably.
- By way of the decision of 8 July 2022 the President of the Office of Competition and Consumer Protection (UOKiK) instigated proceedings on the application of practices violating consumers' collective interests, consisting in a failure to refund the cost of transactions which consumers reported as unauthorised or to restore account balances that would have existed had such transactions not been executed under the procedure and within the time limit specified in the Payment Services Act, as well as practices consisting in providing consumers with incorrect information on the Bank's verification of whether a payment instrument was used correctly in response to customer reports.

The President of the Office of Competition and Consumer Protection accuses the Bank of not refunding the amount of an unauthorised payment transaction despite the lack of grounds justifying the refusal to refund, i.e. suspicion of fraud on the part of the customer or expiration of the claim due to the expiry of the deadline. In its arguments, the Bank emphasises that art. 46 section 1 of the Act of 19 August 2011 on Payment Services (hereinafter referred to as "UUP") does not apply to authorised transactions, and that the obligation to return pursuant to art. 46 section 1 of the UUP does not apply to situations where the payer is liable for an unauthorised transaction.

The essence of the proceedings initiated by the President of the Office of Competition and Consumer Protection is to determine under what circumstances the payment service provider is obliged to refund the transaction amount within D+1. According to the President of the Office of Competition and Consumer Protection, such an obligation arises whenever the consumer reports that, in his opinion, an unauthorised transaction has occurred. In the Bank's opinion, this position is unjustified, because such an obligation arises only when an unauthorised transaction actually took place and the Bank is liable for a transaction that is not authorised under the provisions of the Personal Data Protection Act.

Moreover, the Bank is of the opinion that the information provided to consumers regarding the Bank's lack of liability for the reported transaction is true. The Bank's liability for transactions reported as

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unauthorised transactions is not absolute, and the Bank's obligation to refund the transaction amount becomes effective only in situations where an unauthorised transaction actually occurs and there is no occurrence of one of the cases excluding the Bank's liability. In the succeeding letter UOKiK requested for further clarification and extended the proceeding to 31 July 2024. The proceedings are ongoing. At this stage of the proceedings, the amount of the potential penalty cannot be estimated reliably.

Contingent liabilities granted and received relating to financing and guarantees

Information on the value of contingent liabilities granted and received regarding financing and guarantees is presented in Note 27.

27. Off-balance sheet liabilities

Off-balance sheet liabilities and nominal value of derivative financial instruments as at 30 June 2024 and 31 December 2023 were as follows.

	30.06.2024	31.12.2023
Contingent liabilities granted and received	55 634 170	52 873 539
Commitments granted	45 566 956	42 559 903
Financing	35 062 735	34 358 230
Guarantees and other financial facilities	8 499 397	8 201 673
Other liabilities	2 004 824	-
Commitments received	10 067 214	10 313 636
Financial commitments received	448 311	655 280
Guarantees received	9 618 903	9 658 356
Derivative financial instruments (nominal value of contracts)	666 213 733	556 272 354
Interest rate derivatives	545 567 495	424 701 220
Currency derivatives	115 553 201	126 489 862
Market risk derivatives	5 093 037	5 081 272
Total off-balance sheet items	721 847 903	609 145 893

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.

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The amounts of transactions with related entities, i.e., balances of receivables and liabilities as at 30 June 2024 and as at 31 December 2023, and related costs and income for the period from 1 January to 30 June 2024 and from 1 January to 30 June 2023 are presented in the table below.

	mBank's subsidiaries			Commerzbank AG			Other companies of the Commerzbank AG Group		
	30.06.2024	31.12.2023	30.06.2023	30.06.2024	31.12.2023	30.06.2023	30.06.2024	31.12.2023	30.06.2023
Statement of financial position									
Assets	2 128	1 840		663 402	575 482		48	45	
Liabilities	66 800	47 034		1 605 199	1 857 549		78 594	82 994	
Income Statement									
Interest income	-		-	34 437		32 471	-		-
Interest expense	(415)		(372)	(25 843)		(28 180)	(581)		(1 560)
Fee and commission income	97		44	3 197		3 108	28		26
Fee and commission expense	(16 216)		(12 892)	-		-	-		-
Other operating income	473		1 167	962		943	-		-
Overhead costs, amortisation and other operating expenses	-		(2)	(2 223)		(6 978)	-		-
Contingent liabilities granted and received									
Liabilities granted	376 479	367 458		2 283 580	2 288 854		1 770	1 776	
Liabilities received	-	-		1 918 451	1 956 104		-	-	

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 2024 recognised in the Group's income statement for that period amounted to PLN 23 066 thousand (in the period from 1 January to 30 June 2023: PLN 18 894 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 2024, 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 2024, 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 composition of the Management Board of mBank S.A.

On 4 July 2024, Mr. Cezary Stypułkowski, President of the Management Board of mBank S.A., resigned from his position on the Management Board of mBank S.A., including the position of President of the Management Board of mBank S.A., with effect from 4 July 2024.

The resignation was submitted as a result of agreements with the Supervisory Board of the Bank, constituting an integral part of the succession process as the President of the Management Board of mBank. Earlier, on 5 June 2024, Mr. Cezary Kocik was conditionally appointed to the position of the President of the Management Board. The appointment of Mr. Cezary Kocik to the position of the President of the Management Board of mBank S.A. by the Supervisory Board is conditioned by obtaining the consent of the Polish Financial Supervision Authority.

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On 25 July 2024 the Supervisory Board of mBank S.A. appointed Mr Krzysztof Bratos to the Management Board of mBank S.A. as of 26 July 2024 for the position of Vice-President of the Management Board, Head of Retail Banking, replacing Mr Cezary Kocik.

Supervisory Board of mBank S.A.

As of 30 June 2024 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. Mirosław Godlewski,
6. Aleksandra Gren,
7. Thomas Schaufler,
8. Bernhard Spalt.

31. Factors affecting the results in the coming quarter

The results in the coming quarter may 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 31.

32. Other information

■ Requirements on mBank Group capital ratios as of 30 June 2024

The minimum required level of capital ratios at the end of June 2024 amounted to:

- Individual total capital ratio: 11.13% and Tier 1 capital ratio: 9.13%;
- Consolidated total capital ratio: 11.11% and Tier 1 capital ratio: 9.11%.

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

The table below presents the measures reported as of 30 June 2024 and 31 December 2023 for the Bank and the Group.

	30.06.2024		31.12.2023	
	mBank	mBank Group	mBank	mBank Group
Common Equity Tier I capital (PLN thousand)	12 895 605	12 845 667	12 817 356	12 719 997
Tier I capital (PLN thousand)	12 895 605	12 845 667	12 817 356	12 719 997
Own funds (PLN thousand)	14 560 287	14 485 985	14 845 446	14 730 102
Common Equity Tier I ratio (%)	15.7	13.7	17.0	14.7
Tier I capital ratio (%)	15.7	13.7	17.0	14.7
Total capital ratio (%)	17.7	15.5	19.7	17.0

33. Events after the balance sheet date

■ Resignation of the President of the Management Board

On 4 July 2024 Mr. Cezary Stypułkowski, President of the Management Board of mBank S.A., submitted his resignation from the Management Board of mBank S.A., including the position of the President of the Management Board of mBank S.A., effective as of 4 July 2024.

