Disclosures regarding capital adequacy of mBank S.A. Group as at 30 September 2023

Warsaw, 8th November 2023

Contents

1. Introduction

This document is issued under the disclosure requirements resulting from Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 with subsequent amendments (the CRR Regulation), which formed the legal basis of the reporting date i.e. 30 September 2023.

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/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 accounting policies applied for the preparation of the prudentially consolidated financial data for first quarter 2023 are the same as those, which have been applied to prepare the mBank S.A. Group Consolidated Financial Report for the third quarter of 2023, which included Condensed Consolidated Financial Statements of mBank S.A. Group for the third quarter of 2023, with exceptions of consolidation rules described below.

Entities included in prudential consolidation were taken into account in the process of calculation of consolidated own funds and consolidated own funds requirements as at 30 September 2023 in accordance with the CRR Regulation.

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.

Prudentially consolidated financial data as at 30 September 2023 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.
12. mTowarzystwo Funduszy Inwestycyjnych S.A.

Detailed information on consolidated entities included in consolidation is presented in mBank S.A. Group Consolidated Financial Report for the third quarter of 2023, in the Note 1 Information regarding the Group of mBank S.A.

The scope of entities included in prudential consolidation as of 30 September 2023 is the same as the scope of entities included in accounting consolidation based on International Financial Reporting Standards (IFRS).

3. Own funds

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

The increase in the amount of own funds observed over the third quarter of 2023 compared to the amount of own funds as of 30 June 2023 was caused by positive impact of valuation of debt instruments at fair value through other comprehensive income, lower amount of deferred tax assets in excess of the threshold referred to in Art. 48 of the CRR Regulation and decrease of the adjustment due to IRB shortfall of credit risk adjustments to expected losses. These changes were partially offset by net loss recorded by the Bank in third quarter of 2023 and decrease of value of the instruments eligible as Tier 2 capital.

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

		a	b	c	d	e
		30.09.2023	30.06.2023	31.03.2023	31.12.2022	30.09.2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	12 854 870	12 719 795	12 091 332	12 153 665	11 247 118
2	Tier 1 capital	12 854 870	12 719 795	12 091 332	12 153 665	11 247 118
3	Total capital	14 875 159	14 780 086	14 278 034	14 403 163	13 610 314
	Risk-weighted exposure amounts					
4	Total risk exposure amount	88 067 576	87 933 345	90 642 854	88 034 372	92 860 518
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	14.60%	14.47%	13.34%	13.81%	12.11%
6	Tier 1 ratio (%)	14.60%	14.47%	13.34%	13.81%	12.11%
7	Total capital ratio (%)	16.89%	16.81%	15.75%	16.36%	14.66%
	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 (%)	1.18%	1.18%	1.76%	1.76%	2.12%
EU-7b	of which: to be made up of CET1 capital (percentage points)	0.66%	0.66%	0.99%	0.99%	1.19%
EU-7c	of which: to be made up of Tier 1 capital (percentage points)	0.89%	0.89%	1.32%	1.32%	1.59%
EU-7d	Total SREP own funds requirements (%)	9.18%	9.18%	9.76%	9.76%	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 (%)	0.15%	0.15%	0.12%	0.10%	0.07%
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 (%)	3.15%	3.15%	3.12%	3.10%	3.07%
EU-11a	Overall capital requirements (%)	12.33%	12.33%	12.88%	12.86%	13.19%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.71%	7.58%	5.99%	6.49%	4.52%
	Leverage ratio					
13	Total exposure measure	240 781 479	226 158 478	233 679 716	223 249 811	219 358 906
14	Leverage ratio (%)	5.34%	5.62%	5.17%	5.44%	5.13%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU-14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU-14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU-14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU-14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU-14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	69 752	62 950	57 049	53 516	55 205
EU-16a	Cash outflows - Total weighted value	36 042	35 132	34 011	32 778	32 386
EU-16b	Cash inflows - Total weighted value	3 849	4 712	5 103	5 105	4 723
16	Total net cash outflows (adjusted value)	32 193	30 420	28 908	27 673	27 663
17	Liquidity coverage ratio (%)	217%	207%	197%	193%	200%
	Net Stable Funding Ratio					
18	Total available stable funding	183 109	170 344	174 723	170 672	166 508
19	Total required stable funding	114 080	109 768	111 666	113 559	115 293
20	NSFR ratio (%)	161%	155%	156%	150%	144%

