

Selected non-audited consolidated financial information of mBank S.A. Group for the fourth quarter of 2022



These Selected Non-Audited Consolidated Financial Information of mBank S.A. Group for the Fourth Quarter of 2022 does not meet the definition of an interim report included in the International Accounting Standard 34 Interim Financial Reporting or the Regulation of the Minister of Finance of 29 March 2018 on current and financial reports published by the issuers of securities and the rules of equal treatment of the information required by the laws of a non-member state.

Legal basis: article 17 (1) of Regulation (EU) No 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse (MAR).

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mBank Group S.A.Selected non-audited consolidated financial information
For the fourth quarter of 2022

(PLN thousand)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Period from 01.10.2022 to 31.12.2022	Period from 01.01.2022 to 31.12.2022	Period from 01.10.2021 to 31.12.2021 - restated	Period from 01.01.2021 to 31.12.2021 - restated
Interest income, including:	3 324 374	9 265 806	1 298 465	4 454 007
<i>Interest income accounted for using the effective interest method</i>	3 275 042	9 093 789	1 177 436	3 970 220
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	49 332	172 017	121 029	483 787
Interest expenses	(1 349 892)	(3 356 567)	(100 982)	(327 694)
Net interest income	1 974 482	5 909 239	1 197 483	4 126 313
Fee and commission income	742 729	3 026 096	716 984	2 692 626
Fee and commission expenses	(274 979)	(906 019)	(233 747)	(824 875)
Net fee and commission income	467 750	2 120 077	483 237	1 867 751
Dividend income	123	5 236	177	5 046
Net trading income	27 111	97 198	(36 892)	96 890
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	6 885	(50 924)	14 037	4 608
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(34 312)	(91 548)	461	93 690
Other operating income	51 048	265 162	67 742	232 384
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(179 496)	(803 217)	(294 986)	(873 226)
Costs of legal risk related to foreign currency loans	(430 097)	(3 112 265)	(2 006 455)	(2 758 079)
Overhead costs	(517 479)	(2 851 881)	(490 508)	(2 020 629)
Depreciation	(113 617)	(467 308)	(104 991)	(436 254)
Other operating expenses	(67 646)	(443 613)	(100 518)	(320 898)
Operating profit	1 184 752	576 156	(1 271 213)	17 596
Taxes on the Group balance sheet items	(180 327)	(684 175)	(164 047)	(608 627)
Profit before income tax	1 004 425	(108 019)	(1 435 260)	(591 031)
Income tax expense	(169 890)	(594 508)	(195 868)	(587 782)
Net profit attributable to:	834 535	(702 527)	(1 631 128)	(1 178 813)
- Owners of mBank S.A.	834 516	(702 691)	(1 631 116)	(1 178 753)
- Non-controlling interests	19	164	(12)	(60)
Net profit attributable to Owners of mBank S.A.	834 516	(702 691)	(1 631 116)	(1 178 753)
Weighted average number of ordinary shares	42 424 249	42 403 048	42 377 769	42 369 790
Earnings per share (in PLN)	19.67	(16.57)	(38.49)	(27.82)
Weighted average number of ordinary shares for diluted earnings	42 491 296	42 470 095	42 458 488	42 450 509
Diluted earnings per share (in PLN)	19.64	(16.55)	(38.42)	(27.77)

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period from 01.10.2022 to 31.12.2022	Period from 01.01.2022 to 31.12.2022	Period from 01.10.2021 to 31.12.2021	Period from 01.01.2021 to 31.12.2021
Net profit	834 535	(702 527)	(1 631 128)	(1 178 813)
Other comprehensive income net of tax, including:	399 547	(313 225)	(1 191 662)	(1 788 889)
Items that may be reclassified subsequently to the income statement				
Exchange differences on translation of foreign operations (net)	(5 275)	6 194	2 901	4 898
Cash flows hedges (net)	157 865	(296 666)	(548 132)	(919 332)
Cost of hedge (net)	(10 936)	27 105	-	-
Debt instruments at fair value through other comprehensive income (net)	254 422	(53 329)	(653 490)	(892 950)
Items that will not be reclassified to the income statement				
Actuarial gains and losses relating to post-employment benefits (net)	3 471	3 471	7 059	7 059
Investment properties (net)	-	-	-	11 436
Total comprehensive income (net)	1 234 082	(1 015 752)	(2 822 790)	(2 967 702)
Total comprehensive income (net), attributable to:				
- Owners of mBank S.A.	1 234 063	(1 015 916)	(2 822 778)	(2 967 642)
- Non-controlling interests	19	164	(12)	(60)

mBank Group S.A.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	31.12.2022	30.09.2022	31.12.2021 - restated	01.01.2021 - restated
Cash and balances with the Central Bank	16 014 318	20 488 126	12 202 266	3 968 691
Financial assets held for trading and derivatives held for hedges	2 524 652	3 410 380	2 589 076	2 586 721
Non-trading financial assets mandatorily at fair value through profit or loss, including:	1 044 189	1 109 868	1 417 191	1 784 691
<i>Equity instruments</i>	185 788	174 101	224 389	202 304
<i>Debt securities</i>	45 009	43 308	81 128	76 068
<i>Loans and advances to customers</i>	813 392	892 459	1 111 674	1 506 319
Financial assets at fair value through other comprehensive income	35 117 450	20 726 003	36 206 059	35 498 061
Financial assets at amortised cost, including:	148 138 819	153 069 958	139 919 159	129 883 521
<i>Debt securities</i>	19 002 527	19 056 147	16 164 103	15 952 501
<i>Loans and advances to banks</i>	9 806 262	9 654 087	7 229 681	7 354 268
<i>Loans and advances to customers</i>	119 330 030	124 359 724	116 525 375	106 576 752
Fair value changes of the hedged items in portfolio hedge of interest rate risk	3 064	(6 887)	(110 033)	(10 986)
Non-current assets and disposal groups classified as held for sale	26 747	31 247	31 247	-
Intangible assets	1 391 707	1 323 417	1 283 953	1 178 698
Tangible assets	1 484 933	1 464 949	1 542 250	1 514 577
Investment properties	136 909	140 372	127 510	-
Current income tax assets	28 302	21 034	28 147	23 957
Deferred income tax assets	1 875 728	1 868 266	1 392 350	853 880
Other assets	2 105 295	2 029 517	1 744 199	1 578 820
TOTAL ASSETS	209 892 113	205 676 250	198 373 374	178 860 631
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities held for trading and derivatives held for hedges	2 086 111	3 006 258	2 011 182	1 338 564
Financial liabilities measured at amortised cost, including:	190 567 661	187 309 135	179 348 925	156 673 052
<i>Amounts due to banks</i>	3 270 223	3 716 459	5 266 179	5 654 331
<i>Amounts due to customers</i>	174 130 914	170 252 682	157 071 670	133 672 142
<i>Lease liabilities</i>	960 324	1 020 758	956 838	771 935
<i>Debt securities issued</i>	9 465 479	9 511 485	13 429 782	13 996 317
<i>Subordinated liabilities</i>	2 740 721	2 807 751	2 624 456	2 578 327
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(1 528 582)	(1 897 835)	(1 055 478)	48 638
Liabilities classified as held for sale	7 375	7 340	7 425	-
Provisions	1 362 259	1 409 776	836 900	535 179
Current income tax liabilities	571 456	436 793	61 910	225 796
Deferred income tax liabilities	-	94	89	690
Other liabilities	4 110 802	3 925 755	3 444 505	3 363 645
TOTAL LIABILITIES	197 177 082	194 197 316	184 655 458	162 185 564
EQUITY				
Equity attributable to Owners of mBank S.A.	12 713 001	11 476 938	13 716 050	16 673 133
Share capital:	3 604 778	3 602 528	3 593 944	3 587 035
Registered share capital	169 734	169 691	169 540	169 468
Share premium	3 435 044	3 432 837	3 424 404	3 417 567
Retained earnings, including:	10 625 836	9 791 570	11 326 494	12 501 597
- Profit from the previous years	11 328 527	11 328 777	12 505 247	12 501 597
- Profit for the current year	(702 691)	(1 537 207)	(1 178 753)	-
Other components of equity	(1 517 613)	(1 917 160)	(1 204 388)	584 501
Non-controlling interests	2 030	1 996	1 866	1 934
TOTAL EQUITY	12 715 031	11 478 934	13 717 916	16 675 067
TOTAL LIABILITIES AND EQUITY	209 892 113	205 676 250	198 373 374	178 860 631

