2022

Disclosures regarding capital adequacy of mBank S.A. Group as at 30 September 2022

Warsaw, 7 November 2022

Contents

1. Introduction

This document is issued under the disclosure requirements resulting from Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (the CRR Regulation), which formed the legal basis of the reporting date i.e. 30 September 2022.

This document contains information on the prudential consolidated basis of the mBank SA Capital Group (mBank Group) in accordance with the requirements set out in Article 13 of the CRR Regulation.

As of 30 September 2022 the scope of entities included in prudential consolidation does not differ from the scope of entities included in accounting consolidation based on International Financial Reporting Standards (IFRS).

The information shall be published in accordance with the following provisions:

- Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295 (Regulation 2021/637),
- Guidelines EBA/GL/2014/14 of 23 December 2014 on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013,
- Guidelines EBA/GL/2020/12 of 11 August 2020 amending disclosure guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic,
- Disclosure Policy of mBank S.A. on capital adequacy available on website www.mbank.pl.

The values presented herein are expressed in thousands of zlotys, except where a different unit of measurement has been used as indicated in detail with the data presented later in this document.

2. Own Funds and key ratios

The consolidated own funds consist of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital. Items that could be treated as Additional Tier 1 capital are not identified in mBank Group, therefore the own funds of mBank Group constitute the sum of consolidated Common Equity Tier 1 capital and Tier 2 capital.

The difference in the amount of own funds observed over the third quarter of 2022 compared to the amount of own funds as of June 30, 2022 was caused by a decrease in own funds due to the loss incurred in the third quarter and an increase in the excess of the threshold amount of deferred tax assets referred to in Art. 48 of the CRR Regulation, and an increase in own funds due to the non-inclusion in own funds of an adjustment for current adjustments for specific credit risk (current net impairment losses on loans and advances) due to the inclusion of the accumulated loss for the period from January to September 2022 in own funds and an increase from the valuation of securities measured by other comprehensive income.

EU KM1 - Key metrics template, addressing disclosure requirements of Article 447 (a) to (g) and Article 438 (b)

		a	b	c	d	e
		30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	11 247 118	13 059 869	12 666 742	13 552 027	15 171 840
2	Tier 1 capital	11 247 118	13 059 869	12 666 742	13 552 027	15 171 840
3	Total capital	13 610 314	15 365 639	14 967 499	15 871 711	17 484 628
	Risk-weighted exposure amounts					
4	Total risk exposure amount	92 860 518	93 777 897	94 027 961	95 738 983	99 584 821
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	12.11%	13.93%	13.47%	14.16%	15.19%
6	Tier 1 ratio (%)	12.11%	13.93%	13.47%	14.16%	15.19%
7	Total capital ratio (%)	14.66%	16.38%	15.92%	16.58%	17.51%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU-7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.12%	2.12%	2.12%	2.12%	2.82%
EU-7b	of which: to be made up of CET1 capital (percentage points)	1.19%	1.19%	1.19%	1.19%	1.58%
EU-7c	of which: to be made up of Tier 1 capital (percentage points)	1.59%	1.59%	1.59%	1.59%	2.11%
EU-7d	Total SREP own funds requirements (%)	10.12%	10.12%	10.12%	10.12%	10.82%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU-8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.07%	0.05%	0.05%	0.05%	0.05%
EU-9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU-10a	Other Systemically Important Institution buffer (%)	0.50%	0.50%	0.50%	0.50%	0.50%
11	Combined buffer requirement (%)	3.07%	3.05%	3.05%	3.05%	3.05%
EU-11a	Overall capital requirements (%)	13.19%	13.17%	13.17%	13.17%	13.87%
12	CET1 available after meeting the total SREP own funds requirements (%)	4 199 005	5 875 316	5 451 870	6 182 926	6 680 336
	Leverage ratio					
13	Total exposure measure	219 358 906	216 071 495	216 563 991	214 379 061	221 768 642
14	Leverage ratio (%)	5.13%	6.04%	5.85%	6.32%	6.84%