EU KM1 – Key metrics template recalculated taking into account the retrospective including of profit for the first quarter of 2023 (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
		30.09.2023	30.06.2023	31.03.2022	31.12.2022	30.09.2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	12 854 870	12 719 795	12 445 099	12 153 665	11 247 118
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	Risk-weighted exposure amounts					
4	Total risk exposure amount	88 067 576	87 933 345	90 723 256	88 034 372	92 860 518
	Capital ratios (as a percentage of risk-weighted exposure amount)					
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6	Tier 1 ratio (%)	14.60%	14.47%	13.72%	13.81%	12.11%
7	Total capital ratio (%)	16.89%	16.81%	16.13%	16.36%	14.66%
	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 (%)	1.18%	1.18%	1.76%	1.76%	2.12%
EU-7b	of which: to be made up of CET1 capital (percentage points)	0.66%	0.66%	0.99%	0.99%	1.19%
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	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 (%)	0.15%	0.15%	0.12%	0.10%	0.07%
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%
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EU-11a	Overall capital requirements (%)	12.33%	12.33%	12.88%	12.86%	13.19%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.71%	7.58%	6.37%	6.49%	4.52%
	Leverage ratio					
13	Total exposure measure	240 781 479	226 158 478	233 744 037	223 249 811	219 358 906
14	Leverage ratio (%)	5.34%	5.62%	5.32%	5.44%	5.13%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU-14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU-14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU-14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU-14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU-14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%

4. Capital requirement

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 received conditional consent of PFSA to use AIRB approach for retail mortgage loan portfolio (micro companies) and for the portfolio of commercial banks.

On 25 July 2016 mLeasing Sp. o.o. (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 PFSA 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 CRR Regulation.

On 27 September 2023, the Bank concluded a synthetic securitization transaction referencing a portfolio of retail non-mortgages loans with a total value of PLN 9 962,8 million. As part of the transaction, the Bank transferred a significant part of the credit risk of a selected securitized portfolio to an investor. The risk transfer of the securitized portfolio is performed through a recognized credit protection instrument, in the form of a credit linked notes. The transaction meets the requirements for significant risk transfer specified in the CRR Regulation and has been structured as meeting the STS criteria (simple, transparent and standard) in accordance with Regulation 2021/557.

In the calculation of the total capital requirements of mBank Group as of 30 September 2023, when calculating the credit risk capital charge, the mBank Group applies the AIRB approach pursuant to the provisions of the CRR Regulation and pursuant to obtained AIRB approvals.

Results of the internal capital adequacy assessment

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

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

Capital adequacy is monitored:

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

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

In third quarter of 2023 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 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.

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 30 September 2023 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 30 September 2023 the countercyclical capital buffer rate set for relevant exposures in Poland according with the article 83 of the Act amounted to 0%. The ratio shall be effective until it is changed by way of an ordinance of the Minister of Finance.

Countercyclical capital buffer in accordance with the provisions of the Act as the weighted average of the countercyclical buffer rates that apply in the countries where the relevant credit exposures of the mBank Group are located. As at the end of September 2023 this ratio amounted to 0.15%.

Exposures of foreign branches in Czech Republic and in Slovakia, where countercyclical buffer rates as of 30 September 2023 amounted to 2.25%, and 1.5% in each, had an impact on the mBank Group specific countercyclical capital buffer.

EU CCyB2 - Amount of institution-specific countercyclical capital buffer

		30.09.2023
1	Total risk exposure amount	88 067 576
2	Institution specific countercyclical capital buffer rate	0.1488%
3	Institution specific countercyclical capital buffer requirement	131 045

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 2021,2022 and 2023. Buffer should be maintained on individual and consolidated levels. This buffer was in force as at 30 September 2023.

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 30 September 2023.

Consequently, the combined buffer requirement set for the mBank Group as of the end of September 2023 amounted to 3.15% of the total risk exposure amount.

