

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



mBank S.A. Group

Consolidated financial report for the first quarter of 2023

Selected financial data

(PLN thousand)

SELECTED FINANCIAL DATA

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

Selected financial data for the mBank S.A. Group

SELECTED FINANCIAL DATA FOR THE GROUP	PLN thousand		EUR thousand	
	Period from 01.01.2023 to 31.03.2023	Period from 01.01.2022 to 31.03.2022	Period from 01.01.2023 to 31.03.2023	Period from 01.01.2022 to 31.03.2022
I. Interest income	3 638 653	1 723 544	774 099	370 878
II. Fee and commission income	737 784	785 666	156 959	169 062
III. Net trading income	7 192	95 627	1 530	20 577
IV. Operating profit	659 453	873 429	140 294	187 947
V. Profit / (loss) before income tax	469 455	713 590	99 873	153 553
VI. Net profit / (loss) attributable to Owners of mBank S.A.	142 815	512 329	30 383	110 245
VII. Net profit / (loss) attributable to non-controlling interests	(81)	(5)	(17)	(1)
VIII. Net cash flows from operating activities	2 640 551	5 845 569	561 760	1 257 869
IX. Net cash flows from investing activities	(124 219)	(156 995)	(26 427)	(33 783)
X. Net cash flows from financing activities	(1 235 230)	604 479	(262 787)	130 074
XI. Total net increase / decrease in cash and cash equivalents	1 281 102	6 293 053	272 546	1 354 160
XII. Basic earnings / (loss) per share (in PLN/EUR)	3.37	12.09	0.72	2.60
XIII. Diluted earnings / (loss) per share (in PLN/EUR)	3.36	12.06	0.71	2.59
XIV. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE GROUP	PLN thousand		EUR thousand	
	As at		As at	
	31.03.2023	31.12.2022	31.03.2023	31.12.2022
I. Total assets	217 529 172	209 892 113	46 525 328	44 754 070
II. Amounts due to other banks	3 683 656	3 270 223	787 864	697 291
III. Amounts due to customers	180 916 989	174 130 914	38 694 683	37 128 918
IV. Equity attributable to Owners of mBank S.A.	13 262 758	12 713 001	2 836 650	2 710 719
V. Non-controlling interests	1 951	2 030	417	433
VI. Share capital	169 734	169 734	36 303	36 191
VII. Number of shares	42 433 495	42 433 495	42 433 495	42 433 495
VIII. Book value per share (in PLN/EUR)	312.55	299.60	66.85	63.88
IX. Total capital ratio	15.8	16.4	15.8	16.4
X. Common Equity Tier I capital ratio (%)	13.3	13.8	13.3	13.8

Selected financial data for the mBank S.A.

SELECTED FINANCIAL DATA FOR THE BANK	PLN thousand		EUR thousand	
	Period from 01.01.2023 to 31.03.2023	Period from 01.01.2022 to 31.03.2022	Period from 01.01.2023 to 31.03.2023	Period from 01.01.2022 to 31.03.2022
I. Interest income	3 411 254	1 567 425	725 722	337 284
II. Fee and commission income	684 755	735 301	145 677	158 225
III. Net trading income	7 629	90 904	1 623	19 561
IV. Operating profit	584 057	791 638	124 254	170 347
V. Profit (loss) before income tax	471 802	703 966	100 373	151 482
VI. Net profit (loss)	158 657	514 107	33 753	110 627
VII. Cash flows from operating activities	2 542 264	5 913 392	540 850	1 272 463
VIII. Cash flows from investing activities	(111 713)	(153 543)	(23 766)	(33 040)
IX. Cash flows from financing activities	(1 034 342)	605 199	(220 049)	130 229
X. Net increase / decrease in cash and cash equivalents	1 396 209	6 365 048	297 034	1 369 652
XI. Basic earnings / (losses) per share (in PLN/EUR)	3.74	12.13	0.80	2.61
XII. Diluted earnings / (losses) per share (in PLN/EUR)	3.73	12.10	0.79	2.60
XIII. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE BANK	PLN thousand		EUR thousand	
	As at		As at	
	31.03.2023	31.12.2022	31.03.2023	31.12.2022
I. Total assets	212 110 456	203 975 778	45 366 369	43 492 564
II. Amounts due to other banks	3 738 317	3 305 751	799 554	704 866
III. Amounts due to customers	180 810 603	174 000 911	38 671 929	37 101 199
IV. Equity	13 244 359	12 497 196	2 832 715	2 664 704
V. Registered share capital	169 734	169 734	36 303	36 191
VI. Number of shares	42 433 495	42 433 495	42 433 495	42 433 495
VII. Book value per share (in PLN/EUR)	312.12	294.51	66.76	62.80
VIII. Total capital ratio (%)	18.7	19.4	18.7	19.4
IX. Common Equity Tier I capital ratio (%)	15.9	16.4	15.9	16.4

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

- for items of the statement of financial position – exchange rate announced by the National Bank of Poland as at 31 March 2023: 1 EUR = 4.6755 PLN, 31 December 2022: EUR 1 = 4.6899 PLN;
- for items of the income statement – exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of the first quarter of 2023 and 2022: EUR 1 = 4.7005 PLN and EUR 1 = 4.6472 PLN, respectively.

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INTRODUCTION

mBank Group delivered strong operating results in Q1 2023. In the period under review, mBank Group recorded a profit before tax of PLN 469.5 million and net profit attributable to mBank shareholders amounted to PLN 142.8 million. The results were significantly impacted by the cost of legal risk related to foreign currency loans, as well as the fully booked annual contribution to the resolution fund.

The gross profit of the core business (results of mBank Group excluding the results of the FX Mortgage Loans segment) reached PLN 1 316.0 million in Q1 2023, which translated into net ROE of 33.5%.

The main factors determining the Group's financial results in Q1 2023 were as follows:

- **Higher total income** at the level of PLN 2 561.0 million, up by 5.2% compared to Q4 2022, thanks to increase of net interest income and net fee and commission income.
- **Increase in operating costs** (including depreciation) compared to the previous quarter to the level of PLN 854.9 million due to the recognition of the annual contribution to the resolution fund in the amount of PLN 182.9 million.
- **Increase in the cost of risk** to the level of PLN 238.2 million or 79 b.p. compared to 61 b.p. in Q4 2022.
- **Costs of legal risk related to foreign currency loans** stood at PLN 808.5 million in Q1 2023.
- **Increase in taxes on the Group's balance sheet items** compared to Q4 2022 to PLN 190.0 million.
- **Higher income tax** mainly due to the cost of legal risk related to foreign currency loans, which was treated as non-deductible expense for the purpose of calculating the effective tax rate applied.
- **Continued organic growth and business expansion** as demonstrated by:
 - increase in the number of retail customers to 5 675.3 thousand (+32.5 thousand clients compared to the end of 2022),
 - increase in the number of corporate customers to 33 311 (+286 clients compared to the end of 2022).

Net loans and advances to customers stood at PLN 121 533.5 million at the end of March 2023, an increase by PLN 1 350.3 million or +1.1% quarter on quarter. Gross loans to corporate clients increased to 54 476.2, up by PLN 2 268.8 million (+4.3%) compared with the previous quarter. The volume of loans to individuals decreased by PLN 898.0 million or -1.3% against the end of December 2022 and amounted to PLN 70 224.1 million.

In Q1 2023, amounts due to customers, the main source of funding for the mBank Group's business, rose by PLN 6 786.1 million or +3.9% quarter on quarter. Amounts due to individual customers grew by PLN 6 152.5 million or +5.0% quarter on quarter and stood at PLN 129 042.5 million. Amounts due to corporate customers increased by PLN 1 314.5 million or +2.6% quarter on quarter and at the end of March 2023 reached PLN 51 295.1 million.

As a consequence, Loan-to-deposit ratio decreased to 67.2% compared to 69.0% at the end of 2022.

mBank Group's capital ratios decreased in Q1 2023 compared to the end of 2022. Total Capital Ratio stood at 15.8% at the end of March 2023, while Common Equity Tier 1 capital ratio amounted to 13.3%. In the period under review, own funds decreased, mainly owing to discontinuation of the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic (the so-called "COVID quick-fix") and inclusion of net impairment losses on loans and advances recognised in Q1 2023. At the same time, the negative impact was partially offset by an improvement in the valuation of financial assets measured at fair value through other comprehensive income. Over Q1 2023, there was an increase in the total risk exposure amount by PLN 2.6 billion.

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(PLN thousand)

Summary of results of mBank Group core business in Q1 2023

PLN million	Core business	Non-core	mBank Group
Net interest income	2 085.2	7.2	2 092.4
Net fee, trading and other income	474.5	-5.9	468.6
Total income	2 559.7	1.3	2 561.0
Total costs	-828.6	-26.3	-854.9
Net impairment losses and fair value change on loans and advances	-233.4	-4.8	-238.2
Cost of legal risk related to FX loans	0.0	-808.5	-808.5
Operating profit	1 497.7	-838.3	659.5
Taxes on the Group balance sheet items	-181.8	-8.2	-190.0
Profit/loss before income tax	1 316.0	-846.5	469.5
Net profit/loss	989.3	-846.5	142.8
Total assets	210 462.7	7 066.5	217 529.2
Net interest margin	4.09%		3.95%
Cost/Income ratio	32.4%		33.4%
ROE net	33.5%		4.3%
ROA net	1.9%		0.3%

Core business – results of mBank Group excluding the FX Mortgage Loans segment.

Total income – calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses.

Net impairment losses and fair value change on loans and advances – the sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss.

Net interest margin – calculated by dividing net interest income by average interest earning assets. Net interest income calculated for the purpose of net interest margin excludes gains or losses on modification. Gains or losses on modification includes costs of credit holidays. Interest earning assets are a sum of cash and balances with the Central Bank, loans and advances to banks, debt securities (in all valuation methods) and loans and advances to customers (net; in all valuation methods). The average interest earning assets are calculated on the basis of the balances as at the end of each month. Net interest income is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

Cost/Income ratio – calculated by dividing overhead costs and depreciation by total income (excluding tax on Group's balance sheet items).

ROE net – calculated by dividing net profit/loss attributable to Owners of the Bank by the average equity attributable to Owners of the Bank, net of the year's results. The average equity is calculated on the basis of the balances as at the end of each month. Net profit/loss attributable to Owners of the Bank is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

ROA net – calculated by dividing net profit/loss attributable to Owners of the Bank by the average total assets. The average total assets are calculated on the basis of the balances as at the end of each month. Net profit/loss attributable to Owners of the Bank is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).

Awards and distinctions received in Q1 2023

The international panel of experts sitting on the jury of the Euromoney Global Private Banking Awards has given mBank the award for the best domestic private bank. The Bank has distinguished itself with a global and comprehensive approach to wealth management. The Bank's state-of-the-art technology allows customers to use offered solutions (mobile onboarding, video calls or the digital portfolio management tools) in a fully secure and remote manner.

For another year in a row, mBank tried its hand at the Mobile Trends Awards 2022, winning one award in the 'Mobile Campaign' category. The jury appreciated the Bank's activities promoting mobile onboarding – the remote account opening process.

In the satisfaction survey carried out by ARC Rynek i Opinia for 2022, mBank came second in all three categories of the competition - satisfaction index, loyalty index and recommendation index among individual bank customers. The survey was carried out using the CAWI method (online surveys conducted at ePanel.pl). A total of 2 515 respondents aged 18–65 who have a bank account participated in the survey. It covered ten largest banks in Poland.

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mBank won the LinkedIn Talent Awards in the 'Employer Branding' category for the second year in a row. In this category, an international jury recognises companies that build strong employer brands with significant social engagement.

In January 2023, mBank was among the elite group of companies included in the Bloomberg Gender Equality Index 2023 for the third time. The Index recognises publicly listed companies that actively support equal opportunities in the work environment. Bloomberg experts appreciated mBank's efforts to ensure equal pay for women and men and access to promotion, to facilitate women's return to work after maternity or child care leave, as well as our extensive policy to prevent unacceptable behaviour. mBank is one of the 418 companies from 45 countries recognised in this edition of the index. More information about the index can be found on the website: <https://www.bloomberg.com/gei/about/>.

Four analysts from mBank's Brokerage Bureau were distinguished in the 21st ranking published by the Parkiet daily. The ranking reflects the opinions of market participants. The questionnaires are completed by teams managing investment fund companies, open pension funds and closed-end investment funds. The ranking is divided into 14 sector categories. Analysts from mBank's Brokerage Bureau were the winners in four of them: the energy sector, technical analysis, the health and biotechnology sector, and the telecommunications, media and e-commerce sectors.

Economy and the banking sector in Q1 2023

Inflation continued to be the most important topic in the domestic economy in the first quarter of 2023. The overall CPI in March slowed to 16.1%, compared to 16.6% at the end of the previous year. The peak was reached in February at 18.4%. At the same time, core inflation (inflation excluding energy and food prices), remained high, above 12% in March. Although on an annual basis the price growth rate has begun to slow down (which is a trend the Bank expects to continue through the end of the year), the momentum of price growth remains high. In such an environment, in the Bank's opinion, the disinflation process will proceed mainly through statistical effects. The Bank forecasts that achieving a single-digit inflation by the end of the year may be difficult. An important element here is the inertia of food and energy price shocks, as well as the high rate of nominal wage growth. As a result, the Bank forecasts average annual inflation in 2023 at 13.3%.

High inflation still weighs on the real sphere. The GDP growth figures for the first quarter have not been published yet, but it can be assumed that there was a decline of more than 1% on an annual basis. Weakness can be seen in monthly data on retail sales or industrial production. Compared to the end of the previous year, the growth momentum has clearly deteriorated, which is in line with the Bank's earlier expectations. Construction production continued to do relatively well, which may be due to finishing work on investments. Economy probably reached the bottom in the first quarter. In the later part of the year, elements such as the disbursement of PIT refunds, falling inflation with a positive impact on real incomes, and government plans to support new mortgage credits will have a positive impact. At the same time, the Bank does not expect a quick return of investment activity. The picture in this field may change at the earliest at the end of the year and in the following year, when military spending may be more visible. For the whole of 2023, the Bank forecasts GDP growth of 0.4%. The factor most likely to translate into a deceleration of GDP growth should be the continuation of inventory reductions.

In the first quarter, the Monetary Policy Council made no changes in interest rates. As a result, the main interest rate is still 6.75%. Given the central bank's rhetoric, one may suspect that the monetary tightening cycle has been de facto completed. Although the market is pricing in some probability of rate cuts by the end of this year, the Bank's view is that rates will remain unchanged. The main rationale behind such a forecast is the disinflation profile, which may be largely statistically based. The momentum of price increases will sink too slowly to allow the Monetary Policy Council the opportunity to reduce the cost of money by the end of the year.

The zloty against the euro was relatively stable during the first three months of the year, with the exception of an episode of weakening of the Polish currency recorded in February (the effect of the US dollar appreciation in the broad market). One can conclude that the zloty remains remarkably resilient to global changes in risk appetite. The widening of the interest rate differential, which we faced before the topic of the US banking crisis emerged, did not depreciate the domestic currency. Since the end of 2022, yields on domestic debt have declined noticeably, directionally in line with the behavior of the core markets. The turmoil in the banking sector has caused an increase in credit risk in the domestic market, but overall its level has declined since the beginning of the year. This may be partly due to a smaller supply of government bonds in the domestic market at the expense of increased eurobond issuance. The cost of money in the economy remains high, which negatively affects lending, especially to the household sector. In the case of businesses, the situation is saved by working capital credit. The Bank expects over the course of the year a reduction in the growth rate of the volume of loans to businesses and a slight decrease in the volume of loans to households, which is to be concentrated outside of mortgage products. As for the volume of

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(PLN thousand)

deposits, the Bank forecasts a decline in the growth rate for the corporate sector and a relative stabilization of the growth rate among households.

Financial position of mBank Group in Q1 2023**Profit and Loss Account of mBank Group**

mBank Group's profit before tax in Q1 2023 amounted to PLN 469.5 million, and the net profit attributable to owners of mBank S.A. stood at PLN 142.8 million.

PLN million	Q4 2022	Q1 2023	Change in PLN M	Change in %
Interest income	3 324.4	3 638.7	314.3	9.5%
Interest expense	-1 349.9	-1 546.2	-196.3	14.5%
Net interest income	1 974.5	2 092.4	117.9	6.0%
Fee and commission income	742.7	737.8	-4.9	-0.7%
Fee and commission expense	-275.0	-236.7	38.3	-13.9%
Net fee and commission income	467.8	501.1	33.3	7.1%
Core income	2 442.2	2 593.5	151.3	6.2%
Dividend income	0.1	0.1	0.0	-0.8%
Net trading income	27.1	7.2	-19.9	-73.5%
Other income	-18.8	-28.9	-10.0	53.1%
Other operating income	51.0	78.7	27.7	54.2%
Other operating expenses	-67.6	-89.7	-22.0	32.5%
Total income	2 434.0	2 561.0	127.0	5.2%
Net impairment losses and fair value change on loans and advances	-188.1	-238.2	-50.1	26.6%
Costs of legal risk related to foreign currency loans	-430.1	-808.5	-378.4	88.0%
Overhead costs and depreciation	-631.1	-854.9	-223.8	35.5%
Operating profit or loss	1 184.8	659.5	-525.3	-44.3%
Taxes on the Group balance sheet items	-180.3	-190.0	-9.7	5.4%
Profit/Loss before income tax	1 004.4	469.5	-535.0	-53.3%
Income tax expense	-169.9	-326.7	-156.8	92.3%
Net profit/loss	834.5	142.7	-691.8	-82.9%
- attributable to owners of mBank S.A.	834.5	142.8	-691.7	-82.9%
- non-controlling interests	0.0	-0.1	-0.1	+/-
ROA net	1.6%	0.3%		
ROE gross	32.3%	14.3%		
ROE net	26.9%	4.3%		
Cost / Income ratio	25.9%	33.4%		
Net interest margin	4.0%	4.0%		
Common Equity Tier 1 ratio	13.8%	13.3%		
Total capital ratio	16.4%	15.8%		

Core income – calculated as the sum of net interest income and net fee and commission income.

Other income – calculated as gains or losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses from non-trading equity and debt securities mandatorily measured at fair value through profit or loss.

Total income – calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses.

Overhead costs and depreciation – calculated as the sum of total overhead costs and depreciation.

Net impairment losses and fair value change on loans and advances – calculated as the sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss.

Net ROA – calculated by dividing net profit/loss attributable to the owners of mBank by the average total assets. The average total assets are calculated on the basis of the balances as at the end of each month. Net profit/loss attributable to the owners of mBank is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).

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Gross ROE – calculated by dividing pre-tax profit/loss by the average equity (net of the year's results). The average equity is calculated on the basis of the balances as at the end of each month. Pre-tax profit/loss is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).

Net ROE – calculated by dividing net profit/loss attributable to the owners of mBank by the average equity (net of the year's results). The average equity is calculated on the basis of the balances as at the end of each month. Net profit/loss attributable to the owners of mBank is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).

Cost/Income ratio – calculated by dividing overhead costs and depreciation by total income (excluding tax on balance sheet items of the Group).

Net interest margin – calculated by dividing net interest income by average interest earning assets. To calculate the margin, net interest income was calculated without factoring in the result from the non-substantial modification which includes the cost of the credit holidays. Interest earning assets are the sum of cash and balances with the Central Bank, loans and advances to banks, debt securities (in all valuation methods) and loans and advances to clients (net; in all valuation methods). The average interest earning assets are calculated on the basis of the balances as at the end of each month. Net interest income is annualised based on the number of days in the analysed period (the annualisation ratio is calculated as the quotient of the number of days in a year and the number of days in the analysed period).

Income of mBank Group

mBank Group generated total income of PLN 2 561.0 million in Q1 2023, which represents an increase by 5.2% quarter on quarter. The increase was driven by a higher net interest income and net fee and commission income.

Net interest income remained the main source of income of mBank Group in Q1 2023 and stood at PLN 2 092.4 million, which represents an increase by 6.0% quarter on quarter.

Interest income increased by PLN 314.3 million or 9.5% quarter on quarter. Income on loans and advances slightly decreased by PLN 15.1 million or -0.6% quarter on quarter. Income on investment securities increased by PLN 171.6 million or 38.1% due to the increase in the value of the debt securities portfolio and yield on such securities thanks to the change in its structure. Interest expense increased by PLN 196.3 million or 14.5% quarter on quarter, mainly due to higher deposit costs.

Net interest margin of mBank Group slightly decreased quarter on quarter and amounted to 3.95% in Q1 2023 compared to 4.03% in the previous quarter.

Net fee and commission income was the second largest income line. It increased quarter on quarter (by PLN 33.3 million or 7.1%) and amounted to PLN 501.1 million.

Fee and commission income fell by PLN 4.9 million or -0.7% quarter on quarter. The largest decrease was recorded in commissions from currency transactions (down by PLN 13.0 million i.e. -9.7% quarter on quarter). Fees from brokerage activity and debt securities issue increased by PLN 11.8 million, or 35.0%.

Fee and commission expense in Q1 2023 was lower quarter on quarter by PLN 38.3 million or 13.9%, mainly due to decrease in cash services, other discharged fees and commissions paid to external entities for sale of the Group's products.

Net trading income decreased quarter on quarter and amounted to PLN 7.2 million. Foreign exchange result increased compared to the previous quarter, while gains or losses on financial assets and liabilities held for trading and gains or losses from hedge accounting decreased.

Other income (an item including gains or losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses on non-trading equity instruments and debt securities mandatorily measured at fair value through profit or loss) decreased quarter on quarter and amounted to PLN -28.9 million. mBank Group sold low-yielding bonds in Q1 2023, resulting in a loss on discontinued recognition of financial assets and liabilities not measured at fair value through profit or loss of PLN -48.8 million.

Net other operating income amounted to PLN -10.9 million and increased quarter on quarter. Other operating income was higher on a quarterly basis mainly due to the release of provisions for future liabilities. Other operating expenses also increased compared to the previous quarter due to higher provisions for future liabilities.

Costs of mBank Group

In Q1 2023, mBank Group continued its efforts to further increase efficiency as measured by the Cost/Income ratio. Total overhead costs of mBank Group (including depreciation) stood at PLN 854.9 million and increased quarter on quarter (by PLN 223.8 million i.e. 35.5%), mainly due to the booking of the annual contribution to the resolution fund of the Bank Guarantee Fund. Cost efficiency remained excellent at 33.4% (including the annual contribution to the resolution fund).

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PLN million	Q4 2022	Q1 2023	Change in PLN M	Change in %
Staff-related expenses	-345.6	-338.7	6.9	-2.0%
Material costs, including:	-171.9	-201.8	-29.8	17.4%
- administration and real estate services costs	-58.8	-86.0	-27.2	46.2%
- IT costs	-45.5	-61.7	-16.2	35.6%
- marketing costs	-43.6	-37.1	6.5	-14.9%
- consulting costs	-17.8	-12.1	5.7	-31.8%
- other material costs	-6.2	-4.8	1.4	-22.4%
Taxes and fees	-9.0	-9.4	-0.4	4.5%
Contributions and transfers to the Bank Guarantee Fund	-1.5	-182.9	-181.4	12 011.8%
Contributions to the Borrower Support Fund	13.1	0.0	-13.1	-100.0%
Contributions to the Social Benefits Fund	-2.6	-2.8	-0.3	9.9%
Depreciation	-113.6	-119.3	-5.7	5.0%
Total overhead costs and depreciation	-631.1	-854.9	-223.8	35.5%
Cost / Income ratio	25.9%	33.4%	-	-
Employment (FTE)	7 014	7 083	69	1.0%

Staff-related expenses decreased quarter on quarter by PLN 6.9 million i.e. -2.0% in Q1 2023 mainly due to the lower cost of variable remuneration factors. The number of FTEs in mBank Group increased by 69.

