



**Report
mBank Hipoteczny S.A.
for the first half of 2024**

SELECTED FINANCIAL DATA

The following selected financial data constitute supplementary information to the condensed financial statements of mBank Hipoteczny S.A. for the first half of 2024.

Selected financial data		in PLN ` 000		in EUR ` 000	
		Period		Period	
		from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
I.	Interest income	392 408	481 102	91 027	104 293
II.	Fee and commission income	133	130	31	28
III.	Net trading income	1 653	(1 160)	383	(251)
IV.	Operating result	(34 578)	33 831	(8 021)	7 334
V.	Profit/ loss before income tax	(45 149)	20 217	(10 473)	4 383
VI.	Net profit/ loss attributable to shareholders of mBank Hipoteczny S.A.	(44 759)	11 188	(10 383)	2 425
VII.	Net cash flows from operating activities	115 310	100 153	26 748	21 711
VIII.	Net cash flows from investing activities	(5 420)	(3 644)	(1 257)	(790)
IX.	Net cash flows from financing activities	(112 065)	(505 941)	(25 996)	(109 677)
X.	Total net cash flows	(2 175)	(409 432)	(505)	(88 756)
XI.	Basic earnings/ loss per ordinary share / Diluted earnings / loss per ordinary share (in PLN/EUR)	(20,35)	3,63	(4,72)	0,79

Selected financial data		in PLN ` 000			in EUR ` 000		
		as at			as at		
		30.06.2024	31.12.2023	30.06.2023	30.06.2024	31.12.2023	30.06.2023
I.	Total assets	10 090 077	10 105 413	10 172 579	2 339 457	2 324 152	2 285 819
II.	Amounts due to other banks	3 108 546	3 359 288	3 049 462	720 739	772 605	685 226
III.	Amounts due to customers	50	61	63	12	14	14
IV.	Equity attributable to shareholders of mBank Hipoteczny S.A.	759 081	793 014	744 930	175 998	182 386	167 389
V.	Share capital	220 000	220 000	220 000	51 009	50 598	49 435
VI.	Number of shares	2 200 000	2 200 000	3 078 011	2 200 000	2 200 000	3 078 011
VII.	Book value per share / Diluted book value per share (in PLN/EUR)	345,04	360,46	242,02	80,00	82,90	54,38
VIII.	Total capital ratio (%)	19,88	20,14	22,35	19,88	20,14	22,35
IX.	Common Equity Tier 1 ratio	19,88	20,14	19,83	19,88	20,14	19,83

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: EUR 1 = PLN 4.3130, 31 December 2023: EUR 1 = PLN 4.3480 and 30 June 2023: EUR 1 = PLN 4.4503.
- for items of the income statement and items of statement of cash flows – 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 = 4.3109 PLN and EUR 1 = PLN 4.6130 respectively.



mBank Hipoteczny S.A.
Condensed Financial Statements
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.

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CONDENSED INCOME STATEMENT

	Note	Period		
		from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023	
			Continuing operations	Discontinuing operations
Interest income, including:	5	392 408	441 404	39 698
<i>Interest income calculated using the effective interest rate method</i>		374 155	430 058	37 528
<i>Income similar to interest - financial assets measured at fair value through profit or loss</i>		18 253	11 346	2 170
Interest expense	5	(336 063)	(370 827)	(33 183)
Net interest income		56 345	70 577	6 515
Fee and commission income	6	133	89	41
Fee and commission expenses	6	(2 783)	(3 125)	(1 129)
Net fee and commission income		(2 650)	(3 036)	(1 088)
Net trading income	7	1 653	(3 033)	1 873
Result from non-substantive modification	8	(59 873)	(1 562)	1 668
Result on discontinued recognition of financial instruments not at fair value through profit or loss		322	-	-
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		-	-	1 073
Other operating income	9	8 509	8 435	118
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	11	(1 787)	(5 161)	(2 536)
Overhead costs	10	(30 524)	(28 627)	(3 722)
Depreciation		(5 965)	(6 150)	(643)
Other operating expenses		(608)	(704)	(166)
Operating result		(34 578)	30 739	3 092
Taxes on the Bank balance sheet items		(10 571)	(11 770)	(1 844)
Profit before income tax		(45 149)	18 969	1 248
Income tax	21	390	(8 106)	(923)
Net profit /(loss)		(44 759)	10 863	325
Net profit /(loss)		(44 759)	10 863	325
Weighted average number of ordinary shares / Diluted weighted average number of ordinary shares		2 200 000	3 078 011	3 078 011
Earnings per ordinary share / Diluted earnings per ordinary share (in PLN)		(20,35)	3,53	0,11

Explanatory notes and selected explanatory data presented on pages 12 do 38 constitute an integral part of these condensed financial statements.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Period	
	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Continuing operations		
Net profit /(loss)	(44 759)	10 863
Other comprehensive income net of tax, including:	10 826	7 324
Items that may be reclassified to the income statement	10 826	7 324
Change in the valuation of debt financial instruments measured at fair value through other comprehensive income (net)	5 599	11 160
Cash flow hedge (net)	9 535	10 017
Costs of hedge accounting (net)	(4 308)	(13 854)
Total comprehensive income net of tax from continued operations	(33 933)	18 187
Discontinued operations		
Net profit from discontinued operations	-	325
Total net comprehensive income from discontinued operations	-	325
Total net comprehensive income from continuing and discontinued operations	(33 933)	18 512
Net total comprehensive income attributable to shareholders of the Bank	(33 933)	18 512

Explanatory notes and selected explanatory data presented on pages 12 do 38 constitute an integral part of these condensed financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30.06.2024	31.12.2023
Cash and balances with the Central Bank		61 122	63 298
Financial assets held for trading and derivatives held for hedges	12	5 457	2 647
Changes in fair value of hedged items in portfolio hedging against interest rate risk		16 334	20 204
Financial assets at fair value through other comprehensive income	13	843 327	845 733
Financial assets at amortised cost, including:	14	9 085 049	9 061 479
<i>Loans and advances to banks</i>		6 025	12 596
<i>Loans and advances to customers</i>		9 079 024	9 048 883
Intangible assets	15	26 780	27 814
Tangible assets	16	25 972	24 616
Current income tax assets		-	39 424
Deferred income tax assets	21	16 437	13 862
Other assets	17	9 599	6 336
TOTAL ASSETS		10 090 077	10 105 413
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities held for trading and derivatives held for hedges	12	50 152	47 226
Financial liabilities measured at amortised cost, including:	18	9 259 724	9 250 420
<i>Amounts due to banks</i>		3 108 546	3 359 288
<i>Amounts due to customers</i>		50	61
<i>Leasing liabilities</i>		16 416	16 975
<i>Debt securities issued</i>		6 134 712	5 874 096
Provisions	19	1 407	937
Current income tax liabilities		692	-
Other liabilities	20	19 021	13 816
TOTAL LIABILITIES		9 330 996	9 312 399
Equity			
Share capital:		727 362	727 362
- Registered share capital		220 000	220 000
- Share premium reserve		507 362	507 362
Retained earnings:		82 092	126 851
- Profit from the previous years		126 851	103 134
- Profit for the current period		(44 759)	23 717
Other components of equity		(50 373)	(61 199)
TOTAL EQUITY		759 081	793 014
TOTAL LIABILITIES AND EQUITY		10 090 077	10 105 413
Total capital ratio (%)		19,88	20,14
Common Equity Tier 1 ratio (%)		19,88	20,14

Explanatory notes and selected explanatory data presented on pages 12 do 38 constitute an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

Changes in equity from 1 January 2024 to 30 June 2024

	Share capital		Retained earnings				Total comprehensive income net of tax				Total
	Registered share capital	Share premium	Other supplementary capital	General banking risk reserve	Retained profit from the previous years	Profit for the current period	Valuation of financial assets at fair value through other comprehensive income	Cash flow hedge	Costs of hedge accounting	Actuarial gains and losses relating to post-employment benefits	
As at 1 January 2024	220 000	507 362	361 712	44 800	(303 378)	23 717	(12 106)	(55 486)	6 391	2	793 014
Transfer of result from previous year	-	-	-	-	23 717	(23 717)	-	-	-	-	-
Net loss	-	-	-	-	-	(44 759)	-	-	-	-	(44 759)
Gross unrealised gains/(losses)	-	-	-	-	-	-	6 912	11 772	(5 319)	-	13 365
Deferred tax	-	-	-	-	-	-	(1 313)	(2 237)	1 011	-	(2 539)
Total comprehensive income	-	-	-	-	-	(44 759)	5 599	9 535	(4 308)	-	(33 933)
As at 30 June 2024	220 000	507 362	361 712	44 800	(279 661)	(44 759)	(6 507)	(45 951)	2 083	2	759 081

Changes in equity from 1 January 2023 to 31 December 2023

	Share capital		Retained earnings				Total comprehensive income net of tax				Total
	Registered share capital	Share premium	Other supplementary capital	General banking risk reserve	Retained profit from the previous years	Profit for the current period	Valuation of financial assets at fair value through other comprehensive income	Cash flow hedge	Costs of hedge accounting	Actuarial gains and losses relating to post-employment benefits	
As at 1 January 2023	336 000	548 631	361 712	44 800	-	(303 378)	(29 930)	(101 257)	27 105	4	883 687
Transfer of result from previous year	-	-	-	-	(303 378)	303 378	-	-	-	-	-
Net profit	-	-	-	-	-	23 717	-	-	-	-	23 717
Gross unrealised gains/(losses)	-	-	-	-	-	-	22 005	56 508	(25 573)	(2)	52 938
Deferred tax	-	-	-	-	-	-	(4 181)	(10 737)	4 859	-	(10 059)
Total comprehensive income	-	-	-	-	-	23 717	17 824	45 771	(20 714)	(2)	66 596
Capital redemption due to demerger	(116 000)	(41 269)	-	-	-	-	-	-	-	-	(157 269)
As at 31 December 2023	220 000	507 362	361 712	44 800	(303 378)	23 717	(12 106)	(55 486)	6 391	2	793 014

