



**Report
mBank Hipoteczny S.A.
for the first half of 2022**

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 2022.

Selected financial data		in PLN `000		in PLN `000	
		Period from 01.01.2022 to 30.06.2022	Period from 01.01.2021 to 30.06.2021	Period from 01.01.2022 to 30.06.2022	Period from 01.01.2021 to 30.06.2021
I.	Interest income	290 267	132 165	62 521	29 065
II.	Fee and commission income	227	899	49	198
III.	Net trading income	27 732	1 086	5 973	239
IV.	Operating result	26 641	29 575	5 738	6 504
V.	Profit before income tax	10 918	14 280	2 352	3 140
VI.	Net profit attributable to shareholders of mBank Hipoteczny S.A.	5 362	7 842	1 155	1 725
VII.	Net cash flows from operating activities	(225 275)	(390 966)	(48 522)	(85 980)
VIII.	Net cash flows from investing activities	(4 102)	(5 800)	(884)	(1 276)
IX.	Net cash flows from financing activities	115 599	133 870	24 899	29 440
X.	Total net cash flows	(113 778)	(262 896)	(24 507)	(57 815)
XI.	Basic earnings per ordinary share / Diluted earnings per ordinary share (in PLN/EUR)	1,60	2,33	0,34	0,51

Selected financial data		in PLN `000			in EUR `000		
		as at			as at		
		30.06.2022	31.12.2021	30.06.2021	30.06.2022	31.12.2021	30.06.2021
I.	Total assets	13 155 317	12 981 822	13 020 868	2 810 605	2 822 503	2 880 213
II.	Amounts due to other banks	4 371 333	3 981 015	4 406 049	933 926	865 551	974 617
III.	Amounts due to customers	1 087	1 933	1 649	232	420	365
IV.	Equity attributable to shareholders of mBank Hipoteczny S.A.	1 193 639	1 264 290	1 280 034	255 018	274 882	283 143
V.	Share capital	336 000	336 000	336 000	71 786	73 053	74 323
VI.	Number of shares	3 360 000	3 360 000	3 360 000	3 360 000	3 360 000	3 360 000
VII.	Book value per share / Diluted book value per share (in PLN/EUR)	355,25	376,28	380,96	75,90	81,81	84,27
VIII.	Total capital ratio (%)	18,68	18,73	18,63	18,68	18,73	18,63
IX.	Common Equity Tier 1 ratio	17,15	17,17	17,17	17,15	17,17	17,17

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 2022: EUR 1 = PLN 4.6806, 31 December 2021: EUR 1 = PLN 4.5994 and 30 June 2021: EUR 1 = PLN 4.5208.
- 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 2022 and 2021: EUR 1 = 4.6427 PLN and EUR 1 = PLN 4.5472 respectively.



**mBank Hipoteczny S.A.
IFRS Condensed Financial Statements
for the first half of 2022**

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

	Not e	Period	
		from 01.01.202 2 to 30.06.202 2	from 01.01.202 1 to 30.06.202 1
Interest income, including:	5	290 267	132 165
<i>Interest income calculated using the effective interest rate method</i>		268 332	121 648
<i>Income similar to interest - financial assets measured at fair value through profit or loss</i>		21 935	10 517
Interest expense	5	(235 363)	(61 662)
Net interest income		54 904	70 503
Fee and commission income	6	227	899
Fee and commission expenses	6	(4 843)	(4 388)
Net fee and commission income		(4 616)	(3 489)
Net trading income	7	27 732	1 086
Net income on modification		1 923	(1 691)
Net income on derecognition of financial instruments not measured at fair value through profit and loss		-	5
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(1 566)	726
Other operating income		491	294
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	11	(12 206)	(543)
Overhead costs	9	(32 120)	(29 870)
Depreciation	9	(6 983)	(6 667)
Other operating expenses	10	(918)	(779)
Operating result		26 641	29 575
Taxes on the Bank balance sheet items		(15 723)	(15 295)
Profit before income tax		10 918	14 280
Income tax	23	(5 556)	(6 438)
Net profit		5 362	7 842
Net profit attributable to shareholders of the mBank Hipoteczny S.A.		5 362	7 842
Weighted average number of ordinary shares / Diluted weighted average number of ordinary shares	12	3 360 000	3 360 000
Earnings per ordinary share / Diluted earnings per ordinary share (in PLN)	12	1,60	2,33

Explanatory notes and selected explanatory data presented on pages 11 do 52 constitute an integral part of these condensed financial statements.

Condensed statement of comprehensive income

	Period	
	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Net profit	5 362	7 842
Other comprehensive income net of tax including:	(76 013)	(18 048)
Items that may be reclassified to the income statement	(76 013)	(18 048)
Change in the valuation of debt financial instruments measured at fair value through other comprehensive income (net)	(18 858)	(5 266)
Net cash flow hedge	(57 155)	(12 783)
Items that will not be reclassified to the income statement	-	-
Actuarial gains and losses on post-employment benefits (net)	-	-
Total comprehensive income net of tax	(70 651)	(10 206)
Net total comprehensive income attributable to shareholders of the mBank Hipoteczny S.A.	(70 651)	(10 206)

Explanatory notes and selected explanatory data presented on pages 11 do 52 constitute an integral part of these condensed financial statements

Condensed statement of financial position

ASSETS	Note	30.06.2022	31.12.2021
Cash and balances with the Central Bank		61 314	114 658
Financial assets held for trading and derivatives held for hedges	13	64 540	125 837
Non-trading financial assets mandatorily at fair value through profit or loss, including:	14	107 848	120 205
<i>Loans and advances to customers</i>	14	107 848	120 205
Financial assets at fair value through other comprehensive income	15	753 376	732 393
Financial assets at amortised cost, including:	16	12 008 901	11 760 943
<i>Loans and advances to banks</i>		92 234	152 668
<i>Loans and advances to customers</i>		11 916 667	11 608 275
Intangible assets	17	52 242	52 488
Tangible assets	18	27 365	29 434
Current income tax assets		-	-
Deferred income tax assets	23	41 825	19 960
Other assets	19	37 906	25 904
TOTAL ASSETS		13 155 317	12 981 822
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities held for trading and derivatives held for hedges	13	8 254	7 053
Financial liabilities measured at amortised cost, including:		11 911 121	11 686 843
<i>Amounts due to banks</i>	20	4 371 333	3 981 015
<i>Amounts due to customers</i>	20	1 087	1 933
<i>Debt securities issued</i>	20	7 438 302	7 603 677
<i>Subordinated liabilities</i>		100 399	100 218
Provisions	21	12 524	5 382
Current income tax liabilities		4 199	2 551
Other liabilities	22	25 580	15 703
TOTAL LIABILITIES		11 961 678	11 717 532
Equity			
Share capital:		884 631	884 631
- Registered share capital		336 000	336 000
- Share premium		548 631	548 631
Retained earnings:		411 874	406 512
- Profit from the previous years		406 512	387 710
- Profit for the current period		5 362	18 802
Other components of equity		(102 866)	(26 853)
TOTAL EQUITY		1 193 639	1 264 290
TOTAL LIABILITIES AND EQUITY		13 155 317	12 981 822
Total capital ratio (%)		18,68	18,73
Common Equity Tier 1 ratio (%)		17,15	17,17

Explanatory notes and selected explanatory data presented on pages 11 do 52 constitute an integral part of these condensed financial statements.

Condensed statement of changes in equity

Changes in equity from 1 January 2022 to 30 June 2022

	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	Actuarial gains and losses relating to post-employment benefits	
As at 1 January 2022	336 000	548 631	342 910	44 800	18 802	-	(22 652)	(4 237)	36	1 264 290
Net profit	-	-	-	-	-	5 362	-	-	-	5 362
Other comprehensive income (gross)	-	-	-	-	-	-	(23 281)	(70 562)	-	(93 843)
Deferred tax on other comprehensive income	-	-	-	-	-	-	4 423	13 407	-	17 830
Total comprehensive income	-	-	-	-	-	5 362	(18 858)	(57 155)	-	(70 651)
Transfer to supplementary capital	-	-	18 802	-	(18 802)	-	-	-	-	-
As at 31 June 2022	336 000	548 631	361 712	44 800	-	5 362	(41 510)	(61 392)	36	1 193 639

Changes in equity from 1 January 2021 to 31 December 2021

	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	Actuarial gains and losses relating to post-employment benefits	
As at 1 January 2021	336 000	548 631	338 032	44 800	4 878	-	4 423	13 450	26	1 290 240
Net profit	-	-	-	-	-	18 802	-	-	-	18 802
Other comprehensive income (gross)	-	-	-	-	-	-	(33 426)	(21 836)	12	(55 250)
Deferred tax on other comprehensive income	-	-	-	-	-	-	6 351	4 149	(2)	10 498
Total comprehensive income	-	-	-	-	-	18 802	(27 075)	(17 687)	10	(25 950)
Transfer to supplementary capital	-	-	4 878	-	(4 878)	-	-	-	-	-
As at 31 December 2021	336 000	548 631	342 910	44 800	-	18 802	(22 652)	(4 237)	36	1 264 290

Changes in equity from 1 January 2021 to 30 June 2021

	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	Actuarial gains and losses relating to post-employment benefits	
As at 1 January 2021	336 000	548 631	338 032	44 800	4 878	-	4 423	13 450	26	1 290 240
Net profit	-	-	-	-	-	7 842	-	-	-	7 842
Other comprehensive income (gross)	-	-	-	-	-	-	(6 501)	(15 781)	-	(22 282)
Deferred tax on other comprehensive income	-	-	-	-	-	-	1 235	2 998	-	4 234
Total comprehensive income	-	-	-	-	-	7 842	(5 266)	(12 783)	-	(10 206)
Transfer to supplementary capital	-	-	4 878	-	(4 878)	-	-	-	-	-
Issue of shares	-	-	-	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-	-	-
As at 31 June 2021	336 000	548 631	342 910	44 800	-	7 842	(843)	667	26	1 280 034

Explanatory notes and selected explanatory data presented on pages 11 do 52 constitute an integral part of these condensed financial statements

Condensed statement of cash flows

	Period	
	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
A. Cash flows from operating activities	(225 275)	(390 966)
Profit before income tax	10 918	14 280
Adjustments:	(236 193)	(405 246)
Income tax paid	(7 943)	(5 676)
Depreciation	6 983	6 667
Foreign exchange (gains) losses related to financing activities	59 024	(79 609)
Interest income (income statement)	(290 267)	(132 165)
Interest expenses (income statement)	235 363	61 662
Interest received	240 924	131 704
Interest paid	(39 252)	(8 177)
Change in assets and liabilities on derivative financial instruments	(8 126)	56 881
Change in loans and advances to customers	(290 789)	(461 568)
Change in the balance of financial assets at fair value through other comprehensive income	(41 868)	(12 392)
Adjustments to intangible assets and property, plant and equipment	(560)	(18 902)
Change in other assets	(11 998)	(10 158)
Change in amounts due to banks	(7 656)	115 406
Change in amounts due to customers	(755)	(1 580)
Change in debt securities in issue	(96 073)	(55 032)
Change in subordinated liabilities	(219)	(150)
Change in provisions	7 141	1 029
Change in other liabilities	9 878	6 814
Net cash from operating activities	(225 275)	(390 966)
B. Cash flows from investing activities	(4 102)	(5 800)
Investing activity inflows	128	900
For the sale of intangible assets and tangible fixed assets	128	919
Due to the disposal of intangible assets and tangible fixed assets	-	(19)
Investing activity outflows	4 230	6 700
Due to the purchase of intangible assets and tangible fixed assets	4 230	6 700
Net cash from investing activities	(4 102)	(5 800)
C. Cash flow from financing activities	115 599	133 870
Financing activity inflows	2 161 434	2 721 482
Due to the loans received from banks	1 420 569	-
Due to the issue of debt securities	735 000	2 716 920
Interest received on derivative hedging financial instruments	5 865	4 562
Financing activities outflows	2 045 835	2 587 612
Due to the repayment of loans and advances from banks	1 045 041	1 929 136
Due to the issue of debt securities	859 116	627 210
Payments of leasing liabilities	1 245	802
Interest paid on loans received, debt securities in issue, subordinated loan	140 433	30 464
Net cash from financing activities	115 599	133 870
Net increase / decrease in cash and cash equivalents, total (A+B+C)	(113 778)	(262 896)
Cash and cash equivalents as at the beginning of the reporting period	267 326	387 525
Cash and balances with the central bank	114 658	29 393
Amounts due from other banks	152 668	323 133
Investment securities with maturity of up to 3 months from the date of purchase	-	34 999
Cash and cash equivalents as at the end of the reporting period	153 548	124 629
Cash and balances with the central bank	61 314	31 061
Amounts due from other banks	92 234	93 568

Explanatory notes and selected explanatory data presented on pages 11 do 52 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.