The resignation was submitted as a result of arrangements with the Supervisory Board of the Bank, constituting an integral part of the succession process as the President of the Management Board of mBank. Earlier, on 5 June 2024, Mr. Cezary Kocik was conditionally appointed to the position of the President of the Management Board. The appointment of Mr. Cezary Kocik to the position of the President of the Management Board of mBank S.A. by the Supervisory Board is conditioned by obtaining the consent of the Polish Financial Supervision Authority.

■ Appointment of a new member of the Management Board

On 25 July 2024 the Supervisory Board of mBank S.A. appointed Mr Krzysztof Bratos to the Management Board of mBank S.A. as of 26 July 2024 for the position of Vice-President of the Management Board, Head of Retail Banking, replacing Mr Cezary Kocik.

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CONDENSED SEPARATE INCOME STATEMENT

	Period from 01.04.2024 to 30.06.2024	Period from 01.01.2024 to 30.06.2024	Period from 01.04.2023 to 30.06.2023	Period from 01.01.2023 to 30.06.2023
Interest income, including:	3 222 915	6 601 191	3 453 687	6 864 941
<i>Interest income accounted for using the effective interest method</i>	3 157 497	6 465 005	3 379 441	6 696 995
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	65 418	136 186	74 246	167 946
Interest expenses	(1 138 343)	(2 312 935)	(1 392 169)	(2 930 783)
Net interest income	2 084 572	4 288 256	2 061 518	3 934 158
Fee and commission income	722 115	1 416 578	694 798	1 379 553
Fee and commission expenses	(257 797)	(499 130)	(238 433)	(444 442)
Net fee and commission income	464 318	917 448	456 365	935 111
Dividend income	6 194	6 321	4 506	4 628
Net trading income	29 674	81 039	(55)	7 574
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(2 962)	11 880	(10 143)	3 806
Gains less losses from derecognition of assets and liabilities not measured at fair value through profit or loss	(2 281)	1 826	(1 475)	(50 310)
Other operating income	202 109	222 663	14 309	45 711
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(135 931)	(177 701)	(132 489)	(285 806)
Result on provisions for legal risk related to foreign currency loans	(1 033 481)	(2 404 044)	(1 540 192)	(2 348 680)
Overhead costs	(576 821)	(1 254 396)	(523 105)	(1 188 511)
Depreciation	(120 249)	(238 313)	(102 020)	(203 516)
Other operating expenses	(39 188)	(70 244)	(45 506)	(88 395)
Operating profit (loss)	875 954	1 384 735	181 713	765 770
Tax on the Bank's balance sheet items	(180 007)	(356 557)	(176 726)	(359 105)
Share in profits (losses) of entities under the equity method	15 733	96 209	49 731	119 855
Profit (loss) before income tax	711 680	1 124 387	54 718	526 520
Income tax expense	(286 332)	(439 722)	(54 319)	(367 464)
Net profit (loss)	425 348	684 665	399	159 056
Earnings (losses) per share (in PLN)	10.01	16.12	0.01	3.75
Diluted earnings (losses) per share (in PLN)	10.01	16.10	0.01	3.74

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(PLN thousand)

CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Period from 01.04.2024 to 30.06.2024	Period from 01.01.2024 to 30.06.2024	Period from 01.04.2023 to 30.06.2023	Period from 01.01.2023 to 30.06.2023
Net profit (loss)	425 348	684 665	399	159 056
Other comprehensive income net of tax, including:	212 769	184 746	331 398	918 069
Items that may be reclassified subsequently to the income statement	212 769	184 746	331 398	918 069
Exchange differences on translation of foreign operations (net)	1 853	352	(11 648)	(11 944)
Cash flows hedges (net)	47 510	79 900	124 526	271 668
Share of other comprehensive income of entities under the equity method (net)	9 777	5 269	11 378	11 780
Debt instruments at fair value through other comprehensive income (net)	153 629	99 225	207 142	646 565
Total comprehensive income (net)	638 117	869 411	331 797	1 077 125

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Condensed interim separate financial statement of mBank S.A. for the first half of 2024

(PLN thousand)

CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION

ASSETS	30.06.2024	31.12.2023
Cash and cash equivalents	21 629 448	36 641 448
Financial assets held for trading and derivatives held for hedges	1 686 495	1 767 707
Non-trading financial assets mandatorily at fair value through profit or loss, including:	789 756	828 268
<i>Equity instruments</i>	188 359	174 411
<i>Debt securities</i>	51 513	50 144
<i>Loans and advances to customers</i>	549 884	603 713
Financial assets at fair value through other comprehensive income	53 671 493	54 464 505
<i>Debt securities</i>	36 711 883	36 225 947
<i>Loans and advances to customers</i>	16 959 610	18 238 558
Financial assets at amortised cost, including:	140 560 750	121 056 962
<i>Debt securities</i>	31 856 153	25 527 804
<i>Loans and advances to banks</i>	14 684 021	10 476 203
<i>Loans and advances to customers</i>	94 020 576	85 052 955
Investments in subsidiaries	2 343 694	2 196 262
Intangible assets	1 565 668	1 513 882
Tangible assets	1 114 650	1 165 892
Investment properties	100 486	111 964
Current income tax assets	26 720	40 646
Deferred income tax assets	617 704	761 543
Other assets	2 046 041	1 869 397
TOTAL ASSETS	226 152 905	222 418 476
LIABILITIES AND EQUITY		
LIABILITIES		
Financial liabilities held for trading and derivatives held for hedges	1 657 141	1 458 852
Financial liabilities measured at amortised cost, including:	201 276 100	199 677 996
<i>Amounts due to banks</i>	3 250 109	3 346 208
<i>Amounts due to customers</i>	187 137 045	185 117 139
<i>Lease liabilities</i>	850 023	874 242
<i>Debt securities issued</i>	7 377 569	7 625 479
<i>Subordinated liabilities</i>	2 661 354	2 714 928
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(545 286)	(565 985)
Provisions	3 301 537	2 239 144
Current income tax liabilities	200 359	198 373
Other liabilities	5 723 592	5 747 158
TOTAL LIABILITIES	211 613 443	208 755 538
EQUITY		
Share capital:	3 625 801	3 616 185
Registered share capital	169 988	169 861
Share premium	3 455 813	3 446 324
Retained earnings:	11 265 336	10 583 174
- Profit from previous years	10 580 671	10 553 852
- Profit (loss) for the current year	684 665	29 322
Other components of equity	(351 675)	(536 421)
TOTAL EQUITY	14 539 462	13 662 938
TOTAL LIABILITIES AND EQUITY	226 152 905	222 418 476