Material costs increased by PLN 29.8 million i.e. 17.4% quarter on quarter in Q1 2023. During the period under review, mainly administration and property maintenance costs and IT costs increased.

Contributions and transfers to the resolution fund of the Bank Guarantee Fund for 2023, booked in full in Q1 2023, amounted to PLN 182.9 million.

Depreciation increased by PLN 5.7 million or 5.0% quarter on quarter, driven by earlier investments.

Cost efficiency as measured by the Cost/Income ratio amounted to 33.4% in Q1 2023 compared to 25.9% in Q4 2022. The normalised Cost/Income ratio in Q1 2023 (including ¼ of the contribution to the resolution fund of the Bank Guarantee Fund and adjusted for the impact of "credit holidays") stood at 28.7% compared to 33.5% in Q4 2022.

Net impairment losses and fair value change on loans and advances

In Q1 2023, net impairment losses and fair value change on loans and advances of mBank Group (calculated as the sum of two items: impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss) stood at PLN 238.2 million. Compared with the previous quarter, it increased by PLN 50.1 million or 26.6%. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss is related to the part of the portfolio of loans and advances measured at amortised cost. The item "gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss" is related to the credit risk of the portfolio of loans and advances measured with the use of that method.

PLN million	Q4 2022	Q1 2023	Change in PLN M	Change in %
Retail Banking	-163.2	-174.9	-11.8	7.2%
Corporate and Investment Banking	-24.5	-57.0	-32.5	132.9%
FX Mortgage Loans	-1.1	-4.8	-3.7	323.1%
Treasury and Other	0.7	-1.5	-2.2	+/-
Total net impairment losses and fair value change on loans and advances	-188.1	-238.2	-50.1	26.6%

Impairment on and change in the fair value of loans and advances in the Retail Banking segment rose by 11.8 million compared to the previous quarter and amounted to PLN 174.9 million. Higher cost of risk in Q1 2023 was driven mainly by the observed and potential difficulties which may affect small enterprises.

Impairment on and change in the fair value of loans and advances in the Corporate and Investment Banking segment amounted to PLN 57.0 million, which represents an increase by PLN 32.5 million quarter on quarter. In Q1 2023 in Corporate and Investment Banking there were no significant changes regarding

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provisions and credit risk cost. For Q1 2023 this line includes the cost of credit risk protection of securitized loan portfolios related to revaluation of credit linked notes (CLN bonds), in the amount of PLN 59.3 million.

Consolidated statement of financial position

The balance sheet total of mBank Group stood at PLN 217 529.2 million at the end of March 2023 and was higher compared with the end of 2022, by 3.6%. The key driver of the dynamic was the inflow of deposits from clients. On the asset side, it was reflected in a higher volume of loans, but to an even greater extent in securities and funds held by the Bank with the central bank and other banks. The value of selected items and the balance sheet total for the end of Q1 2022 was changed compared with the values published in the mBank S.A. Group Consolidated Financial Report for the first quarter of 2022. All data for 31 March 2022 included in this document are presented with the changed values.

The table below presents changes in particular items of mBank Group assets.

Assets of mBank Group

PLN million	31.03.2022	31.12.2022	31.03.2023	QoQ change	YoY change
Cash and balances with Central Bank	17 971.4	16 014.3	16 478.0	2.9%	-8.3%
Loans and advances to banks	6 830.0	9 806.3	13 438.9	37.0%	96.8%
Securities held for trading and derivative instruments	2 705.6	2 484.9	2 569.0	3.4%	-5.0%
Net loans and advances to customers	123 073.9	120 183.1	121 533.5	1.1%	-1.3%
Investment securities	46 215.7	54 350.8	56 414.5	3.8%	22.1%
Intangible assets	1 301.6	1 391.7	1 431.5	2.9%	10.0%
Tangible assets	1 527.2	1 484.9	1 516.7	2.1%	-0.7%
Other assets	3 611.2	4 176.0	4 147.1	-0.7%	14.8%
Total assets	203 236.6	209 892.1	217 529.2	3.6%	7.0%

Net loans and advances to clients – sum of loans and advances at amortised cost, non-trading loans and advances to customers mandatorily at fair value through profit or loss and loans and advances classified as assets held for trading.

Investment securities – sum of financial assets at fair value through other comprehensive income, debt securities at amortised cost and non-trading debt securities and equity instruments mandatorily at fair value through profit or loss.

Other assets – the sum of fair value changes of the hedged items in portfolio hedge of interest rate risk, non-current assets and disposal groups classified as held for sale, investment property, current income tax assets, deferred income tax assets and other assets.

Loans and advances to customers were the largest asset category of mBank Group at the end of Q1 2023. As at the end of Q1 2023 their share in total assets amounted to 55.9% compared with 57.3% at the end of the previous quarter. At the end of Q1 2023, net loans and advances to customers (a total of loans and advances measured at amortised cost, loans and advances mandatorily measured at fair value through profit or loss, and loans and advances classified as assets held for trading) amounted to PLN 121 533.5 million, which represents a quarter-on-quarter increase by PLN 1 350.3 million or 1.1%.

Gross loans to corporate entities increased on a quarterly basis by 2 268.8 million, i.e. 4.3%, and reached PLN 54 476.2 million (net of reverse repo or buy/sell back transactions and the FX effect, loans and advances to corporate entities decreased by -0.4% quarter on quarter).

The sales of loans to corporate entities decreased by 29.6% quarter on quarter and by 23.6% year on year to PLN 5 816.0 million in Q1 2023 (including new sales, limit increases, and renewals). The magnitude of the decrease of the new sales is attributable to the lower demand on the market and bank's selective approach to new financing. Credit renewals continued to dominate the sales in Q1 2023.

The volume of loans to individuals decreased by PLN 898.0 million or 1.3% against the end of Q4 2022 to PLN 70 224.1 million. Gross mortgage and housing loans to individuals decreased by 2.5% quarter on quarter. The dynamics was largely impacted by the update of cash flow estimates related to CHF mortgage loans and the reduction of their gross carrying amount in accordance with IFRS 9.

In Q1 2023, mBank Group sold PLN 686.8 million of mortgage loans, 36.6% more than in the previous quarter, and 75.7% less than in Q1 2022. The sales of mortgage loans slowed down due to a cycle of interest rate hikes, which the Monetary Policy Council commenced in October 2021. The sales of non-mortgage loans in Q1 2023 reached PLN 2 114.4 million, representing an increase by 12.8% compared with Q4 2022 but a decrease by 24.3% compared with Q1 2022.

Net of FX effect, loans to individuals decreased by 1.3% quarter on quarter.

At the end of Q1 2023, gross loans and advances to the public sector decreased by PLN 8.4 million, or -7.8% quarter on quarter and stood at PLN 99.3 million.

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Investment securities were the second largest asset category at the end of Q1 2023. They accounted for 25.9% of total assets and stood at PLN 56 414.5 million. On a yearly basis, investment securities increased by PLN 10 198.8 million or 22.1%. The increase is associated, among other things, with the Bank's investment of funds, which customers have placed as deposits, in securities, in particular in money bills.

Loans and advances to banks increased on a quarterly basis by PLN 3 632.6 million or 37.0%, mainly as a result of an increase in the value of reverse repo or buy/sell back transactions. These transactions are one of the Group's sources of short-term and medium-term liquidity, i.e. available for use in a short time. Other significant assets, available to cash by the Group in a short time, are recognized, among others, in cash and balances with the central bank, including the reserve requirement held at the NBP. In addition, these are uncollateralized securities within financial assets at fair value through other comprehensive income, among which securities of central banks are represented by 7-day NBP bills. Reverse repo or buy/sell back transactions with the Czech National Bank, included in the category of loans and advances to banks, among assets measured at amortized cost, also constitute a significant item of short-term liquidity.

mBank Group's total liabilities and equity

Changes in the Group's liabilities and equity are presented in the table below:

PLN million	31.03.2022	31.12.2022	31.03.2023	QoQ change	YoY change
Amounts due to other banks	3 970,6	3 270,2	3 683,7	12,6%	-7,2%
Amounts due to customers	161 862,2	174 130,9	180 917,0	3,9%	11,8%
Liabilities from debt securities in issue	13 654,1	9 465,5	8 387,2	-11,4%	-38,6%
Subordinated liabilities	2 645,7	2 740,7	2 719,1	-0,8%	2,8%
Other liabilities	7 514,0	7 569,7	8 557,6	13,0%	13,9%
Total Liabilities	189 646,6	197 177,1	204 264,5	3,6%	7,7%
Total Equity	13 590,0	12 715,0	13 264,7	4,3%	-2,4%
Total Liabilities and Equity	203 236,6	209 892,1	217 529,2	3,6%	7,0%

Other liabilities – the sum of financial liabilities held for trading and derivatives held for hedges, lease liabilities measured at amortised cost, fair value changes of the hedged items in portfolio hedge of interest rate risk, liabilities held for sale, provisions, current income tax liabilities, deferred income tax liabilities and other liabilities.

In Q1 2023, amounts due to customers, which are mBank Group's principal source of funding, rose by PLN 6 786.1 million or 3.9% quarter on quarter. The share of amounts due to customers in total liabilities and equity reached 83.2%, slightly higher compared with the end of Q4 2022 when it amounted to 83.0%. The Bank managed its liquidity efficiently by offering attractive interest rates to customers, and at the same time maintaining them at levels that have been favourable from the point of view of the net interest income.

Amounts due to individual customers increased by PLN 6 152.5 million or 5.0% compared with Q4 2022 and reached PLN 129 042.5 million at the end of March 2023. Term deposits increased by PLN 4 145.2 million or 15.3% on a quarterly basis. Current accounts rose quarter on quarter by PLN 2 026.8 million or 2.1%.

Amounts due to corporate customers rose by PLN 1 314.5 million or 2.6% on a quarterly basis and amounted to PLN 51 295.1 million. The Bank has observed a change in the structure of the corporate customers' deposits over the last year. The share of term deposits in total amounts due to corporate customers increased, while the share of current accounts decreased. On a quarterly basis, there was an increase in funds on current accounts, which rose by PLN 1 528.2 million, i.e. +4.1%. Term deposits decreased by PLN 572.6 million quarterly.

Amounts due to the public sector stood at PLN 579.3 million at the end of March 2023, representing a quarter on quarter decrease by PLN 680.9 million (-54.0%). The magnitude of the decrease in Q1 2023 was attributable to the outflow of funds in term deposits (PLN -697.2 million or -85.4% quarter on quarter).

Another important liabilities and equity category constituted liabilities from debt securities in issue (3.9%). They decreased on a quarterly basis by PLN 1 078.3 million or -11.4% to the level of PLN 8 387.2 million. In Q1 2023 the Bank redeemed fixed rate bonds issued by mFinance France on 28 March 2017, acquired by the Bank in the substitution process, with a total nominal value of CHF 200 000 thousand.

Amounts due to other banks stood at PLN 3 683.7 million at the end of Q1 2023, accounting for 1.7% of total liabilities and equity of mBank Group. Compared with Q4 2022, this category went up by PLN 413.4 million or 12.6%. Higher balances in current accounts maintained by other institutions with mBank contributed the most to the increase.

Total equity at the end of Q1 2023 amounted to PLN 13 264.7 million. The share of equity in total liabilities and equity of mBank Group remained at the same level compared to the previous quarter and stood at

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6.1%. The increase in equity compared to the end of December 2022 was positively influenced primarily by the positive result for the current year attributable to mBank's shareholders and a decrease in the negative impact of other equity items, including the following: valuation of debt securities measured at fair value through other comprehensive income (PLN +266.2 million quarter on quarter) and cash flow hedges (PLN +153.8 million quarter on quarter).

Quality of the loan portfolio of mBank Group

As at 31 March 2023, the amount of non-performing receivables slightly increased compared with the previous quarter. Performing receivables increased slightly as well. The NPL ratio remained unchanged on a quarterly basis and amounted to 4.0%.

The coverage ratio of non-performing receivables remained unchanged on a quarterly basis and amounted to 52.3% whereas the coverage ratio of non-performing receivables including impairment of performing loans stood at 68.3% compared to 68.8% at the end of December 2022.

PLN million	31.12.2022	31.03.2023	QoQ change
Impairment of non-performing loans	-2 563.6	-2 584.1	0.8%
Impairment of performing loans	-811.1	-795.1	-2.0%
Total impairment	-3 374.7	-3 379.1	0.1%
Non-performing receivables	4 904.8	4 945.6	0.8%
Performing receivables	118 654.4	119 969.7	1.1%
NPL ratio	4.0%	4.0%	
Coverage ratio of non-performing receivables	52.3%	52.3%	
Coverage ratio of non-performing receivables including provisions for performing receivables	68.8%	68.3%	

Impairment of non-performing loans – accumulated impairment of loans and advances at amortised cost with impairment (stage 3 and POCI) and fair value change of loans and advances mandatorily at fair value through profit or loss in default

Impairment of performing loans – accumulated impairment of loans and advances at amortised cost without impairment (stage 1 and 2) and fair value change of non-default loans and advances mandatorily at fair value through profit or loss

Non-performing receivables – loans and advances at amortised cost with impairment (stage 3 and POCI) and loans and advances mandatorily at fair value through profit or loss in default

Performing receivables – loans and advances at amortised cost without impairment (stage 1 and 2) and non-default loans and advances mandatorily at fair value through profit or loss

NPL ratio – loans and advances at amortised cost with impairment (stage 3 and POCI) and loans and advances mandatorily at fair value through profit or loss in default in total loans and advances.

Coverage ratio of non-performing receivables – impairment of non-performing receivables in non-performing receivables.

Coverage ratio of non-performing receivables including provisions for performing receivables – sum of impairment of non-performing receivables and impairment of performing receivables in non-performing receivables.

Performance of segments and the business lines

The table below presents the contribution of individual business lines to the Group's profit before tax:

PLN million	Q4 2022	Q1 2023	QoQ change
Retail Banking	816.2	803.3	-1.6%
Corporate and Investment Banking	572.8	496.6	-13.3%
Treasury and Others	54.2	16.1	-70.3%
Profit/loss before tax of core business	1 443.1	1 316.0	-8.8%
FX Mortgage Loans	-438.7	-846.5	93.0%
Profit/loss before tax of mBank Group	1 004.4	469.5	-53.3%

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Retail Banking

mBank's Retail Banking segment serves 5 675 thousand individual clients and microenterprises in Poland, the Czech Republic and Slovakia online, directly through the call centre, via mobile banking and other state-of-the-art technological solutions, as well as in a network of 365 branches. The Bank offers a broad range of products and services including current and savings accounts, accounts for microenterprises, credit products, deposit products, payment cards, investment products, insurance products, brokerage services, and leasing for microenterprises.



Key highlights

- Total income of PLN 1 594.9 million, increase by 7.8% quarter on quarter.
- mBank's market share in mortgage loans to households kept at the stable level of 8.8%, slight decrease of share in non-mortgage loans to the level of 7.2%.
- Continued rise in market share of household deposits, from 8.8% at the end of 2022 to 9.1% at the end of Q1'2023.
- Continued development of convenient digital solutions, as evidenced by a quarterly increase in the number of active users of the mobile app and clients using the (PFM) - personal finance management functionality - to 3 433.9 thousand and 1 756.0 thousand respectively.
- An increase in the share of sales in mobile channels in total non-mortgage loans sales to 59.0% at the end of March 2023, with an increase in the share of processes initiated by customers in digital channels to 86.7%.
- mBank launched the eighth edition of its social campaign on online safety, which included educational material on a dedicated website and video spots on TV and the internet. It also reminded about its free CyberRescue online service, which provides 24/7 access to support from online safety specialists.
- The release of new features in mBank's mobile app that enhance security through mobile authentication. Any telephone contact initiated by the Bank is confirmed by the client in the mobile app, if it is installed.
- mBank achieved the historically highest NPS score (30) and took first place in the March ranking of individual customer satisfaction of the ten largest banks in Poland, which was conducted by an independent research agency. On a quarterly basis, mBank ranked second in this ranking.
- mTFI started business operations in Q1 2023. In the first year, the company is focusing on taking over a portfolio of investment funds created for mBank under a white label formula by external entities. On its website, mTFI discloses the investment standards it applies, including information on introducing ESG into its operations, as well as educational materials for potential clients.

Key financial data

PLN million	Q4 2022	Q1 2023	Change in PLN M	Change in %
Net interest income	1 219.5	1 319.7	100.2	8.2%
Net fee and commission income	239.5	242.9	3.3	1.4%
Net trading income	18.7	26.4	7.7	41.2%
Other income	10.1	14.9	4.8	47.1%
Net other operating income	-8.2	-8.9	-0.8	9.5%
Total income	1 479.7	1 594.9	115.2	7.8%
Net impairment losses and fair value change on loans and advances	-163.2	-174.9	-11.8	7.2%
Overhead costs and depreciation	-394.4	-503.0	-108.6	27.5%
Taxes on bank balance sheet items	-105.9	-113.7	-7.7	7.3%
Profit/loss before tax of Retail Banking	816.2	803.3	-12.9	-1.6%

mBank S.A. Group

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(PLN thousand)

Other income – calculated as gains or losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses from non-trading equity and debt securities mandatorily measured at fair value through profit or loss.

Total income – calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses.

Net impairment losses and fair value change on loans and advances – the sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss.

Total overhead costs (including depreciation) – calculated as the sum of total overhead costs and depreciation.

Key business data (mBank and mBank Hipoteczny only)

thousands	31.03.2022	31.12.2022	31.03.2023	QoQ change	YoY change
Number of retail clients, including:	5 543.9	5 642.8	5 675.3	0.6%	2.4%
Poland	4 511.9	4 590.1	4 614.9	0.5%	2.3%
Foreign branches	1 031.9	1 052.7	1 060.4	0.7%	2.8%
The Czech Republic	720.1	732.3	739.6	1.0%	2.7%
Slovakia	311.9	320.4	320.9	0.1%	2.9%
Mobile application users	3 078.3	3 338.5	3 433.9	2.9%	11.6%
Poland	2 696.7	2 920.0	2 997.4	2.7%	11.1%
Foreign branches	381.6	418.5	436.5	4.3%	14.4%
PLN million					
Loans to retail clients, including:	74 970.2	71 645.1	70 567.8	-1.5%	-5.9%
Poland	64 783.4	61 381.5	60 254.7	-1.8%	-7.0%
mortgage loans	45 359.9	42 701.1	41 679.1	-2.4%	-8.1%
non-mortgage loans	19 423.5	18 680.4	18 575.6	-0.6%	-4.4%
Foreign branches	10 186.8	10 263.6	10 313.1	0.5%	1.2%
The Czech Republic	7 123.5	7 114.6	7 193.4	1.1%	1.0%
Slovakia	3 063.3	3 149.0	3 119.7	-0.9%	1.8%
Deposits of retail clients, including:	111 121.8	122 726.8	128 893.8	5.0%	16.0%
Poland	95 205.9	105 750.2	111 612.3	5.5%	17.2%
Foreign branches	15 915.9	16 976.5	17 281.5	1.8%	8.6%
The Czech Republic	11 124.9	12 047.8	12 425.3	3.1%	11.7%
Slovakia	4 791.0	4 928.8	4 856.2	-1.5%	1.4%
Investment assets of mBank's individual clients	20 726.6	18 746.0	19 697.8	5.1%	-5.0%
thousands					
Credit cards, including:	365.7	361.0	360.3	-0.2%	-1.5%
Poland	330.0	326.1	325.5	-0.2%	-1.4%
Foreign branches	35.7	34.8	34.8	-0.1%	-2.6%
Debit cards, including:	4 548.0	4 851.2	4 956.0	2.2%	9.0%
Poland	3 857.9	4 082.3	4 168.9	2.1%	8.1%
Foreign branches	690.0	768.9	787.1	2.4%	14.1%

mBank S.A. Group

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

(PLN thousand)

Corporate and Investment Banking

The Corporate and Investment Banking segment serves 33 311 corporate clients including large enterprises (K1 - annual sales exceeding PLN 1 billion and non-banking financial institutions), mid-sized enterprises (K2 - annual sales of PLN 50 million – 1 billion) and small enterprises (K3 - annual sales below PLN 50 million), through a network of dedicated 43 branches. mBank Group's offer of products and services for corporate clients focuses on traditional banking products and services (including corporate accounts, domestic and international money transfers, payment cards, cash services, and liquidity management products), corporate finance products, hedging instruments, equity capital market (ECM) services, debt capital market (DCM) instruments, mergers and acquisitions (M&A), leasing and factoring.



Key highlights

- Increase of total income to PLN 932.0 million by 5.1% driven by fee and commission income which increased by 10.3% to PLN 274.1 million quarter on quarter.
- Growth of corporate loans by 8.4% quarter on quarter and 13.4% year on year at the Bank level.
- mBank Group's market share in corporate loans at the level of 8.0%.
- 85% of corporate clients have at least one user of mBank's mobile application who logs in at least once a month.
- An increase of +286 corporate customers in all three segments, thanks to the development of digital and mobile services for corporate customers and e-commerce support.
- As part of a consortium of three banks, mBank financed an investment in wind and solar energy. The farm is located on post-mining land and will be one of the largest renewable energy parks in Central and Eastern Europe, as well as the first large-scale project in Poland to combine solar and wind energy. The energy generated at the plant will meet the needs of around 100 000 households.
- January 2023 marked the sixth anniversary of cooperation between the Great Orchestra of Christmas Charity, which played for the 31th time this year, and mBank, the foundation's main banking partner. The foundation raised money to fight sepsis and provide hospitals with modern diagnostic equipment. As usually, mBank also contributes financially to the payments done by its clients. mBank has prepared, among others, offer for corporate clients. As part of it, account maintenance fees for six months of accounts opened in January and February are donated to the charity.

Key financial data

Corporate and Investment Banking

PLN million	Q4 2022	Q1 2023	Change in PLN M	Change in %
Net interest income	567.5	577.4	9.9	1.7%
Net fee and commission income	248.4	274.1	25.7	10.3%
Net trading income	76.7	71.4	-5.3	-6.9%
Other income	-2.2	1.6	3.8	+/-
Net other operating income	-3.6	7.5	11.1	-/+
Total income	886.9	932.0	45.1	5.1%
Net impairment losses and fair value change on loans and advances	-24.5	-57.0	-32.5	132.9%
Overhead costs and depreciation	-227.8	-315.5	-87.8	38.5%
Taxes on Group's balance sheet items	-61.9	-62.9	-1.1	1.7%
Profit/loss before tax of Corporate and Investment Banking	572.8	496.6	-76.2	-13.3%

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(PLN thousand)

Other income – calculated as gains or losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss and gains or losses from non-trading equity and debt securities mandatorily measured at fair value through profit or loss.

Total income – calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses.