Changes in equity from 1 January 2023 to 30 June 2023

	Share capital		Retained earnings				Total comprehensive income net of tax				Total
	Registered share capital	Share premium	Other supplementary capital	General banking risk reserve	Retained profit from the previous years	Profit for the current period	Valuation of financial assets at fair value through other comprehensive income	Cash flow hedge	Costs of hedge accounting	Actuarial gains and losses relating to post-employment benefits	
As at 1 January 2023	336 000	548 631	361 712	44 800	(303 378)	-	(29 930)	(101 257)	27 105	4	883 687
Net profit	-	-	-	-	-	11 188	-	-	-	-	11 188
Other comprehensive income (gross)	-	-	-	-	-	-	13 778	12 366	(17 102)	-	9 042
Deferred tax on other comprehensive income	-	-	-	-	-	-	2 618	(2 348)	3 248	-	1 718
Total comprehensive income	-	-	-	-	-	11 188	11 160	10 018	(13 854)	-	18 512
Capital redemption due to demerger	(116 000)	(41 269)	-	-	-	-	-	-	-	-	(159 269)
As at 30 June 2023	220 000	507 362	361 712	44 800	(303 378)	11 188	(18 770)	(91 239)	13 251	4	744 930

Explanatory notes and selected explanatory data presented on pages 12 do 38 constitute an integral part of these condensed financial statements

CONDENSED STATEMENT OF CASH FLOWS

	Period	
	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
A. Cash flows from operating activities from continuing and discontinuing operations, including:	115 310	100 153
A.1. Cash flows from operating activities from continuing operations	115 310	103 565
A.2. Cash flows from operating activities from discontinuing operations	-	(3 412)
Profit / (loss) before income tax	(45 149)	20 217
Adjustments:	160 459	79 936
Income tax paid	35 394	22 186
Depreciation	5 965	6 793
Foreign exchange (gains) losses related to financing activities	(24 570)	(174 165)
Interest income (income statement)	(392 408)	(481 102)
Interest expenses (income statement)	336 063	404 009
Interest received	393 804	325 438
Interest paid	(85 369)	(150 973)
Change in assets and liabilities on derivative financial instruments	(36 817)	92 318
Change in loans and advances to customers	(24 550)	881 898
Change in the balance of financial assets at fair value through other comprehensive income	12 720	12 236
Adjustments to intangible assets and property, plant and equipment	(861)	(1 895)
Change in other assets	(3 253)	(13 309)
Change in amounts due to banks	(75 877)	(853 151)
Change in amounts due to customers	260	(263)
Change in debt securities in issue	14 284	15 501
Change in subordinated liabilities	-	(442)
Change in provisions	469	(11 424)
Change in other liabilities	5 205	6 281
Net cash from operating activities	115 310	100 153
B. Cash flows from investing activities from continuing and discontinuing operations, including:	(5 420)	(3 644)
B.1. Cash flows from investing activities from continuing operations	(5 420)	(3 644)
B.2. Cash flows from investing activities from discontinuing operations	-	-
Investing activity inflows	70	111
For the sale of intangible assets and tangible fixed assets	70	111
Investing activity outflows	5 490	3 755
Due to the purchase of intangible assets and tangible fixed assets	5 490	3 755
Net cash from investing activities	(5 420)	(3 644)
C. Cash flow from financing activities from continuing and discontinuing operations, including:	(112 065)	(505 941)
C.1. Cash flow from financing activities from continuing operations	(112 065)	(509 353)
C.2. Cash flow from financing activities from discontinuing operations	-	3 412
Financing activity inflows	1 438 497	1 155 201
Due to the loans received from banks	736 140	1 155 201
Due to the issue of debt securities	700 000	-
Interest received on derivative financial hedging instruments	2 357	-
Financing activities outflows	1 550 562	1 661 142
Due to the repayment of loans and advances from banks	935 293	1 174 497
Due to the issue of debt securities	417 685	260 000
Payments of leasing liabilities	1 446	1 586
Interest paid on loans received, debt securities in issue, subordinated loan	196 138	225 059
Net cash from financing activities	(112 065)	(505 941)
Net change in cash and cash equivalents, total (A+B+C)	(2 175)	(409 432)
Net change in cash and cash equivalents, total (A.1+B.1+C.1)	(2 175)	(409 432)
Net change in cash and cash equivalents, total (A.2+B.2+C.2)	-	-

Cash and cash equivalents as at the beginning of the reporting period	118 254	577 051
Cash and balances with the central bank	43 520	107 826
Amounts due from other banks	19 778	69 530
Investment securities with maturity of up to 3 months from the date of purchase	54 956	399 695
Cash and cash equivalents as at the end of the reporting period	116 079	167 619
Cash and balances with the central bank	42 588	43 826
Amounts due from other banks	18 534	68 864
Investment securities with a maturity of up to 3 months from the date of purchase	54 957	54 929

Explanatory notes and selected explanatory data presented on pages 12 do 38 constitute an integral part of these condensed financial statements.

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Information on mBank Hipoteczny S.A.

By the decision of the District Court for the Capital City of Warsaw 16th Commercial Department on 16 April 1999 mBank Hipoteczny S.A. (hereinafter referred to as the "Bank") was entered into the Commercial Register under registration number 56623.

On 27 March 2001 the District Court in Warsaw issued a decision to enter the Bank in the National Court Register (KRS) under KRS No. 0000003753.

On 29 November 2013 District Court for the Capital City of Warsaw, 12th Commercial Department of the National Court Register registered the change of the Bank's Articles of Association resulting from resolution no. 1 of the Extraordinary General Meeting of BRE Bank Hipoteczny S.A. dated 30 October 2013. Together with the registration of the change in the Articles of Association the name of the Bank has been changed from BRE Bank Hipoteczny Spółka Akcyjna to mBank Hipoteczny Spółka Akcyjna. The Bank can use the following abbreviation: mBank Hipoteczny S.A.

According to the By-laws of the Bank, the Bank's scope of activity is provision of banking services to natural and legal persons, as well as to unincorporated organisational units both in PLN and foreign currencies.

The Bank operates in the territory of the Republic of Poland. The head office of the Bank is located at 18 Prosta St., Warsaw. The Bank was established for an indefinite period of time.

mBank Hipoteczny S.A. is a specialised mortgage bank of which primary purpose is to issue mortgage bonds, which are intended to constitute the main source of long-term financing for loans secured with real estate property.

The Bank develops its issuing activity based on the portfolio of housing mortgage loans for individual clients, which is built in close cooperation with mBank.

Activities of mBank Hipoteczny S.A. are carried out in the segments described in detail in Note 4.

mBank Hipoteczny S.A. is not a parent company or significant investor for associates and jointly-controlled entities, both as at 30 June 2024 and as at 30 June 2023, the Bank did not have any subsidiaries and therefore does not prepare consolidated financial statements.

The parent company of the Bank is mBank S.A., which prepares the consolidated financial statements of the mBank Group.

The direct parent of the Bank is mBank S.A. The direct ultimate parent of mBank S.A. is Commerzbank AG.

As at 30 June 2024 the employment in the Bank was 96 FTEs and 113 persons (31 December 2023: 99 FTEs; 111 persons). Average employment in the first half of 2024 was 111 persons, in the first half of 2023 it was 125 persons.

These condensed financial statements were signed by the Management Board of Bank on 31 July 2024.

2. Description of the relevant accounting policies

The accounting policies applied by the Bank in the preparation of these condensed financial statements are consistent in all material respects with those described in the notes to the separate IFRS financial statements for the year ended 31 December 2023.

2.1 Accounting Basis

Condensed financial statements of mBank Hipoteczny S.A. drawn up for the 6-month period ended June 30, 2024. The comparative data presented in the financial statements refer to the 6-month period ended June 30, 2023. These financial statements are separate statements.

These Condensed Interim Separate Financial Statements have been prepared in accordance with International Accounting Standard ('IAS') 34 - Interim Financial Reporting ('IAS 34') and in accordance with all accounting standards applicable to interim financial reporting as adopted by the European Union. In addition, the selected explanatory data include additional information in accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognising as equivalent the information required by the laws of a non-member state (Journal of Laws 2018, item 757).

As at both 30 June 2024 and 31 December 2023 and as at 30 June 2023, the Bank did not have any subsidiaries.

For the preparation of the financial statements, the Bank has applied accounting policies and historical cost principles with the exception of derivative contracts and financial instruments held for trading, financial assets that do not meet the SPPI test, financial assets assigned to a business model that does not involve holding them for contractual cash flows equity instruments and liabilities for cash-settled share-based payments that are measured at fair value through profit or loss, and except for financial instruments measured at fair value through other comprehensive income and equity instruments for which the fair value through other comprehensive income option has been applied.