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CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY

Changes from 1 January to 30 June 2024

	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 2024	169 861	3 446 324	10 553 852	29 322	(536 421)	13 662 938
Transfer of profit/loss from previous year	-	-	29 322	(29 322)	-	-
Total comprehensive income	-	-	-	684 665	184 746	869 411
Issuance of ordinary shares	127	-	-	-	-	127
Stock option program for employees	-	9 489	(2 503)	-	-	6 986
<i>value of services provided by the employees</i>	-	-	6 986	-	-	6 986
<i>settlement of exercised options</i>	-	9 489	(9 489)	-	-	-
Equity as at 30 June 2024	169 988	3 455 813	10 580 671	684 665	(351 675)	14 539 462

Changes from 1 January to 31 December 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	-	-	-	29 322	1 125 373	1 154 695
Issuance of ordinary shares	127	-	-	-	-	127
Stock option program for employees	-	11 280	(360)	-	-	10 920
<i>value of services provided by the employees</i>	-	-	10 920	-	-	10 920
<i>settlement of exercised options</i>	-	11 280	(11 280)	-	-	-
Equity as at 31 December 2023	169 861	3 446 324	10 553 852	29 322	(536 421)	13 662 938

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

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CONDENSED SEPARATE STATEMENT OF CASH FLOW

	Period from 01.01.2024 to 30.06.2024	Period from 01.01.2023 to 30.06.2023
Profit before income tax	1 124 387	526 520
Adjustments:	(15 417 706)	1 059 010
Income taxes paid	(336 606)	(762 152)
Depreciation, including depreciation of fixed assets provided under operating lease	244 856	210 704
Foreign exchange (gains) losses related to financing activities	(214 039)	(304 986)
(Gains) losses on investing activities	(84 469)	(125 594)
Change in valuation of investments in subsidiaries accounted for using other than the equity method	746	1 451
Dividends received	(6 321)	(4 628)
Interest income (income statement)	(6 601 191)	(6 864 941)
Interest expense (income statement)	2 312 935	2 930 783
Interest received	6 361 101	6 031 418
Interest paid	(2 850 791)	(2 737 861)
Changes in loans and advances to banks	(4 173 956)	462 645
Changes in financial assets and liabilities held for trading and hedging derivatives	648 880	342 541
Changes in loans and advances to customers	(8 004 690)	1 215 399
Changes in securities at fair value through other comprehensive income	93 914	(56 012)
Changes in securities at amortised cost	(6 202 476)	(1 413 577)
Changes of non-trading equity securities mandatorily at fair value through profit or loss	(15 317)	(23 302)
Changes in other assets	(189 448)	(258 662)
Changes in amounts due to banks	(9 321)	(1 608 868)
Changes in amounts due to customers	2 492 973	2 565 645
Changes in lease liabilities	(2 306)	(60 798)
Changes in issued debt securities	(37 370)	35 132
Changes in provisions	1 062 393	143 032
Changes in other liabilities	92 797	1 341 641
A. Cash flows from operating activities	(14 293 319)	1 585 530
Disposal of intangible assets and tangible fixed assets	382	35 006
Dividends received	6 321	4 628
Acquisition of shares in subsidiaries	(46 700)	(60)
Purchase of intangible assets and tangible fixed assets	(275 845)	(287 713)
B. Cash flows from investing activities	(315 842)	(248 139)
Proceeds from issue of ordinary shares	127	126
Redemption of debt securities	(241 307)	(947 380)
Payments of financial lease liabilities	(80 908)	(83 820)
Interest paid from loans and advances received from banks and subordinated liabilities	(86 413)	(94 572)
C. Cash flows from financing activities	(408 501)	(1 125 646)
Net increase / decrease in cash and cash equivalents (A+B+C)	(15 017 662)	211 745
Effects of exchange rate changes on cash and cash equivalents	5 662	(6 144)
Cash and cash equivalents at the beginning of the reporting period	36 641 448	16 120 301
Cash and cash equivalents at the end of the reporting period	21 629 448	16 325 902

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. Description of relevant accounting policies

Accounting basis

The condensed interim financial statements of mBank S.A. have been prepared for the 3 and 6-month periods ended 30 June 2024. Comparative data include the 3 and 6-month periods ended 30 June 2023 for the condensed income statement, condensed statement of comprehensive income, 6-month period ended 30 June 2023 for the condensed statement of cash flows and condensed statement of changes in equity, additionally for the period from 1 January to 31 December 2023 for the condensed statement of changes in equity, and in the case of the condensed statement of financial position, data as at 31 December 2023.

These interim financial statements for the first half of 2024 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 2023, published on 29 February 2024. 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).

Material accounting principles applied to the preparation of these condensed interim financial statements are presented in Note 2 to the financial statements of mBank S.A. for 2023, published on 29 February 2024.

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

The Management Board of mBank S.A. approved these condensed interim financial statements for issue on 31 July 2024.

New standards, interpretations and amendments to published standards

The detailed information regarding the International Financial Reporting Standards is presented in the condensed interim consolidated financial statements of mBank S.A. Group for the first half of 2024.

Comparative data

■ Presentation of cash and cash equivalents (adjustment 1)

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

The above change was due to the adjustment of the presentation of selected assets and liabilities as well income and expenses to the prevailing market practice and in order to better reflect the economic nature of the effects of the transactions presented. The change 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 2023 and 30 June 2023 and for the period from 1 January to 30 June 2023 have been restated accordingly.

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

Restatements in statement of financial position at 1 January 2023

ASSETS	No	01.01.2023 before restatement	restatement	01.01.2023 after restatement
Cash and cash equivalents (previously: Cash and balances with the Central Bank)	1	15 906 492	213 809	16 120 301
Financial assets at amortised cost, including:	1	123 405 293	(213 809)	123 191 484
<i>Debt securities</i>		20 206 976	-	20 206 976
<i>Loans and advances to banks</i>	1	15 392 870	(213 809)	15 179 061
<i>Loans and advances to customers</i>		87 805 447	-	87 805 447
Other items		64 663 993	-	64 663 993
TOTAL ASSETS		203 975 778	-	203 975 778
LIABILITIES AND EQUITY	No	01.01.2023 before restatement	restatement	01.01.2023 after restatement
TOTAL LIABILITIES AND EQUITY		203 975 778	-	203 975 778

Restatements in statement of financial position at 30 June 2023

ASSETS	No	30.06.2023 before restatement	restatement	30.06.2023 after restatement
Cash and cash equivalents (previously: Cash and balances with the Central Bank)	1	15 918 276	407 626	16 325 902
Financial assets at amortised cost, including:	1	125 734 337	(407 626)	125 326 711
<i>Debt securities</i>		21 652 480	-	21 652 480
<i>Loans and advances to banks</i>	1	15 060 355	(407 626)	14 652 729
<i>Loans and advances to customers</i>		89 021 502	-	89 021 502
Other items		66 038 330	-	66 038 330
TOTAL ASSETS		207 690 943	-	207 690 943
LIABILITIES AND EQUITY	No	30.06.2023 before restatement	restatement	30.06.2023 after restatement
TOTAL LIABILITIES AND EQUITY		207 690 943	-	207 690 943

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 and other foreign currencies

Detailed information on the impact of legal risk related to CHF and other foreign currencies mortgage and housing loans is provided in Note 31 of Condensed interim consolidated financial statements of mBank S.A. Group for the first half of 2024.