Total overhead costs (including depreciation) – calculated as the sum of total overhead costs and depreciation.

Net impairment losses and fair value change on loans and advances – the sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss.

Key business data (Bank only)

	31.03.2022	31.12.2022	31.03.2023	QoQ change	YoY change
Number of corporate clients, including:	31 898	33 025	33 311	0.9%	4.4%
K1	2 248	2 218	2 327	4.9%	3.5%
K2	9 970	10 329	10 334	0.0%	3.7%
K3	19 680	20 478	20 650	0.8%	4.9%
PLN million					
Loans to corporate clients, including:	31 519.8	32 974.8	35 742.4	8.4%	13.4%
K1	6 446.1	6 578.8	6 867.7	4.4%	6.5%
K2	20 609.9	21 705.5	21 701.9	0.0%	5.3%
K3	3 033.0	3 079.3	3 015.3	-2.1%	-0.6%
Reverse repo or buy/sell back transactions	1 430.8	1 611.2	4 157.4	158.0%	190.6%
Deposits of corporate clients, including:	49 396.0	50 264.7	50 411.4	0.3%	2.1%
K1	12 186.4	14 576.9	12 641.4	-13.3%	3.7%
K2	24 700.3	22 104.9	24 498.8	10.8%	-0.8%
K3	12 303.8	13 273.0	13 061.1	-1.6%	6.2%
Repo or sell/buy back transactions	205.5	309.9	210.1	-32.2%	2.2%

Summary of results of mBank Group's subsidiaries

In Q1 2023, the profit before tax generated by mBank Group subsidiaries amounted to PLN 69.6 million. The loss incurred by mFinanse resulted from an increase of cost of the provision set up in relation to the inspection by the Social Insurance Institution (ZUS). The total value of the provision as of 31 March 2023 amounted to PLN 119.7 million.

The table below presents the profit or loss before tax posted by individual subsidiaries in Q1 2023 compared with Q4 2022.

PLN million	Q4 2022	Q1 2023	Change in %
mFinanse ¹	1.8	-24.9	+/-
mBank Hipoteczny	-20.2	28.0	-/+
mLeasing ²	61.0	56.0	-8.2%
mFaktoring	16.1	17.8	10.2%
Other ³	2.4	-7.2	+/-
Total	61.1	69.6	13.9%

¹ Including mFinanse CZ and mFinanse SK.

² Including LeaseLink and Asekum.

³ Other subsidiaries include Future Tech, mElements and mTFI.

mBank S.A. Group

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

(PLN thousand)

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

	Note	1st quarter (current year) period from 01.01.2023 to 31.03.2023	1st quarter (previous year) period from 01.01.2022 to 31.03.2022 - restated
Interest income, including:	5	3 638 653	1 723 544
<i>Interest income accounted for using the effective interest method</i>		3 554 077	1 688 952
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		84 576	34 592
Interest expenses	5	(1 546 227)	(216 952)
Net interest income		2 092 426	1 506 592
Fee and commission income	6	737 784	785 666
Fee and commission expenses	6	(236 721)	(194 929)
Net fee and commission income		501 063	590 737
Dividend income	7	122	835
Net trading income	8	7 192	95 627
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	9	14 531	(8 881)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	10	(48 835)	(20 055)
Other operating income	11	78 734	66 352
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	12	(232 741)	(257 847)
Costs of legal risk related to foreign currency loans	30	(808 488)	(192 754)
Overhead costs	13	(735 603)	(727 360)
Depreciation		(119 284)	(116 534)
Other operating expenses	14	(89 664)	(63 283)
Operating profit		659 453	873 429
Taxes on the Group balance sheet items		(189 998)	(159 839)
Profit / (loss) before income tax		469 455	713 590
Income tax expense	26	(326 721)	(201 266)
Net profit / (loss)		142 734	512 324
Net profit / (loss) attributable to:			
- owners of mBank S.A.		142 815	512 329
- non-controlling interests		(81)	(5)
Earnings / (loss) per share (in PLN)	15	3.37	12.09
Diluted earnings / (loss) per share (in PLN)	15	3.36	12.06

mBank S.A. Group

Consolidated financial report for the first quarter of 2023

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

(PLN thousand)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1st quarter (current year) period from 01.01.2023 to 31.03.2023	1st quarter (previous year) period from 01.01.2022 to 31.03.2022
Net profit / (loss)	142 734	512 324
Other comprehensive income net of tax, including:	405 107	(644 296)
Items that may be reclassified subsequently to the income statement	405 107	(644 296)
Exchange differences on translation of foreign operations (net)	(361)	623
Cash flows hedges (net)	153 777	(342 502)
Cost of hedge (net)	(14 467)	-
Change in valuation of debt instruments at fair value through other comprehensive income (net)	266 158	(302 417)
Items that will not be reclassified to the income statement	-	-
Actuarial gains and losses relating to post-employment benefits (net)	-	-
Reclassification to investment properties (net)	-	-
Total comprehensive income (net)	547 841	(131 972)
Total comprehensive income (net), attributable to:		
- Owners of mBank S.A.	547 922	(131 967)
- Non-controlling interests	(81)	(5)

mBank S.A. Group

Consolidated financial report for the first quarter of 2023

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

(PLN thousand)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31.03.2023	31.12.2022
Cash and balances with the Central Bank		16 477 981	16 014 318
Financial assets held for trading and hedging derivatives	16	2 606 976	2 524 652
Non-trading financial assets mandatorily at fair value through profit or loss, including:	17	980 722	1 044 189
<i>Equity instruments</i>		184 761	185 788
<i>Debt securities</i>		47 641	45 009
<i>Loans and advances to customers</i>		748 320	813 392
Financial assets at fair value through other comprehensive income	18	36 768 581	35 117 450
Financial assets at amortised cost, including:	19	153 599 600	148 138 819
<i>Debt securities</i>		19 413 521	19 002 527
<i>Loans and advances to banks</i>		13 438 881	9 806 262
<i>Loans and advances to customers</i>		120 747 198	119 330 030
Fair value changes of the hedged items in portfolio hedge of interest rate risk		9 799	3 064
Non-current assets and disposal groups classified as held for sale	20	-	26 747
Intangible assets	21	1 431 547	1 391 707
Tangible assets	22	1 516 678	1 484 933
Investment properties	23	136 909	136 909
Current income tax assets		36 522	28 302
Deferred income tax assets	26	1 635 860	1 875 728
Other assets		2 327 997	2 105 295
TOTAL ASSETS		217 529 172	209 892 113
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities held for trading and hedging derivatives	16	2 193 333	2 086 111
Financial liabilities measured at amortised cost, including:	24	196 715 621	190 567 661
<i>Amounts due to banks</i>		3 683 656	3 270 223
<i>Amounts due to customers</i>		180 916 989	174 130 914
<i>Lease liabilities</i>		1 008 741	960 324
<i>Debt securities issued</i>		8 387 166	9 465 479
<i>Subordinated liabilities</i>		2 719 069	2 740 721
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(1 228 410)	(1 528 582)
Liabilities included in disposal groups classified as held for sale	20	-	7 375
Provisions	25	1 355 079	1 362 259
Current income tax liabilities		607 993	571 456
Other liabilities		4 620 847	4 110 802
TOTAL LIABILITIES		204 264 463	197 177 082
EQUITY			
Equity attributable to Owners of mBank S.A.		13 262 758	12 713 001
Share capital:		3 604 778	3 604 778
Registered share capital		169 734	169 734
Share premium		3 435 044	3 435 044
Retained earnings:	27	10 770 486	10 625 836
- Profit from the previous years		10 627 671	11 328 527
- Profit (loss) for the current year		142 815	(702 691)
Other components of equity	28	(1 112 506)	(1 517 613)
Non-controlling interests		1 951	2 030
TOTAL EQUITY		13 264 709	12 715 031
TOTAL LIABILITIES AND EQUITY		217 529 172	209 892 113

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(PLN thousand)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in equity from 1 January to 31 March 2023

	Share capital		Retained earnings		Other components of equity	Equity attributable to Owners of mBank S.A.	Non-controlling interests	Total equity
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year				
Equity as at 1 January 2023	169 734	3 435 044	11 328 527	(702 691)	(1 517 613)	12 713 001	2 030	12 715 031
Transfer of profit/loss from previous year	-	-	(702 691)	702 691	-	-	-	-
Total comprehensive income	-	-	-	142 815	405 107	547 922	(81)	547 841
Other increase or decrease in equity	-	-	-	-	-	-	2	2
Stock option program for employees	-	-	1 835	-	-	1 835	-	1 835
<i>value of services provided by the employees</i>	-	-	<i>1 835</i>	-	-	<i>1 835</i>	-	<i>1 835</i>
Equity as at 31 March 2023	169 734	3 435 044	10 627 671	142 815	(1 112 506)	13 262 758	1 951	13 264 709

Changes in equity from 1 January to 31 December 2022

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

Changes in equity from 1 January to 31 March 2022

	Share capital		Retained earnings		Other components of equity	Equity attributable to Owners of mBank S.A.	Non-controlling interests	Total equity
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year				
Equity as at 1 January 2022	169 540	3 424 404	12 505 247	(1 178 753)	(1 204 388)	13 716 050	1 866	13 717 916
Transfer of profit/loss from previous year	-	-	(1 178 753)	1 178 753	-	-	-	-
Total comprehensive income	-	-	-	512 329	(644 296)	(131 967)	(5)	(131 972)
Other increase or decrease in equity	-	-	-	-	-	-	(2)	(2)
Stock option program for employees	-	-	4 044	-	-	4 044	-	4 044
<i>value of services provided by the employees</i>	-	-	<i>4 044</i>	-	-	<i>4 044</i>	-	<i>4 044</i>
Equity as at 31 March 2022	169 540	3 424 404	11 330 538	512 329	(1 848 684)	13 588 127	1 859	13 589 986

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	1st quarter (current year) period from 01.01.2023 to 31.03.2023	1st quarter (previous year) period from 01.01.2022 to 31.03.2022 - restated
Profit / (loss) before income tax	469 455	713 590
Adjustments:	2 171 096	5 131 979
Income taxes paid	(159 699)	(83 205)
Depreciation, including depreciation of fixed assets provided under operating lease	125 332	123 171
Foreign exchange (gains) losses related to financing activities	(84 187)	334 908
(Gains) losses on investing activities	341	(4 373)
Dividends received	(122)	(835)
Interest income (income statement)	(3 638 653)	(1 723 544)
Interest expense (income statement)	1 546 227	216 952
Interest received	2 908 783	1 472 636
Interest paid	(1 347 276)	(146 598)
Changes in loans and advances to banks	(2 735 574)	692 593
Changes in financial assets and liabilities held for trading and hedging derivatives	435 236	(685 294)
Changes in loans and advances to customers	(1 151 503)	(5 205 643)
Changes in securities at fair value through other comprehensive income	(961 158)	8 896 172
Changes in securities at amortised cost	(322 733)	(2 665 056)
Changes of non-trading securities mandatorily at fair value through profit or loss	(3 748)	(10 816)
Changes in other assets	(212 904)	(192 440)
Changes in amounts due to banks	439 713	(1 309 970)
Changes in amounts due to customers	6 704 298	4 760 543
Changes in lease liabilities	(19 347)	17 775
Changes in issued debt securities	90 477	(585 263)
Changes in provisions	(7 180)	55 555
Changes in other liabilities	564 773	1 174 711
A. Cash flows from operating activities	2 640 551	5 845 569
Disposal of intangible assets and tangible fixed assets	38 650	19 595
Dividends received	122	835
Purchase of intangible assets and tangible fixed assets	(162 991)	(177 425)
B. Cash flows from investing activities	(124 219)	(156 995)
Issue of debt securities	196 335	944 804
Redemption of debt securities	(1 344 536)	(302 959)
Payments of lease liabilities	(40 592)	(22 852)
Interest paid from loans and advances received from banks and from subordinated liabilities	(46 437)	(14 514)
C. Cash flows from financing activities	(1 235 230)	604 479
Net increase / decrease in cash and cash equivalents (A+B+C)	1 281 102	6 293 053
Effects of exchange rate changes on cash and cash equivalents	(9 700)	(155 634)
Cash and cash equivalents at the beginning of the reporting period	16 292 024	12 540 599
Cash and cash equivalents at the end of the reporting period	17 563 426	18 678 018

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

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

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

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

As at 31 March 2023 mBank S.A. Group covered by the Consolidated Financial Statements comprised the following companies:

mBank S.A. – the parent entity

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

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

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

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

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

As at 31 March 2023 the headcount of mBank S.A. amounted to 6 428 FTEs (Full Time Equivalentents), and of the Group to 7 083 FTEs (31 March 2022: Bank 6 235 FTEs; Group 6 899 FTEs).

As at 31 March 2023 the employment in mBank S.A. was 7 391 persons, and in the Group 8 355 persons (31 March 2022: Bank 7 247 persons; Group 9 617 persons)

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

Retail Banking segment

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

mBank S.A. Group

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(PLN thousand)

Corporate and Investment Banking segment

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

Treasury and Other segment

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

Other information concerning companies of the Group

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

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

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

The name of subsidiary	31.03.2023		31.12.2022		31.03.2022	
	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method
mBank Hipoteczny S.A.	100%	full	100%	full	100%	full
mLeasing Sp. z o.o.	100%	full	100%	full	100%	full
mFinanse S.A.	100%	full	100%	full	100%	full
mFaktoring S.A.	100%	full	100%	full	100%	full
Future Tech Fundusz Inwestycyjny Zamknięty	98.04%	full	98.04%	full	98.04%	full
mElements S.A.	100%	full	100%	full	100%	full
Asekum Sp. z o.o.	100%	full	100%	full	100%	full
LeaseLink Sp. z o.o.	100%	full	100%	full	100%	full
mFinanse CZ s.r.o.	100%	full	100%	full	100%	full
mFinanse SK s.r.o.	100%	full	100%	full	100%	full
mTowarzystwo Funduszy Inwestycyjnych S.A.	100%	full	100%	-	100%	-

The Management Board of mBank S.A. approved these condensed consolidated financial statements for issue on 27 April 2023.

2. Description of relevant accounting policies

Accounting basis

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

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

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

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

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

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

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

New standards, interpretations and amendments to published standards

Standards and interpretations endorsed by the European Union

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

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

Standards and interpretations not yet endorsed by the European Union

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

Standards and interpretations	Description of the changes	The beginning of the binding period	Impact on the Group's financial statements in the period of initial application
Amendments to IAS 1, Classification of liabilities as current or non-current	Amendments to IAS 1 affect the requirements for the presentation of liabilities in the financial statements. In particular, they explain one of the criteria for classifying liabilities as non-current.	1 January 2024	The application of the amended standard will have no significant impact on the financial statements.
Amendments to IFRS 16 Leasing	Amendment to IFRS 16 requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.	1 January 2024	The application of the amended standard will have no significant impact on the financial statements.

Comparative data

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

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

- Separation of the item Lease liabilities (adjustment 2)

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

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

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

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

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

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

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

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

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

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 income statements in the comparative periods presented in these financial statements. Comparative figures as of 1 January 2022 and 31 March 2022 and for the period from 1 January to 31 March 2022 have been restated accordingly.

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

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(PLN thousand)

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

	No	Period from 01.01.2022 to 31.03.2022 before restatement	restatement	Period from 01.01.2022 to 31.03.2022 after restatement
Interest income, including:		1 716 287	7 257	1 723 544
<i>Interest income accounted for using the effective interest method</i>	1	1 681 695	7 257	1 688 952
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		34 592	-	34 592
Interest expenses		(216 952)	-	(216 952)
Net interest income		1 499 335	7 257	1 506 592
Fee and commission income	1	792 923	(7 257)	785 666
Fee and commission expenses		(194 929)	-	(194 929)
Net fee and commission income		597 994	(7 257)	590 737
Dividend income		835	-	835
Net trading income		95 627	-	95 627
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(8 881)	-	(8 881)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss		(20 055)	-	(20 055)
Other operating income		66 352	-	66 352
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss		(257 847)	-	(257 847)
Costs of legal risk related to foreign currency loans		(192 754)	-	(192 754)
Overhead costs		(727 360)	-	(727 360)
Depreciation		(116 534)	-	(116 534)
Other operating expenses		(63 283)	-	(63 283)
Operating profit		873 429	-	873 429
Tax on the Bank's balance sheet items		(159 839)	-	(159 839)
Profit / (loss) before income tax		713 590	-	713 590
Income tax expense		(201 266)	-	(201 266)
Net profit / (loss)		512 324	-	512 324
Net profit / (loss) attributable to:				
- Owners of mBank S.A.		512 329	-	512 329
- Non-controlling interests		(5)	-	(5)

mBank S.A. Group

Consolidated financial report for the first quarter of 2023

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

(PLN thousand)

Restatements in consolidated statement of financial position at 1 January 2022

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

Restatements in consolidated statement of financial position at 31 March 2022

ASSETS	No	31.03.2022 before restatement	restatement	31.03.2022 after restatement
Financial assets at amortised cost, including:		148 081 088	(369 613)	147 711 475
<i>Debt securities</i>		18 885 506	-	18 885 506
<i>Loans and advances to banks</i>		6 829 976	-	6 829 976
<i>Loans and advances to customers</i>	5	122 365 606	(369 613)	121 995 993
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	1 551 064	(1 677 839)	(126 775)
Other assets	5	1 548 590	369 613	1 918 203
Other items		53 733 679	-	53 733 679
TOTAL ASSETS		204 914 421	(1 677 839)	203 236 582
LIABILITIES AND EQUITY	No	31.03.2022 before restatement	restatement	31.03.2022 after restatement
Financial liabilities measured at amortised cost, including:		183 133 478	-	183 133 478
<i>Amounts due to banks</i>	3	2 090 424	1 880 141	3 970 565
<i>Amounts due to customers</i>	2,3	164 743 229	(2 881 038)	161 862 191
<i>Lease liabilities</i>	2	-	1 000 897	1 000 897
<i>Debt securities issued</i>		13 654 108	-	13 654 108
<i>Subordinated liabilities</i>		2 645 717	-	2 645 717
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	126 775	(1 677 839)	(1 551 064)
Provisions	4	867 631	24 824	892 455
Other liabilities	4	4 544 351	(24 824)	4 519 527
Other items		2 652 200	-	2 652 200
TOTAL LIABILITIES		191 324 435	(1 677 839)	189 646 596
TOTAL EQUITY		13 589 986	-	13 589 986
TOTAL LIABILITIES AND EQUITY		204 914 421	(1 677 839)	203 236 582

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Restatements in consolidated statement of cash flows for the period from 1 January to 31 March 2022

	No	Period from 01.01.2022 to 31.03.2022 before restatement	restatement	Period from 01.01.2022 to 31.03.2022 after restatement
Profit / (loss) before income tax		713 590	-	713 590
Adjustments, including:		5 131 979	-	5 131 979
Income taxes paid		(83 205)	-	(83 205)
Depreciation, including depreciation of fixed assets provided under operating lease		123 171	-	123 171
Foreign exchange (gains) losses related to financing activities		334 908	-	334 908
(Gains) losses on investing activities		(4 373)	-	(4 373)
Dividends received		(835)	-	(835)
Interest income (income statement)	1	(1 716 287)	(7 257)	(1 723 544)
Interest expense (income statement)		216 952	-	216 952
Interest received	1	1 465 379	7 257	1 472 636
Interest paid		(146 598)	-	(146 598)
Changes in loans and advances to banks		692 593	-	692 593
Changes in financial assets and liabilities held for trading and hedging derivatives		(685 294)	-	(685 294)
Changes in loans and advances to customers	5	(5 197 877)	(7 766)	(5 205 643)
Changes in financial assets at fair value through other comprehensive income		8 896 172	-	8 896 172
Changes in securities at amortised cost		(2 665 056)	-	(2 665 056)
Changes of non-trading securities mandatorily at fair value through profit or loss		(10 816)	-	(10 816)
Changes in other assets	5	(200 206)	7 766	(192 440)
Changes in amounts due to banks	3	(1 252 614)	(57 356)	(1 309 970)
Changes in amounts due to customers	2,3	4 720 962	39 581	4 760 543
Changes in lease liabilities	2	-	17 775	17 775
Changes in issued debt securities		(585 263)	-	(585 263)
Changes in provisions	4	56 176	(621)	55 555
Changes in other liabilities	4	1 174 090	621	1 174 711
A. Cash flows from operating activities		5 845 569	-	5 845 569
B. Cash flows from investing activities		(156 995)	-	(156 995)
C. Cash flows from financing activities		604 479	-	604 479
Net increase / decrease in cash and cash equivalents (A+B+C)		6 293 053	-	6 293 053
Effects of exchange rate changes on cash and cash equivalents		(155 634)	-	(155 634)
Cash and cash equivalents at the beginning of the reporting period		12 540 599	-	12 540 599
Cash and cash equivalents at the end of the reporting period		18 678 018	-	18 678 018

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

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

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

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

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

Impact of credit holidays on the financial result of the Group

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

In 2022, the Group recognised the impact of credit holidays in the total amount of PLN 1 334.4 million, out of which PLN 1 322.4 million decreased the interest income of the Group and PLN 12.0 million related to the effect on hedge accounting and decreased the net trading income. In the first quarter of 2023, due to an updated calculation of the impact of credit holidays, the Group recognized PLN 52.2 million gain on non-substantial modification, which increased net interest income, and PLN 5.7 million impact on hedge accounting, which increased net trading income. The negative impact of credit holidays on the valuation of the loan portfolio is settled by the appropriate recognition of interest income calculated using the effective interest rate in periods in which customers taking advantage of credit holidays do not pay the interest according to the original schedules of the loan agreements.

To calculate the impact of credit holidays, the Group estimated that customers owning 82.5% of the value of assumed eligible mortgage loan portfolio applied or will apply for the credit holidays and they will request on average 7.7 months of credit holidays. If the value of assumed eligible mortgage loan portfolio increased by 1 percentage point in 2023, the amount of the credit holidays impact would increase by PLN 6.5 million.

By 31 March 2023, customers owning 80.9% of the value of the assumed eligible mortgage loan portfolio had submitted applications applying for an average of 7.2 months of credit holidays. As of 31 March 2023 the gross carrying value of the loans being subject to the credit holidays amounted to PLN 24 486.1 million.

Impairment of loans and advances

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the income statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions, on the basis of which the estimated cash flow amounts and their anticipated timing are determined, are regularly verified. If the current value of estimated cash flows (discounted recoveries from payments of capital, discounted recoveries from interests, discounted recoveries from off-balance sheet liabilities and discounted recoveries from collaterals for on-balance and off-balance sheet loans and advances, weighed by the probability of realization of specific scenarios) for portfolio of loans and advances which are impaired, change by +/- 10%, the estimated loans and advances impairment would either decrease by PLN 70.8 million or increase by PLN 76.2 million (as at 31 December 2021: PLN 74.5 million and PLN 81.3 million). This estimation was performed for portfolio of loans and advances and for off-balance sheet liabilities individually assessed for impairment on the basis of future cash flows due to repayments and recovery from collateral – Stage 3. The rules of determining write-downs and provisions for impairment of credit exposures have been described under Note 3.3.6 of Consolidated financial statements of mBank S.A. Group for 2022, published on 2 March 2023.

