2020

Disclosures regarding capital adequacy of mBank S.A. Group as at 30 June 2020

Warsaw, 11 August 2020

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 as amended (hereinafter referred to as CRR Regulation) and on the basis of other regulations laying down implementing technical standards with regard to information disclosure, Commission delegated regulations (EU) supplementing the CRR Regulation with regard to regulatory technical standards regarding disclosure of information, Guidelines of the European Banking Authority regarding disclosure of information, 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 2020. 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 as at 30 June 2020 prepared in accordance with the CRR Regulation (hereinafter referred to as Prudentially consolidated financial data for the first half of the year 2020) is presented in the Explanatory Note 28 of mBank Group International Financial Reporting Standards Condensed Consolidated Financial Statements for the first half of the year 2020 (hereinafter referred to as the Consolidated Financial Statements for the first half of the year 2020).

The accounting policies applied for the preparation of the Prudentially consolidated financial data for the first half of the year 2020 are the same as those, which have been applied to the Consolidated Financial Statements for the first half of the year 2020, except for the consolidation standards presented below. The consolidated profit presented in the Prudentially consolidated financial data for the first half of the year 2020 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) or the General Meeting decision on profit division.

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 2020 include the following entities:

1. mBank S.A.
2. mBank Hipoteczny S.A.
3. mFaktoring S.A.
4. mFinance France S.A.
5. mFinanse S.A.
6. mLeasing Sp. z o.o.
7. mElements S.A.
8. Future Tech Fundusz Inwestycyny Zamknięty
9. Tele-Tech Investment Sp. z o.o.
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 2020.

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 total capital ratio, as well as the Tier 1 capital ratio and the Common Equity Tier 1 capital ratio above the level required by the supervision authority. It allows business development while meeting the supervisory requirements in the long perspective.

4. Own funds

The consolidated own funds consist of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital. Detailed information on particular elements of consolidated own funds of mBank Group as at 30 June 2020 is presented in point 4.1. In point 4.2 the structure of consolidated own funds of mBank Group as at 30 June 2020 is presented.

4.1. Main information

COMMON EQUITY TIER 1 CAPITAL

Capital instruments and the related share premium accounts

In the item Capital instruments and the related share premium accounts, the share capital and share premium capital from sales of shares over the nominal value of mBank Group prudentially consolidated were included as at 30 June 2020.

Capital instruments and the related share premium accounts	
Registered share capital	169 330
Share premium	3 410 417
Total	**3 579 747**

Retained earnings

In Retained earnings item the profit from the previous years of mBank Group prudentially consolidated as at 30 June 2020 in the amount of PLN 1 316 450 thousand were included.

Accumulated other comprehensive income (and other reserve capital)

Accumulated other comprehensive income as at 30 June 2020 amounted to PLN 754 019 thousand. The structure of accumulated other comprehensive income of mBank as at 30 June 2020 is presented below.

Accumulated other comprehensive income	
Exchange differences on translation of foreign operations	(5 738)
Cash flow hedges	486 377
Valuation of financial assets at fair value through other comprehensive income	284 698
Actuarial gains and losses related to post-employment benefits	(11 318)
Total	**754 019**

Other reserve capital mBank Group prudentially consolidated as at 30 June 2020 amounted to PLN 9 928 844 thousand. The structure of accumulated other comprehensive income of mBank Group prudentially consolidated as at 30 June 2020 is presented below.

Other reserve capital	
Other supplementary capital	9 826 282
Other reserve capital	102 562
Total	**9 928 844**

Accumulated other comprehensive income and other reserve capital of mBank Group prudentially consolidated as at 30 June 2020 amounted to PLN 10 682 863 thousand.

Funds for general banking risk

mBank Group transfers some of its net profit to the funds for general banking risk to cover unexpected risk and future losses. The funds for general banking risk can be distributed only on consent of shareholders at the General Meeting. As at 30 June 2020 the funds for general banking risk of mBank Group prudentially consolidated amounted to PLN 1 153 753 thousand.

Independently reviewed interim profits

The net profit of mBank Group prudentially consolidated for the first half-year of the year 2020, was not included In calculation of consolidated Common Equity Tier 1 capital as at 30 June 2020.

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 2020 in the amount of PLN 42 127 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 2020 amounted to PLN 1 022 430 thousand.