Impact of credit holidays on the financial result of the Bank

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

According to the amendment to the Act, after meeting certain conditions (loan amount below PLN 1.2 million and the proportion of the loan instalment to the borrower's income exceeding 30%), borrowers have the right to suspend four monthly instalments in 2024. Credit holidays apply to both the principal and interest parts of the loan. The instalment repayment dates will be extended without additional interest for the suspension periods. In the Bank's opinion, the change to the contractual terms of mortgage loans implemented by the Act constituted an insignificant modification of these financial assets in accordance with IFRS 9.5.4.3.

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In first half of 2024, the Bank recognised the impact of credit holidays in consolidated terms in the total amount of PLN 256.8 million, out of which PLN 196.8 million related to loan portfolio of mBank and decreased the interest income of the Bank and PLN 60.0 million related at mBank Hipoteczny loan portfolio decreased the share in profits (losses) of entities under the equity method. The negative impact of credit holidays on the valuation of the loan portfolio is settled by the recognition of interest income calculated using the effective interest rate and adjusted gross carrying amount in periods in which customers taking advantage of credit holidays do not pay the interest according to the original schedules of the loan agreements.

To calculate the impact of credit holidays, the Bank estimated that customers owning 92.5% and 77.0% of the value of the assumed eligible mortgage loan portfolio of mBank and mBank Hipoteczny respectively (i.e. a portfolio that includes loans for which the statutory criteria of benefiting from credit holidays are met) applied or will apply for the credit holidays, they will request on average 3.4 months of credit holidays.

As of 30 June 2024 the gross carrying value of the loans being subject to the credit holidays amounted to PLN 3 636.4 million at mBank and PLN 1 103.6 million at mBank Hipoteczny.

Impairment of loans and advances

The Bank reviews its loan portfolio to update the expected credit loss amount at least once per quarter. In order to determine a need to update the level of expected credit losses, 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 and off-balance liabilities which are impaired as of 30 June 2024, change by +/- 10%, the estimated loans and advances and off-balance liabilities impairment would either decrease by PLN 56.1 million or increase by PLN 61.9 million (as at 31 December 2023: PLN 52.8 million and PLN 56.1 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 2023, published on 29 February 2024.

Actions taken in relation to the current situation in Ukraine

In the first half of 2024, the Bank continued to monitor its portfolio of exposures related to the war in 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 2024, credit exposure and expected credit losses were determined in the mentioned countries, as shown in the table below.

Country	Direct exposure as at 30.06.2024												
	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)	-	43 154
Belarus	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	150	-	-	-	-	-	-	-	(150)	-	43 154

There was also identified an indirect exposure: a balance sheet exposure of PLN 85.4 million and an off-balance sheet exposure of PLN 128.6 million towards corporate clients whose business is indirectly exposed to the risk of Russia's aggression towards Ukraine.

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

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Country	Indirect exposure as at 30.06.2024											
	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	8 162	18 203	-	-	48 653	1 467	-	-	(19)	(485)	-	-
Russia	3 199	6 514	47 376	-	70 043	7 845	-	-	(133)	(96)	(47 376)	-
Belarus	1 982	-	-	-	518	96	-	-	(5)	(7)	-	-
Total	13 343	24 717	47 376	-	119 214	9 408	-	-	(157)	(588)	(47 376)	-

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

In the first half of 2024, the Bank updated 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 in Poland and they are consistent with the forecasts used in the planning process.

In order to assess expected credit loss (ECL) sensitivity to the future macroeconomic conditions, the 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 the optimistic and pessimistic scenarios is presented below as the deviation of the value of provisions in a given scenario from the expected credit losses calculated for the baseline path.

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

Scenario as of 30.06.2024		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast
GDP	y/y	3.4%	4.2%	4.4%	4.8%	1.1%	1.7%
Unemployment rate	end of the year	3.0%	2.8%	2.2%	2.2%	3.9%	4.2%
Real estate price index	y/y	111.0	108.4	111.9	110.1	101.3	100.0
WIBOR 3M	end of the year	5.50%	4.40%	7.00%	5.65%	4.60%	3.25%

Scenario as of 31.12.2023		base		optimistic		pessimistic	
Probability		60%		20%		20%	
		The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast	The first year of the forecast	The second year of the forecast
GDP	y/y	0.4%	3.1%	1.9%	4.0%	-1.6%	1.5%
Unemployment rate	end of the year	5.3%	5.1%	4.3%	3.5%	5.5%	5.9%
Real estate price index	y/y	102.8	107.5	103.5	114.4	93.6	103.6
WIBOR 3M	end of the year	6.95%	6.20%	8.25%	8.20%	5.75%	4.70%

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

Scenario	Change in value of credit risk costs			
	30.06.2024			
	Stage 1	Stage 2	Stage 3	Total
optimistic	85 448	121 247	1 950	208 645
pessimistic	(131 222)	(157 335)	(1 028)	(289 586)

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 90% of the assets of the portfolio of loans and advances to customers (excluding the exposures not valued with the use of models, i.e. exposures of public sector entities, non-bank financial institutions and corporate clients assessed individually as well as other impaired exposures at the date of initial recognition).

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

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

The impact of these changes on the level of expected credit loss was recognized as a release of provisions in the amount of PLN 86.3 million (positive 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 2023, published on 29 February 2024.

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. The projected annual effective tax rate calculated in this way amounted to 39.1% and was applied to the profit before tax for the first half of 2024. In the first half of 2023, the projected annual effective tax rate was 69.8%.

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 2024 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. Costs directly related to the sale of insurance products are settled in a similar way.

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 2023, published on 29 February 2024.

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

The presented condensed interim financial statements for the first half of 2024 fulfils the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" relating to interim financial reports.

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

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

The description of the Bank's material accounting policies is presented in Note 2 of Financial statements of mBank S.A. for 2023, published on 29 February 2024. The accounting principles adopted by the Bank were applied on a continuous basis for all periods presented in the financial statements with the exception of the accounting policy for income tax recognition, which in the interim statements is in accordance with IAS 34.

