2019

Disclosures regarding capital adequacy of mBank S.A. Group as at 30 June 2019

Warsaw, 20 August 2019

Contents:

1. Introduction

On the basis of Regulation (UE) 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 (hereinafter referred to as CRR Regulation) and on the basis of other regulations laying down implementing technical standards with regard to information disclosure, also in accordance with the Disclosure Policy of mBank SA (hereinafter referred to as mBank) available on website www.mbank.pl, information based on the data for mBank SA Group prudentially consolidated (hereinafter referred to as mBank Group) according to the requirements of the CRR Regulation are contained in the presented document.

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 30 June 2019. The scope of entities included in prudential consolidation is different from the scope of entities included in accounting consolidation based on International Financial Reporting Standards (hereinafter referred to as the IFRS).

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

2. Scope of prudential consolidation

According to the CRR Regulation, mBank as a significant subsidiary of an EU parent institution prepares the consolidated prudentially financial data based on the rules of prudential consolidation described in the CRR Regulation.

The consolidated prudentially financial data of mBank Group for the first half of the year 2019 (hereinafter referred to as Prudentially consolidated financial data for the first half of the year 2019) is presented in the Explanatory Note 27 of mBank Group IFRS Condensed Consolidated Financial Statements for the first half of the year 2019 (hereinafter referred to as the Consolidated financial statements for the first half of the year 2019).

The accounting policies applied for the preparation of the Prudentially consolidated financial data for the first half of the year 2019 are the same as those, which have been applied to the Consolidated financial statements for the first half of the year 2019, prepared in compliance with IFRS, except for the consolidation standards presented below. The consolidated profit presented in the Prudentially consolidated financial data for the first half of the year 2019 may be included in consolidated Common Equity Tier 1 for the purpose of calculation of consolidated Common Equity Tier 1 capital ratio, consolidated Tier 1 capital ratio and consolidated total capital ratio with the prior permission of the Polish Financial Supervisory Authority (hereinafter referred to as PFSA).

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 first half of the year 2019 include the following entities:

1. mBank S.A.
2. mBank Hipoteczny S.A.
3. mCentrum Operacji Sp. z o.o. w likwidacji
4. mFaktoring S.A.
5. mFinance France S.A.
6. mFinanse S.A.
7. mLeasing Sp. z o.o.
8. Tele-Tech Investment Sp. z o.o.
9. Future Tech FIZ
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 first half of the year 2019.

3. Capital adequacy

One of the main tasks of the balance sheet management is to ensure an appropriate level of capital. Within the framework of the capital management policy of mBank Group, mBank prepares the guidelines for the most effective planning and use of capital basis 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 policy in mBank Group is based on two basic pillars:

- maintenance of an optimal level and structure of own funds with the application of available methods and means, like among others retention of net profit, subordinated loan or issue of shares,
- effective use of existing capital, among others through application of a set of measures of effective use of the capital, limitation of activities that do not provide an expected rate of return and development of products with lower capital absorption.

Effective use of capital is an integral part of the capital management policy oriented at reaching an optimal rate of return on capital and as a result forming a stable fundament of reinforcement of the capital basis in future periods. This enables to maintain the Common Equity Tier 1 capital ratio (calculated as a quotient of Common Equity Tier 1 capital to the total risk exposure amount), Tier 1 ratio (calculated as a quotient of Tier 1 capital to the total risk exposure amount) and the total capital ratio (calculated as a quotient of own funds to the total risk exposure amount) at least on the level required by the supervision authority.

The capital strategic goals of mBank Group are aimed at maintaining the consolidated total capital ratio, as well as the consolidated Tier 1 capital ratio and the Common Equity Tier 1 capital ratio above the level required by the supervision authority. It allows to maintain safe business development 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 30 June 2019 is presented in point 4.1. In point 4.2 the structure of consolidated own funds of mBank Group as at 30 June 2019 is presented.

4.1. Main information

COMMON EQUITY TIER 1 CAPITAL

Capital instruments and the related share premium accounts

The share capital, supplementary capital and reserve capital of mBank Group prudentially consolidated were included in Capital instruments and the related share premium accounts item as at 30 June 2019.

Capital instruments and the related share premium accounts	
Paid up capital	169 330
Supplementary capital from sales of shares over the nominal value	3 405 338
Other supplementary capital	9 826 282
Other reserve capitals	98 353
Total	**13 499 303**

Retained earnings

In Retained earnings item the profit from the previous years of mBank Group prudentially consolidated as at 30 June 2019 in the amount of PLN 350 951 thousand were included.

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 a general meeting. As at 30 June 2019 the funds for general banking risk of mBank Group prudentially consolidated amounted to PLN 1 153 753 thousand.

Accumulated other comprehensive income

Accumulated other comprehensive income as at 30 June 2019 amounted to PLN 179 488 thousand. The structure of accumulated other comprehensive income of mBank Group prudentially consolidated as at 30 June 2019 is described below.

Accumulated other comprehensive income	
Exchange differences on translation of foreign operations	- 5 414
Cash flow hedges	121 306
Valuation of financial assets at fair value through other comprehensive income	72 914
Actuarial gains and losses related to post-employment benefits	- 9 318
Total	**179 488**

REGULATORY ADJUSTMENTS /

DEDUCTIONS FROM THE COMMON EQUITY TIER 1 CAPITAL

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 30 June 2019 in the amount of PLN 31 875 thousand.

Intangible assets

In accordance with Article 37 of the CRR Regulation, intangible assets 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 30 June 2019 amounted to PLN 793 523 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 institution's own credit risk related to derivative liabilities are not offset with those arising from its counterparty credit risk. As at 30 June 2019 the amount of PLN 2 745 thousand from fair value gains and losses was included in Common Equity Tier 1 capital of mBank Group.

Negative amount resulting from the calculation of expected loss amounts

mBank, being an institution calculating risk-weighted exposure amounts with the application of the AIRB approach, is obliged to include in calculation of own funds the negative amounts resulting from the calculation of expected loss amounts. According to Article 36 (1d), the negative amounts resulting from the calculation specified in Articles 158 and 159 of the CRR Regulation were included in consolidated Common Equity Tier 1 capital of mBank Group prudentially consolidated as at 30 June 2019 in the amount of PLN 128 005 thousand.

Net impairment losses

In net impairment losses item as at 30 June 2019 the impairment or reversal of impairment on financial assets not measured at fair value through profit or loss for the first half of the year 2019 were included in the amount of PLN 327 163 thousand. Applied approach is compliant with the provisions of the Commission delegated Regulation (EU) No 183/2014 of 20 December 2013 supplementing the CRR Regulation with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments.

Regulatory adjustments relating to accumulated other comprehensive income

Regulatory adjustments in the amount of PLN 121 306 thousand regarding accumulated other comprehensive income as at 30 June 2019 constitute adjustments item to the item Accumulated other comprehensive income, mentioned above.