As per the Polish Classification of Activities the Bank business is designated as 64.19.Z "Other monetary intermediation".

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. There are two business lines at the Bank:

- a retail line, focused on the purchase of debt claims from housing mortgage loans from mBank S.A.,
- a commercial line, covering the purchase from mBank S.A. or co-financing with mBank S.A. of transactions concerning commercial real estate, such as office buildings, shopping centres, hotels, warehouses and distribution facilities.

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 a major investor to associate companies nor jointly controlled companies. Therefore, mBank Hipoteczny S.A. does not prepare consolidated financial statements. The parent company of mBank Hipoteczny S.A. is mBank S.A., which prepares consolidated financial statements of mBank Capital Group.

As at 30 June 2022 the employment in the Bank was 120 FTEs and 131 persons (31 December 2021: 122 FTEs; 130 persons).

Average employment in the first half of 2022 was 131 persons, in the first half of 2021 it was 130 persons.

These condensed financial statements were approved by the Management Board of mBank Hipoteczny S.A. on 4 August 2022.

2. Description of the relevant accounting policies

The most important accounting principles applied by the Bank in the preparation of these condensed financial statements are presented below. The accounting principles adopted by the Bank were applied consistently to all periods presented in the financial statements.

2.1 Accounting Basis

Condensed financial statements of mBank Hipoteczny S.A. drawn up for the 6-month period ended June 30, 2022. The comparative data presented in the financial statements refer to the 6-month period ended June 30, 2021. These financial statements are separate statements.

Both as at June 30, 2022, December 31, 2021 and June 30, 2021, mBank Hipoteczny S.A. did not have any subsidiary.

Financial statements of mBank Hipoteczny S.A. has been prepared in accordance with the International Financial Reporting Standards adopted for use in the European Union (IFRS EU), according to the historical cost principle, except for 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 assumes holding them in order to obtain contractual cash flows, equity instruments and liabilities for cash-settled share-based payments that are carried at fair value through profit or loss, and except for financial instruments at fair value through other comprehensive income and equity instruments with the fair value through other comprehensive income option.

These interim condensed financial statements of mBank Hipoteczny S.A. have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as approved by the European Union

The informative scope of the interim report is narrower than in the case of complete financial statements, therefore they should be read in conjunction with the separate financial statements of mBank Hipoteczny S.A. for the financial year 2021.

Presented in these condensed financial statements of mBank Hipoteczny S.A. data for 2021 were audited by a statutory auditor.

The preparation of financial statements in accordance with IFRS requires the use of specific accounting estimates. It also requires the Bank's Management Board to apply its own judgment when applying the accounting principles adopted by the Bank. The issues regarding which a greater degree of judgment is required, more complex issues or those where assumptions and estimates are significant from the point of view of the financial statements are presented in note 3.

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.

2.2 New standards, interpretations and amendments to published standards

These financial statements include the requirements of all the International Accounting Standards and the International Financial Reporting Standards endorsed by the European Union, and the related with them interpretations which have been endorsed and binding for annual periods starting on 1 January 2022.

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
Annual Improvements to IFRS Standards 2018-2020	Annual Improvements include changes to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, Illustrative Examples accompanying IFRS 16 Leases and IAS 41 Agriculture. The amendment to IFRS 9 clarifies which fees the entity includes when it applies the '10 per cent test' in assessing whether to derecognize a financial liability. The amendment to IFRS 16 removes the illustration of payments from the lessor relating to leasehold improvements.	1 January 2022	The application of the amended standard will have no significant impact on the financial statements.
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	Amendments to IAS 16 prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.	1 January 2022	The application of the amended standard will have no significant impact on the financial statements.
Amendments to IAS 37 Onerous contracts – Cost of Fulfilling the Contract	Amendments to IAS 37 specifies which costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.	1 January 2022	The application of the amended standard will have no significant impact on the financial statements.
Amendments to IFRS 3 Reference to the Conceptual Framework	Amendments to IFRS 3 replaced references to the Framework with references to the 2018 Conceptual Framework. They also added a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of conceptual framework) to identify the liabilities it has assumed in business combination. Moreover, the standard added an explicit statement that an acquirer does not recognize contingent asset acquired in a business combination.	1 January 2022	The application of the amended standard will have no significant impact on the financial statements.

Published Standards and Interpretations which have been issued but are not yet binding or have not been adopted early

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

3. Changes in 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 Bank estimates that in subsequent reporting periods the introduced changes should not materially affect the financial result.

The bank reviews its loan portfolio for impairment at least once a quarter. In order to determine whether an impairment should be recognized in the profit and loss account, the Bank assesses whether there are any indications of a measurable decrease in estimated future cash flows from loans and advances granted. If there is objective evidence that a loan is impaired, the amount of the loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current effective interest rate of the financial asset (for loans based on a fixed interest rate, discounting takes place using the original effective interest rate). If the present value of estimated cash flows for the portfolio of loans with recognized individual impairment changed by +/- 10%, then as at June 30, 2022, the estimated amount of loan impairment would have decreased by PLN 25,8 million or increased by PLN 31,9 million (as at December 31, 2021, the estimated loan impairment would decrease by PLN 30,2 million or increase by PLN 38,4 million, respectively). This estimate was made for the portfolio of loans for which impairment is recognized based on an individual analysis of future cash flows from recoveries from collateral (Stage 3). The principles of measuring impairment are described in Note 2.8. financial statements for 2021, published on March 8, 2022.

On December 17, 2020, the Bank (acting as the Beneficiary) concluded with mBank S.A. (acting as the Guarantor) Guarantee Framework Agreement and 23 Detailed Guarantee Agreements (in total: Guarantee Agreements) concerning 23 commercial credit exposures mainly in stage 2 granted by mBank Hipoteczny SA (Beneficiary) to its borrowers.

At the time of granting, ECL was PLN 16.2 million. At the end of the first half of 2022, the result of the write-offs was positively affected by the guarantee valuation in the amount of PLN 27 317 thousand (as at December 31, 2021 it was PLN 18 556 thousand) to cover the increase in credit risk, which was included in a part of the commercial portfolio.

As at June 30, 2022, the Guarantee Agreement covered 18 commercial credit exposures. The total value of the guarantee instruments as at June 30, 2022 was PLN 67.28 million and EUR 91.52 million. As at December 31, 2021, the guarantee covered 21 exposures in the amount of: PLN 91.64 million and EUR 102.96 million.

Under the Guarantee Agreements mBank S.A. (Guarantor) is a provider of unfunded credit protection within the meaning of Art. 194 paragraph. 6 CRR.

As at June 30, 2022 and December 31, 2021, the Bank did not apply management overlays.

In the second quarter of 2022, the forecasts of future macroeconomic conditions were updated, which are used in risk parameter models used to calculate the expected credit loss. The adopted forecasts take into account the current economic situation in the country as a result of Russia's invasion of Ukraine and are consistent with the forecasts used in the planning process.

The reason for changes in the key values in the models used for the calculation of expected losses due to credit risk was the update of the macroeconomic indicators used.

In the first half of 2022, the Bank made the following significant changes to the models used to determine the expected credit risk losses:

- implementation of a new behavioral card within the PD 12M model and the associated PD LT and TL calibrations to the indications of this model. The estimated impact of the change on the level of expected loss was -0.61 million (positive impact on the result).
- updating the macroeconomic indicators used in the models, taking into account changes in macroeconomic scenarios in the forecast non-linearity coefficient. The estimated impact of these changes on the level of the expected credit loss will amount to approximately PLN 2.3 million (negative 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 PLN 6 894 thousand was created as at June 30, 2022. PLN.

As at June 30, 2021, the provision was recognized as provisions for future liabilities (Note 21) regarding the costs of potential commission reimbursements for early loan repayments made before the date of the CJEU judgment, amounted to PLN 3 786 thousand, (as at December 31, 2021: PLN 4 770 thousand).

The total negative impact of early repayment of retail loans on the Bank's gross profit in the first half of 2022 amounted to PLN 7 769 thousand. PLN, mainly due to an increase in prepayments of mortgage loans (H1 2021: PLN 1,309 thousand).

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.

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.

mBank Hipoteczny S.A. is a specialised mortgage bank whose primary purpose is to issue covered

Business segment reporting on the activities of mBank Hipoteczny S.A. – positions from income statement

Period from 01.01.2022 to 30.06.2022	Corporate Banking	Retail Banking	Treasure Segment	Total
Net interest income	23 996	37 273	(6 365)	54 904
Interest income	41 442	220 093	28 732	290 267
Interest expense	(17 446)	(182 821)	(35 096)	(235 363)
Net fee and commission income	(2 423)	(1 151)	(1 042)	(4 616)
Fee and commission income	121	106	-	227

mBank Hipoteczny S.A.

IFRS Condensed Financial Statements for the first half of 2022

PLN (000's)

Fee and commission expenses	(2 544)	(1 257)	(1 042)	(4 843)
Other operating income/expenses	(169)	(142)	(116)	(427)
Net trading income	-	-	27 732	27 732
Result from non-substantial modification	1 857	66	-	1 923
Result on derecognition of financial instruments not measured at fair value through profit or loss	-	-	-	-
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(1 566)	-	-	(1 566)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(8 576)	(3 613)	(17)	(12 206)
Overhead costs	(11 151)	(16 770)	(4 199)	(32 120)
Depreciation	(1 459)	(4 877)	(647)	(6 983)
Tax on the Bank's balance sheet items	(3 432)	(12 291)	-	(15 723)
Segment result (gross)	(2 923)	(1 505)	15 346	10 918
Income tax				(5 556)
Net profit				5 362

Period from 01.01.2021 to 30.06.2021	Corporate Banking	Retail Banking	Treasure Segment	Total
Net interest income	25 385	52 415	(7 297)	70 503
Interest income	35 706	81 843	14 616	132 165
Interest expense	(10 321)	(29 429)	(21 912)	(61 662)
Net fee and commission income	(955)	(1 907)	(627)	(3 489)
Fee and commission income	689	210	-	899
Fee and commission expenses	(1 645)	(2 116)	(627)	(4 388)
Other operating income/expenses	(189)	(282)	(14)	(485)
Net trading income	-	(19)	1 105	1 086
Result from non-substantial modificationj	(1 575)	(116)	-	(1 691)
Result on derecognition of financial instruments not measured at fair value through profit or loss	5	-	-	5
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	726	-	-	726
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(4 154)	3 611	-	(543)
Overhead costs	(13 200)	(13 384)	(3 286)	(29 870)
Depreciation	(1 325)	(4 873)	(469)	(6 667)
Tax on the Bank's balance sheet items	(4 063)	(11 232)	-	(15 295)
Segment result (gross)	655	24 213	(10 588)	14 280
Income tax				(6 438)
Net profit				7 842

Business segment reporting on the activities of mBank Hipoteczny S.A. – positions from statement of financial position

30.06.2022	Corporate Banking	Retail Banking	Treasure Segment	Other assets	Total
Segment Assets	2 274 858	9 715 614	1 005 507	159 338	13 155 317
Segment Liabilities	7 185	36 205	11 918 288	-	11 961 678

31.12.2021	Corporate Banking	Retail Banking	Treasure Segment	Other assets	Total
Segment Assets	2 582 875	9 125 234	1 145 927	127 786	12 981 822
Segment Liabilities	6 160	19 409	11 691 963	-	11 717 532

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

5. Net interest income

period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Interest income		
Interest income calculated using the effective interest rate method	268 332	118 567
Interest income of financial assets at amortised cost, including:	259 985	116 490
- Loans and advances	258 436	116 089
- Cash and short-term placements	1 165	-
- Interest income on liabilities	384	401
Interest income on financial assets at fair value through other comprehensive income	8 347	2 077
- <i>Debt securities</i>	8 347	2 077
Income similar to interest on financial assets at fair value through profit or loss, including:	21 935	13 598
Non-trading financial assets mandatorily measured at fair value through profit or loss, including:	3 101	1 460
- <i>Loans and advances</i>	3 101	1 460
Interest income on derivatives classified into banking book	5 524	(233)
Interest income on derivatives concluded under hedge accounting	13 310	12 371
Total interest income	290 267	132 165

period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Interest expense		
Financial liabilities valued at amortized cost, including:	(178 048)	(53 207)
-Due to the issue of debt securities	(98 353)	(36 231)
-Loans received	(73 502)	(10 460)
-Due to subordinated loan	(3 010)	(1 594)
-Other financial liabilities with deferred payment	(3 129)	(4 896)
-Lease agreements	(54)	(26)
-Other financial liabilities	-	-
Interest expenses on derivatives classified into banking book	(30 079)	(3 081)
Interest expenses on derivatives concluded under the cash flow hedge	(27 236)	(5 374)
Total interest expense	(235 363)	(61 662)
Net interest income	54 904	70 503

In the first half of 2022, interest income related to financial assets measured at amortized cost, the impairment amounted to PLN 4 790 thousand (in the first half of 2021 PLN 2 733 thousand).

