Disclosures regarding capital adequacy of mBank S.A. Group as at 31 December 2022

Warsaw, 28th February 2023
(update – 21 March 2023)

Contents

1. Introduction

The document is an update of the report " Disclosures regarding capital adequacy of mBank S.A. Group as at 31 December 2022" dated 28 February 2023. Following the Resolution No. 283/23 of the Supervisory Board of mBank S.A. dated 2 March 2023 on granting variable remuneration and setting the number of warrants for 2022 for Members of the Management Board of mBank S.A. and Resolution No. 37/2023 of the Management Board of mBank S.A. of 2 March 2023 on the 2022 bonus for the bank employees defined as having a material impact on the bank's risk profile (Risk Takers II), a section "Remuneration Policy for employees having material impact on the risk profile - update of the information after the approval of the variable part of remuneration for the Banks's executives " has been added to this document to supplement the information on the awarded variable part of remuneration for 2022. The other disclosures and the content of the document remain unchanged from the version of the report dated 28 February 2023.

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. 31 December 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. 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/2020/07 of 2 June 2020 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis,
- 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.

If not stated specifically further in the document, all amounts are presented in PLN thousand.

2. Scope of prudential consolidation

According to the CRR Regulation, mBank S.A. (mBank) as a large subsidiary of an EU parent institution discloses information about the capital adequacy on a sub-consolidated basis at the highest local level of prudential consolidation i.e. based on the data of mBank Group.

The consolidated prudentially financial data of mBank Group for the year 2022 prepared in accordance with the CRR Regulation (the Prudentially consolidated financial data for the year 2022) is presented in the Explanatory Note 46 of mBank Group International Financial Reporting Standards Consolidated Financial Statements for 2022 (the Consolidated Financial Statements for the year 2022).

The accounting policies applied for the preparation of the Prudentially consolidated financial data for 2022 are the same as those, which have been applied to the Consolidated Financial Statements for the year 2022, except for the consolidation standards presented below.

Entities included in prudential consolidation according to the rules of the CRR Regulation were taken into account in the process of calculation of consolidated own funds and consolidated own funds requirements as at 31 December 2022. The scope of entities included in prudential consolidation is the same as the scope of entities included in accounting consolidation based on International Financial Reporting Standards (IFRS).

Entities included in prudential consolidation are defined in the CRR Regulation as institutions, financial institutions or ancillary services undertakings, which are subsidiaries or undertakings in which a participation is held, except for entities in which the total amount of assets and off-balance sheet items of the undertaking concerned is less than the smaller of the following two amounts:

- EUR 10 million;
- 1% of the total amount of assets and off-balance sheet items of the parent undertaking or the undertaking that holds the participation. The Prudentially consolidated financial data for the year 2021 include the following entities:

1. mBank S.A.
2. mBank Hipoteczny S.A.
3. mFaktoring S.A.
4. mFinanse S.A.
5. mFinanse CZ s.r.o.
6. mFinanse SK s.r.o.
7. mLeasing Sp. z o.o.
8. Future Tech Fundusz Inwestycyjny Zamknięty
9. mElements S.A.
10. Asekum Sp. z o.o.
11. LeaseLink Sp. z o.o.

Detailed information on consolidated entities included in accounting consolidation is presented in Explanatory Note 1 of the Consolidated Financial Statements for the year 2022.

3. Capital adequacy

One of the Bank's main tasks is to ensure an adequate level of capital. As part of the capital management strategy of mBank Group, the Bank creates a framework and guidelines for the effective planning and use of capital base which:

- are compliant with external and internal regulations in force,
- guarantee a continuity of financial targets achievement, which render an appropriate rate of return for shareholders,
- ensure the maintenance of a strong capital basis being a fundamental support for business development.

The capital management strategy in mBank Group is based on two pillars:

- aiming at optimal level and structure of own funds, assuring capital adequacy above the capital strategic targets (established above minimum requirement taking into account the risk appetite at approved level) as well as ensuring coverage against all material risks identified in mBank Group's activity,
- effective use of the capital base, guaranteeing achievement of expected returns, including return on regulatory capital and IFRS equity and thus creating stable basis for strengthening capital in future periods.

Above pillars of the capital management allows to maintain business development while meeting the supervisory requirements in the long perspective.

4. Own funds

The consolidated own funds consist of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital. Detailed information on particular elements of consolidated own funds of mBank Group as at 31 December 2022 is presented below on the basis of the templates EU CC1, EU CC2 and EU CCA set out in Annex VII to Regulation 2021/637.

Template EU CC1 - Composition of regulatory own funds

		a)	b)
		Amounts	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	3 604 519	Template EU CC2: Shareholders' Equity, row 1 and 2, column b)
2	Retained earnings	1 839 741	Template EU CC2: Shareholders' Equity, row 3, column b)
3	Accumulated other comprehensive income (and other reserves)	7 329 744	Template EU CC2: Shareholders' Equity, row 3 and 5, column b)
EU-3a	Funds for general banking risk	1 153 753	Template EU CC2: Shareholders' Equity, row 3, column b)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**13 927 757**	**-**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(45 879)	-
8	Intangible assets (net of related tax liability) (negative amount)	(879 985)	Template EU CC2: Assets, row 8, column b)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	769 763	Template EU CC2: Shareholders' Equity, row 5, column b)
12	Negative amounts resulting from the calculation of expected loss amounts	(174 277)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(442 138)	Template EU CC2: Assets, row 12, column b) and Liabilities, row 7, column b)
EU-25a	Losses for the current financial year (negative amount)	(1 215 015)	Template EU CC2: Shareholders' Equity, row 4, column b)
26	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(14 306)	-
27a	Other regulatory adjustments	227 745	Template EU CC2: Shareholders' Equity, row 5, column b)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(1 774 092)**	-
29	**Common Equity Tier 1 (CET1) capital**	**12 153 665**	-
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	-
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	-
44	**Additional Tier 1 (AT1) capital**	-	-
45	**Tier 1 capital (T1 = CET1 + AT1)**	**12 153 665**	-
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	2 249 498	Template EU CC2: Liabilities, row 2, column b)
51	**Tier 2 (T2) capital before regulatory adjustments**	**2 249 498**	**-**
Tier 2 (T2) capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	-
58	**Tier 2 (T2) capital**	**2 249 498**	
59	**Total capital (TC = T1 + T2)**	**14 403 163**	-
60	**Total Risk exposure amount**	**88 034 372**	**-**
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	13.81%	-
62	Tier 1 capital	13.81%	-
63	Total capital	16.36%	-
64	Institution CET1 overall capital requirements	8.59%	-
65	of which: capital conservation buffer requirement	2.50%	-
66	of which: countercyclical capital buffer requirement	0.10%	-
67	of which: systemic risk buffer requirement	-	-
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.50%	-
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.99%	-
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**6.49%**	-
Amounts below the thresholds for deduction (before risk weighting)			
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	94 592	Template EU CC2: Assets, row 3, column b)
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	1 231 532	Template EU CC2: Assets, row 12, column b) and Liabilities, row 7, column b)

COMMON EQUITY TIER 1 CAPITAL

Capital instruments and the related share premium accounts

In the item Capital instruments and the related share premium accounts, the share capital and share premium capital from sales of shares over the nominal value of mBank Group prudentially consolidated were included as at 31 December 2022.

Capital instruments and the related share premium accounts	
Registered share capital	169 475
Share premium	3 435 044
Total	**3 604 519**

Detailed information on share and supplementary capital from sales of shares over the nominal value is described in Explanatory Notes 37 and 38 of the Consolidated Financial Statements for 2022.

Retained earnings

Retained earnings item include the undistributed retained earnings of the prudentially consolidated mBank Group as of December 31, 2022 and the recognized net income of the prudentially consolidated mBank Group for the first quarter of 2022. Detailed information regarding retained earnings is described in Explanatory Notes 39 of the Consolidated Financial Statements for 2022.

Retained earnings	
Undistributed financial result from previous years	1 327 417
Recognized net income of mBank Group for Q1 2022	512 324
Total	**1 839 741**

Accumulated other comprehensive income (and other reserves)

Accumulated other comprehensive income as at 31 December 2022 amounted to PLN -1 517 613 thousand. The structure of accumulated other comprehensive income of mBank is presented below.

Accumulated other comprehensive income	
Exchange differences on translation of foreign operations	8 700
Cash flow hedges	(796 868)
Cost of hedging	27 105
Valuation of debt instruments at fair value through other comprehensive income	(760 946)
Actuarial gains and losses related to post-employment benefits	(7 040)
Reclassification to investment properties	11 436
Total	**(1 517 613)**

Other reserves of mBank Group prudentially consolidated as at 31 December 2022 amounted to PLN 8 847 357 thousand. The structure of other reserves of mBank Group prudentially consolidated as at 31 December 2022 is presented below.

Other reserves	
Other supplementary capital	8 740 349
Other reserve capital	107 008
Total	**8 847 357**

Accumulated other comprehensive income and other reserves of mBank Group prudentially consolidated as at 31 December 2022 amounted to PLN 7 329 744 thousand.

Funds for general banking risk

mBank Group transfers some of its net profit to the funds for general banking risk to cover unexpected risk and future losses. The funds for general banking risk can be distributed only on consent of shareholders at the General Meeting. As at 31 December 2022 the funds for general banking risk of mBank Group prudentially consolidated amounted to PLN 1 153 753 thousand.

THE COMMON EQUITY TIER 1 CAPITAL: REGULATORY ADJUSTMENTS

Additional value adjustments

In accordance with Article 34 of the CRR Regulation, additional value adjustments have been calculated to all assets measured at fair value in accordance with the requirements of Article 105 of the CRR Regulation and included in Common Equity Tier 1 capital of mBank Group prudentially consolidated as at 31 December 2022 in the amount of PLN -45 879 thousand.

Intangible assets

In accordance with Article 36 and 37 of the CRR Regulation and in accordance with Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020 amending Delegated Regulation (EU) No 241/2014 with regard to the deduction of software assets from Common Equity Tier 1 items, intangible assets, with the exception of prudently valued software assets the value of which is not negatively affected by resolution, insolvency or liquidation of the institution, reduced by the amount of associated deferred tax liabilities are included in Common Equity Tier 1 capital. The value included in Common Equity Tier 1 capital of mBank Group prudentially consolidated as at 31 December 2022 amounted to PLN -879 985 thousand.

Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value

In accordance with Article 33 of the CRR Regulation, regulatory adjustments in the amount of PLN 769 763 thousand regarding accumulated other comprehensive income as at 31 December 2022 constituting the fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value, correct the accumulated other comprehensive income item, mentioned above.

Negative amounts resulting from the calculation of expected loss amounts

When calculating risk-weighted exposure amounts using the AIRB method, mBank Group is obliged to include in the calculation of own funds negative amounts resulting from the calculation of the expected loss amounts. Pursuant to Art. 36 sec. 1 point d), negative amounts due to the calculations referred to in Articles 158 and 159 of the CRR Regulation were included in the prudentially consolidated Common Equity Tier 1 capital of mBank Group as at 31 December 2022 in the amount of PLN -174 277 thousand.

Deferred tax assets arising from temporary differences

Amount from deferred tax assets arising from temporary differences in the amount of PLN -442 138 thousand, net of related tax liability, constituting amount above 10% threshold of CET capital, was included in the calculation of the prudentially consolidated Common Equity Tier 1 capital as at 31 December 2022.

Losses for the current financial year

The calculation of the consolidated Common Equity Tier 1 capital as at 31 December 2022 includes the prudentially consolidated loss of mBank Group for the period 1 April to 31 December 2022 in the amount of PLN -1 215 015 thousand.

Fair value gains and losses arising from the institution’s own credit risk related to derivative liabilities

In accordance with Article 33(2) of the CRR Regulation, the fair value gains and losses arising from the mBank Group’s own credit risk related to derivative liabilities are not offset profit and losses measured at fair value resulting from the mBank Group’s own credit risk with similar profit and losses arising from its counterparty credit risk. As at 31 December 2022 the amount of PLN -14 306 thousand from fair value gains and losses on liabilities measured at fair value was included in Common Equity Tier 1 capital of mBank Group.

Other regulatory adjustments

Other regulatory adjustments include adjustments for securitisation positions, insufficient coverage for non-performing exposures and other transitional adjustments for the application of the transitional provisions for the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in relation to the COVID-19 pandemic, contained in Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the pandemic COVID-19 (Regulation 2020/873), which adjust the accumulated other comprehensive income item referred to the above.

Other regulatory adjustments	
Securitization positions that alternatively may be subject to the application of the 1 250% risk weighting	(36 234)
Insufficient coverage for non-performing exposures	(16 503)
Other transitional adjustments to Common Equity Tier 1 capital	280 482
Total	**227 745**

ADDITIONAL TIER 1 CAPITAL

Items that could be treated as Additional Tier 1 capital are not identified in mBank Group as at 31 December 2022.

TIER 2 CAPITAL

Capital instruments and the related share premium accounts

Pursuant to the PFSA decision dated 8 January 2015, mBank obtained a written permission to include in Tier 2 capital the amount of PLN 750 000 thousand constituting subordinated liabilities from the bonds issue dated 17 December 2014 on total nominal value of PLN 750 000 thousand with the redemption date on 17 January 2025. The issue meets all the requirements of the CRR Regulation. This instrument qualifies as an item in Tier 2 capital to the extent compliant with the depreciation principles referred to in Article 64 of the CRR Regulation.

Pursuant to the PFSA decision of 29 March 2018, mBank obtained a permission to classify cash in the amount of CHF 250 000 thousand as instruments in Tier 2 capital, in accordance with the terms of the loan agreement concluded between mBank S.A. and Commerzbank AG.

Pursuant to the PFSA decision of 28 November 2018, mBank obtained a permission to classify subordinated bonds with a nominal value of PLN 550 000 thousand, issued by the Bank on 9 October 2018 with the redemption date on 10 October 2028, as instruments in Tier 2 capital.

Pursuant to the PFSA decision of 28 November 2018, mBank obtained a permission to classify subordinated bonds with a nominal value of PLN 200 000 thousand, issued by the Bank on 9 October 2018 with the redemption date on 10 October 2030, as instruments in Tier 2 capital.

As at 31 December 2022 in the consolidated Tier 2 capital in the item Equity instruments and related share premium accounts the amount of PLN 2 249 498 thousand was included from the above-mentioned tranches of capital instruments.

Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

		a	b	c	d	e
		Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information
1	Issuer	mBank S.A.	mBank S.A.	mBank S.A.	mBank S.A.	mBank S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	PLBRE000012	Not applicable	ISIN: PLBRE0005185 Issue: MBKO170125	ISIN: PLBRE0005193 Issue: MBKO101028	ISIN: PLBRE0005201 Issue: MBKO101030
2a	Public or private placement	Public	Private placement	Private placement	Private placement	Private placement
3	Governing law(s) of the instrument	Polish	German and Polish in relations to subordination	Polish	Polish	Polish
3a	Contractual recognition of write down and conversion powers of resolution authorities	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Regulatory treatment					
4	Current treatment taking into account, where applicable, transitional CRR rules	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
5	Post-transitional CRR rules	CET1 capital	Tier II capital	Tier II capital	Tier II capital	Tier II capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Eligible at solo and (sub-) consolidated	Eligible at solo and (sub-) consolidated	Eligible at solo and (sub-) consolidated	Eligible at solo and (sub-) consolidated	Eligible at solo and (sub-) consolidated
7	Instrument type (types to be specified by each jurisdiction)	Common shares - meeting the conditions set out in Art. 28 of the CRR Regulation	Loan - Polish Banking Act Art.127.2.2 - meeting the conditions set out in Art. 63 of the CRR Regulation	Loan - Polish Banking Act Art.127.2.2 - meeting the conditions set out in Art. 63 of the CRR Regulation	Loan - Polish Banking Act Art.127.2.2 - meeting the conditions set out in Art. 63 of the CRR Regulation	Loan - Polish Banking Act Art.127.2.2 - meeting the conditions set out in Art. 63 of the CRR Regulation
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	m PLN 169	m PLN 1 192	m PLN 308	m PLN 550	m PLN 200
9	Nominal amount of instrument	169 mln PLN	m CHF 250 (m PLN 1 192)	m PLN 750	m PLN 550	m PLN 200
EU-9a	Issue price	PLN 4	Not applicable	100%	100%	100%
EU-9b	Redemption price	PLN 4	Not applicable	100%	100%	100%
10	Accounting classification	Equity capital	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	1986: 10 000 000 shares 1994: 2 500 000 shares 1995: 2 000 000 shares 1997: 4 500 000 shares 1998: 3 800 000 shares 2000: 170 500 shares 2004: 5 742 625 shares 2005: 270 847 shares 2006: 532 063 shares 2007: 144 633 shares 2008: 30 214 shares 2010: 12 395 792 shares 2011: 16 072 shares 2012: 36 230 shares 2013: 35 037 shares 2014: 36 044 shares 2015: 28 867 shares 2016: 41 203 shares 2017: 31 995 shares 2018: 24 860 shares 2019: 13 385 shares 2020: 16 673 shares 2021: 1 656 shares	21.03.2018	17.12.2014	09.10.2018	09.10.2018
12	Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity date	21.03.2028	17.01.2025	10.10.2028	10.10.2030
14	Issuer call subject to prior supervisory approval	Not applicable	Yes	Yes	Yes	Yes

		a	b	c	d	e
		Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information
15	Optional call date, contingent call dates and redemption amount	Not applicable	1) 21.03.2023; integral multiples of CHF 10 mn; notification of the lender, PFSA consent required; 2) Redemption due to a tax or regulatory event (PFSA consent required); at the end of Interest Period; notification of the lender	1) 17.01.2020 No minimum amount; at price 100%; 2) Redemption due to a regulatory event (PFSA consent required, notification of investors) at a price of 100%, at any Interest Payment Date	1) 10.10.2023 No minimum amount; at price 100%; 2) Redemption due to a regulatory event (PFSA consent required, notification of investors) at a price of 100%, at any Interest Payment Date	1) 10.10.2025 No minimum amount; at price 100%; 2) Redemption due to a regulatory event (PFSA consent required, notification of investors) at a price of 100%, at any Interest Payment Date
16	Subsequent call dates, if applicable	Not applicable	1) integral multiples of CHF 10 mn; notification of the lender, PFSA consent required; at the end of any Interest Period falling not earlier than the 5th anniversary of the Drawdown Date 2) Redemption due to a tax or regulatory event (PFSA consent required); at the end of Interest Period; notification of the lender	Redemption due to a regulatory event (PFSA consent required, notification of investors) at a price of 100%, at any Interest Payment Date	Redemption due to a regulatory event (PFSA consent required, notification of investors) at a price of 100%, at any Interest Payment Date	Redemption due to a regulatory event (PFSA consent required, notification of investors) at a price of 100%, at any Interest Payment Date
	Coupons / dividends					
17	Fixed or floating dividend/coupon	Floating dividend	Floating dividend	Floating dividend	Floating dividend	Floating dividend
18	Coupon rate and any related index	Not applicable	Compounded SARON 3M + 2.75%	WIBOR 6M + 2.10%	WIBOR 6M + 1.80%	WIBOR 6M + 1.95%
19	Existence of a dividend stopper	No	No	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Not applicable	Not applicable	Not applicable	Not applicable
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Not applicable	Not applicable	Not applicable	Not applicable
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Not applicable	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down features	No	No	No	No	No
31	If write-down, write-down trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
34a	Type of subordination (only for eligible liabilities)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
EU-34b	Ranking of the instrument in normal insolvency proceedings	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Receivables from subordinated liabilities not included in the Bank's own funds, including interest and costs of enforcement	Receivables from subordinated liabilities not included in the Bank's own funds, including interest and costs of enforcement	Receivables from subordinated liabilities not included in the Bank's own funds, including interest and costs of enforcement	Receivables from subordinated liabilities not included in the Bank's own funds, including interest and costs of enforcement
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
37a	Link to the full term and conditions of the instrument (signposting)	Not applicable	Not applicable	**Link 1**	**Link 2**	**Link 3**

Link_1: https://www.mbank.pl/pdf/msp-korporacje/relacje-inwestorskie/ratingi-instrumenty-dluzne/20141217-mbank-weo-skan.pdf
Link_2: https://www.mbank.pl/pdf/msp-korporacje/relacje-inwestorskie/ratingi-instrumenty-dluzne/mbank_tier_ii_10nc5_weo-signed.pdf
Link_3: https://www.mbank.pl/pdf/msp-korporacje/relacje-inwestorskie/ratingi-instrumenty-dluzne/mbank_tier_ii_12nc7_weo-signed.pdf

Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		31.12.2022	31.12.2022	
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements				
1	Cash and balances with the Central Bank	16 014 318	16 014 318	-
2	Financial assets held for trading and hedging derivatives	2 524 652	2 524 652	-
3	Non-trading financial assets mandatorily at fair value through profit or loss	1 044 189	1 044 189	Template EU CC1: row 73, column a)
4	Financial assets at fair value through other comprehensive income	35 117 450	35 117 450	-
5	Financial assets at amortised cost	148 138 819	148 138 819	-
6	Fair value changes of the hedged items in portfolio hedge of interest rate risk	3 064	3 064	-
7	Non-current assets and disposal groups classified as held for sale	26 747	26 747	
8	Intangible assets	1 391 707	1 391 707	Template EU CC1: row 8, column a)
9	Tangible assets	1 484 933	1 484 933	-
10	Investment properties	136 909	136 909	-
11	Current income tax assets	28 302	28 302	-
12	Deferred income tax assets	1 875 728	1 875 728	Template EU CC1: row 21 and 75, column a)
13	Other assets	2 105 295	2 105 295	-
14	**Total assets**	**209 892 113**	**209 892 113**	**-**
Liabilities - Breakdown by liability clases according to the balance sheet in the published financial statements				
1	Financial liabilities held for trading and hedging derivatives	2 086 111	2 086 111	-
2	Financial liabilities measured at amortised cost	190 567 661	190 567 661	Template EU CC1: row 46, column a)
3	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(1 528 582)	(1 528 582)	-
4	Liabilities included in disposal groups classified as held for sale	7 375	7 375	
5	Provisions	1 362 259	1 362 259	-
6	Current income tax liabilities	571 456	571 456	-
7	Deferred income tax liabilities	-	-	
8	Other liabilities	4 110 802	4 110 802	
9	**Total liabilities**	**197 177 082**	**197 177 082**	**-**
Shareholders' Equity				
1	Registered share capital	169 734	169 734	Template EU CC1: row 1, column a)
2	Share premium	3 435 044	3 435 044	Template EU CC1: row 1, column a)
5	Profit from the previous years	11 328 527	11 328 527	Template EU CC1: row 2, 3 and EU-3a, column a)
6	Profit (loss) for the current year	(702 691)	(702 691)	Template EU CC1: row 2 and EU-25a, column a)
7	Other components of equity	(1 517 613)	(1 517 613)	Template EU CC1: row 3,11 and 27a, column a)
8	Non-controlling interests	2 030	2 030	-
9	**Total shareholders' equity**	**12 715 031**	**12 715 031**	**-**

5. Capital requirement

5.1. Assessment of adequacy of internal capital – description of the approach

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 S.A. (mLeasing) obtained approval from 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.

Starting from the process of the calculation of consolidated total capital ratio as at 30 June 2021 mBank Group implemented PFSA requirements (multipliers) related to the recommendations after the implementation of a new default definition.

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).

On 23 December 2022, the Bank concluded a synthetic securitization transaction referencing a portfolio of corporate as well as small and medium enterprises loans with a total value of EUR 801 million of which 55.3% were credit exposures secured on commercial real estate (CRE). As part of the transaction, the Bank transferred a significant part of the credit risk of a selected securitised portfolio to an investor. The risk transfer of the securitised portfolio is performed through a recognised credit protection instrument, in the form of a credit linked notes. The transaction meets the requirements for significant risk transfer specified in the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending regulation (EU) No 648/2012 ("CRR Regulation").

In the calculation of the total capital ratio of mBank Group as of 31 December 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 approvals.

5.2. 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 Pliiar 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 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 runs continuously 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 review of the ICAAP process in mBank Group.

5.3. Additional information regarding AIRB

Description of the internal rating process, provided separately for each class of exposures, addressing disclosure requirements of art. 452 (c) of CRR

Corporates and Commercial Banks

The process of rating corporate banking clients is an integral part of the lending process. Without a rating it is impossible to make a credit decision.

There are two types of rating used to assess corporate clients and exposures:

1) PD-rating - (PD - Probability of Default) assessment of the client's risk of default construed as the probability of default (client's default on obligations) over a 12-month period,
2) EL-rating - (EL - Expected Loss) assessment of the probability of a loss, taking into account the client's risk of default, structure and nature of credit products, and type and size of accepted collateral.

In order to ensure unbiased assessment and management of credit risk, mBank applies uniform rules based, in particular, on the separation of credit risk assessment function from the sales function at all levels. The sales units make the initial assessment of a client and propose a PD-rating which is then subject to independent assessment and approval of Risk Line representatives. By approving the credit risk level, the Risk Line representatives take full responsibility for its correct assessment.

Correct assessment of credit risk requires complete, valid and reliable information on the client. At a further stage of the analysis, the information affects not only PD-rating, but also other risk parameters (Exposure at Default (EAD), Loss Given Default (LGD), and consequently EL-rating). mBank indicated a list of documents which the clients are obliged to submit for the purpose of assessing their risk level and required collateral. Furthermore, in the credit agreements mBank specifies a list of documents the clients undertake to submit to mBank for the purpose of verifying/updating their assessment and updating the valuation of collateral, and obliges the clients to notify mBank of any events affecting their creditworthiness. When submitted, the documents are verified in terms of compliance with mBank's requirements and formal correctness.

Acting in line with the Banking Law and Basel recommendations, when assessing credit risk mBank takes into account the mutual relations and links between entities, as they may lead to a situation when financial problems faced by one entity translate into financial problems of another. The relations referred to above are verified by way of analysing the entity's affiliation to a group of related entities (GPP), and then are taken into account in credit risk assessment, mainly through:

- calculating PD-rating based on consolidated data, provided that the entity draws up Consolidated Financial Statements;
- including the PD-rating of the dominant entity in the assessment of its subsidiary, proportionally to the degree of the group's integration.

When assessing foreign entities (non-residents), mBank takes into account the risk of the country of their origin.

The assessment and PD-rating calculation for corporate clients take place in one of the following systems:

1) RC-POL,
2) Central Commerzbank PD model for Commercial Banks,
3) System for Property Insurance Institutions,
4) System for Life Insurance Institutions,
5) System for Investment Funds,
6) System for Pension Funds,
7) System for Local Governments (JST),
8) System for Specialized Lending Entities (SPL),
9) Brokerage operations – expert system for selected clients (who meet specific criteria) who conduct brokerage operations connected with the securities and commodities market,
10) Model PD for Sovereigns (central Commerzbank model for governments and central banks)
11) Expert System – dedicated to the remaining corporate banking clients.

The RC-POL system covers 2 rating segments (SME and Corporations) used depending on the amount of the client's average, annual net revenues from the sales of products, commodities and materials:

a) RC-POL SME revenues ≤ PLN 50 million,
b) RC-POL Corporations revenues > PLN 50 million.

The detailed principles for assigning corporate banking clients to a given rating system are set out in Bank's internal regulations.

The process of assigning PD-rating is supported by Credit System (SK), an IT application based on a workflow platform. The process takes place individually for each entity applying to mBank for a credit risk product. The calculation of PD-rating takes the following into account: analysis of financial data comprised in the annual financial statements, analysis of mid-year financial data, quality analysis and analysis of other factors.

The complete course of the PD-rating calculation process is registered in Bank's Credit System, including all the data which forms a basis for the assessment, and decisions of authorities approving the assessment.

Upon completing the analysis, the system automatically proposes the final PD-rating, which in exceptional and justified cases may be corrected on an expert basis (the so-called overriding). Usually, overriding may change the rating by 1 notch on a 25-point rating scale. The Bank allows a wider scope of overriding:

- full-scale overriding is possible in the case of non-residents and selected client classes,
- extended overriding (by a maximum of 5 notches) in a limited scope (defined in Bank's internal regulations) is allowed for entities for which during the financial year an unitary business event occurred, which due to the accounting method could not be included in the rating mode and in the case of assessing customers affected by the effects of the-19.

mBank systematically analyses all the events of overriding, which is aimed at preventing its excessive use. On the basis of results of the client's risk assessment and his financial needs, the amount and structure of the General Limit (LG) are determined. LG is the maximum permissible financial exposure of Bank to the Client. The LG structure defines: the permissible structure of credit products, amounts and terms, required minimum level and type of collateral, and other conditions specific to particular types of funding.

EL-rating, which determines the maximum risk acceptable by mBank in the case of a given client or GPP under the conditions established in the decision, constitutes a comprehensive assessment of the risk posed by the entire exposure to the client or GPP. Exposures to clients and GPP must go through a multi-level system of credit decisions. The key criteria qualifying exposures to particular decision-making levels include total exposure and EL-rating. When taking a decision on total exposure to a given client, mBank takes into account also the client's exposure to mBank Group subsidiaries (i.e. mLeasing, mBH and mFaktoring). Clients generating high capital requirements must undergo a special decision-making procedure. In such a case, the decisions are made by Bank's Management Board.