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CONDENSED STAND-ALONE INCOME STATEMENT

	Period from 01.10.2022 to 31.12.2022	Period from 01.01.2022 to 31.12.2022	Period from 01.10.2021 to 31.12.2021 - restated	Period from 01.01.2021 to 31.12.2021 - restated
Interest income, including:	3 112 728	8 837 715	1 163 787	3 901 513
<i>Interest income accounted for using the effective interest method</i>	<i>3 063 914</i>	<i>8 667 715</i>	<i>1 043 204</i>	<i>3 431 357</i>
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	<i>48 814</i>	<i>170 000</i>	<i>120 583</i>	<i>470 156</i>
Interest expenses	(1 271 135)	(3 094 862)	(81 025)	(257 066)
Net interest income	1 841 593	5 742 853	1 082 762	3 644 447
Fee and commission income	691 263	2 823 719	668 934	2 510 045
Fee and commission expenses	(243 126)	(783 433)	(202 714)	(712 664)
Net fee and commission income	448 137	2 040 286	466 220	1 797 381
Dividend income	123	48 736	177	30 095
Net trading income	27 432	71 895	(38 652)	78 317
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	9 574	(46 034)	14 203	3 744
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(33 924)	(96 603)	(415)	76 622
Other operating income	9 031	70 319	8 045	44 314
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(155 173)	(646 132)	(254 304)	(782 861)
Costs of legal risk related to foreign currency loans	(430 097)	(3 112 265)	(2 006 455)	(2 758 079)
Overhead costs	(462 311)	(2 621 691)	(439 419)	(1 817 885)
Depreciation	(96 740)	(402 729)	(90 005)	(376 780)
Other operating expenses	(37 338)	(265 775)	(65 046)	(212 639)
Operating profit	1 120 307	782 860	(1 322 889)	(273 324)
Taxes on the Bank balance sheet items	(172 173)	(651 954)	(156 119)	(577 565)
Share in profits (losses) of entities under the equity method	39 192	(190 435)	21 359	170 662
Profit before income tax	987 326	(59 529)	(1 457 649)	(680 227)
Income tax expense	(162 690)	(637 195)	(187 615)	(535 126)
Net profit	824 636	(696 724)	(1 645 264)	(1 215 353)
Net profit	824 636	(696 724)	(1 645 264)	(1 215 353)
Weighted average number of ordinary shares	42 424 249	42 403 048	42 377 769	42 369 790
Earnings per share (in PLN)	19.44	(16.43)	(38.82)	(28.68)
Weighted average number of ordinary shares for diluted earnings	42 491 296	42 470 095	42 458 488	42 450 509
Diluted earnings per share (in PLN)	19.41	(16.41)	(38.75)	(28.63)

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CONDENSED STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME

	Period from 01.10.2022 to 31.12.2022	Period from 01.01.2022 to 31.12.2022	Period from 01.10.2021 to 31.12.2021	Period from 01.01.2021 to 31.12.2021
Net profit	824 636	(696 724)	(1 645 264)	(1 215 353)
Other comprehensive income net of tax, including:	559 491	(200 770)	(1 204 320)	(1 881 075)
Items that may be reclassified subsequently to the income statement				
Exchange differences on translation of foreign operations (net)	(5 179)	6 129	2 758	4 803
Cash flows hedges (net)	159 976	(199 646)	(544 452)	(901 645)
Share of other comprehensive income of entities under the equity method (net)	(9 410)	(92 514)	(14 917)	(28 110)
Debt instruments at fair value through other comprehensive income (net)	410 625	81 782	(654 418)	(974 268)
Items that will not be reclassified to the income statement				
Actuarial gains and losses relating to post-employment benefits (net)	3 479	3 479	6 709	6 709
Investment properties (net)	-	-	-	11 436
Total comprehensive income (net)	1 384 127	(897 494)	(2 849 584)	(3 096 428)

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CONDENSED STAND-ALONE STATEMENT OF FINANCIAL POSITION

ASSETS	31.12.2022	30.09.2022	31.12.2021 - restated	01.01.2021 - restated
Cash and balances with the Central Bank	15 906 492	20 426 104	12 087 608	3 939 298
Financial assets held for trading and derivatives held for hedges	2 589 681	3 350 330	2 581 174	2 493 535
Non-trading financial assets mandatorily at fair value through profit or loss, including:	878 995	942 055	1 221 063	1 585 029
<i>Equity instruments</i>	121 416	113 125	148 466	136 480
<i>Debt securities</i>	45 009	43 308	81 128	76 068
<i>Loans and advances to customers</i>	712 570	785 622	991 469	1 372 481
Financial assets at fair value through other comprehensive income	53 842 726	39 662 237	54 162 657	47 731 612
<i>Debt securities</i>	34 420 653	20 436 346	35 971 403	35 216 599
<i>Loans and advances to customers</i>	19 422 073	19 225 891	18 191 254	12 515 013
Financial assets at amortised cost, including:	123 405 293	127 908 004	113 949 598	109 230 985
<i>Debt securities</i>	20 206 976	20 260 333	16 632 915	15 952 501
<i>Loans and advances to credit institutions</i>	15 392 870	14 997 150	11 194 916	10 845 844
<i>Loans and advances to customers</i>	87 805 447	92 650 521	86 121 767	82 432 640
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	(110 033)	(10 986)
Investments in subsidiaries	2 057 455	2 024 615	2 357 068	2 204 922
Non-current assets and disposal groups classified as held for sale	26 747	31 247	31 247	-
Intangible assets	1 209 722	1 146 001	1 111 479	1 013 746
Tangible assets	1 172 714	1 152 617	1 204 680	1 246 496
Investment properties	136 909	140 372	127 510	-
Current income tax assets	28 302	21 306	28 077	22 826
Deferred income tax assets	1 145 916	1 137 747	721 324	206 924
Other assets	1 574 826	1 412 710	1 234 856	1 069 634
TOTAL ASSETS	203 975 778	199 355 345	190 708 308	170 734 021
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities held for trading and derivatives held for hedges	2 075 013	2 999 628	2 044 601	1 414 374
Financial liabilities measured at amortised cost, including:	185 551 517	182 025 400	172 634 071	149 315 812
<i>Amounts due to banks</i>	3 305 751	3 737 763	5 326 622	5 878 877
<i>Amounts due to customers</i>	174 000 911	170 031 296	157 045 374	133 774 946
<i>Lease liabilities</i>	955 436	1 016 030	953 996	748 497
<i>Debt securities issued</i>	4 548 698	4 432 560	6 683 623	6 335 165
<i>Subordinated liabilities</i>	2 740 721	2 807 751	2 624 456	2 578 327
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(1 528 582)	(1 897 835)	(1 055 478)	48 638
Liabilities classified as held for sale	7 375	7 340	7 425	-
Provisions	1 287 578	1 334 492	863 829	547 008
Current income tax liabilities	594 203	441 462	54 467	225 029
Deferred income tax liabilities	-	94	89	89
Other liabilities	3 491 478	3 333 695	2 777 481	2 715 379
TOTAL LIABILITIES	191 478 582	188 244 276	177 326 485	154 266 329
EQUITY				
Share capital:	3 604 778	3 602 528	3 593 944	3 587 035
Registered share capital	169 734	169 691	169 540	169 468
Share premium	3 435 044	3 432 837	3 424 404	3 417 567
Retained earnings:	10 554 212	9 729 826	11 248 903	12 460 606
- Profit from the previous years	11 250 936	11 251 186	12 464 256	12 460 606
- Profit for the current year	(696 724)	(1 521 360)	(1 215 353)	-
Other components of equity	(1 661 794)	(2 221 285)	(1 461 024)	420 051
TOTAL EQUITY	12 497 196	11 111 069	13 381 823	16 467 692
TOTAL LIABILITIES AND EQUITY	203 975 778	199 355 345	190 708 308	170 734 021