ADDITIONAL TIER 1 CAPITAL

In mBank Group, items that could be treated as Additional Tier 1 capital are not identified.

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.

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 200 000 thousand, issued by the Bank on 9 October 2018 with the redemption date on October 10 October 2030, 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 550 000 thousand, issued by the Bank on 9 October 2018 with the redemption date on October 10 October 2028, as instruments in Tier 2 capital.

As at 30 June 2019 the amount of PLN 2 458 050 thousand was included in consolidated Tier 2 capital from the virtue of the above mentioned tranches of capital instruments.

TOTAL CAPITAL

The amount of consolidated own funds of mBank Group prudentially consolidated as at 30 June 2019 was presented in Total capital item constituting the sum of consolidated Common Equity Tier 1 capital and consolidated Tier 2 capital.

The consolidated own funds of mBank Group as at 30 June 2019 amounted to PLN 16 236 928 thousand.

4.2 Structure of consolidated own funds

In accordance with the provisions of Regulation No 1423/2013, the structure of own funds as of 30 June 2019 is presented below based on Appendix No 4 to the Regulation No 1423/2013.

Common Equity Tier 1 capital: instruments and reserves	
Capital instruments and the related share premium accounts	13 499 303
Retained earnings	350 951
Accumulated other comprehensive income (OCI)	179 488
Funds for general banking risk	1 153 753
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**15 183 495**
Common Equity Tier 1 capital: regulatory adjustments	
Additional value adjustments	- 31 875
Intangible assets (net of related deferred tax liability)	-793 523
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	- 2 745
Negative amount resulting from the calculation of expected loss amounts	- 128 005
Net impairment losses	- 327 163
Regulatory adjustments relating to OCI	- 121 306
Total regulatory adjustments to Common equity Tier 1	**- 1 404 617**
Common Equity Tier 1 capital	**13 778 878**
Additional Tier 1 (AT1) capital: instruments	
Capital instruments and the related share premium accounts	0
Additional Tier 1 capital before regulatory adjustments	**0**
Additional Tier 1 capital: regulatory adjustments	
Direct and indirect holdings by an institution of own AT1 instruments	0
Total regulatory adjustments to Additional Tier 1 capital	**0**
Additional Tier 1 capital	**0**
Tier 1 capital (CET1 + AT1)	**13 778 878**
Tier 2 capital: instruments and provisions	
Capital instruments and the related share premium accounts	2 458 050
Tier 2 capital before regulatory adjustments	**2 458 050**
Tier 2 capital: regulatory adjustments	
Direct and indirect holdings by an institution of own Tier 2 capital instruments and subordinated loans	0
Total regulatory adjustments to Tier 2 capital	**0**
Tier 2 capital	**2 458 050**
Total capital (T1 + T2)	**16 236 928**
Total risk weighted assets	**82 602 495**
Capital ratio and buffers	
Common Equity Tier 1 (as a percentage of risk exposure amount)	**16,68%**
Tier 1 (as a percentage of risk exposure amount)	**16,68%**
Total capital (as a percentage of total risk exposure amount)	**19,66%**
Additional own funds requirement related to Pillar II adjustments to cover FX lending risk to unhedged borrowers*	3,64%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1a) plus capital conservation and countercyclical buffer requirements, plus systematic risk buffer, plus the systemically important institution buffer expressed as a percentage of risk exposure amount)	10,37%
of which: capital conservation buffer requirement	2,50%
of which: countercyclical buffer requirement	0,05%
of which: systemic risk buffer requirement	2,82%
of which: Global Systemically Important Institution (G-SII) or Other System Important Institution (O-SII) buffer	0,50%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount))	7,95%

** Additional own funds requirement related to Pillar II adjustments updated in 2018 based on an administrative decision of PFSA of October 15th , 2018 and subsequent correspondence of November 29th, 2018 . Detailed information on additional own funds requirement related to Pillar II are available in section 5.3 Supervisory requirements regarding capital ratios.*

5. Capital requirements

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 (hereinafter referred to as the mBH) to the calculation of the 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 25 July 2016 mLeasing obtained approval from ECB and PFSA to the application of the AIRB approach to the calculation of capital requirement for credit risk.

On 4 November 2014 mBank SA received conditional consent of PFSA to use AIRB approach to the calculation of capital requirement for credit risk with respect to non-mortgage retail exposures. On 22 May 2017 mBank SA received consent to remove the supervisory floor, according to which the minimum own funds requirement for credit risk in this portfolio had to be maintained at least at the level required in the standardised approach. 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 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.

In the first half of 2018 mBank submitted application for material change in LGD model for Retail portfolio and for consent to changing the AIRB roll-out plan by means of substituting the specialised lending model (commodities, objects, projects) with the AIRB slotting approach, instead of central model. As of 30 June 2019 both applications were in the process of verification by regulatory bodies – European Central Bank and PSFA.

In the calculation of the total capital ratio of mBank Group as of 30 June 2019, 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

mBank Group adjusts the own funds 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 own funds at the level adequate to the profile and the level of risk in mBank Group's operations.

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).

During the first half of 2019 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 the standardised approach applied to calculation of the capital charge for operational risk. Bank calculated capital to cover hard to quantify risks. Diversification between different risks was not included while calculating total economic capital.

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

- risk inventory in mBank Group,
- calculation of internal capital for coverage of risk,
- 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.

In order to assess the adequacy of internal capital mBank calculates risk coverage potential (RCP), i.e. economic 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.

Risk Coverage Potential in mBank Group stays well above economic capital.

The internal capital adequacy assessment process is accepted by the Supervisory Board of mBank. The whole internal capital adequacy assessment process is reviewed annually. The Management Board of mBank is responsible for the internal capital adequacy assessment process in mBank Group.

5.3. Supervisory requirements regarding capital ratios

According to provisions of the CRR Regulation the Bank and the 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 June 2019 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 June 2019 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.

mBank Group calculates the bank-specific 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 Group are located.

The capital buffer at the end of June 2019 amounted to 0,05%. Exposures of foreign branches in Czech Republic and in Slovakia, where countercyclical buffer rates as of 30 June 2019 amounted to 1,25% and 1,25% respectively, had an impact on the mBank Group specific countercyclical capital buffer.

The amount of the Group institution-specific countercyclical capital buffer (in PLN thousand)

	30.06.2019
Total risk exposure amount	82 602 495
Institution specific countercyclical buffer rate (%)	0,045556%
Institution specific countercyclical buffer requirement*	37 630

**Calculated as the institution-specific countercyclical buffer rate applied to the total risk exposure amount*

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 July 31st, 2018 amounted to 0,5% of the total risk exposure amount, calculated in accordance with article 92(3) of CRR Regulation, to be maintained on individual and consolidated levels. The required capital buffer was applicable as of 30 June 2019.

Starting from January 1st, 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 fact that not all exposures are located in Poland, due to mBank two foreign branches in Czech Republic and in Slovakia, the systemic risk buffer rate applicable to mBank Group amounted to 2,82% in June 2019.