PD-rating of each credit client is updated at least once a year based on the latest audited annual financial statements and the most recent information on the client. According to the monitoring matrix Bank reviews all its credit clients in order to check whether the PD-rating determined during the annual review is adequate to their current situation assessed on the basis of the latest mid-year data. Each quarterly monitoring may end with the reassignment of rating. Moreover, each time mBank obtains new and relevant information on its obligors or exposures in the time between the quarterly assessments, another analysis of their situation may be carried out and on the basis of its results mBank may decide to take new actions. Once a year, the client's assessment is combined with a review of his exposures; consequently, a credit decision is made on further cooperation with the client.

For the assessment of exposures classified as specialized lending, the Bank uses two independent rating models:

- a model built internally by the Bank, dedicated to the assessment of specialized lending exposure, classified as financing of: goods, facilities, projects, leveraged acquisition (SPL TOP),
- a model, dedicated to the assessment of specialized lending exposures, classified as the financing of commercial real estate (SPL FN).

Both models are based on a list of questions covering supervisory requirements and results in the EL parameter in accordance with the values predefined by the Supervisor.

Bank applies individualized rating sheets within a given rating model. The individualization of rating sheets under the specialized lending consists in the fact that:

- for SPL FN depending on the type of real estate (under construction, completed)
- for SPL TOP, depending on the type of financing (goods, facilities, projects, leveraged acquisition) an appropriate, separate format of the rating sheet is used.

The rating for SPL TOP and SPL FN is supported by Bank's systems through dedicated calculation processes for this parameter.

The Bank performs transactions generating credit risk in relation to banks, credit institutions and international financial institutions within the limits of credit exposure designated for these entities. The element used in determining these limits is PD rating of the entity, obtained from Commerzbank AG and setting on the basis of a central rating model dedicated to the appropriate institution type.

The process of setting exposure limits for these entities is carried out using the methodology contained in the "Criteria for assessment and setting limits of banks and international financial institutions credit exposure ".
The criteria include:

a) the rating of the financial strength of the counterparty / issuer based on:

- assessment of the probability of incurring losses by the bank / international financial institution (analysis of credit risk of assets and liabilities, analysis of liquidity risk, assessment of other relevant information indicating the possibility of bank losses),

- assessment of the bank's ability to withstand critical situations in relation to the risks incurred (analysis of financial results, assessment of capital adequacy, assessment of other relevant information indicating the ability to withstand critical situations),

b) rating including the assessment of counterparty / issuer integration in the group,

c) the financial rating of the counterparty / issuer - rating including a credit risk assessment of the country of origin and country of risk of the counterparty / issuer (in accordance with the "Criteria for credit risk assessment of the country and setting the county credit exposure limit"),

An integral part of the criteria is the Business Model Risk Assessment Block consisting of:
a) identification of the structure of used intangible assets,
b) analysis of the features of the broadly understood business model (analysis of the intangible assets model),
c) assessing the sensitivity of the broadly understood business model.
In addition, the criteria include:
a) the method of setting the maximum limit of credit exposure,
b) rules for updating temporary tenors for which limits on transactions are set,
c) the method of setting the financial rating of the counterparty / issuer according to the shortened credit risk assessment formula,
d) an early warning model.

Retail

The assessment of a retail banking customer, applying for a loan or change of loan terms, is focused, in accordance with the provisions of the Banking Law and PFSA recommendations, on two areas:

- assessment of the customer's credit capacity, which consists in determining the loan amount available to the customer,

- assessment of the customer's creditworthiness, that is assessment of default risk during the service of the loan, expressed in the form of PD Rating.

These areas are assessed independently from each other, that is the lack of credit capacity may not be compensated for with a very good PD Rating; and high credit capacity may not offset unacceptable PD Rating. In order to ensure the high accuracy of the determined PD Rating, data from all available sources are used, i.e.:

- data from the loan application (application scoring, specific for different product segments of the portfolio),

- data on customers behaviour in relations with mBank (internal behavioural scoring),

- data on customers behaviour in relations with other banks (external behavioural scoring based on BIK - Credit Bureau information).

Depending on the availability of data from individual areas and the context of making the assessment (customer's credit application or offer provided to the customer by mBank), the above data sources are used in various combinations. Each application for a credit product for individuals / small enterprises is registered in a loan application processing IT system. After registering the application, the information from internal and external data sources are downloaded. The verification results are again registered in the application processing system, and then the set of data required for calculating risk parameters is handed over to the decision-making engine, integrated with application processing system.

On the basis of the information obtained, PD score is calculated in the decision-making engine and the customer is assigned to the appropriate rating class (consistently within the Commerzbank Group). Moreover, risk parameters LGD and EL are calculated on the basis of data related to the assessed transaction. At the subsequent stage of the process, decision rules based on threshold values of risk parameters (PD Rating, LGD, EL) are applied, in accordance with the rules of the decision-making policy accepted at mBank. The result of the assessment is then returned to the application system. The process of PD Rating assignment and the calculation of the remaining risk parameters is strictly structured and automated thanks to the use of IT applications.

Customer's rating and the values of other risk parameters are made available to persons taking credit decisions. The level of authority required for taking an individual credit decision is dependent, i.a. on the value of risk parameters (PD Rating / LGD / EL). In the case of retail customers, Bank does not allow for arbitrary rating amendments, hence the persons taking credit decisions are not allowed to modify the registered values.

Taking a positive decision in spite of a negative assessment in the system (PD Rating or another risk parameter that is beyond the accepted range) is treated as a non-standard decision and requires approval by a superior decision-making level. mBank monitors the quality of loans granted on the basis of non-standard decisions that is independent from the quality monitoring of the entire credit portfolio.

In retail banking, risk parameter values (including PD Rating) are updated:

- periodically – on the basis of a monthly recalculation of behavioural scoring and updating the delinquency data,
- ad hoc – in the process of customer's applying for new loans.

The rating process is under constant supervision in terms of quality of data that are used. Data quality assessment is conducted by a dedicated unit.

The below information addressees the requirements of Art. 452 CRR.

The competent authority's permission of the approach or approved transition

Within the rating system for the **retail exposures portfolio**, 3 crucial risk models are used: the PD12M model, the LGD model and the CCF model. All the above-mentioned models are statistical models with expert's knowledge influence, which have been built locally, using internal institution data. The rating system is used for the following exposure classes:

- the retail exposures to individual customers secured by mortgage,
- the retail exposures to individual customers other,
- the retail exposures to small and medium-sized enterprises secured by mortgage,
- the retail exposures to small and medium-sized other.

Within the rating system of the **corporation exposures portfolio**, 3 crucial risk models are used: the PD12M model, the LGD model and the CCF model. All the above-mentioned models are statistical models with expert's knowledge influence, which have been built locally, using internal institution data. In addition, the PD12M model is a group model used in limited liability company: mLeasing which is mBank group company. The rating system is used for the following exposure classes:

- the corporate exposure to enterprises.

Within the rating system for the **corporation exposure portfolio to financial institutions**, 3 crucial risk models are used: the PD12M model, the LGD model, and the CCF model. All the above-mentioned models are statistical models built using expert's knowledge with Commerzbank AG as the source of origin but they are used in Bank locally. The rating system is used for the following exposure classes:

- the corporate exposure to financial institution (commercial banks).

Within the rating system for the **corporation exposure portfolio – special lending of commercial real estate** one risk model of slotting approach type is used. The above-mentioned model is expert's model and is used in Bank's Group: mBank and mBH (source mBH.). The rating system is used in the following exposure classes:

- the corporation exposure, special lending: income-producing property.

A detailed description of the dates of approvals for the use of the various models within the rating system is included in Chapter 5, section 5.1 of this document.

Within the rating system for the **mLeasing retail exposure portfolio**, 2 crucial risk models are used: the PD12M model and the LGD model (which is general for the detail exposure and for the corporation mLeasing portfolio). These models are statistical models with expert's knowledge influence, which have been built locally, using internal institution data. The rating system is used for the following exposure classes:

- the retail exposures to mLeasing customers.

A detailed description of the dates of approvals for the use of the various models within the rating system is included in Chapter 5, section 5.1 this document.

The *control mechanisms for rating systems at the different stages of model development, controls and changes*

The control mechanisms are used for all models covered by the ARIB's method:

- Annual monitoring is performed by Modelling Team based on internal data. The scope and manner of the analyses are regulated by defined methodologies for monitoring of credit risk models.
- Annual validation is performed by an independent (of Modelling Team) Validation Team. The scope and manner of the analyses are regulated by defined methodologies for validation of credit risk models.

The independence of Validation and Modelling Team function is provided by setting them into 2 different units of Bank's organizations (departments). It is associated with reporting to independent senior Bank's management.

The role of the functions involved in the development, approval and subsequent changes of the credit risk models

The processing and implementation changes into models covered by the ARIB's method are run by dedicated Bank's modelling units who are owners of risk parameters models. The Bank's independent validation unit is responsible for carrying out model reviews to verify their quality and consistency with regulatory guidelines. The process of approving models and models' changes is a subject of decision by a dedicated committee (the Model Risk Committee) chaired by the Bank's Chief Risk Officer.

The scope and main content of the reporting related to credit risk models

The management reporting process for models covered by the ARIB's method is regulated by a dedicated procedure of the Bank's work and is performed with at least annual frequency. The management report is presented at the Models Risk Committee, which is attended by, among others, the Bank's Chief Risk Officer and representatives of the Bank's senior management representing the units that are business users of the respective models. In accordance with the supervisory requirements of Article 189 CRR, the report shall include at least a comparison of modelled and realised values at the level of individual risk parameters as well as migration between risk categories.

The last management report was reported in June 2022. On the level of analyzed models, the report did not identify anomalies in terms of model value realisation and migration between risk categories.

A description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio

In the case of all models: PD12M, LGD, CCF, the definitions are compliant with external (CRR) and internal Bank's regulations including definition of 'bad' observation.

Within the rating system for the retail exposure portfolio, 3 crucial risk models are used: the PD12M model, the LGD model, and the CCF model.

The PD12M model

- the methods used during the construction: including logistic regression, WoE, kernel estimation,
- the methods used during the backtesting of the model: including GINI, ETLA test, binominal test,
- during the construction, internal data (application and behavioural data about customers) and external data (Poland's Credit Information Bureau) are used with a time horizon of at least five years, involving all observations eligible for the rating system,
- within the rating system immaterial share of regulatory limit PDs (0.03%) was met but these affect <0.1% of the population,
- factor favouring differences in PD estimates and realised default rate are: a) additional uncertainty resulting from the COVID-19; b) ongoing process of awaiting approval from the Regulator regarding the possibility of using the new version of the PD12M model.

The LGD model

- the methods used during the construction: including arithmetic mean, regression trees, fractional regression,
- the methods used during the backtesting of model: including ROC, GINI, error analysis (MAE, RMSE), CLAR, calibration of the model values to empirical values,
- during the construction, internal data are used with a time horizon of at least five years, involving all observations eligible for the rating system,
- the conservatism of approach: conservative adjustments and haircuts, including calibration of the LGD to the economic downturn based on internal data from a historical time series of losses,
- the average duration of a default is 24 months for non-mortgage-secured exposures and 32 months for mortgage-secured exposures.

The CCF model

- the methods used during the construction: including arithmetic mean, regression trees,
- the methods used during the backtesting of model: including ROC, GINI,
- during the construction, internal data are used with a time horizon of at least five years, involving all observations eligible for the rating system.

Within the rating system for the corporation exposure portfolio to enterprises, 3 crucial risk models are used: the PD12M model, the LGD model, and the CCF model.

The PD12M model

- the methods used during the construction: including logistic regression, WoE, ln(odds), kernel estimation
- the methods used during the backtesting of the model: including GINI, ETLA test, binominal test,
- during the development internal Bank’s and Bank’s Group data were used with a time horizon of at least five years, involving all observations eligible for the rating system,
- within the rating system immaterial share of regulatory limit PDs (0.03%) was met but these affect <1% of the population,
- factor favouring differences in PD estimates and realised default rate are: a) additional uncertainty resulting from the COVID-19; b) ongoing process of awaiting approval from the Regulator regarding the possibility of using the new version of the PD12M model; c) in addition differences between PD and default rate values result from the data presentation scheme defined in the EU-CR9 form where average PD value with number of obligors were given as at the end of the previous period (portfolio snapshot on 31 December 2021) with number of obligors for which loss event was realized in the horizon from the end of previous period (31 December 2021) to the end of current period (31 December 2022), such a scheme is adequate for models in which PD is calculated on a monthly basis but in the case of models where PD is calculated annually (as in the RC-POL model where PD is calculated at least annually, where the trigger of recalculation is obtaining of new financial statement or negative qualitative information requiring rating renewal) this creates a situation where realization of PD parameter is verified in a time horizon longer than 12 months from the moment of PD calculation – max. 23 months. It generates the occurrence of default cases in low rating classes as well as the occurrence of a DR>PD relationship in selected rating classes, additionally it should be noted that the reported portfolio is characterized by a relatively low number of defaults (about several dozen cases per year) which in the case of disaggregation of the data into 24 rating classes leads to a situation where the DR>PD relationship is determined by the occurrence of 1 more case of default.

The LGD model

- the methods used during the construction: including arithmetic mean, linear regression (LSR),
- the methods used during the backtesting of model: including ROC, GINI, calibration of the model values to empirical values,

- during the construction, internal data are used with a time horizon of at least five years, involving all observations eligible for the rating system,
- the conservatism of approach: conservative adjustments and haircuts, including calibration of the LGD to the economic downturn based on internal data from a historical time series of losses,
- the average duration of a default is 36 months.

The CCF model

- the methods that were used during the construction: including arithmetic mean,
- the methods that were used during the backtesting of the model: including ROC, GINI,
- during the construction, internal data is used with a time horizon of at least five years, involving all observations eligible for the rating system.

Within the rating system for the corporation exposure portfolio to financial institutions, 3 crucial, central risk models are used (source CommerzBank): the PD12M model, the LGD model, and the CCF model.

The PD12M model

- the definitions that were in order of external (CRR) and internal Commerzbank's regulations, including definition of 'bad' observation,
- the methods that were used during the construction: including logistic regression, LN(odds), kernel estimation,
- the methods that were used during the backtesting of the model: including AUC, GINI,
- during the construction, internal Commerzbank's data and external data (Bankscope base, Fitch agency) were used with a time horizon of at least five years, involving all observations eligible for the rating system,
- the possible differences between PD and default rate arise from specific of the low default portfolio in mBank.

The LGD model

- the methods that were used during the construction: including arithmetic mean,
- the methods that were used during the backtesting of the model: including ROC, GINI, calibration of the model values to empirical values,
- during the construction, internal Commerzbank's data is used with a time horizon of at least five years, involving all observations eligible for the rating system,
- the average duration of a default is 41 months.

The CCF model

- the methods that were used during the construction: including arithmetic mean,
- the methods that were used during the backtesting of the model: including ROC, GINI,
- during construction, internal Commerzbank's data are used with a time horizon of at least five years, involving all observations eligible for the rating system.

A slotting approach type rating model is used within the rating system for the corporation exposure portfolio – specialise lending of commercial real estate

- the methods that were used during the construction: including slotting approach, linear regression,
- the methods that were used during the backtesting of the model: including GINI,
- during the construction, internal data which come from Bank and the group's company, is used with a time horizon of at least five years, involving all observations eligible for the rating system,
- the result of model's operation is not the risk parameters (PD, LGD, CCF) but the supervisor risk category (slotting approach).

Within the rating system for the mLeasing detail exposure portfolio, 2 crucial risk models are used: the PD12M model and LGD model (which is shared for the detail exposure and for the corporation mLeasing portfolio).

The PD12M model

- the methods used during the construction: including logistic regression, WoE, kernel estimation,
- the methods that were used during the backtesting of the model: including GINI, ETLA test, binominal test,
- during the development internal group data with a time horizon of at least five years, involving all observations eligible for the rating system was used,
- the lower supervisory limits of the PD parameter were not observed,
- factor favouring differences in PD estimates and realised default rate are: a) additional uncertainty resulting from the COVID-19; b) ongoing process of awaiting approval from the Regulator regarding the possibility of using the new version of the PD12M model.

The LGD model

- the methods that were used during the construction: including arithmetic mean,
- the methods that were used during the backtesting of the model: including ROC, GINI, calibration of the model values to empirical values,
- during the construction, internal data are used with a time horizon of at least five years, involving all observations eligible for the rating system,
- the conservatism of approach: conservative adjustments and haircuts, including calibration of the LGD to the economic downturn based on internal data from a historical time series of losses,
- the average duration of a default is 37 months.

Rating systems' validation

Validation is an internal, complex process of independent and objective assessment of model operation, which is consistent with Recommendation W requirements and, in the case of the AIRB method, meets the supervisory guidelines set out in the CRR. The validation rules are set out in general in the "Model Management Policy" and described in details in other mBank's internal regulations. The validation covers models directly and indirectly used in the assessment of capital adequacy under the AIRB approach and other models indicated in the Model Register maintained in mBank.

There is assured an independence of validation unit in the organizational structures of the Bank or the mBank Group's subsidiary in relation to the units involved in the model's construction/maintenance, i.e. the model owner and users. The Validation Unit (Division in Integrated Risk Management Department) is responsible for the validation in mBank.

The scope of validation performed by the Validation Unit covers the assessment of:

- models,
- model implementation,
- their application process.

Depending on the materiality and complexity of the model, as well as the type of validation task to be performed, the validation may be advanced (covers both quantitative and qualitative elements) or basic (mainly focused on the quantitative analyses and selected qualitative elements). The validation results are documented in the validation report containing, in particular, an assessment used for the purpose of approving the model, and recommendations, if any, in form of precautionary and remedial actions, about the irregularities found.

Validation tasks are performed in accordance with the annual validation plan. Both validation plan and the results of performed validation tasks are approved by the Model Risk Committee.

All the models used for the purpose of calculating capital requirements for credit risk under the AIRB method were validated.

In the table below (with a breakdown to exposure classes) we present PD values, the number of obligors as well the default rate calculated in line with the rules described in EU CR9 form.

EU CR9 – IRB approach – Backtesting of PD per exposure class, addressing disclosure requirements of Art. 452 letter i) of CRR Regulation.

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
09. Institutions	0.00 do <0.15	48	-	-	0.06%	0.07%	0.32%
	0.00 do <0.10	39	-	-	0.06%	0.06%	0.38%
	0.10 do <0.15	9	-	-	0.12%	0.13%	-
	0.15 do <0.25	15	-	-	0.17%	0.20%	-
	0.25 do <0.50	13	-	-	0.37%	0.35%	-
	0.50 do <0.75	7	-	-	0.62%	0.54%	-
	0.75 do <2.50	12	-	-	1.81%	1.64%	-
	0.75 do <1.75	7	-	-	1.42%	1.20%	-
	1.75 do <2.5	5	-	-	1.94%	2.25%	-
	2.50 do <10.00	6	-	-	3.50%	4.40%	-
	2.5 do <5	4	-	-	3.50%	2.75%	-
	5 do <10	2	-	-	n/a	7.69%	-
	10.00 do <100.00	2	-	-	47.34%	22.94%	-
	10 do <20	-	-	n/a	n/a	n/a	-
	20 do <30	2	-	-	n/a	22.94%	-
	30.00 do <100.00	-	-	n/a	47.34%	n/a	-
	100.00 (default)	-	n/a	n/a	n/a	n/a	n/a

EU CR9 – IRB approach – Backtesting of PD per exposure class (contd):

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
10. Corporates: thereof SMEs	0.00 do <0.15	338	3	0.89%	0.09%	0.08%	0.38%
	0.00 do <0.10	226	2	0.88%	0.06%	0.06%	0.45%
	0.10 do <0.15	112	1	0.89%	0.12%	0.12%	0.18%
	0.15 do <0.25	226	1	0.44%	0.20%	0.20%	0.49%
	0.25 do <0.50	539	3	0.56%	0.39%	0.37%	0.28%
	0.50 do <0.75	405	5	1.23%	0.60%	0.61%	0.74%
	0.75 do <2.50	2 182	39	1.79%	1.44%	1.42%	1.30%
	0.75 do <1.75	1 604	25	1.56%	1.20%	1.18%	1.20%
	1.75 do <2.5	578	14	2.42%	2.12%	2.10%	1.57%
	2.50 do <10.00	1 062	41	3.86%	3.82%	4.28%	3.99%
	2.5 do <5	800	22	2.75%	3.28%	3.40%	3.28%
	5 do <10	262	19	7.25%	6.62%	6.98%	6.17%
	10.00 do <100.00	170	12	7.06%	17.73%	19.45%	6.81%
	10 do <20	117	10	8.55%	13.63%	13.46%	7.55%
	20 do <30	24	1	4.17%	22.90%	23.10%	5.95%
	30.00 do <100.00	29	1	3.45%	36.39%	40.60%	5.34%
	100.00 (default)	105	n/a	100.00%	100.00%	100.00%	n/a

EU CR9 – IRB approach – Backtesting of PD per exposure class (contd):

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
12. Corporates: thereof other	0.00 do <0.15	234	1	0.43%	0.09%	0.08%	0.25%
	0.00 do <0.10	141	1	0.71%	0.07%	0.05%	0.14%
	0.10 do <0.15	93	-	-	0.12%	0.12%	0.49%
	0.15 do <0.25	168	-	-	0.19%	0.20%	-
	0.25 do <0.50	301	-	-	0.40%	0.39%	0.23%
	0.50 do <0.75	234	2	0.85%	0.59%	0.62%	0.49%
	0.75 do <2.50	849	6	0.71%	1.38%	1.41%	0.72%
	0.75 do <1.75	630	6	0.95%	1.13%	1.17%	0.75%
	1.75 do <2.5	219	-	-	2.12%	2.10%	0.59%
	2.50 do <10.00	476	13	2.73%	4.38%	4.71%	4.58%
	2.5 do <5	328	10	3.05%	3.47%	3.53%	4.01%
	5 do <10	148	3	2.03%	6.58%	7.35%	5.67%
	10.00 do <100.00	470	8	1.70%	23.28%	34.21%	3.71%
	10 do <20	127	2	1.57%	13.69%	13.37%	2.73%
	20 do <30	60	2	3.33%	23.64%	23.40%	8.48%
	30.00 do <100.00	283	4	1.41%	45.88%	45.86%	2.92%
	100.00 (default)	218	n/a	100.00%	100.00%	100.00%	n/a

EU CR9 – IRB approach – Backtesting of PD per exposure class (contd):

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
13. Retail: thereof secured by mortgages / SMEs	0.00 do <0.15	14	-	-	0.13%	0.14%	0.05%
	0.00 do <0.10	-	-	n/a	0.07%	n/a	-
	0.10 do <0.15	14	-	-	0.13%	0.14%	0.07%
	0.15 do <0.25	569	2	0.35%	0.20%	0.21%	0.34%
	0.25 do <0.50	1 626	15	0.92%	0.37%	0.37%	0.58%
	0.50 do <0.75	1 446	14	0.97%	0.62%	0.62%	0.79%
	0.75 do <2.50	1 660	64	3.86%	1.26%	1.27%	1.87%
	0.75 do <1.75	1 363	43	3.15%	1.09%	1.09%	1.64%
	1.75 do <2.5	297	21	7.07%	2.10%	2.10%	2.89%
	2.50 do <10.00	324	43	13.27%	4.44%	4.46%	5.15%
	2.5 do <5	234	25	10.68%	3.47%	3.36%	3.97%
	5 do <10	90	18	20.00%	7.35%	7.32%	7.77%
	10.00 do <100.00	125	59	47.20%	21.32%	21.71%	25.94%
	10 do <20	65	26	40.00%	13.49%	13.83%	16.97%
	20 do <30	32	18	56.25%	23.97%	23.79%	32.63%
	30.00 do <100.00	28	15	53.57%	36.57%	37.61%	41.47%
	100.00 (default)	319	n/a	100.00%	100.00%	100.00%	n/a

EU CR9 – IRB approach – Backtesting of PD per exposure class (contd):

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
14. Retail: thereof secured by mortgages / non-SMEs	0.00 do <0.15	100 224	111	0.11%	0.08%	0.09%	0.09%
	0.00 do <0.10	54 596	45	0.08%	0.06%	0.06%	0.08%
	0.10 do <0.15	45 628	66	0.14%	0.12%	0.12%	0.13%
	0.15 do <0.25	39 262	103	0.26%	0.19%	0.19%	0.20%
	0.25 do <0.50	19 601	98	0.50%	0.35%	0.35%	0.43%
	0.50 do <0.75	7 757	60	0.77%	0.60%	0.60%	0.73%
	0.75 do <2.50	5 673	175	3.08%	1.21%	1.20%	1.94%
	0.75 do <1.75	4 813	128	2.66%	1.06%	1.05%	1.75%
	1.75 do <2.5	860	47	5.47%	2.07%	2.08%	2.88%
	2.50 do <10.00	2 364	218	9.22%	5.09%	5.15%	5.79%
	2.5 do <5	1 399	85	6.08%	3.46%	3.53%	3.62%
	5 do <10	965	133	13.78%	7.60%	7.49%	8.14%
	10.00 do <100.00	1 805	537	29.75%	18.42%	18.94%	16.91%
	10 do <20	1 204	260	21.59%	13.85%	14.23%	12.83%
	20 do <30	384	149	38.80%	24.43%	24.40%	22.76%
	30.00 do <100.00	217	128	58.99%	35.64%	35.38%	38.08%
	100.00 (default)	2 540	n/a	100.00%	100.00%	100.00%	n/a

EU CR9 – IRB approach – Backtesting of PD per exposure class (contd):

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
15. Retail: thereof qualifying revolving	0.00 do <0.15	54 566	66	0.12%	0.10%	0.10%	0.14%
	0.00 do <0.10	25 360	23	0.09%	0.07%	0.07%	0.12%
	0.10 do <0.15	29 206	43	0.15%	0.13%	0.13%	0.17%
	0.15 do <0.25	97 104	144	0.15%	0.20%	0.20%	0.18%
	0.25 do <0.50	125 739	309	0.25%	0.35%	0.35%	0.27%
	0.50 do <0.75	47 094	269	0.57%	0.61%	0.61%	0.53%
	0.75 do <2.50	117 820	1 526	1.30%	1.46%	1.47%	1.26%
	0.75 do <1.75	81 990	863	1.05%	1.18%	1.19%	1.02%
	1.75 do <2.5	35 830	663	1.85%	2.10%	2.10%	1.95%
	2.50 do <10.00	70 411	3 595	5.11%	4.69%	4.55%	4.52%
	2.5 do <5	48 084	1 763	3.67%	3.54%	3.52%	3.45%
	5 do <10	22 327	1 832	8.21%	6.91%	6.77%	6.72%
	10.00 do <100.00	14 499	4 232	29.19%	20.34%	19.28%	20.36%
	10 do <20	9 659	1 721	17.82%	13.48%	13.37%	13.62%
	20 do <30	2 852	1 277	44.78%	24.66%	24.43%	28.72%
	30.00 do <100.00	1 988	1 234	62.07%	40.76%	40.60%	44.83%
	100.00 (default)	13 537	n/a	100.00%	100.00%	100.00%	n/a

EU CR9 – IRB approach – Backtesting of PD per exposure class (contd):

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
16. Retail: thereof other / SMEs	0.00 do <0.15	663	3	0.45%	0.12%	0.11%	0.44%
	0.00 do <0.10	193	-	-	0.08%	0.08%	0.55%
	0.10 do <0.15	470	3	0.64%	0.13%	0.13%	0.43%
	0.15 do <0.25	9 603	50	0.52%	0.21%	0.21%	0.58%
	0.25 do <0.50	32 599	177	0.54%	0.38%	0.37%	0.54%
	0.50 do <0.75	23 661	204	0.86%	0.62%	0.62%	0.73%
	0.75 do <2.50	55 093	1 106	2.01%	1.38%	1.39%	1.68%
	0.75 do <1.75	41 441	675	1.63%	1.16%	1.16%	1.40%
	1.75 do <2.5	13 652	431	3.16%	2.10%	2.11%	2.52%
	2.50 do <10.00	37 535	2 456	6.54%	4.91%	4.87%	5.56%
	2.5 do <5	23 341	1 272	5.45%	3.54%	3.55%	4.54%
	5 do <10	14 194	1 184	8.34%	7.04%	7.05%	7.22%
	10.00 do <100.00	13 884	3 585	25.82%	21.24%	21.99%	21.19%
	10 do <20	7 467	1 246	16.69%	14.06%	13.91%	14.20%
	20 do <30	3 904	1 129	28.92%	23.20%	23.53%	23.35%
	30.00 do <100.00	2 513	1 210	48.15%	42.65%	43.59%	39.48%
	100.00 (default)	10 930	n/a	100.00%	100.00%	100.00%	n/a

EU CR9 – IRB approach – Backtesting of PD per exposure class (contd):

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
17. Retail: thereof other / non-SMEs	0.00 do <0.15	15 398	29	0.19%	0.10%	0.10%	0.19%
	0.00 do <0.10	7 609	9	0.12%	0.08%	0.08%	0.15%
	0.10 do <0.15	7 789	20	0.26%	0.13%	0.13%	0.22%
	0.15 do <0.25	17 836	40	0.22%	0.20%	0.20%	0.31%
	0.25 do <0.50	39 474	141	0.36%	0.37%	0.37%	0.41%
	0.50 do <0.75	34 567	217	0.63%	0.62%	0.62%	0.58%
	0.75 do <2.50	145 129	1 743	1.20%	1.45%	1.44%	1.30%
	0.75 do <1.75	106 684	941	0.88%	1.20%	1.21%	1.04%
	1.75 do <2.5	38 445	802	2.09%	2.09%	2.08%	1.99%
	2.50 do <10.00	108 179	3 573	3.30%	4.33%	4.44%	3.88%
	2.5 do <5	81 098	1 833	2.26%	3.60%	3.75%	2.84%
	5 do <10	27 081	1 740	6.43%	6.54%	6.51%	6.92%
	10.00 do <100.00	13 424	4 410	32.85%	19.60%	19.49%	26.98%
	10 do <20	8 469	1 711	20.20%	13.60%	13.63%	17.81%
	20 do <30	3 095	1 474	47.63%	24.47%	24.52%	38.49%
	30.00 do <100.00	1 860	1 225	65.86%	38.41%	37.85%	54.92%
	100.00 (default)	17 112	n/a	100.00%	100.00%	100.00%	n/a

The following table presents the average model LGD values as of 31.12.2021 for retail mortgage, retail non-mortgage, corporate and commercial banks and mLeasing portfolio based on long-term historical series for non-defaulted exposures.