Summary of mBank Group results in Q4 2022

Net profit attributable to the shareholders of mBank in Q4 2022 amounted to PLN 834.5 million compared with net loss of PLN 2 279.2 million in Q3 2022. Gross profit amounted to PLN 1 004.4 million, despite high costs of legal risk related to foreign currency loans.

At the same time gross profit of the core business (defined as mBank Group excluding FX Mortgage Loans segment) amounted to PLN 1 443.1 million compared to a loss noted reported in Q3 2022.

Total income posted by mBank Group increased by 126.5% on the previous quarter to PLN 2 434.0 million. Net of the impact of the "credit holidays" in Q3 and Q4, total income was stable on a quarterly basis.

Net interest income amounted to PLN 1 974.5 million in Q4 2022. Net of the impact of the "credit holidays", net interest income was stable quarter on quarter. In Q4 2022, interest income increased to PLN 3 324.4 million, driven mainly by a series of interest rate hikes by the Monetary Policy Council. Net of the impact of the "credit holidays", interest income increased by 6.5% on a quarterly basis. At the same time interest expense increased, which was attributable mainly to higher costs of client deposits. Net interest margin in mBank Group remained stable on a quarterly basis and in Q4 2022 reached the level of 4.03%. Net fee and commission income decreased by 9.0%, as a result of higher commission expense. In Q4 2022 the costs of sales contests were booked as well as higher costs of due diligence processes for the clients and higher costs of the sale of the Bank's products by external entities. In Q4 2022 the Bank has changed the recognition of revenues from the sale of mortgage-related insurance. Currently the Group recognises part of these revenues within interest income and part within commission income. This change is further described in the section "Comparative data".

Net trading income amounted to PLN 27.1 million. mBank Group also noted a loss from derecognition of financial assets and liabilities not measured at fair value through profit or loss at PLN -34.3 million, which was attributable to the sale of bonds. Other operating income net of other operating expenses amounted to PLN -16.6 million.

In Q4 2022 total overhead costs and depreciation in mBank Group decreased by 23.5% to PLN 631.1 million compared with the previous quarter. The contribution to the Borrower Support Fund amounted to PLN 184.1 million in Q3 2022. In Q4 2022, amount of the booked contribution decreased by PLN 13.1 million. Staff-related expenses increased 18.9% in Q4 2022, resulting mainly from growing cost of wages and salaries. Simultaneously, material costs decreased by 6.2%, mainly as a result of lower costs of administration and real estate services, as well as reduced IT costs. Depreciation was slightly reduced on a quarterly basis.

Above mentioned trends resulted in a decline of the cost-to-income ratio to 25.9%. Normalized C/I ratio (excluding impact of "credit holidays" and Borrowers' Support Fund) amounted to 33.5% compared with 31.9% in the previous quarter.

Impairment on and movements in the fair value of loans and advances of mBank Group (being the sum of: impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gain/loss from non-trading loans and advances mandatorily measured at fair value through profit or loss) amounted to PLN 188.1 million in Q4 2022 (cost of risk was at the level of 61 bps). Compared with the previous quarter it was slightly higher (+2.8%).

Significant negative impact on the operating income of mBank Group had legal risk costs related to foreign currency loans, which amounted to PLN 430.1 million. These costs resulted mainly from the inclusion of costs of final court verdicts, the costs of the settlements and the update of market parameters applied in the model. More information about the calculation of these costs can be found further on in this report. The Bank also recognized a deferred tax asset in the amount of PLN 198.9 million, which results from the settlement program addressed to the CHF loan borrowers.

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

Introduction

In recent years, a significant number of individual customers who took mortgage and housing loans in CHF, challenged in court some of the provisions or entire agreements on the basis of which the Bank granted these loans. To date, there is no consistent line of judgments on the assessment of contractual provisions introducing an indexation mechanism and the consequences of establishing their abusiveness (ineffectiveness) issued by the courts in such cases.

The carrying amount of mortgage and housing loans granted to natural persons in CHF as of 31 December 2022 amounted to PLN 6.1 billion (i.e. CHF 1.3 billion) compared to PLN 9.1 billion (i.e. CHF 2.0 billion) as at the end of 2021. Additionally the volume of the portfolio of loans granted in CHF to natural persons that were already fully repaid as of 31 December 2022, taking into account the exchange rate on the date of disbursement of individual loan tranches, amounted to PLN 7.5 billion (31 December 2021: PLN 6.6 billion).

Due to the significance of the legal issues related to the CHF loan portfolio for the financial position of mBank Group as at 31 December 2022, detailed information is presented below regarding these lawsuits, significant judgments, which, in the Bank's opinion, may affect the future ruling on loans indexed to CHF, proposed potential settlements with customers, accounting principles for the recognition of legal risk related to these court cases and the settlement program, as well as information on the impact of legal risk related to these court cases on the balance sheet and profit or loss account of mBank Group and the methodology used to determine this impact.

Individual court cases against the Bank concerning loans indexed to CHF

As of 31 December 2022, 17 849 individual court proceedings (31 December 2021: 13 373 proceedings) were initiated against the Bank by its customers in connection with CHF loan agreements with the total value of claims amounting to PLN 5 982.1 million (31 December 2021: PLN 3 506.5 million).

Out of the individual proceedings, 17 627 proceedings (31 December 2021: 13 036 proceedings) with the total value of claims amounting to PLN 5 977.8 million (31 December 2021: PLN 3 499.9 million) related to indexation clauses in CHF loan agreements and included claims for declaring ineffectiveness or invalidity in part (i.e. to the extent that the agreement contains contractual provisions related to indexation) or in whole of the loan agreements.

As of 31 December 2022 mBank received 1 941 final rulings in individual lawsuits (31 December 2021: 473 final rulings), out of which 97 rulings were favourable to the Bank and 1 844 rulings were unfavourable (31 December 2021: 82 rulings favourable and 391 unfavourable).

At the same time 33 proceedings (as of 31 December 2022) at the second instance courts have remained suspended due to the legal issues referred to the Supreme Court and the Court of Justice of the European Union (CJEU). The Bank submits cassation appeals to the Supreme Court against legally binding unfavourable for the Bank judgments stating the absolute invalidity of the credit agreement. Unfavourable judgments were based on the same patterns of facts which in the past had resulted in different verdicts. Approximately 84% of unfavourable verdicts led to the invalidation of the loan agreement, others led to the conversion of the agreement into PLN + LIBOR/WIBOR and substitution of FX clause by the fixing rate of the NBP.