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 2024, the Bank recognised the cost of legal risk related to foreign currency loans in the amount of PLN 2 404.0 million. The detailed information in this regard is presented in Note 31 of Condensed interim consolidated financial statements of mBank S.A. Group for the first half of 2024.

■ In first half of 2024, the Bank also recognised the impact of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays") which resulted in a decrease in interest income by recognising the result on non-substantial modifications of loans in the amount PLN -196.8 million. In addition, through the valuation of the subsidiary mBank Hipoteczny using the equity method, the Bank also recognised the impact of loan holidays in this company, in the gross amount of PLN -60.0 million. Detailed information in this regard is presented in Note 2.

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 2024 include cost of legal risk related to foreign currencies loans in the amount of PLN 2 404.0 million. The detailed information is presented in Note 31 of Condensed interim consolidated financial statements of mBank S.A. Group for the first half of 2024.

■ In first half of 2024, the Bank also recognised the impact of suspending the execution of mortgage contracts granted in Polish currency (so-called "credit holidays") which resulted in a decrease in interest income by recognising the result on non-substantial modifications of loans in the amount PLN -196.8 million. In addition, through the valuation of the subsidiary mBank Hipoteczny using the equity method, the Bank also recognised the impact of loan holidays in this company, in the gross amount of PLN -60.0 million. Detailed information in this regard is presented in Note 2.

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

■ On 22 January 2024 and on 22 April 2024 mBank partially redeemed credit linked notes in the amount of PLN 241 307 thousand. The notes are connected with synthetic securitisation transaction performed in March 2022, their partial redemption is a result of depreciation of securitised portfolio.

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(PLN thousand)

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

On 27 March 2024, the 37th Annual General Meeting of mBank S.A. adopted resolution regarding the profit share for 2023. The net profit earned by mBank S.A. in 2023, amounting to PLN 29 322 135.24 is assigned to the supplementary capital of mBank S.A. The Annual General Meeting of mBank S.A. also decided to leave the profit from the previous years in the amount of PLN 1 401 756 971.49 undivided. The Annual General Meeting of mBank S.A did not decide about dividend payment.

8. Income and profit by business segments

Income and profit by business segments within the Bank are presented in Note 4 of the condensed interim consolidated financial statements of mBank S.A. Group for the first half of 2024.

9. Significant events after the end of the first half of 2024, 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 quarter of 2024, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities

In the first half of 2024, events as indicated above did not occur in the Bank.

11. Changes in contingent liabilities and commitments

In the first half of 2024, 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 2024, 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 2024, events as indicated above did not occur in the Bank.

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

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss, including:			
Financial assets at amortised cost		(176 719)	(400 774)
- debt securities		(387)	(1 155)
- loans and advances		(176 332)	(399 619)
Financial assets at fair value through other comprehensive income		(8 236)	(26 182)
- debt securities		482	(1 500)
- loans and advances		(8 718)	(24 682)
Commitments and guarantees granted		7 254	141 150
Total impairment losses on financial assets not measured at fair value through profit or loss		(177 701)	(285 806)

15. Reversals of provisions against restructuring costs

In the first half of 2024, events as indicated above did not occur in the Bank.

16. Acquisitions and disposals of tangible fixed asset items

In the first half of 2024, 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 2024, 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 2024, 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 2024, events as indicated above did not occur in the Bank.

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

In the first half of 2024, 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 2024.

24. Registered share capital

The total number of ordinary shares as at 30 June 2024 was 42 496 973 shares (31 December 2023: 42 465 167 shares) at PLN 4 nominal value each. All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 30 JUNE 2024						
Share type	Type of privilege	Type of limitation	Number of shares	Series / face value of issue in PLN	Paid up	Registered on
ordinary bearer*	-	-	9 989 000	39 956 000	fully paid in cash	1986
ordinary registered*	-	-	11 000	44 000	fully paid in cash	1986
ordinary bearer	-	-	2 500 000	10 000 000	fully paid in cash	1994
ordinary bearer	-	-	2 000 000	8 000 000	fully paid in cash	1995
ordinary bearer	-	-	4 500 000	18 000 000	fully paid in cash	1997
ordinary bearer	-	-	3 800 000	15 200 000	fully paid in cash	1998
ordinary bearer	-	-	170 500	682 000	fully paid in cash	2000
ordinary bearer	-	-	5 742 625	22 970 500	fully paid in cash	2004
ordinary bearer	-	-	270 847	1 083 388	fully paid in cash	2005
ordinary bearer	-	-	532 063	2 128 252	fully paid in cash	2006
ordinary bearer	-	-	144 633	578 532	fully paid in cash	2007
ordinary bearer	-	-	30 214	120 856	fully paid in cash	2008
ordinary bearer	-	-	12 395 792	49 583 168	fully paid in cash	2010
ordinary bearer	-	-	16 072	64 288	fully paid in cash	2011
ordinary bearer	-	-	36 230	144 920	fully paid in cash	2012
ordinary bearer	-	-	35 037	140 148	fully paid in cash	2013
ordinary bearer	-	-	36 044	144 176	fully paid in cash	2014
ordinary bearer	-	-	28 867	115 468	fully paid in cash	2015
ordinary bearer	-	-	41 203	164 812	fully paid in cash	2016
ordinary bearer	-	-	31 995	127 980	fully paid in cash	2017
ordinary bearer	-	-	24 860	99 440	fully paid in cash	2018
ordinary bearer	-	-	13 385	53 540	fully paid in cash	2019
ordinary bearer	-	-	16 673	66 692	fully paid in cash	2020
ordinary bearer	-	-	17 844	71 376	fully paid in cash	2021
ordinary bearer	-	-	48 611	194 444	fully paid in cash	2022
ordinary bearer	-	-	31 672	126 688	fully paid in cash	2023
ordinary bearer	-	-	31 806	127 224	fully paid in cash	2024
Total number of shares			42 496 973			
Total registered share capital				169 987 892		
Nominal value per share (PLN)		4				

* As at the end of the reporting period

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(PLN thousand)

25. Material share packages

The shareholders holding over 5% of the share capital and votes at the General Meeting are:

- Commerzbank AG which held 69.07% of the share capital and votes at the General Meeting of mBank S.A. as at 30 June 2024, and
- Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A., the funds of which held 5.18% of the share capital and votes at the General Meeting of mBank S.A., including Nationale-Nederlanden Otwarty Fundusz Emerytalny the funds of which held 5.01% of the share capital and votes at the General Meeting of mBank S.A.