Indicators	Retail mortgages exposures	Retail non-mortgages exposures	Corporate exposures	Commercial banks exposures	mLeasing exposures
Mean model LGD (31.12.2022)	24.15%	51.56%	49.90%	46.54%	23.83%
Mean model LGD weighted by EAD (31.12.2022)	26.84%	57.90%	46.28%	41.43%	19.29%

5.4. Supervisory requirements regarding capital ratios

According to provisions of the CRR Regulation the Bank and the 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 31 December 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 31 December 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 December 2022 this ratio amounted to 0.10%.

Exposures of foreign branches in Czech Republic and in Slovakia, where countercyclical buffer rates as of 31 December 2022 amounted to 1.5%, 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

		31.12.2022
1	Total risk exposure amount	88 034 372
2	Institution specific countercyclical capital buffer rate	0.1009%
3	Institution specific countercyclical capital buffer requirement	88 827

Template EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		General credit exposures	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
10	**Breakdown by country:**													
20	Poland	22 018 613	102 132 791	1 997 253	-	11 787 564	137 936 220	5 171 897	36 056	124 868	5 332 821	66 660 262	91.1654%	-
30	Czech Republic	7 355 314	7 701	-	-	-	7 363 015	272 463	-	-	272 463	3 405 788	4.7695%	0.0715%
40	Slovakia	3 123 035	2 997	-	-	-	3 126 032	125 748	-	-	125 748	1 571 850	2.2012%	0.0220%
50	Netherlands	177 490	140 336	-	-	-	317 826	18 431	-	-	18 431	230 388	0.3257%	-
60	Luxemburg	91 658	462 812	-	-	-	554 470	60 247	-	-	60 247	753 088	1.0546%	0.0053%
70	Denmark	72 144	1 062	-	-	-	73 206	5 380	-	-	5 380	67 250	0.0942%	0.0019%
80	Russian Federation	46 925	22	-	-	-	46 947	3 754	-	-	3 754	46 925	0.0000%	-
90	United States Of America	45 210	27 579	-	-	-	72 789	4 641	-	-	4 641	58 013	0.0820%	-
100	Germany	39 946	144 029	-	-	-	183 975	8 594	-	-	8 594	107 425	0.1519%	-
110	Ireland	5 996	14 062	-	-	-	20 058	1 358	-	-	1 358	16 975	0.0240%	-
120	Belgium	2 550	732	-	-	-	3 282	244	-	-	244	3 050	0.0043%	-
130	Cyprus	768	6 306	-	-	-	7 074	176	-	-	176	2 200	0.0031%	-
140	Great Britain	606	11 328	-	-	-	11 934	628	-	-	628	7 850	0.0110%	0.0001%
150	Sweden	377	378	-	-	-	755	57	-	-	57	713	0.0010%	0.0000%
160	Norway	218	881	-	-	-	1 099	55	-	-	55	688	0.0010%	0.0000%
170	Spain	188	1 364	-	-	-	1 552	66	-	-	66	825	0.0012%	-
180	Malta	125	7 142	-	-	-	7 267	128	-	-	128	1 600	0.0023%	-
190	Switzerland	81	4 119	-	-	-	4 200	82	-	-	82	1 025	0.0014%	-
200	Israel	80	-	-	-	-	80	6	-	-	6	75	0.0001%	-
210	Austria	70	14 260	-	-	-	14 330	798	-	-	798	9 975	0.0141%	-

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (c.d.):

		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		General credit exposures	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
220	Brit. Virgin Islands	52	-	-	-	-	52	4	-	-	4	50	0.0001%	-
230	Latvia	51	-	-	-	-	51	4	-	-	4	50	0.0001%	-
240	China	50	14	-	-	-	64	5	-	-	5	63	0.0001%	-
250	Malysia	50	-	-	-	-	50	4	-	-	4	50	0.0001%	-
260	Italy	21	272	-	-	-	293	8	-	-	8	100	0.0001%	-
270	Lithuania	20	168	-	-	-	188	40	-	-	40	500	0.0007%	-
280	Portugal	20	3 855	-	-	-	3 875	55	-	-	55	688	0.0010%	-
290	Estonia	19	15	-	-	-	34	2	-	-	2	25	0.0000%	0.0000%
300	Hong Kong	16	-	-	-	-	16	1	-	-	1	13	0.0000%	0.0000%
310	Serbia	10	-	-	-	-	10	1	-	-	1	13	0.0000%	-
320	Belarus	7	2 238	-	-	-	2 245	622	-	-	622	7 775	0.0110%	-
330	Japan	2	6	-	-	-	8	-	-	-	-	-	-	-
340	Montenegro	2	-	-	-	-	2	-	-	-	-	-	-	-
350	Macedonia	2	-	-	-	-	2	-	-	-	-	-	-	-
360	Australia	1	316	-	-	-	317	4	-	-	4	50	0.0001%	-
370	France	1	2 027	-	-	-	2 028	59	-	-	59	738	0.0010%	-
380	Turkey	1	31	-	-	-	32	-	-	-	-	-	-	-
390	Ukraine	1	88	-	-	-	89	9	-	-	9	113	0.0002%	-
400	Other	-	6 593	-	-	-	6 593	1 014	-	-	1 014	12 675	0.0775%	-
410	**Total**	**32 981 720**	**102 995 524**	**1 997 253**	**-**	**11 787 564**	**149 762 060**	**5 676 585**	**36 056**	**124 868**	**5 837 509**	**72 968 862**	**100.0000%**	**0.1009%**

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. The amount of the buffer is verified by the KNF on an annual basis and did not change in 2021 and 2022. Buffer should be maintained on individual and consolidated levels. This buffer was in force as at 31 December 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 and was applied as at 31 December 2022.

Consequently, the combined buffer requirement set for the mBank Group as of the end of 2022 amounted to 3.10% of the total risk exposure amount.

Additionally, as a result of the annual risk assessment carried out in 2022 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 1.76% in order to mitigate the risk and 1.32% for Tier 1 capital (on individual basis: 2.03% and 1.52% 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. According to PFSA's methodology, the calculation of the additional capital requirement for each and every bank uses the risk weight under the standardised approach as a starting point (risk weight 150%).

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 realized 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 2022 were above the required values.

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

mBank Group	31.12.2022		31.12.2021	
Capital ratio	Required level	Reported level	Required level	Reported level
Total capital ratio (TCR)	12.86%	16.36%	13.17%	16.58%
Of which: FX ADD ON	1.76%		2.12%	
Of which: combined buffer requirement	3.10%		3.05%	
Tier 1 ratio	10.42%	13.81%	10.64%	14.16%
Of which: FX ADD ON	1.32%		1.59%	
Of which: combined buffer requirement	3.10%		3.05%	

The ratios for December 31, 2022 and December 31, 2021 presented in the table above at the reported level were calculated in accordance with Art. 468 (1) of Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) No

2019/876 as regards certain adjustments in response to the COVID-19 pandemic. A detailed description is provided in chapter 12 "IFRS 9 transitional arrangements in response to the COVID-19 pandemic".

5.5. Quantitative data regarding capital adequacy

Capital ratios 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 provisions of the CRR Regulation.

Total risk exposure amount of mBank Group consists of:

- risk weighted exposure amount for credit risk, counterparty credit risk, securitization transactions, 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,
- other risk exposure.

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

		a	b	c	d	e
		31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	12 153 665	11 247 118	13 059 869	12 666 742	13 552 027
2	Tier 1 capital	12 153 665	11 247 118	13 059 869	12 666 742	13 552 027
3	Total capital	14 403 163	13 610 314	15 365 639	14 967 499	15 871 711
	Risk-weighted exposure amounts					
4	Total risk exposure amount	88 034 372	92 860 518	93 777 897	94 027 961	95 738 983
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	13.81%	12.11%	13.93%	13.47%	14.16%
6	Tier 1 ratio (%)	13.81%	12.11%	13.93%	13.47%	14.16%
7	Total capital ratio (%)	16.36%	14.66%	16.38%	15.92%	16.58%
	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 (%)	1.76%	2.12%	2.12%	2.12%	2.12%
EU-7b	of which: to be made up of CET1 capital (percentage points)	0.99%	1.19%	1.19%	1.19%	1.19%
EU-7c	of which: to be made up of Tier 1 capital (percentage points)	1.32%	1.59%	1.59%	1.59%	1.59%
EU-7d	Total SREP own funds requirements (%)	9.76%	10.12%	10.12%	10.12%	10.12%
	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 (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.10%	0.07%	0.05%	0.05%	0.05%
EU-9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU-10a	Other Systemically Important Institution buffer (%)	0.50%	0.50%	0.50%	0.50%	0.50%
11	Combined buffer requirement (%)	3.10%	3.07%	3.05%	3.05%	3.05%
EU-11a	Overall capital requirements (%)	12.86%	13.19%	13.17%	13.17%	13.17%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.49%	4.52%	6.27%	5.80%	6.46%
	Leverage ratio					
13	Total exposure measure	223 249 811	219 358 906	216 071 495	216 563 991	214 379 061
14	Overall leverage ratio requirement (%)	5.44%	5.13%	6.04%	5.85%	6.32%
	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 (per-centage 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)	53 516	55 205	58 861	62 863	63 711
EU-16a	Cash outflows - Total weighted value	32 778	32 386	31 979	31 655	31 192
EU-16b	Cash inflows - Total weighted value	5 105	4 723	4 583	4 717	4 566
16	Total net cash outflows (adjusted value)	27 673	27 663	27 396	26 939	26 625
17	Liquidity coverage ratio (%)	193%	200%	215%	233%	239%
	Net Stable Funding Ratio					
18	Total available stable funding	170 672	166 508	158 412	158 883	160 241
19	Total required stable funding	113 559	115 293	114 492	113 777	107 315
20	NSFR ratio (%)	150%	144%	138%	140%	149%

EU KM1 – Key metrics template recalculated taking into account the retrospective including of profit for the first quarter of 2022 (after PFSA approval), in line with the EBA's position expressed in Q&A 2018_3822 and Q&A 2018_4085.

		a	b	c	d	e
		31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	12 153 665	11 247 118	13 059 869	13 525 670	13 552 027
2	Tier 1 capital	12 153 665	11 247 118	13 059 869	13 525 670	13 552 027
3	Total capital	14 403 163	13 610 314	15 365 639	15 826 427	15 871 711
	Risk-weighted exposure amounts					
4	Total risk exposure amount	88 034 372	92 860 518	93 777 897	94 223 160	95 738 983
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	13.81%	12.11%	13.93%	14.35%	14.16%
6	Tier 1 ratio (%)	13.81%	12.11%	13.93%	14.35%	14.16%
7	Total capital ratio (%)	16.36%	14.66%	16.38%	16.80%	16.58%
	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 (%)	1.76%	2.12%	2.12%	2.12%	2.12%
EU-7b	of which: to be made up of CET1 capital (percentage points)	0.99%	1.19%	1.19%	1.19%	1.19%
EU-7c	of which: to be made up of Tier 1 capital (percentage points)	1.32%	1.59%	1.59%	1.59%	1.59%
EU-7d	Total SREP own funds requirements (%)	9.76%	10.12%	10.12%	10.12%	10.12%
	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 (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.10%	0.07%	0.05%	0.05%	0.05%
EU-9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU-10a	Other Systemically Important Institution buffer (%)	0.50%	0.50%	0.50%	0.50%	0.50%
11	Combined buffer requirement (%)	3.10%	3.07%	3.05%	3.05%	3.05%
EU-11a	Overall capital requirements (%)	12.86%	13.19%	13.17%	13.17%	13.17%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.49%	4.52%	6.27%	5.79%	6.46%
	Leverage ratio					
13	Total exposure measure	223 249 811	219 358 906	216 071 495	216 642 071	214 379 061
14	Overall leverage ratio requirement (%)	5.44%	5.13%	6.04%	6.24%	6.32%
	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 (per-centage 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%

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 regard to template EU OV1 in Annex I to Regulation 2021/637 addressing disclosure requirements of Article 438 (d) of the CRR Regulation

EU OV1 -Overview of RWAs

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		31.12.2022	30.09.2022	31.12.2022
1	**Credit risk (excluding CCR)**	**73 729 404**	**77 842 523**	**5 898 352**
2	Of which the standardised approach	23 962 179	24 672 401	1 916 974
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	4 323 554	6 199 715	345 884
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	45 443 671	46 970 407	3 635 494
6	**Counterparty credit risk - CCR**	**1 807 314**	**3 115 338**	**144 585**
7	Of which the standardised approach	1 383 589	2 555 191	110 687
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	5 926	7 325	474
EU 8b	Of which credit valuation adjustment - CVA	328 354	427 234	26 268
9	Of which other CCR	89 445	125 588	7 156
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**	**1 560 845**	**824 201**	**124 868**
17	Of which SEC-IRBA approach	1 560 845	824 201	124 868
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)**	**785 855**	**927 502**	**62 868**
21	Of which the standardised approach	785 855	927 502	62 868
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)	3 315 005	3 054 072	265 200
29	**Total**	**88 034 372**	**92 860 518**	**7 042 749**

EU CR10 – Specialized lending and equities, addressing disclosure requirements of Art. 438 and art. 452 letters d) and e) of CRR Regulation.

mBank Group does not apply AIRB approach to calculate risk weighted assets for equity exposures.

EU CR10.2

Specialised lending : Income-producing real estate and high volatility commercial real estate (Slotting approach)							
Regulatory categories	Remaining maturity	On-balancesheet exposure	Off-balancesheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
		a	b	c	d	e	f
Category 1	Less than 2.5 years	109 828	65 328	0,50	128 550	57 323	-
	Equal to or more than 2.5 years	110 398	15	0,70	110 410	66 011	442
Category 2	Less than 2.5 years	1 621 141	1 190 630	0,70	1 964 732	1 256 520	7 859
	Equal to or more than 2.5 years	2 975 071	87 722	0,90	3 000 574	2 448 975	24 005
Category 3	Less than 2.5 years	182 635	13 555	1,15	186 315	189 260	5 217
	Equal to or more than 2.5 years	272 818	1 010	1,15	273 026	293 246	7 645
Category 4	Less than 2.5 years	147	-	2,50	147	368	12
	Equal to or more than 2.5 years	4 740	-	2,50	4 740	11 851	379
Category 5	Less than 2.5 years	413 235	-	-	413 235	-	206 618
	Equal to or more than 2.5 years	470 826	-	-	470 826	-	235 413
Total	**Less than 2.5 years**	**2 326 986**	**1 269 513**	**-**	**2 692 979**	**1 503 471**	**219 706**
	Equal to or more than 2.5 years	**3 833 853**	**88 747**	**-**	**3 859 576**	**2 820 083**	**267 884**

Templates: EU CR10.1, EU CR 10.3, EU CR10.4, EU CR10.5 are not disclosed due to the lack of relevant exposures in mBank Group portfolio of A-IRB models.

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

		Risk weighted exposure amount
		31.12.2022
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**50 899 651**
2	Asset size (+/-)	(3 625 460)
3	Asset quality (+/-)	(404 642)
4	Model updates (+/-)	-
5	Methodology and policy (+/-)	-
6	Acquisitions and disposals (+/-)	-
7	Foreign exchange movements (+/-)	(475 156)
8	Other - launch of the transaction of syntethic securitisation (+/-)	-
9	**Risk weighted exposure amount as at the end of the reporting period**	**46 394 393**

The percentage coverage of the mBank Group's loan portfolios by the AIRB approach is presented below, addressing disclosure requirements of art. 452 letter a) of CRR Regulation.

AIRB stage	Asset class	% share in risk-weighted assets (% of RWA STA)
AIRB first stage portfolios	**mBank Group exposures, including:**	**79%**
	Corporate exposures	21%
	Specialised lending exposures – income producing real estate	5%
	Retail exposures – mortgage loans	20%
	Retail exposures – non-mortgage loans	9%
	Retail exposures of microenterprises – mortgage loans	1%
	Retail exposures of microenterprises – non-mortgage loans	3%
	Bank exposures	6%
	Exposures of mBH – specialised lending exposures (income producing real estate)	2%
	Exposures of mLeasing	9%
	Non-credit assets	3%
	AIRB first stage	**79%**
	mBH - Retail exposures – mortgage loans	3%
	Roll-out	**3%**
Permanent partial use		**18%**
Total		**100%**

Information about the structure of risk-weighted assets

Templates below provide more information on risk weighted assets, applied approaches to calculate RWA and the scope of credit risk and counterparty credit risk mitigation techniques in place.

EU CR4 – Standardised approach – Credit risk exposure and counterparty credit risk with CRM effects, addressing disclosure requirements of art. 453 letters g) to i) and art. 444 letter e) of CRR Regulation.

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	72 331 053	40	72 339 896	3 502	3 078 831	4.00%
2	Regional government or local authorities	80 267	20 032	80 267	9 998	18 053	20.00%
3	Public sector entities	942	5 814	942	2 813	2 336	62.00%
4	Multilateral development banks	3 712 470	-	3 712 470	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	474 560	48 866	542 741	16 942	164 876	29.00%
7	Corporates	8 566 811	7 369 163	8 378 614	2 133 116	9 919 995	94.00%
8	Retail	4 693 891	731 684	4 693 891	152 549	3 632 352	75.00%
9	Secured by mortgages on immovable property	16 506 319	56 199	16 506 319	28 100	6 263 267	38.00%
10	Exposures in default	404 006	5 970	400 066	5 514	432 296	107.00%
11	Exposures associated with particularly high risk	76 580	-	76 580	-	114 870	150.00%
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	159 506	-	159 506	-	301 211	189.00%
16	Other items	34 029	61	34 029	61	34 090	100.00%
17	**TOTAL**	**107 040 434**	**8 237 829**	**106 925 321**	**2 352 595**	**23 962 177**	**22.00%**

EU CR5 - Standardised approach, addressing disclosure requirements of art. 444 letter e) of CRR Regulation and presents regulatory exposure values post conversion factor and post risk mitigation techniques for a part of credit and credit counterparty portfolio where mBank Group applies standardized approach, broken down by assets classes and risk weights.

	Exposure classes	Risk weight							
		0%	2%	4%	10%	20%	35%	50%	70%
		a	b	c	d	e	f	g	h
1	Central governments or central banks	71 111 865	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	90 265	-	-	-
3	Public sector entities	-	-	-	-	-	-	2 838	-
4	Multilateral development banks	3 712 470	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-
6	Institutions	69 530	113 236	-	-	86 157	-	290 758	-
7	Corporates	-	-	-	-	-	-	273	-
8	Retail exposures	-	-	-	-	-	-	-	-
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	15 651 803	194 671	-
10	Exposures in default	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-
16	Other items	-	-	-	-	-	-	-	-
17	**TOTAL**	**74 893 865**	**113 236**	**-**	**-**	**176 422**	**15 651 803**	**488 540**	**-**

EU CR5 - Standardised (contd):

	Exposure classes	Risk weight							Total	Of which unrated
		75%	100%	150%	250%	370%	1250%	Inne		
		i	j	k	l	m	n	o	p	q
1	Central governments or central banks	-	1	-	1 231 532	-	-	-	72 343 398	9 020 055
2	Regional government or local authorities	-	-	-	-	-	-	-	90 265	15 872
3	Public sector entities	-	917	-	-	-	-	-	3 755	917
4	Multilateral development banks	-	-	-	-	-	-	-	3 712 470	-
5	International organisations	-	-	-	-	-	-	-	-	-
6	Institutions	-	1	-	-	-	-	-	559 683	339 586
7	Corporates	-	10 511 457	-	-	-	-	-	10 511 730	10 511 457
8	Retail exposures	4 846 440	-	-	-	-	-	-	4 846 440	4 846 440
9	Exposures secured by mortgages on immovable property	-	684 299	3 646	-	-	-	-	16 534 419	16 534 419
10	Exposures in default	-	352 149	53 431	-	-	-	-	405 580	405 580
11	Exposures associated with particularly high risk	-	-	76 580	-	-	-	-	76 580	76 580
12	Covered bonds	-	-	-	-	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	65 036	-	94 470	-	-	-	159 506	159 506
16	Other items	-	34 090	-	-	-	-	-	34 090	34 090
17	**TOTAL**	**4 846 440**	**11 647 950**	**133 657**	**1 326 002**	**-**	**-**	**-**	**109 277 916**	**41 944 502**

EU CR6 – IRB approach – Credit risk and counterparty credit exposures by exposure class and PD range, addressing disclosure requirements of art. 452 letter g) and i) to v) of CRR Regulation.

The table below presents exposure values, the amount of undrawn commitments, the average CCF, PD and LGD in percentage, risk-weighted exposure values for particular exposure classes for a part of credit and counterparty credit portfolio where mBank Group applies AIRB approach.

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Retail mortgage portfolio (microfirms)													
	0.00 to <0.15	4 973	2 230	81%	6 788	0.13%	14	25.17%	-	418	6%	2	(22)
	0.00 to <0.10	740	293	76%	963	0.07%	2	18.38%	-	28	3%	-	(1)
	0.10 to <0.15	4 233	1 937	82%	5 825	0.14%	12	26.30%	-	390	7%	2	(21)
	0.15 to <0.25	125 188	18 455	82%	140 301	0.21%	459	27.14%	-	13 263	9%	79	(207)
	0.25 to <0.50	548 877	53 775	85%	594 635	0.37%	1 537	29.87%	-	94 759	16%	661	(1 346)
	0.50 to <0.75	521 505	54 425	100%	576 037	0.62%	1 453	28.80%	-	126 859	22%	1 024	(2 057)
	0.75 to <2.50	646 135	81 677	124%	747 666	1.27%	1 823	32.10%	-	294 652	39%	3 075	(5 606)
	0.75 to <1.75	540 830	74 384	107%	620 274	1.10%	1 524	31.68%	-	219 910	35%	2 150	(4 143)
	1.75 to <2.5	105 305	7 293	303%	127 392	2.11%	299	34.17%	-	74 742	59%	925	(1 463)
	2.50 to <10.00	145 263	7 983	273%	167 055	4.41%	363	35.24%	-	148 101	89%	2 572	(4 069)
	2.5 to <5	103 269	7 612	264%	123 353	3.34%	268	35.66%	-	98 389	80%	1 477	(2 329)
	5 to <10	41 994	371	461%	43 702	7.44%	95	34.04%	-	49 712	114%	1 095	(1 740)
	10.00 to <100.00	60 020	1 107	415%	64 617	23.66%	160	34.83%	-	103 056	159%	5 303	(3 598)
	10 to <20	28 452	30	9813%	31 373	14.12%	74	35.14%	-	47 974	153%	1 604	(1 117)
	20 to <30	14 802	399	275%	15 901	25.17%	47	35.27%	-	27 517	173%	1 448	(821)
	30.00 to <100.00	16 766	678	85%	17 343	39.51%	39	33.87%	-	27 565	159%	2 251	(1 660)
	100.00 (Default)	138 430	561	-	138 430	100.00%	276	59.06%	-	390 566	282%	52 377	(52 444)
Subtotal		**2 190 391**	**220 213**	**111%**	**2 435 529**	**7.25%**	**6 085**	**32.29%**	**-**	**1 171 674**	**48%**	**65 093**	**(69 349)**

EU CR6 – IRB approach – Credit risk and counterparty credit exposures by exposure class and PD range (contd.):

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Retail mortgage portfolio (natural persons)													
	0.00 to <0.15	16 406 092	524 903	60%	16 721 805	0.08%	131 233	32.11%	-	1 191 937	7%	4 358	(5 303)
	0.00 to <0.10	10 841 503	414 210	60%	11 090 010	0.06%	90 377	34.69%	-	721 649	7%	2 489	(3 315)
	0.10 to <0.15	5 564 589	110 693	61%	5 631 795	0.12%	40 856	27.04%	-	470 288	8%	1 869	(1 988)
	0.15 to <0.25	5 944 750	100 872	61%	6 006 125	0.19%	42 200	28.66%	-	744 096	12%	3 306	(3 977)
	0.25 to <0.50	4 493 465	83 214	66%	4 548 275	0.35%	29 487	29.62%	-	895 564	20%	4 669	(6 668)
	0.50 to <0.75	1 487 643	24 820	73%	1 505 710	0.60%	9 338	30.63%	-	455 194	30%	2 781	(3 928)
	0.75 to <2.50	1 188 654	22 300	90%	1 208 697	1.24%	7 524	32.22%	-	614 944	51%	4 829	(6 922)
	0.75 to <1.75	1 014 244	19 036	94%	1 032 146	1.10%	6 378	32.38%	-	492 259	48%	3 683	(5 486)
	1.75 to <2.5	174 410	3 264	66%	176 551	2.08%	1 146	31.32%	-	122 685	69%	1 146	(1 436)
	2.50 to <10.00	515 766	3 905	84%	519 054	5.09%	3 209	30.63%	-	566 785	109%	8 063	(5 801)
	2.5 to <5	298 636	3 190	88%	301 446	3.49%	1 889	31.09%	-	280 899	93%	3 270	(2 828)
	5 to <10	217 130	715	67%	217 608	7.32%	1 320	30.00%	-	285 886	131%	4 793	(2 973)
	10.00 to <100.00	407 836	2 140	70%	409 324	24.65%	2 172	30.71%	-	731 842	179%	30 512	(14 859)
	10 to <20	226 230	709	71%	226 733	14.08%	1 269	31.04%	-	399 026	176%	9 943	(5 572)
	20 to <30	74 201	265	41%	74 310	24.35%	381	31.43%	-	149 995	202%	5 721	(3 116)
	30.00 to <100.00	107 405	1 166	75%	108 281	46.87%	522	29.51%	-	182 821	169%	14 848	(6 171)
	100.00 (Default)	719 647	2 302	-	719 647	100.00%	2 455	68.54%	-	1 272 774	177%	400 912	(401 598)
Subtotal		**31 163 853**	**764 456**	**62%**	**31 638 637**	**2.89%**	**227 618**	**31.82%**	**-**	**6 473 136**	**20%**	**459 430**	**(449 056)**

EU CR6 – IRB approach – Credit risk and counterparty credit exposures by exposure class and PD range (contd):

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Retail revolving loans portfolio													
	0.00 to <0.15	117 879	620 910	73%	569 011	0.10%	85 141	48.62%	-	19 329	3%	292	(392)
	0.00 to <0.10	51 593	260 046	69%	231 795	0.07%	36 802	44.46%	-	5 095	2%	71	(119)
	0.10 to <0.15	66 286	360 864	75%	337 216	0.13%	48 339	51.49%	-	14 234	4%	221	(273)
	0.15 to <0.25	216 091	1 366 040	69%	1 157 021	0.20%	167 895	56.35%	-	78 264	7%	1 323	(1 323)
	0.25 to <0.50	453 995	1 674 497	67%	1 567 680	0.35%	228 870	60.27%	-	176 121	11%	3 310	(3 558)
	0.50 to <0.75	319 984	430 044	75%	640 481	0.61%	88 832	63.61%	-	118 945	19%	2 506	(3 112)
	0.75 to <2.50	1 103 911	619 545	77%	1 582 742	1.46%	227 830	67.76%	-	603 163	38%	15 777	(17 000)
	0.75 to <1.75	730 581	475 011	78%	1 099 922	1.19%	158 304	67.30%	-	357 445	32%	8 808	(9 704)
	1.75 to <2.5	373 330	144 534	76%	482 820	2.10%	69 526	68.80%	-	245 718	51%	6 969	(7 296)
	2.50 to <10.00	966 225	178 082	82%	1 111 831	4.70%	143 497	70.09%	-	989 893	89%	36 685	(41 374)
	2.5 to <5	619 056	138 479	80%	729 666	3.54%	96 766	69.86%	-	544 025	75%	18 049	(19 849)
	5 to <10	347 169	39 603	88%	382 165	6.91%	46 731	70.54%	-	445 868	117%	18 636	(21 525)
	10.00 to <100.00	261 178	35 598	81%	289 858	20.87%	31 458	68.76%	-	540 965	187%	41 593	(34 924)
	10 to <20	161 295	23 925	82%	180 838	13.47%	21 556	68.95%	-	300 885	166%	16 804	(16 092)
	20 to <30	51 878	5 481	71%	55 793	24.65%	5 615	68.02%	-	118 810	213%	9 362	(8 716)
	30.00 to <100.00	48 005	6 192	84%	53 227	42.05%	4 287	68.90%	-	121 270	228%	15 427	(10 116)
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal		**3 439 263**	**4 924 716**	**71%**	**6 918 624**	**2.14%**	**973 523**	**62.61%**	**-**	**2 526 680**	**37%**	**101 486**	**(101 683)**