Actions taken in relation to the current situation in Ukraine

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

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United Kingdom and the USA. As a result of the review, as of 31 March 2023, credit exposure and expected credit losses were determined in the mentioned countries, as shown in the table below.

Country	Direct exposure as at 31.03.2023												
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	-	-	-	-	-	-	-	-	-	-	-	-	-
Russia	-	-	150	-	-	-	-	-	-	-	(150)	-	46 781
Belarus	-	1 114	-	-	-	-	-	-	-	(467)	-	-	-
Total	-	1 114	150	-	-	-	-	-	-	(467)	(150)	-	46 781

There was also identified an indirect exposure: a balance sheet exposure of PLN 364.9 million and an off balance sheet exposure of PLN 351.9 million towards corporate clients whose business is indirectly exposed to the risk of Russia's aggression towards Ukraine.

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

Country	Indirect exposure as at 31.03.2023												
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	84 219	7 163	410	-	116 742	-	-	-	(400)	(144)	(183)	-	-
Russia	182 981	25 865	51 666	-	231 853	-	-	-	(462)	(177)	(51 461)	-	-
Belarus	10 123	2 396	80	-	3 332	-	-	-	(21)	(20)	(80)	-	-
Total	277 323	35 424	52 156	-	351 927	-	-	-	(883)	(341)	(51 724)	-	-

Fair value of derivatives and other financial instruments

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

Deferred tax assets

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

Income tax in interim financial statements

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

The calculation of the average estimated annual effective tax rate for 2023 required the use of a forecast of profit before tax for the full fiscal year adjusted for the impact of legal risk costs associated with foreign currency loans, as well as a similarly adjusted forecast of permanent differences between the carrying amounts of assets and liabilities and their tax base. The projected annual effective tax rate calculated in this way amounted to 25.6% and was applied to the profit before tax for the first quarter of 2023 adjusted for the impact of legal risk costs related to foreign currency loans. In the first quarter of 2022, the projected annual effective tax rate was 28.2%.

The greatest impact on the value of the average annual effective tax rate in relation to the nominal income tax rate in the first quarter of 2023 resulted from the banking tax and Bank Guarantee Fund fees.

Revenue and expenses from sale of insurance products bundled with loans

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

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

Liabilities due to post-employment employee benefits

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

Leasing classification

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

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

4. Business segments

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

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

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

- **The Retail Banking segment**, which offers a full range of products and services to individual customers, including Private Banking customers and micro-businesses. The key products and services offered to customers in this segment include lending products (mortgage loans, overdrafts, cash loans, car loans, credit cards), deposit products (current and savings accounts, term deposits), debit cards, insurance products, brokerage services, investment advice, asset management services and leasing services. The results of the Retail Banking segment include the results of foreign branches of mBank in the Czech Republic and Slovakia. The Retail Banking segment also includes the results of mFinanse S.A., mFinanse CZ s.r.o., mFinanse SK s.r.o., mTowarzystwo Funduszy Inwestycyjnych S.A., LeaseLink Sp. z o.o. and mElements S.A., as well as the results of retail segments of mLeasing Sp. z o.o., Asekum Sp. z o.o. and mBank Hipoteczny S.A.
- **The Corporate and Investment Banking segment**, which offers financial services to small, medium and large-sized companies, public sector entities, financial institutions and banks. The key products offered to these customers include transactional banking (cash management, current accounts, term deposits, internet banking, trade finance services, letters of credit and guarantees), working capital and investment loans, project finance, structured and mezzanine finance services as well as custody, leasing and factoring services. The products of this segment include operations in foreign currencies, capital and derivatives markets, both proprietary and on behalf of customers, as well as services for arranging and financing securities issues, financial consulting and brokerage services for financial institutions. The Corporate and Investment Banking segment also generates result of foreign exchange risk management. This segment includes the results of the following subsidiaries: mFaktoring S.A. and the results of corporate segments of mLeasing Sp. z o. o., Asekum Sp. z o.o. and mBank Hipoteczny S.A.

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

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

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

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

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

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

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

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Business segment reporting on the activities of mBank S.A. Group for the period from 1 January to 31 March 2023 – data regarding consolidated income statement.

period from 1 January to 31 March 2023	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	1 319 654	577 369	188 184	7 219	2 092 426
- sales to external clients	917 804	606 498	495 677	72 447	2 092 426
- sales to other segments	401 850	(29 129)	(307 493)	(65 228)	-
Net fee and commission income	242 863	274 086	(8 922)	(6 964)	501 063
Dividend income	-	-	122	-	122
Trading income	26 420	71 402	(91 039)	409	7 192
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	9 911	582	4 097	(59)	14 531
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(955)	1 601	(49 481)	-	(48 835)
Other operating income	47 517	24 941	5 394	882	78 734
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(168 966)	(57 535)	(1 502)	(4 738)	(232 741)
Costs of legal risk related to foreign currency loans	-	-	-	(808 488)	(808 488)
Overhead costs	(420 205)	(279 901)	(9 408)	(26 089)	(735 603)
Amortisation	(82 824)	(35 642)	(615)	(203)	(119 284)
Other operating expenses	(56 450)	(17 405)	(15 548)	(261)	(89 664)
Operating profit	916 965	559 498	21 282	(838 292)	659 453
Taxes on Group balance sheet items	(113 655)	(62 939)	(5 181)	(8 223)	(189 998)
Gross profit / (loss) of the segment	803 310	496 559	16 101	(846 515)	469 455
Income tax					(326 721)
Net profit / (loss) attributable to Owners of mBank S.A.					142 815
Net profit / (loss) attributable to non-controlling interests					(81)

Business segment reporting on the activities of mBank S.A. Group for the period from 1 January to 31 March 2022 – data regarding consolidated income statement.

period from 1 January to 31 March 2022	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Net interest income	943 911	381 086	154 478	27 117	1 506 592
- sales to external clients	902 292	399 962	172 291	32 047	1 506 592
- sales to other segments	41 619	(18 876)	(17 813)	(4 930)	-
Net fee and commission income	299 732	302 470	(8 015)	(3 450)	590 737
Dividend income	-	-	835	-	835
Trading income	17 012	101 901	(50 417)	27 131	95 627
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(8 067)	(803)	(12)	1	(8 881)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(749)	(2 759)	(16 547)	-	(20 055)
Other operating income	28 457	32 341	5 502	52	66 352
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(182 954)	(81 380)	(1 843)	8 330	(257 847)
Costs of legal risk related to foreign currency loans	-	-	-	(192 754)	(192 754)
Overhead costs	(409 919)	(272 546)	(13 440)	(31 455)	(727 360)
Amortisation	(77 576)	(37 332)	(1 438)	(188)	(116 534)
Other operating expenses	(16 399)	(16 023)	(16 938)	(13 923)	(63 283)
Operating profit	593 448	406 955	52 165	(179 139)	873 429
Taxes on Group balance sheet items	(90 476)	(55 261)	(2 936)	(11 166)	(159 839)
Gross profit / (loss) of the segment	502 972	351 694	49 229	(190 305)	713 590
Income tax					(201 266)
Net profit / (loss) attributable to Owners of mBank S.A.					512 329
Net profit / (loss) attributable to non-controlling interests					(5)

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

31.03.2023	Retail Banking	Corporate and Investment Banking	Treasury and Other	FX Mortgage Loans	Total figure for the Group
Assets of the segment	69 428 001	51 127 120	89 907 594	7 066 457	217 529 172
Liabilities of the segment	129 029 432	55 166 471	19 285 458	783 102	204 264 463

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

Information about geographical areas on the activities of mBank S.A. Group for the period from 1 January to 31 March 2023 and for the period from 1 January to 31 March 2022.

	period from 1 January to 31 March 2023			period from 1 January to 31 March 2022		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	1 964 310	128 116	2 092 426	1 413 574	93 018	1 506 592
Net fee and commission income	489 286	11 777	501 063	573 540	17 197	590 737
Dividend income	122	-	122	835	-	835
Trading income	5 469	1 723	7 192	94 185	1 442	95 627
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	14 531	-	14 531	(8 881)	-	(8 881)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(48 594)	(241)	(48 835)	(20 048)	(7)	(20 055)
Other operating income	72 607	6 127	78 734	65 154	1 198	66 352
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(221 318)	(11 423)	(232 741)	(250 498)	(7 349)	(257 847)
Costs of legal risk related to foreign currency loans	(808 488)	-	(808 488)	(192 754)	-	(192 754)
Overhead costs	(692 311)	(43 292)	(735 603)	(685 478)	(41 882)	(727 360)
Amortisation	(115 662)	(3 622)	(119 284)	(113 240)	(3 294)	(116 534)
Other operating expenses	(85 073)	(4 591)	(89 664)	(62 502)	(781)	(63 283)
Operating profit	574 879	84 574	659 453	813 887	59 542	873 429
Taxes on Group balance sheet items	(175 330)	(14 668)	(189 998)	(147 757)	(12 082)	(159 839)
Gross profit / (loss) of the segment	399 549	69 906	469 455	666 130	47 460	713 590
Income tax			(326 721)			(201 266)
Net profit / (loss) attributable to Owners of mBank S.A.			142 815			512 329
Net profit / (loss) attributable to non-controlling interests			(81)			(5)

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

	31.03.2023			31.12.2022		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Assets of the segment, including:	207 013 207	10 515 965	217 529 172	199 392 516	10 499 597	209 892 113
- fixed assets	3 032 795	52 339	3 085 134	2 960 017	53 532	3 013 549
- deferred income tax assets	1 630 304	5 556	1 635 860	1 870 220	5 508	1 875 728
Liabilities of the segment	186 782 883	17 481 580	204 264 463	180 017 783	17 159 299	197 177 082

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5. Net interest income

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Interest income			
Interest income accounted for using the effective interest method		3 554 077	1 688 952
Interest income of financial assets at amortised cost, including:		3 065 844	1 565 732
- <i>Loans and advances</i>		2 652 400	1 426 479
- <i>Debt securities</i>		133 706	91 261
- <i>Cash and short-term placements</i>		183 958	33 964
- <i>Gains or losses on non-substantial modification (net)</i>		51 168	(2 100)
- <i>Other</i>		44 612	16 128
Interest income on financial assets at fair value through other comprehensive income, including:		488 233	123 220
- <i>Debt securities</i>		488 233	123 220
Income similar to interest on financial assets at fair value through profit or loss		84 576	34 592
Financial assets held for trading, including:		17 435	5 238
- <i>Loans and advances</i>		1 189	740
- <i>Debt securities</i>		16 246	4 498
Non-trading financial assets mandatorily at fair value through profit or loss, including:		31 621	24 613
- <i>Loans and advances</i>		31 621	24 613
Interest income on derivatives classified into banking book		35 520	4 741
Total interest income		3 638 653	1 723 544

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

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Interest expenses			
Financial liabilities held for trading		(3 642)	(1 774)
Financial liabilities measured at amortised cost, including:		(1 147 227)	(147 859)
- <i>Deposits</i>		(1 011 121)	(72 504)
- <i>Loans received</i>		(1 149)	(1 080)
- <i>Issue of debt securities</i>		(78 849)	(49 251)
- <i>Subordinated liabilities</i>		(45 382)	(17 552)
- <i>Other financial liabilities</i>		(10 046)	(6 796)
- <i>Lease liabilities</i>		(680)	(676)
Interest expenses on derivatives concluded under the fair value hedge		(212 901)	(21 640)
Interest expenses on derivatives concluded under the cash flow hedge		(182 433)	(37 024)
Other		(24)	(8 655)
Total interest expense		(1 546 227)	(216 952)

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6. Net fee and commission income

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Fee and commission income			
Payment cards-related fees		156 234	151 024
Credit-related fees and commissions		155 347	147 182
Commissions from currency transactions		120 633	124 816
Commissions from bank accounts		76 504	128 439
Commissions from money transfers		56 673	51 710
Fees from brokerage activity and debt securities issue		45 498	58 855
Commissions for agency service regarding sale of insurance products of external financial entities		33 666	30 059
Commissions due to guarantees granted and trade finance commissions		28 373	26 109
Fees from cash services		19 471	13 325
Commissions for agency service regarding sale of other products of external financial entities		14 286	23 439
Commissions on trust and fiduciary activities		7 386	8 667
Fees from portfolio management services and other management-related fees		6 024	7 190
Other		17 689	14 851
Total fee and commission income		737 784	785 666

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Fee and commission expense			
Payment cards-related fees		(69 529)	(63 200)
Commissions paid to external entities for sale of the Group's products		(52 386)	(39 091)
Commissions of insurance products		(3 846)	(3 489)
Commissions paid for sale of external financial entities' products		(7 205)	(10 444)
Discharged brokerage fees		(9 774)	(9 917)
Cash services		(9 235)	(8 963)
Fees to NBP, KIR and GPW Benchmark		(3 956)	(4 212)
Other discharged fees		(80 790)	(55 613)
Total fee and commission expense		(236 721)	(194 929)

7. Dividend income

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Non-trading financial assets mandatorily at fair value through profit or loss		122	335
Investments in non-consolidated subsidiaries		-	500
Total dividend income		122	835

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8. Net trading income

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Foreign exchange result		(22 947)	100 887
Net exchange differences on translation		62 268	(9 414)
Net transaction gains/losses		(85 215)	110 301
Gains or losses on financial assets and liabilities held for trading		30 684	(643)
Derivatives, including:		28 754	(347)
- <i>Interest-bearing instruments</i>		23 056	(10 045)
- <i>Market risk instruments</i>		5 698	9 698
Equity instruments		(798)	-
Debt securities		3 292	(108)
Loans and advances		(564)	(188)
Gains or losses from hedge accounting		(545)	(4 617)
Net profit on hedged items		(315 078)	712 929
Net profit on fair value hedging instruments		312 631	(708 956)
Ineffective portion of cash flow hedge		1 902	(8 590)
Net trading income		7 192	95 627

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

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

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

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Equity instruments		16 265	(11)
Debt securities		3 713	1 807
Loans and advances		(5 447)	(10 677)
Total gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		14 531	(8 881)

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

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Gains less losses from derecognition, including:		(48 835)	(21 807)
- <i>Financial assets measured at fair value through other comprehensive income</i>		(47 880)	(21 179)
- <i>Financial assets at amortised cost</i>		(955)	(628)
Gains less losses related to sale and revaluation of investments in subsidiaries and associates		-	1 752
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss		(48 835)	(20 055)

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11. Other operating income

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories		19 730	19 953
Income from services provided		3 987	4 014
Net income from operating lease and right-of-use assets in sublease		2 522	2 549
Rental income from investment properties		119	2
Income due to release of provisions for future commitments		20 520	1 700
Income from recovering receivables designated previously as prescribed, remitted or uncollectible		641	574
Income from compensations, penalties and fines received		383	67
Net revenues from the sale of an organised part of the company mFinanse S.A.		4 500	10 400
Gains from sale and valuation of investment in subsidiaries and associates		1 018	-
Other		25 314	27 093
Total other operating income		78 734	66 352

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

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

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

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Net operating income due to operating lease and subleasing right-of-use assets, including:			
- Income from operating lease		7 039	8 113
- Income from right-of-use assets in sublease		1 531	1 073
- Depreciation cost of fixed assets provided under operating lease and right-of-use assets in sublease		(6 048)	(6 637)
Total net operating income due to operating lease and subleasing right-of-use assets		2 522	2 549

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

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Financial assets at amortised cost, including:			
Debt securities		(438)	(1 219)
<i>Stage 1</i>		(438)	(1 219)
Loans and advances		(184 323)	(262 649)
<i>Stage 1</i>		8 221	(39 292)
<i>Stage 2</i>		4 910	(1 271)
<i>Stage 3</i>		(210 322)	(207 180)
<i>POCI</i>		12 868	(14 906)
Financial assets at fair value through other comprehensive income, including:		(1 819)	(623)
Debt securities		(1 819)	(623)
<i>Stage 1</i>		(1 819)	(1 211)
<i>Stage 2</i>		-	588
Commitments and guarantees given		13 155	6 644
<i>Stage 1</i>		(123)	(2 601)
<i>Stage 2</i>		264	(1 718)
<i>Stage 3</i>		12 335	5 615
<i>POCI</i>		679	5 348
Liabilities from the issue of credit linked notes (CLN)		(59 316)	-
Net impairment losses on financial assets not measured at fair value through profit or loss		(232 741)	(257 847)

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

13. Overhead costs

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Staff-related expenses		(338 716)	(294 285)
Material costs, including:		(201 759)	(174 165)
- costs of administration and real estate services		(85 989)	(69 745)
- IT costs		(61 707)	(48 555)
- marketing costs		(37 137)	(30 567)
- consulting costs		(12 142)	(21 711)
- other material costs		(4 784)	(3 587)
Taxes and fees		(9 401)	(8 509)
Contributions and transfers to the Bank Guarantee Fund		(182 888)	(246 232)
Contributions to the Social Benefits Fund		(2 839)	(4 169)
Total overhead costs		(735 603)	(727 360)

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

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Wages and salaries		(263 005)	(233 694)
Social security expenses		(51 702)	(45 969)
Employee contributions related to post-employment benefits		-	(26)
Remuneration concerning share-based payments, including:		(1 921)	(4 191)
- share-based payments settled in mBank S.A. shares		(1 835)	(4 044)
- cash-settled share-based payments		(86)	(147)
Other staff expenses		(22 088)	(10 405)
Staff-related expenses, total		(338 716)	(294 285)

14. Other operating expense

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories		(14 919)	(14 169)
Provisions for future commitments		(42 109)	(11 922)
Costs arising from provisions created for other receivables (excluding loans and advances)		(652)	(669)
Donations made		(2 095)	(5 057)
Compensation, penalties and fines paid		(656)	(614)
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the period		(1 068)	(1 663)
Debt collection expenses		(4 418)	(8 876)
Losses from sale and valuation of investment in subsidiaries and associates		(12 525)	-
Other operating costs		(11 222)	(20 313)
Total other operating expenses		(89 664)	(63 283)

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

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15. Earnings / (losses) per share

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Basic:			
Net profit / (loss) attributable to Owners of mBank S.A.		142 815	512 329
Weighted average number of ordinary shares		42 433 495	42 384 884
Net basic profit / (loss) per share (in PLN per share)		3.37	12.09
Diluted:			
Net profit / (loss) attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share		142 815	512 329
Weighted average number of ordinary shares		42 433 495	42 384 884
Adjustments for:			
- share options and subscription warrants		88 430	106 255
Weighted average number of ordinary shares for calculation of diluted earnings per share		42 521 925	42 491 139
Diluted earnings / (losses) per share (in PLN per share)		3.36	12.06

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

	31.03.2023	31.12.2022
Derivatives, including:	1 182 442	1 500 695
- Held for trading derivative financial instruments classified into banking book	451 428	593 653
- Held for trading derivative financial instruments classified into trading book	982 041	1 199 748
- Derivative financial instruments held for fair value hedging	115 754	121 875
- Derivative financial instruments held for cash flow hedging	22 002	36 814
- Offsetting effect	(388 783)	(451 395)
Equity instruments	5 331	6 129
- Non-financial corporations	5 331	6 129
Debt securities	1 381 269	978 108
- General governments, including:	1 033 399	670 227
<i>pledged securities</i>	280 681	278 219
- Credit institutions	24 190	24 212
- Other financial corporations	89 207	101 887
- Non-financial corporations	234 473	181 782
Loans and advances	37 934	39 720
- Corporate customers	37 934	39 720
Total financial assets held for trading and derivatives held for hedges	2 606 976	2 524 652

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

Financial liabilities held for trading and derivatives held for hedges

	31.03.2023	31.12.2022
Derivatives, including:	1 567 414	1 825 573
- Held for trading derivative financial instruments classified into banking book	313 502	395 883
- Held for trading derivative financial instruments classified into trading book	1 507 927	1 767 202
- Derivative financial instruments held for fair value hedging	1 816 787	2 106 851
- Derivative financial instruments held for cash flow hedging	499 215	679 253
- Offsetting effect	(2 570 017)	(3 123 616)
Liabilities from short sale of securities	625 919	260 538
Total financial liabilities held for trading and derivatives held for hedges	2 193 333	2 086 111

Derivative financial instruments

The Group has the following types of derivative instruments:

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

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

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

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

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

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

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

Hedge accounting

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

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

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

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

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

The sources of hedge ineffectiveness for hedging relationships for which the ineffectiveness arises include mismatch of cash flow dates and repricing periods, base mismatch (e.g. another WIBOR), nominal

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mismatch in case when the hedge ratio is different than 1:1, CVA/DVA mismatch which is in hedging instrument and is not in hedged instrument and mismatch due to initial valuation of hedging instruments if a previously acquired derivative was included in hedging relationship.

Fair value hedge accounting

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

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

Description of the hedging relation

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

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

Hedged items

The hedged items are:

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

Hedging instruments

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

Presentation of the result from hedged and hedging transactions

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

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

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Interest income / expense on derivatives concluded under the fair value hedge accounting (Note 5)		(212 901)	(21 640)
Net profit on hedged items (Note 8)		(315 078)	712 929
Net profit on fair value hedging instruments (Note 8)		312 631	(708 956)
The total results of fair value hedge accounting recognised in the income statement		(215 348)	(17 667)

Cash flow hedge accounting

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

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

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

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

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

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

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

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

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

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

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

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

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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 April 2023 to September 2025.

The following note presents other comprehensive income due to cash flow hedges for the period from 1 January to 31 March 2023 and for the period from 1 January to 31 March 2022.