Consequently, the combined buffer requirement set for the mBank Group as of the end of June 2019 amounted to 5,87% of the total risk exposure amount.

Additionally, as a result of the annual risk assessment carried out in 2018 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 3,64% in order to mitigate the risk and 2,73% for Tier 1 capital (on individual basis: 4,18% and 3,14% 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 BION score quantifying the risk of foreign exchange retail mortgage loans portfolio, taking into account the specific nature of the Bank portfolio, the following factors were taken into account:

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

The level of the required capital ratios for mBank Group encompasses in total:

- the basis requirement resulting from CRR provisions to maintain the total capital ratio of 8% and the Tier 1 ratio of 6%,
- the combined buffer requirement of additional 5,87%,
- the additional capital charge in Pillar II on consolidated basis associated with the portfolio of FX housing loans: 3,64% at the level of total capital ratio and 2,73% at the level of Tier 1 capital (on individual basis: 4,18% and 3,14% respectively).

Capital ratios in the first half of 2019 were above the required values. With a considerable surplus of own funds mBank Group comfortably meets the additional own funds requirement related to Pillar II and the combined buffer requirement.

The Bank decided, for the purpose of capital adequacy calculation, including calculation of own funds, based on the Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 (Regulation) amending Regulation (EU) No 575/2013 in light of Article 1 paragraph 9 of the Regulation, not to apply the transitional arrangements that would mitigate the impact on capital resulting from the introduction of IFRS9. Information on own funds, capital ratios and leverage ratio, presented in the document already reflect the full impact of IFRS 9.

mBank Group	30.06.2019		31.03.2019	
Capital ratio	Required level	Reported level	Required level	Reported level
Total capital ratio (TCR)	17,51%	19,66%	17,50%	20,65%
Tier 1 ratio*	14,60%	16,68%	14,59%	17,55%

**Tier 1 ratio reported in mBank Group is equal to CET 1 ratio*

5.4. 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, 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 amounts including supervisory floor.

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

EU OV1 – Overview of RWAs, addressing disclosure requirements of art. 438 letters c) to f) of CRR Regulation.

			RWAs		Minimum capital requirements
			30.06.2019	31.03.2019	30.06.2019
	1	**Credit risk (excluding CCR)**	**70 144 654**	**68 975 207**	**5 611 572**
art. 438 lit. c) i d)	2	Of which the standardised approach	16 503 540	15 981 064	1 320 283
art. 438 lit. c) i d)	3	Of which the foundation IRB (FIRB) approach		0	0
art. 438 lit. c) i d)	4	Of which the advanced IRB (AIRB) approach	53 641 114	52 994 143	4 291 289
art. 438 lit. d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	0	0	**0**
art. 107 art. 438 lit. c) i d)	6	**CCR**	**1 260 489**	**1 097 438**	**100 840**
art. 438 lit. c) i d)	7	Of which mark to market	1 004 380	883 270	80 351
art. 438 lit. c) i d)	8	Of which original exposure	0	0	0
	9	Of which the standardised approach	0	0	0
	10	Of which internal model method (IMM)	0	0	0
art. 438 lit. c) i d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	1 772	1 452	142
art. 438 lit. c) i d)	12	Of which CVA	254 337	212 716	20 347
art. 438 lit. e)	13	**Settlement risk**	**0**	**0**	**0**
art. 449 lit. o) i i)	14	**Securitisation exposures in the banking book (after the cap)**	**0**	**0**	**0**
	15	Of which IRB approach	0	0	0
	16	Of which IRB supervisory formula approach (SFA)	0	0	0
	17	Of which internal assessment approach (IAA)	0	0	0
	18	Of which standardised approach	0	0	0
art. 438 lit. e)	19	**Market risk**	**903 579**	**790 926**	**72 286**
	20	Of which the standardised approach	903 579	790 926	72 286
	21	Of which IMA	0	0	0
art. 438 lit. e)	22	**Large exposures**	0	0	0
art. 438 lit. f)	23	**Operational risk**	**7 993 942**	**7 993 942**	**639 515**
	24	Of which basic indicator approach	0	0	0
	25	Of which standardised approach	7 993 942	7 993 942	639 515
	26	Of which advanced measurement approach	0	0	0
art. 437 ust. 2), art. 48 i art. 60	27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**2 299 831**	**714 776**	**183 987**
art. 500	28	**Floor adjustment**	**0**	**0**	**0**
	29	**Total**	**82 602 495**	**79 572 289**	**6 608 200**

EU CR10 – IRB, specialised 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.

Specialised lending							
Regulatory categories	Remaining maturity	On- balance-sheet amount	Off-Balance- sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Category 1	Less than 2.5 years	0	0	50%	0	0	0
	Equal to or more than 2.5 years	60 392	19	70%	60 408	42 286	241
Category 2	Less than 2.5 years	1 333 417	714 169	70%	1 493 936	1 043 537	5 976
	Equal to or more than 2.5 years	5 290 978	949 326	90%	5 351 221	4 799 220	42 810
Category 3	Less than 2.5 years	16 507	21 385	115%	23 198	26 394	649
	Equal to or more than 2.5 years	320 761	30	115%	320 786	364 755	8 982
Category 4	Less than 2.5 years	66	0	250%	66	126	5
	Equal to or more than 2.5 years	37 974	0	250%	37 974	94 644	3 038
Category 5	Less than 2.5 years	230 439	0	0%	230 439	0	115 220
	Equal to or more than 2.5 years	286 506	0	0%	286 506	0	143 252
Total	Less than 2.5 years	1 580 429	735 554		1 747 639	1 070 057	121 850
	Equal to or more than 2.5 years	5 996 611	949 375		6 056 895	5 300 905	198 323

Equity under the simple risk-weighted approach						
Categories	On- balance-sheet amount	Off-Balance- sheet amount	Risk weight	Exposure amount	RWAs	Capital requirements
Private equity exposures			190%			
Exchange-traded equity exposures			290%			
Other equity exposures			370%			
Total						

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

	mBank Group in PLN m	Risk weighted exposure amount for credit and counterparty credit risk, including supervisory floors	Capital requirements
1	**Risk weighted exposure amount as of 31 December 2018**	67 983	5 439
2	Asset size	5 553	444
3	Asset quality	-147	-12
4	AIRB model updates	-394	-32
5	Methodology and policy	586	47
6	Acquisitions and disposals	0	0
7	Foreign exchange movements	-130	-10
8	**Risk weighted exposure amount as of 30 June 2019**	73 451	5 876

Asset size

The category covers structural changes of the credit portfolio capturing among others new and matured credit exposures. In the first half of 2019 a significant increase in corporate and retail lending was recorded.

Asset quality

This category covers: rating migrations, reclassification of exposures to defaulted status and the returns to a non-defaulted status.

Model updates

In light of AIRB approach applied to calculation of risk-weighted exposure amount for credit and counterparty credit risk, model recalibrations had an impact on RWA movement in the first half of 2019.