EU CR6 – IRB approach – Credit risk and counterparty credit exposures by exposure class and PD range (contd):

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Retail non-mortgage portfolio (microfirms)													
	0.00 to <0.15	16 911	17 692	84%	31 832	0.12%	605	60.59%	-	3 342	10%	17	(55)
	0.00 to <0.10	5 116	3 185	90%	7 980	0.09%	103	66.80%	-	619	8%	3	(16)
	0.10 to <0.15	11 795	14 507	83%	23 852	0.13%	502	58.95%	-	2 723	11%	14	(39)
	0.15 to <0.25	106 711	523 534	82%	537 856	0.21%	14 723	65.55%	-	123 355	23%	731	(956)
	0.25 to <0.50	1 229 562	1 059 575	77%	2 040 848	0.38%	49 897	67.37%	-	514 596	25%	3 590	(4 432)
	0.50 to <0.75	1 556 312	548 414	84%	2 019 077	0.62%	41 290	68.73%	-	624 210	31%	5 255	(5 696)
	0.75 to <2.50	3 884 001	816 867	91%	4 623 665	1.41%	101 152	71.86%	-	2 331 111	50%	32 541	(34 089)
	0.75 to <1.75	2 935 050	664 337	90%	3 530 006	1.16%	76 191	71.53%	-	1 648 212	47%	20 056	(22 085)
	1.75 to <2.5	948 951	152 530	95%	1 093 659	2.11%	24 961	72.82%	-	682 899	62%	12 485	(12 004)
	2.50 to <10.00	2 903 264	252 531	102%	3 161 069	4.92%	67 267	73.59%	-	2 095 185	66%	77 221	(70 235)
	2.5 to <5	1 733 737	182 352	100%	1 916 078	3.54%	42 665	73.44%	-	1 254 362	65%	34 940	(33 856)
	5 to <10	1 169 527	70 179	108%	1 244 991	7.09%	24 602	73.85%	-	840 823	68%	42 281	(36 379)
	10.00 to <100.00	1 341 610	41 081	102%	1 383 488	22.82%	24 238	73.44%	-	1 127 915	82%	124 303	(98 395)
	10 to <20	713 348	29 628	103%	743 760	14.07%	13 764	73.46%	-	565 977	76%	44 190	(37 092)
	20 to <30	415 760	4 158	107%	420 204	24.40%	6 669	73.37%	-	316 391	75%	31 717	(27 220)
	30.00 to <100.00	212 502	7 295	96%	219 524	47.18%	3 805	73.42%	-	245 547	112%	48 396	(34 083)
	100.00 (Default)	772 994	12 210	-	772 994	100.00%	17 420	73.46%	-	789 625	102%	538 525	(541 004)
Subtotal		**11 811 365**	**3 271 904**	**84%**	**14 570 829**	**9.15%**	**316 592**	**70.96%**	**-**	**7 609 339**	**52%**	**782 183**	**(754 862)**

EU CR6 – IRB approach – Credit risk and counterparty credit exposures by exposure class and PD range (contd):

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Retail non-mortgage portfolio (natural persons)													
	0.00 to <0.15	266 301	419	45%	266 490	0.10%	14 328	61.18%	-	44 563	17%	164	(543)
	0.00 to <0.10	146 810	416	44%	146 993	0.08%	7 632	59.53%	-	19 682	13%	67	(216)
	0.10 to <0.15	119 491	3	212%	119 497	0.13%	6 696	63.20%	-	24 881	21%	97	(327)
	0.15 to <0.25	319 101	1 835	45%	319 934	0.20%	21 398	63.16%	-	91 762	29%	410	(1 426)
	0.25 to <0.50	841 848	2 663	44%	843 020	0.37%	58 046	66.23%	-	373 196	44%	2 078	(6 033)
	0.50 to <0.75	808 022	387	47%	808 203	0.62%	61 186	67.03%	-	488 117	60%	3 384	(6 993)
	0.75 to <2.50	3 591 148	3 316	44%	3 592 618	1.45%	311 603	68.06%	-	3 111 951	87%	35 570	(49 905)
	0.75 to <1.75	2 577 829	2 385	44%	2 578 880	1.20%	222 372	67.94%	-	2 110 052	82%	21 111	(30 911)
	1.75 to <2.5	1 013 319	931	45%	1 013 738	2.09%	89 231	68.37%	-	1 001 899	99%	14 459	(18 994)
	2.50 to <10.00	2 337 332	507	44%	2 337 557	4.34%	185 487	66.53%	-	2 506 966	107%	67 610	(76 069)
	2.5 to <5	1 751 077	499	44%	1 751 297	3.58%	132 044	66.08%	-	1 828 994	104%	41 325	(45 015)
	5 to <10	586 255	8	60%	586 260	6.59%	53 443	67.90%	-	677 972	116%	26 285	(31 054)
	10.00 to <100.00	391 271	65	44%	391 299	19.82%	42 989	68.17%	-	628 054	161%	53 229	(56 157)
	10 to <20	239 176	65	44%	239 204	13.64%	27 055	67.56%	-	339 333	142%	22 051	(25 492)
	20 to <30	98 542	-	172%	98 542	24.49%	10 054	68.43%	-	179 800	182%	16 516	(18 539)
	30.00 to <100.00	53 553	-	-	53 553	38.85%	5 880	70.38%	-	108 921	203%	14 662	(12 126)
	100.00 (Default)	710 773	13 728	-	710 773	100.00%	50 985	69.02%	-	1 014 858	143%	426 395	(428 702)
Subtotal		**9 265 796**	**22 920**	**18%**	**9 269 894**	**10.26%**	**746 022**	**67.13%**	**-**	**8 259 467**	**89%**	**588 840**	**(625 828)**

EU CR6 – IRB approach – Credit risk and counterparty credit exposures by exposure class and PD range (contd):

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Corporations - medium and small enterprises													
	0.00 to <0.15	591 557	705 562	52%	966 243	0.09%	465	46.33%	2	124 679	13%	303	(163)
	0.00 to <0.10	408 663	448 250	54%	654 327	0.07%	294	47.31%	2	71 964	11%	158	(92)
	0.10 to <0.15	182 894	257 312	48%	311 916	0.13%	171	44.28%	2	52 715	17%	145	(71)
	0.15 to <0.25	330 340	326 595	50%	508 846	0.20%	295	37.00%	2	97 416	19%	301	(153)
	0.25 to <0.50	613 572	791 409	44%	976 581	0.39%	637	33.71%	2	266 961	27%	1 079	(572)
	0.50 to <0.75	536 794	410 887	48%	736 996	0.61%	510	34.19%	2	252 800	34%	1 210	(562)
	0.75 to <2.50	2 601 924	1 583 302	47%	3 392 967	1.46%	2 399	32.41%	2	1 610 203	47%	13 833	(7 900)
	0.75 to <1.75	1 885 836	1 233 816	47%	2 492 456	1.21%	1 795	32.86%	2	1 136 294	46%	8 649	(4 288)
	1.75 to <2.5	716 088	349 486	50%	900 511	2.15%	604	31.17%	2	473 909	53%	5 184	(3 612)
	2.50 to <10.00	1 745 719	567 082	42%	1 996 660	4.02%	1 072	22.96%	2	1 067 627	53%	17 660	(9 057)
	2.5 to <5	1 383 573	506 143	42%	1 608 498	3.38%	841	23.82%	2	837 262	52%	12 367	(5 705)
	5 to <10	362 146	60 939	41%	388 162	6.90%	231	20.88%	2	230 365	59%	5 293	(3 352)
	10.00 to <100.00	133 255	54 522	64%	169 193	17.74%	178	38.50%	2	190 100	112%	9 050	(4 092)
	10 to <20	102 846	19 092	46%	111 860	13.68%	99	37.62%	2	116 345	104%	4 553	(2 093)
	20 to <30	23 166	27 488	80%	45 282	22.90%	37	43.89%	2	61 664	136%	3 514	(1 670)
	30.00 to <100.00	7 243	7 942	48%	12 051	37.45%	42	22.94%	1	12 091	100%	983	(329)
	100.00 (Default)	195 725	22 872	48%	206 894	100.00%	152	63.82%	-	284 309	137%	129 635	(129 635)
Subtotal		**6 748 886**	**4 462 231**	**47%**	**8 954 380**	**5.34%**	**5 708**	**34.16%**	**2**	**3 894 095**	**43%**	**173 071**	**(152 134)**

EU CR6 – IRB approach – Credit risk and counterparty credit exposures by exposure class and PD range (contd):

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Corporations - other													
	0.00 to <0.15	1 108 978	2 125 764	50%	2 218 100	0.09%	277	50.45%	2	565 537	25%	973	(935)
	0.00 to <0.10	574 557	1 453 115	47%	1 287 003	0.07%	178	49.65%	2	281 349	22%	416	(433)
	0.10 to <0.15	534 421	672 649	55%	931 097	0.12%	99	51.62%	2	284 188	31%	557	(502)
	0.15 to <0.25	909 885	1 525 662	43%	1 658 999	0.19%	204	46.66%	2	561 235	34%	1 408	(884)
	0.25 to <0.50	2 063 460	2 809 938	33%	3 157 675	0.41%	322	49.76%	2	1 918 112	61%	5 925	(4 002)
	0.50 to <0.75	1 056 990	1 578 583	38%	1 673 095	0.59%	217	46.61%	2	1 128 521	67%	4 385	(2 854)
	0.75 to <2.50	3 975 484	3 467 006	44%	5 845 164	1.38%	758	42.16%	2	5 027 416	86%	30 785	(17 786)
	0.75 to <1.75	3 066 987	2 524 766	44%	4 452 914	1.14%	567	44.60%	2	3 884 753	87%	21 234	(12 366)
	1.75 to <2.5	908 497	942 240	45%	1 392 250	2.15%	191	34.31%	2	1 142 663	82%	9 551	(5 420)
	2.50 to <10.00	1 333 121	625 522	46%	1 635 842	4.52%	378	30.16%	2	1 447 881	89%	21 639	(22 492)
	2.5 to <5	872 059	480 943	45%	1 102 592	3.52%	261	29.29%	2	918 150	83%	11 620	(6 380)
	5 to <10	461 062	144 579	49%	533 250	6.78%	117	32.51%	2	529 731	99%	10 019	(16 112)
	10.00 to <100.00	66 934	27 920	37%	84 193	27.85%	522	28.95%	2	126 797	151%	6 082	(3 504)
	10 to <20	50 205	15 148	21%	55 250	13.69%	99	25.17%	3	74 630	135%	1 946	(1 359)
	20 to <30	5 209	1 384	54%	5 959	23.65%	67	18.03%	2	6 461	108%	258	(146)
	30.00 to <100.00	11 520	11 388	55%	22 984	45.85%	356	36.65%	2	45 706	199%	3 878	(1 999)
	100.00 (Default)	610 858	149 881	36%	665 047	100.00%	250	57.31%	-	419 492	63%	508 107	(508 107)
Subtotal		**11 125 710**	**12 310 276**	**42%**	**16 938 115**	**5.12%**	**2 928**	**45.00%**	**2**	**11 194 991**	**66%**	**579 304**	**(560 564)**

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Corporations - specialized lending exposures													
Subtotal		**6 141 439**	**1 358 259**	**29%**	**6 552 557**	**-**	**528**	**38.19%**	**-**	**4 323 554**	**66%**	**487 588**	**(348 436)**

EU CR6 – IRB approach – Credit risk and counterparty credit exposures by exposure class and PD range (contd):

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Institutions													
	0.00 to <0.15	415 461	3 592 320	29%	2 754 008	0.06%	92	44.49%	2	669 467	24%	749	(465)
	0.00 to <0.10	375 078	3 442 525	29%	2 612 589	0.06%	76	44.33%	2	620 481	24%	671	(448)
	0.10 to <0.15	40 383	149 795	40%	141 419	0.12%	16	47.55%	2	48 986	35%	78	(17)
	0.15 to <0.25	87 601	24 466	26%	368 102	0.17%	12	20.06%	1	43 191	12%	129	(67)
	0.25 to <0.50	21 566	30 284	21%	83 856	0.37%	9	52.02%	3	92 473	110%	161	(48)
	0.50 to <0.75	77 520	34 441	35%	89 556	0.62%	8	43.92%	2	81 143	91%	243	(255)
	0.75 to <2.50	31 971	33 572	47%	47 809	1.80%	10	45.99%	2	62 297	130%	400	(327)
	0.75 to <1.75	433	27 201	47%	13 086	1.42%	4	43.14%	1	11 947	91%	80	(143)
	1.75 to <2.5	31 538	6 371	50%	34 723	1.94%	6	47.07%	3	50 350	145%	320	(184)
	2.50 to <10.00	22	-	-	185	3.50%	2	42.50%	4	287	155%	3	-
	2.5 to <5	22	-	-	185	3.50%	2	42.50%	4	287	155%	3	-
	5 to <10	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to <100.00	2 238	-	-	2 238	47.34%	1	68.13%	1	7 764	347%	722	(939)
	10 to <20	-	-	-	-	-	-	-	-	-	-	-	-
	20 to <30	-	-	-	-	-	-	-	-	-	-	-	-
	30.00 to <100.00	2 238	-	-	2 238	47.34%	1	68.13%	1	7 764	347%	722	(939)
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal		**636 379**	**3 715 083**	**29%**	**3 345 754**	**0.15%**	**134**	**42.02%**	**2**	**956 622**	**29%**	**2 407**	**(2 101)**
Total		**82 523 082**	**31 050 058**	**50%**	**100 624 319**	**4.72%**	**2 279 015**	**45.02%**	**1**	**46 409 558**	**46%**	**3 239 402**	**(3 064 013)**

EU CR6-A – The scope of application of the IRB method and the standardized method

		Exposure value as defined in Article 166 CRR for exposrues subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposurevalue subject to a roll-out plan (%)
		a	b	c	d	e
1	Central governments or central banks	67 753 135	67 753 135	100.00%	-	-
1.1	Of which Regional governments or local authorities		-	-	-	-
1.2	Of which Public sector entities		-	-	-	-
2	Institutions	7 005 361	7 007 463	14.75%	-	85.25%
3	Corporates	68 945 634	70 003 398	30.79%	7.86%	61.35%
3.1	Of which Corporates - Specialised lending, excluding slotting approach		251 504	100.00%	-	-
3.2	Of which Corporates - Specialised lending under slotting approach		13 019 550	0.00%	42.25%	57.75%
4	Retail	85 900 577	88 290 154	13.25%	10.79%	75.96%
4.1	of which Retail – Secured by real estate SMEs		2 410 604	-	-	100.00%
4.2	of which Retail – Secured by real estate non-SMEs		51 069 971	15.25%	17.53%	67.23%
4.3	of which Retail – Qualifying revolving		8 363 976	-	-	100.00%
4.4	of which Retail – Other SMEs		15 102 093	0.12%	-	99.88%
4.5	of which Retail – Other non-SMEs		28 466 106	12.36%	2.02%	85.62%
5	Equity	239 078	239 078	100.00%	-	-
6	Other non-credit obligation assets	10 482 635	10 482 635	5.18%	-	94.82%
7	**Total**	**240 326 420**	**243 775 863**	**42.18%**	**6.16%**	**51.66%**

EU CR7 – IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques, addressing disclosure requirements of art. 453 letter j) of CRR Regulation.

mBank Group does not disclose this information as credit derivatives are not used as CRM techniques with an impact on RWA.

EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques

	A-IRB	Total exposures	Credit risk Mitigation techniques								
			Funded credit Protection (FCP)								
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)
		a	b	c	d	e	f	g	h	i	j
1	Central governments and central banks	-	-	-	-	-	-	-	-	-	-
2	Institutions	1 723 321	-	-	-	-	-	-	-	-	-
3	Corporates	31 642 856	5.0%	244.9%	184.1%	4.7%	56.0%	-	-	-	-
3.1	*Of which Corporates – SMEs*	8 861 526	1.3%	247.7%	197.1%	10.1%	40.5%	-	-	-	-
3.2	*Of which Corporates – Specialised lending*	6 533 156	-	78.0%	77.9%	0.1%	0.0%	-	-	-	-
3.3	*Of which Corporates – Other*	16 248 173	9.1%	310.6%	219.8%	3.7%	87.1%	-	-	-	-
4	Retail	64 827 559	-	41.0%	41.0%	0.0%	0.0%	-	-	-	-
4.1	*Of which Retail – Immovable property SMEs*	2 435 529	-	104.3%	104.3%	0.0%	0.0%	-	-	-	-
4.2	*Of which Retail – Immovable property non-SMEs*	31 632 682	-	75.8%	75.8%	-	-	-	-	-	-
4.3	*Of which Retail – Qualifying revolving*	6 918 624	-	-	-	-	-	-	-	-	-
4.4	*Of which Retail – Other SMEs*	14 570 830	-	0.3%	0.3%	-	-	-	-	-	-
4.5	*Of which Retail – Other non-SMEs*	9 269 894	-	-	-	-	-	-	-	-	-
5	**Total**	**98 193 736**	**1.6%**	**106.0%**	**86.4%**	**1.5%**	**18.1%**	**-**	**-**	**-**	**-**

EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques (contd)

A-IRB		Credit risk Mitigation techniques		Credit risk Mitigation methods in the calculation of RWEAs	
		Unfunded credit Protection (UFCP)			
		Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
		k	l	m	n
1	Central governments and central banks	-	-	-	-
2	Institutions	-	-	-	580 074
3	Corporates	18.0%	-	-	18 710 621
3.1	*Of which Corporates – SMEs*	41.8%	-	-	3 815 419
3.2	*Of which Corporates – Specialised lending*	-	-	-	4 308 417
3.3	*Of which Corporates – Other*	15.0%	-	-	10 586 785
4	Retail	0.0%	-	-	26 025 133
4.1	*Of which Retail – Immovable property SMEs*	-	-	-	1 171 675
4.2	*Of which Retail – Immovable property non-SMEs*	-	-	-	6 457 973
4.3	*Of which Retail – Qualifying revolving*	-	-	-	2 526 679
4.4	*Of which Retail – Other SMEs*	-	-	-	7 609 340
4.5	*Of which Retail – Other non-SMEs*	-	-	-	8 259 466
5	**Total**	**6.6%**	**-**	**-**	**45 315 828**

6. Leverage ratio

The table below presents a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements.

EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		a
		Applicable amount
1	Total assets as per published financial statements	209 892 113
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	2 484 415
9	Adjustment for securities financing transactions (SFTs)	14 033
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	13 535 748
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	(2 676 498)
13	**Total exposure measure**	**223 249 811**

The table below presents a breakdown of the total exposure measure applied to calculation of the leverage ratio, information on Tier 1 capital, leverage ratio and how the institution applies Article 499(2) of the CRR Regulation.

EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		31.12.2022	30.06.2022
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	197 430 809	193 456 124
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(1 414 001)	(1 244 241)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**196 016 808**	**192 211 883**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	2 077 868	2 061 194
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	1 907 243	2 169 716
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**3 985 111**	**4 230 910**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	9 775 817	6 555 502
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	14 033	43 871
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**9 789 850**	**6 599 373**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	41 221 871	39 003 639
20	(Adjustments for conversion to credit equivalent amounts)	(27 463 830)	(26 037 399)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	(299 999)	-
22	**Off-balance sheet exposures**	**13 458 042**	**12 966 240**
	Excluded exposures		
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	**(Total exempted exposures)**	-	-

EU LR2 - LRCom: Leverage ratio common disclosure (contd.)

		CRR leverage ratio exposures	
		a	b
		31.12.2022	30.06.2022
	Capital and total exposure measure		
23	**Tier 1 capital**	**12 153 665**	**13 059 869**
24	**Total exposure measure**	**223 249 811**	**216 071 495**
	Leverage ratio		
25	Leverage ratio (%)	5.44%	6.04%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.44%	6.04%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	5.44%	6.04%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital	-	-
27	Leverage ratio buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
	Disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	15 293 671	12 715 628
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	9 775 817	6 555 502
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	228 701 873	222 132 018
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	228 701 873	222 132 018
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.31%	5.88%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.31%	5.88%

EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		31.12.2022
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**197 353 103**
EU-2	Trading book exposures	1 714 382
EU-3	Banking book exposures, of which:	195 638 721
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	68 538 485
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	81 209
EU-7	Institutions	1 190 384
EU-8	Secured by mortgages of immovable properties	48 934 479
EU-9	Retail exposures	27 237 070
EU-10	Corporates	30 598 177
EU-11	Exposures in default	2 189 501
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	16 869 416

Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.

The below information addressees the scope of disclosure from table EU LRA.

Exposure value, Tier 1 capital and leverage ratio of mBank Group calculated in accordance with a transitional definition of Tier 1 capital as of 31 December 2022 and 30 September 2022.

		31.12.2022	30.09.2022
Exposure value		223 249 811	219 358 906
Capital and regulatory adjustments			
	Tier 1 capital	12 153 665	11 247 118
	Include Regulatory adjustments - Tier 1	(1 414 001)	(1 298 458)
Leverage ratio			
	Leverage Ratio on mBank Group	5.44%	5.13%
	Leverage Ratio calculated without of the transitional provisions of the CRR in response to the COVID-19 pandemic	5.29%	4.92%

The leverage ratio of mBank Group in the fourth quarter of 2022 was mainly affected by the increase in own funds as a result of a decrease in the annual loss of mBank Group.

Description of the processes used to manage the risk of excessive leverage.

The leverage ratio is regularly monitored, forecast and compared to peer group. mBank Group has aspiration to keep leverage ratio at a level highly exceeding minimal requirements amounting to 3%, which are in force since 28 June 2021. The fixed strategic target is monitored and verified at least on a yearly basis. Capital Management Committee performs the essential role in management of risk of excessive leverage in mBank Group.

Bank counteracts risk of excessive leverage taking into account potential increase in mentioned risk caused by own funds drop associated with expected or incurred losses. Additionally, annual planning process includes forecast of year end leverage ratio as well as plan of the ratio in a four-year time horizon. The projection is updated depending on the macroeconomic environment. Moreover, mBank also examines capital adequacy in adverse macroeconomic scenarios, understood as risk scenario accepted by the Bank's Management Board.

7. Credit risk mitigation techniques

The information presented in this chapter fulfill the presentation requirements of **EU CRC Qualitative disclosure requirements related to CRM techniques.**

7.1. Collateral valuation and management

The policies and processes for on- and off-balance sheet netting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The main types of guarantor and credit derivative counterparty and their creditworthiness

As at 31 December 2022 mBank Group did not hold credit derivatives.

Retail

mBank mitigates the credit risk of the retail portfolio by requesting legal collaterals for granted loans. In the case of property-secured transactions, major components of the collateral policy include maximum admissible levels of LtV (Loan to Value – the ratio of loan amount to value of property used as collateral) and the rules of accepting collaterals.

<u>Retail properties</u>

When drafting the LtV policy for mortgage loans, mBank adheres to Recommendation S, which is a set of good practices in the field of mortgage-secured retail credit exposure risk management. In the case of commercial real properties, due to lower liquidity of the collateral, mBank takes on a more prudent approach in terms of admissible LtV values than the one that is required by the regulator.

mBank carries out a careful selection of real properties which may serve as collateral. Within the analysis of a credit application, a liquidity assessment of a local real property market and of the nature of a real property (typical, non-typical) is conducted – that is aimed at ensuring the assumed effectiveness of recovery from the collateral accepted.

Prior to taking a credit decision, mBank in each case determines the value of the real property accepted as collateral. When the value verification in the retail sales process is based on an appraisal report, which is verified in terms of its assumptions and parameters by analysts., the determined value is confirmed by the analysis of similar real estate transaction prices from the internal real estate database and the AMRON interbank database, rental rates or information from available publications regarding the real estate market. For standard types of residential real estate, the Bank has introduced the possibility of verifying the value of real estate valuation for typical residential properties located on developed markets, based on the analysis of transaction prices of similar real estate originating from the mentioned above real estate database and the note from the inspection of real estate.

Real estate value is updated regularly by analysts - at least once every 3 years in the case for exposures where the current LTV ratio is smaller than 80% and not less frequently than once a year in the case. The value of the selected pool of contracts is updated individually by a Bank analyst. The value of other residential real estate portfolio is updated using the price change index.

<u>Vehicles</u>

Requirements regarding the collateral valuation are dependent on the type of the financed vehicle. In the case of new vehicles purchased from an authorised dealer, a credit analyst accepts the vehicle value based on the invoice. In the case of used vehicles, mBank's a valuation of the vehicle is determined on the basis market value catalogue of vehicles or of the motor hull insurance (AC) delivered by the customer, which includes a value verified by the insurance company.

Corporates

The credit risk taken by mBank when granting credit products to clients may be mitigated by collateral. The types of collateral accepted by mBank, rules for establishing collateral, principles of evaluating and verifying value of collaterals and concerning management of collaterals are set out in detailed internal instructions of mBank. mBank has a dedicated collateral policy in the area of corporate banking. The most important elements of this policy are:

- indication of collateral preferred and not recommended,
- recommendations regarding the requirements of collateral in specific situations,
- frequency of collateral monitoring,
- Bank's approach to collateral with MRV parameter equal to zero.

mBank's policy is based on the assumption that mBank's decision to grant a credit product entails an effort to obtain collateral of the highest quality and value adequate to the scale of risk taken. The collateral value should be correlated not only with the borrower's creditworthiness, but also with the amount of the product posing credit risk and the risk level arising from the specific qualities of the credit product. In the case of mortgage-secured loans, mBank uses level of LtV ratio in line with regulatory requirements. Under justified circumstances, mBank may refrain from asking for collateral. Moreover, in the case of personal collateral (e.g. surety, guarantee) the standing and reliability of the collateral provider is evaluated using the standards applicable to the assessment of borrowers. The value of fixed assets accepted as collateral is determined on the basis of an appraisal report compiled by a licensed expert. The report is submitted to mBank and verified by a team of specialists located in the risk area who analyse it in terms of correctness of the assumed market value and assess the liquidity of the collateral from mBank's viewpoint.

On a regular basis, mBank monitors the quality of collateral. The monitoring covers in particular the effectiveness of the legal establishment of collateral, validity of insurance policies, completeness of collateral documentation, update of collateral value and adequacy of collateral value and present amount of exposure. The process of valuing and monitoring collateral is supported by an IT application called CRM 2.0. The system gathers information on:

- necessary data on collateral and its providers/owners,
- original valuation and its updates,
- participants and course of the process of collateral registration, valuation and monitoring.

In addition, mBank systematically supervises the control of credit risk monitoring in the scope of accepted collateral.

7.2. Main types of collateral

Retail

Mortgage on real property

Mortgage on a financed (or other) real property is a basic collateral for mortgage loans. mBank accepts only a first lien mortgage.

Conditional transfer of ownership

Conditional transfer of ownership of a vehicle is a standard collateral for loans for the purchase of a vehicle. The customer enters into an agreement on the transfer of ownership with mBank, by which they undertake to transfer the ownership of a vehicle to mBank in the case of a failure to repay the loan when due.

The „de minimis" guarantee

The guarantee provided by Polish state bank Bank Gospodarstwa Krajowego within the governmental aid program addressed to entrepreneurs, covering the working capital loans and investment loans. The guarantee might secure up to the 80% of the loan amount and not more than PLN 3,5 million.

Corporates

When making a decision on granting funding to a client, mBank aims at obtaining collateral adequate to the risk taken. mBank prefers highly liquid property collateral or personal collateral provided by entities characterised by high PD-rating and having assets and financial strength acceptable by mBank.

The accepted collateral acts as credit risk mitigant, provided that it carries a specified real value at the time of potential enforcement and meets the qualitative requirements making it possible to recover the debt by way of enforcement. The quality of property collateral is evaluated in terms of liquidity and market value, while the quality of personal collateral is assessed in terms of the financial standing of the collateral provider.

The most frequently used collateral types include:

- property collateral. i.e. mortgage, , registered pledge, transfer of ownership rights, assignment of rights to the creditor, financial pledge, security deposit or blockade of funds on bank account,
- personal collateral, i.e. guarantee (e.g. BGK guarantees de minimis), surety, aval.

The assessment of collateral includes the evaluation of the possibility to establish the collateral and assessment of legal state of the subject of collateral, in particular analysis of any encumbrances in favour of other creditors (verification of land and mortgage registers, entries in the pledge register, etc.). It is essential that the validity period of collateral is longer than the maturity period of the product backed by it, so that mBank has enough time to perform all the legal acts necessary to satisfy its claims.