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Other gross comprehensive income from cash flow hedge and cost of hedge at the beginning of the period		(950 325)	(617 534)
Unrealised gains/losses resulting from hedge included in other gross comprehensive income during the reporting period		(14 765)	(443 935)
The amount transferred in the period from other comprehensive income to profit and loss		186 753	21 094
- <i>net interest income</i>		182 433	37 024
- <i>foreign exchange result</i>		4 320	(15 930)
Accumulated other gross comprehensive income from cash flow hedge and cost of hedge at the end of the reporting period		(778 337)	(1 040 375)
Income tax on accumulated other comprehensive income at the end of the reporting period		147 884	197 671
Accumulated other net comprehensive income from cash flow hedge and cost of hedge at the end of the reporting period		(630 453)	(842 704)
Impact on other comprehensive income in the reporting period (gross)		171 988	(422 841)
Tax on cash flow hedges		(32 678)	80 339
Impact on other comprehensive income in the reporting period (net)		139 310	(342 502)

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Gains/losses recognised in comprehensive income (gross) during the reporting period, including:			
Unrealised gains/losses included in other comprehensive income (gross)		171 988	(422 841)
Results of cash flow hedge accounting recognised in the income statement		(184 851)	(29 684)
- <i>amount included as interest income / expense in income statement during the reporting period (Note 5)</i>		(182 433)	(37 024)
- <i>ineffective portion of hedge recognised included in other net trading income in income statement (Note 8)</i>		1 902	(8 590)
- <i>foreign exchange result</i>		(4 320)	15 930
Impact on other comprehensive income in the reporting period (gross)		(12 863)	(452 525)

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

	31.03.2023	31.12.2022
Equity instruments	184 761	185 788
- Other financial corporations	141 962	133 100
- Non-financial corporations	42 799	52 688
Debt securities	47 641	45 009
- Other financial corporations	47 641	45 009
Loans and advances	748 320	813 392
- Individual customers	648 468	690 795
- Corporate customers	99 803	122 509
- Public sector customers	49	88
Total non-trading financial assets mandatorily at fair value through profit or loss	980 722	1 044 189
Short-term (up to 1 year)	630 315	692 237
Long-term (over 1 year)	350 407	351 952

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18. Financial assets at fair value through other comprehensive income

31.03.2023	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	36 768 581	36 778 958	-	-	-	(10 377)	-	-	-
- Central banks	20 135 051	20 138 772	-	-	-	(3 721)	-	-	-
- General governments, including:	14 115 507	14 118 128	-	-	-	(2 621)	-	-	-
<i>pledged securities</i>	685 662	685 662	-	-	-	-	-	-	-
- Credit institutions	353 152	353 874	-	-	-	(722)	-	-	-
- Other financial institutions, including:	1 464 947	1 465 488	-	-	-	(541)	-	-	-
<i>pledged securities</i>	364 088	364 088	-	-	-	-	-	-	-
- Non-financial corporations	699 924	702 696	-	-	-	(2 772)	-	-	-
Total financial assets at fair value through other comprehensive income	36 768 581	36 778 958	-	-	-	(10 377)	-	-	-

Short-term (up to 1 year) gross 27 883 742

Long-term (over 1 year) gross 8 895 216

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, including:	1 445 590	1 446 001	-	-	-	(411)	-	-	-
<i>pledged securities</i>	415 618	415 618	-	-	-	-	-	-	-
- Non-financial corporations	711 397	713 709	-	-	-	(2 312)	-	-	-
Total financial assets at fair value through other comprehensive income	35 117 450	35 126 009	-	-	-	(8 559)	-	-	-

Short-term (up to 1 year) gross 24 366 750

Long-term (over 1 year) gross 10 759 259

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

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

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

Change from 1 January to 31 March 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Changes in credit risk	Other movements	As at the end of the period
Debt securities	(8 559)	-	-	-	(12 067)	11 141	(893)	1	(10 377)
Stage 1	(8 559)	-	-	-	(12 067)	11 141	(893)	1	(10 377)
Expected credit losses allowance, total	(8 559)	-	-	-	(12 067)	11 141	(893)	1	(10 377)

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

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

Change from 1 January to 31 March 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Other movements	As at the end of the period
Debt securities	35 126 009	-	-	-	20 721 822	(19 359 105)	290 232	36 778 958
Stage 1	35 126 009	-	-	-	20 721 822	(19 359 105)	290 232	36 778 958
Gross carrying amount, total	35 126 009	-	-	-	20 721 822	(19 359 105)	290 232	36 778 958

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

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19. Financial assets at amortised cost

31.03.2023	Carrying amount	Gross carrying amount including valuation to fair value				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	19 413 521	19 416 889	-	-	-	(3 368)	-	-	-
- General governments, including:	13 743 465	13 745 944	-	-	-	(2 479)	-	-	-
<i>pledged securities</i>	1 267 735	1 267 735	-	-	-	-	-	-	-
- Credit institutions	2 150 889	2 151 283	-	-	-	(394)	-	-	-
- Other financial corporations	3 519 167	3 519 662	-	-	-	(495)	-	-	-
<i>pledged securities</i>	1 011 703	1 011 703	-	-	-	-	-	-	-
Loans and advances to banks	13 438 881	13 436 959	2 945	-	-	(539)	(484)	-	-
Loans and advances to customers	120 747 198	110 972 162	8 250 539	4 555 236	235 486	(394 566)	(379 803)	(2 550 119)	58 263
Individual customers	67 697 804	63 038 783	4 053 233	2 335 799	147 850	(219 350)	(282 830)	(1 347 572)	(28 109)
Corporate customers	52 950 200	47 834 092	4 197 304	2 219 435	87 636	(175 121)	(96 973)	(1 202 545)	86 372
Public sector customers	99 194	99 287	2	2	-	(95)	-	(2)	-
Total financial assets at amortised cost	153 599 600	143 826 010	8 253 484	4 555 236	235 486	(398 473)	(380 287)	(2 550 119)	58 263
Short-term (up to 1 year) gross	55 997 472								
Long-term (over 1 year) gross	100 872 744								

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

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

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

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

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Loans and advances to customers

Loans and advances to customers 31.03.2023	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	14 937 128	8 137 428	6 794 629	5 071
Term loans, including:	88 162 302	61 406 608	26 661 474	94 220
- housing and mortgage loans to natural persons	46 873 339	46 873 339		
Reverse repo or buy/sell back	4 157 400	-	4 157 400	-
Finance leases	13 498 974	-	13 498 974	-
Other loans and advances	3 153 587	-	3 153 587	-
Other receivables	104 032	31 629	72 403	-
Total gross carrying amount	124 013 423	69 575 665	54 338 467	99 291
Loans and advances to customers 31.03.2023	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	(868 581)	(705 924)	(162 629)	(28)
Term loans, including:	(1 859 406)	(1 171 937)	(687 400)	(69)
- housing and mortgage loans to natural persons	(493 459)	(493 459)		
Finance leases	(494 461)	-	(494 461)	-
Other loans and advances	(38 965)	-	(38 965)	-
Other receivables	(4 812)	-	(4 812)	-
Total accumulated impairment	(3 266 225)	(1 877 861)	(1 388 267)	(97)
Total gross carrying amount	124 013 423	69 575 665	54 338 467	99 291
Total accumulated impairment	(3 266 225)	(1 877 861)	(1 388 267)	(97)
Total carrying amount	120 747 198	67 697 804	52 950 200	99 194
Short-term (up to 1 year) gross	39 320 655			
Long-term (over 1 year) gross	84 692 768			
Loans and advances to customers 31.12.2022	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	14 702 210	8 015 011	6 680 908	6 291
Term loans, including:	89 526 212	62 394 979	27 029 870	101 363
- housing and mortgage loans to natural persons	48 094 082	48 094 082		
Reverse repo or buy/sell back	1 611 154	-	1 611 154	-
Finance leases	13 351 537	-	13 351 537	-
Other loans and advances	3 301 814	-	3 301 814	-
Other receivables	91 315	21 377	69 938	-
Total gross carrying amount	122 584 242	70 431 367	52 045 221	107 654
Loans and advances to customers 31.12.2022	Accumulated impairment	including:		
		Individual customers	Corporate customers	Public customers
Current accounts	(839 171)	(680 444)	(158 711)	(16)
Term loans, including:	(1 890 949)	(1 164 635)	(725 223)	(1 091)
- housing and mortgage loans to natural persons	(501 397)	(501 397)		
Finance leases	(476 832)	-	(476 832)	-
Other loans and advances	(42 904)	-	(42 904)	-
Other receivables	(4 356)	-	(4 356)	-
Total accumulated impairment	(3 254 212)	(1 845 079)	(1 408 026)	(1 107)
Total gross carrying amount	122 584 242	70 431 367	52 045 221	107 654
Total accumulated impairment	(3 254 212)	(1 845 079)	(1 408 026)	(1 107)
Total carrying amount	119 330 030	68 586 288	50 637 195	106 547
Short-term (up to 1 year) gross	36 669 622			
Long-term (over 1 year) gross	85 914 620			

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(PLN thousand)

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

	31.03.2023	31.12.2022
Net housing and mortgage loans to natural persons (in PLN thousand), including:	46 379 880	47 592 685
- PLN	31 989 475	31 930 717
- CHF	4 961 344	6 141 673
- EUR	3 948 973	4 035 996
- CZK	5 305 244	5 301 068
- USD	162 110	169 647
- Other	12 734	13 584
Net housing and mortgage loans to natural persons in original currencies (main currencies in thousand)		
- PLN	31 989 475	31 930 717
- CHF	1 058 849	1 288 130
- EUR	844 610	860 572
- CZK	26 699 768	27 296 952
- USD	37 758	38 540

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

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

31.03.2023											
No.	Sectors	Carrying amount	Gross carrying amount				%	Accumulated impairment			
			Stage 1	Stage 2	Stage 3	POCI		Stage 1	Stage 2	Stage 3	POCI
1.	Individual customers	67 697 804	63 038 783	4 053 233	2 335 799	147 850	56.10%	(219 350)	(282 830)	(1 347 572)	(28 109)
2.	Real estate	6 331 591	5 301 706	635 786	625 163	41 415	5.33%	(30 484)	(26 795)	(218 831)	3 631
3.	Financial activities	5 390 118	5 383 564	9 316	11 414	16	4.36%	(4 894)	(209)	(9 089)	-
4.	Construction	5 129 760	4 411 035	458 002	517 612	13 845	4.35%	(24 568)	(9 931)	(241 041)	4 806
5.	Food sector	3 485 414	3 237 820	194 185	124 086	7 472	2.87%	(7 650)	(9 649)	(71 762)	10 912
6.	Transport and logistics	3 107 269	2 589 789	509 491	85 440	776	2.57%	(7 768)	(15 187)	(68 553)	13 281
7.	Metals	2 626 048	2 399 192	210 778	50 702	1 722	2.15%	(6 972)	(2 018)	(26 956)	(400)
8.	Construction materials	2 192 068	1 791 036	375 625	49 060	10 485	1.80%	(4 443)	(1 935)	(27 173)	(587)
9.	Power and heating distribution	2 115 006	2 105 398	16 429	74 711	-	1.77%	(19 707)	(115)	(61 710)	-
10.	Motorisation	2 118 869	1 925 833	176 768	49 772	174	1.74%	(3 266)	(1 380)	(28 889)	(143)
11.	Chemicals and plastic products	1 987 222	1 891 238	76 783	38 818	252	1.62%	(4 432)	(703)	(16 998)	2 264
12.	Scientific and technical activities	1 767 266	1 689 939	81 983	50 598	7 511	1.48%	(11 016)	(1 809)	(42 439)	(7 501)
13.	Wholesale trade	1 573 886	1 439 749	113 407	85 006	-	1.32%	(3 671)	(2 503)	(58 102)	-
14.	Retail trade	1 421 817	1 332 485	88 883	25 517	9	1.17%	(4 212)	(1 584)	(19 281)	-
15.	Wood, furniture and paper products	1 335 699	1 193 738	90 390	90 335	153	1.11%	(1 959)	(931)	(82 808)	46 781
16.	Fuel	1 260 250	1 223 123	28 884	23 011	1 057	1.03%	(4 488)	(212)	(10 388)	(737)
17.	Human health	1 049 647	1 006 058	46 981	9 912	62	0.86%	(4 563)	(1 216)	(7 559)	(28)
18.	IT	1 011 254	996 047	17 791	8 145	79	0.82%	(4 548)	(319)	(5 933)	(8)
19.	Rental and leasing activities	960 817	918 522	35 724	27 883	-	0.79%	(1 997)	(443)	(18 872)	-
20.	Other	8 185 393	7 097 107	1 030 100	272 252	2 608	6.76%	(24 578)	(20 034)	(186 163)	14 101
Total		120 747 198	110 972 162	8 250 539	4 555 236	235 486	100.00%	(394 566)	(379 803)	(2 550 119)	58 263

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

Movements in expected credit losses allowance

Change from 1 January to 31 March 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Changes in credit risk	Write-offs	Other movements	As at the end of the period
Debt securities	(2 931)	-	-	-	(138)	206	(506)	-	1	(3 368)
Stage 1	(2 931)	-	-	-	(138)	206	(506)	-	1	(3 368)
Loans and advances to banks	(1 503)	-	-	-	(177)	292	331	-	34	(1 023)
Stage 1	(563)	-	3	-	(146)	273	(140)	-	34	(539)
Stage 2	(940)	-	(3)	-	(31)	19	471	-	-	(484)
Loans and advances to customers	(3 254 212)	-	-	-	(52 859)	89 225	(221 135)	193 215	(20 459)	(3 266 225)
Stage 1	(402 616)	(70 348)	28 792	2 503	(32 898)	20 217	59 965	-	(181)	(394 566)
Stage 2	(385 880)	66 555	(43 105)	79 558	(4 104)	5 529	(99 979)	-	1 623	(379 803)
Stage 3	(2 511 202)	3 793	14 313	(82 061)	(20 843)	60 232	(185 756)	190 923	(19 518)	(2 550 119)
POCI	45 486	-	-	-	4 986	3 247	4 635	2 292	(2 383)	58 263
Expected credit losses allowance, total	(3 258 646)	-	-	-	(53 174)	89 723	(221 310)	193 215	(20 424)	(3 270 616)

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

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

Change from 1 January to 31 March 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	New financial assets originated or purchased	Financial assets derecognised during the period	Write-offs	Other movements	As at the end of the period
Debt securities	19 005 458	-	-	-	1 555 491	(1 252 618)	-	108 558	19 416 889
Stage 1	19 005 458	-	-	-	1 555 491	(1 252 618)	-	108 558	19 416 889
Loans and advances to banks	9 807 765	-	-	-	11 902 552	(8 747 174)	-	476 761	13 439 904
Stage 1	9 805 334	26	(997)	-	11 901 674	(8 747 007)	-	477 929	13 436 959
Stage 2	2 431	(26)	997	-	878	(167)	-	(1 168)	2 945
Loans and advances to customers	122 584 242	-	-	-	12 736 482	(8 833 447)	(193 215)	(2 280 639)	124 013 423
Stage 1	109 531 005	1 145 457	(1 734 273)	(150 755)	12 365 017	(8 112 367)	-	(2 071 922)	110 972 162
Stage 2	8 311 891	(1 124 182)	1 796 861	(344 495)	234 282	(469 943)	-	(153 875)	8 250 539
Stage 3	4 512 035	(21 275)	(62 588)	484 195	99 087	(234 929)	(190 923)	(30 366)	4 555 236
POCI	229 311	-	-	11 055	38 096	(16 208)	(2 292)	(24 476)	235 486
Financial assets at amortised cost, gross	151 397 465	-	-	-	26 194 525	(18 833 239)	(193 215)	(1 695 320)	156 870 216

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

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

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

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

On 29 March 2023 the Bank sold the property.

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

Non-current assets held for sale	31.03.2023	31.12.2022
Fixed asset	-	26 747
Total non-current assets held for sale	-	26 747
Liabilities classified as held for sale	31.03.2023	31.12.2022
Financial liabilities measured at amortised cost, including:	-	7 375
<i>Lease liabilities</i>	-	7 375
Total liabilities classified as held for sale	-	7 375

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21. Intangible assets

	31.03.2023	31.12.2022
Goodwill	24 228	24 228
Patents, licences and similar assets, including:	1 097 111	1 093 558
- <i>computer software</i>	983 804	975 468
Other intangible assets	14 916	15 770
Intangible assets under development	295 292	258 151
Total intangible assets	1 431 547	1 391 707

22. Tangible assets

	31.03.2023	31.12.2022
Tangible assets, including:	634 630	651 403
- land	653	653
- buildings and structures	42 020	42 885
- equipment	208 284	218 885
- vehicles	175 813	175 851
- other fixed assets	207 860	213 129
Fixed assets under construction	40 517	47 091
The right to use, including:	841 531	786 439
- real estate	837 137	781 408
- the right of perpetual usufruct of land	2 138	2 146
- cars	1 684	1 924
- other	572	961
Total tangible assets	1 516 678	1 484 933

23. Investment properties

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

	31.03.2023	31.12.2022
Gross value as at the beginning of the period	136 909	127 510
Increase (due to):	-	12 862
- revaluation gains from fair value adjustments	-	12 862
Decrease (due to):	-	(3 463)
- revaluation losses from fair value adjustments	-	(3 463)
As at the end of the period	136 909	136 909

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

31.03.2023	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
Deposits	988 036	179 326 657	128 841 162	49 906 191	579 304
Current accounts	521 197	137 283 364	97 668 878	39 154 274	460 212
Term deposits	371 541	41 833 197	31 172 284	10 541 821	119 092
Repo or sell/buy back transactions	95 298	210 096	-	210 096	-
Loans and advances received	1 876 741	-	-	-	-
Other financial liabilities	818 879	1 590 332	201 376	1 388 929	27
Liabilities in respect of cash collaterals	596 557	561 742	38 942	522 800	-
Other	222 322	1 028 590	162 434	866 129	27
Total financial liabilities measured at amortised cost	3 683 656	180 916 989	129 042 538	51 295 120	579 331
Short-term (up to 1 year)	1 684 385	180 706 522			
Long-term (over 1 year)	1 999 271	210 467			

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

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

Debt securities issued

	31.03.2023	31.12.2022
Debt securities issued	8 387 166	9 465 479

As at 31 March 2023 the item Debt securities issued comprises the liabilities due to issue of credit linked notes ("CLNs") related to the synthetic securitisation transaction referencing a portfolio of corporate and small and medium enterprises loans with a total value of PLN 983 399 thousand (PLN 922 410 thousand as at 31 December 2022). The detailed information about the abovementioned transactions is presented in the Note 29 of Consolidated financial statements of mBank S.A. Group for 2022, published on 2 March 2023.

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

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25. Provisions

	31.03.2023	31.12.2022
Provisions for legal proceedings, including:	828 904	767 508
- provisions for legal proceedings relating to loans in foreign currencies	775 644	718 128
- provisions for remaining legal proceedings	53 260	49 380
Provisions for commitments and guarantees given	285 817	301 592
Provisions for post-employment benefits	19 598	21 331
Other provisions	220 760	271 828
Provisions, total	1 355 079	1 362 259

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

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

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

Movements in the provisions

Change from 1 January to 31 March 2023	Provisions for legal proceedings relating to loans in foreign currencies	Provisions for remaining legal proceedings	Other provisions
Provisions as at the beginning of the period	718 128	49 380	271 828
Change in the period, due to:	57 516	3 880	(51 068)
- increase of provisions	96 283	13 222	25 070
- release of provisions	(113)	(6 682)	(10 228)
- utilisation	(28 445)	(2 805)	(29 213)
- reclassification to other financial statement items	-	-	(36 690)
- foreign exchange differences	(10 209)	145	(7)
Provisions as at the end of the period	775 644	53 260	220 760

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

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

Change from 1 January to 31 March 2023	As at the beginning of the period	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Increases due to granting and takeover	Decreased results of derecognised from balance sheet	Changes in credit risk	Other movements	As at the end of the period
Loan commitments	78 091	-	-	-	16 755	(14 132)	(9 470)	(37)	71 207
Stage 1	39 344	3 490	(613)	(26)	13 222	(8 280)	(7 752)	(23)	39 362
Stage 2	14 026	(3 281)	889	(287)	1 326	(2 128)	3 558	-	14 103
Stage 3	24 276	(209)	(276)	313	2 172	(3 600)	(5 330)	(7)	17 339
POCI	445	-	-	-	35	(124)	54	(7)	403
Guarantees and other financial facilities	223 501	-	-	-	5 105	(12 310)	897	(2 583)	214 610
Stage 1	4 786	(7)	-	-	2 140	(1 599)	(452)	(8)	4 860
Stage 2	1 084	7	(33)	-	205	(263)	(257)	(1)	742
Stage 3	219 228	-	33	-	3 775	(10 448)	1 235	(2 214)	211 609
POCI	(1 597)	-	-	-	(1 015)	-	371	(360)	(2 601)
Total provisions on off-balance sheet items	301 592	-	-	-	21 860	(26 442)	(8 573)	(2 620)	285 817

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

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26. Assets and liabilities for deferred income tax

Deferred income tax assets	31.03.2023	31.12.2022
As at the beginning of the period	2 492 315	1 933 063
Changes recognised in the income statement	(107 602)	496 606
Changes recognised in other comprehensive income	(101 055)	70 312
Other changes	(11 694)	(7 666)
As at the end of the period	2 271 964	2 492 315
Offsetting effect	(636 104)	(616 587)
As at the end of the period, net	1 635 860	1 875 728

Provisions for deferred income tax	31.03.2023	31.12.2022
As at the beginning of the period	(616 587)	(540 802)
Changes recognised in the income statement	(24 835)	(78 661)
Changes recognised in other comprehensive income	6 005	2 626
Other changes	(687)	250
As at the end of the period	(636 104)	(616 587)
Offsetting effect	636 104	616 587
As at the end of the period, net	-	-

Income tax	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Current income tax	(194 284)	(291 806)
Deferred income tax recognised in the income statement	(132 437)	90 540
Income tax recognised in the income statement	(326 721)	(201 266)
Recognised in other comprehensive income	(95 050)	151 044
Total income tax	(421 771)	(50 222)

27. Retained earnings

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

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

	31.03.2023	31.12.2022
Other supplementary capital	8 740 349	8 740 349
Other reserve capital	108 843	107 008
General banking risk reserve	1 153 753	1 153 753
Profit from the previous year	624 726	1 327 417
Profit for the current year	142 815	(702 691)
Total retained earnings	10 770 486	10 625 836

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

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

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28. Other components of equity

	31.03.2023	31.12.2022
Exchange differences on translating foreign operations	8 339	8 700
Unrealised gains (foreign exchange gains)	14 037	30 133
Unrealised losses (foreign exchange losses)	(5 698)	(21 433)
Cash flow hedges	(643 091)	(796 868)
Unrealised gains	19 991	38 796
Unrealised losses	(813 930)	(1 022 584)
Deferred income tax	150 848	186 920
Cost of hedge	12 638	27 105
Unrealised gains	15 602	33 463
Deferred income tax	(2 964)	(6 358)
Valuation of debt securities at fair value through other comprehensive income	(494 788)	(760 946)
Unrealised gains on debt instruments	20 123	15 155
Unrealised losses on debt instruments	(630 990)	(954 552)
Deferred income tax	116 079	178 451
Actuarial gains and losses relating to post-employment benefits	(7 040)	(7 040)
Actuarial gains	1 499	1 499
Actuarial losses	(10 191)	(10 191)
Deferred income tax	1 652	1 652
Reclassification of investment properties	11 436	11 436
Gains or losses on investment properties included in other comprehensive income	14 118	14 118
Deferred income tax	(2 682)	(2 682)
Total other components of equity	(1 112 506)	(1 517 613)

29. Fair value of asset and liabilities

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

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

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

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

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

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Financial assets and liabilities at amortised cost

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

	31.03.2023		31.12.2022	
	Book value	Fair value	Book value	Fair value
Financial assets at amortised cost				
Debt securities	19 413 521	17 569 279	19 002 527	16 716 128
Loans and advances to banks	13 438 881	13 443 261	9 806 262	9 808 593
Loans and advances to customers, including:	120 747 198	120 598 676	119 330 030	118 635 928
Loans and advances to individuals	67 697 804	67 851 065	68 586 288	68 379 524
Current accounts	7 431 504	7 874 820	7 334 567	7 776 122
Term loans	60 234 671	59 944 616	61 230 344	60 582 025
Other	31 629	31 629	21 377	21 377
Loans and advances to corporate entities	52 950 200	52 648 735	50 637 195	50 150 850
Current accounts	6 632 000	6 525 774	6 522 197	6 368 367
Term loans and finance lease	38 978 587	38 783 262	39 179 352	38 846 942
Reverse repo or buy/sell back transactions	4 157 400	4 157 400	1 611 154	1 611 154
Other loans and advances	3 114 622	3 114 708	3 258 910	3 258 805
Other	67 591	67 591	65 582	65 582
Loans and advances to public sector	99 194	98 876	106 547	105 554
Financial liabilities at amortised cost				
Amounts due to other banks	3 683 656	3 683 656	3 270 223	3 270 223
Amounts due to customers	180 916 989	180 914 077	174 130 914	174 126 884
Debt securities in issue	8 387 166	8 177 312	9 465 479	9 216 032
Subordinated liabilities	2 719 069	2 614 619	2 740 721	2 631 352