6. Net fee and commission income

	Period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Fee and commission income			
Credit-related fees and commissions		227	899
Total fee and commission income		227	899
Fee and commission expenses			
Cost of servicing loan products		(2 360)	(2 442)
Commission expense from loan received and stand-by credit line		(179)	(163)
Costs related to the debt securities issue program (covered bonds and bonds)		(808)	(412)
Costs of real estate analyses and valuations related to the lending activity		(19)	(40)
Commission for transfers, keeping bills		(55)	(52)
Bank guarantee premium		(1 412)	(1 267)
Other		(10)	(12)
Total fee and commission expense		(4 843)	(4 388)
Total fee and commission income		(4 616)	(3 489)

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

Costs of servicing credit products related to the outsourcing agreement with mBank S.A. for the after-sale service of the commercial portfolio amount to PLN 1 132 thousand, in the first half of 2021 amounted to PLN 1 644 thousand.

7. Net trading income

	Period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Foreign exchange result		(376)	941
Net exchange differences on translation		(17 032)	13 745
Valuation of foreign currency derivatives		16 656	(12 804)
Other net trading income and result on hedge accounting		28 108	145
Interest rate risk instruments		27 713	-
Hedge accounting, including:		395	145
- net profit on hedged items		115 116	25 351
- net profit on hedging instruments		(115 819)	(25 184)
- ineffective portion of cash flow hedge accounting		1 098	(22)
Total net trading income		27 732	1 086

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 13. 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 2022 and 2021, the result on modifications was calculated only for assets measured at amortized cost, as the Bank did not have any instruments valued at amortized cost at fair value through other comprehensive income.

period from 01.01.2022 to 30.06.2022	Stage 1	Stage 2	Stage 3	Total
Financial assets modified during the period				
Amortized cost of financial assets before modification	87 185	7 789	60 015	154 989
Net income on modification	1 932	3	(12)	1 923

period from 01.01.2021 to 30.06.2021	Stage 1	Stage 2	Stage 3	Total
Financial assets modified during the period				
Amortized cost of financial assets before modification	239 923	345 685	125 122	710 730
Net income on modification	(63)	(100)	(1 528)	(1 691)

9. Overhead costs and depreciation

Period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Staff-related costs	(12 454)	(11 129)
Material costs, including:	(7 363)	(7 758)
- costs of administration and real estate services	(2 045)	(2 513)
- IT cost	(4 240)	(4 097)
- marketing cost	(290)	(204)
- consulting services cost	(533)	(565)
- other overheads cost	(255)	(379)
Contributions and transfers to the Bank Guarantee Fund	(11 217)	(9 193)
Taxes and fees	(928)	(1 639)
Contributions to the Social Benefits Fund	(158)	(151)
Total overhead costs	(32 120)	(29 870)

The "costs of administration and real estate services" 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 2022 amounted to PLN 92 thousand (as at 30 June 2021: PLN 140 thousand).

Employee costs

Period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Wages and salaries	(10 330)	(8 867)
Social security expenses	(1 760)	(1 656)
Remuneration payment in the form of phantom shares settled in cash	(148)	(402)
Other employee benefits	(216)	(204)
Staff-related costs, total	(12 454)	(11 129)

Depreciation

	Period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Intangible assets		(4 136)	(3 625)
Tangible assets		(1 523)	(1 478)
depreciation allowances - leasing		(1 324)	(1 564)
Depreciation, total		(6 983)	(6 667)

10. Other operating expenses

	Period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Costs of enforcement proceedings		(211)	(199)
Litigation reserves		(345)	(333)
Writing down investments		-	(204)
Other		(362)	(43)
Total other operating expenses		(918)	(779)

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

	Period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Financial assets at amortised cost, including:		(12 150)	(733)
Loans and advances		(12 150)	(733)
Individual clients		(3 568)	2 560
Stage 1		1 005	(44)
Stage 2		(1 325)	3 505
Stage 3		(2 999)	(937)
POCI		(249)	36
Corporate clients		(8 582)	(3 293)
Stage 1		2 803	(269)
Increase / decrease of the write-off for receivables covered by the guarantee		(1 308)	46
Stage 2		(1 041)	(6 664)
Decrease of the write-off for receivables covered by the guarantee		413	7 649
Stage 3		(19 248)	(6 505)
Decrease of the write-off for receivables covered by the guarantee		9 195	2 256
POCI		604	194
Commitments and guarantees given		(39)	190
Stage 1		5	190
Stage 2		(44)	-
Financial assets measured at fair value through other comprehensive income, including:		(17)	-
Debt securities		(17)	-
Stage 1		(17)	-
Net impairment losses on financial assets not measured at fair value through profit or loss		(12 206)	(543)

In the commercial portfolio, the increase in the cost of write-offs compared to the same period in 2021 is due to greater duplication of loans in default due to changes in the value of collateral and developments in enforcement / bankruptcy proceedings.

In the case of the retail portfolio, in the first half of 2022 there was a cyclical increase in write-offs due to an increase in the LGD parameter (caused by an increase in interest rates) and a systematic increase in the portfolio balance with evidence of impairment (caused by the natural cycle of portfolio maturation), while in the corresponding period of 2021 there was a decrease the amount of write-offs mainly resulting from the implementation of the New Default Definition.

The result of impairment losses was positively affected by the guarantee valuation in the amount of PLN 8 300 thousand (in the first half of 2022) and PLN 9 951 thousand (in the first half of 2021) to cover the increase in credit risk which covers part of the commercial portfolio. Details on the guarantee are described in Note 19.

12. Earnings per share

Period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Basic:		
Net profit from activities attributable to shareholders of mBank Hipoteczny S.A.	5 362	7 842
Weighted average number of ordinary shares	3 360 000	3 360 000
Basic net profit per share (in PLN per share)	1,60	2,33
Diluted:		
Net profit attributable to shareholders of mBank Hipoteczny S.A., applied during the estimation of diluted earnings per share	5 362	7 842
Weighted average number of ordinary shares	3 360 000	3 360 000
Diluted net profit per share (in PLN per share)	1,60	2,33

13. 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 exchange rate risk instruments: 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.

	30.06.2022		31.12.2021	
	assets	liabilities	assets	liabilities
Derivative financial instruments held for trading classified into banking book	37 075	501	1 229	7 049
Derivatives held for hedging	48 258	47 714	175 040	-
Offsetting effect	(20 793)	(39 961)	(50 432)	4
Total derivative financial instruments assets/liabilities	65 540	8 254	125 837	7 053

As at June 30, 2022, the offsetting effect, apart from the valuation of derivative transactions, includes PLN 20 793 thousand of collateral accepted in connection with concluded transactions on derivative instruments subject to compensation (as at 31 December 2021 in the amount of PLN 50 432 thousand).

Hedge Accounting

a) Fair value hedge accounting

The Bank applies fair value hedge accounting, where the only type of hedged risk is the interest rate risk. At the end of each month, the Bank assesses the effectiveness of the applied hedge by analyzing changes in the fair value of the hedged instrument and the hedging instrument due to the hedged risk in order to confirm that the hedging relationships are effective in line with the accounting policy described in Note 2.10. the Bank's financial statements for 2021, published on March 8, 2022.

Description of the hedging relation

The Bank hedges against the risk of change in fair value of fixed-interest rate mortgage covered bonds issued by the Bank. The hedged risk results from changes in interest rates.

Hedged items

The hedged items are mortgage bonds with a nominal value 546 900 thousand EUR, with a fixed interest rate. The hedged item and the hedging item have exactly the same nominal amounts, start and end dates. As at the reporting dates, the Bank performs retrospective and prospective tests using a linear regression model that describes changes in the fair value of the hedging instrument and the hedged item.

Sources of ineffectiveness for hedging relationships for which ineffectiveness arises include mismatching the timing of cash flows, the credit risk of the hedged instrument and the mismatch due to the initial measurement of derivatives, if a derivative that was entered into before the relationship was included in the hedging relationship.

Hedging instruments

Interest Rate Swap transactions 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 hedged liabilities and valuation of hedging instruments is recognised in the income statement in the result of trade activity excluding profits and interest costs of the interest element of valuation of hedging instruments that are presented in the Interest incomes/costs on derivative instruments item included in the scope of hedging accounting.

The following tables present hedged items as at 30 June 2022, 31 December 2021 and 30 June 2021. The nominal value was presented in EUR thousands, while the liability amount measured at amortised cost, hedge accounting adjustments related to fair value of hedged items, the carrying amount of liability and change of fair value due to hedge accounting in PLN thousands. The item „Hedge accounting adjustments related to fair value of hedged items” concerning the adjustment to fair value mortgage covered bonds forming secured items within applied hedge accounting

As at 30.06.2022

Debt financial instruments by type	Nominal value	Interest rate as at 30.06.2022	Redemption date	Liability amount measured at amortised cost	Hedge accounting adjustments related to fair value of hedged items	Carrying amount of liability	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
Mortgage covered bonds (EUR)	8 000	3,50%	28.02.2029	37 511	269	37 780	4 818
Mortgage covered bonds (EUR)	15 000	3,50%	15.03.2029	70 316	510	70 826	9 083
Mortgage covered bonds (EUR)	20 000	3,20%	30.05.2029	92 994	588	93 582	12 437
Mortgage covered bonds (EUR)	11 000	1,29%	24.04.2025	51 489	(1 545)	49 944	2 517
Mortgage covered bonds (EUR)	35 000	1,18%	20.09.2026	165 054	(9 503)	155 551	11 736
Mortgage covered bonds (EUR)	13 000	1,18%	20.09.2026	61 294	(3 867)	57 427	4 325
Mortgage covered bonds (EUR)	24 900	0,94%	01.02.2024	116 922	(1 408)	115 514	3 225
Mortgage covered bonds (EUR)	300 000	1,07%	05.03.2025	1 407 375	(33 165)	1 374 210	66 975
Total hedged items				2 002 955	(48 120)	1 954 833	115 116