EU KM1 - Key metrics template, addressing disclosure requirements of Article 447 (a) to (g) and Article 438 (b)

		a	b	c	d	e
		30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU-14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU-14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU-14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU-14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU-14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	55 205	58 861	62 863	63 711	61 428
EU-16a	Cash outflows - Total weighted value	32 386	31 979	31 655	31 192	29 897
EU-16b	Cash inflows - Total weighted value	4 723	4 583	4 717	4 566	4 190
16	Total net cash outflows (adjusted value)	27 663	27 396	26 939	26 625	25 707
17	Liquidity coverage ratio (%)	200%	215%	233%	239%	239%
	Net Stable Funding Ratio					
18	Total available stable funding	166 508	158 412	158 883	160 241	160 425
19	Total required stable funding	115 293	114 492	113 777	107 315	104 925
20	NSFR ratio (%)	144%	138%	140%	149%	153%

3. Capital requirements

3.1. Description of the internal rating based approach applied to calculation of capital charges

On 4 July 2012 PFSA and Bundesanstalt fur Finanzdienstleistungsaufsicht (BaFin) granted consent to the application of the advanced internal rating based approach (AIRB approach) by mBank to the calculation of the capital requirement for credit risk for the corporate portfolio and the retail mortgage loan portfolio.

Additionally, on 27 August 2012 BaFin in cooperation with PFSA granted consent to the application of internal rating based approach concerning the risk weighting for specialized lending exposures (IRB slotting approach) by mBank Hipoteczny SA (mBH) to the calculation of the capital requirement for credit risk.

On 6 May 2015 mBank SA received conditional consent of PFSA to use AIRB approach for retail mortgage loan portfolio (micro companies) and for the portfolio of commercial banks.

On 25 July 2016 mLeasing Sp. z o.o. (mLeasing) obtained approval from European Central Bank (ECB) and PFSA to the application of the AIRB approach to the calculation of capital requirement for credit risk.

On 22 September 2016 mBank SA obtained approval from ECB and PFSA to the application of AIRB approach to the calculation of the capital requirement for credit risk for the specialized lending exposures - income producing real estate.

On 31 January 2018 mBank SA obtained approval from European Central Bank and PSFA to the application of material change in PD model for subsidiary mLeasing.

On 31 march 2021 mBank obtained approval from PFSA for the use of a new LGD model for retail portfolio.

In the process of calculating the consolidated total capital ratio, since 30 June 2021, mBank Group has been applying the supervisory restrictions of the PFSA and the ECB (multipliers) related to the recommendation following the implementation of the New Default Definition and the new LGD model for the retail loan portfolio.

The supervisory restrictions, in the form of a floor per LGD, for the exposures to banks portfolio have been implemented since 30 September 2021.

The supervisory restrictions will be applied until the Bank complies with the recommendations received.

On March 24, 2022, mBank settled a synthetic securitization transaction carried out on a portfolio of corporate loans with a total value of PLN 8 922 million. As part of this transaction, mBank transferred a significant part to the investor credit risk from the selected securitization portfolio. A selected portfolio of the securitized loans remain on the Bank's balance sheet. The risk of a securitized portfolio is transferred through a recognized credit protection instrument in the form of a credit linked note. The transaction meets the requirements set out in the CRR Regulation regarding the transfer of a significant part of the risk. It has been structured as STS-compliant (simple, transparent and standardized securitization) in line with Regulation 2021/557. The capital requirements for the retained securitization positions are calculated under the Securitization Internal Ratings Based Approach (SEC-IRBA).

In the calculation of the total capital ratio of mBank Group as of 30 September 2022, when calculating the total capital charge, the mBank Group applies the AIRB approach pursuant to the provisions of the CRR Regulation to calculate a capital charge for credit and counterparty credit risk and pursuant to obtained AIRB approval.

3.2. Results of the internal capital adequacy assessment

The below information addressees the scope of disclosure from table EU OVC – ICAAP Information set out in Annex I to Regulation 2021/637.

mBank Group adjusts the own funds (both in regulatory and in economic terms) to the level and type of risk, mBank Group is exposed to and to the nature, the scale and the complexity of its operations. For that purpose Internal Capital Adequacy Assessment Process (ICAAP) is realized in mBank Group. The aim of this process is to maintain regulatory own funds (under Pillar I) and own funds under economic perspective (under Pillar II) at the level adequate to the profile and the level of risk in mBank Group's operations.

Capital adequacy is monitored:

- in regulatory terms, with reference to capital ratios, including the leverage ratio (which is described in more detail later in this document); and
- on an economic basis (internal), in relation to calculated internal capital.

Internal capital is the amount of capital estimated by mBank and required to cover all material risks identified in mBank Group's operations. Internal capital is the total sum of the economic capital to cover risks included in economic capital calculation and capital necessary to cover other risks (including hard to quantify risks).