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

Loans and advances to banks and loans and advances to customers

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

Financial liabilities

Financial instruments representing liabilities for the Group include the following:

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

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

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

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

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

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

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

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

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

31.03.2023	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
VALUATION ONLY FOR PURPOSES OF DISCLOSURE				
FINANCIAL ASSETS				
Debt securities	17 569 279	14 923 154	-	2 646 125
Loans and advances to banks	13 443 261	-	-	13 443 261
Loans and advances to customers	120 598 676	-	-	120 598 676
Total financial assets	151 611 216	14 923 154	-	136 688 062
FINANCIAL LIABILITIES				
Amounts due to banks	3 683 656	-	1 876 739	1 806 917
Amounts due to customers	180 914 077	-	210 714	180 703 363
Debt securities issued	8 177 312	3 655 269	-	4 522 043
Subordinated liabilities	2 614 619	-	2 614 619	-
Total financial liabilities	195 389 664	3 655 269	4 702 072	187 032 323

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

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Financial assets and liabilities at fair value and investment properties

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

31.03.2023	Including:	Level 1	Level 2	Level 3				
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques				
RECURRING FAIR VALUE MEASUREMENTS								
Financial assets								
Financial assets held for trading and hedging derivatives	2 606 976	1 038 730	1 163 566	404 680				
Loans and advances to customers	37 934	-	-	37 934				
Debt securities	1 381 269	1 033 399	-	347 870				
Equity instruments	5 331	5 331	-	-				
Derivative financial instruments, including:	1 182 442	-	1 163 566	18 876				
Derivative financial instruments held for trading	1 433 469	-	1 433 469	-				
Hedging derivative financial instruments	137 756	-	118 880	18 876				
Offsetting effect	(388 783)	-	(388 783)	-				
Non-trading financial assets mandatorily at fair value through profit or loss	980 722	754	-	979 968				
Loans and advances to customers	748 320	-	-	748 320				
Debt securities	47 641	-	-	47 641				
Equity securities	184 761	754	-	184 007				
Financial assets at fair value through other comprehensive income	36 768 581	15 446 381	20 135 051	1 187 149				
Debt securities	36 768 581	15 446 381	20 135 051	1 187 149				
Total financial assets	40 356 279	16 485 865	21 298 617	2 571 797				
Investment properties	136 909	-	-	136 909				
Financial liabilities								
Financial liabilities held for trading and hedging derivative financial instruments	2 193 333	625 919	1 567 414	-				
Derivative financial instruments, including:	1 567 414	-	1 567 414	-				
Derivative financial instruments held for trading	1 821 429	-	1 821 429	-				
Hedging derivative financial instruments	2 316 002	-	2 316 002	-				
Offsetting effect	(2 570 017)	-	(2 570 017)	-				
Liabilities from short sale of securities	625 919	625 919	-	-				
Total financial liabilities	2 193 333	625 919	1 567 414	-				
Financial assets measured at fair value and investment properties at Level 3 - changes from 1 January to 31 March 2023	Financial assets held for trading and hedging derivatives			Non-trading financial assets mandatorily at fair value through profit or loss			Debt securities at fair value through other comprehensive income	Investment properties
	Loans and advances	Debt securities	Derivative financial instruments	Loans and advances	Debt securities	Equity securities		
As at the beginning of the period	39 720	307 881	31 890	813 392	45 009	185 042	1 215 909	136 909
Gains and losses for the period:	(564)	2 768	(13 014)	(5 447)	2 632	5 746	11 076	-
Recognised in profit or loss:	(564)	2 768	(3 345)	(5 447)	2 632	5 746	-	-
<i>Net trading income</i>	(564)	2 768	(3 345)	-	(1 081)	7	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	-	(5 447)	3 713	16 257	-	-
<i>Other operating income/other operating expenses</i>	-	-	-	-	-	(10 518)	-	-
Recognised in other comprehensive income:	-	-	(9 669)	-	-	-	11 076	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	-	11 076	-
<i>Cash flow hedges</i>	-	-	(9 669)	-	-	-	-	-
Purchases / origination	-	152 164	-	19 442	-	-	227 841	-
Redemptions / total repayments	-	(6 062)	-	(44 829)	-	-	(55 193)	-
Sales	-	(334 999)	-	-	-	-	(274 952)	-
Issues	-	226 118	-	-	-	-	62 468	-
Change in scope of consolidation	-	-	-	-	-	(6 781)	-	-
Other changes	(1 222)	-	-	(34 238)	-	-	-	-
As at the end of the period	37 934	347 870	18 876	748 320	47 641	184 007	1 187 149	136 909

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

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

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

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

Level 1

As at 31 March 2023 at level 1 of the fair value hierarchy, the Group has presented the fair value of held for trading government bonds in the amount of PLN 1 033 399 thousand and the fair value of government bonds and treasury bills measured at fair value through other comprehensive income in the amount of PLN 14 115 507 thousand (31 December 2022: PLN 670 227 thousand and PLN 15 101 553 thousand, respectively). Level 1 includes the fair values of corporate bonds in the amount of PLN 1 330 874 thousand (31 December 2022: PLN 1 316 626 thousand).

In addition, as at 31 March 2023 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 754 thousand (31 December 2022: PLN 746 thousand) and equity instruments of non-financial corporations in amount of PLN 5 331 thousand (31 December 2022: PLN 6 129 thousand).

As at 31 March 2023 level 1 also includes liabilities from short sale of securities in the amount of PLN 625 919 thousand (31 December 2022: PLN 260 538 thousand).

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

Level 2

As at 31 March 2023 level 2 of the fair value hierarchy mainly includes the fair values of bills issued by NBP in the amount of PLN 20 135 051 thousand (31 December 2022: PLN 17 483 362 thousand), valuation of which is based on a NPV model (discounted future cash flows) fed with interest rate curves generated by transformation of quotations taken directly from active and liquid financial markets.

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

Level 3

As at 31 March 2023 level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies in the amount of PLN 1 582 660 thousand (31 December 2022: PLN 1 568 799 thousand), and includes the fair value of a debt instrument measured at fair value through profit or loss, representing the rights to preferred stock of Visa Inc.

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

Level 3 as at 31 March 2023 includes the value of loans and advances to customers in the amount of PLN 786 254 thousand (31 December 2022: PLN 853 112 thousand). The fair value calculation process for loans and advances to customers is described in detail in the Note 3.3.7. of Consolidated financial statement of mBank S.A. Group for 2022, published on 2 March 2023.

Moreover, as at 31 March 2023 level 3 covers mainly the fair value of equity securities amounting to PLN 184 007 thousand (31 December 2022: PLN 185 042 thousand). The equity instruments presented at level 3 have been valued using the dividend discount model. The valuations were predominantly prepared

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based on selected financial figures provided by valuated entities and discounted with the cost of equity estimated using CAPM model (Capital Asset Pricing Model). At the end of first quarter of 2023, the cost of equity was estimated in the range from 13.1% to 13.6% (as at the end of 2022: from 13.9% to 14.4%).

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

Level 3 includes the valuation of CIRS contracts concluded under cash flow hedge accounting of the PLN mortgage loan portfolio and covered bonds issued by mBank Hipoteczny (Note 16). As at 31 March 2023 the valuation of these contracts amounted to PLN 18 876 thousand (31 December 2022: PLN 31 890 thousand).

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

Portfolio	Fair value 31.03.2023	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	184 007	(15 791)	19 611	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through other comprehensive income	1 187 149	(22 506)	22 506	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through profit or loss	347 870	(9 183)	9 183	
Loans and advances to customers held for trading	37 934	(465)	441	The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers mandatorily at fair value through profit or loss	748 320	(9 187)	9 190	

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

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

Introduction

In recent years, a significant number of individual customers who took out mortgage and housing loans in CHF, challenged in court some of the provisions or entire agreements on the basis of which the Bank granted these loans. 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 March 2023 amounted to PLN 5.0 billion (i.e., CHF 1.1 billion) compared to PLN 6.1 billion (i.e. CHF 1.3 billion) as at the end of 2022. Additionally, the volume of the portfolio of loans granted in CHF to natural persons that were already fully repaid as of 31 March 2023, taking into account the exchange rate on the date of disbursement of individual loan tranches, amounted to PLN 8.0 billion (31 December 2022: PLN 7.5 billion).

Due to the significance of the legal issues related to the CHF loan portfolio for the financial position of mBank Group as at 31 March 2023, detailed information is presented below regarding these lawsuits, significant judgments, which, in the Bank's opinion, may affect the future ruling on loans indexed to CHF, proposed potential settlements with customers, accounting principles for the recognition of legal risk related to these court cases and the settlement program, as well as information on the impact of legal risk related to these court cases on the balance sheet and profit or loss account of mBank Group and the methodology used to determine this impact.

Individual court cases against the Bank concerning loans indexed to CHF

As of 31 March 2023, 19 028 individual court proceedings (31 December 2022: 17 849 proceedings) were initiated against the Bank by its customers in connection with CHF loan agreements with the total value of claims amounting to PLN 6 749.8 million (31 December 2022: PLN 5 982.1 million).

Out of the individual proceedings, 18 840 proceedings (31 December 2022: 17 627 proceedings) with the total value of claims amounting to PLN 6 745.8 million (31 December 2022: PLN 5 977.8 million) related to indexation clauses in CHF loan agreements and included claims for declaring ineffectiveness or invalidity in part (i.e. to the extent that the agreement contains contractual provisions related to indexation) or in whole of the loan agreements.

As of 31 March 2023 mBank received 2 605 final rulings in individual lawsuits (31 December 2022: 1 941 final rulings), out of which 106 rulings were favourable to the Bank and 2 499 rulings were unfavourable (31 December 2022: 97 rulings favourable and 1 844 unfavourable).

The Bank submits cassation appeals to the Supreme Court against legally binding unfavourable for the Bank judgments stating the absolute invalidity of the credit agreement. Unfavourable judgments were based on the same patterns of facts which in the past had resulted in different verdicts. Approximately 85% 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, emphasising 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. On 25 April 2023, the Court of Appeal in Łódź suspended the proceeding until the Supreme Court resolves the legal issue in case III CZP 157/22, which will determine the composition in the class action proceedings.

As of 31 March 2023 the Bank recognised the impact of legal risk in the class action in the amount of PLN 295.0 million. The details of the methodology and calculation are described further in this note.

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

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

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

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

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

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 of the CJEU was presented to Case C-520/21. As regards the consumer's claim, the Ombudsman pointed out that "it is for the referring court to determine, in the light of its national law, whether consumers are entitled to pursue such a claim and, if so, to rule on its merits." If, however, the referring court takes the view that national law entitles the

consumer also to claim additional benefits from the bank, Directive 93/13 does not preclude that. It is therefore for the referring court to determine, in the light of its national law, whether consumers are entitled to pursue such claims and, if so, to rule on their merits. The national courts may also exercise their jurisdiction to dismiss such an action where it constitutes an abuse of rights.

With regard to the bank's claims against the consumer, the Advocate General also notes that "it is in principle for the national court to determine, in the light of national law, whether the bank (...) may pursue claims against the consumer that go beyond reimbursement of the loan capital provided and payment of statutory interest for late payment", he considers that, even if national law were to permit such claims, Directive 93/13 precludes them, since it is clear from its general scheme that, rather than seeking to ensure a contractual balance between the rights and obligations of the parties to the contract, it seeks to avoid an imbalance between those rights and obligations to the detriment of consumers. In addition, a bank cannot derive economic benefit from a situation created by its own unlawful action, and the sanction of free credit is the usual effect of declaring a credit agreement retroactively null and void once the unfair terms have been deleted from it.

The Ombudsman's opinion is not binding on the CJEU, neither is it binding on the ordinary courts and the Supreme Court. The CJEU may share the Ombudsman's position, but it may also rule otherwise, interpreting Directive 93/13 differently. In particular, it may not rule on the bank's claims at all, as the proceedings before the national court concern only the "remuneration" that would be due to the consumer.

The Bank will await the judgment of the CJEU in this respect which is expected in second half of 2023 and subsequent development of Polish jurisprudence. The ruling issued in this case may 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 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.

In February 2023, further questions for a preliminary ruling were submitted to the CJEU in the case pending against mBank. The first question concerns determining the beginning of the limitation period for the bank's claim against the consumer for the return of capital and aims to determine whether Directive 93/13 allows the national court to recognize that the principles of equity prevent the bank's claim for return of capital from being considered time barred. The second question concerns whether the bank, in addition to the return of the nominal amount of the capital granted to the consumer, may demand from the consumer the return of unjust enrichment resulting from the use of the bank's capital, or whether the bank may demand not the nominal amount of the capital, but the indexed amount. The time limit for taking a position in the case has not yet run.

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 March 2023, would amount to PLN 4.8 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 minimise 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 March 2023 the Bank concluded 4 682 settlements (as of 31 December 2022: 1 886 settlements).

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

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

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

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

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

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

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

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

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

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

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

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

The methodology used to calculate the impact of the legal risk related to court cases concerning indexation clauses in mortgage and housing loans in CHF and the settlement program is based on historical observations and due to the lack of market data and 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.

	31.03.2023	31.12.2022
Impact of legal risk concerning lawsuits and settlement program related to active loans recognised as a reduction of gross carrying amount of loans	5 878 460	5 752 732
Impact of legal risk concerning individual lawsuits and class action case related to repaid loans and low value active loans recorded as provisions for legal proceedings	766 706	709 187
The cumulative impact of legal risk associated with litigation related to indexation clauses mortgages and housing loans in CHF	6 645 166	6 461 919

Total costs of legal risk related to foreign currency loans recognised in the income statement for the first quarter of 2023 amounted to PLN 808.5 million (in first quarter of 2022: PLN 192.8 million). These costs result mainly from the update of the settlement program cost, execution of final court verdicts and the costs of concluded settlements.

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

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

Expected population of borrowers who will file a lawsuit

The population of borrowers who will file a lawsuit against the Bank has been projected 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 41% of CHF borrowers i.e. 32 thousand borrowers, including 28 thousand borrowers with active loans (representing approximately 70% 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 2022: 38%, i.e. 31 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 51.2 million (while other relevant assumptions remain constant) as compared to 31 March 2023, of which PLN 41.6 million would reduce gross carrying amount of the loans, and PLN 9.6 million would increase the provisions for legal proceedings.

The Bank estimates that 17.4% of borrowers with active CHF indexed loans will not decide to sue the Bank or sign a settlement with the Bank in the future and 88.5% of borrowers who repaid CHF indexed loans will not sue the Bank in future. In the Bank's opinion this will be influenced by the following factors: clients' expectations regarding future changes in the CHF/PLN exchange rate, clients' expectations regarding future costs of PLN loans, changes in jurisprudence in CHF loan cases, tax solutions regarding settlements, costs and duration of court proceedings, individual factors (in particular the loan repayment period and the current amount of debt). This is not a direct estimate, but the result of the difference between the estimate of the population of clients already in dispute with the Bank or intending to do so and the estimate of the population of clients who decide to settle and the number of clients with an active CHF credit agreement.

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 19.2 million, of which PLN 17.2 million would change the gross carrying amount of loans, and PLN 2.0 million provisions for legal proceedings.

Each of these scenarios is associated with a different level of predicted losses for the Bank. As of 31 March 2023 the Bank assumed probability of unfavourable scenario at the level of 95% (as of 31 December 2022: 95%). If the assumed probability of unfavourable scenario changed by +/- 1 percentage point and all other relevant assumptions remained constant, the impact of the legal risk would change by +/- PLN 54.3 million, of which PLN 48.6 million would change the gross carrying amount of loans, and PLN 5.7 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 March 2023, the Bank assumed 30% probability of settlements acceptance for the entire active portfolio (32% as at 31 December 2022).

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 3.9 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.

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

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

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

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

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

3. Seasonal or cyclical nature of the business

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

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

In the financial results for the first quarter of 2023, the Bank recognised the cost of legal risk related to foreign currency loans in the amount of PLN 808.5 million. The detailed information in this regard is presented in Note 30.

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

The financial results for the first quarter of 2023 include cost of legal risk related to foreign currencies loans in the amount of PLN 808.5 million. The detailed information are presented in Note 30.

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

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

- mLeasing Sp. z o.o. issued 2 series of short-term bonds in the amount of PLN 200 000 thousand and redeemed short-term bonds in the amount of PLN 200 000 thousand,
- mBank Hipoteczny S.A. redeemed the mortgage bonds in the amount of PLN 196 001 thousand and unsecured bonds in the amount of PLN 5 000 thousand,
- On 28 March 2023, Bank redeemed fixed rate bonds issued by mFinance France on 28 March 2017, acquired by the Bank in the substitution process, with a total nominal value of CHF 200 000 thousand.

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

On 30 March 2023, the 36th Annual General Meeting of mBank S.A. adopted resolution regarding the covering of loss for 2022. The net loss incurred by mBank S.A. in 2022 in the amount of PLN 696 723 897,52 was covered by Bank's undivided profit from the previous years. The Annual General Meeting of mBank S.A. also decided to leave the profit from the previous years in the amount of PLN 1 401 756 971,49 undivided. The Annual General Meeting of mBank S.A did not decide about dividend payment.

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

Events as indicated above did not occur in the Group.

9. Effect of changes in the structure of the entity in the first quarter of 2023, 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 Group.

10. Changes in contingent liabilities and commitments

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

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

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

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

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

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

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

14. Reversals of provisions against restructuring costs

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

15. Acquisitions and disposals of tangible fixed asset items

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

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

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

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

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

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

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

19. Corrections of errors from previous reporting periods

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

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

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

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

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

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

The Bank did not publish a performance forecast for 2023.

mBank S.A. Group

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(PLN thousand)

23. Registered share capital

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

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 31 MARCH 2023						
Share type	Type of privilege	Type of limitation	Number of shares	Series / face value of issue in PLN	Paid up	Registered on
ordinary bearer*	-	-	9 989 000	39 956 000	fully paid in cash	1986
ordinary registered*	-	-	11 000	44 000	fully paid in cash	1986
ordinary bearer	-	-	2 500 000	10 000 000	fully paid in cash	1994
ordinary bearer	-	-	2 000 000	8 000 000	fully paid in cash	1995
ordinary bearer	-	-	4 500 000	18 000 000	fully paid in cash	1997
ordinary bearer	-	-	3 800 000	15 200 000	fully paid in cash	1998
ordinary bearer	-	-	170 500	682 000	fully paid in cash	2000
ordinary bearer	-	-	5 742 625	22 970 500	fully paid in cash	2004
ordinary bearer	-	-	270 847	1 083 388	fully paid in cash	2005
ordinary bearer	-	-	532 063	2 128 252	fully paid in cash	2006
ordinary bearer	-	-	144 633	578 532	fully paid in cash	2007
ordinary bearer	-	-	30 214	120 856	fully paid in cash	2008
ordinary bearer	-	-	12 395 792	49 583 168	fully paid in cash	2010
ordinary bearer	-	-	16 072	64 288	fully paid in cash	2011
ordinary bearer	-	-	36 230	144 920	fully paid in cash	2012
ordinary bearer	-	-	35 037	140 148	fully paid in cash	2013
ordinary bearer	-	-	36 044	144 176	fully paid in cash	2014
ordinary bearer	-	-	28 867	115 468	fully paid in cash	2015
ordinary bearer	-	-	41 203	164 812	fully paid in cash	2016
ordinary bearer	-	-	31 995	127 980	fully paid in cash	2017
ordinary bearer	-	-	24 860	99 440	fully paid in cash	2018
ordinary bearer	-	-	13 385	53 540	fully paid in cash	2019
ordinary bearer	-	-	16 673	66 692	fully paid in cash	2020
ordinary bearer	-	-	17 844	71 376	fully paid in cash	2021
ordinary bearer	-	-	48 611	194 444	fully paid in cash	2022
Total number of shares			42 433 495			
Total registered share capital				169 733 980		
Nominal value per share (PLN)		4				

* As at the end of the reporting period

24. Material share packages

Commerzbank AG is the only shareholder holding over 5% of the share capital and votes at the General Meeting and as at 31 March 2023 it held 69.17% of the share capital and votes at the General Meeting of mBank S.A.

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

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

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

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

	Number of shares held as at the date of publishing the report 2022	Number of shares acquired from the date of publishing the report for 2022 to the date of publishing the report for Q1 2023	Number of shares sold from the date of publishing the report for 2022 to the date of publishing the report for Q1 2023	Number of shares held as at the date of publishing the report for Q1 2023
Management Board				
1. Cezary Stypulkowski	27 884	-	-	27 884
2. Andreas Böger	2 994	-	-	2 994
3. Krzysztof Dąbrowski	-	-	-	-
4. Cezary Kocik	1 392	-	(1 392)	-
5. Marek Luszczyn	303	-	-	303
6. Adam Pers	-	-	-	-

As at the date of publishing the report for 2022 and as at the date of publishing the report for the first quarter of 2023, the Members of the Management Board had no and they have no rights to Bank's shares.

As at the date of publishing the report for 2022 and as at the date of publishing the report for the first quarter of 2023, the Members of the Supervisory Board had neither Bank shares nor rights to Bank shares.

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

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

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

The value of provisions for litigations as at 31 March 2023 amounted to PLN 828 904 thousand of which PLN 775 644 thousand concerns to provisions for legal proceedings relating to loans in foreign currencies (as at 31 December 2022, respectively PLN 767 508 thousand and PLN 718 128 thousand). A potential outflow of funds due to the fulfilment of the obligation takes place at the moment of the final resolution of the cases by the courts, which is beyond the control of the Group.

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

1. A lawsuit filed by LPP S.A.

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

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

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

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

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

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

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

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

4. Individual court proceedings concerning indexation clauses

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

Tax inspections

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

On 9 September 2022, the Office for Selected Economic Entities (Úrad pre vybrané hospodárske subjekty) in Bratislava has initiated tax audits regarding the correctness of settlements of corporate income tax (CIT) for 2019 year in mBank S.A. Slovak Branch. The tax audit is under way.

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

Inspection by the Social Insurance Institution (ZUS)

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

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

In connection with the above issue, as of 31 March 2023, the Group had a provision in the amount of PLN 119 736 thousand (as at 31 December 2022: PLN 99 346 thousand).

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

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

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

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

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

On 27 February 2020, the Bank received the decision of PFSA Office dated 25 February 2020 to initiate administrative proceedings regarding the imposition of an administrative penalty on the Bank, pursuant to the provisions of the Act dated 27 May 2004 on investment funds and management of alternative investment funds. On 23 April 2021, the Bank received a decision of the PFSA dated 16 April 2021 regarding

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(PLN thousand)

this proceeding, imposing a fine on the Bank in the total amount of PLN 4 300 thousand. The Bank paid the fine on 17 March 2022.

On 7 May 2021, the Bank applied to the Financial Supervision Authority for reconsideration of the case. On 17 December 2021, PFSA Office upheld its decision of 16 April 2021. On 21 January 2022, the Bank filed a complaint with the Provincial Administrative Court against the decision of PFSA. On 24 August 2022, the Provincial Administrative Court dismissed the Bank's complaint regarding a fine. On 14 November 2022, the Bank filed a cassation complaint with the Supreme Administrative Court in the above case.