As at 31.12.2021

Debt financial instruments by type	Nominal value	Interest rate as at 31.12.2021	Redemption date	Liability amount measured at amortised cost	Hedge accounting adjustments related to fair value of hedged items	Carrying amount of liability	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
Mortgage covered bonds (EUR)	20 000	1.14%	25.02.2022	92 853	145	92 998	937
Mortgage covered bonds (EUR)	100 000	0.61%	22.06.2022	461 316	1 432	462 748	2 949
Mortgage covered bonds (EUR)	24 900	0.94%	01.02.2024	115 412	1 817	117 229	1 667
Mortgage covered bonds (EUR)	300 000	1.07%	05.03.2025	1 390 190	32 379	1 422 569	30 770
Mortgage covered bonds (EUR)	11 000	1.29%	24.04.2025	50 899	972	51 871	1 105
Mortgage covered bonds (EUR)	13 000	1.18%	20.09.2026	59 867	458	60 325	1 573
Mortgage covered bonds (EUR)	35 000	1.18%	01.12.2026	161 211	2 232	163 443	4 442
Mortgage covered bonds (EUR)	8 000	3.5%	28.02.2029	37 478	5 087	42 565	2 192
Mortgage covered bonds (EUR)	15 000	3.5%	15.03.2029	70 265	9 593	79 858	4 127
Mortgage covered bonds (EUR)	20 000	3.2%	30.05.2029	92 777	12 880	105 657	5 520
Total hedged items				2 532 268	66 995	2 599 263	55 282

As at 30.06.2021

Debt financial instruments by type	Nominal value	Interest rate as at 30.06.2021	Redemption date	Liability amount measured at amortised cost	Hedge accounting adjustments related to fair value of hedged items	Carrying amount of liability	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
Mortgage covered bonds (EUR)	8 000	3,5%	28.02.2029	36 166	6 016	42 182	1 263
Mortgage covered bonds (EUR)	15 000	3,5%	15.03.2029	67 815	11 337	79 151	2 383
Mortgage covered bonds (EUR)	20 000	3,2%	30.05.2029	89 671	15 169	104 939	3 231
Mortgage covered bonds (EUR)	20 000	1,135%	25.02.2022	90 679	599	91 279	483
Mortgage covered bonds (EUR)	11 000	1,285%	24.04.2025	49 684	1 604	51 289	473
Mortgage covered bonds (EUR)	13 000	1,18%	20.09.2026	59 170	1 391	60 561	640
Mortgage covered bonds (EUR)	35 000	1,183%	20.09.2026	159 342	4 828	164 170	1 846
Mortgage covered bonds (EUR)	24 900	0,94%	01.02.2024	112 881	2 693	115 574	792
Mortgage covered bonds (EUR)	100 000	0,61%	22.06.2022	451 922	2 783	454 705	1 598
Mortgage covered bonds (EUR)	300 000	1,07%	05.03.2025	1 358 776	50 507	1 409 283	12 641
Total hedged items				2 476 106	96 927	2 573 133	25 350

The following tables present hedging items as at June 30, 2022, December 31, 2021 and June 30, 2021. The nominal value was presented in EUR thousands while the fair value and the change in the fair value due to hedge accounting in PLN thousands.

As at 30.06.2022

Derivatives	Nominal value	End of transaction	Fair value of asset	The change in the value of the hedging item since designation used as the basis for recognizing the hedge ineffectiveness in a given period
IRS (EUR)	8 000	28.02.2029	711	(4 957)
IRS (EUR)	15 000	15.03.2029	1 100	(9 324)
IRS (EUR)	20 000	30.05.2029	(817)	(12 685)
IRS (EUR)	11 000	24.04.2025	(1 565)	(2 440)
IRS (EUR)	35 000	20.09.2026	(8 764)	(4 401)
IRS (EUR)	13 000	20.09.2026	(3 573)	(11 967)
IRS (EUR)	24 900	01.02.2024	(990)	(3 146)
IRS (EUR)	300 000	05.03.2025	(32 005)	(66 899)
Total hedging items			(45 903)	(115 819)

As at 31.12.2021

Derivatives	Nominal value	End of transaction	Fair value of asset	The change in the value of the hedging item since designation used as the basis for recognizing the hedge ineffectiveness in a given period
IRS (EUR)	20 000	25.02.2022	910	(755)
IRS (EUR)	100 000	22.06.2022	2 867	(2 778)
IRS (EUR)	24 900	01.02.2024	2 694	(1 617)
IRS (EUR)	300 000	05.03.2025	41 139	(30 436)
IRS (EUR)	11 000	24.04.2025	1 222	(1 072)
IRS (EUR)	13 000	20.09.2026	476	(1 578)
IRS (EUR)	35 000	01.12.2026	2 253	(4 470)
IRS (EUR)	8 000	28.02.2029	6 314	(2 342)
IRS (EUR)	15 000	15.03.2029	11 653	(4 387)
IRS (EUR)	20 000	30.05.2029	13 270	(5 681)
Total hedging items			82 798	(55 116)

As at 30.06.2021

Derivatives	Nominal value	End of transaction	Fair value of asset	The change in the value of the hedging item since designation used as the basis for recognizing the hedge ineffectiveness in a given period
IRS (EUR)	8 000	28.02.2029	6 645	(1 356)
IRS (EUR)	15 000	15.03.2029	12 269	(2 545)
IRS (EUR)	20 000	30.05.2029	14 132	(3 329)
IRS (EUR)	20 000	25.02.2022	748	(384)
IRS (EUR)	11 000	24.04.2025	1 512	(451)
IRS (EUR)	35 000	20.09.2026	5 789	(1 853)
IRS (EUR)	13 000	20.09.2026	1 754	(641)
IRS (EUR)	24 900	01.02.2024	3 010	(755)
IRS (EUR)	100 000	22.06.2022	2 705	(1 515)
IRS (EUR)	300 000	05.03.2025	51 653	(12 355)
Total hedging items			100 217	(25 184)

Total result on fair value hedge accounting recognised in the income statement

period	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Interest income on derivatives as part of fair value hedge accounting (Note 5)	13 310	12 371
Result from the valuation of the hedged (Note 7)	115 116	25 351
Result on the valuation of hedging instruments (Note 7)	(115 819)	(25 184)
Total result on fair value hedge accounting	12 607	12 538

b) Cash flow hedge accounting

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

As part of hedge accounting, the Bank 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 Bank in EUR with a fixed interest rate.

As hedging instruments, the Bank 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).

In accordance with the adopted methodology, the Bank 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 Bank 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 Bank 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.

Hedged items - cash flow hedge

Secured position	Nominal value of secured positions		Change in fair value due to hedge accounting since designation of hedged instrument	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Loans in PLN with a variable interest rate	1 278 930	1 278 930	195 369	85 861
Mortgage bonds issued in a convertible currency at a fixed rate	1 404 180	1 379 820	(243 789)	(181 520)

Hedging items - cash flow hedge

Secured position	Nominal value of secured positions		Change in fair value due to hedge accounting since designation of hedged instrument		Other equity items effective portion of cirs measurement	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021
IRS dekompozycja FV	1 278 930	1 278 930	(192 965)	(85 989)	(194 314)	(85 861)
CIRS dekompozycja FV	1 404 180	1 379 820	241 866	179 633	118 520	80 630

The nominal weighted constant rate for the fixed leg was 0.242%. The average fixed rate weighted with the nominal value for the floating leg in PLN was 2.4199%.

30.06.2022	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
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INTEREST RATE RISK
Interest rate swap (IRS) transactions hedging the cash flows available from loans with variable interest rates denominated in PLN

Nominal value (in thousand PLN)	-	-	-	1 278 930	-	1 278 930
Average interest rate on a fixed leg	-	-	-	2,4199%	-	2,4199%

CURRENCY RISK
Interest rate swap (CIRS) transactions hedging the cash flows available from loans with variable interest rates denominated in PLN

Nominal value (in thousand PLN)	-	-	-	1 404 180	-	1 404 180
Average interest rate on a fixed leg	-	-	-	0,242%	-	0,242%

31.12.2021	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
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INTEREST RATE RISK
Interest rate swap (IRS) transactions hedging the cash flows available from loans with variable interest rates denominated in PLN

Nominal value (in thousand PLN)	-	-	-	1 278 930	-	1 278 930
Average interest rate on a fixed leg	-	-	-	2,4199%	-	2,4199%

CURRENCY RISK
Interest rate swap (CIRS) transactions hedging the cash flows available from loans with variable interest rates denominated in PLN

Nominal value (in thousand PLN)	-	-	-	1 379 820	-	1 379 820
Average interest rate on a fixed leg	-	-	-	0,242%	-	0,242%

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 2021 to September 2025.

The effectiveness tests include the valuation of hedging transactions less accrued interest and foreign exchange differences on the nominal value of hedging transactions. The effectiveness of the hedge is verified by applying prospective and retrospective effectiveness tests. The tests are performed on a monthly basis.

The main sources of security inefficiencies may be:

- taking into account a change in the CVA/DVA adjustment only on the side of the hedging instrument,,
- differences in the construction method and basic parameters of hedging transactions and hedged positions resulting from different interest periods - 3 months for IRS transactions and 1 month for the credit portfolio.

Changes in the fair value of a derivative hedging instrument designated as a cash flow hedge are recognized directly in other comprehensive income in the portion that forms the effective portion of the hedge.

The ineffective portion of the hedge is recognized in the income statement in the position 'Result on financial instruments measured at fair value' or 'Result on exchange position'. In addition, amounts charged directly to other comprehensive income are transferred to the profit and loss account respectively of the item 'Net interest income' and 'Net foreign exchange gains' in the same period or periods in which the inflow of the hedged transaction is referred to the profit and loss account and precipitate.

The note below presents other comprehensive income from the cash flow hedge and the ineffective portion of the cash flow hedge for the period from January 1 to June 30, 2022. In the same period of 2021, the Bank did not apply cash flow hedge accounting.

Accumulated other total revenue for protection of cash flows and impact on other total income	the period	
	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Accumulated other comprehensive income from cash flow hedges at the beginning of the gross period	(5 231)	16 605
Profits / (Losses) recognized in other comprehensive income in the period	(122 176)	7 023
The amount transferred during the period from other comprehensive income to the profit and loss account	51 614	(22 804)
- Net interest income	27 254	5 396
- Result on exchange position	24 360	(28 200)
Accumulated other comprehensive income from cash flow hedges at the end of the gross period	(75 793)	824
Tax effect	14 401	(157)
Accumulated other comprehensive income from cash flow hedges at the end of the net period	(61 392)	667
Ineffective portion of cash flow hedges recognized in the income statement	(1 098)	(22)
Impact during the period on other gross comprehensive income	(70 562)	(15 781)
Deferred tax due to cash flow hedges	13 407	2 998
Impact during the period on other net comprehensive income	(57 155)	(12 783)

	the period	
	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Gains/losses recognised in comprehensive income (gross) during the reporting period, including:		
Unrealised gains/losses included in other comprehensive income (gross)	(70 562)	(15 781)
Results of cash flow hedge accounting recognised in the income statement	(52 712)	22 782
- amount included as interest income in income statement during the reporting period	(27 254)	(5 396)
- foreign exchange result	(24 360)	28 200
- ineffective portion of hedge recognised included in other net trading income in income statement	(1 098)	(22)
Impact on other comprehensive income in the reporting period (gross)	(123 274)	7 001

Nominal value of security instruments by duration for implementation	up to 1 month	over 1 month to 3 months	over 1 year to 5 years	over 5 years Total	Total
30.06.2022					
CIRS					
PLN float sale	-	-	1 278 930	-	1 278 930
Fixed EUR purchase (original currency)	-	-	300 000	-	300 000
31.12.2021					
CIRS					
PLN float sale	-	-	1 278 930	-	1 278 930
Fixed EUR purchase (original currency)	-	-	300 000	-	300 000

Estimates and evaluations

The fair value of derivatives is determined using valuation models based on discounted future cash flows from a given financial instrument. The variables in the model and the assumptions used for the valuation include, where available, data from observable markets (e.g. interbank deposit rates, exchange rates, IRS transaction quotes and CCBS). The fair value of derivatives takes into account own credit risk DVA (debit value adjustment) and counterparty credit risk CVA (credit value adjustment). The process of calculation of CVA and DVA adjustments includes the choice of the method of determining the spread for the counterparty's or Bank's credit risk as well as estimating the probability of the counterparty's or Bank's insolvency and the recovery rate. Moreover, in order to reflect the impact of non-standard transaction parameters on the valuation level, the model uses historical prices used in CIRS transactions with similar parameters, for which quotes can be obtained from active markets.