Class action against mBank S.A. concerning indexation clauses

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

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

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

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

As of 31 December 2022 the Bank recognised the impact of legal risk in the class action in the amount of PLN 296.5 million. The details of the methodology and calculation are described further in this note.

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

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

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

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

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

By the decision of 12 August 2021, another question was addressed to the CJEU (C-520/21), the subject of which is to determine whether in the event of cancellation of the loan agreement, the parties, in addition to the reimbursement of money paid in the performance of this agreement and statutory interest for delay from the moment of the call for payment, may also claim any other benefits, in particular remuneration, unjust enrichment, compensation, reimbursement or valorisation of the benefit. The hearing before the CJEU took place on 12 October 2022. On 16 February 2023, the opinion of the Advocate General will be presented, and the verdict is expected in the second half of 2023. The ruling issued in this case will be of significant importance for the shaping of the jurisprudence in matters of foreign currency indexed loans. It will also be reflected in the parameters of the provisioning model, such as the distribution of expected court rulings or scenarios, determining the behaviour of borrowers towards accepting settlements or filing lawsuits.

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

In January 2022, further questions for a preliminary ruling were submitted to the CJEU in three cases pending against mBank. The question in the first case is aimed at determining whether, if there are grounds both for determining the absolute invalidity of the contract and for declaring the contract invalid (ineffective) due to the abusive clauses contained therein, the court should determine absolute nullity or a decision on the choice of sanctions belongs to the consumer. The questions in the second case concern the

consequences of entering abusive clauses in the register, the possibility of repaying the loan from the beginning in a foreign currency and informing the consumer who is knowledgeable about the exchange rate risk. In the third case, the questions relate to the remuneration for the use of capital and the effects of the consumer's declaration regarding the lack of consent to uphold the abusive provision in relation to the ineffectiveness of the contract, the commencement of the limitation period for the bank's claims and statutory interest. The question remains partly consistent with the preliminary question of another bank before the CJEU in case C-520/21. The Bank presents a position consistent with the previous positions of the FSA and the NBP in favour of the legitimacy of formulating such claims. The CJEU only acted on the second and third cases, in which the Bank submitted its statements on 15 August 2022.

Supreme Court resolutions on loans in CHF

On 29 January 2021 the motion for adopting a resolution has been submitted to the Supreme Court by the First President of the Supreme Court. The full bench of the Civil Chamber of the Supreme Court was to answer to the questions if abusive provisions can be replaced with provisions of civil law or common practice, whether it is possible to maintain indexed/denominated loan as a PLN loan with an interest rate based on LIBOR, whether the theory of balance or the theory of two conditionalities will apply in the event of the CHF loan invalidity, the starting point of the limitation period in the case of the bank's claim for reimbursement of the amounts paid under the loan and whether banks and consumers can receive a remuneration for the use of their funds by the other party. The lack of a jurisprudence line, both domestic and of the CJEU, concerning remuneration for the use of capital is also significant for the shape of the provision. The position presented by banks has been strengthened by the opinions of the Polish Financial Supervision Authority (PFSA) and the National Bank of Poland (NBP) submitted to case no. III CZP 25/22 (III CZP 11/21), which support granting banks the right to such remuneration. Thus, the banks' claims in this respect should be regarded as at least plausible.

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

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

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

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

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

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

it is – in relation to the obligation to put the funds at the disposal of the borrower – something more than a consideration obligation.

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

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

On 28 April 2022 the Supreme Court issued a resolution (III CZP 40/22) in which it indicated that in disputes with consumers, the provision of Article 385(1) of the Civil Code constitutes *lex specialis* in relation to Article 353(1) of the Civil Code. Consequently, when there are prerequisites for the application of both legal norms, the court should apply the sanction of ineffectiveness of the contractual clauses, without declaring it invalid on general principles.

PFSA's Chairman proposal

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

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

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

The estimated potential impact of implementation of the conversion plan on mBank, calculated as of 31 December 2022, would amount to PLN 5.4 billion if only active portfolio indexed/denominated to CHF was converted (unaudited data). Detailed assumptions for the estimation of this impact were adopted on the basis of the Polish Financial Supervision Authority's survey dated 27 January 2021. The PFSA's Chairman proposal assumes that only active portfolio would be converted.

Settlement program

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

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

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

As of 31 December 2022 the Bank concluded 1 886 settlements (as of 31 December 2021: 33 settlements).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PLN thousand	31.12.2022	31.12.2021
Impact of legal risk related to active loans and settlement program recognised as a reduction of gross carrying amount of loans	5 752 732	3 785 097
Impact of legal risk concerning individual lawsuits and class actions case related to repaid loans and low value active loans recorded as provisions for legal proceedings	709 187	348 476
The cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and housing loans in CHF	6 461 919	4 133 573

Total costs of legal risk related to foreign currency loans recognised in the income statement for the 2022 amounted to PLN 3 112.3 million (in 2021: PLN 2 758.1 million). The most significant factors of these costs

in 2022 was the increase of the impact of the legal risk related to individual court cases, which mainly resulted from the change in the distribution of expected court rulings scenarios due to the adoption of historical observations in the model, an increase in the forecasted population of borrowers who will file a lawsuit against the Bank and an increase in the cost of the settlement program as a result of the Bank's decision to launch the settlement program in September 2022.

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

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

Expected population of borrowers

The population of borrowers who will file a lawsuit against the Bank has been projected with the use of statistical methods over the remaining life of the portfolio based on the Bank's history of legal cases and assumes a further inflow of new cases. The Bank assumes that the inflow of plaintiffs will be significant until the end of 2026. The Bank assumes that vast majority of the projected cases will be filed until the end of 2024, and then their number will decrease following the expected unification of the jurisprudential line.

For the purpose of calculating the impact of legal risk mBank assumes that approximately 38% of CHF borrowers i.e. 31 thousand borrowers, including 27 thousand borrowers with active loans (representing approximately 61% of borrowers with active loans) and 4 thousand borrowers with repaid loans (representing approximately 11% of borrowers with repaid loans) filed or with intention to file a lawsuit against the Bank (as of 31 December 2021: 27%, i.e. 23 thousand borrowers). Moreover, the Bank assumed that some portion of borrowers will sign settlements. The assumption, due to significant legal uncertainties surrounding CHF cases as well as other external factors that may shape clients' preferences to file the lawsuits, is highly judgmental and may be a subject to an adjustment in future. If an additional 1% of the borrowers (both holding active loans in CHF as well as borrowers who already repaid their loans in CHF) filed a lawsuit against the Bank, the impact of the legal risk would increase by approximately PLN 63.8 million (while other relevant assumptions remain constant) as compared to 31 December 2022, of which PLN 55.7 million would reduce gross carrying amount of the loans, and PLN 8.1 million would increase the provisions for legal proceedings.

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

Distribution of expected court rulings

The expected distribution of court rulings was based on final judgments issued in cases against the Bank starting from 2020. As currently there is still no homogenous line of verdicts taken by the courts the Bank took into account three possible scenarios for termination of court proceedings: (i) the contract remains valid but the indexation mechanism is eliminated, which transforms a loan indexed to CHF into a PLN loan subject to the interest rate for a loan indexed to CHF, (ii) the contract is invalid in its entirety, as removing the exchange rate clause would be too far-reaching change (assuming that the clause specifies the main subject of the contract) and (iii) dismissal of the claim. In scenario (ii), the Bank takes into account two versions of the cancellation, assuming that the parties settle in a formula similar to the settlement on a net basis. The first version assumes that the consumer is obliged to return the paid-up capital together with the remuneration for using it, and the second assumes that the consumer is obliged to return the capital without remuneration. The Bank assumed the probability of return on capital with remuneration at the level of 70%. If the assumed probability of return on capital with remuneration changed by +/- 1 percentage point and all other relevant assumptions remained constant, the impact of the legal risk would change by +/- PLN 18.2 million, of which PLN 16.3 million would change the gross carrying amount of loans, and PLN 1.9 million provisions for legal proceedings.