Reserve capital reflecting the fair value associated with gains or losses on cash flow hedging instruments

In accordance with Article 33 of the CRR Regulation, regulatory adjustments in the amount of PLN 486 377 thousand regarding accumulated other comprehensive income as at 30 June 2020 constituting the Reserve capital reflecting the fair value associated with gains or losses on cash flow hedging instruments item, correct the item accumulated other comprehensive income, mentioned above.

Negative amount resulting from the calculation of expected loss amounts

mBank Group, in 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 2020 in the amount of PLN 22 430 thousand.

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

In accordance with Article 33(2) of the CRR Regulation, the fair value gains and losses arising from the mBank Group's own credit risk related to derivative liabilities are not offset with similar profit and losses arising from its counterparty credit risk. As at 30 June 2020 the fair value gains and losses measured at fair value was not included in Common Equity Tier 1 capital of mBank Group.

Net impairment losses

In Net impairment losses item as at 30 June 2020 the impairment of impairment on financial assets not measured at fair value through profit or loss for the first half of the year 2020 were included in the amount of PLN 761 438 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.

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. In connection with Art. 64 of the CRR Regulation, stated that instruments qualifying as Tier 2 capital in the last five years of their maturity are amortized, as at 30 June 2020, the amount of PLN 682 266 010 thousand was included in Tier 2 capital for the above mentioned subordinated liability.

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

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

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

As at 30 June 2020 the amount of PLN 2 477 716 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 2020 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 2020 amounted to PLN 16 875 727 thousand.

4.2 Structure of consolidated own funds

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

	Common Equity Tier 1 capital (instruments and reserves)	Amount at disclosure date
1	Capital instruments and the related share premium accounts	3 579 747
2	Retained earnings	1 316 450
3	Accumulated other comprehensive income (and other reserve capital)	10 682 863
3a	Funds for general banking risk	1 153 753
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**16 732 813**
Common Equity Tier 1 capital: regulatory adjustments		
7	Additional value adjustments	(42 127)
8	Intangible assets (net related tax liability)	(1 022 430)
11	Reserve capital reflecting the fair value associated with gains or losses on cash flow hedging instruments	(486 377)
12	Negative amount resulting from the calculation of expected loss amounts	(22 430)
14a	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	0
14b	Net impairment losses	(761 438)
28	**Total regulatory adjustments to Common Equity Tier 1**	**(2 334 802)**
29	**Common Equity Tier 1 capital**	**14 398 011**
Additional Tier 1 capital: instruments		
36	Additional Tier 1 capital before regulatory adjustments	0
Additional Tier 1 capital: regulatory adjustments		
43	Total regulatory adjustments to Additional Tier 1 capital	**0**
44	Additional Tier 1 capital	**0**
45	Tier 1 capital (CET1 + AT1)	**14 398 011**
Tier 2 capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	2 477 716
51	**Tier 2 capital before regulatory adjustments**	**2 477 716**
Tier 2 capital: regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 capital**	**0**
58	**Tier 2 capital**	**2 477 716**
59	**Total capital (T1 + T2)**	**16 875 727**
60	**Total risk weighted assets**	**87 619 722**
Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk exposure amount)**	**16,43%**
62	**Tier 1 (as a percentage of risk exposure amount)**	**16,43%**
63	**Total capital (as a percentage of risk exposure amount)**	**19,26%**
63a	Additional own funds requirement related to Pillar II adjustments to cover FX lending risk to unhedged borrowers*	**3.11%**
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systematic risk buffer, plus the systemically important institution buffer (G-SLL or O-SII buffer), expressed as a percentage of risk exposure amount)	**8.10%**
65	of which: capital conservation buffer requirement	**2.50%**
66	of which: countercyclical buffer requirement	**0.05%**
67	of which: systemic risk buffer requirement	**0.00%**
67a	of which: Global Systemically Important Institution (G-SII) or Other System Important Institution (O-SII) buffer	**0.75%**
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)), after covering additional own funds requirement related to Pillar II adjustments	**4.80%**

**additional own funds requirement related to Pillar II adjustments updated in 2019 based on an administrative decision of PFSA of October 15th , 2018 and subsequent correspondence of November 29th, 2019 . Detailed information on additional own funds requirement related to Pillar II are available in section 5.3 Supervisory requirements regarding capital ratios.*

5. Capital requirement

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

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

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

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 2020 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 2020, 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 2020 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 2020 mBank Group was obliged to ensure adequate own funds to meet conservation capital buffer of 2.5% of total risk exposure amount, as defined in the Act.