As of 30 June 2019 the AIRB approach was applied to the calculation of own funds requirement for credit and counterparty credit risk for the following portfolios:

- mBank corporate portfolio,
- mBank retail mortgage loan portfolio,
- mBank real estate-related specialized lending exposures (IRB slotting approach),
- mBank retail non-mortgage exposures,
- mBank retail microenterprises mortgage loan portfolio (conditional consent),
- bank exposures (conditional consent),
- mLeasing credit exposures,
- mBank Hipoteczny specialized lending - income producing real estate exposures (IRB slotting approach).

In the case of portfolios with a conditional consent to the application of AIRB approach mBank Group applies supervisory floor. It means that where own funds requirement for credit risk calculated under AIRB approach is lower than the own funds requirement for credit risk calculated under standardised approach, it is necessary to supplement it up to the level of the own funds requirement calculated under the standardised approach.

In the case of mBank retail microenterprises mortgage loan portfolio and commercial bank exposures high significance conditions specified by the bank supervision have been met which has to be confirmed by supervisory authority.

Methodology and policy

In the first half of 2019 new accounting standard IFRS16 was implemented, which resulted in a new non-credit assets category and in an increase in RWA. Risk weight for exposures to governments or central banks denominated in the domestic currency of any of the EU member states, other than the reporting currency, was increased in line with CRR provisions with no significant impact on the capital ratios of mBank Group.

Foreign exchange movements

Despite the significant share of foreign currency credit portfolio in mBank Group, portfolio foreign exchange movements had no significant impact on the level of risk-weighted exposure amount in the first half of 2019.

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 mitigation techniques in place.

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:

		a)	b)	c)	d)	e)
		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	56 455 001	46 515 311	44 860 822	1 654 489	Na
2	Total debt securities	37 247 845	27 112	27 112	0	Na
3	**Total exposures**	93 702 847	46 542 423	44 887 934	1 654 489	**Na**
4	Of which defaulted	1 133 397	774 005	723 596	50 409	Na

EU CR4 – Standardised approach – Credit risk exposure and CRM effects, addressing disclosure requirements of art. 453 letter g) of CRR Regulation:

		a)	b)	c)	d)	e)	f)
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	36 018 914	2 812	36 064 049	605	2 331 337	6,46%
2	Regional government or local authorities	433 508	74 064	551 222	25 774	115 395	20,00%
3	Public sector entities	77 999	31 174	27 190	14 587	20 888	50,00%
4	Multilateral development banks	2 474 736	0	2 474 736	0	0	0,00%
5	International organisations	0	0	0	0	0	0,00%
6	Institutions	336 208	9 094	379 326	4 733	185 702	48,35%
7	Corporates	7 982 420	4 998 061	7 723 329	1 531 575	9 160 701	98,98%
8	Retail	2 391 368	680 517	2 391 368	149 126	1 902 817	74,90%
9	Secured by mortgages on immovable property	10 592 101	33 777	10 592 101	16 888	4 266 142	40,21%
10	Exposures in default	417 285	2 774	372 437	1 646	440 869	117,85%
11	Exposures associated with particularly high risk	47 869	0	47 869	0	71 803	150,00%
12	Covered bonds	0	0	0	0	0	0,00%
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0,00%
14	Collective investment undertakings	0	0	0	0	0	0,00%
15	Equity	217 188	0	217 188	0	225 913	104,02%
16	Other items	13 563	12	13 563	12	13 575	100,00%
17	Total	**61 003 159**	**5 832 285**	**60 854 378**	**1 744 946**	**18 735 142**	**29,93%**

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 portfolio where Group applies standardized approach, broken down by assets classes and risk weights:

	Exposure classes	Risk weight								
		0%	2%	4%	10%	20%	35%	50%	70%	75%
1	Central governments or central banks	34 733 679	0	0	373 252	43 607	0	0	0	0
2	Regional government or local authorities	19	0	0	0	576 977	0	0	0	0
3	Public sector entities	0	0	0	0	0	0	41 777	0	0
4	Multilateral development banks	2 474 736	0	0	0	0	0	0	0	0
5	International organisations	0	0	0	0	0	0	0	0	0
6	Institutions	80	0	0	0	21 604	0	361 986	0	0
7	Corporates	0	0	0	0	0	0	120 863	0	0
8	Retail	0	0	0	0	0	0	0	0	2 540 485
9	Secured by mortgages on immovable property	0	0	0	0	0	9 530 418	303 374	0	0
10	Exposures in default	0	0	0	0	0	0	0	0	0
11	Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0
12	Covered bonds	0	0	0	0	0	0	0	0	0
13	Institutions and corporates with a short-term credit assess-ment	0	0	0	0	0	0	0	0	0
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0
15	Equity	0	0	0	0	0	0	0	0	0
16	Other items	0	0	0	0	0	0	0	0	0
17	**Total**	**37 208 514**	**0**	**0**	**373 252**	**642 188**	**9 530 418**	**828 000**	**0**	**2 540 485**

	Exposure classes	Risk weight					Others	Deducted	Total	Of which unrated
		100%	150%	250%	370%	1250%				
1	Central governments or central banks	0	0	914 116	0	0	0	0	36 064 654	2 283 285
2	Regional government or local authorities	0	0	0	0	0	0	0	576 996	120 776
3	Public sector entities	0	0	0	0	0	0	0	41 777	0
4	Multilateral development banks	0	0	0	0	0	0	0	2 474 736	0
5	International organisations	0	0	0	0	0	0	0	0	0
6	Institutions	389	0	0	0	0	0	0	384 059	128 320
7	Corporates	9 134 041	0	0	0	0	0	0	9 254 904	9 134 040
8	Retail	9	0	0	0	0	0	0	2 540 494	2 540 495
9	Secured by mortgages on immovable property	762 280	12 917	0	0	0	0	0	10 608 989	10 608 989
10	Exposures in default	240 513	133 570	0	0	0	0	0	374 083	374 083
11	Exposures associated with particularly high risk	0	47 869	0	0	0	0	0	47 869	47 869
12	Covered bonds	0	0	0	0	0	0	0	0	0
13	Institutions and corporates with a short-term credit assess-ment	0	0	0	0	0	0	0	0	0
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0
15	Equity	211 372	0	5 816	0	0	0	0	217 188	217 188
16	Other items	13 575	0	0	0	0	0	0	13 575	13 575
17	**Total**	**10 362 179**	**194 356**	**919 932**	**0**	**0**	**0**	**0**	**62 599 324**	**25 468 620**

EU CR6 - IRB approach – Credit risk exposures by exposure class and PD range, addressing disclosure requirements of art. 452 letter d) to g) and j) 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 portfolio where Group applies AIRB approach.