Each of these scenarios is associated with a different level of predicted losses for the Bank. As of 31 December 2022 the Bank assumed probability of unfavourable scenario at the level of 95% (as of 31 December 2021: 50%). If the assumed probability of unfavourable scenario changed by

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(PLN thousand)

+/- 1 percentage point and all other relevant assumptions remained constant, the impact of the legal risk would change by +/- PLN 51.8 million, of which PLN 46.6 million would change the gross carrying amount of loans, and PLN 5.2 million provisions for legal proceedings.

Probability of settlement acceptance

As there is currently no sufficiently reliable and complete data in the market that would allow the Bank to make clear estimates of the levels of acceptance of settlements in CHF cases, the Bank assumed the probability of accepting the settlements partially based on the available market data, the results of the completed pilot of the settlement program concluded by the Bank in 2021 and 2022 and based on its own forecasts.

As at 31 December 2022, the Bank assumed 32% probability of settlements acceptance for the entire active portfolio (34% as at 31 December 2021).

In the event of a change in the probability of accepting settlements by +/- 1 percentage point, with the remaining significant assumptions unchanged, the total amount of the impact of legal risk would change by +/- PLN 12.1 million which would change the gross carrying amount of loans.

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

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

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(PLN thousand)

Net interest income

Period	from 01.10.2022 to 31.12.2022	from 01.01.2022 to 31.12.2022	from 01.10.2021 to 31.12.2021	from 01.01.2021 to 31.12.2021
Interest income				
Interest income accounted for using the effective interest method	3 275 042	9 093 789	1 177 436	3 970 220
Interest income of financial assets at amortised cost, including:	2 957 368	8 251 999	1 105 680	3 778 960
- <i>Loans and advances</i>	2 666 408	8 572 447	1 020 204	3 471 423
- <i>Debt securities</i>	132 641	447 746	69 237	288 937
- <i>Cash and short-term placements</i>	141 125	380 588	16 691	18 997
- <i>Gains or losses on non-substantial modification (net)</i>	(42 120)	(1 328 932)	(5 117)	(11 328)
- <i>Other</i>	59 314	180 150	4 665	10 931
Interest income on financial assets at fair value through other comprehensive income, including:	317 674	841 790	71 756	191 260
- <i>Debt securities</i>	317 674	841 790	71 756	191 260
Income similar to interest on financial assets at fair value through profit or loss	49 332	172 017	121 029	483 787
Financial assets held for trading, including:	16 671	46 992	4 866	19 962
- <i>Loans and advances</i>	1 267	3 968	487	2 849
- <i>Debt securities</i>	15 404	43 024	4 379	17 113
Non-trading financial assets mandatorily at fair value through profit or loss, including:	32 661	125 025	13 867	51 598
- <i>Loans and advances</i>	32 661	125 025	13 867	51 598
Interest income on derivatives classified into banking book	-	-	31 125	94 454
Interest income on derivatives concluded under the fair value hedge	-	-	27 596	113 115
Interest income on derivatives concluded under the cash flow hedge	-	-	43 575	204 658
Total interest income	3 324 374	9 265 806	1 298 465	4 454 007

Period	from 01.10.2022 to 31.12.2022	from 01.01.2022 to 31.12.2022	from 01.10.2021 to 31.12.2021	from 01.01.2021 to 31.12.2021
Interest expenses				
Financial liabilities held for trading	(4 751)	(13 686)	(1 905)	(9 371)
Financial liabilities measured at amortised cost, including:	(930 297)	(2 197 469)	(87 928)	(287 340)
- <i>Deposits</i>	(797 166)	(1 742 941)	(26 553)	(65 954)
- <i>Loans received</i>	(291)	(4 515)	(1 122)	(4 623)
- <i>Issue of debt securities</i>	(77 855)	(285 674)	(43 388)	(155 044)
- <i>Subordinated liabilities</i>	(44 877)	(126 325)	(14 117)	(54 733)
- <i>Other financial liabilities</i>	(9 485)	(35 487)	(2 087)	(4 418)
- <i>Lease liabilities</i>	(623)	(2 527)	(661)	(2 568)
Interest expenses on derivatives classified into banking book	(4 601)	(81 955)	-	-
Interest expenses on derivatives concluded under the fair value hedge	(208 819)	(502 506)	-	-
Interest expenses on derivatives concluded under the cash flow hedge	(200 541)	(537 995)	-	-
Other	(883)	(22 956)	(11 149)	(30 983)
Total interest expense	(1 349 892)	(3 356 567)	(100 982)	(327 694)

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(PLN thousand)

Net fee and commission income

Period	from 01.10.2022 to 31.12.2022	from 01.01.2022 to 31.12.2022	from 01.10.2021 to 31.12.2021	from 01.01.2021 to 31.12.2021
Fee and commission income				
Payment cards-related fees	159 390	629 823	136 780	485 768
Credit-related fees and commissions	156 879	612 117	141 936	539 335
Commissions from currency transactions	133 620	516 540	111 800	408 107
Commissions from bank accounts	79 910	383 770	88 347	361 824
Commissions from money transfers	58 513	223 895	54 508	191 545
Fees from brokerage activity and debt securities issue	33 708	172 374	58 033	240 097
Commissions for agency service regarding sale of insurance products of external financial entities	35 860	129 883	27 924	109 090
Commissions due to guarantees granted and trade finance commissions	28 577	109 980	25 845	98 780
Commissions for agency service regarding sale of other products of external financial entities	12 312	74 329	29 467	103 060
Fees from cash services	12 830	53 963	11 746	45 195
Commissions on trust and fiduciary activities	7 634	32 919	8 871	33 214
Fees from portfolio management services and other management-related fees	5 674	25 127	6 908	27 769
Other	17 822	61 376	14 819	48 842
Total fee and commission income	742 729	3 026 096	716 984	2 692 626

Period	from 01.10.2022 to 31.12.2022	from 01.01.2022 to 31.12.2022	from 01.10.2021 to 31.12.2021	from 01.01.2021 to 31.12.2021
Fee and commission expense				
Payment cards-related fees	(75 479)	(292 815)	(71 245)	(263 552)
Commissions paid to external entities for sale of the Group's products	(60 041)	(185 976)	(44 879)	(169 102)
Commissions of insurance products	(3 006)	(13 944)	(3 970)	(15 763)
Commissions paid for sale of external financial entities' products	(7 169)	(36 181)	(9 441)	(33 286)
Discharged brokerage fees	(9 334)	(36 823)	(9 119)	(39 046)
Cash services	(19 879)	(56 655)	(16 387)	(47 096)
Fees to NBP, KIR and GPW Benchmark	(7 082)	(21 785)	(6 844)	(18 948)
Other discharged fees	(92 989)	(261 840)	(71 862)	(238 082)
Total fee and commission expense	(274 979)	(906 019)	(233 747)	(824 875)

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

Period	from 01.10.2022 to 31.12.2022	from 01.01.2022 to 31.12.2022	from 01.10.2021 to 31.12.2021	from 01.01.2021 to 31.12.2021
Equity instruments	8 370	(16 424)	11 179	11 091
Debt securities	7 094	(3 204)	(2 314)	(1 136)
Loans and advances	(8 579)	(31 296)	5 172	(5 347)
Total gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	6 885	(50 924)	14 037	4 608