Calculation of estimates

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 income shift	Scenario +50 bp.	Scenario -50 bp.
30.06.2022		
CIRS	(20 482)	20 489

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
30.06.2022		
Credit spread	0,00%	4,24%

- 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.
30.06.2022	
CIRS transaction CVA change	88
CIRS transaction DVA change	(448)
Total impact on the valuation of CIRS transactions	(360)

Estimated values of the valuation of the cva and dva applying different lag levels	40%	60%	80%	100%
30.06.2022				
CVA	(52)	(78)	(104)	(130)
DVA	422	633	844	1 056

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

	30.06.2022	31.12.2021
Loans	107 848	120 205
- corporate customers	107 848	120 205
Financial assets not held for trading mandatorily measured at fair value through net financial income	107 848	120 205

15. Financial assets at fair value through other comprehensive income

	30.06.2022	31.12.2021
Debt securities	753 376	732 393
- Central banks	-	-
- General governments, including::	753 376	732 393
<i>pledged securities</i>	231 728	165 189
Total financial assets at fair value through comprehensive income	753 376	732 393
Short-term (up to 1 year)	-	-
Long-term (over 1 year)	753 376	732 393
Based on fixed interest rate	226 547	253 087
Based on floating interest rate	526 945	479 306

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, 2022 and December 31, 2021, all debt securities were classified in stage 1.

16. Financial assets at amortised cost

30.06.2022	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	92 234	92 234	-	-	-	-	-	-	-
Loans and advances to customers	11 916 667	11 110 143	467 169	477 024	1 284	(5 588)	(17 271)	(138 098)	22 004
Individual customers	9 725 908	9 573 602	112 874	56 979	738	(1 855)	(2645)	(13 979)	194
Corporate customers	2 096 446	1 442 732	354 295	418 977	546	(3 715)	(14 626)	(123 573)	21 810
Public sector customers	60 270	59 766	-	1 068	-	(18)	-	(546)	-
Financial institutions	34 043	34 043	-	-	-	-	-	-	-
Financial assets at amortised cost, total	12 008 901	11 202 377	467 169	477 024	1 284	(5 588)	(17 271)	(138 098)	22 004
Short-term (up to 1 year)	313 666								
Long-term (over 1 year)	11 695 235								

In the first half of 2022, the Bank did not sell any loan receivables.

Change in expected credit losses as at June 30, 2022

	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)	Closing balance
Loans	(112 998)	-	-	-	(633)	4 051	(29 373)	(138 953)
Stage 1	(5 211)	(3 700)	209	54	(163)	161	3 062	(5 588)
Stage 2	(18 524)	3 583	(243)	340	(26)	448	(2 849)	(17 271)
Stage 3	(110 657)	117	34	(394)	-244	3 348	(30 302)	(138 098)
POCI	21 394			-	-200	94	716	22 004
Provision related to financial assets, total	(112 998)	-	-	-	(633)	4 051	(29 373)	(138 953)

Explanation of the translation of significant changes in the gross carrying amount of financial instruments during the period into changes in the allowance for expected credit losses. A detailed description is provided in Note 11.

Changes in the gross carrying amount of financial instruments as at June 30, 2022

	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	other adjustments	Closing balance
Receivables from banks	152 668	-	-	-	-	-	(60 434)	92 234
Stage 1	152 668						(60 434)	92 234
Loans	11 721 273	-	-	-	1 370 789	(574 498)	(461 944)	12 055 620
Stage 1	10 635 876	175 344	(89 374)	(13 259)	1 361 423	(507 101)	(452 766)	11 110 143
Stage 2	581 723	(174 511)	89 703	(6 954)	8 348	(21 514)	(9 626)	467 169
Stage 3	501 352	(833)	(329)	20 213	1 018	(44 741)	344	477 024
POCI	2 322		-	-	-	(1 142)	104	1 284
Gross carrying amount of financial assets at amortized cost	11 873 941	-	-	-	1 370 789	(574 498)	(522 378)	12 147 854

31.12.2021	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	152 668	152 668							
Loans and advances to customers	11 608 275	10 635 876	581 723	501 352	2 322	(5 211)	(18 524)	(110 657)	21 394
Individual customers	9 136 875	9 031 848	77 491	41 121	1 315	(1 664)	(2 165)	(11 024)	(47)
Corporate customers	2 379 628	1 512 748	504 232	459 163	1 007	(3 526)	(16 359)	(99 078)	21 441
Public sector customers	71 401	70 909	-	1 068	-	(21)	-	(555)	-
Financial institutions	20 371	20 371	-	-	-	-	-	-	-
Financial assets at amortised cost, total	11 760 943	10 788 544	581 723	501 352	2 322	(5 211)	(18 524)	(110 657)	21 394

Short-term (up to 1 year)	352 751
Long-term (over 1 year)	11 408 192

In 2021, the Bank sold loan receivables with a total gross carrying amount of PLN 4 541 thousand qualified to the basket 3. Principal and interest obtained prices in the amount PLN 1 270 thousand were credited towards the repayment of principal and interest, in accordance with the provisions of the sale agreements. Unpaid principal and interest in the amount of PLN 3 272 thousand was written off against previously created provisions for individual debts.

17. Intangible assets

	30.06.2022	31.12.2021
Concessions, patents, licences and similar assets, including:	48 099	48 489
- computer software	48 099	49 489
Intangible assets under development	4 143	2 999
Intangible assets, total	52 242	52 488

18. Tangible assets

	30.06.2022	31.12.2021
Technical equipment and machinery	4 975	6 186
Other fixed assets	1 952	2 081
Fixed assets under construction	-	-
The right to use under leasing contracts:	20 438	21 167
buildings	20 256	20 915
Means of transport	182	252
Tangible fixed assets, total	27 365	29 434

On June 8, 2021, the Bank concluded with mBank S.A. a sublease agreement for space in the Mennica Tower GGH MT building located at Prosta 18 Street in Warsaw, to which the seat of the Bank has been transferred. The agreement was concluded for a fixed period from June 8, 2021 to February 28, 2031. The value of the rights to use due to the above-mentioned the agreement was recognized under the right of use under leasing agreements, where it amounted to PLN 16,433 thousand as of June 30, 2022 (at December 31, 2021 it amounted to PLN 16 934 thousand).

19. Other assets

	30.06.2022	31.12.2021
Other, including:	37 906	25 904
- other prepayments	2 352	1 238
- receivables from the portfolio of retail loans acquired as part of cooperation with mBank S.A.	7 693	5 504
- income receivable	194	201
- debtors	322	392
- asset for return	27 317	18 556
- other	27	13
Total other assets	37 906	25 904
Short-term (up to 1 year)	10 589	7 348
Long-term (over 1 year)	27 317	18 557

The asset to be returned item relates to the financial guarantees received by the Bank from mBank S.A. in accordance with the agreement of 17 December 2020. The guarantee mechanism triggered the creation of an asset to be repaid as a result of offsetting the increase in write-offs related to expected credit losses. The change in the value of the asset to be returned is recognized in the income statement in the same line as the costs of expected credit losses (Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss in Note 11).

As at June 30, 2022 and December 31, 2021, the Bank did not have any foreclosed assets.

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

30.06.2022	Amount due to banks	Amount due to customers	Individual customers	Corporate customers	Public sector customers
Loans received	1 898 442	-	-	-	-
Other financial liabilities:	2 472 891	1 087	237	850	-
Liabilities with deferred payment term	1 904 282	-	-	-	-
Liabilities in respect of cash collateral	547 432	665	-	665	-
Leasing liabilities	21 177	185	-	185	-
Other liability	-	237	237	-	-
Total	4 371 333	1 087	237	850	-
Short-term (up to 1 year)	887 513	350			
Long-term (over 1 year)	3 483 820	737			

31.12.2021	Amount due to banks	Amount due to customers	Individual customers	Corporate customers	Public sector customers
Loans received	1 965 859	-	-	-	-
Other financial liabilities:	2 015 156	1 933	53	1 849	31
Liabilities with deferred payment term	1 312 874	-	-	-	-
Liabilities in respect of cash collateral	680 713	1 273	11	1 262	-
Leasing liabilities	21 569	257	-	257	-
Other liability	-	403	42	330	31
Total	3 981 015	1 933	53	1 849	31
Short-term (up to 1 year)	1 086 729	627			
Long-term (over 1 year)	2 894 286	1 306			

Deferred liabilities act as a bridge financing for the portfolio of credit receivables taken over from mBank S.A. The value of this category of liabilities will increase after taking over subsequent pooling tranches and decrease after the completed issues of mortgage covered bonds or in the case of repayment of tranches from excess liquidity. The original maturity of the deferred liability is 24 months until the date of transfer of the pooling.

In the first half of 2022, the Bank took over the pooling tranches, which resulted in a deferred liability in the total amount of PLN 1 420 569 thousand. At the same time, the Bank repaid the commitment tranches for a total of PLN 845 041 thousand.

In the item other financial liabilities with deferred payment dates, they relate to the liabilities resulting from the agreement concluded with mBank S.A. on November 30, 2018, an agreement to transfer the retail mortgage-backed loan portfolio.

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.

Debt securities in issue

Receivables secured with mortgage entered as the first position in the land and mortgage register form the basis for the issue of mortgage covered bonds.

Receivables in respect of loans granted to local government units and loans secured with warranties of local government units form the basis for the issue of public sector covered bonds.

Covered bonds may also be issued based on the Bank's funds invested in treasury securities, deposited with the National Bank of Poland or in cash, hereinafter referred to as the "Substitute collateral".

Principles for the admissible amount of the substitute collateral

The Bank is required to maintain, separately for mortgage covered bonds and public sector covered bonds, a surplus created from the funds forming the Substitute collateral, equal to or higher than the aggregate nominal value of interest on the outstanding mortgage covered bonds or public sector covered bonds, as applicable, due over the next 6 months (hereinafter referred to as the "Surplus"). Such surplus funds may not serve as a basis for issuing covered bonds.

Principles for the statutory over-collateralisation of covered bonds

The sum of the nominal amounts of the Bank's receivables under mortgage-backed loans and substitute collateral entered in the covered bond collateral register, constituting the basis for the issue of mortgage covered bonds, may not be lower than 110% of the total amount of the nominal values of outstanding mortgage covered bonds, with the sum of the nominal values the amounts of the Bank's claims secured with a mortgage, constituting the basis for the issue of mortgage covered bonds, may not be lower than 85% of the total amount of the nominal values of the outstanding mortgage covered bonds.

Principles for refinancing loans with means originating from issuance of covered bonds

In accordance with the act on mortgage bonds and mortgage banks, the funds were obtained from the issue of covered bonds, the Bank may refinance loans secured with a mortgage and purchased receivables of other banks due to loans secured by mortgage extended by them; refinancing in respect of a single loan or debt may not, however, exceed an amount corresponding to 60% of the mortgage lending value of the property and, in the case of residential properties, 80% of the mortgage lending value of the property.

The table below presents data related to the issue of covered bonds as at June 30, 2022 and as at December 31, 2021.

Mortgage covered bonds	30.06.2022	31.12.2021
1. Nominal value of covered bonds listed on the market	7 362 328	7 355 232
2. The nominal value of receivables entered in the collateral register of covered bonds underlying the issue of covered bonds (value on not matured capital)	9 118 893	9 737 408
3. Cash in Bank, as a treasury bonds, entered in the collateral register of covered bonds additionally underlying the issue of covered bonds (Substitute collateral)	113 585	98 732
4. Financial hedging instruments	125 250	100 890
5. Level of collateral the covered bonds by receivables (2/1)	123,9%	132,39%
6. Total covered bonds collateral level (2+3+4) / 1	127,10%	135,10%
7. The value of receivables as collateral issue of mortgage covered bonds to the part which not exceeding 60% of the mortgage lending value of real estate for commercial real estate	1 123 379	1 507 424
8. 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	7 556 942	7 719 429

Permissible value of Substitute collateral	30.06.2022	31.12.2021
1. Cash invested in treasury bonds	250 000	170 000
2. Interests from covered bonds on the market which will be paid in the next 6 months (Surplus)	136 415	71 268
3. Permissible value of Substitute collateral (1-2)	113 585	98 732

The total nominal amount of covered bonds in circulation, both as at June 30, 2022 and as at December 31, 2021, was listed on two markets within CATALYST: the regulated market operated by BondSpot S.A. and the regulated parallel market operated by the Warsaw Stock Exchange S.A.