The information scope of the interim report is narrower than that of the annual financial statements (i.e. it does not include all the information and disclosures required in the annual financial statements) and should therefore be read in conjunction with the annual separate financial statements of mBank Hipoteczny S.A. for the financial year 2023, published on 1 March 2024.

Presented in these condensed financial statements of mBank Hipoteczny S.A. data for 2023 were audited by a statutory auditor.

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Bank's Management to use its own judgement in applying the accounting policies adopted by the Bank. Issues for which a greater degree of judgement is required, issues that are more complex or where assumptions and estimates are significant from the point of view of the financial statements.

The financial statements are prepared in accordance with the principle of materiality. Omissions or distortions of items in the financial statements are material if they could, individually or jointly, affect the economic decisions made by users of the Bank's financial statements. Materiality depends on the size and nature of the omission or misstatement of items in the financial statements, and a combination of both. Each material category of similar items is presented separately by the Bank. Items that differ in terms of their nature or function are presented separately by the Bank, unless they are immaterial.

These condensed financial statements have been prepared on the assumption that the Bank will continue as going concerns in the foreseeable future, i.e. at least 12 months from the balance sheet date. As at the date of approval of these financial statements, there are no circumstances implying any threats to the continuation of the Bank's operations within 12 months from the balance sheet date.

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 have 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 have no significant impact on the financial statements.
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	The amendments 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 have 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	Application of the new standard will not have a significant impact on the financial statements.

3. 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.

Impairment of loans and advances

The amount of loan portfolio write-downs changed due to a change in the models used for the calculation of expected credit risk losses. In the first half of 2024, the Bank updated macroeconomic indicators, including changes in macroeconomic scenarios in the forecast non-linearity factor. The estimated impact of these changes on the level of expected credit loss was approximately PLN -0,47 million (positive impact on the result).

Early repayment of retail loans

In the judgment of 11 September 2019 in a case concerning a consumer loan fully repaid early, the CJEU ruled that "the consumer's right to a reduction in the total cost of the loan in the event of early repayment of the loan covers all costs that have been imposed on the consumer". Due to the change in estimates of the expected future cash flows, a provision in the amount of TPLN 8 183 was created as at June 30, 2023 (as at 31. December 2023: TPLN 7 887).

The above estimates are subject to significant uncertainty as to the number of clients who will apply to the Bank for the reimbursement of commissions related to early repayments made before the judgment of the CJEU, as well as the expected rate of prepayment of loans in the future.

Credit holidays

Following the enactment of the Act on 12 April 2024 amending the Act on support for borrowers who have taken out a home loan and are in financial difficulty and the Act on community financing for economic ventures and assistance to borrowers, extending the so-called 'loan holiday' under new rules, giving the borrower the possibility to suspend the repayment of loan instalments and entailing the non-accrual of interest during the suspension period. The estimation of the portfolio provision for credit holidays is based on an expert approach, which is driven by the dynamics of the journalistic and media processes affecting the use of this programme by customers.

As at 30 June 2024, the bank recognised the impact of credit holidays totalling PLN 60 mln.

The provision for credit holidays was recorded in the balance sheet in accounts dedicated to credit receivables from customers as an ESP adjustment to be settled over time. In the income statement it was recognised as a modification expense. The negative impact of loan holidays on the valuation of the loan portfolio was accounted for by appropriately recognising interest income calculated using the effective interest rate in periods in which customers taking advantage of loan holidays did not pay the interest provided for in the original loan agreement schedules.

As at 30 June 2024, 45% of retail loans were eligible for this programme and 13% of total retail loans were covered by the holiday. These customers applied for an average of 3.6 months of credit holidays. The gross carrying amount of loans covered by credit holidays as at 30 June 2024 was PLN 1.1 mld.

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.

Business segment reporting on the activities of Bank – positions from income statement:

mBank Hipoteczny S.A.

Condensed Financial Statements for the first half of 2024

PLN (000's)

Period from 01.01.2024 to 30.06.2024	Retail Banking	Treasure Segment	Total
Net interest income	65 220	(8 875)	56 345
Interest income	345 312	47 096	392 408
Interest expense	(280 092)	(55 971)	(336 063)
Net fee and commission income	(1 214)	(1 436)	(2 650)
Fee and commission income	133	-	133
Fee and commission expenses	(1 347)	(1 436)	(2 783)
Other operating income/expenses	7 901	-	7 901
Net trading income	-	1 653	1 653
Result from non-substantial modification	(59 873)	-	(59 873)
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	322	-	322
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(1 799)	12	(1 787)
Overhead costs	(22 881)	(7 643)	(30 524)
Depreciation	(3 324)	(2 641)	(5 965)
Tax on the Bank's balance sheet items	(10 571)	-	(10 571)
Segment result (gross)	(26 219)	(18 930)	(45 149)
Income tax			390
Net loss			(44 759)

Period from 01.01.2023 to 30.06.2023	Continuing operations		Discontinued operations (corporate banking and part of the treasury segment related to discontinued operations)	Total
	Retail Banking	Treasure Segment		
Net interest income	66 753	3 824	6 515	77 092
Interest income	396 452	44 952	39 698	481 102
Interest expense	(329 699)	(41 128)	(33 183)	(404 010)
Net fee and commission income	(1 412)	(1 624)	(1 088)	(4 124)
Fee and commission income	89	-	41	130
Fee and commission expenses	(1 501)	(1 624)	(1 129)	(4 254)
Other operating income/expenses	8 078	(347)	(48)	7 683
Net trading income	-	(3 033)	1 873	(1 160)
Result from non-substantial modification	(1 562)	-	1 668	106
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	-	-	1 073	1 073
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(5 223)	62	(2 536)	(7 697)
Overhead costs	(17 309)	(11 318)	(3 722)	(32 349)
Depreciation	(4 599)	(1 551)	(643)	(6 793)
Tax on the Bank's balance sheet items	(11 770)	-	(1 844)	(13 614)
Segment result (gross)	32 956	(13 986)	1 248	20 217
Income tax				(9 029)
Net profit				11 188

Business segment reporting on the activities of Bank – positions from statement of financial position

30.06.2024	Retail Banking	Treasure Segment	Other assets	Total
Segment Assets	9 072 701	938 588	78 788	10 090 077
Segment Liabilities	21 170	9 309 826	-	9 330 996

31.12.2023	Retail Banking	Treasure Segment	Other assets	Total
Segment Assets	9 055 913	989 488	127 178	10 172 579
Segment Liabilities	21 232	9 406 417	-	9 427 649

Other assets not allocated to segments include intangible assets, tangible assets, deferred tax assets and other assets.

5. Net interest income

Period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Interest income		
Interest income calculated using the effective interest rate method	367 320	467 586
Interest income of financial assets at amortised cost, including:	349 067	444 334
- Loans and advances	345 312	439 174
- Cash and short-term placements	1 934	2 772
- Interest income on liabilities	1 821	2 388
Interest income on financial assets at fair value through other comprehensive income	18 253	23 252
- Debt securities	18 253	23 252
Income similar to interest on financial assets at fair value through profit or loss, including:	25 088	13 516
Non-trading financial assets mandatorily measured at fair value through profit or loss, including:	-	2 496
- Loans and advances	-	2 496
Interest income on derivatives classified into banking book	25 088	11 020
Total interest income	392 408	481 102

Period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Interest expense		
Financial liabilities valued at amortised cost, including:	(221 972)	(303 459)
-Due to the issue of debt securities	(112 694)	(132 084)
-Loans received	(92 135)	(159 572)
-Due to subordinated loan	-	(4 657)
-Other financial liabilities with deferred payment	(17 060)	(7 094)
-Lease agreements	(46)	(52)
-Other financial liabilities	(37)	-
Interest expenses on derivatives classified into banking book	(45 400)	(35 769)
Interest expense on derivatives under hedge accounting - fair value	(27 379)	(16 371)
Interest expense on derivatives under cash flow hedge accounting	(41 312)	(48 411)
Total interest expense	(336 063)	(404 010)
Net interest income	56 345	77 092

In the first half of 2024, interest income related to financial assets measured at amortised cost, the impairment amounted to TPLN 2 538 (in the first half of 2023 TPLN 6 857).

6. Net fee and commission income

Period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Fee and commission income		
Credit-related fees and commissions	133	130
Total fee and commission income	133	130
Fee and commission expenses		
Cost of servicing loan products	(1 334)	(2 063)
Commission expense from loan received and stand-by credit line	(256)	(215)
Costs related to the debt securities issue program (covered bonds and bonds)	(962)	(776)
Bank guarantee premium	-	(1 016)
Other	(231)	(184)
Total fee and commission expense	(2 783)	(4 254)
Total fee and commission income	(2 650)	(4 124)

All fees and commission income and expenses presented in the table above relate to items not measured at fair value through profit or loss.

7. Net trading income

Period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Foreign exchange result		
Net exchange differences on translation	(6 293)	27 215
Valuation of foreign currency derivatives	6 613	(15 243)
Other net trading income and result on hedge accounting	1 333	(13 132)
Interest rate risk instruments	550	(15 750)
Hedge accounting, including:	783	2 620
- net profit on hedged items	(13 928)	(2 578)
- net profit on hedging instruments	14 290	4 912
- ineffective portion of cash flow hedge accounting	421	286
Total net trading income	1 653	(1 160)

The change in the balance on the result on trading activities resulted mainly from the negative result achieved on new CIRS contracts and on IRSs not related to hedge accounting.

The result of the exchange item includes implemented and not implemented positive and negative exchange difference as well as profits and losses from the spot transaction and futures contracts. The result of interest instruments operations includes result of interest rates swap contracts that were not determined as securing instruments.