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Overhead costs

Period	from 01.10.2022 to 31.12.2022	from 01.01.2022 to 31.12.2022	from 01.10.2021 to 31.12.2021	from 01.01.2021 to 31.12.2021
Staff-related expenses	(345 580)	(1 226 891)	(272 869)	(1 070 850)
Material costs, including:	(171 924)	(729 149)	(179 763)	(676 395)
- costs of administration and real estate services	(58 820)	(273 249)	(51 709)	(243 749)
- IT costs	(45 507)	(205 553)	(67 477)	(206 689)
- marketing costs	(43 623)	(149 107)	(33 428)	(132 744)
- consulting costs	(17 811)	(82 814)	(21 961)	(77 339)
- other material costs	(6 163)	(18 426)	(5 188)	(15 874)
Taxes and fees	(9 000)	(35 622)	(8 606)	(33 419)
Contributions and transfers to the Bank Guarantee Fund	(1 510)	(247 424)	(24 775)	(227 432)
Contributions to the Borrowers Support Fund	13 118	(170 938)	-	-
Contributions to the Social Benefits Fund	(2 583)	(13 786)	(4 495)	(12 533)
Institutional Protection Scheme	-	(428 071)	-	-
Total overhead costs	(517 479)	(2 851 881)	(490 508)	(2 020 629)

Staff-related expenses

Period	from 01.10.2022 to 31.12.2022	from 01.01.2022 to 31.12.2022	from 01.10.2021 to 31.12.2021	from 01.01.2021 to 31.12.2021
Wages and salaries	(280 021)	(985 929)	(225 416)	(871 419)
Social security expenses	(42 859)	(170 703)	(26 188)	(142 301)
Employee contributions related to post-employment benefits	-	(756)	(21)	(21)
Remuneration concerning share-based payments, including:	(2 042)	(13 014)	(4 571)	(11 076)
- share-based payments settled in mBank S.A. shares	(1 957)	(12 673)	(4 477)	(10 487)
- cash-settled share-based payments	(85)	(341)	(94)	(589)
Other staff expenses	(20 658)	(56 489)	(16 673)	(46 033)
Staff-related expenses, total	(345 580)	(1 226 891)	(272 869)	(1 070 850)

Comment to the consolidated statement of financial position of mBank S.A. Group

The balance sheet total of mBank Group stood at PLN 209 892.1 million at the end of 2022 and increased by 2.0% compared with the end of September 2022.

Assets of mBank Group

The largest asset category at the end of 2022 comprised the loans and advances to customers. As at the end of 2022 net loans and advances stood at PLN 120 183.1 million (down by PLN 5 106.3 million or -4.1% quarter on quarter).

Gross loans and advanced to corporate clients fell to PLN 52 207.5 million, i.e. by -5.7% compared with Q3 2022 (excluding reverse repo/buy sell back transactions and the FX effect, the drop accounted for -2.2%). The volume of loans to retail clients declined by 2.8% compared with the end of Q3 2022 and amounted to PLN 71 122.2 million.

Investment securities were the second largest asset category at the end of 2022, amounting to PLN 54 350.8 million, up 35.9% quarter on quarter. The growth is associated with i.e. increase of the portfolio of money bills and reduction of balances held in cash and on interbank deposits.

Equity and liabilities of mBank Group

In Q4 2022, amounts due to clients, which are the mBank Group's principal source of funding, increased by PLN 3 878.2 million (2.3%) quarter on quarter.

Retail deposits stood at PLN 122 890.0 million at the end of 2022, up by 3.7% on quarter to quarter. The volume of term deposits increased by PLN 5 370.8 million or 24.8% quarter on quarter. The increase was attributable to mBank's attractive offer. Clients' deposits in current and saving accounts declined slightly by PLN 1 031.4 million (-1.1%)

Amounts due to corporate clients stood at PLN 49 980.6 million at the end of Q4 2022, which represents a quarter-on-quarter drop by 2.1%. The amount was affected the most by the decline of deposits in current accounts by PLN 2 618.3 million (-6.5%) with a simultaneous increase of term deposits by PLN 1 996.9 million (+21.9%).

Share of equity in total liabilities and equity of mBank Group accounted for 6.1% at the end of 2022.

Capital Ratios

The level of capital ratios reported by the mBank Group increased in Q4 2022 due to the increase in the own funds, mainly as a result of a lower annual loss of the Group. The positive impact on the level of capital ratios was incurred by the synthetic securitisation transaction referencing a portfolio of loans. The transaction was performed in December 2022 in a total amount of PLN 3.7 billion.

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

The stand alone and consolidated capital ratios reported as of 31 December 2022 are presented in the table below.

Capital ratios as of 31 December 2022	mBank S.A.	mBank S.A. Group
Common Equity Tier 1 ratio (in %)	16.5	13.9
Total capital ratio (in %)	19.4	16.4

The stand alone and consolidated capital ratios as of 31 December 2022 calculated without including transitional provisions are presented below.

Capital ratios as of 31 December 2022 without including transitional provisions	mBank S.A.	mBank S.A. Group
Common Equity Tier 1 ratio (in %)	16.1	13.5
Total capital ratio (in %)	19.1	16.0

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

Financial assets held for trading and derivatives held for hedges

	31.12.2022	30.09.2022	31.12.2021
Derivatives, including:	1 500 695	2 309 677	1 952 028
- Held for trading derivative financial instruments classified into banking book	593 653	427 697	111 404
- Held for trading derivative financial instruments classified into trading book	1 199 748	2 172 281	1 954 329
- Derivative financial instruments held for fair value hedging	121 875	138 251	217 809
- Derivative financial instruments held for cash flow hedging	36 814	107 133	120 789
- Offsetting effect	(451 395)	(535 685)	(452 303)
Equity instruments	6 129	5 623	-
- Non-financial corporations	6 129	5 623	-
Debt securities	978 108	1 057 805	596 622
- General governments, including:	670 227	718 434	248 906
<i>pledged securities</i>	278 219	233 262	72 888
- Credit institutions	24 212	50 432	27 459
- Other financial corporations	101 887	106 591	141 329
- Non-financial corporations	181 782	182 348	178 928
Loans and advances	39 720	37 275	40 426
- Corporate customers	39 720	37 275	40 426
Total financial assets held for trading and hedging derivatives	2 524 652	3 410 380	2 589 076

Financial liabilities held for trading and derivatives held for hedges

	31.12.2022	30.09.2022	31.12.2021
Derivatives, including:	1 825 573	2 553 224	1 926 408
- Held for trading derivative financial instruments classified into banking book	395 883	799 948	352 464
- Held for trading derivative financial instruments classified into trading book	1 767 202	2 187 324	1 886 280
- Derivative financial instruments held for fair value hedging	2 106 851	2 490 096	1 057 232
- Derivative financial instruments held for cash flow hedging	679 253	896 228	541 315
- Offsetting effect	(3 123 616)	(3 820 372)	(1 910 883)
Liabilities from short sale of securities	260 538	453 034	84 774
Total financial liabilities held for trading and derivatives held for hedges	2 086 111	3 006 258	2 011 182

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

	31.12.2022	30.09.2022	31.12.2021
Equity instruments	185 788	174 101	224 389
- Other financial corporations	133 100	122 137	164 823
- Non-financial corporations	52 688	51 964	59 566
Debt securities	45 009	43 308	81 128
- Other financial corporations	45 009	43 308	81 128
Loans and advances	813 392	892 459	1 111 674
- Individual customers	690 795	761 264	948 636
- Corporate customers	122 509	131 147	162 898
- Public sector customers	88	48	140
Total non-trading financial assets mandatorily at fair value through profit or loss	1 044 189	1 109 868	1 417 191