As of the end of June 2020 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 Group are located. As at the end of June 2020 this ratio amounted to 0.05%.

Exposures of foreign branches in Czech Republic and in Slovakia, where countercyclical buffer rates as of 30 June 2020 amounted to 1.0%, and 1.5% in each, had an impact on the mBank Group specific countercyclical capital buffer.

The amount of the Group institution-specific countercyclical capital buffer

	30.06.2020
Total risk exposure amount	87 619 722
Institution specific countercyclical buffer rate (%)	0.047300%
Institution specific countercyclical buffer requirement*	41 444

**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 October 14th, 2019 amounted to 0.75% of the total risk exposure amount, calculated in accordance with article 92(3) of CRR Regulation, to be maintained on individual and consolidated levels. This buffer was in force as at 30 June 2020.

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

Consequently, the combined buffer requirement set for the mBank Group as of the end of June 2020 amounted to 3.30% of the total risk exposure amount.

Additionally, as a result of the annual risk assessment carried out in 2019 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 3.11% in order to mitigate the risk and 2.33% for Tier 1 capital (on individual basis: 3.62% and 2.71% respectively). Additional capital requirement in Pillar II encompasses also additional risk factors related to the FX mortgage loan portfolio such as operational risk, market risk or risk of collective default of borrowers.

The high level of additional capital requirement in Pillar II resulted from the fact that the PFSA applied one methodology to all banks in Poland. This did not take into account the results of internal models applied by mBank to the calculation of capital requirements for credit risk. According to PFSA's methodology, the calculation of the additional capital requirement for each and every bank uses the risk weight under the standardised approach as a starting point (risk weight 150%).

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

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

Capital ratios both on consolidated and individual basis in the first half of 2020 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.

mBank Group	30 June 2020		31 March 2020	
Capital ratio	Required level	Reported level	Required level	Reported level
Total capital ratio (TCR)	**14.41%**	**19.26%**	**14.42%**	**19.38%**
Of which: FX ADD ON	3.11%		3.11%	
Of which: combined buffer requirement	3.30%		3.31%	
Tier 1 ratio*	**11.63%**	**16.43%**	**11.64%**	**16.51%**
Of which: FX ADD ON	2.33%		2.33%	
Of which: combined buffer requirement	3.30%		3.31%	

**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
			30.06.2020	31.03.2020	30.06.2020
	1	**Credit risk (excluding CCR)**	**74 093 633**	**74 518 189**	**5 927 491**
art. 438 c) and d)	2	Of which: the standardised approach	17 638 998	17 370 095	1 411 120
art. 438 c) and d)	3	Of which: the foundation IRB (FIRB) approach	0	0	0
art. 438 c) and d)	4	Of which: the advanced IRB (AIRB) approach	56 454 635	57 148 094	4 516 371
art. 438 d)	5	Of which: equity IRB under the simple risk-weighted approach or the IMA	0	0	0
art. 107 art. 438 c) and d)	6	**CCR**	**1 692 203**	**2 155 735**	**135 376**
art. 438 c) and d)	7	Of which: mark to market	1 373 138	1 855 268	109 851
art. 438 c) and d)	8	Of which: original exposure			0
	9	Of which: the standardised approach	0	0	0
	10	Of which: internal model method (IMM)	0	0	0
art. 438 c) and d)	11	Of which: risk exposure amount for contributions to the default fund of a CCP	2 596	2 994	207
art. 438 c) and d)	12	Of which: CVA	316 469	297 473	25 318
art. 438 e)	13	**Settlement risk**	**0**	**0**	**0**
art. 449 o) and 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 e)	19	**Market risk**	**854 669**	**964 987**	**68 374**
	20	Of which: the standardised approach	854 669	964 987	68 374
	21	Of which: IMA	0	0	0
art. 438 e)	22	**Large exposures**	0	0	**0**
art. 438 f)	23	**Operational risk**	**8 834 765**	**8 834 765**	**706 781**
	24	Of which: basic indicator approach	0	0	0
	25	Of which: standardised approach	8 834 765	8 834 765	706 781
	26	Of which: advanced measurement approach	0	0	0
art. 437 2), art. 48 and art. 60	27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**2 144 452**	**2 289 403**	**171 556**
art. 500	28	**Floor adjustment**	**0**	**0**	**0**
	29	**Total**	**87 619 722**	**88 763 079**	**7 009 578**