In the third quarter of 2022 mBank calculated the economic capital at the 99.91% confidence level over a one-year time horizon for credit, market and business risk. The economic capital for operational risk was calculated using an algorithm based on the Standardised Measurement Approach (SMA) described in the updated Basel III standard: Finalising post-crisis reforms. The Bank also determined capital to cover other risks (including hard to quantify risks). In calculating total internal capital, the Bank did not take into account the effect of diversification between different types of risk.

The internal capital adequacy assessment process is continuous in mBank Group and includes the following stages implemented by organizational units of mBank and mBank Group subsidiaries:

- risk inventory in mBank Group,
- calculation of internal capital under Pillar II and Pillar I capital requirements to provide for sufficient risk coverage,
- capital aggregation,
- stress tests,
- setting limits on the utilization of capital resources,
- planning and allocation of capital,
- monitoring consisting in a permanent identification of risk involved in the business of mBank Group and the analysis of the level of capital for risk coverage,
- annual process review and assessment.

In order to assess the capital adequacy under economic perspective mBank calculates risk coverage potential (RCP), i.e. economic own funds, in addition to regulatory own funds. Having estimated internal capital as well as RCP both under normal and under stressed conditions Bank determines risk absorbance capacity. On this basis, and taking into account the forecast values, limits for economic capital for particular risks are determined.

Both the value of the regulatory own funds as well as the value of the risk coverage potential in mBank Group is well above the value of the internal capital.

The main principles of the internal capital adequacy assessment process (ICAAP) are accepted by the Supervisory Board of mBank. The whole internal capital adequacy assessment process is reviewed annually. The Bank's Management Board is responsible for the ICAAP process in mBank Group.

3.3. Supervisory requirements regarding capital ratios

According to provisions of the CRR Regulation the Bank and mBank Group are required to meet minimum regulatory level of capital ratios, i.e. to maintain a minimum total capital ratio above 8%, Tier 1 capital ratio above 6% and common equity Tier 1 capital ratio above 4.5%.

Provisions of CRD IV, in particular provisions regarding capital buffers, were transposed into a national legislation, which took place in 2015 with the endorsement of the Act on Macro-prudential Supervision over the Financial System and Crisis Management in the Financial System (Act) and with an update of the Banking Law. The Act stipulates capital buffers banks in Poland should meet once buffers are implemented by competent authorities indicated in the Act.

As of 30 September 2022 mBank Group was obliged to ensure adequate own funds to meet conservation capital buffer of 2.5% of total risk exposure amount, as defined in the Act.

As of the end of September 2022 the countercyclical capital buffer rate set for relevant exposures in Poland according with the article 83 of the Act amounted to 0%. The ratio shall be effective until it is changed by way of an ordinance of the Minister of Finance.

Countercyclical capital buffer in accordance with the provisions of the Act as the weighted average of the countercyclical buffer rates that apply in the countries where the relevant credit exposures of the mBank Group are located. As at the end of September 2022 this ratio amounted to 0.07%.

Exposures of foreign branches in Czech Republic and in Slovakia, where countercyclical buffer rates as of 30 September 2022 amounted to 1.0%, and 1.0% in each, had an impact on the mBank Group specific countercyclical capital buffer

EU CCyB2 - Amount of institution-specific countercyclical capital buffer

		30.09.2022
1	Total risk exposure amount	92 860 518
2	Institution specific countercyclical capital buffer rate	0.074%
3	Institution specific countercyclical capital buffer requirement	68 717

In 2016 Bank received an administrative decision of the PFSA (KNF), in which mBank has been identified as other systemically important institution (O-SII). mBank was subject to a capital buffer which on the basis of KNF administrative decision of October 29th, 2020 amounted to 0.50% of the total risk exposure amount, calculated in accordance with article 92(3) of CRR Regulation, to be maintained on individual and consolidated levels. This buffer was in force as at 30 September 2022.

Starting from 1st January 2018 the Regulation of the Minister of Development and Finance with regard to systemic risk buffer entered into force. The Regulation introduced systemic risk buffer of 3% of the total risk exposure amount applied to all exposures located in Poland. Due to the exceptional socio-economic situation that arose after the outbreak of the global COVID-19 pandemic, this requirement was lifted by repealing the Regulation of the Minister of Finance, which was in force since 19 March 2020.