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

- On 7 March 2024, Bank was notified by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (Nationale-Nederlanden PTE S.A.) about an increase of the funds' share managed by Nationale-Nederlanden PTE S.A. share in the share capital and the total number of votes at the General Meeting of mBank S.A. above 5% as a result of a purchase of the Bank's shares on 5 March 2024. After the transaction the funds managed by Nationale-Nederlanden PTE S.A. held 2 127 099 shares of mBank S.A., which represents 5.009% of the share capital and the total number of votes at the General Meeting of mBank S.A.
- On 21 March 2024, the Bank was notified by Nationale-Nederlanden PTE S.A. about an increase of the funds' share managed by Nationale-Nederlanden Otwartego Funduszu Emerytalnego (Nationale-Nederlanden OFE) share in the share capital and the total number of votes at the General Meeting of mBank S.A. above 5% as a result of a purchase of the Bank's shares on 19 March 2024. As a result of the above-mentioned transaction on the accounts of funds managed by Nationale-Nederlanden OFE there were a total of 2 129 814 shares of the Bank, which constituted 5.0154% of the shares and votes at the general meeting of mBank S.A. As a result of the above-mentioned transaction on the accounts of funds managed by Nationale-Nederlanden PTE S.A. there were a total of 2 200 912 shares of the Bank, which constituted 5.1829% of the shares and votes at the general meeting of mBank S.A.

26. Earnings per share

	the period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Basic:			
Net profit		684 665	159 056
Weighted average number of ordinary shares		42 469 536	42 437 832
Net basic profit per share (in PLN per share)		16.12	3.75
Diluted:			
Net profit applied for calculation of diluted earnings per share		684 665	159 056
Weighted average number of ordinary shares		42 469 536	42 437 832
Adjustments for:			
- subscription warrants		54 930	62 359
Weighted average number of ordinary shares for calculation of diluted earnings per share		42 524 466	42 500 191
Diluted earnings per share (in PLN per share)		16.10	3.74

27. Contingent liabilities

The information on contingent liabilities, including proceedings before a court, an arbitration body or a public administration body are presented in Point 26 of Selected explanatory information in Condensed interim consolidated financial statements of mBank S.A. Group for the first half of 2024.

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

Detailed information on the impact of legal risk related to CHF mortgage and housing loans granted to individual customers indexed to CHF and other foreign currencies is provided in Note 31 of Condensed interim consolidated financial statements of mBank S.A. Group for the first half of 2024.

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(PLN thousand)

29. Off-balance sheet liabilities

	30.06.2024	31.12.2023
Contingent liabilities granted and received	54 969 230	52 263 737
Commitments granted	45 235 116	42 266 681
Financing	34 730 895	34 064 866
Guarantees and other financial facilities	8 499 397	8 201 815
Other liabilities	2 004 824	-
Commitments received	9 734 114	9 997 056
Financial commitments received	448 310	485 280
Guarantees received	9 285 804	9 511 776
Derivative financial instruments (nominal value of contracts)	663 372 506	553 441 853
Interest rate derivatives	541 931 451	420 828 066
Currency derivatives	116 348 018	127 532 515
Market risk derivatives	5 093 037	5 081 272
Total off-balance sheet items	718 341 736	605 705 590

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 2024 and as at 31 December 2023, and related costs and income for the period from 1 January to 30 June 2024 and from 1 January to 30 June 2023 are presented in the table below.

	mBank's subsidiaries			Commerzbank AG			Other companies of the Commerzbank AG Group		
	30.06.2024	31.12.2023	30.06.2023	30.06.2024	31.12.2023	30.06.2023	30.06.2024	31.12.2023	30.06.2023
Statement of financial position									
Assets	23 092 885	21 539 912		659 728	565 885		48	45	
Liabilities	381 661	533 442		1 533 309	1 761 275		78 594	82 994	
Income Statement									
Interest income	686 472		716 593	34 437		32 471	-		-
Interest expense	(3 104)		(3 082)	(25 672)		(28 084)	(581)		(1 377)
Fee and commission income	6 722		8 698	3 197		3 108	28		26
Fee and commission expense	(131 880)		(95 557)	-		-	-		-
Other operating income	6 778		6 775	962		943	-		-
Overhead costs, amortisation and other operating expenses	(11 935)		(34 190)	(2 223)		(6 978)	-		-
Contingent liabilities granted and received									
Liabilities granted	2 397 440	2 909 963		2 283 580	2 288 854		1 770	1 776	
Liabilities received	-	-		1 918 451	1 956 104		-	-	

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 2024 recognised in the Bank's income statement for that period amounted to PLN 23 066 thousand (in the period from 1 January to 30 June 2023: PLN 18 894 thousand).

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

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

In the six-month period, ended on 30 June 2024, the Bank has not concluded any substantial agreements regarding credit and loan guarantees or guarantees granted of a significant amount.

32. Fair value of assets and liabilities

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

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

The approach to the method used for the loans that are fair valued in line of IFRS9 requirements, is described in the Note 3.3.7 to the financial statements of mBank S.A. for 2023, published on 29 February 2024.

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

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

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.

	30.06.2024		31.12.2023	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortised cost				
Debt securities	31 856 153	30 770 320	25 527 804	24 475 440
Loans and advances to banks	14 684 021	14 691 794	10 476 203	10 484 017
Loans and advances to customers, including:	94 020 576	94 653 232	85 052 955	84 988 845
Individual customers	39 162 460	40 504 609	36 661 091	37 295 489
Current accounts	7 165 147	7 550 507	7 182 778	7 568 606
Term loans	31 937 142	32 893 931	29 312 506	29 561 076
Other	60 171	60 171	165 807	165 807
Corporate customers	54 720 234	54 024 829	48 267 016	47 595 253
Current accounts	7 677 283	7 459 080	6 493 390	6 213 579
Term loans	41 786 614	41 309 412	40 145 143	39 753 191
Reverse repo or buy/sell back transactions	4 728 017	4 728 017	884 216	884 216
Other loans and advances	501 568	501 568	719 359	719 359
Other	26 752	26 752	24 908	24 908
Public sector customers	137 882	123 794	124 848	98 103
Financial liabilities at amortised cost				
Amounts due to other banks	3 250 109	3 250 109	3 346 208	3 346 208
Amounts due to customers	187 137 045	187 134 607	185 117 139	185 114 770
Debt securities in issue	7 377 569	7 329 192	7 625 479	7 617 849
Subordinated liabilities	2 661 354	2 578 131	2 714 928	2 559 783

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.

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 case of subordinated liabilities, the valuation is based on discounted cash flows using market swap curves (depending on the terms of issue) adjusted for the issuer's credit risk.

In the case of 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.

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(PLN thousand)

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 2024 and as at 31 December 2023.