Moreover, in Bank's internal regulations, mBank indicates a separate group of properties which are not recommended as collateral due to their specific qualities making it impossible for mBank to satisfy its claims due to quick loss of value by the property or difficulties with its disposal.

EU CR3 – Credit risk mitigation techniques – overview, addressing disclosure requirements of art. 453 letter g) of CRR Regulation, presenting the carrying amount of exposures net of allowances /impairments divided into unsecured and secured exposures, including collateral categories:

		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	79 308 650	67 761 405	63 159 319	4 602 086	-
2	Debt securities	54 218 238	-	-	-	-
3	**Total**	**133 526 888**	**67 761 405**	**63 159 319**	**4 602 086**	**-**
4	*Of which non-performing exposures*	3 485 873	1 330 133	1 226 186	103 947	-
EU-5	*Of which defaulted*	2 814 872	1 330 133	1 226 186	103 947	-

The template above presents all the credit risk mitigation techniques used in compliance with the accounting standards, whether or not they are recognized on the basis of CRR, including all the types of collateral and financial guarantees regarding all the collateralized exposures, whether for the calculation of risk weighted assets standardized approach or AIRB are used.

In 2022 there was no significant change in the use of credit risk mitigation techniques.

7.3. Market or credit risk concentration

Taking into account the reduction of the concentration risk arising from the exposure to a single currency (or indexed to a single currency), mBank monitors - on a monthly basis the currency structure of the portfolio. mBank reduces exposures to a single entity/group of affiliated entities by setting a General Limit (approved by the appropriate decision-making body) for exposures to a customer/group of affiliated customers.

On a daily basis, mBank monitors exposures in terms of identification of large exposures and exceeding of concentration limit of exposures defined in line with CRR Regulation.

mBank maintains a list of entities for which there is a risk a default (Watch List) and analyses (on a quarterly basis) concentration risk of exposures exposed to the default risk.

In order to control and reduce concentration risk arising from exposures to entities representing the same sector, mBank sets the limits for sectors in which mBank's exposure exceeds 5% of the total amount of exposures.

mBank controls risk arising from concentration of exposures to entities representing the same geographical region as well as individual countries by setting and monitoring country or regional limits.

mBank monitors the exposure level of credit exposures secured with the same type of collateral.

On a quarterly basis, mBank analyses the mBank Group's credit portfolio in terms of concentration, taking into account the largest exposures to customers/groups of affiliated customers.

As at 31 December 2022 there was no substantial level of geographical concentration in the credit portfolio of mBank Group. In terms of exposure relating to countries other than Poland there was no substantial share of exposure with value loss.

8. Credit risk adjustments

8.1. Overdue and impaired exposures – definitions used

The following qualitative description addresses the requirements of the EU CRB table – Additional disclosed information related to the credit quality of assets.

mBank applies a uniform default definition in all areas of the credit risk management, i.e. for the purpose of calculating expected credit losses and capital requirement. The default definition is based on the definition included in CRR Regulation.

The customer is reclassified to the default category in the case of loss event occurrence. Reclassification of at least one customer credit liability to the default category reclassifies all credit and non-credit liabilities of the customer to the default category.

Corporate portfolio - Impairment triggers

The list of definite loss events in corporate portfolio:

1. The number of days past due of the principal, interest or fees is over 90 days (in the case of exposures to Banks over 14 days). Number of days past due is calculated at the debtor level and commences when both absolute and relative materiality thresholds have been exceeded, where:
   1. absolute threshold refers to the sum of all overdue amounts related to the debtor's liabilities towards the Bank and amounts to PLN 2,000 for corporate and investment banking debtors and PLN 400 for Private Banking debtors registered in corporate systems,
   2. relative threshold refers to the ratio of all overdue amounts related to the debtor's liabilities towards the Bank to the sum of balance sheet exposures related to given debtor and amounts to 1%.

   The adopted definition of overdue credit obligations and materiality thresholds are in line with the Regulation of the Minister of Finance, Investment and Development of October 3, 2019 on the materiality level of an overdue credit commitment.
2. mBank's sale of the credit obligation with material economic loss related to change in creditworthiness of the debtor.
3. mBank performed distressed restructuring (the materiality threshold from which the Bank considers a diminished financial obligation to be defaulted is 1%).
4. Information about enforcement proceedings instigated against a debtor in the amount which in the Bank's opinion is likely to result in a loss of creditworthiness.
5. Information about a petition for bankruptcy, liquidation of a debtor, dissolution or annulment of a company, or about appointment of a guardian.
6. Declaration of bankruptcy of a debtor or acquiring by him a similar legal protection resulting in his evasion of or delay in repayment of credit obligations towards mBank, the parent or subsidiary entity of mBank.
7. Information about dismissal of a petition for bankruptcy of a debtor on grounds that the assets of the debtor are insufficient or are only sufficient to cover the costs of bankruptcy proceedings.
8. Debtor's failure to repay the amount of surety provided by the Government.
9. Termination of part or whole credit agreement by mBank or the beginning of restructuring or collection procedures.
10. Fraud (embezzlement) of the debtor .
11. Bank expecting suffering a loss on the client.
12. Occurrence of cross default default.
13. Information on filing a restructuring petition or instigating a restructuring proceedings with regard to a debtor within the meaning of the Restructuring Law Act.
14. Information on major financial problems suffered by a debtor.

In addition mBank identifies loss-events specific to individual categories of entities, and so-called 'soft' loss events, introduced in order to signal situations, which may result in the loss of the debtor's ability to repay loan to mBank. A credit analyst in this case assesses additionally whether the event impacted adversely the obligor's creditworthiness.

Retail portfolio - Impairment triggers

The list of definite loss events in retail portfolio:

1. the number of days past due of the principal, interest or fees is over 90 days. Number of days past due is calculated at the debtor level and commences when both absolute and relative materiality thresholds have been exceeded, where:
   a. absolute threshold refers to the sum of all overdue amounts related to the debtor's liabilities towards the Bank and amounts to PLN 400 for Polish branch, CZK 2,500 for the foreign branch of the Bank in Czech Republic and EUR 100 for the foreign branch of the Bank in Slovakia,
   b. relative threshold refers to the ratio of all overdue amounts related to the debtor's liabilities towards the Bank to the sum of balance sheet exposures related to given debtor and amounts to 1%.

   The adopted definition of overdue credit obligations and materiality thresholds are in line with the Regulation of the Minister of Finance, Investment and Development of October 3, 2019 on the materiality level of an overdue credit commitment.
2. mBank performed distressed restructuring (the materiality threshold from which the Bank considers a diminished financial obligation to be defaulted is 1%).
3. Termination of the agreement by the Bank in the event of breach of the loan agreement by the debtor.
4. Obtaining information on the submission of a petition for consumer bankruptcy by the debtor, conducting court proceedings in this matter or a judgment by the court of consumer bankruptcy.
5. Obtaining information about the submission of an application by the debtor to initiate or to conduct bankruptcy / restructuring proceedings against the debtor, which, in the Bank's opinion, may result in delay or failure to repay the liability.
6. Recognition of the contract as fraudulent.
7. mBank's sale of the credit obligation with material economic loss related to change in creditworthiness of the debtor.
8. Uncollectable status of debt.
9. Payout of low down payment insurance
10. Occurrence of cross default.

Forborne definition

The definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on default in accordance with Article 178 CRR is consistent with the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014.

8.2. Quantitative information

The following subscriptions address the requirements of the **EU CRB table – Additional disclosed information related to the credit quality of assets.**

How exposures are classified to stages

In accordance with International Financial Reporting Standards mBank classifies credit exposures to following stages:

- Stage 1 – exposures for which the risk did not increase significantly since the initial recognition in the loan portfolio,
- Stage 2 – exposures for which, as at the reporting date, a significant deterioration in credit quality was identified compared to the date of their initial recognition,
- Stage 3 – exposures for which credit-impairment was found during its lifetime in portfolio,
- POCI (purchased or originated credit-impaired asset) – assets identified as credit-impaired at initial recognition.

In mBank the assignment of exposure to Stage 2 takes place according to the Transfer Logic algorithm, which defines the qualitative and quantitative criteria indicating a significant increase of credit risk, while the classification exposure to the Stage 3 is determined by loss-events described in chapter 8.1.

Once the quantitative or qualitative criteria that were used to classify the exposure in Stage 2 at the reporting date are no longer met (the client and the exposure assigned to him or her no longer meet any of the Transfer Logic qualitative criteria or quantitative criteria), the exposure will be moved from Stage 2 to Stage 1. In the case of exposures classified as forbearance, the additional condition for reclassification to Stage 2 is the 24 month probation period during which the loan has a performing status.

The exposure may also be transferred from Stage 3 to Stage 2 or to Stage 1 if for each loss-events assigned to debtor, probation period has elapsed and, additionally in case of corporate clients, debtor's assessment carried out after probation period, has not shown that the debtor is unlikely to fully repay its obligations without recourse to realizing security.

Probation period refers to the period in which debtor properly fulfills its obligations, calculated from the moment event leading to loss-event ceases.

Probation period is calculated separately for each loss-event. Probation period is also maintained when the exposure due to which loss-event has occurred has been repaid, written off or sold. Probation period equals:

- for distressed restructuring – 12 months,
- for other loss-events – 3 months.

During probation period, the Bank assesses debtor's credit behavior, and the exit from probation period depends on proper service.

Significant deterioration of credit quality (classification to stage 2)

A significant deterioration in credit quality is recognised for the asset concerned on the basis of quantitative and qualitative criteria, with the asset being transferred to Stage 2 once at least one of such qualitative or quantitative criteria is met.

Qualitative criteria are:

- The number of days of delay in paying the amount due is greater than or equal to 31 days, taking into account materiality thresholds:
  - the absolute threshold refers to the past due exposure amount and amounts to PLN 400 for retail exposures in Polish branch and exposures of Private Banking debtors, registered in corporate systems, CZK 2,500 for retail exposures in the foreign branch of the Bank in Czech Republic, EUR 100 for retail exposures in the foreign branch of the Bank in Slovakia and PLN 2,000 for exposures in the area of corporate and investment banking,
  - the relative threshold refers to the ratio of the past due exposure amount to the total balance sheet exposure amount and amounts to 1%.

- The number of days of delay in paying the amount due of exposure is greater than or equal to 91 days (without materiality thresholds).
- Occurrence of the Forborne performing flag (the client status shows that he or she is experiencing difficulties in repaying the loan commitment, as defined by mBank).
- Occurrence of the Watch List flag (the Bank's internal process designed to identify corporate clients who are subject to increased monitoring in terms of changes in credit quality, in accordance with the Watch List classification rules adopted by mBank).
- Deterioration of the risk profile of the entire exposure portfolio, due to the type of product, industry or distribution channel. (for retail customers).

The Bank quantifies the level of credit risk in relation to all exposures or clients for which credit exposures exists. In the absence of available information to assess the credit risk of an exposure at initial recognition, the Bank classifies such an exposure to stage 2 without the possibility to reclassify it to stage 1.

The quantitative criterion of the Transfer Logic is based on a significant deterioration in credit quality, which is assessed on the basis of relative and absolute long-term change in Probability of Default (PD), specified for the exposure at the reporting date, relative to the long-term PD specified on initial recognition.

Low credit risk criteria

For exposures whose characteristics are indicative of low credit risks (LCR), expected credit losses are always determined on a 12-month basis. Exposures designated as LCR may not be transferred from Stage 1 to Stage 2, although they can be moved from Stage 1 to Stage 3 upon being recognized as credit-impaired. The Bank applies the LCR criterion to clients from the government and central bank segment with investment grade ratings and to clients from Local Government Units segment. The LCR criteria is not used in the retail banking segment.

Calculation of expected credit losses

Valuation expected credit losses (ECL) are measured at the level of a single contract or exposure (agreement). In the portfolio approach, expected credit losses are the multiplication of individual for each exposure estimated value of PD, LGD and EAD and the final value of expected credit losses is the sum of expected credit losses in particular periods discounted with the effective interest rate. If on the reporting date the exposure credit risk did not increase significantly since the initial recognition, expected credit losses are calculated in the minimum horizon of 12-month horizon and horizon to maturity. If the exposure credit risk increased significantly since the initial recognition (exposure is in the stage 2), the Bank calculates expected credit losses in the life-time horizon (Lt ECL).

In the case of non-financial guarantees, the mBank Group applied an approach that the expected credit losses are always included in lifetime horizon (Lt ECL).

The individual approach concerns all balance sheet and off-balance sheet credit exposures with an impairment in the corporate loan portfolio and Private Banking loan portfolio, which is registered in corporate systems. The expected credit losses are calculated as a difference between the value of exposure and the present value of the estimated future cash flows discounted with the effective interest rate, including the costs of debt collection and collateral enforcement.

The method of calculating the expected recoveries takes place in scenarios and depends on the Bank's chosen strategy for the client. In the case of restructuring strategy, considered scenarios are developed for exposures and assume a significant share of recoveries from the customer's own payments. In the case of vindication strategy, the scenarios are developed for each recovery source (collateral) separately. Bank identifies scenarios per exposure/recovery source, minimum two are considered obligatory, provided one of them reflects a partial loss on exposure/recovery source. The weight of scenario results from an expert assessment of the likelihood of scenarios based on the relevant facts of the case, in particular, on existing security and their type, client's financial situation, client's willingness to cooperate, the risks that may occur in the case and micro- and macroeconomic factors.

Use of macroeconomics scenarios in ECL estimation

mBank is required to set an expected credit loss in a way which meets the expectations for various forward-looking macroeconomic scenarios. In the case of portfolio estimation of ECL, the non-linearity factor (NLF) is set in order to adjust the value of an expected credit loss (calculated every month). The values of NLF are used as scaling factors for individual ECLs. The NLF factor is determined separately for retail and corporate segments at least once a year. NLFs are used as scaling factors for individual ECLs that are determined at the level of individual exposures in each segment. NLFs are calculated based on results from three simulation calculations at the same reporting date, which result from relevant macroeconomic scenarios. In particular, NLF for a given segment is calculated as:

- the probability-weighted average of the expected loss from three macroeconomic scenarios ('average estimation') comprising: baseline scenario, optimistic scenario and pessimistic scenario. The weights of scenarios are consistent with probabilities of realization for each scenario – 60% for base, 20% for optimistic and 20% for pessimistic,
- divided by the expected loss determined under baseline scenario (reference estimate).

Simulation calculations, whose results are used to calculate NLF, are carried out on the basis of the same input data on exposure characteristics, but involve different risk parameter vectors, if the macroeconomic expectations defined in the scenarios are such as to affect the value of these parameters. Additionally, the inclusion of forward-looking information takes place in the models of all three credit risk parameters estimated in the lifetime horizon (LtPD, LtEAD, LtLGD). In the estimates the Bank uses, among others, generally available macroeconomic and financial indicators (GDP, employment in the enterprise sector, unemployment rate, level of export/import, salaries, monetary financial institutions receivables from households), expectations regarding interest rates and exchange rates, as well as changes in property prices, separately for residential and commercial properties.

In the case of individual ECL estimation, each time, based on an expert assessment, the Bank estimates the impact of macroeconomic factors and other general factors (e.g. the Bank's previous cooperation with the borrower, the nature of the product) on the probability of the adopted scenarios in the calculation of the estimated loss and on the assumed amounts and dates of inflow from operating cash flows and from collateral. This is done through a comprehensive expert assessment of above factors (positive assessment, neutral or negative). For example, a positive assessment provides the basis for increasing the probability of a positive scenario against a negative one, or a baseline scenario against a negative one, where the baseline scenario is based on inflow from the borrower's operating activity.

Macroeconomic factors used in individual ECL estimation are based on assumptions for budget forecasts and financial plans used for management and reporting at mBank. In addition, in terms of macroeconomic factors, conclusions from industry analyzes prepared at the Bank are taken into account, in particular conclusions from expert assessments of industries prepared for the purpose of determining the Bank's industry limits, as well as from the assessment of industry prospects and the assessment of the attractiveness of a specific sector. Future economic conditions may not be taken into account in the process of estimating ECL if Bank does not identify connection between macroeconomic factors and the level of expected loss.

Fair Value for credit assets

If the conditions for the measurement of a credit asset at amortized cost (IFRS 9, point 4.1.2) are not met, then it is measured at FVtPL (Fair Value through Profit & Loss) or by FVOCI (Fair Value through Other Comprehensive Income).

Fair value valuation of non-impaired credit assets

The valuation for non-impaired exposure is based on its discounted estimated future cash flows.
Future cash flows are determined taking into account:

- repayment schedule, and in the absence of a schedule (revolving products) - based on a statistical estimation of the annual credit limit utilization in expected behavioral exposure period.
- time value of money, based on risk-free interest rates set in the process of forecasting interest flows,
- cash flows amount and their schedule fluctuations stemming from the option of prepayment (early partial or full repayment of the principal) included in the loan agreement by application of prepayment factors,
- uncertainty of cash flows resulting from credit risk throughout the forecasted lifetime of the exposure by modification of contract flows using multi-year credit risk parameters Lt PD and Lt LGD.
- other factors that would be taken into consideration by the potential exposure buyer (overhead costs and the profit margin expected by market participants) during the process of calibration of the discount rate used in the valuation process.

Due to requirements of IFRS 13 for the exposures for which there are no quotes on an active market, the Bank calibrates the discount rate based on fair value at the date of the initial recognition (i.e. the cost price of exposure). Calibration margin reflects market valuation of costs related to maintaining exposures in the portfolio and market expectations about profit margin realized on similar exposures.

Fair value valuation of impaired financial assets

Impaired Financial assets are valuated based on expected recoveries. In case of retail financial assets the valuation reflected by LGD parameters, and in the case of corporate exposures it refers to individual recovery scenarios.

Maturity of exposures

EU CR1-A: Maturity of exposures

		Net exposure value					
		a	b	c	d	e	f
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	17 156 357	23 784 629	28 818 693	62 744 091	-	132 503 770
2	Debt securities	-	29 149 389	21 916 264	4 074 160	45 009	55 184 822
3	Total	17 156 357	52 934 018	50 734 957	66 818 251	45 009	187 688 592

Non-performing and forborne exposures

In accordance with the EBA/GL/2018/06 guidelines, banks are obliged to monitor and manage the NPL portfolio. Banks should strive to maintain the value of the NPL portfolio below the threshold set by the regulator at 5%. The NPL ratio for mBank Group calculated in accordance with the Guidelines EBA/GL/2018/06 was at 3.54% as at December 31, 2022 and decreased by 0.80 p.p. compared to the December 31, 2021. The change of the indicator applies to both business lines, but is mainly visible in corporate banking. The decrease of the ratio results from the increase of the total exposure and, at the same time, insignificant increase of the non-performing portfolio.

EU CR1: Performing and non-performing exposures and related provisions, addressing disclosure requirements of art. 442 letter c) and e) of CRR_Regulation.

		a	b	c	d	e	f
		Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3
005	**Cash balances at central banks and other demand deposits**	**14 568 476**	**14 568 306**	**170**	**-**	**-**	**-**
010	**Loans and advances**	**131 040 379**	**121 910 920**	**8 311 573**	**4 816 006**	**2 580**	**4 512 190**
020	*Central banks*	7 505 038	7 505 038	-	-	-	-
030	*General governments*	66 406	66 213	105	1 070	-	1 070
040	*Credit institutions*	2 566 203	2 563 941	2 262	-	-	-
050	*Other financial corporations*	5 099 078	5 096 119	2 960	3 138	-	3 138
060	*Non-financial corporations*	47 842 518	43 268 110	4 420 897	2 499 065	167	2 367 222
070	*Of which: SMEs*	31 099 252	28 555 094	2 390 826	1 835 755	167	1 709 699
080	*Households*	67 961 136	63 411 499	3 885 349	2 312 733	2 413	2 140 760
090	**Debt Securities**	**54 218 237**	**54 151 542**	**-**	**-**	**-**	**-**
100	*Central banks*	17 486 265	17 486 265	-	-	-	-
110	*General governments*	28 518 473	28 518 473	-	-	-	-
120	*Credit institutions*	6 228 809	6 228 809	-	-	-	-
130	*Other financial corporations*	1 229 219	1 184 210	-	-	-	-
140	*Non-financial corporations*	755 471	733 785	-	-	-	-
150	**Off-balance sheet exposures**	**40 931 668**	**36 891 127**	**1 247 123**	**344 932**	**16**	**340 514**
160	*Central banks*	-	-	-	-	-	-
170	*General governments*	25 927	25 619	308	-	-	-
180	*Credit institutions*	3 813 859	3 777 616	36 243	-	-	-
190	*Other financial corporations*	147 788	142 822	4 966	-	-	-
200	*Non-financial corporations*	27 058 263	23 256 290	1 009 249	313 211	16	308 949
210	*Households*	9 885 831	9 688 780	196 357	31 721	-	31 565
220	**Total**	**240 758 760**	**227 521 895**	**9 558 866**	**5 160 938**	**2 596**	**4 852 704**

EU CR1: Performing and non-performing exposures and related provisions (cont):

		g	h	i	j	k	l	m	n	o
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
005	**Cash balances at central banks and other demand deposits**	**(2 192)**	**(2 192)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**(797 582)**	**(403 078)**	**(386 635)**	**(2 555 032)**	**(184)**	**(2 511 202)**	**-**	**66 431 272**	**1 330 134**
020	*Central banks*	-	-	-	-	-	-	-	-	-
030	*General governments*	(34)	(31)	(2)	(1 016)	-	(1 016)	-	-	-
040	*Credit institutions*	(1 458)	(518)	(940)	-	-	-	-	1 299	-
050	*Other financial corporations*	(955)	(932)	(23)	(3 089)	-	(3 089)	-	18 566	48
060	*Non-financial corporations*	(308 787)	(189 690)	(112 684)	(1 218 543)	(12)	(1 260 059)	-	16 809 398	686 459
070	*Of which: SMEs*	(216 165)	(143 089)	(66 664)	(903 381)	(12)	(919 900)	-	13 097 518	570 239
080	*Households*	(486 348)	(211 907)	(272 986)	(1 332 384)	(172)	(1 247 038)	-	49 602 009	643 627
090	**Debt Securities**	**(11 524)**	**(11 524)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
100	*Central banks*	(2 905)	(2 905)	-	-	-	-	-	-	-
110	*General governments*	(4 759)	(4 759)	-	-	-	-	-	-	-
120	*Credit institutions*	(1 042)	(1 042)	-	-	-	-	-	-	-
130	*Other financial corporations*	(473)	(473)	-	-	-	-	-	-	-
140	*Non-financial corporations*	(2 345)	(2 345)	-	-	-	-	-	-	-
150	**Off-balance sheet exposures**	**(59 671)**	**(44 130)**	**(15 107)**	**(241 921)**	**(3)**	**(243 503)**	**-**	**7 616 861**	**37 533**
160	*Central banks*	-	-	-	-	-	-	-	-	-
170	*General governments*	(54)	(34)	(20)	-	-	-	-	-	-
180	*Credit institutions*	(715)	(665)	(50)	-	-	-	-	104 910	-
190	*Other financial corporations*	(378)	(157)	(221)	-	-	-	-	3 371	-
200	*Non-financial corporations*	(33 979)	(27 575)	(6 404)	(235 930)	-	(237 526)	-	7 053 301	35 128
210	*Households*	(24 545)	(15 699)	(8 412)	(5 991)	(3)	(5 977)	-	455 279	2 405
220	**Total**	**(870 969)**	**(460 924)**	**(401 742)**	**(2 796 953)**	**(187)**	**(2 754 705)**	**-**	**74 048 133**	**1 367 667**

EU CQ5: Credit quality of loans and advances to non-financial corporations by industry, addressing disclosure requirements of art. 442 letter c) and e) of CRR Regulation.

		a	c	e	f
		Gross carrying amount		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		
			of which: defaulted		
010	Agriculture, forestry and fishing	273 077	4 112	(3 377)	(158)
020	Mining and quarrying	148 660	3 190	(3 118)	-
030	Manufacturing	11 158 266	463 232	(268 601)	(467)
040	Electricity, gas, steam and air conditioning supply	1 895 212	34 733	(43 096)	-
050	Water supply	454 335	9 456	(6 937)	-
060	Construction	5 630 420	363 362	(260 934)	(875)
070	Wholesale and retail trade	10 808 611	305 696	(239 841)	(3 493)
080	Transport and storage	2 952 348	88 090	(92 600)	(503)
090	Accommodation and food service activities	673 729	102 334	(74 867)	(121)
100	Information and communication	2 025 793	46 342	(53 048)	(80)
110	Real estate activities	1 072 786	36 789	(22 012)	(13 821)
120	Financial and insurance actvities	6 063 033	720 211	(239 716)	(20 539)
130	Professional, scientific and technical activities	3 515 325	73 748	(88 095)	(613)
140	Administrative and support service activities	1 718 956	201 012	(46 440)	(702)
150	Public administration and defense, compulsory social security	18 386	104	(10)	(83)
160	Education	106 240	5 695	(3 915)	-
170	Human health services and social work activities	964 490	11 178	(12 418)	(244)
180	Arts, entertainment and recreation	465 089	9 004	(8 788)	(99)
190	Other services	396 828	20 774	(17 719)	-
200	**Total**	**50 341 584**	**2 499 062**	**(1 485 532)**	**(41 798)**

EU CQ4: Quality of non-performing exposures by geography, addressing disclosure requirements of art. 442 letter c) and e) of CRR Regulation.

		a	c	e	f	g
		Gross carrying/Nominal amount		Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing			
			of which: defaulted			
010	**On balance sheet exposures**	**135 856 383**	**4 145 003**	**(3 255 634)**		**(96 978)**
020	United Arab Emirates	3 281	1 884	(620)		(14)
030	Argentina	-	-	-		-
040	Austria	881	-	-		-
050	Australia	288	-	(1)		-
060	Belgium	39 199	-	(11)		-
070	Brazil	-	-	-		-
080	Belarus	2 245	-	(939)		-
090	Canada	341	-	-		-
100	Switzerland	23 210	8	(63)		-
110	China	995	-	(3)		-
120	Costa Rica	23	-	-		-
130	Curaçao	2 083	-	(1)		-
140	Cyprus	26 645	-	(9)		-
150	Czechia	14 630 815	69 328	(53 070)		-
160	Germany	781 801	66	(757)		-
170	Denmark	74 064	131	(1 102)		-
180	Estonia	15	-	-		-
190	Spain	2 133	349	(250)		-
200	Finland	3 221	-	(1)		-
210	France	913 293	86	(65)		-
220	United Kingdom	269 758	524	(426)		(3)
230	Georgia	2 589	-	(4)		-
240	Gibraltar	16	-	-		-
250	Greece	2	-	-		-
260	Hungary	40	39	-		-
270	Ireland	19 397	-	(44)		-
280	Israel	-	-	-		-
290	Iceland	162	82	(65)		-
300	Italy	289	61	(42)		-
310	Jersey	-	-	-		-
320	Jordan	7 204	-	(54)		-
330	Japan	893	-	-		-
340	Lithuania	155	85	(27)		-
350	Luxembourg	528 953	2	(3 259)		-
360	Latvia	1	-	-		-
370	Monaco	2	-	-		-
380	Montenegro	2	-	-		-
390	North Macedonia	2	-	-		-
400	Malta	6 820	18	(31)		-
410	Mexico	1	-	-		-
420	Netherlands	374 574	68	(10 457)		-
430	Norway	1 023	-	(19)		-
440	New Zealand	-	-	-		-
450	Panama	84	-	(5)		-
460	Philippines	-	-	-		-
470	Poland	114 911 247	3 939 981	(3 066 993)		(96 947)
480	Portugal	3 328	-	(2)		-
490	Qatar	1	-	-		-
500	Romania	1	-	-		-
510	Serbia	10	-	-		-
520	Russian Federation	153	150	-		-
530	Sweden	49 849	49 388	(49 334)		-
540	Singapore	100	100	(35)		(14)
550	Slovenia	-	-	-		-
560	Slovakia	3 155 002	82 148	(67 663)		-
570	Thailand	-	-	-		-
580	Turkey	14 111	-	(100)		-
590	Taiwan, Province of China	36	-	-		-
600	Tanzania, United Republic of	38	-	-		-
610	Ukraine	85	-	(7)		-
620	United States	5 904	505	(175)		-
630	Uzbekistan	-	-	-		-
640	Venezuela, Bolivarian Republic of	-	-	-		-
650	Virgin Islands, British	18	-	-		-

EU CQ4: Quality of non-performing exposures by geography, addressing disclosure requirements of art. 442 letter c) and e) of CRR Regulation.