Consequently, the combined buffer requirement set for the mBank Group as of the end of September 2022 amounted to 3.07% of the total risk exposure amount.
Additionally, as a result of the annual risk assessment carried out in 2021 by the PFSA within the supervisory review and evaluation process (SREP), in particular with regard to the evaluation of risk related to the portfolio of foreign exchange retail mortgage loans, mBank Group received an individual recommendation to maintain own funds on the consolidated level to cover additional capital requirement of 2.12% in order to mitigate the risk and 1.59% for Tier 1 capital (on individual basis: 2.45% and 1.83% respectively). Additional capital requirement in Pillar II encompasses also additional risk factors related to the FX mortgage loan portfolio such as operational risk, market risk or risk of collective default of borrowers. The high level of additional capital requirement in Pillar II resulted from the fact that the PFSA applied one methodology to all banks in Poland. This did not take into account the results of internal models applied by mBank to the calculation of capital requirements for credit risk. The approach assumes a common starting point for determining the additional capital requirement for all banks, which is to apply the risk weight from the standardized approach applicable in Poland for calculating credit risk capital requirements for mortgage-secured foreign currency exposures (risk weight of 150%), used by banks using the standardized approach.

Consequently, more than half of the additional capital requirement calculated by the PFSA for mBank Group comes from "aligning" the capital requirement to the requirement calculated under the standardised approach. The second important component with effect on an additional capital requirement within Pillar II was related to the SREP score quantifying the risk of foreign exchange retail mortgage loans portfolio, taking into account the specific nature of the Bank portfolio, the following factors were taken into account:

- the share of loans with LTV >100% in total FX lending portfolio,
- the level of margin realised in the Bank on FX lending portfolio,
- sensitivity of total capital ratio to exchange rate and interest rate changes,
- Bank's readiness to absorb losses of a potential portfolio currency conversion.

Capital ratios both on consolidated and individual basis in the third quarter of 2022 were above the required values.

With a surplus of own funds mBank Group meets the additional own funds requirement related to Pillar II and the combined buffer requirement.

In a letter of 10 February 2022, the Bank received a recommendation from the KNF to maintain CET 1 own funds to cover an additional capital surcharge imposed to absorb potential losses resulting from stress events (P2G). The Bank's Management Board has declared that its intention is to maintain capital ratios at a level sufficient to comply with P2G recommendation. The Group does not recognize the P2G recommendation as a component of the minimum regulatory requirement, but takes the recommendation into account in the Group's internal capital adequacy targets. The current level of capital ratios allows the Group to meet both the minimum regulatory requirements and the P2G recommendation.

3.4. Quantitative data regarding capital adequacy

Capital ratios for mBank Group are calculated on the basis of total risk exposure amount that corresponds to the sum of risk exposure amounts for particular risk types that are calculated according to the provisions of the CRR Regulation.

Total risk exposure amount of mBank Group consists of:

- risk weighted exposure amount for credit risk, counterparty credit risk, dilution risk and free deliveries calculated under AIRB approach as regards the large part of the credit exposures portfolio,
- risk exposure amount for market risk, including position risk, foreign exchange risk and commodities risk calculated under standardised approaches,
- risk exposure amounts for operational risk calculated under standardised approach,
- risk exposure amount for credit valuation adjustments, calculated under standardised approach,

The template presents all components of the total risk exposure amount of mBank Group, a denominator for capital ratios calculated according with art. 92 of CRR Regulation.

EU OV1 – Overview of RWAs, addressing disclosure requirements of art. 438 letter d) of CRR Regulation.

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		30.09.2022	30.06.2022	30.09.2022
1	**Credit risk (excluding CCR)**	**74 788 451**	**79 506 069**	**5 983 076**
2	Of which the standardised approach	21 618 329	25 262 456	1 729 466
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	6 199 715	6 316 227	495 977
EU 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	46 970 407	47 927 386	3 757 633
6	**Counterparty credit risk - CCR**	**3 115 338**	**2 396 510**	**249 227**
7	Of which the standardised approach	2 555 191	1 958 400	204 415
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	7 325	2 977	586
EU 8b	Of which credit valuation adjustment - CVA	427 234	319 198	34 179
9	Of which other CCR	125 588	115 935	10 047
15	**Settlement risk**	-	-	-
16	**Securitisation exposures in the non-trading book (after the cap)**	**824 201**	**824 201**	**65 936**
17	Of which SEC-IRBA approach	824 201	824 201	65 936
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**927 502**	**900 163**	**74 200**
21	Of which the standardised approach	927 502	900 163	74 200
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	-	-	-
23	**Operational risk**	**10 150 954**	**10 150 954**	**812 076**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	10 150 954	10 150 954	812 076
EU 23c	Of which advanced measurement approach	-	-	-
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**3 054 072**	**3 566 893**	**244 326**
29	**Total**	**92 860 518**	**93 777 897**	**7 428 841**

EU CR8 – RWA flow statements of credit risk exposures, including IRB approach, addressing disclosure requirements of Art. 438 letter d) of CRR Regulation.