		a	b	c	d	e	f	g	h	i	j	k	l
	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Exposure class	**Retail mortgage portfolio (microfirms)**												
	from 0.00 to 0.15	13 815	8 209	83,45%	20 664	0,11%	43	41,16%	5	1 763	8,53%	10	
	from 0.15 to 0.25	206 066	12 840	81,78%	216 567	0,21%	649	33,75%	5	24 321	11,23%	152	
	from 0.25 to 0.50	670 885	64 203	84,38%	725 056	0,37%	1 792	35,27%	5	127 627	17,60%	928	
	from 0.50 to 0.75	447 946	58 475	94,49%	503 201	0,61%	1 325	33,79%	5	123 302	24,50%	1 043	
	from 0.75 to 2.50	531 298	67 940	108,93%	605 302	1,29%	1 687	34,46%	5	244 759	40,44%	2 691	
	from 2.50 to 10.00	167 326	5 323	154,75%	175 563	4,66%	434	35,88%	5	155 690	88,68%	2 918	
	from 10.00 to 100.00	94 802	416	233,57%	95 773	20,25%	227	30,57%	5	128 702	134,38%	6 024	
	100.00 (Default))	149 030	118	0,00%	149 030	100,00%	278	56,56%	5	169 672	113,85%	80 161	
	Subtotal	**2 281 168**	**217 524**	**96,54%**	**2 491 156**	**7,65%**	**6 435**	**35,83%**	**5**	**975 836**	**39,17%**	**93 927**	**96 039**
Exposure class	**Retail mortgage portfolio (natural persons)**												
	from 0.00 to 0.15	14 067 296	608 502	60,69%	14 436 623	0,08%	84 410	26,95%	5	773 696	5,36%	2 941	
	from 0.15 to 0.25	3 658 477	119 767	60,79%	3 731 288	0,19%	19 658	26,72%	5	411 962	11,04%	1 924	
	from 0.25 to 0.50	3 250 228	130 135	65,32%	3 335 233	0,35%	16 673	27,32%	5	583 698	17,50%	3 209	
	from 0.50 to 0.75	1 091 425	44 173	63,69%	1 119 557	0,60%	5 496	28,12%	5	296 832	26,51%	1 906	
	from 0.75 to 2.50	1 123 279	59 003	65,85%	1 162 130	1,29%	5 951	28,66%	5	515 431	44,35%	4 317	
	from 2.50 to 10.00	703 061	12 207	57,09%	710 030	5,48%	2 915	27,47%	5	687 793	96,87%	10 610	
	from 10.00 to 100.00	565 266	1 924	54,84%	566 321	17,05%	1 822	27,19%	5	858 467	151,59%	26 742	
	100.00 (Default))	794 893	304	0,00%	794 893	100,00%	2 057	60,07%	5	1 197 701	150,67%	404 817	
	Subtotal	**25 253 925**	**976 015**	**61,69%**	**25 856 075**	**3,80%**	**138 982**	**28,13%**	**5**	**5 325 580**	**20,60%**	**456 466**	**455 030**

Exposure class	Retail non-mortgage portfolio (microfirms)												
	from 0.00 to 0.15	88 755	347 681	79,99%	366 874	0,11%	14 321	49,82%	1	38 674	10,54%	199	
	from 0.15 to 0.25	254 257	498 928	74,08%	623 869	0,19%	23 653	48,62%	1	97 274	15,59%	589	
	from 0.25 to 0.50	953 110	505 160	80,00%	1 357 245	0,39%	41 103	37,13%	2	256 972	18,93%	1 904	
	from 0.50 to 0.75	1 298 728	282 308	86,94%	1 544 172	0,62%	39 307	33,30%	2	358 958	23,25%	3 202	
	from 0.75 to 2.50	3 637 979	423 406	92,83%	4 031 011	1,39%	102 529	32,32%	2	1 282 198	31,81%	18 169	
	from 2.50 to 10.00	2 249 697	147 710	106,97%	2 407 702	4,66%	67 196	35,32%	2	1 077 944	44,77%	38 770	
	from 10.00 to 100.00	997 198	17 038	121,01%	1 017 816	20,74%	26 217	30,51%	2	611 806	60,11%	67 261	
	100.00 (Default))	564 488	2 184	0,00%	564 488	100,00%	18 009	72,21%	2	488 343	86,51%	385 307	
	Subtotal	**10 044 212**	**2 224 415**	**84,02%**	**11 913 177**	**8,06%**	**332 335**	**36,73%**	**2**	**4 212 169**	**35,36%**	**515 401**	**523 420**
Exposure class	**Retail non-mortgage portfolio (natural persons)**												
	from 0.00 to 0.15	720 353	2 045 788	70,56%	2 163 850	0,10%	293 602	48,25%	1	265 742	12,28%	1 012	
	from 0.15 to 0.25	793 933	1 371 895	66,49%	1 706 108	0,19%	242 175	49,08%	2	350 440	20,54%	1 618	
	from 0.25 to 0.50	1 307 848	894 694	71,50%	1 947 578	0,37%	251 610	49,87%	2	614 041	31,53%	3 575	
	from 0.50 to 0.75	1 176 880	372 691	76,83%	1 463 221	0,62%	188 662	50,55%	2	632 491	43,23%	4 589	
	from 0.75 to 2.50	3 667 627	562 106	77,45%	4 102 999	1,38%	555 134	50,79%	3	2 474 334	60,31%	28 740	
	from 2.50 to 10.00	2 349 791	136 968	85,35%	2 466 692	4,48%	298 904	50,32%	3	1 911 875	77,51%	55 589	
	from 10.00 to 100.00	756 151	28 973	86,74%	781 282	21,15%	102 501	50,57%	3	909 655	116,43%	83 758	
	100.00 (Default))	829 071	6 076	0,00%	829 071	100,00%	82 470	69,97%	2	959 023	115,67%	530 206	
	Subtotal	**11 601 654**	**5 419 191**	**71,21%**	**15 460 801**	**7,65%**	**2 015 058**	**51,05%**	**2**	**8 117 601**	**52,50%**	**709 086**	**716 185**
Exposure class	**Corporations - medium and small enterprises**												
	from 0.00 to 0.15	275 997	421 859	38,53%	438 559	0,08%	296	42,70%	2	65 505	14,94%	140	
	from 0.15 to 0.25	135 812	122 547	36,10%	180 056	0,18%	93	40,84%	2	48 225	26,78%	131	
	from 0.25 to 0.50	824 720	496 465	47,99%	1 062 981	0,35%	345	39,82%	2	402 519	37,87%	1 486	
	from 0.50 to 0.75	803 563	419 223	47,66%	1 003 366	0,63%	463	34,85%	2	463 553	46,20%	2 191	
	from 0.75 to 2.50	4 472 335	1 599 620	44,35%	5 181 758	1,48%	1 911	37,75%	2	3 421 030	66,02%	28 511	
	from 2.50 to 10.00	1 881 923	415 225	42,69%	2 059 194	3,95%	843	35,30%	2	1 685 870	81,87%	28 025	
	from 10.00 to 100.00	119 776	26 523	33,92%	128 773	22,56%	111	35,31%	2	176 814	137,31%	10 525	
	100.00 (Default))	130 205	4 337	83,25%	133 814	100,00%	67	65,34%	2	278 556	208,17%	72 639	
	Subtotal	**8 644 331**	**3 505 799**	**44,05%**	**10 188 501**	**3,25%**	**4 129**	**37,78%**	**2**	**6 542 072**	**64,21%**	**143 648**	**119 843**