The Bank applies fair value hedge accounting. The interest rate risk is the only type of risk hedged for which hedge accounting is applied. The result on the measurement of the hedged item and hedging instruments is presented in Note 14. The hedge is assessed on an ongoing basis and determined to have been highly effective. The Bank documents its own assessment of the effectiveness of fair value hedging transactions, measured both prospectively and retrospectively from the time of their designation and throughout the period of duration of the hedging relationship between the hedging instrument and the hedged item.

8. Result from non-substantial modification

In the first half of 2024 and 2023, the result on modifications was calculated only for assets measured at amortised cost, as the Bank did not have any instruments valued at amortised cost at fair value through other comprehensive income. The negative result on the material modification was due to a provision for loan holidays.

Period from 01.01.2024 to 30.06.2024	Stage 1	Stage 2	Stage 3	Total
Financial assets modified during the period				
Amortised cost of financial assets before modification	860 700	123 695	17 636	1 002 031
Net income on modification	(51 605)	(7 425)	(843)	(59 873)

Period from 01.01.2023 to 30.06.2023	Stage 1	Stage 2	Stage 3	Total
Financial assets modified during the period				
Amortised cost of financial assets before modification	3 822 945	238 637	71 753	4 133 335
Net income on modification	191	10	(95)	106

9. Other operating income

Period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Uncompensated pooling	8 228	8 003
Other	281	242
Total other operating income	8 509	8 553

On 30 December 2022, the Bank concluded a *Pooling agreement* with mBank. Under the Agreement, the Bank receives a non-returnable compensation payable by mBank in connection with the unrealized pooling volume. As at 30 June 2024, compensation for pooling amounted to TPLN 8,228 (As at 30 June 2024: TPLN 8,003).

10. Administrative overheads

Period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Staff-related costs	(11 730)	(12 355)
Material costs, including:	(9 988)	(10 151)
- logistic costs	(2 873)	(3 235)
- IT cost	(5 885)	(5 581)
- marketing cost	(124)	(248)
- consulting services cost	(796)	(549)
- other overheads cost	(310)	(538)
Contributions and transfers to the Bank Guarantee Fund	(7 576)	(8 589)
Taxes and fees	(1 047)	(1 083)
Contributions to the Social Benefits Fund	(183)	(171)
Total overhead costs	(30 524)	(32 349)

The "logistic costs" item includes costs related to short-term leasing contracts, costs related to low value assets leasing contracts and costs related to variable elements of remuneration (not included in the leasing obligation).

The total cost of leasing included in general administrative costs as at 30 June 2024 amounted to TPLN 98 (as at 30 June 2023: TPLN 106).

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

Period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Financial assets at amortised cost, including:	(1 797)	(7 734)
Loans and advances	(1 797)	(7 734)
Individual clients	(1 797)	(3 992)
Stage 1	1 637	(300)
Stage 2	695	(3 777)
Stage 3	(3 776)	57
POCI	(353)	28
Corporate clients	-	(3 742)
Stage 1	-	(4 208)
Increase / decrease of the write-off for receivables covered by the guarantee	-	2 349
Stage 2	-	(5 449)
Decrease of the write-off for receivables covered by the guarantee	-	2 994
Stage 3	-	(9 656)
Decrease of the write-off for receivables covered by the guarantee	-	9 120
POCI	-	1 108
Commitments and guarantees given	(9)	-
Stage 1	(9)	-
Financial assets measured at fair value through other comprehensive income, including:	19	37
Debt securities	19	37
Stage 1	19	37
Net impairment losses on financial assets not measured at fair value through profit or loss	(1 787)	(7 697)

12. Financial assets and liabilities held for trading and derivatives held for hedges

The Bank has the following derivative instruments in its portfolio:

Instruments for interest rate risk:

- interest rate risk instruments: IRS (Interest Rate Swap),

Instruments for the exchange rate risk:

- currency futures transactions: FX SWAP contracts.

Instrument for interest rate risk and foreign exchange risk

- Cross Currency Interest Rate Swap (CIRS)

All derivative transactions are concluded for the purpose of securing the currency exchange and interest rate risk. The Bank is not engaged in trading; all derivative transactions are included in the Bank's portfolio.

	30.06.2024		31.12.2023	
	assets	liabilities	assets	liabilities
Derivative financial instruments held for trading classified into banking book	6 370	3 273	9 576	14 855
Derivatives held for hedging	2 575	86 938	2 165	96 126
Offsetting effect	(3 488)	(40 059)	(9 094)	(63 755)
Total derivative financial instruments assets/liabilities	5 457	50 152	2 647	47 226

As at June 30, 2024, the offsetting effect, apart from the valuation of derivative transactions, includes TPLN 3 488 of collateral accepted in connection with concluded transactions on derivative instruments subject to compensation (as at 31 December 2023 in the amount of TPLN 9 094).

Hedge Accounting

The Bank applies fair value hedge accounting for fixed-rate mortgage covered bonds issued by the Bank, fair value hedge accounting for the fixed-rate loan portfolio and cash flow hedge accounting.

Detailed information on hedge accounting is presented in Note 19 of the Financial Statements of mBank Hipoteczny S.A. for 2023, published on 1 March 2024. The characteristics of the hedging relationships in each of the types of hedge accounting used remained unchanged from Note 19 of the 2023 Annual Report. One hedge accounting relationship for the fair value of fixed-rate mortgage covered bonds with a nominal value of TEUR 24,900 ended in relation to the indicated report. No new hedge accounting relationships were established in the first half of 2024.

a) Fair value hedge accounting for fixed-rate mortgage covered bonds issued by the Bank

The hedged items are mortgage covered bonds with a nominal value of TEUR 402,000, with a fixed interest rate. The hedged item and the hedging item have exactly the same nominal amounts, start and end dates.

The table below shows the total result on fair value hedge accounting for fixed-rate mortgage covered bonds recognised in the income statement:

Period	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Interest income on derivatives as part of fair value hedge accounting	(29 160)	(19 555)
Result from the valuation of the hedged items	(10 058)	(13 743)
Result on the valuation of hedging instruments	10 570	14 991
Total result on fair value hedge accounting	(28 648)	(18 307)

b) Fair value hedge accounting for the fixed-rate loan portfolio

The nominal value of the hedged loan portfolios and the hedging instruments (IRS) as at 30 June 2024 and 31 December 2023 amounted to TPLN 250,000.

The table below presents the total result on fair value hedge accounting of the fixed interest rate loan portfolio recognized in the income statement:

	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Interest income on derivatives under fair value hedge accounting for a portfolio of fixed rate loans	1 781	3 184
Hedged item valuation result	(3 870)	11 165
Result on valuation of hedging instruments	3 720	(10 079)
Total result on fair value hedge accounting of the fixed rate loan portfolio	1 631	4 270

c) Cash flow hedge accounting

The nominal value of hedged items as at 30 June 2024:

- loans issued in PLN convertible currency with a floating interest rate - amounted to TPLN 1,278,930
- mortgage covered bonds issued in EUR with a fixed interest rate - amounted to TPLN 1,293,900

Nominal value of hedging positions as at 30 June 2024:

- CIRS floating leg PLN - amounted to TPLN 1,278,930
- CIRS fixed leg EUR - amounted to TPLN 1,293,900

The table below presents other comprehensive income from cash flow hedges and the ineffective part of cash flow hedges in the period from 1 January to 30 June 2024 and in the period from 1 January to 30 June 2023.

	Period	
	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Accumulated other comprehensive income from cash flow hedges at the beginning of the gross period	(60 611)	(91 546)
Profits / (Losses) recognized in other comprehensive income in the period	(45 722)	(124 740)
The amount transferred during the period from other comprehensive income to the profit and loss account	52 175	120 004
- Net interest income	41 312	48 411
- Result on exchange position	10 500	71 880
- Currency basis spread	363	(287)
Accumulated other comprehensive income from cash flow hedges at the end of the gross period	(54 158)	(96 282)
Tax effect	10 290	18 294
Accumulated other comprehensive income from cash flow hedges at the end of the net period	(43 868)	(77 988)
Impact during the period on other gross comprehensive income	6 453	(4 736)
Deferred tax due to cash flow hedges	(1 226)	900
Impact during the period on other net comprehensive income	5 227	(3 836)

	Period	
	from 01.01.2024 to 30.06.2024	from 01.01.2023 to 30.06.2023
Gains/losses recognised in comprehensive income (gross) during the reporting period, including:		
Unrealised gains/losses included in other comprehensive income (gross)	6 453	(4 736)
Results of cash flow hedge accounting recognised in the income statement	(51 391)	(120 005)
- amount included as interest income in income statement during the reporting period	(41 312)	(48 411)
- foreign exchange result	(10 500)	(71 880)
- currency basis spread	363	287
- ineffective portion of hedge recognised included in other net trading income in income statement	58	(1)
Impact on other comprehensive income in the reporting period (gross)	(44 938)	(124 741)

Currency basis spread	30.06.2024	31.12.2023
Currency basis spread recognized as hedging cost (separate component of equity)	2 570	7 890
Difference from currency basis spread (WBS) between the real WBS element and the matched WBS element	13	29
The amount of amortisation from separate equity to profit or loss related to the currency basis spread at the time of designation	1 516	1 137
Total	4 099	9 055

Estimates and ratings

The Bank conducted a simulation to determine the possible impact of changes in yield curves on the valuation of transactions.