		Risk weighted exposure amount
		30.09.2022
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**51 542 561**
2	Asset size (+/-)	(187 582)
3	Asset quality (+/-)	(982 858)
4	Model updates (+/-)	-
5	Methodology and policy (+/-)	-
6	Acquisitions and disposals (+/-)	-
7	Foreign exchange movements (+/-)	527 530
8	Other (+/-)	-
9	**Risk weighted exposure amount as at the end of the reporting period**	**50 899 651**

4. Liquidity risk

As of 30 September 2022, the LCR ratio of mBank Group reached 200% and remained on a safe level, significantly exceeding 100%. In the third quarter of 2022, the level of the liquidity coverage ratio was influenced by the dynamics of the development of term deposits and current accounts included in the calculation of the LCR (increase of PLN 8 billion) compared to the decrease of lending activities by PLN 0.687 billion). The result of these changes is consistently high level of the liquidity buffer in relation to the expected net outflows in the horizon of 30 days as at 30 September 2022. The high-quality liquid assets of mBank in the liquidity buffer (HQLA) used to calculate the LCR ratio consist of only Level 1 assets, including mainly:

- Polish treasury bonds in PLN and EUR,
- bills issued by the National Bank of Poland,
- Czech treasury bonds in CZK,
- bills issued by the Czech National Bank in CZK,
- bonds issued by the European Investment Bank in PLN,
- excess of the required reserves in the National Bank of Poland, National Bank of Slovakia and Czech National Bank.

Also mBank Hipoteczny maintains liquidity buffer within the Group. The liquidity buffer of mBank Hipoteczny consisted of Polish treasury bonds in PLN, NBP bills and the excess of the required reserve at the National Bank of Poland.

The main source of financing are deposits, which as of 30 September 2022 accounted for 93.76% of all external sources of financing. The deposit base is diversified, and the deposits of the 10 largest customers as of 30 September 2022 accounted for 2.6% of the deposit base. The other sources of financing are:

- own issues,
- subordinated liabilities,
- operations on the interbank market,
- loans.

mBank Group identifies three significant currencies in accordance with Art. 4(5)of the EU Commission Delegated Regulation 2015/61 and with Art. 415(2)of CRR Regulation: PLN, CZK and EUR, all of which the LCR ratio was above 100%. Significance of CZK and EUR currencies are related to, inter alia, running two foreign branches in the Czech Republic and Slovakia. The possible currency mismatch is limited at the level of the real liquidity gap in individual currencies.

As of 30 September 2022, the impact of the adverse market scenario on derivatives accounted for 0.62% of the total unweighted value of outflows included in the LCR of mBank Group.

In the below table quantitative data regarding LCR are presented (in PLN million).

EU LIQ1 - Quantitative information of LCR, addressing disclosure requirements of art. 451a point 2) of CRR Regulation.