		a	c	e	f	g
		Gross carrying/Nominal amount		Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing			
			of which: defaulted			
660	**Off balance sheet exposures**	**41 276 601**	**344 932**		**(301 592)**	
670	Andorra	150	-		-	
680	United Arab Emirates	345	-		-	
690	Austria	189 095	-		(388)	
700	Australia	180	-		-	
710	Belgium	444	-		-	
720	Canada	3 269	-		-	
730	Switzerland	12 001	3		(47)	
740	China	903	-		(3)	
750	Costa Rica	22	-		-	
760	Curaçao	88	-		-	
770	Cyprus	501 707	-		(32)	
780	Czechia	615 711	1 601		(406)	
790	Germany	2 489 719	1		(479)	
800	Denmark	103 148	1		(3)	
810	Estonia	86	-		-	
820	Spain	132 556	-		(1)	
830	Finland	22	-		-	
840	France	20 428	6		(6)	
850	United Kingdom	1 039 929	-		(76)	
860	Georgia	100	-		-	
870	Gibraltar	74	-		-	
880	Greece	29	-		-	
890	Hong Kong	280	-		-	
900	Ireland	33 533	-		(22)	
910	Israel	14 892	-		-	
920	India	3 141	-		-	
930	Iceland	10	-		-	
940	Italy	18 441	-		(1)	
950	Jordan	6 371	-		(48)	
960	Japan	31 319	-		(1)	
970	Korea, Republic of	2 200	-		-	
980	Sri Lanka	147	-		(3)	
990	Lithuania	20	-		-	
1000	Luxembourg	114 950	-		(142)	
1010	Latvia	50	-		-	
1020	Monaco	18	-		-	
1030	Malta	1 047	-		(21)	
1040	Mexico	14	-		-	
1050	Malaysia	50	-		-	
1060	Netherlands	25 901	-		(55)	
1070	Norway	397	-		(1)	
1080	New Zealand	21	-		-	
1090	Panama	-	-		-	
1100	Philippines	20	-		-	
1110	Poland	35 574 949	343 233		(299 642)	
1120	Portugal	867	-		(1)	
1130	Qatar	9	-		-	
1140	Russian Federation	42	-		-	
1150	Sweden	372	-		(3)	
1160	Singapore	1 272	2		(1)	
1170	Slovakia	209 771	83		(114)	
1180	Thailand	50	-		-	
1190	Turkey	1 248	-		(11)	
1200	Taiwan, Province of China	2 118	-		(1)	
1210	Tanzania, United Republic of	62	-		-	
1220	Ukraine	5	-		-	
1230	United States	119 639	2		(31)	
1240	Virgin Islands, British	172	-		-	
1250	Viet Nam	2 191	-		(50)	
1260	South Africa	1 006	-		(3)	
1270	**Total**	**177 132 984**	**4 489 935**	**(3 255 634)**	**(301 592)**	**(96 978)**

EU CQ1: Credit quality of forborne exposures, addressing disclosure requirements of art. 442 letter c) of CRR Regulation.

		a	b	c	d	e	f	g	h
		Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	**Cash balances at central banks and other demand deposits**	-	-	-	-	-	-	-	-
010	**Loans and advances**	**1 325 331**	**1 508 554**	**1 508 554**	**1 506 313**	**(34 009)**	**(624 157)**	**1 546 426**	**724 710**
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	502 456	994 705	994 705	994 633	(19 706)	(433 770)	654 028	458 699
070	Households	822 875	513 849	513 849	511 680	(14 303)	(190 387)	892 398	266 011
080	**Debt Securities**	-	-	-	-	-	-	-	-
090	**Loan commitments given**	**21 285**	**27 767**	**27 767**	**21 401**	**(118)**	**(15 641)**	**20 570**	**10 607**
100	**Total**	**1 346 616**	**1 536 321**	**1 536 321**	**1 527 714**	**(34 127)**	**(639 798)**	**1 566 996**	**735 317**

Template EU CQ3: Credit quality of performing and non-performing exposures by past due days

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	**Cash balances at central banks and other demand deposits**	**14 568 476**	**14 568 476**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**131 040 379**	**130 369 888**	**670 491**	**4 816 006**	**2 225 324**	**452 610**	**635 497**	**323 553**	**750 180**	**182 705**	**246 138**	**4 145 005**
020	*Central banks*	7 505 038	7 505 038	-	-	-	-	-	-	-	-	-	-
030	*General governments*	66 406	66 406	-	1 070	-	-	-	-	2	1 068	-	1 070
040	*Credit institutions*	2 566 203	2 566 203	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	5 099 078	5 099 076	2	3 138	-	2	-	9	3 127	-	-	3 138
060	*Non-financial corporations*	47 842 518	47 549 419	293 099	2 499 065	1 473 161	157 125	161 439	131 750	423 307	49 564	102 720	1 828 258
070	*Of which SMEs*	31 099 252	30 855 939	243 313	1 835 755	1 062 972	61 294	156 815	117 778	291 913	46 303	98 679	1 553 984
080	*Households*	67 961 136	67 583 746	377 390	2 312 733	752 163	295 483	474 058	191 794	323 744	132 073	143 418	2 312 539
090	**Debt securities**	**54 218 237**	**54 218 237**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
100	*Central banks*	17 486 265	17 486 265	-	-	-	-	-	-	-	-	-	-
110	*General governments*	28 518 473	28 518 473	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	6 228 809	6 228 809	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	1 229 219	1 229 219	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	755 471	755 471	-	-	-	-	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	**40 931 668**			**344 932**								**344 932**
160	*Central banks*	-			-								-
170	*General governments*	25 927			-								-
180	*Credit institutions*	3 813 859			-								-
190	*Other financial corporations*	147 788			-								-
200	*Non-financial corporations*	27 058 263			313 211								313 211
210	*Households*	9 885 831			31 721								31 721
220	**Total**	**240 758 760**	**199 156 601**	**670 491**	**5 160 938**	**2 225 324**	**452 610**	**635 497**	**323 553**	**750 180**	**182 705**	**246 138**	**4 489 937**

Changes in the stock of non-performing exposures

EU CR2: Changes in the stock of non-performing loans and advances, addressing disclosure requirements of art. 442 letter f) of CRR Regulation.

		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**4 690 941**
020	Inflows to non-performing portfolios	2 780 656
030	Outflows from non-performing portfolios	(2 655 592)
040	Outflows due to write-offs	(869 935)
050	Outflow due to other situations	(1 785 657)
060	**Final stock of non-performing loans and advances**	**4 816 005**

The changes in the stock of non-performing loans and advances were described on page 69 under the table EU CR1-A: Maturity of exposures.

Information on collateral obtained by taking possession and execution processes

Information on collateral obtained by taking possession and execution processes as at 31 December 2022 is presented below.

EU CQ7: Collateral obtained by taking possession and execution processes, addressing disclosure requirements of art. 442 letter c) of CRR Regulation.

		a	b
		Collateral obtained by taking possession accumulated	
		Value at initial recognition	Accumulated negative changes
010	**Property Plant and Equipment (PP&E)**	**41 089**	**(12 565)**
020	**Other than Property Plant and Equipment**	**62 467**	**(17 816)**
030	*Residential immovable property*	-	-
040	*Commercial Immovable property*	54 796	(16 274)
050	*Movable property (auto, shipping, etc.)*	-	-
060	*Equity and debt instruments*	7 671	(1 542)
070	*Other*	-	-
080	**Total**	**103 556**	**(30 381)**

Quantitative information in accordance with Attachment 1 to Recommendation R

Data is presented for the portfolio measured at amortized cost (AC) and fair value through other comprehensive income (FVOCI). The presented PD scale reflects the assessment at the time of initial recognition. Exposures that do not have a rating from the moment of initial recognition have been classified in the range 0,00 to <0,15%.
Due to the use of the individual method for the impaired corporate portfolio, the average LGD parameter for portfolios in Stage 3 and POCI has been presented with a limitation to portfolios for which the individual method is not applicable. Average maturity is presented in the same way as in EU CR6.

	PD scale	On-balance sheet exposures in PLN thous.	Off-balance-sheet exposures in PLN thous.	EAD (basis of ECL calculation) in PLN thous.	EAD weighted average PD (%)	Number of exposures	EAD weighted average LGD (%)	EAD weighted average maturity (years)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d	e	f	g	h
Institutions									
Stage 1	0.00 to <0.15%	716 376	3 121 667	1 900 901	0.07	514	41.08	2.96	414
	0.15% to <0.25%	159 749	415 948	364 191	0.12	92	39.24	2.98	127
	0.25% to <0.50%	211 250	126 734	249 224	0.29	74	51.64	3.92	94
	0.50% to <0.75%	259 229	16 469	384 662	0.5	16	39.93	4.16	811
	0.75% to <2.50%	49 107	93 839	128 265	0.79	44	41.72	3.52	435
	2.50% to <10.00%	23	4 860	4 744	0.1	7	39.2	4.96	2
	10.00% to <45.00%	1 315	-	1 315	0.12	10	39.22	5	1
	45.00% to <100.00%	73	-	73	47.28	5	66.44	5	19
Stage 2	0.00 to <0.15%	293	246	511	4.05	748	21.74	2.88	3
	0.15% to <0.25%	-	300	300	0.03	1	100.82	-	-
	0.25% to <0.50%	-	-	-	-	-	-	-	-
	0.50% to <0.75%	-	146	80	5.72	1	25.28	3	2
	0.75% to <2.50%	-	-	-	-	-	-	-	-
	2.50% to <10.00%	2 238	582	2 522	45.84	7	78.73	1.26	999
	10.00% to <45.00%	14	-	14	5.72	2	25.28	5	0
	45.00% to <100.00%	-	-	-	-	-	-	-	-
POCI non-default		-	-	-	-	-	-	-	-

	Time in default	EAD (basis of ECL calculation) in PLN thous.	Number of exposures	EAD weighted average LGD (%)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d
Institutions					
Stage 3	to 12 months	-	-	-	-
	from 13 to 24 months	-	-	-	-
	from 25 to 36 months	-	-	-	-
	from 37 to 48 months	-	-	-	-
	from 49 to 60 months	-	-	-	-
	from 61 to 84 months	1 068	2	-	1 014
	above 84 months	-	-	-	-
POCI	to 12 months	-	-	-	-
	from 13 to 24 months	-	-	-	-
	from 25 to 36 months	-	-	-	-
	from 37 to 48 months	-	-	-	-
	from 49 to 60 months	-	-	-	-
	from 61 to 84 months	-	-	-	-
	above 84 months	-	-	-	-

	PD scale	On-balance sheet exposures in PLN thous.	Off-balance-sheet exposures in PLN thous.	EAD (basis of ECL calculation) in PLN thous.	EAD weighted average PD (%)	Number of exposures	EAD weighted average LGD (%)	EAD weighted average maturity (years)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d	e	f	g	h
Exposures to governments and central banks portfolio									
Stage 1	0.00 to <0.15%	58 659 668	0	59 572 688	0.1	138	16.55	2.17	1 035
	0.15% to <0.25%	-	-	-	-	-	-	-	-
	0.25% to <0.50%	-	-	-	-	-	-	-	-
	0.50% to <0.75%	4 029 184	-	4 029 184	0.1	1	15	5	656
	0.75% to <2.50%	-	-	-	-	-	-	-	-
	2.50% to <10.00%	-	-	-	-	-	-	-	-
	10.00% to <45.00%	-	-	-	-	-	-	-	-
	45.00% to <100.00%	-	-	-	-	-	-	-	-
Stage 2	0.00 to <0.15%	0	40	7	1.88	1	52.36	3	0.1
	0.15% to <0.25%	-	-	-	-	-	-	-	-
	0.25% to <0.50%	-	-	-	-	-	-	-	-
	0.50% to <0.75%	-	-	-	-	-	-	-	-
	0.75% to <2.50%	-	-	-	-	-	-	-	-
	2.50% to <10.00%	-	-	-	-	-	-	-	-
	10.00% to <45.00%	-	-	-	-	-	-	-	-
	45.00% to <100.00%	-	-	-	-	-	-	-	-
POCI non-default		-	-	-	-	-	-	-	-

	Time in default	EAD (basis of ECL calculation) in PLN thous.	Number of exposures	EAD weighted average LGD (%)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d
Exposures to governments and central banks portfolio					
Stage 3	to 12 months	-	-	-	-
	from 13 to 24 months	-	-	-	-
	from 25 to 36 months	-	-	-	-
	from 37 to 48 months	-	-	-	-
	from 49 to 60 months	-	-	-	-
	from 61 to 84 months	-	-	-	-
	above 84 months	-	-	-	-
POCI	to 12 months	-	-	-	-
	from 13 to 24 months	-	-	-	-
	from 25 to 36 months	-	-	-	-
	from 37 to 48 months	-	-	-	-
	from 49 to 60 months	-	-	-	-
	from 61 to 84 months	-	-	-	-
	above 84 months	-	-	-	-

	PD scale	On-balance sheet exposures in PLN thous.	Off-balance-sheet exposures in PLN thous.	EAD (basis of ECL calculation) in PLN thous.	EAD weighted average PD (%)	Number of exposures	EAD weighted average LGD (%)	EAD weighted average maturity (years)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d	e	f	g	h
Retail non-mortgage portfolio (microfirms)									
Stage 1	0.00 to <0.15%	114 242	162 277	167 075	0.85	5 337	32.7	-	483
	0.15% to <0.25%	215 710	329 775	333 049	1.1	10 072	42.3	-	1 560
	0.25% to <0.50%	826 768	701 976	1 113 773	1.23	27 114	38.44	-	5 275
	0.50% to <0.75%	1 096 727	604 264	1 373 174	1.32	25 874	34.54	-	5 917
	0.75% to <2.50%	3 835 909	1 168 754	4 425 046	2.12	81 085	36.6	-	32 787
	2.50% to <10.00%	3 016 397	295 727	3 190 162	3.95	42 138	27.89	-	31 398
	10.00% to <45.00%	410 842	10 854	419 038	10.15	3 607	15.02	-	5 482
	45.00% to <100.00%	1 359	547	1 645	10.22	34	33.44	-	34
Stage 2	0.00 to <0.15%	11 632	2 048	12 941	8.3	409	48.95	-	1 212
	0.15% to <0.25%	12 495	2 616	14 245	11.86	561	47.15	-	1 540
	0.25% to <0.50%	46 609	7 804	52 456	12.8	2 047	47.84	-	6 216
	0.50% to <0.75%	68 713	8 967	75 393	12.71	3 027	44.76	-	8 214
	0.75% to <2.50%	366 584	42 750	403 259	14.85	13 846	38.35	-	41 917
	2.50% to <10.00%	429 116	38 075	464 706	20.51	13 088	27.34	-	41 592
	10.00% to <45.00%	46 453	5 467	51 778	22.88	1 505	17.42	-	2 865
	45.00% to <100.00%	4 382	1 122	5 263	7.37	240	50.54	-	368
POCI non-default		4 949	139	4 065	14.11	58	61.47	-	1 684

	Time in default	EAD (basis of ECL calculation) in PLN thous.	Number of exposures	EAD weighted average LGD (%)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d
Retail non-mortgage portfolio (microfirms)					
Stage 3	to 12 months	445 973	8 724	61.62	258 416
	from 13 to 24 months	96 370	2 488	73.32	72 408
	from 25 to 36 months	50 002	1 364	76.01	44 513
	from 37 to 48 months	41 794	1 466	80.34	40 316
	from 49 to 60 months	80 834	2 657	78.78	79 908
	from 61 to 84 months	1 801	113	85.84	1 557
	above 84 months	732	15	97.49	714
POCI	to 12 months	5 213	49	37.69	1 909
	from 13 to 24 months	2 521	42	45.73	923
	from 25 to 36 months	1 569	17	65.36	827
	from 37 to 48 months	75	6	71.34	318
	from 49 to 60 months	42	2	53.14	20
	from 61 to 84 months	152	4	32.09	41
	above 84 months	-	-	-	-

	PD scale	On-balance sheet exposures in PLN thous.	Off-balance-sheet exposures in PLN thous.	EAD (basis of ECL calculation) in PLN thous.	EAD weighted average PD (%)	Number of exposures	EAD weighted average LGD (%)	EAD weighted average maturity (years)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d	e	f	g	h
Retail non-mortgage portfolio (natural persons)									
Stage 1	0.00 to <0.15%	758 404	283 171	890 285	0.42	54 636	44.42	-	1 733
	0.15% to <0.25%	848 926	137 059	915 187	0.74	51 509	48.48	-	3 337
	0.25% to <0.50%	1 460 953	141 311	1 530 446	1.31	91 581	49.46	-	10 003
	0.50% to <0.75%	1 037 015	56 631	1 065 383	1.7	68 249	50.75	-	9 078
	0.75% to <2.50%	4 178 309	84 445	4 220 214	2.28	320 384	53.37	-	49 421
	2.50% to <10.00%	1918867	9 348	1 922 980	3.81	165 820	55.28	-	38 334
	10.00% to <45.00%	50 085	423	50 288	8.4	5 609	52.39	-	2 076
	45.00% to <100.00%	727	0	727	20.31	45	55.05	-	83
Stage 2	0.00 to <0.15%	27 570	342	27 732	8.04	2 870	54.83	-	2 287
	0.15% to <0.25%	34 414	113	34 452	8.61	3 215	55.12	-	2 961
	0.25% to <0.50%	59 554	49	59 519	12.08	6 527	51.55	-	5 934
	0.50% to <0.75%	61 823	107	61 816	12.74	7 372	52.52	-	6 601
	0.75% to <2.50%	315 492	433	315 446	16.53	32 968	52.48	-	40 695
	2.50% to <10.00%	239 833	16	239 360	19.99	55 179	54.66	-	37 707
	10.00% to <45.00%	8 187	3	8 053	28.94	3 764	53.1	-	1 743
	45.00% to <100.00%	23 107	19	23 105	7.67	1 711	56.83	-	2 084
POCI non-default		16 146	3	19 133	12.4	585	58.66	-	682

	Time in default	EAD (basis of ECL calculation) in PLN thous.	Number of exposures	EAD weighted average LGD (%)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d
Retail non-mortgage portfolio (natural persons)					
Stage 3	to 12 months	555 439	38 891	56.17	315 238
	from 13 to 24 months	135 150	8 484	63.54	87 005
	from 25 to 36 months	39 981	2 644	64.38	26 127
	from 37 to 48 months	25 164	1 461	72.55	18 424
	from 49 to 60 months	16 906	727	78.12	13 407
	from 61 to 84 months	8 638	473	88.44	7 704
	above 84 months	21 396	906	98.37	21 109
POCI	to 12 months	15 430	323	39.29	5 223
	from 13 to 24 months	15 021	296	51.35	6 200
	from 25 to 36 months	3 887	76	58.52	1 682
	from 37 to 48 months	294	16	50.99	112
	from 49 to 60 months	-	-	-	-
	from 61 to 84 months	124	4	89.23	97
	above 84 months	77	1	24.09	1

	PD scale	On-balance sheet exposures in PLN thous.	Off-balance-sheet exposures in PLN thous.	EAD (basis of ECL calculation) in PLN thous.	EAD weighted average PD (%)	Number of exposures	EAD weighted average LGD (%)	EAD weighted average maturity (years)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d	e	f	g	h
Retail revolving loans portfolio									
Stage 1	0.00 to <0.15%	228 599	992 665	564 463	0.6	85 668	33.39	-	1 142
	0.15% to <0.25%	246 783	824 035	549 855	0.87	66 285	35.82	-	1 719
	0.25% to <0.50%	503 385	1 221 823	1 015 672	1.31	105 392	38.06	-	5 040
	0.50% to <0.75%	359 455	599 866	643 618	1.7	61 007	39.02	-	4 176
	0.75% to <2.50%	1 014 351	970 954	1 493 959	2.41	153 231	38.08	-	13 090
	2.50% to <10.00%	428304	252 350	548 303	3.86	64 464	37.42	-	7 564
	10.00% to <45.00%	23 155	12 833	28 671	5.85	4 750	37.31	-	616
	45.00% to <100.00%	241	147	316	6.16	47	35.2	-	6
Stage 2	0.00 to <0.15%	23 217	7 582	27 013	9.48	2 001	39.05	-	2 477
	0.15% to <0.25%	26 125	4 621	28 750	12.74	1 593	42.61	-	3 407
	0.25% to <0.50%	36 050	4 776	38 701	20.14	2 092	43.73	-	6 114
	0.50% to <0.75%	33 819	4 131	36 447	19.33	2 035	43.37	-	5 474
	0.75% to <2.50%	172 850	16 877	183 206	18.65	12 098	41.8	-	25 925
	2.50% to <10.00%	109 065	8 379	114 261	19.65	9 637	40.5	-	16 012
	10.00% to <45.00%	7 187	679	7 511	22.47	936	38.35	-	1 138
	45.00% to <100.00%	2 151	1 808	3 003	5.92	390	38.5	-	174
POCI non-default		1 918	400	1 398	10.98	136	38.04	-	904

	Time in default	EAD (basis of ECL calculation) in PLN thous.	Number of exposures	EAD weighted average LGD (%)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d
Retail revolving loans portfolio					
Stage 3	to 12 months	9 780	515	35.9	3 566
	from 13 to 24 months	-	-	-	-
	from 25 to 36 months	-	-	-	-
	from 37 to 48 months	-	-	-	-
	from 49 to 60 months	-	-	-	-
	from 61 to 84 months	-	-	-	-
	above 84 months	-	-	-	-
POCI	to 12 months	-	-	-	-
	from 13 to 24 months	-	-	-	-
	from 25 to 36 months	-	-	-	-
	from 37 to 48 months	-	-	-	-
	from 49 to 60 months	-	-	-	-
	from 61 to 84 months	-	-	-	-
	above 84 months	-	-	-	-

	PD scale	On-balance sheet exposures in PLN thous.	Off-balance-sheet exposures in PLN thous.	EAD (basis of ECL calculation) in PLN thous.	EAD weighted average PD (%)	Number of exposures	EAD weighted average LGD (%)	EAD weighted average maturity (years)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d	e	f	g	h
Retail mortgage portfolio (microfirms))									
Stage 1	0.00 to <0.15%	52 541	6 067	55 474	0.87	137	19.42	-	87
	0.15% to <0.25%	205 071	32 931	222 226	0.93	500	19.96	-	385
	0.25% to <0.50%	512 732	60 666	544 293	1.04	1 300	20.03	-	1 077
	0.50% to <0.75%	328 362	35 340	346 409	1.13	789	20.25	-	770
	0.75% to <2.50%	558 801	66 237	590 446	1.33	1 352	20.26	-	1 535
	2.50% to <10.00%	124477	12 969	130 674	2.56	352	19.01	-	667
	10.00% to <45.00%	13 231	818	13 657	2.04	34	14.16	-	43
	45.00% to <100.00%	157	0	157	3.53	1	11.27	-	1
Stage 2	0.00 to <0.15%	2 752	0	2 753	3.5	6	24.07	-	85
	0.15% to <0.25%	22 219	927	22 697	7.16	39	19.79	-	870
	0.25% to <0.50%	50 928	933	51 416	6.36	99	20.54	-	2 401
	0.50% to <0.75%	51 836	669	52 121	7.27	95	20.59	-	2 624
	0.75% to <2.50%	72 439	1 492	73 058	8.31	175	19.23	-	3 735
	2.50% to <10.00%	28 709	2	28 712	8.96	49	19.6	-	1 404
	10.00% to <45.00%	8 521	0	8 516	10.42	8	21.59	-	417
	45.00% to <100.00%	5 574	440	5 807	1.86	10	20.43	-	54
POCI non-default		8 759	160	10 952	13.25	9	27.36	-	62

	Time in default	EAD (basis of ECL calculation) in PLN thous.	Number of exposures	EAD weighted average LGD (%)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d
Retail mortgage portfolio (microfirms))					
Stage 3	to 12 months	58 334	129	20.16	11 764
	from 13 to 24 months	28 131	55	26.51	7 474
	from 25 to 36 months	11 307	19	36.95	4 179
	from 37 to 48 months	8 295	14	42.17	3 499
	from 49 to 60 months	5 122	9	39.81	2 039
	from 61 to 84 months	10 214	19	90.92	9 292
	above 84 months	13 165	17	85.6	11 272
POCI	to 12 months	364	2	16.16	53
	from 13 to 24 months	3 942	4	29.96	131
	from 25 to 36 months	1 769	2	44.83	227
	from 37 to 48 months	-	-	-	-
	from 49 to 60 months	463	2	12.87	0
	from 61 to 84 months	1 829	7	18.46	159
	above 84 months	4 042	5	88.36	3 044

	PD scale	On-balance sheet exposures in PLN thous.	Off-balance-sheet exposures in PLN thous.	EAD (basis of ECL calculation) in PLN thous.	EAD weighted average PD (%)	Number of exposures	EAD weighted average LGD (%)	EAD weighted average maturity (years)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d	e	f	g	h
Retail mortgage portfolio (natural persons)									
Stage 1	0.00 to <0.15%	31 129 613	566 463	31 766 048	0.18	115 365	16.55	-	9 036
	0.15% to <0.25%	5 961 792	113 153	6 089 829	0.34	21 778	15.67	-	3 211
	0.25% to <0.50%	4 977 324	97 693	5 084 478	0.5	18 482	15.6	-	3 967
	0.50% to <0.75%	1 581 522	19 409	1 608 014	0.58	6 162	15.41	-	1 439
	0.75% to <2.50%	1 527 308	12 229	1 545 102	0.55	6 742	14.7	-	1 222
	2.50% to <10.00%	254573	2 396	256 944	1.23	1 186	15.61	-	571
	10.00% to <45.00%	61 673	570	61 946	2.15	353	14.56	-	223
	45.00% to <100.00%	892	0	895	4.94	5	20.15	-	9
Stage 2	0.00 to <0.15%	1 337 527	19 907	1 358 662	3.18	3 963	19.28	-	18 450
	0.15% to <0.25%	147 458	1 704	148 754	9.98	465	16.91	-	3 866
	0.25% to <0.50%	135 439	1 317	136 695	16.54	469	14.59	-	4 542
	0.50% to <0.75%	69 806	305	70 360	14.12	233	15.44	-	2 224
	0.75% to <2.50%	171 931	1 773	174 752	11.14	589	15.95	-	5 308
	2.50% to <10.00%	33 627	315	33 712	15.28	136	15.07	-	1 218
	10.00% to <45.00%	17 730	0	17 736	17.98	70	16.18	-	815
	45.00% to <100.00%	41 288	181	41 391	4.55	247	13.34	-	472
POCI non-default		37 003	0.2	41 642	7.9	147	17.82	-	506

	Time in default	EAD (basis of ECL calculation) in PLN thous.	Number of exposures	EAD weighted average LGD (%)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d
Retail mortgage portfolio (natural persons)					
Stage 3	to 12 months	286 221	996	23.25	66 071
	from 13 to 24 months	110 012	411	41.27	45 260
	from 25 to 36 months	84 396	238	49.81	41 817
	from 37 to 48 months	54 468	145	59.86	32 190
	from 49 to 60 months	46 829	110	66.78	31 166
	from 61 to 84 months	104 495	200	87.39	91 158
	above 84 months	107 368	168	96.15	103 292
POCI	to 12 months	9 742	22	24.27	1 390
	from 13 to 24 months	10 729	15	47.04	4 102
	from 25 to 36 months	1 914	6	35.1	240
	from 37 to 48 months	1 394	4	29.4	260
	from 49 to 60 months	5 343	6	76.7	2 611
	from 61 to 84 months	6 726	15	68.3	3 134
	above 84 months	14 024	30	90.59	9 573

	PD scale	On-balance sheet exposures in PLN thous.	Off-balance-sheet exposures in PLN thous.	EAD (basis of ECL calculation) in PLN thous.	EAD weighted average PD (%)	Number of exposures	EAD weighted average LGD (%)	EAD weighted average maturity (years)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d	e	f	g	h
Corporations - specialized lending exposures									
Stage 1	0.00 to <0.15%	7 858 493	2 514 518	8 976 545	2.41	640	48.49	3.31	92 419
	0.15% to <0.25%	52 052	664	52 606	3.35	9	58.06	4.27	926
	0.25% to <0.50%	169 405	42 457	185 909	3.25	19	28.92	3.65	1 594
	0.50% to <0.75%	43 091	38	43 114	3.25	7	30.04	3.76	381
	0.75% to <2.50%	770 017	20 039	781 063	2.88	149	22.8	5.27	5 413
	2.50% to <10.00%	1363748	19 499	1 370 004	2.41	121	24.06	4.61	7 676
	10.00% to <45.00%	161 968	27 412	166 438	3.68	15	34.22	3.7	1 908
	45.00% to <100.00%	20 822	38	20 789	3.4	15	38.31	3.97	238
Stage 2	0.00 to <0.15%	788 638	8 400	790 306	2.83	48	33.14	3.39	23 295
	0.15% to <0.25%	-	-	-	-	-	-	-	-
	0.25% to <0.50%	-	-	-	-	-	-	-	-
	0.50% to <0.75%	38 556	0	38 556	9.46	1	22.31	0.72	814
	0.75% to <2.50%	315 404	0.2	315 342	5.04	19	31.74	2.94	15 772
	2.50% to <10.00%	178 966	0	178 964	3.61	22	26.17	4.17	5 275
	10.00% to <45.00%	19 596	173	19 770	21.77	2	7.06	6.33	4 115
	45.00% to <100.00%	-	-	-	-	-	-	-	-
POCI non-default		20 696	0	20 899	2.47	1	25.09	4.21	680