Estimated change in valuation with a parallel curve shift	Scenario +50 bp.	Scenario -50 bp.
30.06.2024		
CIRS	(7 670)	7 671

For the purpose of calculating the valuation of CIRS transactions classified under level 3 of the fair value hierarchy, the Bank determines the value of CVA and DVA adjustments using:

- available market data in the form of spread curves necessary to determine the probability of default, the input data range of which is summarized in the table below:

Range of spread curves used for CVA and DVA calculations	Min	Max
30.06.2024		
Credit spread	0,0017%	0,7323%

- and unobserved LGD levels, for which, in the case of determining CVA and DVA, the Bank adopts the levels of 60% and 100%, respectively. The asymmetric LGD levels for CIRS transactions result from the specific nature of this transaction, described in detail in the section "Derivatives designated as cash flow hedges".

The tables below present the estimated impact of the applied input parameters on the valuation of CIRS transactions - a parallel shift of the spread curves by 50 basis points and the impact of different levels of the LGD parameter on the amount of CVA and DVA adjustments.

Estimated change in the valuation of a CIRS transfer with a parallel shift of the spread curve	script +50pb.
30.06.2024	
CIRS transaction CVA change	6
CIRS transaction DVA change	(588)
Total impact on the valuation of CIRS transactions	(582)

Estimated values of the valuation of the CVA and DVA applying different LGD levels	40%	60%	80%	100%
30.06.2024				
CVA	(1)	(1)	(2)	(2)
DVA	156	235	313	391

13. Financial assets at fair value through other comprehensive income

	30.06.2024	31.12.2023
Debt securities	843 327	845 733
- Central banks	54 957	54 956
- General governments, including::	788 370	790 777
<i>pledged securities</i>	<i>240 870</i>	<i>239 229</i>
Total financial assets at fair value through comprehensive income	843 327	845 733
Short-term (up to 1 year)	402 477	462 181
Long-term (over 1 year)	440 975	383 552
Based on fixed interest rate	427 205	306 168
Based on floating interest rate	416 247	539 565

All debt securities have been classified into Stage 1. Financial assets in the form of money bills and treasury bonds, the Bank considers financial assets with low credit risk due to the fact that these assets are characterized by a low risk of default.

As at June 30, 2024 and December 31, 2023, all debt securities were classified in stage 1.

14. Financial assets at amortised cost

30.06.2024	Carrying value	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Loans and advances to banks	6 025	6 025	-	-	-	-	-	-	-
Loans and advances to customers	9 079 024	8 325 342	688 699	103 411	2 500	(2 122)	(11 158)	(27 210)	(438)
Individual customers	9 072 700	8 319 018	688 699	103 411	2 500	(2 122)	(11 158)	(27 210)	(438)
Financial institutions	6 324	6 324	-	-	-	-	-	-	-
Financial assets at amortised cost, total	9 085 049	8 331 367	688 699	103 411	2 500	(2 122)	(11 158)	(27 210)	(438)
Short-term (up to 1 year)	15 028								
Long-term (over 1 year)	9 110 949								

In the first half of 2024, the Bank did not sell any loan receivables.

Change in expected credit losses as of as at June 30, 2024

	Opening balance	Transferred to stage 1	Transferred to stage 2	Transferred to stage 3	Increases due to grants and acquisitions	Reductions due to derecognition from the balance sheet	Changes due to changes in credit risk (net)	Closing balance
Loans	(38 739)	-	-	-	(366)	1 291	(3 114)	(40 928)
Stage 1	(3 752)	(1 617)	259	9	(202)	123	3 058	(2 122)
Stage 2	(11 761)	1 523	(902)	1 033	(125)	589	(1 515)	(11 158)
Stage 3	(22 876)	94	643	(1 042)	(25)	579	(4 583)	(27 210)
POCI	(350)	-	-	-	(14)	-	(74)	(438)
Provision related to financial assets, total	(38 739)	-	-	-	(366)	1 291	(3 114)	(40 928)

Changes in the gross carrying amount of financial instruments as at June 30, 2024

	Opening balance	Transfered to stage 1	Transferred to stage 2	Transferred to stage 3	Increases due to grants and acquisitions	Reductions due to derecognition from the balance sheet	Other adjustments	Closing balance
Receivables from banks	12 596	-	-	-	-	-	(6 571)	6 025
Stage 1	12 596	-	-	-	-	-	(6 571)	6 025
Loans	9 087 622	-	-	-	710 638	(348 940)	(329 367)	9 119 953
Stage 1	8 385 392	112 485	(235 917)	(6 737)	703 684	(318 230)	(315 334)	8 325 343
Stage 2	608 627	(111 751)	240 680	(14 133)	6 513	(27 296)	(13 941)	688 699
Stage 3	91 760	(734)	(4 763)	20 870	229	(3 262)	(689)	103 411
POCI	1 843	-	-	-	212	(152)	597	2 500
Gross carrying amount of financial assets measured at amortised cost	9 100 218	-	-	-	710 638	(348 940)	(335 938)	9 125 978

Financial assets measured at amortised cost as at December 31, 2023

31.12.2023	Carrying value	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Loans and advances to banks	12 596	12 596	-	-	-	-	-	-	-
Loans and advances to customers	9 048 883	8 385 392	608 627	91 760	1 843	(3 752)	(11 761)	(22 876)	(350)
Individual customers	9 036 935	8 373 444	608 627	91 760	1 843	(3 752)	(11 761)	(22 876)	(350)
Financial institutions	11 948	11 948	-	-	-	-	-	-	-
Financial assets at amortised cost, total	9 061 479	8 397 988	608 627	91 760	1 843	(3 752)	(11 761)	(22 876)	(350)

Short-term (up to 1 year)	26 735
Long-term (over 1 year)	9 073 483

In 2023, the Bank sold loan receivables (measured at amortised cost) with a total gross carrying amount of TPLN 21 369 qualified for stage 3. Obtained prices in the amount of TPLN 2 000 were included in the repayment of principal and interest, in accordance with the provisions of the sales agreements. Capital and interest not covered by the price in the amount of TPLN 19 369 was written off against previously created provisions for individual receivables.

Change in expected credit losses as of December 31, 2023

	Opening balance	Transfered to stage 1	Transfered to stage 2	Transfered to stage 3	Increase due to given and repossess	Decreases caused by deletion from the balance sheet	Changes due to changes in credit risk (net)	Changes due to portfolio transfer within ZCP (net)	Reducing the write-off deduction	Closing balance
Loans	(171 497)	-	-	-	(1 080)	(14 328)	(13 613)	140 344	21 435	(38 739)
Stage 1	(7 728)	(949)	640	55	(255)	(3 695)	358	7 822	-	(3 752)
Stage 2	(9 854)	684	(973)	695	(205)	(5 023)	(7 597)	10 512	-	(11 761)
Stage 3	(153 806)	265	333	(750)	(410)	(4 975)	(6 489)	121 521	21 435	(22 876)
POCI	(109)	-	-	-	(210)	(635)	115	489	-	(350)
Provision related to financial assets, total	(171 497)	-	-	-	(1 080)	(14 328)	(13 613)	140 344	21 435	(38 739)

Changes in the gross carrying amount of financial instruments as at December 31, 2023

	Opening balance	Transferred to stage 1	Transferred to stage 2	Transferred to stage 3	Increase due to given and repossess	Decreases caused by deletion from the balance sheet	Change due to modifications that do not result in removal from the balance sheet (net)	Decreases due to amounts taken against allowances	Other adjustments	Closing balance
Receivables from banks	13 126	-	-	-	-	-	-	-	(530)	12 596
Stage 1	13 126	-	-	-	-	-	-	-	(530)	12 596
Loans	11 639 639	-	-	-	603 551	(868 644)	(1 807 373)	(21 435)	(458 116)	9 087 622
Stage 1	10 714 236	39 350	(428 369)	(16 187)	580 922	(761 368)	(1 292 760)	-	(450 432)	8 385 392
Stage 2	412 004	(37 329)	430 203	(11 769)	20 868	(55 105)	(142 020)	-	(8 225)	608 627
Stage 3	490 713	(2 021)	(1 834)	27 956	989	(52 150)	(350 999)	(21 435)	541	91 760
POCI	22 686	-	-	-	772	(21)	(21 594)	-	-	1 843
Gross carrying amount of financial assets measured at amortised cost	11 709 169	-	-	-	603 551	(868 644)	(1 807 373)	(21 435)	(515 050)	9 100 218

15. Intangible assets

	30.06.2024	31.12.2023
Concessions, patents, licences and similar assets, including	24 362	24 844
Intangible assets under development	2 418	2 970
Intangible assets, total	26 780	27 814

16. Tangible assets

	30.06.2024	31.12.2023
Technical equipment and machinery	7 934	5 906
Other fixed assets	1 324	1 500
The right to use under leasing contracts:	16 714	17 210
buildings	15 958	16 573
means of transport	756	637
Tangible assets, total	25 972	24 616

On 8 June 2021, the Bank concluded an agreement with mBank S.A. for the sublease of space in the Mennica Tower GGH MT building located at 18 Prosta Street in Warsaw, to which the Bank's registered office was moved. The agreement was concluded for a fixed period from 8 June 2021 to 28 February 2031. The value of the right of use under the aforementioned agreement was disclosed under the item right of use under lease agreements, whereas at 30 June 2024 it amounted to TPLN 13 051, and as at 31 December 2023 it amounted to TPLN 13 419. On 30 September 2018, the Bank entered into a sublease agreement with mBank S.A. for space in the mBank Przystanek building located at 74 Kilińskiego Street in Łódź, to which the Bank's registered office was moved. The agreement was concluded for a fixed period from 27 November 2017 to 15 October 2029. The value of the rights of use under the aforementioned agreement was disclosed under rights of use under lease agreements, where it amounted to TPLN 2 906 as at 30 June 2024, as at 31 December 2023 amounted to TPLN 3 154.