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

- Proceedings for considering provisions of a master agreement as abusive instituted ex officio on 12 April 2019. The proceedings concern amendment clauses stipulating circumstances under which the Bank is authorised to amend the terms and conditions of the agreement, including the amount of fees and commissions. In the opinion of the President of the Office of Competition and Consumer Protection (UOKiK), the amendment clauses used by the Bank give it an unlimited right to unilaterally and freely change the manner of performing the agreement. As a consequence, the UOKiK President represents the view that the clauses used by mBank define the rights and obligations of consumers contrary to good morals and grossly violate their interest and, thus, are abusive. The Bank does not agree with this stance. In a letter of 2 January 2023, the President of UOKiK extended the proceedings until 30 April 2023.
- On 21 July 2017, the UOKiK instigated proceedings against mBank with regard to violation of consumers' collective interests. The UOKiK charged the Bank with failing to adequately inform clients about FX risk and about shifting FX risk onto consumers, and with incorrectly determining (inflating) credit instalments. In the letter dated 18 August 2017 the Bank responded to the charges. In the letter dated 18 February 2019 the UOKiK President requested detailed information on the handling of mortgages indexed to foreign currencies, to which the Bank replied. In the letter dated 14 October 2021 the UOKiK President informed the Bank that the evidentiary proceedings had ended and appointed a time limit for the Bank to peruse the case file and to comment on the evidence collected in the case. The Bank commented on the evidence collected within the prescribed period. The President of UOKiK extended the termination of the proceedings until 31 July 2022. As at the date of approval of these financial statements, the Group has not received information about another extension of the proceedings.
- By way of decision of 8 July 2022, the President of the Office of Competition and Consumer Protection (UOKiK) instigated proceedings on the application of practices violating consumers' collective interests, consisting in a failure to refund the cost of transactions which consumers reported as unauthorised or to restore account balances that would have existed had such transactions not been executed under the procedure and within the time limit specified in the Payment Services Act, as well as practices consisting in providing consumers with incorrect information on the bank's verification of whether a payment instrument was used correctly in response to customer reports. On 22 August 2022, mBank S.A. took a stance on the accusations made in the said decision.

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(PLN thousand)

27. Off-balance sheet liabilities

Off-balance sheet liabilities as at 31 March 2023 and 31 December 2022 were as follows.

	31.03.2023	31.12.2022
Contingent liabilities granted and received	53 948 862	50 778 749
Commitments granted	44 189 188	41 276 600
Financing	33 692 299	33 164 015
Guarantees and other financial facilities	8 018 246	8 112 585
Other liabilities	2 478 643	-
Commitments received	9 759 674	9 502 149
Financial commitments received	973 569	773 790
Guarantees received	8 786 105	8 728 359
Derivative financial instruments (nominal value of contracts)	746 325 041	726 104 598
Interest rate derivatives	633 928 934	592 314 888
Currency derivatives	106 673 278	127 927 043
Market risk derivatives	5 722 829	5 862 667
Total off-balance sheet items	800 273 903	776 883 347

28. Transactions with related entities

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

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

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

	mBank's subsidiaries			Commerzbank AG			Other companies of the Commerzbank AG Group		
	31.03.2023	31.12.2022	31.03.2022	31.03.2023	31.12.2022	31.03.2022	31.03.2023	31.12.2022	31.03.2022
Statement of financial position									
Assets	2 182	2 390		1 350 489	684 577		-	37	
Liabilities	23 185	24 752		2 129 480	2 598 059		82 753	77 829	
Income Statement									
Interest income	-		12	17 898		10 034	-		13
Interest expense	(173)		-	(13 726)		(8 922)	(688)		(2)
Fee and commission income	25		59	1 580		1 122	12		131
Fee and commission expense	(8 590)		(6 781)	-		-	-		-
Other operating income	916		892	444		-	-		-
Overhead costs, amortisation and other operating expenses	-		-	(3 237)		(2 653)	-		-
Contingent liabilities granted and received									
Liabilities granted	400 805	410 882		2 189 075	2 101 314		1 648	1 608	
Liabilities received	-	-		1 869 688	1 915 387		-	-	

The total costs of remuneration of Members of the Supervisory Board, the Management Board and other key management personnel of the Bank that perform their duties from 1 January to 31 March 2023 recognised in the Group's income statement for that period amounted to PLN 8 917 thousand (in the period from 1 January to 31 March 2022: PLN 9 805 thousand).

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

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

In the three-month period, ended on 31 March 2023, Group has not concluded any substantial agreements regarding credit and loan guarantees or guarantees granted of a significant amount.

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

As of 31 March 2023, the Management Board of mBank S.A. performed functions in the following composition:

1. Cezary Stypułkowski – President of the Management Board,
2. Andreas Böger – Vice-President of the Management Board, Chief Financial Officer,
3. Krzysztof Dąbrowski – Vice-President of the Management Board, Head of Operations and IT,
4. Cezary Kocik – Vice-President of the Management Board, Head of Retail Banking,
5. Marek Lusztyn – Vice-President of the Management Board, Head of Risk,
6. Adam Pers – Vice-President of the Management Board, Head of Corporate and Investment Banking.

Changes in the Management Board of mBank S.A.

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

Supervisory Board of mBank S.A.

As of 31 March 2023 the composition of the Supervisory Board of mBank S.A. was as follows:

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

Changes in the Supervisory Board of mBank S.A.

Before 31 March 2023 following changes in the Supervisory Board of mBank S.A. have occurred:

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

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31. Factors affecting the results in the coming quarter

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

32. Other information

■ Requirements on mBank Group capital ratios as of 31 March 2023

The minimum required level of capital ratios at the end of 31 March 2023 amounted to:

- Individual total capital ratio: 13.17% and Tier 1 capital ratio: 10.66%
- Consolidated total capital ratio: 12.88% and Tier 1 capital ratio: 10.44%.

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

■ Transitional arrangements in response to the COVID-19 pandemic

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

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

The transitional arrangements ceased to apply from 1 January 2023.

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

	31.03.2023		31.12.2022	
	Measures reported	Measures calculated without taking into account transitional provisions	Measures reported	Measures calculated without taking into account transitional provisions
Common Equity Tier I capital (PLN thousand)	12 091 332	n/a	12 153 665	11 807 391
Tier I capital (PLN thousand)	12 091 332	n/a	12 153 665	11 807 391
Own funds (PLN thousand)	14 278 034	n/a	14 403 163	14 056 888
Common Equity Tier I ratio (%)	13.3	n/a	13.8	13.4
Tier I capital ratio (%)	13.3	n/a	13.8	13.4
Total capital ratio (%)	15.8	n/a	16.4	16.0

33. Events after the balance sheet date

From 31 March 2023 until the date of approval of these condensed consolidated financial statements, no events occurred, which would require additional disclosure in these condensed consolidated financial statements.

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

CONDENSED STAND-ALONE INCOME STATEMENT

	1 st quarter (current year) period from 01.01.2023 to 31.03.2023	1 st quarter (previous year) period from 01.01.2022 to 31.03.2022 - restated
Interest income, including:	3 411 254	1 567 425
<i>Interest income accounted for using the effective interest method</i>	3 317 554	1 523 434
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	93 700	43 991
Interest expenses	(1 479 298)	(185 361)
Net interest income	1 931 956	1 382 064
Fee and commission income	684 755	735 301
Fee and commission expenses	(206 009)	(165 597)
Net fee and commission income	478 746	569 704
Dividend income	122	835
Net trading income	7 629	90 904
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	13 949	(8 108)
Gains less losses from derecognition of assets and liabilities not measured at fair value through profit or loss	(48 835)	(24 017)
Other operating income	31 402	16 260
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(212 633)	(230 996)
Result on provisions for legal risk related to foreign currency loans	(808 488)	(192 754)
Overhead costs	(665 406)	(664 490)
Depreciation	(101 496)	(101 317)
Other operating expenses	(42 889)	(46 447)
Operating profit (loss)	584 057	791 638
Tax on the Bank's balance sheet items	(182 379)	(152 011)
Share in profits (losses) of entities under the equity method	70 124	64 339
Profit (loss) before income tax	471 802	703 966
Income tax expense	(313 145)	(189 859)
Net profit (loss)	158 657	514 107
Earnings (losses) per share (in PLN)	3.74	12.13
Diluted earnings (losses) per share (in PLN)	3.73	12.10

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(PLN thousand)

CONDENSED STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME

	1 st quarter (current year) period from 01.01.2023 to 31.03.2023	1 st quarter (previous year) period from 01.01.2022 to 31.03.2022
Net profit (loss)	158 657	514 107
Other comprehensive income net of tax, including:	586 671	(759 106)
Items that may be reclassified subsequently to the income statement	586 671	(759 106)
Exchange differences on translation of foreign operations (net)	(296)	623
Cash flows hedges (net)	147 142	(304 520)
Share of other comprehensive income of entities under the equity method (net)	402	(38 167)
Debt instruments at fair value through other comprehensive income (net)	439 423	(417 042)
Items that will not be reclassified to the income statement	-	-
Actuarial gains and losses relating to post-employment benefits (net)	-	-
Reclassification to investment properties (net)	-	-
Total comprehensive income (net)	745 328	(244 999)

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CONDENSED STAND-ALONE STATEMENT OF FINANCIAL POSITION

ASSETS	31.03.2023	31.12.2022
Cash and balances with the Central Bank	16 432 174	15 906 492
Financial assets held for trading and derivatives held for hedges	2 602 802	2 589 681
Non-trading financial assets mandatorily at fair value through profit or loss, including:	855 012	878 995
<i>Equity instruments</i>	137 687	121 416
<i>Debt securities</i>	47 641	45 009
<i>Loans and advances to customers</i>	669 684	712 570
Financial assets at fair value through other comprehensive income	55 792 790	53 842 726
<i>Debt securities</i>	36 315 788	34 420 653
<i>Loans and advances to customers</i>	19 477 002	19 422 073
Financial assets at amortised cost, including:	129 101 839	123 405 293
<i>Debt securities</i>	20 618 216	20 206 976
<i>Loans and advances to banks</i>	18 610 485	15 392 870
<i>Loans and advances to customers</i>	89 873 138	87 805 447
Investments in subsidiaries	2 125 837	2 057 455
Non-current assets and disposal groups classified as held for sale	-	26 747
Intangible assets	1 249 820	1 209 722
Tangible assets	1 204 635	1 172 714
Investment properties	136 909	136 909
Current income tax assets	36 522	28 302
Deferred income tax assets	905 393	1 145 916
Other assets	1 666 723	1 574 826
TOTAL ASSETS	212 110 456	203 975 778
LIABILITIES AND EQUITY		
LIABILITIES		
Financial liabilities held for trading and derivatives held for hedges	2 190 756	2 075 013
Financial liabilities measured at amortised cost, including:	191 937 637	185 551 517
<i>Amounts due to banks</i>	3 738 317	3 305 751
<i>Amounts due to customers</i>	180 810 603	174 000 911
<i>Lease liabilities</i>	1 005 710	955 436
<i>Debt securities issued</i>	3 663 938	4 548 698
<i>Subordinated liabilities</i>	2 719 069	2 740 721
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(1 228 410)	(1 528 582)
Liabilities classified as held for sale	-	7 375
Provisions	1 266 596	1 287 578
Current income tax liabilities	638 389	594 203
Other liabilities	4 061 129	3 491 478
TOTAL LIABILITIES	198 866 097	191 478 582
EQUITY		
Share capital:	3 604 778	3 604 778
Registered share capital	169 734	169 734
Share premium	3 435 044	3 435 044
Retained earnings:	10 714 704	10 554 212
- Profit from previous years	10 556 047	11 250 936
- Profit (loss) for the current year	158 657	(696 724)
Other components of equity	(1 075 123)	(1 661 794)
TOTAL EQUITY	13 244 359	12 497 196
TOTAL LIABILITIES AND EQUITY	212 110 456	203 975 778

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CONDENSED STAND-ALONE STATEMENT OF CHANGES IN EQUITY

Changes from 1 January to 31 March 2023

	Share capital		Retained earnings		Other components of equity	Total
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year		
Equity as at 1 January 2023	169 734	3 435 044	11 250 936	(696 724)	(1 661 794)	12 497 196
Transfer of profit/loss from previous year	-	-	(696 724)	696 724	-	-
Total comprehensive income	-	-	-	158 657	586 671	745 328
Stock option program for employees	-	-	1 835	-	-	1 835
<i>value of services provided by the employees</i>	-	-	1 835	-	-	1 835
Equity as at 31 March 2023	169 734	3 435 044	10 556 047	158 657	(1 075 123)	13 244 359

Changes from 1 January to 31 December 2022

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

Changes from 1 January to 31 March 2022

	Share capital		Retained earnings		Other components of equity	Total
	Registered share capital	Share premium	Profit from the previous years	Profit (loss) for the current year		
Equity as at 1 January 2022	169 540	3 424 404	12 464 256	(1 215 353)	(1 461 024)	13 381 823
Transfer of profit/loss from previous year	-	-	(1 215 353)	1 215 353	-	-
Total comprehensive income	-	-	-	514 107	(759 106)	(244 999)
Stock option program for employees	-	-	4 044	-	-	4 044
<i>value of services provided by the employees</i>	-	-	4 044	-	-	4 044
Equity as at 31 March 2022	169 540	3 424 404	11 252 947	514 107	(2 220 130)	13 140 868

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CONDENSED STAND-ALONE STATEMENT OF CASH FLOW

	1 st quarter (current year) period from 01.01.2023 to 31.03.2023	1 st quarter (previous year) period from 01.01.2022 to 31.03.2022 - restated
Profit before income tax	471 802	703 966
Adjustments:	2 070 462	5 209 426
Income taxes paid	(152 907)	(77 421)
Depreciation, including depreciation of fixed assets provided under operating lease	104 596	103 966
Foreign exchange (gains) losses related to financing activities	(70 631)	292 074
(Gains) losses on investing activities	(71 923)	(68 712)
Change in valuation of investments in subsidiaries accounted for using other than the equity method	2 143	(1 551)
Dividends received	(122)	(835)
Interest income (income statement)	(3 411 254)	(1 567 425)
Interest expense (income statement)	1 479 298	185 361
Interest received	2 723 434	1 329 350
Interest paid	(1 290 328)	(144 127)
Changes in loans and advances to banks	(2 360 483)	1 117 489
Changes in financial assets and liabilities held for trading and hedging derivatives	535 389	(730 700)
Changes in loans and advances to customers	(1 631 396)	(5 096 913)
Changes in securities at fair value through other comprehensive income	(1 221 563)	8 635 400
Changes in securities at amortised cost	(325 975)	(3 200 421)
Changes of non-trading equity securities mandatorily at fair value through profit or loss	(18 903)	(4 463)
Changes in other assets	(73 672)	(183 738)
Changes in amounts due to banks	468 892	(1 280 066)
Changes in amounts due to customers	6 717 022	4 715 707
Changes in lease liabilities	(17 562)	17 612
Changes in issued debt securities	84 217	(116 164)
Changes in provisions	(20 982)	58 247
Changes in other liabilities	623 172	1 226 756
A. Cash flows from operating activities	2 542 264	5 913 392
Disposal of intangible assets and tangible fixed assets	21 280	4 506
Dividends received	122	835
Purchase of intangible assets and tangible fixed assets	(133 115)	(158 884)
B. Cash flows from investing activities	(111 713)	(153 543)
Proceeds from issue of debt securities	-	642 500
Redemption of debt securities	(947 380)	-
Payments of financial lease liabilities	(40 525)	(22 787)
Interest paid from loans and advances received from banks and subordinated liabilities	(46 437)	(14 514)
C. Cash flows from financing activities	(1 034 342)	605 199
Net increase / decrease in cash and cash equivalents (A+B+C)	1 396 209	6 365 048
Effects of exchange rate changes on cash and cash equivalents	(9 700)	(155 634)
Cash and cash equivalents at the beginning of the reporting period	16 120 301	12 422 956
Cash and cash equivalents at the end of the reporting period	17 506 810	18 632 370

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

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

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

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

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

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

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

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

New standards, interpretations and amendments to published standards

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

Comparative data

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

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

- Separation of the item Lease liabilities (adjustment 2)

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

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

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

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

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

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

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

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

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

The above changes were due to the adjustment of the presentation of selected assets, liabilities and income positions to the prevailing market practice. The changes did not affect equity levels and the Bank's income statements in the comparative periods presented in these financial statements. Comparative figures as of 1 January 2022 and 31 March 2022 and for the period from 1 January to 31 March 2022 have been restated accordingly. The impact of the restatements on the comparative data presented is shown in the following tables.

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

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

Income statement	No.	Period from 01.01.2022 to 31.03.2022 before restatement	restatement	Period from 01.01.2022 to 31.03.2022 after restatement
Interest income, including:		1 560 168	7 257	1 567 425
<i>Interest income accounted for using the effective interest method</i>	1	1 516 177	7 257	1 523 434
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		43 991	-	43 991
Interest expenses		(185 361)		(185 361)
Net interest income		1 374 807	7 257	1 382 064
Fee and commission income	1	742 558	(7 257)	735 301
Fee and commission expenses		(165 597)	-	(165 597)
Net fee and commission income		576 961	(7 257)	569 704
Dividend income		835	-	835
Net trading income		90 904	-	90 904
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(8 108)	-	(8 108)
Gains less losses from derecognition of assets and liabilities not measured at fair value through profit or loss		(24 017)	-	(24 017)
Other operating income		16 260	-	16 260
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss		(230 996)	-	(230 996)
Result on provisions for legal risk related to foreign currency loans		(192 754)	-	(192 754)
Overhead costs		(664 490)	-	(664 490)
Depreciation		(101 317)	-	(101 317)
Other operating expenses		(46 447)	-	(46 447)
Operating profit (loss)		791 638	-	791 638
Tax on the Bank's balance sheet items		(152 011)	-	(152 011)
Share in profits (losses) of entities under the equity method		64 339	-	64 339
Profit (loss) before income tax		703 966	-	703 966
Income tax expense		(189 859)	-	(189 859)
Net profit (loss)		514 107	-	514 107

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

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Restatements in statement of financial position at 1 January 2022

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

Restatements in statement of financial position at 31 March 2022

ASSETS	No.	31.03.2022 before restatement	restatement	31.03.2022 after restatement
Financial assets at amortised cost, including:		120 836 062	(369 613)	120 466 449
<i>Debt securities</i>		19 888 649	-	19 888 649
<i>Loans and advances to banks</i>		10 440 664	-	10 440 664
<i>Loans and advances to customers</i>	5	90 506 749	(369 613)	90 137 136
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	1 551 064	(1 677 839)	(126 775)
Other assets	5	1 033 926	369 613	1 403 539
Other items		74 135 825	-	74 135 825
TOTAL ASSETS		197 556 877	(1 677 839)	195 879 038
LIABILITIES AND EQUITY		31.03.2022 before restatement	restatement	31.03.2022 after restatement
Financial liabilities measured at amortised cost, including:		176 802 722	-	176 802 722
<i>Amounts due to banks</i>	3	2 180 772	1 880 141	4 060 913
<i>Amounts due to customers</i>	2,3	164 668 680	(2 878 098)	161 790 582
<i>Lease liabilities</i>	2	-	997 957	997 957
<i>Debt securities issued</i>		7 307 553	-	7 307 553
<i>Subordinated liabilities</i>		2 645 717	-	2 645 717
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6	126 775	(1 677 839)	(1 551 064)
Provisions	4	898 544	23 532	922 076
Other liabilities	4	3 928 703	(23 532)	3 905 171
Other items		2 659 265	-	2 659 265
TOTAL LIABILITIES		184 416 009	(1 677 839)	182 738 170
TOTAL EQUITY		13 140 868	-	13 140 868
TOTAL LIABILITIES AND EQUITY		197 556 877	(1 677 839)	195 879 038

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Restatements in statement of cash flows for the period from 1 January to 31 March 2022

	No.	Period from 01.01.2022 to 31.03.2022 before restatement	restatement	Period from 01.01.2022 to 31.03.2022 after restatement
Profit (loss) before income tax		703 966	-	703 966
Adjustments:		5 209 426	-	5 209 426
Income taxes paid		(77 421)	-	(77 421)
Depreciation including depreciation of fixed assets provided under operating lease		103 966	-	103 966
Foreign exchange (gains) losses related to financial activities		292 074	-	292 074
(Gains) losses on investing activities		(68 712)	-	(68 712)
Change of valuation of investment in subsidiaries not measured at equity method		(1 551)	-	(1 551)
Dividends received		(835)	-	(835)
Interest income (income statement)	1	(1 560 168)	(7 257)	(1 567 425)
Interest expense (income statement)		185 361	-	185 361
Interest received	1	1 322 093	7 257	1 329 350
Interest paid		(144 127)	-	(144 127)
Changes in loans and advances to banks		1 117 489	-	1 117 489
Changes in financial assets and liabilities held for trading and hedging derivatives		(730 700)	-	(730 700)
Changes in loans and advances to customers	5	(5 089 147)	(7 766)	(5 096 913)
Changes in financial assets at fair value through other comprehensive income		8 635 400	-	8 635 400
Changes in securities at amortised cost		(3 200 421)	-	(3 200 421)
Changes in non-trading securities mandatorily at fair value through profit or loss		(4 463)	-	(4 463)
Changes in other assets	5	(191 504)	7 766	(183 738)
Changes in amounts due to banks	3	(1 222 709)	(57 357)	(1 280 066)
Changes in amounts due to customers	2,3	4 675 962	39 745	4 715 707
Changes in lease liabilities	2	-	17 612	17 612
Changes in issued debt securities		(116 164)	-	(116 164)
Changes in provisions	4	58 846	(599)	58 247
Changes in other liabilities	4	1 226 157	599	1 226 756
A. Cash flows from operating activities		5 913 392	-	5 913 392
B. Cash flows from investing activities		(153 543)	-	(153 543)
C. Cash flows from financing activities		605 199	-	605 199
Net increase / decrease in cash and cash equivalents (A+B+C)		6 365 048	-	6 365 048
Effect of exchange rate changes in cash and cash equivalents		(155 634)	-	(155 634)
Cash and cash equivalents at the beginning of the reporting period		12 422 956	-	12 422 956
Cash and cash equivalents at the end of the reporting period		18 632 370	-	18 632 370

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

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

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

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

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

Impact of credit holidays on the financial result of the Bank

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

In 2022, the Bank recognised the impact of credit holidays in the total amount of PLN 1 334.4 million, out of which PLN 955.4 million related to mBank loan portfolio and decreased the interest income of the Bank, PLN 367.0 million related to mBank Hipoteczny loan portfolio and decreased the share in profits (losses) of entities under the equity method and PLN 12.0 million related to the effect on hedge accounting and decreased the net trading income. In the first quarter of 2023, due to an updated calculation of the impact of credit holidays, the Bank recognized PLN 37.1 million gain on non-substantial modification related to mBank loan portfolio, which increased net interest income, PLN 15.1 million impact related to mBank Hipoteczny loan portfolio, which increased the share in profits (losses) of entities under the equity method and PLN 5.7 million impact on hedge accounting, which increased net trading income. The negative impact of credit holidays on the valuation of the loan portfolio is settled by the appropriate recognition of interest income calculated using the effective interest rate in periods in which customers taking advantage of credit holidays do not pay the interest according to the original schedules of the loan agreements.