	Time in default	EAD (basis of ECL calculation) in PLN thous.	Number of exposures	EAD weighted average LGD (%)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d
Corporations - specialized lending exposures					
Stage 3	to 12 months	549 964	16	-	174 133
	from 13 to 24 months	444 476	11	-	240 283
	from 25 to 36 months	143 032	11	-	98 310
	from 37 to 48 months	36 544	6	-	17 285
	from 49 to 60 months	58 762	8	-	30 607
	from 61 to 84 months	3 180	2	-	3 180
	above 84 months	53 770	7	-	3 534
POCI	to 12 months	-	-	-	-
	from 13 to 24 months	125	1	-	125
	from 25 to 36 months	10 460	1	-	9 475
	from 37 to 48 months	-	-	-	-
	from 49 to 60 months	96 769	3	-	70 442
	from 61 to 84 months	22 419	1	-	1 528
	above 84 months	229 666	4	-	177 748

	PD scale	On-balance sheet exposures in PLN thous.	Off-balance-sheet exposures in PLN thous.	EAD (basis of ECL calculation) in PLN thous.	EAD weighted average PD (%)	Number of exposures	EAD weighted average LGD (%)	EAD weighted average maturity (years)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d	e	f	g	h
Corporations - medium and small enterprises									
Stage 1	0.00 to <0.15%	663 254	881 447	953 380	0.2	1 478	26.07	1.57	407
	0.15% to <0.25%	489 785	615 249	742 055	0.33	816	24.01	1.5	501
	0.25% to <0.50%	1 070 121	1 138 274	1 457 340	0.5	1 702	25.29	2.04	1 691
	0.50% to <0.75%	762 772	763 789	1 012 331	0.71	1 221	20.16	1.78	1 436
	0.75% to <2.50%	5 301 115	3 347 857	6 506 065	1.17	6 173	18.37	2.05	13 026
	2.50% to <10.00%	2175355	1 278 263	2 610 241	2.05	2 232	18.2	2.26	8 286
	10.00% to <45.00%	72 469	63 059	101 494	5.26	208	18.5	2.6	1 237
	45.00% to <100.00%	6 869	3 670	9 006	10.06	187	25.47	1.58	363
Stage 2	0.00 to <0.15%	29 894	22 767	40 260	2.23	351	25.65	1.33	300
	0.15% to <0.25%	16 253	11 443	16 800	4.13	19	20	1.05	183
	0.25% to <0.50%	34 292	20 221	41 358	4.8	48	24.78	1.06	529
	0.50% to <0.75%	17 033	16 166	20 776	6.78	36	14.99	1.5	195
	0.75% to <2.50%	167 750	62 810	190 541	4.45	260	12.36	2.21	1 508
	2.50% to <10.00%	362 665	49 335	384 123	4.87	273	11.12	3.42	3 013
	10.00% to <45.00%	45 822	19 452	57 175	7.93	110	21.66	1.8	725
	45.00% to <100.00%	758	487	1 069	22.19	25	19.82	2.06	38
POCI non-default		1 059	0	1 209	0.98	2	0.07	4.08	0

	Time in default	EAD (basis of ECL calculation) in PLN thous.	Number of exposures	EAD weighted average LGD (%)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d
Corporations - medium and small enterprises					
Stage 3	to 12 months	150 021	289	-	85 431
	from 13 to 24 months	103 724	156	-	66 597
	from 25 to 36 months	59 753	119	-	46 728
	from 37 to 48 months	26 589	12	-	12 400
	from 49 to 60 months	133	1	-	133
	from 61 to 84 months	2 471	12	-	1 353
	above 84 months	-	-	-	-
POCI	to 12 months	10 593	14	-	4 252
	from 13 to 24 months	8 896	7	-	5 009
	from 25 to 36 months	12 949	4	-	11 837
	from 37 to 48 months	51 535	6	-	24 445
	from 49 to 60 months	-	1	-	-
	from 61 to 84 months	-	-	-	-
	above 84 months	-	-	-	-

	PD scale	On-balance sheet exposures in PLN thous.	Off-balance-sheet exposures in PLN thous.	EAD (basis of ECL calculation) in PLN thous.	EAD weighted average PD (%)	Number of exposures	EAD weighted average LGD (%)	EAD weighted average maturity (years)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d	e	f	g	h
Corporations - other									
Stage 1	0.00 to <0.15%	1 827 428	1 264 602	2 336 369	0.29	3 503	31.41	2.32	2 453
	0.15% to <0.25%	1 491 879	1 202 572	1 802 602	0.4	2 177	31.56	1.44	2 126
	0.25% to <0.50%	3 098 529	3 227 866	4 000 753	0.51	4 349	33.52	1.98	5 848
	0.50% to <0.75%	1 324 595	1 718 690	1 820 429	0.7	3 310	24.55	2.4	2 270
	0.75% to <2.50%	7 517 562	3 723 823	8 708 145	1.34	14 174	22.17	2.43	21 680
	2.50% to <10.00%	1841959	880 318	2 193 774	2.42	7 220	16.97	2.47	7 294
	10.00% to <45.00%	156 149	46 475	181 830	7.57	707	14.18	3.69	2 046
	45.00% to <100.00%	29 632	34 229	56 082	3.54	388	65.08	1.79	1 213
Stage 2	0.00 to <0.15%	116 880	140 852	195 750	1.81	2 272	51.16	1.24	1 961
	0.15% to <0.25%	42 416	51 048	71 729	2.38	168	42.12	1.77	997
	0.25% to <0.50%	105 719	137 488	128 569	2.42	481	32.27	2.61	1 192
	0.50% to <0.75%	256 419	68 997	266 223	1.49	438	20.91	3.02	1 333
	0.75% to <2.50%	671 839	308 590	749 217	5.16	1 967	17.3	2.19	17 461
	2.50% to <10.00%	519 934	73 155	564 845	5.92	1 608	15.84	2.45	7 029
	10.00% to <45.00%	48 279	23 653	60 278	9.46	448	11.5	2.42	1 063
	45.00% to <100.00%	9 235	3 163	12 135	10.11	245	34.8	1.43	1 237
POCI non-default		-	-	-	-	-	-	-	-

	Time in default	EAD (basis of ECL calculation) in PLN thous.	Number of exposures	EAD weighted average LGD (%)	Expected credit loss (ECL) in PLN thous.
		a	b	c	d
Corporations - other					
Stage 3	to 12 months	160 210	283	-	74 564
	from 13 to 24 months	179 684	204	-	141 762
	from 25 to 36 months	92 126	270	-	68 435
	from 37 to 48 months	45 674	93	-	45 486
	from 49 to 60 months	62 235	222	-	52 609
	from 61 to 84 months	25 463	28	-	24 066
	above 84 months	53 287	17	-	50 530
POCI	to 12 months	426	2	-	369
	from 13 to 24 months	2 033	2	-	331
	from 25 to 36 months	-	-	-	-
	from 37 to 48 months	1 658	2	-	1 830
	from 49 to 60 months	25 013	2	-	8 924
	from 61 to 84 months	-	-	-	-
	above 84 months	103	1	-	-

9. Operational risk

Operational risk is understood as the possibility of a loss resulting from inadequate or failed internal processes, people and systems or from external events, including also legal risk.

It is comprehensive in nature, and can be caused by both factors in the Bank's environment and the Bank itself. External and internal factors affecting operational risk, due to their dynamic nature, are subject to constant analysis and evaluation.

Operational risk management is performed in mBank and, at the consolidated level, in mBank Group. While organising the operational risk management process, the Bank takes into account regulatory requirements, which are the starting point for preparation of framework for the operational risk control and management system in the Bank and the mBank Group.

The aim of operational risk management in the Bank is to reduce the causes of operational events, the probability of their occurrence and the severity of potential consequences. mBank focuses its activities on an effective management process in each line of defense. An important factor for mBank Group is to deepen the awareness of operational risk and build an organizational culture that allows to develop appropriate risk mitigating mechanisms. When deciding on the acceptable level of operational risk, the following analysis is considered: costs vs. benefits.

Due to the dynamics of changes in the factors influencing operational risk, the key elements of the risk management process are: identification, control and monitoring , counteracting the materialization of operational risks and reporting risks.

In order to effectively manage operational risk, the bank uses methods and quantitative and qualitative tools that aim at cause-oriented management of this risk. The bank carries them out in conjunction with the control function, which is part of the internal control system.

The basic tools for operational risk management are: Operational Loss Register, Self-Assessment of Operational Risk Management Effectiveness, Operational Risk Scenarios, and Key Risk Indicators.

mBank Group conducts activities to protect mBank and its subsidiaries against the effects of operational risk materialization. To do this:

- a proactive operational risk control and management system for all significant business areas and at every level of the organizational hierarchy has been established,
- methods and tools for managing and controlling operational risk in organizational units of mBank and mBank Group subsidiaries are actively used,
- methods and tools for controlling and managing operational risk are coordinated across mBank Group.

The organization of the operational risk control and management system is designed to enable effective control and management of this risk at all levels of the bank's organizational structure. The structure of operational risk control and management includes, in particular, the role of the Supervisory Board and its Committees, the Management Board of the Bank, the Risk Committees, the Vice President of Risk Management, the Integrated Risk Management Department, and the tasks of operational risk managers in individual organizational units and business areas of the bank within all lines of defense.

The central operational risk control function focuses on preparing and coordinating the bank's operational risk control and management process, developing tools, raising awareness in the bank about operational risk and the control function, and reporting the operational risk profile. Operational risk management, on the other hand, is carried out in each of the bank's organizational units and Group subsidiaries. It involves identifying, assessing and monitoring operational risk and taking measures to avoid, reduce or transfer it.

Operating in a number of significant business areas, throughout the country as well as outside of Poland through foreign branches, as part of a broad and diversified product offering aimed at a very broad spectrum of customers, naturally makes mBank vulnerable to operational risks that can come from a wide variety of sources.

In the classification of operating losses by business line segregated in accordance with the CRR Regulation, the vast majority of the mBank Group's operating losses are in the following lines: retail banking and commercial banking. In the classification of losses by risk category, the Group's largest losses are in the operational risk category: customers, products and business practices. This level was determined primarily by the cost of credit vacations and provisions and losses for foreign currency loans.

The mBank Group continuously monitors risks related to the geopolitical situation, including the war in Ukraine. There have been no significant operational losses in this regard.

The level of operational risk losses is monitored on an ongoing basis and reported regularly to the Bank's Management Board, the Bank's Supervisory Board and the Business and Risk Forum Committees. When operational loss thresholds are exceeded, there are monitoring and escalation mechanisms in the mBank Group. They ensure that operational events are analysed appropriately and trigger corrective actions.

EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts, addressing disclosure requirements of art. 446, 445 and 438 letter d) of CRR Regulation.

	Banking activities	a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		2019	2020	2021		
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	5 591 124	5 919 723	6 327 942	812 076	10 150 954
3	*Subject to TSA:*	5 591 124	5 919 723	6 327 942		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

10. Liquidity risk

The below information addressees the scope of disclosure from table EU LIQA.

Liquidity risk is understood as the risk of losing the ability to fund assets and timely execute payments arising from mBank Group’s balance sheet and off-balance sheet items on terms and conditions convenient for mBank Group and at a market price.

The purpose of liquidity risk management is to ensure and maintain mBank Group's ability to meet both current and future obligations. mBank Group accomplishes this goal by diversifying stable sources of funding in relation to customer groups (from which it obtains deposits), products and currencies, maintaining the liquidity buffer, while optimizing the balance sheet in terms of profitability. mBank Group's long-term activities in this area are implemented taking into account the conditions as to the possibility of obtaining funding and profitability of the business. To this end, mBank Group is preparing a funding strategy, which is an element of long-term liquidity management. It is to provide, among others effective diversification of sources and funding period. The strategy is based on business plans, describes the main sources of funding and factors affecting mBank Group's ability to obtain appropriate funding.

The liquidity position of mBank in 2022 was significantly affected by tense geopolitical conditions related to the outbreak of war in Ukraine. The increase in inflationary pressure forced the NBP to tighten the monetary policy by restoring the required reserve rate to level before the COVID-19 pandemic and a series of interest rate increases that took place in Poland from October 2021 to September 2022. As a result of interest rate increases, the bank adjusted the prices offered to customers for their deposits. At the same time, high-interest government retail bonds represented competition for bank deposits. Interest rate increases and the weakening of polish currency necessitated increasing collaterals placed in derivative transactions. In addition, decline in valuation of securities that qualified as liquid assets of the bank resulted in a decrease in value of available liquidity buffers. The described events led to a temporary decrease in mBank's liquidity position in mid-2022, which was rebuilt in the second half of 2022. Despite such unfavorable market conditions, liquidity measures were well above regulatory minimum levels throughout the reporting period.

Risk management organization

The organization of liquidity risk management in mBank Group has a hierarchical structure. mBank's Supervisory Board approves and supervises the implementation of the Liquidity Risk Management Strategy adopted by the Bank's Management Board.

mBank Group established the liquidity adequacy assessment process (ILAAP), the purpose of which is to define the framework of the liquidity risk management process ensuring the maintenance of a sufficient level of liquidity in relation to the established risk appetite, allowing for the survival of defined stress conditions in a defined time horizon.

Strategic liquidity risk management is the responsibility of the Bank’s Management Board, which delegates part of its responsibilities to appropriate committees, i.e. the Capital, Asset and Liability Committee and the Financial Market Risk Committee.

The roles and tasks in the area of liquidity risk management were organized according to the three defense lines model. The following units participate in this process.

- **Treasury Department -** first line of defense, provides funds for settlements on the bank's accounts, maintains certain values of risk parameters and measures within the granted liquidity limits, maintains a portfolio of securities as a buffer in the event of a stress situation materializing, ensures long-term funding in the form of issuance of debt securities and provides funding for companies from the mBank Group.
- **Financial Resources Management Department** - first line of defense is responsible for operational management of long term liquidity.
- **Financial Markets Settlement and Services Department –** first line of defense, is responsible for the operational supervision of the correctness of cash flows on the bank's accounts and performs functions in the settlement of securities transactions.
- **Balance Risk Management Department -** second line of defense, is responsible for control and ongoing monitoring of the Bank's liquidity risk level. Monitors the level of financial liquidity on a daily basis.

- **Internal Audit Department –** third line of defense, makes independent assessments of first and second line of defense.
- **Validation Unit –** in the scope of models validation for liquidity risk use.

Centralization level of Liquidity risk management

mBank is the parent company in mBank Group. Therefore, as part of consolidated supervision and liquidity risk management at the mBank Group level, the Bank’s Management Board sets the rules for intra-group funding and sets liquidity limits for individual entities of the mBank Group. Nevertheless, the management boards of individual subsidiaries are responsible for managing liquidity risk in their companies. They are also responsible for complying with intra-group limits accepted by them.

Measuring, limiting and reporting liquidity risk

mBank has a process of cyclical reporting of liquidity risk. It includes both the delivery of a standard daily management information package for entities dealing with liquidity risk management and persons controlling the liquidity risk management process at the operational level and for the purposes of making strategic decisions regarding liquidity risk.

The following measures are reported daily:

- regulatory measures,
- level of liquidity gap for mBank, mBank Group and subsidiaries significant from the point of view of liquidity risk along with the use of limits imposed on them in:
    - base scenario within one year and above one year time horizons,
    - stress scenarios,
- SLRR (Stress Liquidity Reserve Requirement), i.e. the requirement of a stress reserve calculated as the difference between the base scenario and the minimum of the stress scenarios and SLRP (Stress Liquidity Reserve Portfolio) - a portfolio of liquid assets with funding positions that serve as a buffer for the survival of defined crisis conditions. The value of the SLRP should exceed the SLRR over a survival horizon of 1 month,
- intraday liquidity,
- other internal measures of liquidity risk.

The following measures are reported weekly:

- early warning indicators (EWI). The liquidity risk monitoring system is supported by a set of early warning indicators (EWI), consisting of indicators monitoring the level of use of regulatory and internal limits, indicators monitoring significant changes in market factors, changes in the balance sheet structure, as well as market perception of the Bank,
- recovery indicators.

The following measures are reported monthly:

- regulatory and internal liquidity measures for members of the Bank's Management Board,
- regulatory and internal liquidity measures for the Financial Markets Risk Committee (KRF),
- regulatory measures, internal liquidity measures and forecasts of liquidity measures including business development forecasts for the Capital, Assets and Liabilities Management Committee (CALCO).

Regulatory measures and internal liquidity measures are reported on a quarterly basis to the Bank’s Supervisory Board.

The basic measure reflecting mBank Group's liquidity position is the mismatch gap resulting from the future cash flows, taking into account behavioral modeling for selected items. It includes all assets, liabilities and off-balance sheet items of mBank Group for all currencies within set time horizons.

For the purposes of ongoing liquidity monitoring, mBank Group calculates the values of the actual, cumulative cash flow mismatch gap. The adjusted gap is calculated on the basis of contractual flows.

Primarily, the subject to adjustment are the cash flows resulting from the portfolio of deposits of non-banking customers, the portfolio of overdraft facilities and cash flows of the portfolio of term loans. When calculating liquidity measures, mBank Group takes into account the potential possibilities of obtaining funds from liquidation or pledging of securities comprising the Liquidity Reserves.

Stress tests

mBank Group regularly conducts liquidity risk stress tests. Tests are carried out on each reporting day. The results are included in the daily report sent to persons involved in the liquidity risk management process, as well as to bodies and committees operating in mBank Group.

Stress test results inform the Bank's Management Board and management about the impact of adverse and unexpected conditions associated with various types of risk on mBank Group's liquidity position, and also indicate the balancing capacity necessary to limit the adverse effects of market shocks.

In order to determine mBank Group's resistance to adverse, significant events that may lead to loss of liquidity, scenario analyses are carried out covering extreme assumptions regarding the functioning of financial markets and / or behavioral phenomena concerning clients.

For this purpose, stress test scenarios are regularly calculated in the short and long term, in the bank stress, market stress and combined scenarios.

Stress tests are used in mBank Group to manage liquidity risk on an ongoing basis. An integrated stress test is carried out annually taking into account the impact of materialization of other types of risk on the liquidity position and an in-depth liquidity analysis covering the scenario of credit risk materialization at mBank and mBank Group level.

In addition to the set of liquidity stress tests, reverse scenario is carried out annually to identify the most significant risk factors and to determine the liquidity risk appetite and severity of liquidity risk stress scenarios. In addition, a crisis scenario for intraday liquidity risk is calculated on a monthly basis.

As part of the annual process, the materiality of individual liquidity risk factors is assessed at the Group level based on a quantitative criterion. Currently, the material risk factors for mBank Group's are:

- volatility of deposit base, taking into account the division into major business,
- increase in potential drawing of unused off-balance sheet commitments,
- sensitivity to changes in the valuation of derivative transactions resulting in the need to top up collateral,
- sensitivity to changes in the valuation of the liquid securities portfolio,
- increased demand for intraday liquidity.

On a monthly basis, mBank Group performs stress scenarios based on forecast liquidity risk measures. The first scenario assumes the inability to execute the planned issuances of debt securities, the second scenario additionally assumes the materialization of the outflow of identified large deposits.

Contingency plan

mBank Group has a Liquidity Contingency Plan, which defines the strategy and procedure to be followed in the case of liquidity shortages in the event of a liquidity threat by mBank Group in order to neutralize this threat.

The provisions of the Contingency Plan specify the division of tasks between mBank's organizational units, in the scope of:

- ongoing assessment of mBank and mBank Group liquidity,
- analysis and identification of the risk of an emergency situation related to the threat of liquidity loss,
- the procedure to be followed in a situation when this risk materializes.

Description of the emergency procedure includes:

- general rules of conduct in case various emergency scenarios materialize, including:
  - scope of duties and responsibilities,
  - authorization to make a decision regarding the initiation and termination of emergency procedure,

  - determining the time needed to start actions,
  - decision-making paths,
- outline - when and how to act in the event of a disruption in mBank Group's ability to fund operations at reasonable costs,
- defined sources of funding in the event of deterioration of liquidity,
- identifying a set of alternative funding sources potentially available in an emergency,
- clarifying the rules for the internal exchange of information on mBank Group's current liquidity situation during emergency proceedings,
- developing communication rules with external entities and internal stakeholders to limit reputational risk.

In addition, tests are conducted of the Contingency Plan for mBank Group and based on their results changes are made to the provisions of the Plan. The results of the Contingency Plan test are reported and analyzed at the level of the KRF Committee and the Bank's Management Board.

Other information and quantitative data

Execution of the strategy of ensuring liquidity of the Bank consists in active management of balance sheet structure of future cash flows and keeping liquidity reserves adequate to the liquidity needs, resulting from the activity and structure of the balance sheet of mBank Group, obligations to subsidiaries and the current market situation as well as the demand for liquid assets, resulting from the conducted stress tests.

mBank keeps a surplus of liquid and unencumbered assets constituting the Liquidity Reserves, for which there is a possibility of pledging, transaction on repo market or selling at any time without significant loss in value. Liquidity reserves were composed mainly of the Polish government debt securities in PLN and EUR, bills issued by National Bank of Poland in PLN, government debt securities in CZK and USD and other debt securities meeting the criteria of collateral for a refinancing loan with National Bank of Poland. In addition, mBank also maintains cash surpluses placed on accounts with central banks in Poland, the Czech Republic and Slovakia.

The amount of mBank's liquidity reserve in the years 2021 and 2022 is presented in the table below:

mBank's value of Liquidity Reserves (in PLN million)	
31.12.2022	31.12.2021
60 147	54 097

In mBank Group the Liquidity Reserves are held also by mBH. Liquidity Reserves of mBH were composed of the Polish Government debt securities in PLN and bills issued by the National Bank of Poland in PLN. The value of the reserves in the years 2021 and 2022 amounted to:

mBH's value of Liquidity Reserves (in PLN million)	
31.12.2022	31.12.2021
1 190	750

In order to support the process of liquidity risk management, a system of early warnings indicators and recovery indicators was developed in the Bank. It is composed of indicators monitoring the level of regulatory and internal limits and additionally, indicators monitoring significant changes of market factors, as well as changes in mBank’s balance sheet structure. Exceedance of thresholds by defined indicators may be a trigger for the launch of the Contingency Plan or the Recovery Plan.

Due to the use by mBank of FX swap and CIRS instruments to convert surpluses in local currencies into foreign currencies, internal limits are in place on the use of these instruments. Moreover, in order to limit the concentration in FX swaps, the amounts obtained in such transactions are monitored in monthly time bands up to 1 year.

Other measures of liquidity risk are calculated and reported in mBank as follows:

- concentration of funding sources,

- stability of deposit base,
- early withdrawals of deposits,
- ratio of long-term funding for the real estate market,
- liquidity risk concentration within off-balance sheet positions related to related to financial and guarantee liabilities.

In the LAB methodology, the LAB Base Case measure is the primary management measure and it is also used for limiting the liquidity gap in particular foreign currencies.

Value of realistic cumulative gap of cash flows misfit (in PLN million) on mBank Group level				
Time bucket	LAB Base Case - 31.12.2022		LAB Base Case - 31.12.2021	
	bucket	cumulative	bucket	cumulative
up to 1 working day	42 168	42 168	35 454	35 454
up to 3 working days	1 714	43 882	2 335	37 789
up to 7 calendar days	10	43 892	580	38 369
up to 15 calendar days	(2 109)	41 783	(1 616)	36 753
up to 1 month	(2 406)	39 377	(1 646)	35 107
up to 2 months	756	40 133	(636)	34 471
up to 3 months	(2 997)	37 136	(213)	34 258
up to 4 months	(504)	36 632	(390)	33 868
up to 5 months	(1 428)	35 204	(474)	33 394
up to 6 months	(956)	34 248	(765)	32 629
up to 7 months	(922)	33 326	(564)	32 065
up to 8 months	(1 094)	32 232	(314)	31 751
up to 9 months	(1 089)	31 143	(2 860)	28 891
up to 10 months	(258)	30 885	(711)	28 180
up to 11 months	(1 266)	29 614	(803)	27 377
up to 12 months	(1 273)	28 346	(1 077)	26 300

The above values should be interpreted as liquidity surpluses/shortages in the aforementioned time buckets. The dynamics of development of non-bank term deposits and current accounts had a positive impact on change in liquidity gap in the amount of PLN 15.4 billion, calculated with the exchange rate of 31 December 2022 as well as a simultaneous decrease in development of lending activities in the amount of PLN 2.2 billion calculated with the exchange rate of 31 December 2022.

LAB cash flows gaps mismatch in terms up to 1 month and up to 1 year within 2022 and values of regulatory measures LCR and NSFR are presented in the following table:

	31.12.2022	31.12.2021
LAB Base Case 1M	39 377	35 107
LAB Base Case 1Y	28 346	26 300
LCR	201%	216%
NSFR	150%	149%

The LCR and NSFR measures remained on safe level, significantly exceeding 100%.

EU LIQ1 – Quantitative information of LCR, addressing disclosure requirements of art. 451a point 2) of CRR Regulation (in PLN million).

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2022	30.09.2022	30.06.2022	31.03.2022
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)					53 516	55 205	58 861	62 863
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	119 791	117 328	115 306	113 963	9 368	8 998	8 700	8 502
3	*Stable deposits*	*86 328*	*87 264*	*87 691*	*87 798*	*4 316*	*4 364*	*4 385*	*4 390*
4	*Less stable deposits*	*33 463*	*30 064*	*27 615*	*26 165*	*5 052*	*4 634*	*4 315*	*4 112*
5	Unsecured wholesale funding	42 436	42 685	43 257	43 390	17 587	17 861	18 136	18 251
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*9 491*	*9 814*	*10 026*	*9 988*	*2 260*	*2 334*	*2 387*	*2 378*
7	*Non-operational deposits (all counterparties)*	*32 708*	*32 634*	*33 012*	*33 221*	*15 090*	*15 290*	*15 529*	*15 692*
8	*Unsecured debt*	*237*	*237*	*220*	*181*	*237*	*237*	*220*	*181*
9	*Secured wholesale funding*					-	-	-	-
10	Additional requirements	22 011	21 968	21 793	21 637	4 330	4 223	4 119	4 014
11	*Outflows related to derivative exposures and other collateral requirements*	*2 223*	*2 110*	*2 027*	*1 612*	*2 223*	*2 110*	*2 027*	*1 899*
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	*19 788*	*19 858*	*19 765*	*20 025*	*2 107*	*2 113*	*2 091*	*2 115*
14	Other contractual funding obligations	992	823	559	419	817	650	386	249
15	Other contingent funding obligations	15 961	15 985	15 998	16 054	676	654	639	639
16	TOTAL CASH OUTFLOWS					32 778	32 386	31 980	31 655
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	5 848	5 497	5 468	5 611	4 634	4 321	4 318	4 526
19	Other cash inflows	471	402	265	197	471	402	265	191
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	6 319	5 899	5 733	5 808	5 105	4 723	4 583	4 717
EU-20a	*Fully exempt inflows*		-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*		-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*6 319*	*5 899*	*5 733*	*5 808*	5 105	4 723	4 583	4 717
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					53 516	55 205	58 861	62 863
22	TOTAL NET CASH OUTFLOWS					27 673	27 663	27 396	26 939
23	LIQUIDITY COVERAGE RATIO					193%	200%	215%	233%

The below table addresses the scope of disclosures from EU LIQB table.

As of December 31, 2022, the LCR ratio of mBank Group reached 201% and in the fourth quarter the LCR measure remained on a safe level, significantly exceeding 100%.

In the fourth quarter of 2022, the increase in the level of the net liquidity coverage ratio was influenced by the dynamics of development of term deposits and current accounts included in the LCR calculation (an increase of PLN 6.6 billion compared with the previous quarter) compared to a decrease in lending activity (by PLN 4.8 billion compared with the previous quarter). As a result of these changes, the level of the liquidity buffer remains high in relation to the expected net outflows over a 30-day horizon as at 31 December 2022. As at the end of 2022 the Group has implemented a change in calculation methodology which leads to a more conservative approach to LCR calculation.

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:

- 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 reserve in the National Bank of Poland, the National Bank of Czech and the National Bank of Slovakia,
- funds held at central banks in the form of deposits and reverse repo operations with central banks.

Also mBH maintains liquidity buffer within the mBank Group. The liquidity buffer of mBH 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 December 31, 2022 accounted for 94.06% of all external sources of financing. The deposit base is diversified, and the deposits of the 10 largest customers as of December 31, 2022 accounted for 2.5% of the deposit base. The other sources of financing are:

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

The 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 the CRR Regulation: PLN, CZK and EUR, of which the LCR ratio for PLN and CZK was above 100%. CZK and EUR currencies are related to running two foreign branches in the Czech Republic and Slovakia. The currency mismatch is limited at the level of the real liquidity gap in individual currencies.

As of December 31, 2022, the impact of the adverse market scenario on derivatives accounted for 0.59% of the total unweighted outflow value included in the LCR.

Information regarding NSFR

The table below presents quantitative NSFR data as of 31 December 2022 (data in millions of zlotys).

EU LIQ2: Net Stable Funding Ratio, addressing disclosure requirements of art. 451a point 3) of CRR Regulation.