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2022	30.06.2022	31.03.2022	31.12.2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					55 205	58 861	62 863	63 711
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	117 328	115 306	113 963	112 020	8 998	8 700	8 502	8 235
3	*Stable deposits*	*87 264*	*87 691*	*87 798*	*86 372*	*4 364*	*4 385*	*4 390*	*4 319*
4	*Less stable deposits*	*30 064*	*27 615*	*26 165*	*25 648*	*4 634*	*4 315*	*4 112*	*3 916*
5	Unsecured wholesale funding	42 685	43 257	43 390	42 666	17 861	18 136	18 251	18 109
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*9 814*	*10 026*	*9 988*	*9 665*	*2 334*	*2 387*	*2 378*	*2 298*
7	*Non-operational deposits (all counterparties)*	*32 634*	*33 012*	*33 221*	*32 823*	*15 290*	*15 529*	*15 692*	*15 633*
8	*Unsecured debt*	*237*	*220*	*181*	*178*	*237*	*220*	*181*	*178*
9	*Secured wholesale funding*					-	-	-	-
10	Additional requirements	21 968	21 793	21 637	21 775	4 223	4 119	4 014	3 827
11	*Outflows related to derivative exposures and other collateral requirements*	*2 110*	*2 027*	*1 612*	*1 577*	*2 110*	*2 027*	*1 899*	*1 659*
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	*19 858*	*19 765*	*20 025*	*20 198*	*2 113*	*2 091*	*2 115*	*2 168*
14	Other contractual funding obligations	823	559	419	533	650	386	249	376
15	Other contingent funding obligations	15 985	15 998	16 054	15 658	654	639	639	644
16	TOTAL CASH OUTFLOWS					32 836	31 979	31 655	31 191
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	5 497	5 468	5 611	5 501	4 321	4 318	4 526	4 479
19	Other cash inflows	402	265	197	93	402	265	191	87
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	5 899	5 733	5 808	5 594	4 723	4 583	4 717	4 566
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*5 899*	*5 733*	*5 808*	*5 594*	*4 723*	*4 583*	*4 717*	*4 566*
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					55 205	58 861	62 863	63 711
22	TOTAL NET CASH OUTFLOWS					27 663	27 396	26 939	26 625
23	LIQUIDITY COVERAGE RATIO					200%	215%	233%	239%

5. Transitional arrangements regarding IFRS 9

mBank decided, for the purpose of capital adequacy calculation, including calculation of own funds, based on Article 1 paragraph 9 of the Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 amending the CRR Regulation, not to apply the transitional arrangements that would mitigate the impact on capital resulting from the introduction of IFRS9. Information on own funds, capital ratios and leverage ratio, presented in the document already reflect the full impact of IFRS 9.

6. Transitional arrangements in response to the COVID-19 pandemic

As of 31 December 2021 mBank included transitional provisions regarding the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic, contained in the regulation of the European Parliament and of the Council (EU) 2020/873 of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic in the calculation of own funds, capital ratios and leverage ratio for the first time. The application of the transitional provisions is intended to mitigate the negative impact of unrealized losses on government and local government debt instruments during the COVID-19 pandemic and the decision to apply them means that the Bank will be able to limit the impact of significant part of the volatility of the market valuation of the government and local government bonds portfolio.

The measures reported for mBank Group as of 30 September 2022 calculated taking into account the transitional provisions as well as measures as of 30 September 2022 calculated without taking into account the transitional provisions are presented below.

	Measures reported		Measures calculated without taking into account transitional provisions	
mBank Group	**30.09.2022**	**30.06.2022**	**30.09.2022**	**30.09.2022**
Common Equity Tier 1 capital (PLN thousand)	11 247 118	13 059 869	10 795 135	12 535 642
Tier 1 capital (PLN thousand)	11 247 118	13 059 869	10 795 135	12 535 642
Own funds (PLN thousand)	13 610 314	15 365 639	13 158 332	14 841 412
Common Equity Tier 1 ratio (%)	12.11	13.93	11.63	13.37
Tier 1 capital ratio (%)	12.11	13.93	11.63	13.37
Total capital ratio (%)	14.66	16.39	14.17	15.83
Leverage ratio (%)	5.13	6.04	4.92	5.80

Representation of the Management Board of mBank S.A.

The Management Board of mBank Polska S.A. declares that, to the best of its knowledge, the information presented in this "Disclosures regarding capital adequacy of mBank S.A. Group as at 30 September 2022" were prepared in accordance with the formal policies and internal processes, as well as, systems and controls agreed upon at the Management Board level, and give a true view of the facts. Furthermore, the risk management arrangements are adequate and give assurance that the risk management systems in use are appropriate in terms of the risk profile and strategy of the mBank Group.

The Management Board of mBank S.A. approves this "Disclosures regarding capital adequacy of mBank S.A. Group as at 30 September 2022".

First and last name	Position	Signature
Cezary Stypułkowski	President of the Management Board, Chief Executive Officer	(signed electronically)
Andreas Böger	Vice-President of the Management Board, Chief Financial Officer	(signed electronically)
Krzysztof Dąbrowski	Vice-President of the Management Board, Head of Operations and IT	(signed electronically)
Cezary Kocik	Vice-President of the Management Board, Head of Retail Banking	(signed electronically)
Marek Lusztyn	Vice-President of the Management Board, Chief Risk Officer	(signed electronically)
Adam Pers	Vice President of the Management Board, Head of Corporate & Investment Banking	(signed electronically)