17. Other assets

	30.06.2024	31.12.2023
Other, including:	9 599	6 336
- other prepayments	2 393	1 367
- receivables from the portfolio of retail loans acquired as part of cooperation with mBank S.A.	6 979	4 776
- other	227	193
Total other assets	9 599	6 336
Short-term (up to 1 year)	9 599	6 336

18. Financial liabilities measured at amortised cost
Liabilities to other banks and customers

30.06.2024	Amount due to banks	Amount due to customers	Individual customers	Corporate customers	Public sector customers
Loans received	2 798 780	-	-	-	-
Other financial liabilities:	309 766	50	-	50	-
Total	3 108 546	50	-	50	-

Short-term (up to 1 year)	24 654	50
Long-term (over 1 year)	3 083 892	-

31.12.2023	Amount due to banks	Amount due to customers	Individual customers	Corporate customers	Public sector customers
Loans received	2 850 474	-	-	-	2 850 474
Other financial liabilities:	525 148	702	2	700	525 148
Total	3 375 622	702	2	700	3 375 622

Short-term (up to 1 year)	28 165	286
Long-term (over 1 year)	3 347 457	416

In connection with the demerger transaction, deferred payment liabilities in the amount of TPLN 735,565 were transferred to mBank and liabilities due to cash collateral in the amount of TPLN 935,868.

At the end of 30 June 2024, the bank had loans received based on a floating interest rate of MPLN 2 550 and a fixed interest rate of MPLN 230.

The bank did not provide collateral to its lenders. The Bank did not register any breaches of contractual conditions related to liabilities under contracted loans.

The lease liabilities item presents the value of liabilities for the agreement concluded with mBank S.A. contracts for sublet space in the Mennica Tower GGH MT building in Warsaw and Przystanek in Łódź.

Debt securities in issue

The basis for the issue of mortgage covered bonds are receivables secured by a mortgage entered in the land and mortgage register in the first place.

Details of the issue of debt securities are provided in Note 26 of the Financial Statements of mBank Hipoteczny S.A. for 2023, published on 1 March 2024.

The table below presents data related to the issue of covered bonds as at June 30, 2024 and as at December 31, 2023.

Mortgage covered bonds	30.06.2024	31.12.2023
1. Trading covered bonds	6 127 726	5 870 561
2. Underlying assets from the collateral pool	8 136 474	8 058 268
3. replacement assets from the collateral pool	240 000	240 000
4. Derivatives from the pool of assets used as collateral	14 970	25 470
5. Level of collateralisation of covered bonds with underlying assets from the pool of assets pledged as collateral (2/1)	132,78%	137,27%
6. Total covered bonds collateral level (2+3+4) / 1	136,94%	141,79%
7. The value of receivables as collateral issue of mortgage covered bonds to the part which not exceeding 80% of the mortgage lending value of real estate for residential property	7 896 870	7 795 910

Permissible value of Substitute collateral	30.06.2024	31.12.2023
1. Funds listed in Article 18(3) of the Act entered in the mortgage bond collateral register (at nominal value)	240 000	240 000
2. Maximum cumulative net liquidity outflow over a consecutive 180-day period in accordance with section 18(3a) of the Act (Surplus)	-	-
3. Permissible value of Substitute collateral (1-2)	240 000	240 000

The mortgage covered bonds in circulation shown in the table above, both as at 30 June 2024 and as at 31 December 2023, were listed on three markets: the regulated market operated by BondSpot S.A, regulated parallel market operated by the Warsaw Stock Exchange S.A. and on the regulated market operated by the Luxembourg Stock Exchange, with the exception of mortgage covered bonds offered in a non-prospective offering (A series TPLN 100,000 and B series TPLN 500,000 - issued in 2021, C series TPLN 500,000 and D series TPLN 200,000 - issued in 2022, E series TPLN 1,000,000 issued in 2023 and F series TPLN 500,000 and G series TPLN 200,000 issued in 2024).

Debt financial instruments by type as at June 30, 2024	Nominal value	Interest rate as at 30.06.2024	Guarantee / collateral	Redemption date	Liability amount measured at amortised cost	The change in the value of the hedged item from the date of designation used as the basis for recognizing the hedge ineffectiveness in a given period gain/ (loss)	Carrying amount of liability
Long-term issues (with original maturity of over 1 year)							
Mortgage covered bonds (EUR)	8 000	3,50%	Mortgage covered bonds register	28.02.2029	34 641	(1 083)	33 558
Mortgage covered bonds (EUR)	15 000	3,50%	Mortgage covered bonds register	15.03.2029	64 912	(2 028)	62 884
Mortgage covered bonds (EUR)	20 000	3,20%	Mortgage covered bonds register	30.05.2029	85 847	(2 736)	83 111
Mortgage covered bonds (EUR)	11 000	1,29%	Mortgage covered bonds register	24.04.2025	47 521	(1 184)	46 337
Mortgage covered bonds (EUR)	35 000	1,18%	Mortgage covered bonds register	20.09.2026	152 201	(9 023)	143 178
Mortgage covered bonds (EUR)	13 000	1,18%	Mortgage covered bonds register	20.09.2026	56 524	(3 517)	53 007
Mortgage covered bonds (EUR)	300 000	1,07%	Mortgage covered bonds register	05.03.2025	1 297 966	(25 868)	1 272 098
Mortgage covered bonds (PLN))	100 000	6,66%	Mortgage covered bonds register	20.12.2028	100 049	-	100 049

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PLN (000's)

Mortgage covered bonds (EUR)	300 000	0,24%	Mortgage covered bonds register	15.09.2025	1 295 670	-	1 295 670
Mortgage covered bonds (PLN)	100 000	6,40%	Mortgage covered bonds register	03.09.2026	100 418	-	100 418
Mortgage covered bonds (PLN)	500 000	6,39%	Mortgage covered bonds register	10.12.2026	501 802	-	501 802
Mortgage covered bonds (PLN)	500 000	6,39%	Mortgage covered bonds register	10.09.2027	501 796	-	501 796
Mortgage covered bonds (PLN)	200 000	6,39%	Mortgage covered bonds register	22.06.2027	200 231	-	200 231
Mortgage covered bonds (PLN)	1 000 000	6,56%	Mortgage covered bonds register	12.09.2028	1 002 413	-	1 002 413
Mortgage covered bonds (PLN)	500 000	6,59%	Mortgage covered bonds register	05.09.2029	502 286	-	502 286
Mortgage covered bonds (PLN)	200 000	6,35%	Mortgage covered bonds register	21.09.2026	200 707	-	200 707
Bonds (PLN)	35 000	6,26%	Unsecured	03.12.2024	35 167	-	35 167
Debt securities in issue (carrying value)					6 180 151	(45 439)	6 134 712

Debt financial instruments by type as at 31.12.2023	Nominal value	Interest rate as at 31.12.2023	Guarantee / collateral	Redemption date	Liability amount measured at amortised cost	The change in the value of the hedged item from the date of designation used as the basis for recognizing the hedge ineffectiveness in a given period gain/(loss)	Carrying amount of liability
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Long-term issues (with original maturity of over 1 year)

Mortgage covered bonds (EUR)	24 900	0,94%	Mortgage covered bonds register	01.02.2024	109 191	(328)	108 863
Mortgage covered bonds (PLN)	310 000	6,43%	Mortgage covered bonds register	10.06.2024	311 076	-	311 076
Mortgage covered bonds (EUR)	300 000	1,07%	Mortgage covered bonds register	05.03.2025	1 315 228	(38 465)	1 276 763
Mortgage covered bonds (EUR)	11 000	1,29%	Mortgage covered bonds register	24.04.2025	48 195	(1 639)	46 556
Mortgage covered bonds (EUR)	300 000	0,24%	Mortgage covered bonds register	15.09.2025	1 304 327	-	1 304 327
Mortgage covered bonds (PLN)	100 000	6,37%	Mortgage covered bonds register	03.09.2026	100 400	-	100 400
Mortgage covered bonds (EUR)	35 000	1,18%	Mortgage covered bonds register	20.09.2026	152 508	(8 886)	143 622
Mortgage covered bonds (EUR)	13 000	1,18%	Mortgage covered bonds register	20.09.2026	56 638	(3 505)	53 133
Mortgage covered bonds (PLN)	500 000	6,39%	Mortgage covered bonds register	10.12.2026	501 797	-	501 797
Mortgage covered bonds (PLN)	200 000	6,40%	Mortgage covered bonds register	22.06.2027	200 334	-	200 334
Mortgage covered bonds (PLN)	500 000	6,39%	Mortgage covered bonds register	10.09.2027	501 792	-	501 792
Mortgage covered bonds (PLN)	100 000	6,66%	Mortgage covered bonds register	20.12.2028	100 053	-	100 053
Mortgage covered bonds (EUR)	8 000	3,50%	Mortgage covered bonds register	28.02.2029	35 511	(496)	35 015
Mortgage covered bonds (EUR)	15 000	3,50%	Mortgage covered bonds register	15.03.2029	66 552	(923)	65 629
Mortgage covered bonds (EUR)	20 000	3,20%	Mortgage covered bonds register	30.05.2029	87 892	(1 258)	86 634
Mortgage covered bonds (EUR)	1 000 000	6,55%	Mortgage covered bonds register	12.09.2028	1 002 936	-	1 002 936
Bonds (PLN)	35 000	6,23%	Unsecured	03.12.2024	35 166	-	35 166
Debt securities in issue (carrying value)					5 929 595	(55 499)	5 874 096