On July 11, 2019, the Polish Financial Supervision Authority in Luxembourg approved the new foreign basic issue prospectus of mBank Hipoteczny S.A. establishing a covered bond issue program in the amount of EUR 3,000,000,000.

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Debt financial instruments by type	Nominal value	Interest rate as at 30.06.2022	Guarantee / collateral	Redemption date	Liability amount measured at amortised cost	Hedge accounting adjustments related to fair value of hedged items	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	37 511	269	37 780
Mortgage covered bonds (EUR)	15 000	3,50%	Mortgage covered bonds register	15.03.2029	70 316	510	70 826
Mortgage covered bonds (EUR)	20 000	3,20%	Mortgage covered bonds register	30.05.2029	92 994	588	93 582
Mortgage covered bonds (PLN)	300 000	4,33%	Mortgage covered bonds register	28.07.2022	305 457	-	305 457
Mortgage covered bonds (PLN)	200 000	4,79%	Mortgage covered bonds register	20.02.2023	203 318	-	203 318
Mortgage covered bonds (PLN)	250 000	6,63%	Mortgage covered bonds register	16.10.2023	253 258	-	253 258
Mortgage covered bonds (EUR)	11 000	1,29%	Mortgage covered bonds register	24.04.2025	51 489	(1 545)	49 944
Mortgage covered bonds (PLN)	35 000	1,18%	Mortgage covered bonds register	20.09.2026	165 054	(9 503)	155 551
Mortgage covered bonds (EUR)	13 000	1,18%	Mortgage covered bonds register	20.09.2026	61 294	(3 867)	57 427
Mortgage covered bonds (PLN)	24 900	0,94%	Mortgage covered bonds register	01.02.2024	116 922	(1 408)	115 514
Mortgage covered bonds (PLN)	500 000	7,49%	Mortgage covered bonds register	10.09.2022	502 078	-	502 078
Mortgage covered bonds (EUR)	1 000 000	7,60%	Mortgage covered bonds register	15.09.2023	1 002 555	-	1 002 555
Mortgage covered bonds (EUR)	300 000	1,07%	Mortgage covered bonds register	05.03.2025	1 407 375	(33 165)	1 374 210
Mortgage covered bonds (EUR)	208 000	7,32%	Mortgage covered bonds register	10.06.2024	208 734	-	208 734
Mortgage covered bonds (EUR)	51 100	7,32%	Mortgage covered bonds register	10.06.2024	51 230	-	51 230
Mortgage covered bonds (PLN)	40 000	7,32%	Mortgage covered bonds register	10.06.2024	40 141	-	40 141
Mortgage covered bonds (PLN)	900	7,32%	Mortgage covered bonds register	10.06.2024	903	-	903
Mortgage covered bonds (EUR)	10 000	7,32%	Mortgage covered bonds register	10.06.2024	10 021	-	10 021
Mortgage covered bonds (EUR)	100 000	7,64%	Mortgage covered bonds register	20.12.2028	100 025	-	100 025
Mortgage covered bonds (PLN)	300 000	0,24%	Mortgage covered bonds register	15.09.2025	1 404 988	-	1 404 988
Mortgage covered bonds (PLN)	95 000	7,15%	Mortgage covered bonds register	03.09.2026	95 397	-	95 397
Mortgage covered bonds (PLN)	5 000	7,15%	Mortgage covered bonds register	03.09.2026	5 021	-	5 021
Mortgage covered bonds (PLN)	500 000	7,28%	Mortgage covered bonds register	10.12.2026	502 037	-	502 037
Mortgage covered bonds (PLN)	500 000	7,28%	Mortgage covered bonds register	10.09.2027	502 032	-	502 032
Mortgage covered bonds (PLN)	200 000	7,45%	Mortgage covered bonds register	22.06.2027	200 344	-	200 344
Bonds (PLN)	60 000	5,34%	Unsecured	03.01.2023	60 782	-	60 782
Bonds (PLN)	35 000	7,01%	Unsecured	04.12.2023	35 147	-	35 147
Debt securities in issue (carrying value)					7 390 493	(48 120)	7 438 302

As at 31.12.2021

Debt financial instruments by type	Nominal value	Interest rate as at 31.12.2021	Guarantee / collateral	Redemption date	Liability amount measured at amortised cost	Hedge accounting adjustments related to fair value of hedged items	Carrying amount of liability
Long-term issues (with original maturity of over 1 year)							
Mortgage covered bonds (EUR)	20 000	1,14%	Mortgage covered bonds register	25.02.2022	92 853	145	92 998
Mortgage covered bonds (PLN)	200 000	1,71%	Mortgage covered bonds register	28.04.2022	200 567	-	200 567
Mortgage covered bonds (EUR)	100 000	0,61%	Mortgage covered bonds register	22.06.2022	461 316	1 432	462 748
Mortgage covered bonds (PLN)	300 000	1,18%	Mortgage covered bonds register	28.07.2022	301 413	-	301 413

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Mortgage covered bonds (PLN)	500 000	3,02%	Mortgage covered bonds register	10.09.2022	500 694	-	500 694
Mortgage covered bonds (PLN)	200 000	1,18%	Mortgage covered bonds register	20.02.2023	200 721	-	200 721
Mortgage covered bonds (PLN)	1 000 000	3,13%	Mortgage covered bonds register	15.09.2023	1 000 407	-	1 000 407
Mortgage covered bonds (PLN)	250 000	1,69%	Mortgage covered bonds register	16.10.2023	250 619	-	250 619
Mortgage covered bonds (EUR)	24 900	0,94%	Mortgage covered bonds register	01.02.2024	115 412	1 817	117 229
Mortgage covered bonds (PLN)	40 000	2,85%	Mortgage covered bonds register	10.06.2024	40 036	-	40 036
Mortgage covered bonds (PLN)	900	2,85%	Mortgage covered bonds register	10.06.2024	901	-	901
Mortgage covered bonds (PLN)	208 000	2,85%	Mortgage covered bonds register	10.06.2024	208 188	-	208 188
Mortgage covered bonds (PLN)	51 100	2,85%	Mortgage covered bonds register	10.06.2024	51 083	-	51 083
Mortgage covered bonds (PLN)	10 000	2,85%	Mortgage covered bonds register	10.06.2024	9 991	-	9 991
Mortgage covered bonds (EUR)	300 000	1,07%	Mortgage covered bonds register	05.03.2025	1 390 191	32 379	1 422 569
Mortgage covered bonds (EUR)	11 000	1,29%	Mortgage covered bonds register	24.04.2025	50 899	972	51 871
Mortgage covered bonds (PLN)	300 000	0,24%	Mortgage covered bonds register	15.09.2025	1 378 639	-	1 378 639
Mortgage covered bonds (EUR)	13 000	1,18%	Mortgage covered bonds register	20.09.2026	59 867	458	60 325
Mortgage covered bonds (EUR)	35 000	1,18%	Mortgage covered bonds register	20.09.2026	161 211	2 232	163 443
Mortgage covered bonds (PLN)	100 000	3,15%	Mortgage covered bonds register	20.12.2028	99 887	-	99 887
Mortgage covered bonds (EUR)	8 000	3,50%	Mortgage covered bonds register	28.02.2029	37 478	5 087	42 565
Mortgage covered bonds (EUR)	15 000	3,50%	Mortgage covered bonds register	15.03.2029	70 265	9 593	79 858
Mortgage covered bonds (EUR)	20 000	3,20%	Mortgage covered bonds register	30.05.2029	92 777	12 880	105 657
Mortgage covered bonds (PLN)	5 000	2,65%	Mortgage covered bonds register	03.09.2026	5 003	-	5 003
Mortgage covered bonds (PLN)	95 000	2,65%	Mortgage covered bonds register	03.09.2026	95 066	-	95 066
Mortgage covered bonds (PLN)	500 000	2,81%	Mortgage covered bonds register	10.12.2026	500 797	-	500 797
Bonds (PLN)	35 000	0,69%	Unsecured	03.01.2022	35 061	-	35 061
Bonds (PLN)	65 000	0,85%	Unsecured	21.01.2022	65 246	-	65 246
Bonds (PLN)	60 000	0,84%	Unsecured	03.01.2023	60 094	-	60 094
Debt securities in issue (carrying value)					7 536 682	66 995	7 603 677

21. Provisions

	30.06.2022	31.12.2021
Provision (due to)	12 524	5 382
- off-balance sheet contingent liabilities granted	48	9
- provisions for future liabilities	11 664	4 770
- provisions for retirement and disability benefits	134	160
- provisions for legal proceedings	678	443
Provision, in total	12 524	5 382
Short-term (up to 1 year)	270	367
Long-term (over 1 year)	12 254	5 015

In a judgment dated September 11, 2019, in a case involving consumer credit repaid in full early C/383/18, the CJEU ruled that "a consumer's right to a reduction in the total cost of credit in the event of early repayment of credit includes all costs that have been imposed on the consumer." In connection with the ruling, the Bank set up a provision for reimbursement of commissions in case of early repayment of loans, which as of June 30, 2022 amounted to PLN 11,664 thousand, (as of December 31, 2021: PLN 4,770 thousand). The above provision is presented under "provision for future liability".

	2022			
	Off-balance sheet contingent liabilities granted	Provisions for future liabilities	Provisions for legal proceedings	Provisions for retirement and disability benefits
Provisions as at the beginning of the period	9	4 770	443	160
- increase on provisions	39	6 894	235	-
- release of provisions	-	-	-	(26)
Provisions as at the end of the period	48	11 664	678	134
Expected settlement period of provisions:				
Short-term (up to 1 year)	48	183	-	39
Long-term (over 1 year)	-	11 481	678	95

	2021			
	Off-balance sheet contingent liabilities granted	Provisions for future liabilities	Provisions for legal proceedings	Provisions for retirement and disability benefits
Provisions as at the beginning of the period	224	2 900	110	158
- increase on provisions	-	1 870	333	13
- release of provisions	(215)	-	-	-
- other	-	-	-	(11)
Provisions as at the end of the period	9	4 770	443	160
Expected settlement period of provisions:				
Short-term (up to 1 year)	9	183	110	65
Long-term (over 1 year)	-	4 587	333	95

Change in provisions for off-balance sheet loan commitments impaired

Change in the period from 1 January to 30 June 2022	Opening balance	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Increases due to the grant and takeover	Decreases due to derecognition	Changes due to change in credit risk (net)	Changes resulting from the update of the methodology for estimating write-offs (net)	Other
Commitments to extend credit									
Stage 1	9	-	-	-	-	-	(5)	-	4
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	44	-	-	-	44
POCI	-	-	-	-	-	-	-	-	-
Total	9				44	-	(5)	-	48
Change in the period from 1 January to 31 December 2021	Opening balance	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Increases due to the grant and takeover	Decreases due to derecognition	Changes due to change in credit risk (net)	Changes resulting from the update of the methodology for estimating write-offs (net)	Other
Commitments to extend credit									
Stage 1	223	-	-	-	-	167	(47)	-	9
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-	-	-
Total	223	-	-	-	-	167	(47)	-	9

22. Other liabilities

	30.06.2022	31.12.2021
Other liabilities (due to)	25 580	15 703
- accrued expenses	19 239	10 220
- settlements due to tax from Bank balance sheet items	2 658	2 626
- provision for holiday equivalents	893	940
- deferred income	-	-
- settlements with insurers	956	916
- liabilities due to income tax on salaries, Social Security contributions and VAT	566	391
- lease settlement	165	-
- other	1 103	610
Other liabilities, in total	25 580	15 703
Short-term (up to 1 year)	25 580	15 703

23. Assets and liabilities for deferred income tax

Deferred income tax assets	30.06.2022	31.12.2021	30.06.2021
As at the beginning of the period	83 185	71 025	71 025
- Changes recognized in the income statement	606	131	(3 052)
- Changes recognized in other comprehensive income	24 822	12 029	(4 902)
- Otcher changes	-	-	-
As at the end of the period	108 613	83 185	63 071

Deferred income tax liabilities	30.06.2022	31.12.2021	30.06.2021
As at the beginning of the period	(63 225)	(67 014)	(67 014)
- Changes recognized in the income statement	3 429	5 320	1 823
- Changes recognized in other comprehensive income	(6 992)	(1 531)	9 136
As at the end of the period	(66 788)	(63 225)	(56 055)

Income tax	30.06.2022	31.12.2021	30.06.2021
Current income tax	(9 511)	(19 281)	(7 669)
Adjustments in respect of current income tax from previous years	(80)	2 460	2 460
Deferred income tax recognised in the income statement	4 035	5 451	(1 229)
Income tax recognised in the income statement	(5 556)	(11 370)	(6 438)
Recognised in other comprehensive income	17 830	10 498	4 234
Total income tax	12 274	(872)	(2 204)

24. 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 of a given element of assets or liability,
- in the absence of a main market, for the most advantageous market for the asset or liability.