Exposure class	**Corporations - other**												
	from 0.00 to 0.15	894 982	2 858 602	26,67%	1 657 384	0,07%	140	46,69%	2	356 939	21,54%	546	
	from 0.15 to 0.25	880 814	1 593 609	24,44%	1 270 243	0,18%	79	51,44%	2	533 800	42,02%	1 182	
	from 0.25 to 0.50	2 608 518	2 287 168	51,73%	3 791 657	0,37%	251	43,55%	2	2 299 008	60,63%	6 063	
	from 0.50 to 0.75	1 816 180	1 050 483	54,89%	2 392 809	0,60%	209	44,56%	3	1 936 368	80,92%	6 406	
	from 0.75 to 2.50	6 840 693	4 393 937	41,21%	8 651 599	1,30%	734	45,67%	2	8 876 478	102,60%	51 424	
	from 2.50 to 10.00	1 724 775	1 425 721	34,22%	2 212 704	3,97%	444	41,84%	2	2 692 821	121,70%	35 476	
	from 10.00 to 100.00	186 106	117 065	44,00%	237 616	18,06%	253	40,46%	2	483 328	203,41%	16 752	
	100.00 (Default))	1 008 261	181 298	48,68%	1 096 521	100,00%	359	72,42%	2	1 149 282	104,81%	846 299	
	Subtotal	**15 960 329**	**13 907 883**	**38,47%**	**21 310 533**	**6,43%**	**2 469**	**46,51%**	**2**	**18 328 024**	**86,00%**	**964 148**	**909 481**
Exposure class	**Corporations - specialized lending exposures**												
	Subtotal	**7 577 040**	**1 684 929**	**13,50%**	**7 804 534**	**0,00%**	**445**	**0,00%**	**4**	**6 370 961**	**81,63%**	**320 173**	**260 888**
Exposure class	**Institutions**												
	from 0.00 to 0.15	957 932	3 249 782	31,52%	1 982 424	0,05%	70	47,43%	1	376 154	18,97%	498	
	from 0.15 to 0.25	82 081	11 603	44,83%	87 283	0,18%	9	43,58%	1	35 108	40,22%	68	
	from 0.25 to 0.50	472 089	15 329	37,61%	477 854	0,36%	17	45,29%	1	292 137	61,14%	786	
	from 0.50 to 0.75	102 157	16 173	43,50%	109 192	0,61%	6	21,13%	1	34 270	31,38%	143	
	from 0.75 to 2.50	63 003	34 282	63,04%	84 614	1,75%	13	57,91%	1	114 002	134,73%	902	
	from 2.50 to 10.00	781	51 326	45,13%	23 944	2,80%	2	44,28%	1	32 646	136,34%	299	
	from 10.00 to 100.00	2	0	0,00%	2	47,34%	1	42,50%	5	4	259,26%	0	
	100.00 (Default))	0	0		0	0,00%	0		0	0	0,00%	0	
	Subtotal	**1 678 045**	**3 378 495**	**32,18%**	**2 765 313**	**0,21%**	**118**	**46,20%**	**1**	**884 321**	**31,98%**	**2 696**	**1 838**
Total (all portfolios)		**83 040 704,00**	**31 314 251**	**47,10%**	**97 790 090**	**5,14%**	**1 099 855**	**36,28%**	**3**	**50 756 564,00**	**51,90%**	**3 205 545**	**3 082 725**

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

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

6. Leverage ratio

Since 2014 mBank Group calculates leverage ratio according to the CRR Regulation provisions. The purpose of the introduction of the supplementary measure depicting relation between Tier I capital and exposure measure for balance and off balance sheet exposures by the regulators was to reduce excessive and unsustainable debt of credit institutions that may be inadequate to capital base in place.

Information regarding leverage ratio presented below are compliant with regulatory reporting provided by mBank to NBP. Calculations are made according to the rules of CRR Regulation taking into account Commission Delegated Regulation 2015/62 as of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio. Disclosures regarding leverage ratio follow the rules defined in Commission Implementing Regulation 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

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

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures (in PLN thousand)

		30.06.2019
1	**Total assets as per published financial statements**	**152 433 213**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	49 766
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	1 786 582
5	Adjustment for securities financing transactions (SFTs)	3 439 073
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	11 684 459
EU-6A	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
EU-6B	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-5 778 744
8	**Leverage ratio total exposure measure**	**163 614 349**

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.

Table LRCom: Leverage ratio common disclosure (in PLN thousand)

		30.06.2019
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	145 376 787
2	(Asset amounts deducted in determining Tier 1 capital)	-1 404 617
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**143 972 170**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	874 206
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	2 052 315
EU-5A	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivatives exposures**	**2 926 521**
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	4 485 145
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	546 053
EU-14A	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15A	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures**	**5 031 198**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	37 020 025
18	(Adjustments for conversion to credit equivalent amounts)	-25 335 566
19	**Other off-balance sheet exposures**	**11 684 459**
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
EU-19A	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19B	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
	Capital and total exposure measure	
20	Tier 1 capital	13 778 878
21	Leverage ratio total exposure measure	163 614 349
	Leverage ratio	
22	Leverage ratio	8,42%
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	transitional
EU-24	Choice on transitional arrangements for the definition of the capital measure	0

mBank as a significant subsidiary of a EU parent institutions which is of material significance for its local market, discloses information indicated in article 13(1) of CRR Regulation on a sub-consolidated basis.

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

Exposure value, Tier 1 capital and leverage ratio of mBank Group calculated in accordance with a transitional definition of Tier 1 capital as of 30 June 2019 and 31 December 2018 (in PLN thousand)

	30.06.2019	31.12.2018
Exposure value	163 614 349	154 750 096
Capital and regulatory adjustments		
Tier 1 capital - transitional definition	13 778 878	13 317 233
Regulatory adjustments - Tier 1 - transitional definition	-1 404 617	-1 072 117
Leverage ratio		
Leverage Ratio - using a transitional definition of Tier 1	8,42%	8,61%

The leverage ratio of the Group in the first half of 2019 was driven by the following factors:

- inclusion, in Common Equity Tier 1 capital, of the remaining part (not included earlier) of the net profit of mBank Group for the year 2018 as approved by the General Meeting of Shareholders;
- inclusion in the calculation of own funds of the amount of impairment or reversal of impairment of financial assets not measured at fair value in the financial result for the first half of 2019;
- expansion of the mBank Group business activity.