19. Provisions

	30.06.2024	31.12.2023
Provision (due to)	1 407	937
- provisions for future liabilities	9	-
- provisions for retirement and disability benefits	89	114
- provisions for legal proceedings	1 309	823
Provision, in total	1 407	937
Expected settlement period of provisions:		
Short-term (up to 1 year)	459	397
Long-term (over 1 year)	948	540

Change from January 1 to June 30, 2024	Off-balance sheet contingent liabilities granted	Change in provisions for disputes	Provisions for retirement and disability benefits
Provisions at the beginning of the period	-	823	114
- increase on provisions	9	486	-
- release of provisions	-	-	(25)
Provisions as at the end of the period	9	1 309	89
Expected settlement period of provisions:			
Short-term (up to 1 year)	-	370	89
Long-term (over 1 year)	9	939	-

Change from January 1 to June 31, 2023	Change in provisions for future liabilities	Provisions for legal proceedings	Provisions for retirement and disability benefits
Provisions at the beginning of the period	11 690	678	119
- increase on provisions	(3 803)	145	5
- release of provisions	-	-	(18)
- transfer to asset item	(7 887)	-	-
- other changes	-	-	8
Provisions as at the end of the period	-	823	114
Expected settlement period of provisions:			
Short-term (up to 1 year)	-	370	27
Long-term (over 1 year)	-	453	87

20. Other liabilities

	30.06.2024	31.12.2023
Other liabilities (due to)	19 021	13 816
- accrued expenses	14 908	9 610
- settlements due to tax from Bank balance sheet items	1 693	1 656
- provision for holiday equivalents	779	794
- settlements with insurers	677	682
- liabilities due to income tax on salaries, Social Security contributions and VAT	447	480
- other	517	594
Other liabilities, in total	19 021	13 816
Short-term (up to 1 year)	19 021	13 816

21. Assets and liabilities for deferred income tax

Deferred income tax assets	30.06.2024	31.12.2023	30.06.2023
As at the beginning of the period	56 209	133 649	133 649
- Changes recognized in the income statement	293	(31 660)	(21 146)
- Changes recognized in other comprehensive income	(3 119)	(19 053)	(8 964)
- Other changes	-	(26 727)	(26 727)
As at the end of the period	53 383	56 209	76 812

Deferred income tax liabilities	30.06.2024	31.12.2023	30.06.2023
As at the beginning of the period	(42 347)	(51 785)	(51 786)
- Changes recognized in the income statement	4 821	(3 843)	(294)
- Changes recognized in other comprehensive income	580	8 994	7 246
- Other changes	-	4 287	4 287
As at the end of the period	(36 946)	(42 347)	(40 547)

Income tax	30.06.2024	31.12.2023	30.06.2023
Current income tax	(4 721)	21 649	12 440
Adjustments in respect of current income tax from previous years	(3)	(30)	(29)
Deferred income tax recognised in the income statement	5 114	(35 503)	(21 440)
Income tax recognised in the income statement	390	(13 884)	(9 029)
Recognised in other comprehensive income	(2 539)	(10 059)	(1 718)
Total income tax	(2 149)	(23 943)	(10 747)

The income tax expense for the interim period is calculated using the expected annual effective tax rate. As a result of the recognition of loan holiday provisions in the first half of 2024, this rate was estimated at 0.86% (for the first half of 2023, the rate was 44.66%).

22. Fair value of assets and liabilities

The following table presents a summary carrying 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.

Financial assets and liabilities	30.06.2024		31.12.2023	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets measured at amortised cost				
Cash and balances with the central bank	61 122	61 122	63 298	63 298
Amounts due from other banks	6 025	6 025	12 596	12 596
Loans and advances to customers, including:	9 079 024	9 070 086	9 048 883	9 022 239
Individual customers	9 072 700	9 063 762	9 036 935	9 010 291
Other financial institutes	6 324	6 324	11 948	11 948
Financial liabilities at amortised cost				
Amounts due to other banks	3 108 546	3 108 546	3 359 288	3 359 288
Amounts due to customers, including:	50	50	61	61
Corporate customers	50	50	59	59
Individual customers	-	-	2	2

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PLN (000's)

Leasing liabilities	16 416	16 416	16 975	16 975
Debt securities in issue	6 134 712	5 985 054	5 874 096	5 739 562
Total financial assets	9 146 171	9 137 233	9 124 777	9 098 133
Total financial liabilities	9 259 724	9 110 066	9 250 420	9 115 886

The table below presents the fair value hierarchy of financial assets and liabilities recognised in the statement of financial position of the Bank at their fair values as of 30 June 2024.

30.06.2024	including:	Level 1	Level 2	Level 3
		Prices quoted 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 derivatives held for hedges	5 457	-	5 457	-
Derivative financial instruments, including:	5 457	-	5 457	-
Derivative financial instruments held for trading:	6 370	-	6 370	-
- Interest rate derivatives	1 099	-	1 099	-
- Foreign exchange derivatives	5 271	-	5 271	-
Derivative financial instruments held for hedging:	2 575	-	2 575	-
Derivatives designated as fair value hedges	2 575	-	2 575	-
Compensatory effect	(3 488)	-	(3 488)	-
Financial assets at fair value through other comprehensive income	843 327	788 370	54 957	-
- Treasury bonds	788 370	788 370	-	-
- Money bills	54 957	-	54 957	-
TOTAL FINANCIAL ASSETS	848 784	788 370	60 414	-

30.06.2024	including:	Level 1	Level 2	Level 3
		Prices quoted in active markets	Valuation techniques based on observable market data	Other valuation techniques

FINANCIAL LIABILITIES

Derivative financial instruments, including:	50 152	-	10 332	39 820
Derivative financial instruments held for trading:	3 273	-	3 273	-
- Interest rate derivatives	2 495	-	2 495	-
- Foreign exchange derivatives	778	-	778	-
Derivative financial instruments held for hedging:	86 938	-	47 118	39 820
- Derivatives designated as fair value hedges	47 118	-	47 118	-
- Derivatives designated as cash flow hedges	39 820	-	-	39 820
Compensatory effect	(40 059)	-	(40 059)	-
TOTAL FINANCIAL LIABILITIES	50 152	-	10 332	39 820

RECURRING FAIR VALUE MEASUREMENTS

TOTAL FINANCIAL ASSETS	848 784	788 370	60 414	-
TOTAL FINANCIAL LIABILITIES	50 152	-	10 332	39 820

The table below presents the fair value hierarchy for financial assets and liabilities that were disclosed in the Bank's statement of financial position at fair value as at December 31, 2023.

31.12.2023	including:	Level 1	Level 2	Level 3
		Prices quoted 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 derivatives held for hedges	2 647	-	2 647	-
Derivative financial instruments, including:	2 647	-	2 647	
Derivative financial instruments held for trading:	2 144	-	2 144	-
- Foreign exchange derivatives	2 144	-	2 144	-
Derivative financial instruments held for hedging	503	-	503	-
Derivatives designated as fair value hedges	503	-	503	-
Financial assets at fair value through other comprehensive income	845 733	790 777	54 956	-
- Treasury bonds	790 777	790 777	-	-
- Money bills	54 956	-	54 956	-
TOTAL FINANCIAL ASSETS	848 380	790 777	57 603	-

31.12.2023	including:	Level 1	Level 2	Level 3
		Prices quoted in active markets	Valuation techniques based on observable market data	Other valuation techniques
FINANCIAL LIABILITIES				
Derivative financial instruments, including:	47 226	-	8 781	38 445
Derivative financial instruments held for trading:	4 755	-	4 755	-
- Interest rate derivatives	4 755	-	4 755	-
- Foreign exchange derivatives	42 471	-	4 026	38 445
Derivative financial instruments held for hedging:	4 026	-	4 026	-
-Derivatives designated as fair value hedges	38 445	-	-	38 445
TOTAL FINANCIAL LIABILITIES	47 226	-	8 781	38 445

RECURRING FAIR VALUE MEASUREMENTS

TOTAL FINANCIAL ASSETS	848 380	790 777	57 603	-
TOTAL FINANCIAL LIABILITIES	47 226	-	8 781	38 445

Derivatives designated as cash flow hedges

The derivative instrument designated as a cash flow hedge is CIRS (Cross-Currency Interest Rate Swap), which was classified at level 3 of the fair value hierarchy, where the Bank pays a floating rate based on the WIBOR rate and receives a fixed rate in EUR. In the event of the declared bankruptcy of Bank the CIRS transaction is not completed and continues until the transaction is completed in accordance with the parameters determined on the transaction date. In addition, the transaction in question is characterized by a high nominal value and a unilateral obligation to provide a margin, where Bank is released from the obligation to submit it.