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	220 779	5 060	50%	222 246	111 123	0
	Equal to or more than 2.5 years	69 732	0	70%	69 732	48 812	279
Category 2	Less than 2.5 years	2 009 403	1 184 936	70%	2 368 433	1 655 573	9 474
	Equal to or more than 2.5 years	5 843 280	191 256	90%	5 852 331	5 253 154	46 819
Category 3	Less than 2.5 years	120 095	27 296	115%	128 700	147 347	3 604
	Equal to or more than 2.5 years	387 893	9 299	115%	390 600	448 096	10 937
Category 4	Less than 2.5 years	0	0	250%	0	0	0
	Equal to or more than 2.5 years	16 415	0	250%	16 415	41 038	1 313
Category 5	Less than 2.5 years	160 336	0	0%	160 336	0	80 168
	Equal to or more than 2.5 years	361 641	0	0%	361 641	0	180 820
Total	**Less than 2.5 years**	**2 510 613**	**1 217 291**		**2 879 715**	**1 914 043**	**93 245**
	Equal to or more than 2.5 years	**6 678 960**	**200 555**		**6 690 719**	**5 791 101**	**240 168**

Equity under the simple risk-weighted approach						
Off-Balance- sheet amount	Off-Balance-sheet amount	Off-Balance-sheet amount	Off-Balance-sheet amount	Off-Balance-sheet amount	Off-Balance- sheet amount	Off-Balance-sheet amount
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 2019**	**75 014**	**6 001**
2	Asset size	1 799	144
3	Asset quality	106	8
4	AIRB model updates	0	0
5	Methodology and policy	0	0
6	Acquisitions and disposals	0	0
7	Foreign exchange movements	695	56
8	**Risk weighted exposure amount as of 30 June 2020**	**77 614**	**6 209**

Asset size

The category covers structural changes of the credit portfolio, including new and mature credit exposures. In the first half of 2020, there was an increase in the volume of loans in the corporate and retail portfolios.

Asset quality

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

Model updates

At the end of the first half of 2020, the AIRB method was used to calculate credit requirements for counterparty credit risk for:

- 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

At the beginning of 2020, the risk weight for exposures to governments and central banks denominated in a currency other than the reporting currency increased. This had no significant impact on the mBank Group solvency ratio.

Foreign exchange movements

An important part of the mBank Group's loan portfolio in the first half of 2020 were credit exposures in foreign currencies. Thus exchange rate fluctuations during the first half of 2020 had a significant impact on the value of risk-weighted exposures.

Information about the structure of risk-weighted assets

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

EU 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	87 564 929	50 748 325	49 335 296	1 413 029	Not applicable
2	Total debt securities	45 572 252	1 679 492	16 246	1 663 245	Not applicable
3	**Total exposures**	**156 059 478**	**59 230 712**	**54 735 986**	**4 494 727**	Not applicable
4	Of which: defaulted	1 573 634	875 288	865 057	10 231	Not applicable

EU CR4 – Standardised approach – Credit risk exposure and counterparty credit risk with 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 amo-unt	Off-balance-sheet amount	On-balance-sheet amo-unt	Off-balance-sheet amo-unt	RWAs	RWA density
1	Central governments or central banks	57 471 305	2 936	57 472 559	747	1 971 856	3,43%
2	Regional government or local authorities	240 322	40 033	348 583	19 998	73 710	20,00%
3	Public sector entities	84 681	48 386	39 146	17 634	29 086	51,22%
4	Multilateral development banks	2 419 627	0	2 419 627	0	0	0,00%
5	International organisations	0	0	0	0	0	0,00%
6	Institutions	557 955	49 001	665 305	10 953	211 552	31,28%
7	Corporates	7 849 283	6 626 951	7 539 772	1 803 728	9 315 912	99,70%
8	Retail	3 309 501	698 893	3 309 501	148 046	2 591 350	74,95%
9	Secured by mortgages on immovable property	10 578 879	32 843	10 578 879	16 421	4 155 468	39,22%
10	Exposures in default	613 510	9 750	604 726	3 569	721 574	118,62%
11	Exposures associated with particularly high risk	68 631	0	68 631	0	102 947	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	320 618	0	320 618	0	454 582	141,78%
16	Other items	20 313	41 894	20 313	41 894	62 208	100,00%
17	**Total**	**83 534 625**	**7 550 687**	**83 387 660**	**2 062 990**	**19 690 245**	**23,04%**