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

Capital Management Committee performs the essential role in management of risk of excessive leverage in mBank Group. Management of this risk comprises two fundamental perspectives: calculation and monitoring of leverage ratio and analysis of mismatches between assets and obligations including the calculation of measures: NSFR (net stable funding ratio), M3 (coverage ratio of non–liquid assets with own funds), M4 (coverage ratio of non–liquid assets and limited liquidity assets with own funds and stable external funds). Both elements of the procedure, calculation of the leverage ratio according to CRR requirements and mismatches analysis, are performed by the Integrated Risk Management Department. Actual leverage ratio is regularly monitored and compared to peer group. In order to assure fulfilment of upcoming regulatory requirement mBank Group has aspiration to keep leverage ratio at the level of 7%. Target is monitored and verified at least on a yearly basis.

mBank counteracts risk of excessive leverage taking into account potential increase in mentioned risk caused by own funds drop associated with expected or incurred losses. 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, in the light of rapidly changing market environment, mBank also examines capital adequacy in adverse macroeconomic scenarios, understood as risk scenario accepted by the Management Board.

7. Credit risk adjustments

In accordance with the requirements of IFRS 9, in force from January 1, 2018, the Bank applies a model of impairment of financial assets based on the concept of expected credit loss which includes information about future events. Valuation allowances and provisions are measured at the level of a single contract or exposure (agreement) by measuring expected credit losses (ECL). If on the reporting date the exposure credit risk did not increase significantly since the initial recognition, the Bank calculates impairment provisions in the amount equal to 12-month expected credit losses (12m ECL). If the exposure credit risk increased significantly since the initial recognition, the Bank calculates impairment provisions in the amount equal to lifetime expected credit losses (Lt ECL).

In the individual approach (all balance sheet and off-balance sheet credit exposures with an impairment in the corporate loan portfolio are treated as individually significant), the expected credit losses are calculated as a difference between the gross carrying amount of the asset and the present value of the estimated future cash flows discounted with the effective interest rate. The method of calculating the expected recoveries takes place in scenarios and depends on the Bank's chosen strategy for the client.

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).

In the first half of 2019, there was an increase in credit risk costs in both corporate and retail banking segments, resulted from changes in the portfolio's loss ratio. The increase in the impaired portfolio was partially mitigated by the debt collection process carried out in the retail banking segment.

Impaired and overdue exposures

EU CR1-A – Credit quality of exposures by exposure class and instrument, addressing disclosure requirements of art. 442 letter g) and h) of CRR Regulation which presents a breakdown of the defaulted and non-defaulted exposures by exposure classes. The information is provided separately for exposures under the standardised approach and the IRB approach - in PLN thousand.

		a)	b)	c)	d)	e)	f)	g)
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					
1	Central governments or central banks	0	0	0	0	0	0	0
2	Institutions	0	5 056 541	1 838	0	0	0	5 054 702
3	Corporates	1 324 100	49 956 211	1 290 165	0	1 574	-99 606	49 990 146
4	Of which: Specialised lending	0	9 261 969	260 888	0	0	-8 812	9 001 081
5	Of which: SMEs	134 541	12 015 589	119 798	0	0	-5 186	12 030 331
6	Retail	2 346 164	55 671 939	1 788 415	0	102 869	-119 403	56 229 689
7	Secured by real estate property	944 346	27 784 285	550 141	0	17 221	-58 569	28 178 490
8	SMEs	149 148	2 349 543	95 989	0	4 870	-8 802	2 402 703
9	Non-SMEs	795 198	25 434 742	454 152	0	12 351	-49 767	25 775 787
10	Qualifying revolving	0	0	0	0	0	0	0
11	Other retail	1 401 818	27 887 654	1 238 274	0	85 648	-60 834	28 051 199
12	SMEs	566 671	11 701 956	523 008	0	26 342	-15 373	11 745 620
13	Non-SMEs	835 147	16 185 698	715 266	0	59 306	-45 461	16 305 579
14	Equity	0	0	0	0	0	0	0
15	**Total IRB approach**	**3 670 264**	**110 684 691**	**3 080 418**	**0**	**104 442 929**	**-219 009**	**111 274 537**

16	Central governments or central banks	0	36 021 728	2	0	0	0	36 021 726
17	Regional governments or local authorities	0	507 917	346	0	0	0	507 571
18	Public sector entities	0	109 202	29	0	0	0	109 174
19	Multilateral development banks	0	2 474 736	0	0	0	0	2 474 736
20	International organisations	0	0	0	0	0	0	0
21	Institutions	0	345 623	321	0	0	0	345 302
22	Corporates	0	13 021 383	40 902	0	2 071	-26	12 980 481
23	Of which: SMEs	0	2 189 382	11 648	0	1 499	-3	2 174 224
24	Retail	0	3 193 987	122 102	0	88	-13	3 071 885
25	Of which: SMEs	0	52 561	31 627	0	0	0	20 934
26	Secured by mortgages on immovable property	0	10 625 921	43	0	0	0	10 625 878
27	Of which: SMEs	0	19 004	0	0	0	0	19 004
28	Exposures in default	1 199 471	0	779 412	0	3 302	-97 386	420 059
29	Items associated with particularly high risk	0	47 869	0	0	0	0	47 868
30	Covered bonds	0	0	0	0	0	0	0
31	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0
32	Collective investments undertakings	0	0	0	0	0	0	0
33	Equity exposures	0	270 641	53 453	0	0	0	217 188
34	Other exposures	0	13 575	0	0	0	0	13 575
35	**Total standardised approach**	**1 199 471**	**66 632 582**	**996 610**	**0**	**5 461**	**-97 425**	**66 835 443**
36	Total	**4 869 735**	**177 317 273**	**4 077 028**	**0**	**109 904**	**-316 434**	**178 109 980**
37	Of which: Loans	4 651 340	108 825 698	3 941 108	0	109 904	-315 927	109 535 930
38	Of which: Debt securities	20 058	32 486 919	0	0	0	-507	32 506 977
39	Of which: Off-balance-sheet exposures	198 337	36 004 656	135 920	0	0	0	36 067 073

EU CR1-B – Credit quality of exposures by industry, addressing disclosure requirements of art. 442 letter g) of CRR Regulation which presents a breakdown of the defaulted and non-defaulted exposures by industry - in PLN thousand.