The main and the most advantageous markets must be both available to the Bank.

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 (currency

or interest rates) are valued by marked-to-model using prices or parameters observable in the market.

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

The Bank assumed that the fair value of short-term financial liabilities (less than 1 year) is equal to the balance sheet values of such items.

In addition, the Bank assumes that the estimated fair value of financial assets and financial liabilities longer than 1 year is based on discounted cash flows using appropriate interest rates.

Loans and advances to banks

The Bank assumed that the fair value of deposits of variable interest rates and deposits of fixed interest rates below 1 year is their carrying value. The Bank does not hold deposits opened for a period longer than 1 year.

Receivables due to loans and advances granted to clients

The fair value for loans and advances to customers is disclosed as the present value of future cash flows using current interest rates including appropriate credit spreads and is based on the expected maturity of the respective loan agreements. 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 is 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 Bank's exposures is collateralised whereas the median of market quotation is centred around unsecured issues, the Bank applied appropriate adjustments.

Receivables due to loans and advances granted to clients are presented on the level 3 in the hierarchy of fair value.

Financial assets at fair value through other comprehensive income.

During initial recognition in books the fair value of payment are reported. Costs of transaction are included in valuation of initial value using effective interest rate method.

On the balance sheet day, the Bank values debt security listed on stock exchange or for which there is an active market according to the fair value (current market price), the valuation is made on the basis of the closing price of the session.

Any increases or loss of values are accounted for the day of valuation, i.e. at the end of a month, separately for each type of securities.

Securities in the Bank's portfolio of the same issuer, of the same series, and purchased in different periods and at different prices are sold by the Bank using the FIFO principle - outflow of securities takes place in the order of their purchase.

Financial instruments representing liabilities include the following:

- loans received,
- other financial liabilities with deferred payment term,
- subordinated loans received,
- liabilities in respect of cash collateral,
- liabilities due to issued by the Bank covered bonds and bonds,
- liabilities leases,
- other liabilities due to customers.

The Bank does not hold financial instruments on the side of liabilities of fixed interest rate of above 1 year apart from liabilities due to covered bonds issued by the Bank.

The Bank assumed that the fair value of liabilities arising from received loans, other financial liabilities with deferred payment term, received subordinated loans, liabilities in respect of cash collateral and other liabilities due to customers is equal to their carrying value since these are liabilities with variable interest rates.

Liabilities arising from issuing of securities (covered bonds and bonds)

The Bank estimated fair value for issued covered bonds and unsecured corporate bonds of high rating using credit spread. For tranches subject to secondary trade issued so far it was assumed that the value of credit spread is the same as for issuing on the primary market with the same period until maturity. Clean price of particular tranches of covered bonds in trade was estimated taking into account the period remaining until maturity, value of expected credit spread for issuing on secondary market and quotations from swap curve.

Liabilities arising from issuing of debt securities are presented on the level 3 in the hierarchy of fair value.

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	30.06.2022		31.12.2021	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets measured at amortized cost				
Cash and balances with the central bank	61 314	61 314	114 658	114 658
Amounts due from other banks	92 234	92 234	152 668	152 668
Loans and advances to customers, including:	11 916 667	12 591 591	11 608 275	12 259 684
Individual customers	9 725 908	10 355 841	9 136 875	9 738 518
Corporate customers	2 096 446	2 139 538	2 379 628	2 427 270
Public sector customers	60 270	62 169	71 401	73 525
Other financial institutes	34 043	34 043	20 371	20 371
Total financial assets	12 070 215	12 745 139	11 875 601	12 527 010
Financial liabilities at amortised cost				
Amounts due to other banks	4 371 333	4 371 333	3 981 015	3 981 015
Amounts due to customers, including:	1 087	1 087	1 933	1 933
Corporate customers	850	850	1 881	1 881
Individual customers	237	237	21	21
Public sector customers	-	-	31	31
Debt securities in issue	7 438 302	7 310 775	7 603 677	7 567 578
Subordinated liabilities	100 399	100 399	100 218	100 218
Total financial liabilities	11 911 121	11 783 594	11 686 843	11 650 744

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 2022.

30.06.2022	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	64 540	-	18 093	46 447
Derivative financial instruments, including:	64 540	-	18 093	46 447
Derivative financial instruments held for trading:	37 076	-	37 076	-

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- Interest rate derivatives	27 179		27 179	-
- Foreign exchange derivatives	9 897		9 897	-
Derivative financial instruments held for hedging:	27 464	-	(18 983)	46 447
Derivatives designated as fair value hedges	(18 983)		(18 983)	-
- Derivatives designated as cash flow hedges	46 447		-	46 447
Non-trading financial assets mandatorily at fair value through profit or loss	107 848	-	-	107 848
Loans and advances to customers	107 848	-	-	107 848
Corporate customers	107 848		-	107 848
Financial assets at fair value through other comprehensive income	753 376	753 376	-	-
- Treasury bonds	753 376	753 376	-	-
- Money bills	-	-		-
TOTAL FINANCIAL ASSETS	925 764	753 376	18 093	154 295

30.06.2022	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:	501	-	501	-
Derivative financial instruments held for trading:	501	-	501	-
- Interest rate derivatives	-	-	-	-
- Foreign exchange derivatives	501	-	501	-
Derivative financial instruments held for hedging:	7 753	-	7 753	-
-Derivatives designated as fair value hedges	7 753	-	7 753	-
TOTAL FINANCIAL LIABILITIES	8 254	-	8 254	-
RECURRING FAIR VALUE MEASUREMENTS				
TOTAL FINANCIAL ASSETS	925 764	753 376	18 093	154 295
TOTAL FINANCIAL LIABILITIES	8 254	-	8 254	-

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, 2021.

31.12.2021	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	125 837	-	33 594	92 243
Derivative financial instruments, including:	125 837	-	33 594	92 243
Derivative financial instruments held for trading:	1 229	-	1 229	-
- Interest rate derivatives	1 172	-	1 172	-
- Foreign exchange derivatives	57	-	57	-
Derivative financial instruments held for hedging:	124 608	-	32 365	92 243

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Derivatives designated as fair value hedges	32 365	-	32 365	-
- Derivatives designated as cash flow hedges	92 243	-	-	92 243
Non-trading financial assets mandatorily at fair value through profit or loss	120 205	-	-	120 205
Loans and advances to customers	120 205	-	-	120 205
Corporate customers	120 205	-	-	120 205
Financial assets at fair value through other comprehensive income	732 393	732 393	-	-
- Treasury bonds	732 393	732 393	-	-
TOTAL FINANCIAL ASSETS	978 435	732 393	33 594	212 448

31.12.2021	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:	7 053	-	7 053	-
Derivative financial instruments held for trading:	7 053	-	7 053	-
- Interest rate derivatives	-	-	-	-
- Foreign exchange derivatives	7 053	-	7 053	-
Derivative financial instruments held for hedging:	-	-	-	-
-Derivatives designated as fair value hedges	-	-	-	-
TOTAL FINANCIAL LIABILITIES	7 053	-	7 053	-
RECURRING FAIR VALUE MEASUREMENTS				
TOTAL FINANCIAL ASSETS	978 435	732 393	33 594	212 448
TOTAL FINANCIAL LIABILITIES	7 053	-	7 053	-

With regard to financial instruments repeatedly measured at fair value, classified at levels 1 and 2 of the fair value hierarchy, any potential transfer between these levels is monitored by the relevant departments of the Bank based on internal rules.

In the reporting period, there were no changes in the classification of the components of the statement of financial position in the hierarchy of fair value.

The fair value of loans and advances to customers was calculated on the basis of discounted expected cash flows, taking into account potential losses due to credit risk, due to credit exposure determined taking into account, inter alia:

- repayment schedule,
- uncertainty of flows over the entire forecast life of the exposure, resulting from credit risk, by modifying contractual flows using long-term credit risk parameters Lt PD and Lt LGD,
- in the discount rate of risk factors, excluding the credit component (risk-free rate, liquidity margin, cost of capital, fixed costs mark-up)
- other factors that would be taken into account by the potential buyer of the exposure (cost mark-ups and the profit margin expected by market participants) when calibrating the discount rate used in the valuation process - the so-called calibration margin.

The table below shows the sensitivity of the fair value measurement to the change in unobservable parameters used in the models for loans and advances to customers measured at fair value at level 3.

Portfolio	Fair value 30.06.2022	Sensitivity to the change of the unobservable parametero		Description
		(-)	(+)	
Loans and advances to customers are obligatorily measured at fair value through profit or loss in a non-default situation	98 484	163	(324)	The valuation model uses the PD credit risk parameters Sensitivity calculated assuming a PD change of +/- 10%
Loans and advances to customers obligatorily measured at fair value through profit or loss in the def	9 364	(936)	936	The valuation model uses individual estimates of expected cash flows. Sensitivity calculated assuming a change in flows of +/- 10%

Portfolio	Fair value 31.12.2021	Sensitivity to the change of the unobservable parametero		Description
		(-)	(+)	
Loans and advances to customers are obligatorily measured at fair value through profit or loss in a non-default situation	104 931	95	(188)	The valuation model uses the PD credit risk parameters Sensitivity calculated assuming a PD change of +/- 10%
Loans and advances to customers obligatorily measured at fair value through profit or loss in the def	15 274	(1 527)	949	The valuation model uses individual estimates of expected cash flows. Sensitivity calculated assuming a change in flows of +/- 10%

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 mBank Hipoteczny S.A. 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 mBank Hipoteczny S.A. is released from the obligation to submit it.

For the purposes of cash flow hedge accounting, the Bank enters into two hedging relationships simultaneously:

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

For the purpose of calculating changes in the fair value of future cash flows of items being hedged, the Bank applies the "hypothetical derivative" method, which assumes the possibility of reflecting the hedged item and the characteristics of the hedged risk.

in the form of a derivative. The rules of valuation are analogous to those of interest rate derivatives. 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 amortization 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 PLN 7,216 thousand. 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

		30.06.2022	31.12.2021
Fair value measurement of CIRS transactions		46 674	92 334
including:	CVA of the CIRS transaction	(78)	(42)
	DVA of the CIRS transaction	1 055	382
	Value of the valuation of the CIRS transaction to be settled over time	3 953	4 563

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. Compliance with international financial reporting standards

The presented condensed financial statements for the first half of 2022 and comparative data for 6 months of 2021, as at 31 December 2021, fulfil the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" relating to interim financial reports.

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

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

The accounting principles adopted by the Bank have been applied consistently for all periods presented in the financial statements. The Bank's accounting principles are presented in Notes 2 and 3 to these condensed financial statements for the first half of 2022.

3. Seasonal or cyclical nature of the business

In the first half of 2022, as well as in the comparative periods presented, business operations of the Bank did 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 first half of 2022, the increase in interest rates had a significant impact on the financial condition of the Bank. The NBP reference interest rate increased from 1.75% at the end of 2021 to 6.00% as at June 30, 2022, which was reflected in the increase in net interest income, but had a negative impact on the valuation of derivative instruments and financial assets based on a fixed interest rate and measured at fair value.