30.06.2024	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	30 770 320	25 063 276	-	5 707 044
Loans and advances to banks	14 691 794	-	-	14 691 794
Loans and advances to customers	94 653 232	-	-	94 653 232
Total financial assets	140 115 346	25 063 276	-	115 052 070
FINANCIAL LIABILITIES				
Amounts due to banks	3 250 109	-	1 877 252	1 372 857
Amounts due to customers	187 134 607	-	220 222	186 914 385
Debt securities issued	7 329 192	6 039 751	-	1 289 441
Subordinated liabilities	2 578 131	-	-	2 578 131
Total financial liabilities	200 292 039	6 039 751	2 097 474	192 154 814
31.12.2023				
31.12.2023	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
VALUATION ONLY FOR PURPOSES OF DISCLOSURE				
FINANCIAL ASSETS				
Debt securities	24 475 440	18 199 454	-	6 275 986
Loans and advances to banks	10 484 017	-	-	10 484 017
Loans and advances to customers	84 988 845	-	-	84 988 845
Total financial assets	119 948 302	18 199 454	-	101 748 848
FINANCIAL LIABILITIES				
Amounts due to banks	3 346 208	-	1 938 343	1 407 865
Amounts due to customers	185 114 770	-	231 230	184 883 540
Debt securities issued	7 617 849	5 996 197	-	1 621 652
Subordinated liabilities	2 559 783	-	-	2 559 783
Total financial liabilities	198 638 610	5 996 197	2 169 573	190 472 840

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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.

30.06.2024	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	1 686 495	697 677	629 379	359 439				
Loans and advances to customers	41 894	-	-	41 894				
Debt securities	1 004 280	686 735	-	317 545				
Equity instruments	10 942	10 942	-	-				
Derivative financial instruments, including:	629 379	-	629 379	-				
Derivative financial instruments held for trading	795 635	-	795 635	-				
Hedging derivative financial instruments	299 450	-	299 450	-				
Offsetting effect	(465 706)	-	(465 706)	-				
Non-trading financial assets mandatorily at fair value through profit or loss	789 756	1 019	-	788 737				
Loans and advances to customers	549 884	-	-	549 884				
Debt securities	51 513	-	-	51 513				
Equity securities	188 359	1 019	-	187 340				
Financial assets at fair value through other comprehensive income	53 671 493	20 578 029	14 687 667	18 405 797				
Loans and advances to customers	16 959 610	-	-	16 959 610				
Debt securities	36 711 883	20 578 029	14 687 667	1 446 187				
Total financial assets	56 147 744	21 276 725	15 317 046	19 553 973				
Investment properties	100 486	-	-	100 486				
Financial liabilities								
Financial liabilities held for trading and hedging derivatives	1 657 141	849 521	807 620	-				
Derivative financial instruments, including:	807 620	-	807 620	-				
Derivative financial instruments held for trading	945 151	-	945 151	-				
Hedging derivative financial instruments	885 030	-	885 030	-				
Offsetting effect	(1 022 561)	-	(1 022 561)	-				
Liabilities from short sale of securities	849 521	849 521	-	-				
Total financial liabilities	1 657 141	849 521	807 620	-				
Assets measured at fair value and investment properties based on Level 3 changes in the period from 1 January to 30 June 2024	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	40 498	237 606	603 713	50 144	173 518	18 238 558	1 412 571	111 964
Gains and losses for the period:	1 391	560	(1 419)	1 369	13 822	16 663	10 463	(11 478)
Recognised in profit or loss:	1 391	560	(1 419)	1 369	13 822	(2 230)	-	(11 478)
<i>Net trading income</i>	1 391	560	-	1 279	739	-	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	(1 419)	90	13 083	-	-	-
<i>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</i>	-	-	-	-	-	(2 230)	-	-
<i>Other operating expenses</i>	-	-	-	-	-	-	-	(11 478)
Recognised in other comprehensive income:	-	-	-	-	-	18 893	10 463	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	18 893	10 463	-
Purchases / origination	-	298 965	16 033	-	-	467 628	799 238	-
Redemptions / total repayments	-	(40 296)	(54 652)	-	-	(559 392)	(103 770)	-
Sales	-	(1 041 519)	-	-	-	(740 285)	(1 001 131)	-
Issues	-	862 229	-	-	-	-	328 816	-
Other changes	5	-	(13 791)	-	-	(463 562)	-	-
As at the end of the period	41 894	317 545	549 884	51 513	187 340	16 959 610	1 446 187	100 486

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31.12.2023	including:	Level 1	Level 2	Level 3				
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques				
RECURRING FAIR VALUE MEASUREMENTS								
Financial assets								
Financial assets held for trading and hedging derivatives	1 767 707	407 773	1 081 830	278 104				
Loans and advances to customers	40 498	-	-	40 498				
Debt securities	634 939	397 333	-	237 606				
Equity securities	10 440	10 440	-	-				
Derivative financial instruments, including:	1 081 830	-	1 081 830	-				
Derivative financial instruments held for trading	1 257 353	-	1 257 353	-				
Hedging derivative financial instruments	243 047	-	243 047	-				
Offsetting effect	(418 570)	-	(418 570)	-				
Non-trading financial assets mandatorily at fair value through profit or loss	828 268	893	-	827 375				
Loans and advances to customers	603 713	-	-	603 713				
Debt securities	50 144	-	-	50 144				
Equity securities	174 411	893	-	173 518				
Financial assets at fair value through other comprehensive income	54 464 505	16 431 196	18 382 180	19 651 129				
Loans and advances to customers	18 238 558	-	-	18 238 558				
Debt securities	36 225 947	16 431 196	18 382 180	1 412 571				
Total financial assets	57 060 480	16 839 862	19 464 010	20 756 608				
Investment properties	111 964	-	-	111 964				
Financial liabilities								
Financial liabilities held for trading and hedging derivatives	1 458 852	157 607	1 301 245	-				
Derivative financial instruments, including:	1 301 245	-	1 301 245	-				
Derivative financial instruments held for trading	1 450 696	-	1 450 696	-				
Hedging derivative financial instruments	1 119 296	-	1 119 296	-				
Offsetting effect	(1 268 747)	-	(1 268 747)	-				
Liabilities from short sale of securities	157 607	157 607	-	-				
Total financial liabilities	1 458 852	157 607	1 301 245	-				
Assets measured at fair value and investment properties based on Level 3 - changes in the period from 1 January to 31 December 2023	Financial assets held for trading and hedging derivatives		Non-trading financial assets mandatorily at fair value through profit or loss			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:	308	42 321	(29 828)	5 135	52 505	138 332	2 929	(24 945)
Recognised in profit or loss:	308	42 321	(29 828)	5 135	52 505	2 674	-	(24 945)
<i>Net trading income</i>	308	42 321	-	(4 934)	(133)	-	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	(29 828)	10 069	52 638	-	-	-
<i>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss</i>	-	-	-	-	-	2 674	-	-
<i>Other operating income/ other operating expenses</i>	-	-	-	-	-	-	-	(24 945)
Recognised in other comprehensive income:	-	-	-	-	-	135 658	2 929	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	135 658	2 929	-
Purchases / origination	-	858 169	81 521	-	343	457 263	1 810 351	-
Redemptions / total repayments	-	(249 332)	(134 963)	-	-	(731 756)	(600 838)	-
Sales	-	(3 688 103)	-	-	-	(628 087)	(2 733 555)	-
Issues	-	2 872 686	-	-	-	-	1 214 313	-
Other changes	470	-	(25 587)	-	-	(419 267)	-	-
As at the end of the period	40 498	237 606	603 713	50 144	173 518	18 238 558	1 412 571	111 964

During the first half of 2024 and during 2023 there were no transfers of financial instruments between the levels of fair value hierarchy.