			a)	b)	c)	d)	e)	f)	g)
			Non-defaulted exposures		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjust-ment charges	Net values
			Defaulted exposures	Non-defaulted exposures					
a)	1	Agriculture, Forestry And Fishing	7 659	233 833	8 367	0	0,00	-2 301	233 124
b)	2	Mining And Quarrying	95 865	451 776	96 622	0	0,00	-2 719	451 018
c)	3	Manufacturing	795 644	18 869 154	594 990	0	175,00	-35 109	19 069 809
d)	4	Electricity, Gas, Steam And Air Conditioning Supply	39 499	1 799 500	28 204	0	0,00	-4 367	1 810 795
e)	5	Water Supply; Sewerage, Waste Management And Remedia-tion Activities	10 520	637 963	9 420	0	0,00	-553	639 063
f)	6	Construction	349 750,00	9 657 868,00	318581	0	60,00	-17 972	9 689 038
g)	7	Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles	353644	13398771	325177	0	12,00	-24 680	13 427 238
h)	8	Transportation And Storage	63004	3484014	58038	0	464,00	-688	3 488 981
i)	9	Accommodation And Food Service Activities	7837	682950	22951	0	0,00	-4 389	667 836
j)	10	Information And Communication	77 054	2 802 987	74 999	0	0,00	-9 776	2 805 042
k)	11	Financial And Insurance Activities	242 274	17 739 490	133 546	0	2,00	-1 038	17 848 219
l)	12	Real Estate Activities	35 925	6 281 934	207 542	0	0,00	-4 746	6 110 317
m)	13	Professional, Scientific And Technical Activities	239 620	3 259 840	147 463	0	45,00	-2 827	3 351 997
	14	Administrative And Support Service Activities	59 471	1 774 496	37 548	0	47,00	-593	1 796 419
o)	15	Public Administration And Defence; Compulsory Social Security	1 023	28 800 683	407	0	0,00	0	28 801 299
p)	16	Education	29 549	149 037	10 896	0	1,00	-1 674	167 690
q)	17	Human Health And Social Work Activities	6 310	572 955	6 439	0	0,00	-1	572 825
r)	18	Arts, Entertainment And Recreation	4 279	328 129	4 168	0	0,00	-347	328 239
s)	19	Other Service Activities	533 046	9 322 571	499 416	0	69 951,00	-28 302	9 356 200
t)	20	Activities Of Households As Employers; Undifferentiated Goods- And Services-Producing Activities Of Households For Own Use	102 172	8 398 951	65 937	0	0,00	-8 260	8 435 187
u)	21	Activities Of Extraterritorial Organisations And Bodies	0	0	0	0	0,00	0	0
	22	Other	1 815 590	48 670 371	1 426 317	0	39 147,00	-166 092	49 059 644
	23	**Total**	**4 869 735**	**177 317 273**	**4 077 028**	**0**	**109 904**	**-316 434**	**178 109 980**

EU CR1-C – Credit quality of exposures by geography, addressing disclosure requirements of art. 442 letter g) of CRR Regulation which presents a breakdown of the defaulted and non-defaulted exposures by significant countries - in PLN thousand.

Group's exposures are located in Europe, therefore the table above does not present geographical areas. Materiality of countries was determined based on its share in the credit portfolio and with application of materiality threshold above 1% in the net value of the portfolio. Countries below the threshold were included in 'other countries' category.

		a)	b)	c)	d)	e)	f)	g)
		Gross Carrying values						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges Defaulted exposures	Gross Carrying values
1	Poland (PL)	4 369 011	161 867 971	3 592 790	0	106 511	-242 494	162 644 192
2	Czech Republic (CZ)	116 945	5 421 528	126 173	0	1 352	-38 844	5 412 300
3	Slovakia (SK)	67 415	1 214 741	72 605	0	2 038	-32 113	1 209 551
4	Germany (DE)	37	2 675 675	1 124	0	0	-2	2 674 588
5	Great Britain (GB)	192	1 215 856	380	0	0	-8	1 215 668
6	Luxemburg (LU)	5	2 825 570	937	0	0	0	2 824 638
7	Other	316 130	2 095 932	283 019	0	3	-2 973	2 129 043
8	***Total***	**4 869 735**	**177 317 273**	**4 077 028**	**0**	**109 904**	**-316 434**	**178 109 980**

EU CR1-D – Ageing of past-due exposures, addressing disclosure requirements of art. 442 letter of CRR Regulation - in PLN thousand.

	a)	b)	c)	d)	e)	f)
	Gross carrying values					
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	4 654 373	691 888	301 445,	262 527	368 552	2 931 116
Debt securities	0	0	0	0	0	0
Total exposures	**4 654 373**	**691 888**	**301 445**	**262 527**	**368 552**	**2 931 116**

EU CR1-E – Non-performing and forborne exposures, addressing disclosure requirements of art. 442 of CRR Regulation - in PLN thousand.:

	a)	b)	c)	d)	e)	f)	g)	h)	i)	j)	k)
	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk			
		Of which performing but past due > 30 days and <= 90 days	Of which: performing forborne	Of which non-performing:				On performing exposures		On non-performing exposures	
					Of which: defaulted	Of which: impaired	Of which: forborne		Of which: forborne		Of which: forborne
Debt securities	34 853 054	0	0	189 013	189 013	45 458	25 013	-5 527	0	-102 241	-82 951
Loans and advances	106 366 630	665 611	840 729	4 864 155	4 296 529	4 386 107	1 507 665	-492 963	-17 046	-2 947 690	-692 840
Off-balance-sheet exposures	30 678 223	0	126 392	7 118 626	196 796	0	186 226	53 718	290	86 616	84 969

	l)	m)
	Collaterals and financial guarantees received	
	On non performing exposures	Of which: forborne exposures
Debt securities	**0**	**0**
Loans and advances	1 051 807	1 153 730
Off-balance-sheet exposures	**0**	**0**

Reconciliation of changes in the specific and general credit risk adjustments

EU CR2-A – Changes in the stock of general and specific credit risk adjustments, addressing disclosure requirements of art. 442 letter i) of CRR Regulation which presents changes in stock of general and specific credit risk adjustments held against loans and debt securities that are defaulted or impaired - in PLN thousand.

	in PLN thous	a) Accumulated specific credit risk adjustment	b) Accumulated general credit risk adjustment
1	**Opening balance 01.01.2019**	**3 175 485**	0
2	Increases due to amounts set aside for estimated loan losses during the period	578 507	0
3	Decreases due to amounts reversed for estimated loan losses during the period	-150 112	0
4	Decreases due to amounts taken against accumulated credit risk adjustments	-195 244	0
5	Transfers between credit risk adjustments	24	0
6	Impact of exchange rate differences	-4 605	0
7	Business combinations, including acquisitions and disposals of subsidiaries	0	0
8	Other adjustments	0	0
9	**Closing balance 30.06.2019**	**3 404 055**	0
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-6	0
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	0	0

For the Opening Balance the reported value is as at 01.01.2019.

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EU CR2-B –Changes in the stock of defaulted and impaired loans and debt securities, the table below is supplementary to the previous one and presents reconciliation of defaulted exposures - in PLN thousand.

	in PLN thous.	a) Gross carrying value defaulted exposures
1	**Opening balance 01.01.2019**	**4 864 149**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	794 536
3	Returned to non-defaulted status	-232 621
4	Amounts written off	-229 022
5	Other changes	-67 744
6	**Closing balance 30.06.2019**	**5 129 298**

For the Opening Balance the reported value is as at 01.01.2019.

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