Due to the characteristics of the CIRS transaction concluded by the Bank, containing non-standard and unquoted price components, the margin on the leg paid by the Bank was higher than the margin of the standard, analogous CIRS transaction, terminated in the event of a counterparty's bankruptcy with a bilateral exchange of the margin. This fact was confirmed by the independent CIRS quotation obtained by the Bank. At the same time, before concluding the transaction, the Bank checked other market quotations of high-rated counterparties and they showed compliance with the finally obtained transaction quotation. Thus, the transaction was classified as an arm's length transaction, not having an option nature, free of additional fees at the time of its conclusion, and was considered a transaction in which there are parameters that are unobservable in an active market, affecting its valuation.

Due to the non-standard nature of the CIRS transaction concluded by the Bank, the valuation of this transaction consists of three elements - the value of discounted expected cash flows from CIRS transactions, CVA / DVA adjustments and linear amortisation over time to the maturity date of the difference between the valuation of the non-standard CIRS transaction (taking into account CVA / DVA adjustments). DVAs corresponding to the nature of this transaction) and the standard CIRS transaction valuation (including CVA / DVA adjustments resulting from the profile of this transaction) determined on the transaction date. The straight-line amount, included in the valuation of IRS transactions, determined at the time of concluding the transaction is TPLN 7,216. Due to the fact that at the moment of establishing the NPV relation of the original transaction, CIRS was transferred to the IRS transaction, hence DVA was included in its valuation as a significant component of the valuation, and CVA, due to its insignificant value, was included in the valuation of the CIRS transaction.

The components of the transaction valuation are presented in the table below

		30.06.2024	31.12.2023
Fair value measurement of CIRS transactions		(40 896)	(40 360)
including:	CVA of the CIRS transaction	1	4
	DVA of the CIRS transaction	(391)	(718)
	Value of the valuation of the CIRS transaction to be settled over time	1 496	2 110

For the CIRS transaction concluded by the Bank for the purposes of cash flow hedge accounting, there is no active market that would reflect the valuation of transactions with similar characteristics. Publicly available CIRS quotes refer to contracts that are settled upon bankruptcy of the counterparty, include bilateral margin collateral and have a face value that is actively traded in the market. In the Bank's opinion, these are arguments that there are no prices available on an actively available market that could adequately reflect the fair value of the CIRS transaction concluded by the Bank.

SELECTED EXPLANATORY INFORMATION

1. Seasonal or cyclical nature of the business

There are no significant seasonal or cyclical phenomena in the Bank's operations.

2. 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 first half of 2024, the Bank's financial situation was significantly affected by statutory credit holidays. Detailed information is described in Notes 3 in the Explanatory notes to the condensed financial statements.

3. 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

Events as indicated above did not occur in the Bank.

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

In the first half of 2024, the Bank carried out two issues of mortgage covered bonds, in March for the amount of TPLN 500,000, and in June for the amount of TPLN 200,000; additionally, during this period the bank redeemed 2 series of mortgage covered bonds of the total TPLN 310,000 and TEUR 24 900.

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

On 22 April 2024, Ordinary General Meeting of mBank Hipoteczny S.A. adopted a resolution on the distribution of profit for 2023. The net profit achieved in 2023, amounting to TPLN 23,717, was allocated in full to cover the loss of previous years. The General Meeting did not adopt a resolution on the payment of a dividend for 2023.

6. Significant events after the end of the first half of 2024, which are not reflected in the condensed financial statements

Events as indicated above did not occur in the Bank.

7. 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, the above events did not occur at the Bank.

8. Changes in contingent liabilities

In the first half of 2024, as well as in the comparative periods presented, there were no significant changes in contingent liabilities of credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Bank. Neither there were also any material changes in contingent liabilities of nature other than credit liabilities.

9. Significant commitments made for the purchase of tangible fixed assets

In the first half of 2024, the above events did not occur at the Bank.

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

In the reporting period, as well as in the comparative periods presented, there were no changes in the process (method) of measurement the fair value of financial instruments.

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

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

12. Corrections of errors from previous reporting periods

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

13. Registered share capital

The total number of ordinary shares at 30 June 2024 as well as at 31 December 2023 was 2,200,000 with a nominal value of PLN 100 per share. All shares issued are fully paid up.

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

As at the date of publishing the condensed financial statements for the first half of 2024 and as the end of the previous periods presented in the statements, the Members of the Bank's Management Board had no and they have no options for the Bank's shares.

In the first half of 2024, as well as in the comparative periods presented, Member of the Bank's Supervisory Board held no shares of the Bank and no options for the Bank's shares.

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

In the first half of 2024, as well as in the comparative periods presented, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority which represent at least 10% of the Bank's equity. In the presented reporting periods there were no significant cases brought by the Bank or against the Bank, nor has the Bank created any provisions for pending litigation.

16. Off-balance sheet liabilities

Off-balance sheet liabilities as at 30 June 2024 and 31 December 2023.

	30.06.2024	31.12.2023
1. Off-balance sheet liabilities granted and received	1 198 159	1 148 347
Liabilities granted	3 063	3 129
1. Financial liabilities::	3 063	3 129
a) Lending commitments	3 063	3 129
Liabilities received:	1 195 096	1 145 218
a) Financial liabilities received	1 195 096	1 145 218
2. Derivative financial instruments (nominal value of contracts)	10 509 853	10 992 319
1. Interest rate derivatives	4 567 652	4 812 322
2. Foreign exchange derivatives	5 942 201	6 179 997
Total off-balance sheet items	11 708 012	12 140 666

17. Transactions with related parties

The direct parent entity of mBank Hipoteczny S.A. is mBank S.A. The direct parent entity of mBank S.A. is Commerzbank AG.

All transactions between the Bank and related parties were typical and routine transactions, according to the Management board concluded on conditions that did not vary from the market conditions, and their nature and conditions resulted from current operational activity conducted by the Bank. Transactions with related parties concluded in the scope of ordinary operational activity cover loans, debt securities issued, subordinated liabilities, other financial liabilities with deferred payment date, the derivative transactions and liabilities related to cash collaterals related to the derivative transactions.

The values of the Bank's transactions with related entities are presented in the tables below. The amounts of transactions include assets, liabilities as at 30 June 2024, 31 December 2023 and related costs and income in the periods from 1 January to 30 June 2023.

mBank Hipoteczny S.A.

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PLN (000's)

The table below presents the amounts of the Bank's transactions with related entities. The amounts of transactions include assets, liabilities as at 30 June 2024 and 31 December 2023 and related costs and income in the periods from 1 January to 30 June 2024 and 1 January to 30 June 2023.

(PLN '000)	Supervisory and Management Board members of mBank Hipoteczny S.A./mBank S.A., management personnel of mBank Hipoteczny S.A.		Other persons and entities related*		mBank Group companies***		mBank S.A.		Commerzbank Group companies***	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023	30.06.2024	31.12.2023	30.06.2024	31.12.2023	30.06.2024	31.12.2023
As at the end of the period										
Statement of financial position										
Total assets	861	1 426	595	615	756	637	45 836	51 139	-	-
Total liabilities	-	-	-	-	756	641	6 181 817	5 729 336	66 970	67 085
Off-balance-sheet liabilities received	-	-	-	-	-	-	1 195 096	1 145 218	-	-
Derivative financial instruments (buying, selling)	-	-	-	-	-	-	3 834 313	4 064 513	-	-

(PLN '000)	Supervisory and Management Board members of mBank Hipoteczny S.A./mBank S.A., management personnel of mBank Hipoteczny S.A.		Other persons and entities related*		mBank Group companies***		mBank S.A.		Commerzbank Group companies***	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023	30.06.2024	30.06.2023	30.06.2024	30.06.2023	30.06.2024	30.06.2023
Year ended										
Income statement										
Interest income	42	1	22	2	110	123	26 589	10 394	-	-
Interest expense	-	-	-	-	(10)	(4)	(240 317)	(129 733)	(1 262)	(1 474)
Fee and commission expenses	-	-	-	-	(1)	(2)	(1 720)	(4 310)	-	-
Net trading income	-	-	-	-	-	-	(1 139)	(25 862)	-	-
Other operating income	-	-	-	-	-	-	8 305	107	-	-
Other operating expenses	-	-	-	-	(1)	(7)	(458)	(413)	-	-
Overhead costs, amortisation and depreciation	-	-	-	-	(245)	(232)	(1 994)	(2 405)	-	-

*Other persons and related entities include a loan granted to a close family member of a Member of the Supervisory Board of mBank S.A.

** mBank Group's position includes transactions with the following mBank Group companies: mFinanse S.A., mLeasing Sp. z o.o.

***The position of a Commerzbank Group company includes purchases of mortgage covered bonds by Commerzbank AG and Future Tech on the secondary market.

18. Credit and loan guarantees, other guarantees granted in excess of 10% of the equity

In the first half of 2024, as well as in the comparative periods presented, events as indicated above did not occur at the Bank.

19. 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, other guarantees granted in excess of 10% of the equity

- Changes in the composition of the Bank's Supervisory Board.

On 31 December 2023, Frank Bock ceased to be a member of the Supervisory Board due to his resignation.

- Changes in the Management Board Members

As of 15 May 2024, Mr Krzysztof Dubejko ceased to act as President of the Management Board. On 18 April 2024, the Supervisory Board appointed Mr Piotr Petelewicz as Member of the Management Board of mBank Hipoteczny S.A., who took up his position as of 16 May 2024. He will serve as President of the Management Board of mBank Hipoteczny following approval by the Financial Supervision Authority.

20. Material events after the balance sheet date information

As at the date of signing these condensed financial statements, there were no events that would require additional disclosure in these condensed financial statements.