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	13 928	-	-	2 692	16 619
2	*Own funds*	13 928	-	-	2 250	16 177
3	*Other capital instruments*		-	-	442	442
4	Retail deposits		110 927	-	18 495	122 009
5	*Stable deposits*		*73 599*	-	*13 225*	*83 144*
6	*Less stable deposits*		*37 328*	-	*5 270*	*38 865*
7	Wholesale funding:		44 715	1 478	11 002	31 960
8	*Operational deposits*		*8 428*	-	-	*4 214*
9	*Other wholesale funding*		*36 287*	*1 478*	*11 002*	*27 746*
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	16	21 717	20	74	84
12	*NSFR derivative liabilities*	16				
13	*All other liabilities and capital instruments not included in the above categories*		21 717	20	74	84
14	**Total available stable funding (ASF)**					170 672
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					6 442
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		8	-	7 996	6 804
16	Deposits held at other financial institutions for operational purposes		173	-	-	87
17	Performing loans and securities:		18 756	11 178	80 009	78 468
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*641*	*34*	*60*	*141*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*16 666*	*9 718*	*33 544*	*41 698*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*84*	*87*	*38*	*110*
22	*Performing residential mortgages, of which:*		*1 311*	*1 255*	*44 925*	*35 179*
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*266*	*273*	*21 456*	*14 215*
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*137*	*170*	*1 480*	*1 451*
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**		**25 907**	**1 022**	**12 827**	**19 896**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	3 846	3 269
29	*NSFR derivative assets*		-	-	-	-
30	*NSFR derivative liabilities before deduction of variation margin posted*		-	-	-	-
31	*All other assets not included in the above categories*		25 907	1 022	8 981	16 627
32	**Off-balance sheet items**		**34 489**	**2 759**	**-**	**1 862**
33	**Total RSF**					**113 559**
34	**Net Stable Funding Ratio (%)**					**150%**

As of December 31, 2022, the Net Stable Funding Ratio (NSFR) of mBank Group reached the level of 150% and in the fourth quarter of 2022 the NSFR measure remained at a safe level, significantly exceeding 100%.

11. Transitional arrangements regarding IFRS 9

The Bank decided, for the purpose of capital adequacy calculation, including calculation of own funds, based on Article 1 paragraph 9 of 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, which allows to mitigate the impact on capital related to the introduction of IFRS 9.

The capital ratios reported in this document, including the leverage ratio and Tier 1 capital, fully reflect the impact of IFRS 9 with the exception of transitional arrangements in response to the COVID-19 pandemic in chapter 12 of this document.

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

As of 31 December 2022 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 as of 31 December 2022 and as of 30 September 2022 calculated taking into account the transitional provisions as well as measures as of 31 December 2022 and 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	**31.12.2022**	**30.09.2022**	**31.12.2022**	**30.09.2022**
Common Equity Tier 1 capital	12 153 665	11 247 118	11 807 391	10 795 135
Tier 1 capital	12 153 665	11 247 118	11 807 391	10 795 135
Own funds	14 403 163	13 610 314	14 056 888	13 158 332
Common Equity Tier 1 ratio (%)	13.81	12.11	13.41	11.63
Tier 1 capital ratio (%)	13.81	12.11	13.41	11.63
Total capital ratio (%)	16.36	14.66	15.97	14.17
Leverage ratio (%)	**5.44%**	**5.13%**	**5.29%**	**4.92%**

13. Impact of the Covid-19 pandemic on the operation of mBank S.A. Group

In the years 2020-2021, the mBank Group offered to its clients a number of assistance tools to mitigate the effects of the COVID-19 pandemic. A detailed description of these assistance tools offered in the years 2020-2021 can be found in previous editions of the Financial Statements.

In the year 2022, most of the assistance programs has already expired, with the exception of the moratoria introduced by Crisis Shield 4.0 and the FGP liquidity guarantees. The scale of assistance granted under these programs in the year 2022 was minor.

In accordance with EBA and NBP reporting requirements, the mBank Group monitors all exposures ever covered by COVID-19 pandemic-related support, as presented in the tables below.

13.1 Quantitative information – response to the COVID-19 crisis.

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

		a	b	c	d	e	f	g
		Gross carrying amount						
			Performing			Non performing		
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with for-bearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
1	**Loans and advances subject to moratorium**	**9 490 652**	**8 758 962**	**165 005**	**1 465 742**	**731 690**	**114 351**	**46 785**
2	of which: Households	5 138 633	4 874 292	115 660	458 322	264 341	42 361	11 114
3	*of which: Collateralised by residential immovable property*	4 493 244	4 334 713	103 134	333 418	158 531	35 403	9 144
4	of which: Non-financial corporations	4 352 019	3 884 670	49 345	1 007 420	467 349	71 990	35 671
5	*of which: Small and Medium-sized Enterprises*	2 771 676	2 622 451	39 412	487 699	149 225	71 990	35 671
6	*of which: Collateralised by commercial immovable property*	2 024 214	1 943 840	41 836	332 396	80 374	65 429	35 671

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria (c.d.):

		h	i	j	k		m	n	o
		Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with for-bearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	**Loans and advances subject to moratorium**	**(366 662)**	**(83 084)**	**(2 160)**	**(61 780)**	**(283 578)**	**(31 202)**	**(9 040)**	**40 748**
2	of which: Households	(122 849)	(31 807)	(1 152)	(21 959)	(91 042)	(8 918)	(1 949)	33 205
3	*of which: Collateralised by residential immovable property*	(42 987)	(11 636)	(692)	(6 682)	(31 351)	(6 157)	(1 349)	16 883
4	of which: Non-financial corporations	(243 813)	(51 277)	(1 008)	(39 821)	(192 536)	(22 284)	(7 091)	7 543
5	*of which: Small and Medium-sized Enterprises*	(87 369)	(23 515)	(646)	(14 944)	(63 854)	(22 284)	(7 091)	6 786
6	*of which: Collateralised by commercial immovable property*	(40 745)	(17 171)	(835)	(10 734)	(23 574)	(18 915)	(7 091)	3 092

Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria.

		a	b	c	d	e	f	g	h	i
		Number of obligors	Gross carrying amount							
				Of which: legislative moratoria	Of which: expired	Rezydualny termin moratoriów				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	66 421	9 568 389							
2	Loans and advances subject to moratorium (granted)	66 210	9 490 652	359 682	9 490 531	121	-	-	-	-
3	of which: Households		5 138 633	359 682	5 138 512	121	-	-	-	-
4	*of which: Collateralised by residential immovable property*		4 493 244	290 919	4 493 244	-	-	-	-	-
5	of which: Non-financial corporations		4 352 019	-	4 352 019	-	-	-	-	-
6	*of which: Small and Medium-sized Enterprises*		2 771 676	-	2 771 676	-	-	-	-	-
7	*of which: Collateralised by commercial immovable property*		2 024 214	-	2 024 214	-	-	-	-	-

Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	**671 764**	**110 147**	**528 813**	**-**
2	of which: Households	-			-
3	of which: Collateralised by residential immovable property	-			-
4	of which: Non-financial corporations	671 764	110 147	528 813	-
5	of which: Small and Medium-sized Enterprises	323 836			-
6	of which: Collateralised by commercial immovable property	48 468			-

14. Remuneration Policy for employees having material impact on the risk profile

mBank S.A. subject to CRR Regulation and the Banking Law, is obliged to announce qualitative and quantitative information regarding the remuneration policy in a generally accessible manner. The below information addressees the scope of disclosure from table **EU REMA**

Information on the process of determining the policy of variable components of remuneration

mBank has in place the Remuneration Policy for Employees Having a Material Impact on the Risk Profile of mBank S.A. (hereinafter referred to as the "Remuneration Policy"), which was adopted for the first time by the Supervisory Board in December 2011. Since then, the Remuneration Policy has been subject to annual verification. The Policy applicable in 2022 was approved by Resolution of the Supervisory Board No. 157/21 of 3 December 2021.

Remuneration Policy was compliant with:

1) Polish Banking Law Act of 29 August 1997 implementing Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (as amended by Directive (EU) 2019/878 of 20 May 2019),
2) Regulation of the Minister of Finance, Development Funds and Regional Policy of 8 June 2021 on the Risk Management System, Internal Control System and Remuneration Policy at Banks,
3) Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04 of 2 July 2021),
4) Recommendation Z on the principles of internal governance in banks issued by the Polish Financial Supervision Authority.

The adopted Remuneration Policy:

1) supports sound and effective risk management and does not encourage employees to take excessive risk exceeding the general acceptable risk level approved by the Supervisory Board of the Bank,
2) supports the implementation of the Bank management strategy and risk management strategy and limits conflicts of interest,
3) supports responsible and prudent capital management. In particular, prior to making a decision to pay variable components of remuneration, the following are taken into consideration: the current and forecast capital position and the provisions of the Act on Macroprudential Supervision over the Financial System and Crisis Management in the Financial System pertaining to the calculation of the maximum distributable amount (MDA),
4) sets out the remuneration rules for employees identified as having a material impact on the risk profile of the Bank („Risk Takers") by determining fixed and variable components of remuneration. The criteria and the process of selecting Risk Takers are laid down in a separate document – the Risk Takers Identification Policy,
5) ensures transparent rules of determining and paying the bonus being a component of variable remuneration,
6) is gender neutral.

The Risk Takers Identification Policy of mBank S.A. (hereinafter referred to as the "Identification Policy"), approved by the Bank's Management Board, the Remuneration Committee and the Supervisory Board of the Bank, stipulates the rules of identifying persons whose professional activities have material impact on mBank's risk profile, and meets the following requirements arising from:

1) Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92 (3) of that Directive,

2) Regulation of the Minister of Finance, Development Funds and Regional Policy of 8 June 2021 on the Risk Management System, Internal Control System and Remuneration Policy at Banks.

The Identification Policy, similarly to the Remuneration Policy, has been subject to annual verification.

Remuneration Committee of the Supervisory Board of mBank

As part of the mBank's Supervisory Board, there operates a Remuneration Committee of mBank's Supervisory Board . The Committee supports the Supervisory Board in fulfilling its statutory obligations and conducting its activities resulting from the law. The Remuneration Committee is composed of the members of mBank's Supervisory Board. As at 31 December 2022, the Committee was composed of:

- Bettina Orlopp (Committee Chairwoman)
- Tomasz Bieske
- Mirosław Godlewski
- Marcus Chromik

Pursuant to the applicable Rules of the Remuneration Committee, its main tasks include:

I) With respect to mBank:

1) issuing opinions on the Remuneration Policy (and proposed changes in this respect) applicable in mBank and submitting its opinion to the Supervisory Board,
2) monitoring the Remuneration Policy applicable in mBank and assisting the Bank's bodies in matters regarding the development and implementation of this policy,
3) verifying, on an annual basis, the Remuneration Policy and the Identification Policy adopted by the Supervisory Board, and proposing amendments to these policies, if necessary,
4) verifying, on an annual basis, the Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of mBank S.A., in particular as regards its conformity with the Remuneration Policy and presenting the results of the verification to the Supervisory Board,
5) verifying the bonus pool of mBank Group calculated on the basis of EP index (Economic Profit),
6) assessing on an annual basis the appropriateness of the Remuneration Policy and procedures applicable in mBank Group in line with the existing regulatory requirements; submitting the assessment results to the Supervisory Board,
7) issuing recommendations to the Supervisory Board on general guidelines for the Bank's Management Board on the remuneration level and structure of the top managerial staff, including in particular the head of the compliance unit and the head of the internal audit unit, whose remuneration should not differ from the remuneration of other persons holding key positions in the Bank; monitoring the level and structure of remuneration, in particular risk takers' remuneration,
8) determining on an annual basis the components of mBank Group's results applied to the risk takers who are not the Bank's Management Board members,
9) verifying the remuneration paid to risk takers. The amounts of bonuses and basic remuneration paid to risk takers are reported to the Remuneration Committee every year within 60 calendar days following the approval of the Consolidated Financial Statements of mBank Group for a given year by the Annual General Meeting,
10) issuing opinions and monitoring the variable remuneration of the persons holding managerial positions in the area of risk management, compliance and internal audit.

II) With respect to the Bank's Management Board members of mBank:

1) considering matters concerning the rules and amounts of remuneration of the Bank's Management Board members, including:
   a) approving management contracts,
   b) determining the amounts of remuneration and severance pay,

   and issuing recommendations in this respect to the Supervisory Board.
2) approving and setting the MBO goals (Management By Objective) and results for the Bank's Management Board members,

3) preparing on an annual basis the score cards of the risk takers who are the Bank's Management Board members of mBank,
4) verifying the Bonus Pool for the Bank's Management Board members and recommending its division among the Bank's Management Board members to the Supervisory Board,
5) issuing opinions for the Supervisory Board on reducing, suspending or returning the payment of the deferred and non-deferred bonus of the Management Board members in whole or in part or on decreasing its amount, in accordance with the provisions of the Remuneration Policy,
6) issuing opinions for the Supervisory Board on suspending the payment in whole or in part or decreasing the amount of severance pay for members of the Bank's Management Board under the provisions of the management contract,
7) determining on an annual basis the situation of mBank Group in relation to Article 142 (2) of the Banking Law (i.e. solvency / liquidity status of mBank Group) for the purposes connected with determination of bonuses for the Bank's Management Board members, recommending to the Supervisory Board a suspension in whole or a decrease in the amount of the aforementioned bonus,
8) presenting opinions concerning approval for the Bank's Management Board members to engage in competitive activity or to sit on management or supervisory boards of companies outside mBank Group,
9) making other decisions or carrying out other activities defined in or arising from the Remuneration Policy or the contracts concluded with the Management Board members.

In 2022, the Remuneration Committee of the Supervisory Board held four meetings, whereas the Supervisory Board, being a governing body supervising remuneration in the Bank, held seven meetings.

Process of determining the policy of variable remuneration components

The annual process of verifying and introducing appropriate amendments to the remuneration policies and the Identification Policy is coordinated by the Director of the Employee Relations and Organisation Culture Department (organisational unit reporting directly to the President of the Management Board of mBank), who is supported by a team of employees responsible for risk management, legal issues and compliance (among others, with regard to issues related to the selection of criteria indicating the positions having a material impact on the risk profile, compliance of applicable policies with regulatory requirements and market practices in this scope).

The policies of the risk takers remuneration and identification are assessed and modified by the Supervisory Board based on the recommendation of the Bank's Management Board, taking into account the opinion of the Remuneration Committee.

The most relevant information concerning the determination of remuneration in 2021

The total remuneration of the Bank's Management Board members and other employees having material impact on the risk profile of the Bank has been divided into a fixed part (annual basic remuneration and fixed benefits) and a variable part. The variable remuneration is composed of a bonus granted to a member of the Bank's Management Board or other employees having material impact on the risk profile of the Bank for a given calendar year. The variable remuneration is determined in a clear and verifiable manner, ensuring effective implementation of the Remuneration Policy. The maximum level of the variable remuneration components of the persons who are subject to the Remuneration Policy cannot exceed 100% of the basic remuneration (in the case of the Bank's Management Board members) or the fixed remuneration (in the case of other employees) paid for a given calendar year.

A part of the variable remuneration is paid in the form of subscription warrants issued and executed pursuant to the rules and within the deadlines set forth in the Incentive Programme and the Incentive Programme Rules.

The maximum ratio of the average total annual gross remuneration of bank's management board members to the average total annual gross remuneration of other bank employees is set at 50.

Members of the Bank's Management Board (Risk Takers I):

The Supervisory Board determines the bonus amount for a given calendar year for each the Bank's Management Board member individually, based on the assessment of MBO achievement with respect to a period of at least 3 years, with the proviso that the bonus amount depends on the bonus pool. The bonus pool is a total of the base amounts calculated for each the Bank's Management Board member. The base amount is calculated as a multiple of the basic salary, which depends on the Economic Profit (EP); EP is calculated for a period of 3 years pursuant to the rules specified in the Remuneration Policy.

The MBO objectives are determined by the Bank's Management Board and approved by the Bank's Supervisory Board based on a recommendation of the Remuneration Committee of the Supervisory Board. In MBO:

1) financial objectives account for 35%-50% of objectives (the weights depend on the impact of individual Bank's Management Board Members on these objectives),
2) qualitative objectives account for up to 65% of objectives (depending on the scope of responsibility of an individual Bank's Management Board Member)

The bonus consists of a non-deferred part (40% of the bonus) and a deferred part (60% of the bonus).

Both the deferred part and the non-deferred part are divided into equal portions: 50% paid in cash and 50% paid in subscription warrants. The non-deferred part in cash is paid in the year when the bonus is awarded. The other half of the non-deferred part (50%) is paid in the form of subscription warrants, not earlier than after the lapse of 12 months since the approval of consolidated financial statements for mBank Group.

The deferred part, both the cash portion and the subscription warrant portion, is paid in the subsequent calendar years, starting from the year following the year for which the bonus is awarded, in five equal annual tranches. In each tranche, the cash portion is paid once the Consolidated Financial Statements of mBank Group for the previous calendar year have been approved, and the subscription warrant portion is paid not earlier than after the lapse of 12 months from the date on which the Consolidated Financial Statements are approved.

In particularly justified cases when there is a need to mitigate the risk connected with maintaining a sound capital base of the Bank, enabling it to effectively respond to the economic situation in Poland arising from, for example, the Covid-19 pandemic, the Supervisory Board may adopt a resolution to pay the cash tranche in whole or in part (both the non-deferred and deferred tranche) in the form of subscription warrants, in accordance with the rules set out above.

Employees who are not the mBank's Management Board Members and who have a material impact on the Bank's risk profile (Risk Takers II):

The Bank's Management Board assesses the performance of an employee on an annual basis and in longer periods; where the employee is found to have accomplished the objectives, the Bank's Management Board can decide to set a bonus amount, taking into account the total remuneration of the employee. The decision on the bonus amount is made at the sole discretion of the Bank's Bank's Management Board, which in accordance with its independent assessment and decision confirms the accomplishment of the employee's objectives, taking into account the situation in financial markets in the last financial period/previous financial periods. The bonus amount cannot be higher than the employee's annual fixed remuneration (total of the basic remuneration paid to the employee every month in the year for which the bonus and fixed benefits are awarded). The employees who are not the Bank's Management Board Members and who have a material impact on the Bank's risk profile set objectives in accordance with the OKR (Objectives and Key Results) approach. In accordance with the OKR approach objectives are transparent, monitored quarterly and can be set for several areas jointly (cross area objectives).

The objectives for employees to be achieved in the next calendar year are set in cooperation with the Bank's Management Board Members by 31 December of the previous year, and then communicated to managers and teams. As a general rule objectives are either financial or qualitative. The proportions between them depend on the priorities of a given area.

The variable remuneration paid to the heads of the internal audit unit, the compliance unit, the legal unit and the units responsible for second-level risk management and HR issues depends on achieving goals resulting from their functions and does not depend on the financial performance of the Bank's areas supervised by them.

If the amount of the variable remuneration component determined by the Bank's Management Board does not exceed:

1) one-third of the total annual remuneration (basic remuneration plus bonus) or
2) if the bonus amount is not higher than the PLN equivalent of EUR 50,000 (as at the date of the decision referred to in Article 13 (2)),

the Bank's Management Board may decide not to defer the variable remuneration for the following years and pay the variable remuneration in whole in the form of non-deferred cash instead.

If the amount of the variable remuneration exceeds the assumed limits, the bonus consists of the non-deferred part (60% of the bonus) and the deferred part (40% of the bonus).

Both the deferred part and the non-deferred part are divided into equal portions: 50% paid in cash and 50% paid in subscription warrants. The non-deferred part in cash is paid in the year when the bonus is awarded. The other half of the non-deferred part (50%) is paid in the form of subscription warrants, not earlier than after the lapse of 12 months from the Annual General Meeting date.

The deferred part, both the cash portion and the subscription warrant portion, is paid in the subsequent calendar years, starting from the year following the year for which the bonus is awarded, in:

1) five equal tranches to Risk Taker II – Managing Director of the Bank, and Risk Taker II – Member of the Management Board of an mBank Group subsidiary,
2) four equal tranches to the remaining Risk Takers II – Bank employees.

In each tranche, the cash portion is paid once the consolidated financial statements of mBank Group for the previous calendar year have been approved, and the subscription warrant portion is paid not earlier than after the lapse of 12 months from the date on which the consolidated financial statements are approved.

In particularly justified cases when there is a need to mitigate the risk connected with maintaining a sound capital base of the Bank, enabling it to effectively respond to the economic situation in Poland arising from, for example, the Covid-19 pandemic, the Bank's Management Board may adopt a resolution to pay the cash tranche in whole or in part (both the non-deferred and deferred tranche) in the form of subscription warrants, in accordance with the rules set out above.

The costs resulting from the deferred tranches in the form of shares are settled in accordance with the International Financial Reporting Standards.

Information on the performance assessment criteria which form the basis for the entitlement to remuneration components

The Supervisory Board of mBank, based on recommendation of the Remuneration Committee of the Supervisory Board in the case of the Bank's Management Board Members, and the Bank's Management Board in the case of employees who are not the Bank's Management Board Members may decide to withhold in whole or reduce the amount of a deferred tranche if it concludes that in a time horizon longer than one calendar year (i.e., a period of at least 3 years), a Risk Taker had a direct and negative impact on the financial result or the market position of the Bank or mBank Group in the period under assessment, or directly contributed to significant financial losses, where at least one of the score card components has not been met or any of the premises stipulated in Article 142 of the Banking Law Act, in particular in section (2) of this article, has occurred.

The Bank's Management Board may take a decision on suspending in whole or decreasing the amount of the discretionary bonus for a given calendar year, as well as the amount of the discretionary bonus or a deferred tranche not paid out yet, in a situation when there is a balance sheet loss or a threat of its occurrence or when the Bank is threatened by insolvency (Article 142 of the Banking Law Act, in particular section (2) of this article). Suspending in whole or decreasing the discretionary bonus as well as any deferred tranche by the Bank's Management Board can also apply to the discretionary bonus and/or the deferred tranche paid out to the employee upon termination or expiry of the employment agreement.

Moreover, a Risk Taker may be obliged, under the rules and within the time limit determined under a decision of the Supervisory Board of mBank / the Bank's Management Board, to return the bonus awarded and paid for a given calendar year (i.e. the non-deferred part and all deferred parts), if he/she has violated the rules and standards adopted in mBank Group, has materially violated the generally applicable law or has directly contributed to significant financial losses being the consequence of his/her deliberate adverse actions to the detriment of mBank Group, or has contributed to financial sanctions being imposed on the Bank by supervisory bodies under a final and non-appealable decision.

The decision on the occurrence of the said events may be taken by the end of the calendar year when the last tranche of the deferred part of the bonus awarded for the year in which the event occurred is paid.

Aggregated quantitative data regarding the remuneration paid to holders of managerial positions in the Bank

Template EU REM1 – Remuneration awarded for the financial year

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	8	6	10	52
2		Total fixed remuneration	1 742	13 431	6 461	25 157
3		Of which: cash-based	1 709	12 036	6 265	24 350
4		(Not applicable in the EU)	-	-	-	-
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)	-	-	-	-
7		Of which: other forms	34	1 395	196	807
8		(Not applicable in the EU)	-	-	-	-
9	Variable remuneration	Number of identified staff	-	-	-	1
10		Total variable remuneration	-	-	-	195
11		Of which: cash-based	-	-	-	195
12		Of which: deferred	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	**Total remuneration (2 + 10)**		**1 742**	**13 431**	**6 461**	**25 352**

Template EU REM 2 Special payments to employees whose professional activity has a material impact on the Bank's risk profile.

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	1
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	195
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	-
7	Severance payments awarded during the financial year - Total amount	-	-	-	-
8	Of which paid during the financial year	-	-	-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

Template EU REM3 Deferred remuneration

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	**MB Supervisory function**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	**MB Management function**	**16 466**	**2 836**	**13 630**	**-**	**-**	**(5 047)**	**2 837**	**1 842**
8	Cash-based	2 748	780	1 968	-	-	-	780	-
9	Shares or equivalent ownership interests	13 718	2 056	11 662	-	-	(5 047)	2 057	1 842
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	**Other senior management**	**8 324**	**3 670**	**4 654**	**-**	**-**	**(1 822)**	**4 128**	**759**
14	Cash-based	2 492	1 510	982	-	-	-	1 510	-
15	Shares or equivalent ownership interests	5 832	2 160	3 672	-	-	(1 822)	2 618	759
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified staff**	**17 748**	**7 703**	**10 045**	**-**	**-**	**(4 063)**	**9 130**	**1 836**
20	Cash-based	5 192	3 142	2 050	-	-	-	3 142	-
21	Shares or equivalent ownership interests	12 556	4 561	7 995	-	-	(4 063)	5 988	1 836
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	**Total amount**	**42 538**	**14 209**	**28 329**	**-**	**-**	**(10 932)**	**16 095**	**4 437**

Template EU REM4 - Remuneration of 1 million EUR or more per year

		a
	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	1
2	1 500 000 to below 2 000 000	-
3	2 000 000 to below 2 500 000	-
4	2 500 000 to below 3 000 000	-
5	3 000 000 to below 3 500 000	-
6	3 500 000 to below 4 000 000	-
7	4 000 000 to below 4 500 000	-
8	4 500 000 to below 5 000 000	-
9	5 000 000 to below 6 000 000	-
10	6 000 000 to below 7 000 000	-
11	7 000 000 to below 8 000 000	-

Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										76
2	Of which: members of the MB	8	6	14							
3	Of which: other senior management				-	6	1	3	-	-	
4	Of which: other identified staff				6	24	1	13	4	4	
5	Total remuneration of identified staff	1 743	13 431	15 174	2 940	16 091	1 142	7 637	1 758	2 245	
6	Of which: variable remuneration	-	-	-	195	-	-	-	-	-	
7	Of which: fixed remuneration	1 743	13 431	15 174	2 745	16 091	1 142	7 637	1 758	2 245	

At the day of the publication of this report variable remuneration for 2022 for the employees presented in the above table was not accepted yet by the competent authorities of the Bank. This document will be modified when it comes to the variable remuneration payout for 2022, granted in 2023, after the approval of the financial statements for 2022 by General Meeting of shareholders.

15. Remuneration Policy for employees having material impact on the risk profile - update of the information after the approval of the variable part of remuneration for the Banks's executives

Aggregated quantitative data regarding the remuneration paid to holders of managerial positions in the Bank

Template EU REM1 – Remuneration awarded for the financial year

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	8	6	10	52
2		Total fixed remuneration	1 743	13 431	6 461	25 157
3		Of which: cash-based	1 709	12 036	6 265	24 350
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	34	1 395	196	807
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	8	6	10	52
10		Total variable remuneration	-	7 580	4 398	11 385
11		Of which: cash-based	-	3 790	2 199	9 542
12		Of which: deferred	-	2 274	880	737
EU-13a		Of which: shares or equivalent ownership interests	-	3 790	2 199	1 843
EU-14a		Of which: deferred	-	2 274	880	737
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	**Total remuneration (2 + 10)**		**1 743**	**21 011**	**10 859**	**36 542**

Template EU REM 2 Special payments to employees whose professional activity has a material impact on the Bank's risk profile.

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	1
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	195
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	-
7	Severance payments awarded during the financial year - Total amount	-	-	-	-
8	Of which paid during the financial year	-	-	-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

Template EU REM3 Deferred remuneration

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	**MB Supervisory function**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	**MB Management function**	**16 466**	**2 836**	**13 630**	**-**	**-**	**(5 047)**	**2 837**	**1 842**
8	Cash-based	2 748	780	1 968	-	-	-	780	-
9	Shares or equivalent ownership interests	13 718	2 056	11 662	-	-	(5 047)	2 057	1 842
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	**Other senior management**	**8 324**	**3 670**	**4 654**	**-**	**-**	**(1 822)**	**4 128**	**759**
14	Cash-based	2 492	1 510	982	-	-	-	1 510	-
15	Shares or equivalent ownership interests	5 832	2 160	3 672	-	-	(1 822)	2 618	759
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified staff**	**17 748**	**7 703**	**10 045**	**-**	**-**	**(4 063)**	**9 130**	**1 836**
20	Cash-based	5 192	3 142	2 050	-	-	-	3 142	-
21	Shares or equivalent ownership interests	12 556	4 561	7 995	-	-	(4 063)	5 988	1 836
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	**Total amount**	**42 538**	**14 209**	**28 329**	**-**	**-**	**(10 932)**	**16 095**	**4 437**

Template EU REM4 - Remuneration of 1 million EUR or more per year

	EUR	a Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	1
2	1 500 000 to below 2 000 000	-
3	2 000 000 to below 2 500 000	-
4	2 500 000 to below 3 000 000	-
5	3 000 000 to below 3 500 000	-
6	3 500 000 to below 4 000 000	-
7	4 000 000 to below 4 500 000	-
8	4 500 000 to below 5 000 000	-
9	5 000 000 to below 6 000 000	-
10	6 000 000 to below 7 000 000	-
11	7 000 000 to below 8 000 000	-

Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	a	b	c	d	e	f	g	h	i	j
	Management body remuneration			Business areas						
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff										76
Of which: members of the MB	8	6	14							
Of which: other senior management				-	6	1	3	-	-	
Of which: other identified staff				6	24	1	13	4	4	
Total remuneration of identified staff	1 743	21 011	22 754	4 585	24 236	2 020	10 762	2 443	3 355	
Of which: variable remuneration	-	7 580	7 580	1 840	8 145	878	3 125	685	1 110	
Of which: fixed remuneration	1 743	13 431	15 174	2 745	16 091	1 142	7 637	1 758	2 245	

Representation of the Management Board of mBank S.A.

The Management Board of m 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 31 December 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 31 December 2022".

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