To calculate the impact of credit holidays, the Bank estimated that customers owning 82.9% and 81.7% of the value of the assumed eligible mortgage loan portfolio of mBank and mBank Hipoteczny respectively applied or will apply for the credit holidays and they will request on average 7.7 months of credit holidays. If the value of assumed eligible mortgage loan portfolio increased by 1 percentage point in 2023, the amount of the credit holidays impact would increase by PLN 6.5 million.

By 31 March 2023, customers owning 81.6% and 79.2% of the value of the assumed eligible mortgage loan portfolio of mBank and mBank Hipoteczny respectively had submitted applications applying for an average of 7.2 months of credit holidays. As of 31 March 2023 the gross carrying value of loans being subject to the credit holidays amounted to PLN 17 487.4 million at mBank and PLN 6 998.8 million at mBank Hipoteczny.

Impairment of loans and advances

The Bank reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the income statement, the Bank assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions, on the basis of which the estimated cash flow amounts and their anticipated timing are determined, are regularly verified. If the current value of estimated cash flows (discounted recoveries from payments of capital, discounted recoveries from interests, discounted recoveries from off-balance sheet liabilities and discounted recoveries from collaterals for on-balance and off-balance sheet loans and advances, weighed by the probability of realisation of specific scenarios) for portfolio of loans and advances which are impaired, change by +/- 10%, the estimated loans and advances impairment would either decrease by PLN 46.8 million or increase by PLN 47.5 million (as at 31 December 2022: PLN 49.7 million and PLN 51.1 million). This estimation was performed for portfolio of loans and advances and for off-balance sheet liabilities individually assessed for impairment on the basis of future cash flows due to repayments and recovery from collateral – Stage 3. The rules of determining write-downs and provisions for impairment of credit exposures have been described under Note 3.3.6 of financial statements of mBank S.A. for 2022, published on 2 March 2023.

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Actions taken in relation to the current situation in Ukraine

In the first quarter of 2023, the Bank conducted a portfolio review in connection with Russia's aggression against Ukraine. The review concerned the Bank's involvement in war countries (Ukraine, Russia) or in conflict-related countries (Belarus), taking into account sanctions imposed by the European Union, the United Kingdom and the USA. As a result of the review, as of 31 March 2023, credit exposure and expected credit losses were determined in the mentioned countries, as shown in the table below.

Country	Direct exposure as at 31.03.2023												
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	-	-	-	-	-	-	-	-	-	-	-	-	-
Russia	-	-	150	-	-	-	-	-	-	-	(150)	-	46 781
Belarus	-	1 114	-	-	-	-	-	-	-	(467)	-	-	-
Total	-	1 114	150	-	-	-	-	-	-	(467)	(150)	-	46 781

There was also identified an indirect exposure: a balance sheet exposure of PLN 282.5 million and an off-balance sheet exposure of PLN 351.9 million towards corporate clients whose business is indirectly exposed to the risk of Russia's aggression towards Ukraine.

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

Country	Indirect exposure as at 31.03.2023												
	Balance sheet gross exposure				Off-balance sheet exposure				Accumulated impairment / Off-balance loan loss provision				
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	
Ukraine	49 228	250	-	-	116 742	-	-	-	(167)	(1)	-	-	-
Russia	181 582	-	49 783	-	231 853	-	-	-	(459)	-	(49 783)	-	-
Belarus	1 607	-	-	-	3 332	-	-	-	(5)	-	-	-	-
Total	232 417	250	49 783	-	351 927	-	-	-	(631)	(1)	(49 783)	-	-

Fair value of derivatives and other financial instruments

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

Deferred tax assets

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

Income tax in interim financial statements

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

The calculation of the average estimated annual effective tax rate for 2023 required the use of a forecast of profit before tax for the full fiscal year adjusted for the impact of legal risk costs associated with foreign currency loans, as well as a similarly adjusted forecast of permanent differences between the carrying amounts of assets and liabilities and their tax base. The projected annual effective tax rate calculated in this way amounted to 24.5% and was applied to the profit before tax for the first quarter of 2023 adjusted for the impact of legal risk costs related to foreign currency loans. In the first quarter of 2022, the projected annual effective tax rate was 27.0%.

The greatest impact on the value of the average annual effective tax rate in relation to the nominal income tax rate in the first quarter of 2023 resulted from the banking tax and Bank Guarantee Fund fees.

Revenue and expenses from sale of insurance products bundled with loans

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

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

Liabilities due to post-employment employee benefits

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

Leasing classification

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

SELECTED EXPLANATORY INFORMATION

1. Compliance with international financial reporting standards

The presented condensed financial statements for the first quarter of 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 quarterly report and the last annual financial statements

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

3. Seasonal or cyclical nature of the business

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

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

In the financial results for the first quarter of 2023, Bank recognised the cost of legal risk related to foreign currency loans in the amount of PLN 808.5 million. The detailed information in this regard is presented in Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the first quarter of 2023.

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

The financial results for the first quarter of 2023 include cost of legal risk related to foreign currencies loans in the amount of PLN 808.5 million. The detailed information are presented in Note 30 of Condensed consolidated financial statements of mBank S.A. Group for the first quarter of 2023.

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

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

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

On 30 March 2023, the 36th Annual General Meeting of mBank S.A. adopted resolution regarding the covering of loss for 2022. The net loss incurred by mBank S.A. in 2022 in the amount of PLN 696 723 897,52 was covered by Bank's undivided profit from the previous years. The Annual General Meeting of mBank S.A. also decided to leave the profit from the previous years in the amount of PLN 1 401 756 971,49 undivided. The Annual General Meeting of mBank S.A did not decide about dividend payment.

8. Income and profit by business segments

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

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

Events as indicated above did not occur in the Bank.

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

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

11. Changes in contingent liabilities and commitments

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

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

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

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

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

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

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss, including:			
Financial assets at amortised cost		(157 052)	(229 733)
- debt securities		(446)	(1 279)
- loans and advances		(156 606)	(228 454)
Financial assets at fair value through other comprehensive income		(5 520)	(5 673)
- equity instruments		(1 843)	(633)
- debt securities		(3 677)	(5 040)
Commitments and guarantees granted		9 255	4 410
Liabilities from the issue of credit linked notes (CLN)		(59 316)	-
Total gains less losses from financial assets not measured at fair value through profit or loss		(212 633)	(230 996)

15. Reversals of provisions against restructuring costs

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

16. Acquisitions and disposals of tangible fixed asset items

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

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

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

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

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

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

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

20. Corrections of errors from previous reporting periods

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

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

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

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

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

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

The Bank did not publish a performance forecast for 2023.

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24. Registered share capital

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

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 31 MARCH 2023						
Share type	Type of privilege	Type of limitation	Number of shares	Series / face value of issue in PLN	Paid up	Registered on
ordinary bearer*	-	-	9 989 000	39 956 000	fully paid in cash	1986
ordinary registered*	-	-	11 000	44 000	fully paid in cash	1986
ordinary bearer	-	-	2 500 000	10 000 000	fully paid in cash	1994
ordinary bearer	-	-	2 000 000	8 000 000	fully paid in cash	1995
ordinary bearer	-	-	4 500 000	18 000 000	fully paid in cash	1997
ordinary bearer	-	-	3 800 000	15 200 000	fully paid in cash	1998
ordinary bearer	-	-	170 500	682 000	fully paid in cash	2000
ordinary bearer	-	-	5 742 625	22 970 500	fully paid in cash	2004
ordinary bearer	-	-	270 847	1 083 388	fully paid in cash	2005
ordinary bearer	-	-	532 063	2 128 252	fully paid in cash	2006
ordinary bearer	-	-	144 633	578 532	fully paid in cash	2007
ordinary bearer	-	-	30 214	120 856	fully paid in cash	2008
ordinary bearer	-	-	12 395 792	49 583 168	fully paid in cash	2010
ordinary bearer	-	-	16 072	64 288	fully paid in cash	2011
ordinary bearer	-	-	36 230	144 920	fully paid in cash	2012
ordinary bearer	-	-	35 037	140 148	fully paid in cash	2013
ordinary bearer	-	-	36 044	144 176	fully paid in cash	2014
ordinary bearer	-	-	28 867	115 468	fully paid in cash	2015
ordinary bearer	-	-	41 203	164 812	fully paid in cash	2016
ordinary bearer	-	-	31 995	127 980	fully paid in cash	2017
ordinary bearer	-	-	24 860	99 440	fully paid in cash	2018
ordinary bearer	-	-	13 385	53 540	fully paid in cash	2019
ordinary bearer	-	-	16 673	66 692	fully paid in cash	2020
ordinary bearer	-	-	17 844	71 376	fully paid in cash	2021
ordinary bearer	-	-	48 611	194 444	fully paid in cash	2022
Total number of shares			42 433 495			
Total registered share capital				169 733 980		
Nominal value per share (PLN)		4				

* As at the end of the reporting period

25. Material share packages

Commerzbank AG is the only shareholder holding over 5% of the share capital and votes at the General Meeting and as at 31 March 2023 it held 69.17% of the share capital and votes at the General Meeting of mBank S.A.

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

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

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

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26. Earnings per share

	the period	from 01.01.2023 to 31.03.2023	from 01.01.2022 to 31.03.2022
Basic:			
Net profit		158 657	514 107
Weighted average number of ordinary shares		42 433 495	42 384 884
Net basic profit per share (in PLN per share)		3.74	12.13
Diluted:			
Net profit applied for calculation of diluted earnings per share		158 657	514 107
Weighted average number of ordinary shares		42 433 495	42 384 884
Adjustments for:			
- share options		88 430	106 255
Weighted average number of ordinary shares for calculation of diluted earnings per share		42 521 925	42 491 139
Diluted earnings per share (in PLN per share)		3.73	12.10

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

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

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

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

29. Off-balance sheet liabilities

	31.03.2023	31.12.2022
Contingent liabilities granted and received	53 572 074	50 438 180
Commitments granted	43 750 999	41 233 031
Financing	32 791 922	32 652 084
Guarantees and other financial facilities	8 480 434	8 580 947
Other liabilities	2 478 643	-
Commitments received	9 821 075	9 205 149
Financial commitments received	1 038 284	476 790
Guarantees received	8 782 791	8 728 359
Derivative financial instruments (nominal value of contracts)	742 426 707	721 658 563
Interest rate derivatives	630 146 900	588 523 672
Currency derivatives	106 556 978	127 272 224
Market risk derivatives	5 722 829	5 862 667
Total off-balance sheet items	795 998 781	772 096 743

30. Transactions with related entities

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

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

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

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	mBank's subsidiaries			Commerzbank AG			Other companies of the Commerzbank AG Group		
	31.03.2023	31.12.2022	31.03.2022	31.03.2023	31.12.2022	31.03.2022	31.03.2023	31.12.2022	31.03.2022
Statement of financial position									
Assets	22 041 121	22 293 361		1 342 773	674 513		-	37	
Liabilities	442 509	427 198		1 985 325	2 465 567		82 753	77 829	
Income Statement									
Interest income	349 919		140 827	17 898		10 034	-		13
Interest expense	(10 269)		(62)	(13 630)		(8 453)	(688)		(2)
Fee and commission income	4 145		4 602	1 580		1 122	12		131
Fee and commission expense	(43 059)		(63 837)	-		-	-		-
Other operating income	2 583		3 650	444		-	-		-
Overhead costs, amortisation and other operating expenses	(4 587)		(798)	(3 237)		(2 653)	-		-
Contingent liabilities granted and received									
Liabilities granted	3 260 991	3 274 715		2 189 075	2 101 314		1 648	1 608	
Liabilities received	-	-		1 869 688	1 915 387		-	-	

The total costs of remuneration of Members of the Supervisory Board, the Management Board and other key management personnel of the Bank that perform their duties from 1 January to 31 March 2023 recognised in the Bank's income statement for that period amounted to PLN 8 917 thousand (in the period from 1 January to 31 March 2022: PLN 9 805 thousand).

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

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

In the three-month period, ended on 31 March 2023, Bank has not concluded any substantial agreements regarding credit and loan guarantees or guarantees granted of a significant amount.

32. Fair value of assets and liabilities

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

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

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

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

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

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Financial assets and liabilities at amortised cost

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

	31.03.2023		31.12.2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortised cost				
Debt securities	20 618 216	18 775 202	20 206 976	17 923 102
Loans and advances to banks	18 610 485	18 614 865	15 392 870	15 395 201
Loans and advances to customers, including:	89 873 138	89 618 183	87 805 447	87 273 053
Loans and advances to individuals	39 344 756	39 397 075	40 129 801	40 077 630
Current accounts	7 431 504	7 874 820	7 334 567	7 776 122
Term loans	31 881 623	31 490 626	32 773 857	32 280 131
Other	31 629	31 629	21 377	21 377
Loans and advances to corporate entities	50 481 291	50 174 488	47 622 759	47 143 353
Current accounts	7 668 017	7 561 791	6 908 655	6 754 825
Term loans	38 187 603	37 987 026	38 531 877	38 206 301
Reverse repo or buy/sell back transactions	4 157 400	4 157 400	1 611 154	1 611 154
Other loans and advances	457 467	457 467	555 475	555 475
Other	10 804	10 804	15 598	15 598
Loans and advances to public sector	47 091	46 620	52 887	52 070
Financial liabilities at amortised cost				
Amounts due to other banks	3 738 317	3 738 317	3 305 751	3 305 751
Amounts due to customers	180 810 603	180 807 691	174 000 911	173 996 881
Debt securities in issue	3 663 938	3 680 146	4 548 698	4 545 899
Subordinated liabilities	2 719 069	2 614 619	2 740 721	2 631 352

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

Loans and advances to banks and loans and advances to customers

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

Financial liabilities

Financial instruments representing liabilities for the Bank include the following:

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

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

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

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

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

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

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

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

31.03.2023	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
VALUATION ONLY FOR PURPOSES OF DISCLOSURE				
FINANCIAL ASSETS				
Debt securities	18 775 202	14 923 154	-	3 852 048
Loans and advances to banks	18 614 865	-	-	18 614 865
Loans and advances to customers	89 618 183	-	-	89 618 183
Total financial assets	127 008 250	14 923 154	-	112 085 096
FINANCIAL LIABILITIES				
Amounts due to banks	3 738 317	-	1 876 739	1 861 578
Amounts due to customers	180 807 691	-	210 714	180 596 977
Debt securities issued	3 680 146	3 655 269	-	24 877
Subordinated liabilities	2 614 619	-	2 614 619	-
Total financial liabilities	190 840 773	3 655 269	4 702 072	182 483 432

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

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Financial assets and liabilities measured at fair value and investment properties

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

31.03.2023	including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
RECURRING FAIR VALUE MEASUREMENTS				
Financial assets				
Financial assets held for trading and hedging derivatives	2 602 802	1 038 730	1 178 168	385 904
Loans and advances to customers	37 934	-	-	37 934
Debt securities	1 381 369	1 033 399	-	347 970
Equity instruments	5 331	5 331	-	-
Derivative financial instruments, including:	1 178 168	-	1 178 168	-
Derivative financial instruments held for trading	1 451 279	-	1 451 279	-
Hedging derivative financial instruments	111 163	-	111 163	-
Offsetting effect	(384 274)	-	(384 274)	-
Non-trading financial assets mandatorily at fair value through profit or loss	855 012	754	-	854 258
Loans and advances to customers	669 684	-	-	669 684
Debt securities	47 641	-	-	47 641
Equity securities	137 687	754	-	136 933
Financial assets at fair value through other comprehensive income	55 792 790	14 638 311	19 975 258	21 179 221
Loans and advances to customers	19 477 002	-	-	19 477 002
Debt securities	36 315 788	14 638 311	19 975 258	1 702 219
Total financial assets	59 250 604	15 677 795	21 153 426	22 419 383
Investment properties	136 909	-	-	136 909
Financial liabilities				
Financial liabilities held for trading and hedging derivatives	2 190 756	625 919	1 564 837	-
Derivative financial instruments, including:	1 564 837	-	1 564 837	-
Derivative financial instruments held for trading	1 826 906	-	1 826 906	-
Hedging derivative financial instruments	2 199 671	-	2 199 671	-
Offsetting effect	(2 461 740)	-	(2 461 740)	-
Liabilities from short sale of securities	625 919	625 919	-	-
Total financial liabilities	2 190 756	625 919	1 564 837	-

Assets and liabilities measured at fair value and investment properties based on Level 3	Financial assets held for trading and hedging derivatives		Non-trading financial assets mandatorily at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Investment properties
	Loans and advances to customers	Debt securities	Loans and advances to customers	Debt securities	Equity securities	Loans and advances to customers	Debt securities	
changes in the period from 1 January to 31 March 2023								
As at the beginning of the period	39 720	401 865	712 570	45 009	120 670	19 422 073	1 719 371	136 909
Gains and losses for the period:	(564)	2 449	(6 029)	2 632	16 263	197 397	11 931	-
Recognised in profit or loss:	(564)	2 449	(6 029)	2 632	16 263	-	-	-
<i>Net trading income</i>	(564)	2 449	-	(1 081)	6	-	-	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	(6 029)	3 713	16 257	-	-	-
Recognised in other comprehensive income:	-	-	-	-	-	197 397	11 931	-
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	-	197 397	11 931	-
Purchases / origination	-	211 695	19 442	-	-	64 972	439 507	-
Redemptions / total repayments	-	(65 061)	(44 829)	-	-	(203 410)	(55 193)	-
Sales	-	(625 431)	-	-	-	-	(475 865)	-
Issues	-	422 453	-	-	-	-	62 468	-
Other changes	(1 222)	-	(11 470)	-	-	(4 030)	-	-
As at the end of the period	37 934	347 970	669 684	47 641	136 933	19 477 002	1 702 219	136 909

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

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

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

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

Level 1

As at 31 March 2023 at level 1 of the fair value hierarchy, the Bank has presented the fair value of held for trading government bonds in the amount of PLN 1 033 399 thousand and the fair value of government bonds measured at fair value through other comprehensive income in the amount of PLN 13 307 437 thousand (31 December 2022: PLN 670 227 thousand and PLN 14 300 990 thousand, respectively). Level 1 includes the fair values of corporate bonds in the amount of PLN 1 330 874 thousand (31 December 2022: PLN 1 316 626 thousand).

In addition, as at 31 March 2023 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 754 thousand (31 December 2022: PLN 746 thousand) and equity instruments of non-financial corporations in amount of PLN 5 331 thousand (31 December 2022: PLN 6 129 thousand).

As at 31 March 2023 Level 1 also includes liabilities from short sale of securities quoted on active markets in the amount of PLN 625 919 thousand (31 December 2022: PLN 260 538 thousand).

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

Level 2

Level 2 of the fair value hierarchy mainly includes the fair values of bills issued by NBP in the amount of PLN 19 975 258 thousand (31 December 2022: PLN 17 083 666 thousand), valuation of which is based on a NPV model (discounted future cash flows) fed with interest rate curves generated by transformation of quotations taken directly from active and liquid financial markets.

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

Level 3

Level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies in the amount of PLN 2 097 830 thousand (31 December 2022: PLN 2 166 245 thousand), and includes the fair value of a debt instrument measured at fair value through profit or loss, representing the rights to preferred stock of Visa Inc.

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

Level 3 as at 31 March 2023 includes the value of loans and advances to customers in the amount of PLN 20 184 620 thousand (31 December 2022: PLN 20 174 363 thousand). The fair value calculation process for loans and advances to customers is described in detail in the Note 3.3.7. of financial statement of mBank S.A. for 2022, published on 2 March 2023.

Moreover level 3 includes the value of loans and advances to customers in the amount of PLN 136 933 thousand (31 December 2022: PLN 120 670 thousand). The equity instruments presented at level 3 have been valued using the dividend discount model. The valuations were predominantly prepared

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based on selected financial figures provided by valuated entities and discounted with the cost of equity estimated using CAPM model (Capital Asset Pricing Model). At the end of the first quarter of 2023, the cost of equity was estimated at the level in the range from 13.1% to 13.6% (as at the end of 2022: from 13.9% to 14.4%).

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

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

Portfolio	Fair value 31.03.2023	Sensitivity to change of unobservable parameter		Description
		(-)	(+)	
Equity instruments	136 933	(15 791)	19 611	The valuation model uses the cost of own capital as the unobservable discount parameter. Sensitivity was calculated assuming a change in the own capital by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through other comprehensive income	1 702 219	(27 353)	27 353	The unobservable parameter is the credit spread. Sensitivity was calculated assuming a change in the credit spread by 100 bp. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Corporate debt securities measured at fair value through profit or loss	347 970	(9 188)	9 188	
Loans and advances to customers held for trading	37 934	(465)	441	The valuation model uses credit risk parameters (PD and LGD). Sensitivity was calculated assuming a change in PD and LGD by +/- 10%. As the value of the parameter increases, the Bank expects a loss (-), as it decreases, the Bank expects a profit (+).
Loans and advances to customers mandatorily at fair value through profit or loss	669 684	(9 187)	9 190	
Loans and advances to customers measured at fair value through other comprehensive income	19 477 002	(13 396)	12 575	

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

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

Management Board of mBank S.A.

As of 31 March 2023, the Management Board of mBank S.A. performed functions in the following composition:

1. Cezary Stypułkowski – President of the Management Board,
2. Andreas Böger – Vice-President of the Management Board, Chief Financial Officer,
3. Krzysztof Dąbrowski – Vice-President of the Management Board, Head of Operations and IT,
4. Cezary Kocik – Vice-President of the Management Board, Head of Retail Banking,
5. Marek Lusztyn – Vice-President of the Management Board, Head of Risk,
6. Adam Pers – Vice-President of the Management Board, Head of Corporate and Investment Banking.

Changes in the Management Board of mBank S.A.

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

Supervisory Board of mBank S.A.

As of 31 March 2023 the composition of the Supervisory Board of mBank S.A. was as follows:

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

Changes in the Supervisory Board of mBank S.A.

Before 31 March 2023 following changes in the Supervisory Board of mBank S.A. have occurred:

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

34. Factors affecting the results in the coming quarter

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

35. Other information

■ Requirements on mBank Group capital ratios as of 31 March 2023

The minimum required level of capital ratios at the end of 31 March 2023 amounted to:

- Individual total capital ratio: 13.17% and Tier 1 capital ratio: 10.66%
- Consolidated total capital ratio: 12.88% and Tier 1 capital ratio: 10.44%.

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

■ Transitional arrangements in response to the COVID-19 pandemic

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

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

The transitional arrangements ceased to appeal from 1 January 2023.

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

	31.03.2023		31.12.2022	
	Measures reported	Measures calculated without taking into account transitional provisions	Measures reported	Measures calculated without taking into account transitional provisions
Common Equity Tier I capital (PLN thousand)	12 499 173	n/a	12 519 047	12 251 039
Tier I capital (PLN thousand)	12 499 173	n/a	12 519 047	12 251 039
Own funds (PLN thousand)	14 685 875	n/a	14 768 545	14 500 537
Common Equity Tier I ratio (%)	15.9	n/a	16.4	16.0
Tier I capital ratio (%)	15.9	n/a	16.4	16.0
Total capital ratio (%)	18.7	n/a	19.4	19.0

36. Events after the balance sheet date

From 31 March 2023 until the date of approval of these condensed financial statements, no events occurred, which would require additional disclosure in these condensed financial statements.