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

Events as indicated above did not occur in the Bank.

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

In the first half of 2022, the Bank did not issue any mortgage bonds or long-term bonds, but redeemed long-term bonds in the amount of PLN 35 000 thousand and covered bonds in the amount of PLN 700 000 thousand.

In the first half of 2022, the Bank redeemed long-term bonds in the amount of PLN 100,000 thousand and covered bonds in the amount of PLN 759,116 thousand.

Information on the issue of debt securities is presented in Note 20 of these condensed financial statements.

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

On 29 April 2022, the Ordinary General Shareholders' Meeting of mBank Hipoteczny S.A., adopted the resolution on division of the 2021 net profit which does not provide for the payment of dividend for the year 2021.

8. Significant events after the end of the first half of 2022, which are not reflected in the condensed financial statements**■ Split plan**

According to the spin-off plan published on May 31, 2022, in 2023, some of the loans serviced at mBank Mortgage will be taken over by mBank. Most of these are mortgages for commercial real estate financing. The acquisition will take place through the demerger of mBank Mortgage by spinning off part of its business and transferring it to mBank. The spin-off is to be carried out by universal succession, which means that on the day the spin-off is registered with the National Court Register, mBank will acquire all the rights and obligations of mBank Hipoteczny that arise from the acquired business, including the concluded loan agreements.

The spin-off will be carried out subject to obtaining the Financial Supervision Authority's approval of the spin-off in accordance with Article 124c(2) of the Banking Law and the Financial Supervision Authority's approval of amendments to mBH's Articles of Association related to the reduction of share capital in connection with the Spin-off in accordance with Article 34(2) of the Banking Law. As of the date of signing of the stand-alone semi-annual financial statements, the Bank has not yet received information on the issuance of the Financial Supervision Commission's approval of the transaction. Implementation of the Spin-off will not affect the assumption of mBank Hipoteczny's going concern.

■ Credit holidays

In connection with the entry into force of the Act on crowdfunding for business ventures and helping borrowers negative impact of the suspension of the performance of mortgage loan agreements granted in the Polish currency the so-called "credit vacation" mBank Hipoteczny's gross result is expected to be in the range of PLN 300 million to PLN 400 million. The range given above is based on an estimated participation between 60% and 80% of the currently recognized eligible borrowers. Due to the above, the Bank expects the net result achieved by mBank Hipoteczny in 2022 to be negative. The Bank's capital ratios are above the minimum capital requirements.

- On July 28, 2022. covered bonds in the amount of PLN 300 million were redeemed in accordance with the terms of the issue.
- On July 28, 2022. the loan was disbursed in accordance with the agreement signed on July 26, 2022. with mBank for PLN 300 million.

9. Effect of changes in the structure of the entity in the first half of 2022, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities

Events as indicated above did not occur in the Bank.

10. Changes in contingent liabilities

In the first half of 2022, 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.

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

In the first half of 2022, events as indicated above did not occur in the Bank.

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 2022, as well as in the comparative periods presented, events as indicated above did not occur at the Bank.

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

Data regarding write-offs on account of impairment of financial assets are presented under Note 11 of these condensed financial statements.

14. Reversals of provisions against restructuring costs

In the first half of 2022, as well as in the comparative periods presented, events as indicated above did not occur at the Bank.

15. Acquisitions and disposals of tangible fixed asset items

In the first half of 2022, as well as in the comparative periods presented, there were no material transactions of acquisition or disposal of any tangible fixed assets.

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

In the first half of 2022, as well as in the comparative periods presented, events as indicated above did not occur at the Bank.

17. 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.

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

In the reporting period, 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.

19. Corrections of errors from previous reporting periods

In the first half of 2022, events as indicated above did not occur in the Bank

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 included in the fair value or in the adjusted purchase price (amortized cost)

- The increase in interest rates had a significant impact on the fair value of financial assets and financial liabilities in the reporting period. The NBP reference interest rate increased from 1.75% at the end of 2021 to 6.00% as at June 30, 2022, which had a negative impact on the valuation of derivatives and financial assets based on a fixed interest rate and measured at fair value. More information on the fair value of financial assets and liabilities is presented in Note 24.
- The bank does not operate directly in Ukraine or Russia. The Bank's credit exposure to Ukrainian and Russian institutions, companies and individuals is not significant and as at 30 June 2022, it accounted for 1.2% of the Bank's total credit exposure (loans granted to natural persons, Polish residents with Ukrainian citizenship).

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

In the first half of 2022, as well as in the comparative periods presented, events as indicated above did not occur at the Bank.

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 halfy report compared to the forecast

mBank Hipoteczny S.A. did not publish a performance forecast for the year 2022.

23. Registered share capital

The total number of ordinary shares as at June 30, 2022 and December 31, 2021 was 3,360,000 with a par value of PLN 100 per share. All issued shares are fully paid up.

REGISTERED SHARE CAPITAL (STRUCTURE) AS AT 30 JUNE 2022							
Share type	Type of preference	Type of restrictions	Number of shares	Series / issue at par value (PLN)	Means of covering share capital	Registration date	Right to dividend
registered	-	-	500 000	50 000 000	cash	16.04.1999	01.01.2000
registered	-	-	850 000	85 000 000	cash	20.09.2000	01.01.2001
registered	-	-	400 000	40 000 000	cash	24.04.2006	01.01.2006
registered	-	-	1 000 000	100 000 000	cash	08.01.2013	01.01.2013
registered	-	-	100 000	10 000 000	cash	30.12.2014	01.01.2015
registered	-	-	140 000	14 000 000	cash	19.08.2015	01.01.2016
registered	-	-	100 000	10 000 000	cash	01.08.2016	01.01.2017
registered	-	-	120 000	12 000 000	cash	03.04.2017	01.01.2017
registered	-	-	150 000	15 000 000	cash	09.05.2019	01.01.2019
Total number of shares			3 360 000	-			
Total registered share capital				336 000 000			

24. 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 2022 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 2022, 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.

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

In the first half of 2022, 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.

26. Off-balance sheet liabilities

Off-balance sheet liabilities as at 30 June 2022 and 31 December 2021.

	30.06.2022	31.12.2021
1. Off-balance sheet liabilities granted and received	1 656 656	1 357 099
Liabilities granted	5 983	9 700
1. Financial liabilities::	5 983	9 700
a) Lending commitments	5 983	9 700
Liabilities received:	1 650 673	1 347 399
a) Financial liabilities received	1 153 106	782 188
b) Guarantee	497 567	565 211
2. Derivative financial instruments (nominal value of contracts)	8 906 893	10 350 498
1. Interest rate derivatives	4 976 296	5 130 824
2. Foreign exchange derivatives	4 110 597	5 219 674
Total off-balance sheet items	10 563 549	11 707 597

27. 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 2022, 31 December 2021 and and related costs and income in the periods from 1 January to 30 June 2021.

The total cost of remuneration of Members of the Bank's Supervisory Board, Members of the Bank's Management Board in the period from 1 January to 30 June 2022 recognized in the Bank's profit and loss account for this period amounted to PLN 1,993 thousand. PLN (in the period from 1 January to 30 June 2021: PLN 1,349 thousand). With regard to Members of the Bank's Management Board, the cost of remuneration also includes the cost of the provision for remuneration under the incentive scheme.

mBank Hipoteczny S.A.

IFRS Condensed Financial Statements for the first half of 2022

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 2022 and 31 December 2021 and related costs and income in the periods from 1 January to 30 June 2022 and 1 January to 30 June 2021.

(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***	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021
As at the end of the period	30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Statement of financial position										
Total assets	-	-	-	169	182	252	124 247	207 270	-	-
Receivables from Banks	-	-	-	-	-	-	92 234	152 880	-	-
Derivative financial instruments held for trading	-	-	-	-	-	-	9 897	57	-	-
Receivables from credits	-	-	-	169	-	-	-	-	-	-
Derivative hedging instruments	-	-	-	-	-	-	1 811	33 369	-	-
Intangible assets	-	-	-	-	-	-	49	49	-	-
Fixed assets	-	-	-	-	182	252	20 256	20 915	-	-
Total liabilities	-	-	-	-	185	257	6 327 661	5 102 487	69 502	301 999
Derivative financial instruments held for trading	-	-	-	-	-	-	501	7 046	-	-
	-	-	-	-	-	-	2 381	-	-	-
Liabilities due to loans received from the financial sector	-	-	-	-	-	-	1 898 417	1 965 859	-	-
Cash collateral liabilities	-	-	-	-	-	-	505 332	591 892	-	-
Liabilities due to deferred payment (retail pooling)	-	-	-	-	-	-	1 904 282	1 312 875	-	-
Subordinated loan	-	-	-	-	-	-	100 399	100 218	-	-
Covered bonds and bonds	-	-	-	-	-	-	1 895 007	1 103 027	69 502	301 999
Liabilities for the right of use - buildings	-	-	-	-	-	-	21 342	21 570	-	-
Liabilities due to the right to use - means of transport	-	-	-	-	185	257	-	-	-	-
Contingent liabilities										
Liabilities received	-	-	-	-	-	-	1 153 106	782 188	-	-
Commitment granted	-	-	-	-	-	-	-	-	-	-
Guarantee received	-	-	-	-	-	-	497 567	565 211	-	-
Derivatives (purchase, sales)										
IRS contracts	-	-	-	-	-	-	505 505	680 711	-	-
FX SWAP contracts	-	-	-	-	-	-	1 424 677	2 556 787	-	-

Property, plant and equipment include lease contracts classified in accordance with IFRS 16, relating to buildings, i.e. rental of office space in Warsaw and Łódź and redemption of the above-mentioned assets.

The item "Off-balance sheet liabilities granted and received - Guarantee received" relates to a bank guarantee agreement concluded

mBank Hipoteczny S.A.

IFRS Condensed Financial Statements for the first half of 2022

PLN (000's)

on December 17, 2020 with mBank S.A. on selected commercial credit exposures.

(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***	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Year ended	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Income statement										
Interest income	-	-		2	136	149	3 512	2 955	-	-
Interest expense	-	-	-	-	(2)	(4)	(136 627)	(20 281)	(1 592)	(1 328)
Fee and commission expenses	-	-	-	-	(1)	(3)	(2 579)	(3 872)	-	-
Net trading income	-	-	-	-	-	-	(12 753)	(20 899)	-	-
Other operating income	-	-	-	-	-	-	-	29	-	-
Other operating expenses	-	-	-	-	-	-	(141)	-	-	-
Overhead costs, amortisation and depreciation	-	-	-	-	(178)	(176)	(1 862)	(1 088)	-	-

*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 Comdirect Bank AG on the secondary market.

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

In the first half of 2022, as well as in the comparative periods presented, events as indicated above did not occur at the Bank.

29. 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

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

Composition of the Supervisory Board of mBank Hipoteczny S.A. as of June 30, 2022 is as follows:

1.	Andreas Boeger	-	Chairman of the Supervisory Board
2.	Marek Lusztyn	-	Vice-chairman of the Supervisory Board
3.	Aleksandra Buczkowska	-	Member of the Supervisory Board
4.	Frank Bock	-	Member of the Supervisory Board
5.	Paweł Graniewski	-	Independent Member of the Supervisory Board
6.	Michał Popiołek	-	Member of the Supervisory Board
7.	Mikołaj Tatarkiewicz	-	Member of the Supervisory Board
8.	Mariusz Tokarski	-	Independent Member of the Supervisory Board

- Changes in the Management Board Members

On June 29, 2022, the Supervisory Board of mBank Hipoteczny adopted a resolution on the appointment of Ms Jolanta Pankiewicz as a member of the Management Board of mBank Hipoteczny S.A. on July 1, 2022.

30. Other information

- Profit distribution for 2021

On April 29, 2022, the Ordinary General Meeting of mBank Hipoteczny S.A. adopted a resolution on the distribution of the net profit for 2021. The Bank's net profit in 2021 in the amount of PLN 18 802 thousand was allocated entirely to the supplementary capital of the Bank. The acquisition will take place through the division of mBank Hipoteczny by spinning off a part of its business and transferring it to mBank.