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Financial assets at fair value through other comprehensive income

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

30.09.2022	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	20 726 003	20 733 991	-	-	-	(7 988)	-	-	-
- Central banks	9 987	9 989	-	-	-	(2)	-	-	-
- General governments, including:	18 263 513	18 266 432	-	-	-	(2 919)	-	-	-
<i>pledged securities</i>	647 871	647 871	-	-	-	-	-	-	-
- Credit institutions	342 963	343 326	-	-	-	(363)	-	-	-
- Other financial institutions	1 419 954	1 420 613	-	-	-	(659)	-	-	-
<i>pledged securities</i>	386 739	386 739	-	-	-	-	-	-	-
- Non-financial corporations	689 586	693 631	-	-	-	(4 045)	-	-	-
Total financial assets at fair value through other comprehensive income	20 726 003	20 733 991	-	-	-	(7 988)	-	-	-

31.12.2021	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	36 206 059	36 170 934	43 948	-	-	(8 235)	(588)	-	-
- Central banks	8 495 243	8 496 392	-	-	-	(1 149)	-	-	-
- General governments, including:	25 251 680	25 255 273	-	-	-	(3 593)	-	-	-
<i>pledged securities</i>	644 292	644 292	-	-	-	-	-	-	-
- Credit institutions	230 663	230 836	-	-	-	(173)	-	-	-
- Other financial institutions	1 642 579	1 600 096	43 948	-	-	(877)	(588)	-	-
<i>pledged securities</i>	107 957	107 957	-	-	-	-	-	-	-
- Non-financial corporations	585 894	588 337	-	-	-	(2 443)	-	-	-
Total financial assets at fair value through other comprehensive income	36 206 059	36 170 934	43 948	-	-	(8 235)	(588)	-	-

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Financial assets at amortised cost

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

30.09.2022	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	19 056 147	19 058 951	-	-	-	(2 804)	-	-	-
General governments, including:	13 498 379	13 500 451	-	-	-	(2 072)	-	-	-
<i>pledged securities</i>	1 132 489	1 132 489	-	-	-	-	-	-	-
- Credit institutions	2 130 849	2 131 178	-	-	-	(329)	-	-	-
- Other financial corporations	3 426 919	3 427 322	-	-	-	(403)	-	-	-
<i>pledged securities</i>	567 711	567 711	-	-	-	-	-	-	-
Loans and advances to banks	9 654 087	9 502 351	153 995	-	-	(581)	(1 678)	-	-
Loans and advances to customers	124 359 724	114 136 061	8 574 573	4 836 239	200 354	(418 671)	(384 891)	(2 671 265)	87 324
Individual customers	70 399 374	66 073 218	3 773 796	2 443 053	121 771	(224 025)	(273 051)	(1 521 276)	5 888
Corporate customers	53 832 902	47 935 300	4 800 777	2 392 116	78 583	(194 281)	(111 840)	(1 149 189)	81 436
Public sector customers	127 448	127 543	-	1 070	-	(365)	-	(800)	-
Total financial assets at amortised cost	153 069 958	142 697 363	8 728 568	4 836 239	200 354	(422 056)	(386 569)	(2 671 265)	87 324

31.12.2021	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	16 164 103	16 166 149	-	-	-	(2 046)	-	-	-
General governments, including:	11 517 053	11 518 593	-	-	-	(1 540)	-	-	-
<i>pledged securities</i>	1 361 945	1 361 945	-	-	-	-	-	-	-
- Credit institutions	2 172 167	2 172 454	-	-	-	(287)	-	-	-
- Other financial corporations	2 474 883	2 475 102	-	-	-	(219)	-	-	-
<i>pledged securities</i>	462 075	462 075	-	-	-	-	-	-	-
Loans and advances to banks	7 229 681	7 230 664	-	-	-	(983)	-	-	-
Loans and advances to customers	116 525 375	108 905 581	6 223 882	4 339 863	234 159	(434 872)	(346 255)	(2 440 501)	43 518
Individual customers	70 018 368	67 511 357	2 038 199	2 231 602	141 139	(249 886)	(203 492)	(1 459 152)	8 601
Corporate customers	46 354 886	41 242 455	4 185 683	2 107 192	93 020	(184 825)	(142 763)	(980 793)	34 917
Public sector customers	152 121	151 769	-	1 069	-	(161)	-	(556)	-
Total financial assets at amortised cost	139 919 159	132 302 394	6 223 882	4 339 863	234 159	(437 901)	(346 255)	(2 440 501)	43 518

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Loans and advances to customers

Loans and advances to customers 31.12.2022	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public sector customers
Current accounts	14 702 210	8 015 011	6 680 908	6 291
Term loans, including:	89 526 212	62 394 979	27 029 870	101 363
- housing and mortgage loans to natural persons	48 094 082	48 094 082		
Reverse repo or buy/sell back	1 611 154	-	1 611 154	-
Finance leases	13 351 537	-	13 351 537	-
Other loans and advances	3 301 814	-	3 301 814	-
Other receivables	91 315	21 377	69 938	-
Total gross carrying amount	122 584 242	70 431 367	52 045 221	107 654

Loans and advances to customers 31.12.2022	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public sector customers
Current accounts	(839 171)	(680 444)	(158 711)	(16)
Term loans, including:	(1 890 949)	(1 164 635)	(725 223)	(1 091)
- housing and mortgage loans to natural persons	(501 397)	(501 397)		
Finance leases	(476 832)	-	(476 832)	-
Other loans and advances	(42 904)	-	(42 904)	-
Other receivables	(4 356)	-	(4 356)	-
Total accumulated impairment	(3 254 212)	(1 845 079)	(1 408 026)	(1 107)
Total gross carrying amount	122 584 242	70 431 367	52 045 221	107 654
Total accumulated impairment	(3 254 212)	(1 845 079)	(1 408 026)	(1 107)
Total carrying amount	119 330 030	68 586 288	50 637 195	106 547

Loans and advances to customers 30.09.2022	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public sector customers
Current accounts	15 434 633	8 232 547	7 196 485	5 601
Term loans, including:	92 154 679	64 150 194	27 881 473	123 012
- housing and mortgage loans to natural persons	49 359 295	49 359 295		
Reverse repo or buy/sell back	2 868 613	-	2 868 613	-
Finance leases	13 460 303	-	13 460 303	-
Other loans and advances	3 668 319	-	3 668 319	-
Other receivables	160 680	29 097	131 583	-
Total gross carrying amount	127 747 227	72 411 838	55 206 776	128 613

Loans and advances to customers 30.09.2022	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public sector customers
Current accounts	(856 872)	(702 121)	(154 740)	(11)
Term loans, including:	(2 012 564)	(1 310 343)	(701 067)	(1 154)
- housing and mortgage loans to natural persons	(552 086)	(552 086)		
Finance leases	(470 198)	-	(470 198)	-
Other loans and advances	(44 614)	-	(44 614)	-
Other receivables	(3 255)	-	(3 255)	-
Total accumulated impairment	(3 387 503)	(2 012 464)	(1 373 874)	(1 165)
Total gross carrying amount	127 747 227	72 411 838	55 206 776	128 613
Total accumulated impairment	(3 387 503)	(2 012 464)	(1 373 874)	(1 165)
Total carrying amount	124 359 724	70 399 374	53 832 902	127 448