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

Level 1

As at 30 June 2024 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 686 735 thousand and the fair value of government bonds measured at fair value through other comprehensive income in the amount of PLN 19 703 711 thousand (31 December 2023: PLN 397 333 thousand and PLN 15 063 647 thousand, respectively). Level 1 includes the fair values of corporate bonds in the amount of PLN 874 318 thousand (31 December 2023: PLN 1 367 549 thousand).

In addition, as at 30 June 2024 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 1 019 thousand (31 December 2023: PLN 893 thousand) and equity instruments in the amount of PLN 10 942 thousand (31 December 2023: PLN 10 440 thousand).

As at 30 June 2024 Level 1 also includes liabilities from short sale of securities quoted on active markets in the amount of PLN 849 521 thousand (31 December 2023: PLN 157 607 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 14 687 667 thousand (31 December 2023: PLN 18 382 180 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 1 815 245 thousand (31 December 2023: PLN 1 700 321 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 2024 includes the value of loans and advances to customers in the amount of PLN 17 551 388 thousand (31 December 2023: PLN 18 882 769 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 2023, published on 29 February 2024.

Moreover level 3 includes the value of equity securities in the amount of PLN 187 340 thousand (31 December 2023: PLN 173 518 thousand). The equity instruments presented at level 3 have been

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valuated using the dividend discount model. The valuations were predominantly prepared based on selected financial figures provided by valuated entities and discounted with the cost of equity estimated using CAPM model (Capital Asset Pricing Model). At the end of the first half of 2024, the cost of equity was estimated at the level in the range from 11.6% to 12.2% (as at the end of 2023: from 12.3% to 13.8%). Additionally, part of the forecasts assuming growth above the average market growth were discounted with the cost of equity at the level of 25%.

As at 30 June 2024 level 3 also includes fair value of investment property in the amount of PLN 100 486 thousand (31 December 2023: PLN 111 964 thousand). The value of the property was estimated by a property appraiser entered in the Central Register of Property Appraisers kept by the Minister of Development and Technology. The property was valued using the income method. The key unobservable parameter used in the model is the capitalisation rate of 7.25% used to discount cash flows (31 December 2023: 7.25%).

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 30.06.2024	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	187 340	(20 586)	25 565	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	1 446 187	(31 457)	31 457	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	317 545	(7 300)	7 300	
Loans and advances to customers held for trading	41 894	(222)	206	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	549 884	(7 794)	7 781	
Loans and advances to customers measured at fair value through other comprehensive income	16 959 610	(15 976)	15 232	

Portfolio	Fair value 31.12.2023	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	173 518	(17 659)	21 431	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the 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	1 412 571	(30 325)	30 325	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through profit or loss	237 606	(6 686)	6 686	
Loans and advances to customers held for trading	40 498	(311)	294	The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers mandatorily at fair value through profit or loss	603 713	(8 755)	8 772	
Loans and advances to customers measured at fair value through other comprehensive income	18 238 558	(17 152)	16 317	

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 2024, 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 Lusztyń – 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 composition of the Management Board of mBank S.A.

On 4 July 2024, Mr. Cezary Stypułkowski, President of the Management Board of mBank S.A., resigned from his position on the Management Board of mBank S.A., including the position of President of the Management Board of mBank S.A., with effect from 4 July 2024.

The resignation was submitted as a result of agreements with the Supervisory Board of the Bank, constituting an integral part of the succession process as the President of the Management Board of mBank. Earlier, on 5 June 2024, Mr. Cezary Kocik was conditionally appointed to the position of the President of the Management Board. The appointment of Mr. Cezary Kocik to the position of the President of the Management Board of mBank S.A. by the Supervisory Board is conditioned by obtaining the consent of the Polish Financial Supervision Authority.

On 25 July 2024 the Supervisory Board of mBank S.A. appointed Mr Krzysztof Bratos to the Management Board of mBank S.A. as of 26 July 2024 for the position of Vice-President of the Management Board, Head of Retail Banking, replacing Mr Cezary Kocik.

Supervisory Board of mBank S.A.

As of 30 June 2024 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. Mirosław Godlewski,
6. Aleksandra Gren,
7. Thomas Schaufler,
8. Bernhard Spalt.

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 31 of Condensed interim consolidated financial statements of mBank S.A. Group for the first half of 2024.

35. Other information

■ Requirements on mBank Group capital ratios as of 30 June 2024

The minimum required level of capital ratios at the end of June 2024 amounted to:

- Individual total capital ratio: 11.13% and Tier 1 capital ratio: 9.13%;
- Consolidated total capital ratio: 11.11% and Tier 1 capital ratio: 9.11%.

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

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The table below presents the measures reported as of 30 June 2024 and 31 December 2023 for the Bank and the Group.

	30.06.2024		31.12.2023	
	mBank	mBank Group	mBank	mBank Group
Common Equity Tier I capital (PLN thousand)	12 895 605	12 845 667	12 817 356	12 719 997
Tier I capital (PLN thousand)	12 895 605	12 845 667	12 817 356	12 719 997
Own funds (PLN thousand)	14 560 287	14 485 985	14 845 446	14 730 102
Common Equity Tier I ratio (%)	15.7	13.7	17.0	14.7
Tier I capital ratio (%)	15.7	13.7	17.0	14.7
Total capital ratio (%)	17.7	15.5	19.7	17.0

36. Events after the balance sheet date

■ Resignation of the President of the Management Board

On 4 July 2024 Mr. Cezary Stypułkowski, President of the Management Board of mBank S.A., submitted his resignation from the Management Board of mBank S.A., including the position of the President of the Management Board of mBank S.A., effective as of 4 July 2024.

The resignation was submitted as a result of arrangements with the Supervisory Board of the Bank, constituting an integral part of the succession process as the President of the Management Board of mBank. Earlier, on 5 June 2024, Mr. Cezary Kocik was conditionally appointed to the position of the President of the Management Board. The appointment of Mr. Cezary Kocik to the position of the President of the Management Board of mBank S.A. by the Supervisory Board is conditioned by obtaining the consent of the Polish Financial Supervision Authority.

■ Appointment of a new member of the Management Board

On 25 July 2024 the Supervisory Board of mBank S.A. appointed Mr Krzysztof Bratos to the Management Board of mBank S.A. as of 26 July 2024 for the position of Vice-President of the Management Board, Head of Retail Banking, replacing Mr Cezary Kocik.