Additionally, as a result of the risk assessment carried out by the PFSA in 2023, based on data as of the end of September 2022, 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 1.18% in order to mitigate the risk and 0.89% for Tier 1 capital (on individual basis: 1.38% and 1.03% 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 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.

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%,
- the level of margin realized in the Bank on FX retail 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,
- internal capital adequacy assessment for this portfolio.

The Bank's implementation of a settlement programme that meets the requirements of the PFSA's methodology, as well as the revision of cash flow estimates associated with the foreign currency mortgage portfolio and the resulting reduction in the gross carrying value of these loans, resulted in a significant decrease in foreign currency housing loan exposures and thus a decrease in the additional capital requirement.

Capital ratios both on consolidated and individual basis in the third quarter of 2023 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.

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.

The template below 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
		30.09.2023	30.06.2023	30.09.2023
1	**Credit risk (excluding CCR)**	**67 261 484**	**72 127 158**	**5 380 919**
2	Of which the standardised approach	23 772 499	23 460 589	1 901 800
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	3 942 186	4 051 393	315 375
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	39 546 799	44 615 176	3 163 744
6	**Counterparty credit risk - CCR**	**2 735 686**	**1 653 675**	**218 855**
7	Of which the standardised approach	1 653 166	1 062 919	132 253
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	6 387	6 316	511
EU 8b	Of which credit valuation adjustment - CVA	343 933	201 053	27 515
9	Of which other CCR	732 200	383 387	58 576
15	**Settlement risk**	**-**	**-**	
16	**Securitisation exposures in the non-trading book (after the cap)**	**5 273 917**	**1 410 126**	**421 913**
17	Of which SEC-IRBA approach	5 273 917	1 410 126	421 913
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)**	**944 316**	**890 213**	**75 545**
21	Of which the standardised approach	944 316	890 213	75 545
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**11 852 173**	**11 852 173**	**948 174**
EU 23a	Of which basic indicator approach		-	-
EU 23b	Of which standardised approach	11 852 173	11 852 173	948 174
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	3 503 221	3 481 102	280 258
29	**Total**	**88 067 576**	**87 933 345**	**7 045 406**

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
		30.09.2023
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**45 466 867**
2	Asset size (+/-)	1 142 117
3	Asset quality (+/-)	835 347
4	Model updates (+/-)	-
5	Methodology and policy (+/-)	-
6	Acquisitions and disposals (+/-)	-
7	Foreign exchange movements (+/-)	349 119
8	Other - launch of the transaction of syntethic securitisation (+/-)	(7 062 086)
9	**Risk weighted exposure amount as at the end of the reporting period**	**40 731 364**

5. Liquidity risk

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

As of September 30, 2023, the LCR ratio of mBank Group reached 238% and in the third quarter of 2023 the LCR measure remained on a safe level, significantly exceeding 100%.

In the third quarter of 2023, 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 8.7 billion compared with the previous quarter) compared to a slight increase in lending activity (by PLN 1.3 billion compared with the previous quarter). Moreover, in September 2023, the Group carried out an issue of green NPS (Non-Preferred senior) bonds with a nominal value of EUR 750 million as part of the EMTN (Euro Medium Term Notes) program. The bonds meet the requirements regarding the minimum level of own funds and liabilities subject to write down or conversion (MREL). 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 September 30, 2023.

The high-quality liquid assets of mBank in the liquidity buffer (HQLA) used to calculate the LCR ratio consisted of Level 1 assets only and included as of September 30, 2023:

- coins and banknotes in different currencies,
- Polish treasury bonds in PLN,
- bills issued by the National Bank of Poland in PLN,
- treasury bonds issued by the central governments of the EU Member States in EUR and CZK, and by the US Treasury in USD,
- German, Austrian and French treasury bills issued in EUR,
- American treasury bills issued in USD,
- bonds issued by the European Investment Bank in PLN, and guaranteed by the State Treasury bonds of the Polish Development Fund in PLN and Bank Gospodarstwa Krajowego in PLN and EUR,
- excess of the required reserve in the National Bank of Poland and the National Bank of Czech,
- 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 September 30, 2023 accounted for 92.65% of all external sources of financing. The deposit base is diversified, and the deposits of the 10 largest customers as of September 30, 2023 accounted for 2.6% of the deposit base. The other sources of financing are:

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

The mBank Group identifies the following foreign currencies as significant and subject to separate reporting in accordance with Art. 4(5) of the EU Commission Delegated Regulation 2015/61 and with Art. 415(2) of the CRR Regulation: CZK and EUR. The LCR ratio for these currencies was above 100%. The significance of CZK and EUR currencies is related to i.a. running two foreign branches in the Czech Republic and Slovakia. The potential currency mismatch is limited at the level of the real liquidity gap in individual currencies.

As of September 30, 2023, the impact of the adverse market scenario on derivatives accounted for 0.69% of the total unweighted outflow value included in the LCR.

EU LIQ1 – Quantitative information of LCR, addressing disclosure requirements of art. 451a(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	30.09.2023	30.06.2023	31.03.2023	31.12.2022	30.09.2023	30.06.2023	31.03.2023	31.12.2022
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)					69 752	62 950	57 049	53 516
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	132 165	128 623	124 742	119 791	10 670	10 349	9 946	9 368
3	*Stable deposits*	*88 765*	*87 168*	*86 105*	*86 328*	*4 438*	*4 358*	*4 305*	*4 316*
4	*Less stable deposits*	*43 400*	*41 455*	*38 637*	*33 463*	*6 232*	*5 990*	*5 641*	*5 052*
5	Unsecured wholesale funding	45 466	44 535	43 537	42 436	18 977	18 462	18 018	17 587
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*8 388*	*8 537*	*8 936*	*9 491*	*1 996*	*2 029*	*2 125*	*2 260*
7	*Non-operational deposits (all counterparties)*	*36 875*	*35 848*	*34 380*	*32 708*	*16 778*	*16 283*	*15 672*	*15 090*
8	*Unsecured debt*	*203*	*150*	*221*	*237*	*203*	*150*	*221*	*237*
9	*Secured wholesale funding*								
10	Additional requirements	22 294	22 211	22 062	22 011	4 842	4 626	4 397	4 330
11	*Outflows related to derivative exposures and other collateral requirements*	*2 662*	*2 465*	*2 259*	*2 223*	*2 662*	*2 465*	*2 259*	*2 223*
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	*19 632*	*19 746*	*19 803*	*19 788*	*2 180*	*2 161*	*2 138*	*2 107*
14	Other contractual funding obligations	1 016	*1 146*	1 119	992	836	976	948	817
15	Other contingent funding obligations	16 054	16 111	15 860	15 961	717	719	702	676
16	TOTAL CASH OUTFLOWS					36 042	35 132	34 011	32 778
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	8 729	5 382	2 661	-	-	-	-	-
18	Inflows from fully performing exposures	4 390	5 342	5 843	5 848	3 266	4 171	4 643	4 634
19	Other cash inflows	583	540	460	471	583	540	460	471
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	13 702	11 264	8 964	6 319	3 849	4 712	5 103	5 105
EU-20a	*Fully exempt inflows*	-	-	-	-		-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-		-	-	-
EU-20c	*Inflows subject to 75% cap*	*13 702*	*11 264*	*8 964*	*6 319*	*3 849*	*4 712*	*5 103*	*5 105*
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					69 752	62 950	57 049	53 516
22	TOTAL NET CASH OUTFLOWS					32 193	30 420	28 908	27 673
23	LIQUIDITY COVERAGE RATIO					217%	207%	197%	193%

6. 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.

Representation of the Management Board of mBank S.A.

The Management Board of mBank S.A. declares that, to the best of its knowledge, the information presented in this "Disclosures regarding capital adequacy of mBank S.A. Group as at 30 September 2023" were prepared in accordance with the formal policies and internal processes, as well as, systems and controls agreed upon at the Management Board level, and give a true view of the facts. Furthermore, the risk management arrangements are adequate and give assurance that the risk management systems in use are appropriate in terms of the risk profile and strategy of the mBank Group.

The Management Board of mBank S.A. approves this "Disclosures regarding capital adequacy of mBank S.A. Group as at 30 September 2023".

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