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Loans and advances to customers 31.12.2021	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public sector customers
Current accounts	13 231 330	7 922 189	5 307 704	1 437
Term loans, including:	89 597 975	63 986 776	25 459 798	151 401
- housing and mortgage loans to natural persons	49 819 031	49 819 031		
Reverse repo or buy/sell back	187 630	-	187 630	-
Finance leases	13 002 698	-	13 002 698	-
Other loans and advances	3 661 169	-	3 661 169	-
Other receivables	22 683	13 332	9 351	-
Total gross carrying amount	119 703 485	71 922 297	47 628 350	152 838

Loans and advances to customers 31.12.2021	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public sector customers
Current accounts	(841 689)	(669 456)	(172 229)	(4)
Term loans, including:	(1 849 134)	(1 234 473)	(613 948)	(713)
- housing and mortgage loans to natural persons	(457 412)	(457 412)		
Finance leases	(425 486)	-	(425 486)	-
Other loans and advances	(61 801)	-	(61 801)	-
Total accumulated impairment	(3 178 110)	(1 903 929)	(1 273 464)	(717)
Total gross carrying amount	119 703 485	71 922 297	47 628 350	152 838
Total accumulated impairment	(3 178 110)	(1 903 929)	(1 273 464)	(717)
Total carrying amount	116 525 375	70 018 368	46 354 886	152 121

Financial liabilities measured at amortised cost

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

30.09.2022	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
Deposits	1 081 137	168 629 527	118 329 739	49 650 813	648 975
Current accounts	644 148	137 464 535	96 673 496	40 244 362	546 677
Term deposits	432 463	30 876 117	21 656 243	9 117 576	102 298
Repo transactions	4 526	288 875	-	288 875	-
Loans and advances received	2 031 999	-	-	-	-
Other financial liabilities	603 323	1 623 155	219 258	1 403 895	2
Liabilities in respect of cash collaterals	298 665	802 993	41 783	761 210	-
Other liabilities	304 658	820 162	177 475	642 685	2
Deposits and other financial liabilities measured at amortised cost, total	3 716 459	170 252 682	118 548 997	51 054 708	648 977

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31.12.2021	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
Deposits	2 111 811	155 904 661	112 225 674	43 071 577	607 410
Current accounts	653 061	147 022 632	103 992 478	42 436 923	593 231
Term deposits	770 328	8 794 207	8 233 196	546 832	14 179
Repo transactions	688 422	87 822	-	87 822	-
Loans and advances received	1 907 123	-	-	-	-
Other financial liabilities	1 247 245	1 167 009	220 450	946 526	33
Liabilities in respect of cash collaterals	1 077 483	706 268	75 263	631 005	-
Other liabilities	169 762	460 741	145 187	315 521	33
Deposits and other financial liabilities measured at amortised cost, total	5 266 179	157 071 670	112 446 124	44 018 103	607 443

Business segments

period from 1 January to 31 December 2022	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	3 064 525	1 978 409	790 941	75 364	5 909 239
- sales to external clients	3 038 997	2 108 289	598 763	163 190	5 909 239
- sales to other segments	25 528	(129 880)	192 178	(87 826)	-
Net fee and commission income	1 065 848	1 113 352	(43 715)	(15 408)	2 120 077
Dividend income	-	-	5 236	-	5 236
Trading income	69 646	351 362	(313 846)	(9 964)	97 198
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(27 909)	(4 566)	(15 702)	(2 747)	(50 924)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(4 548)	(6 655)	(80 345)	-	(91 548)
Other operating income	101 170	123 380	40 293	319	265 162
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(575 385)	(191 652)	(33)	(36 147)	(803 217)
Costs of legal risk related to foreign currency loans	-	-	-	(3 112 265)	(3 112 265)
Overhead costs	(1 681 501)	(814 781)	(311 713)	(43 886)	(2 851 881)
Amortisation	(311 753)	(150 240)	(4 597)	(718)	(467 308)
Other operating expenses	(265 597)	(100 511)	(43 009)	(34 496)	(443 613)
Operating profit	1 434 496	2 298 098	23 510	(3 179 948)	576 156
Taxes on Group balance sheet items	(391 793)	(237 491)	(13 480)	(41 411)	(684 175)
Gross profit of the segment	1 042 703	2 060 607	10 030	(3 221 359)	(108 019)
Income tax					(594 508)
Net profit attributable to Owners of mBank S.A.					(702 691)
Net profit attributable to non-controlling interests					164

mBank Group S.A.

 Selected non-audited consolidated financial information
 For the fourth quarter of 2022

(PLN thousand)

period from 1 January to 31 December 2021	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	2 741 953	1 114 574	143 963	125 823	4 126 313
- sales to external clients	2 231 595	1 067 040	688 069	139 609	4 126 313
- sales to other segments	510 358	47 534	(544 106)	(13 786)	-
Net fee and commission income	972 181	944 507	(41 918)	(7 019)	1 867 751
Dividend income	-	-	5 046	-	5 046
Trading income	42 628	263 800	(169 733)	(39 805)	96 890
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	3 566	(3 928)	4 970	-	4 608
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(2 492)	3 881	92 301	-	93 690
Other operating income	84 515	131 902	15 005	962	232 384
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(450 015)	(405 781)	(4 201)	(13 229)	(873 226)
Costs of legal risk related to foreign currency loans	-	-	-	(2 758 079)	(2 758 079)
Overhead costs	(1 211 790)	(729 003)	(42 762)	(37 074)	(2 020 629)
Amortisation	(288 005)	(138 562)	(8 883)	(804)	(436 254)
Other operating expenses	(84 944)	(151 272)	(68 717)	(15 965)	(320 898)
Operating profit	1 807 597	1 030 118	(74 929)	(2 745 190)	17 596
Taxes on Group balance sheet items	(286 000)	(226 997)	(42 825)	(52 805)	(608 627)
Gross profit of the segment	1 521 597	803 121	(117 754)	(2 797 995)	(591 031)
Income tax					(587 782)
Net profit attributable to Owners of mBank S.A.					(1 178 753)
Net profit attributable to non-controlling interests					(60)

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

31.12.2021	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Assets of the segment	67 223 257	47 369 348	72 477 859	11 302 910	198 373 374
Liabilities of the segment	112 159 963	47 507 690	24 561 387	426 418	184 655 458

Comparative data

■ Reclassification of a portion of revenue from the sale of insurance linked to credit products

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

■ Separation of the item Lease liabilities

In the consolidated statement of financial position, within the item Financial liabilities measured at amortised cost, the Group has separated a new item - Lease liabilities. Previously, lease liabilities were presented within the item Liabilities to customers.

■ Reclassification of loans and advances received from the European Investment Bank

The Group has changed the presentation of liabilities from loans and advances received from the European Investment Bank and now presents them under Financial liabilities at amortised cost - Amounts due to banks. Previously, the Group presented these liabilities within Financial liabilities at amortised cost - Due to customers.

■ Reclassification of provisions for post-employment benefits

The Group has changed the presentation of provisions for post-employment benefits and now presents them within Provisions. Previously, the Group presented these liabilities within the item Other Liabilities.

■ Reclassification of receivables from the settlement of cash deposit machines and cash sorting companies

The Group has changed the presentation of receivables from the settlement of deposit machines and sorting plants and now presents them within Other assets. Previously, the Group presented these settlements under Financial assets measured at amortised cost - Loans and advances to customers.

■ Presentation of the change in fair value of hedged items in portfolio hedging against interest rate risk

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

The above changes were due to the adjustment of the presentation of selected assets and liabilities to the prevailing market practice. The changes did not affect equity levels and the Group's net result in the comparative periods presented in these financial statements. Comparative figures as of 1 January 2021 and 31 December 2021 and for the period from 1 January to 31 December 2021 have been restated accordingly.