EU CR5 - Standardised approach, addressing disclosure requirements of art. 444 letter e) of CRR Regulation and presents regulatory exposure values post conversion factor and post risk mitigation techniques for a part of credit and credit counterparty portfolio where 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	56 451 519	0	0	0	253 298	0	0	0	0
2	Regional government or local authorities	32	0	0	0	368 548	0	0	0	0
3	Public sector entities	0	0	0	0	0	0	55 391	0	0
4	Multilateral development banks	2 419 627	0	0	0	0	0	0	0	0
5	International organisations	0	0	0	0	0	0	0	0	0
6	Institutions	80	180 578	0	0	132 870	0	362 730	0	0
7	Corporates	0	0	0	0	0	0	265	0	0
8	Retail	0	0	0	0	0	0	0	0	3 457 546
9	Secured by mortgages on immovable property	0	0	0	0	0	9 708 993	263 392	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 assessment	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**	**58 871 258**	**180 578**	**0**	**0**	**754 716**	**9 708 993**	**681 778**	**0**	**3 457 546**

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

	Exposure classes	Risk weight							Total	Of which unrated
		100%	150%	250%	370%	1250%	Others	Deducted		
1	Central governments or central banks	19	0	768 471	0	0	0	0	57 473 306	2 316 745
2	Regional government or local authorities	0	0	0	0	0	0	0	368 581	108 959
3	Public sector entities	1 390	0	0	0	0	0	0	56 781	1 390
4	Multilateral development banks	0	0	0	0	0	0	0	2 419 627	0
5	International organisations	0	0	0	0	0	0	0	0	0
6	Institutions	1	0	0	0	0	0	0	676 259	430 252
7	Corporates	9 343 236	0	0	0	0	0	0	9 343 500	9 343 226
8	Retail	0	0	0	0	0	0	0	3 457 546	3 457 546
9	Secured by mortgages on immovable property	610 911	12 005	0	0	0	0	0	10 595 300	10 595 300
10	Exposures in default	381 734	226 560	0	0	0	0	0	608 294	608 294
11	Exposures associated with particularly high risk	0	68 631	0	0	0	0	0	68 631	68 631
12	Covered bonds	0	0	0	0	0	0	0	0	0
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0
15	Equity	231 309	0	89 309	0	0	0	0	320 618	320 618
16	Other items	62 208	0	0	0	0	0	0	62 208	62 208
17	**Total**	**10 630 808**	**307 196**	**857 780**	**0**	**0**	**0**	**0**	**85 450 651**	**27 313 169**

EU CR6 – IRB approach – Credit risk and counterparty credit 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 and counterparty 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)**												
	od 0.00 do 0.15	314 214	29 980	84,84%	339 651	0,12%	974	31,32%	0	24 344	7,17%	134	
	od 0.15 do 0.25	499 826	75 579	93,23%	570 286	0,19%	1 437	35,26%	0	62 757	11,00%	384	
	od 0.25 do 0.50	522 276	59 200	103,88%	583 774	0,36%	1 325	35,86%	0	104 137	17,84%	757	
	od 0.50 do 0.75	267 834	26 229	131,02%	302 198	0,62%	721	34,94%	0	77 128	25,52%	655	
	od 0.75 do 2.50	437 331	59 298	156,84%	530 332	1,33%	1 350	36,80%	0	236 061	44,51%	2 632	
	od 2.50 do 10.00	171 549	8 085	190,68%	186 965	4,32%	413	35,33%	0	157 476	84,23%	2 846	
	od 10.00 do 100.00	90 415	490	595,23%	93 331	20,46%	205	30,26%	0	123 009	131,80%	5 870	
	100.00 (Default))	141 884	398	0,00%	141 884	100,00%	265	58,88%	0	316 650	223,18%	64 082	
	Subtotal	**2 445 329**	**259 259**	**116,91%**	**2 748 420**	**6,61%**	**6 690**	**36,22%**	**0**	**1 101 563**	**40,08%**	**77 361**	**75 122**
Exposure class	**Retail mortgage portfolio (natural persons)**												
	od 0.00 do 0.15	20 255 452	754 808	58,52%	20 697 165	0,08%	124 042	27,69%	0	1 243 738	6,01%	4 804	
	od 0.15 do 0.25	3 968 264	167 703	61,36%	4 071 167	0,19%	23 416	28,91%	0	480 205	11,80%	2 233	
	od 0.25 do 0.50	2 361 550	101 384	67,54%	2 430 022	0,34%	13 573	29,36%	0	446 976	18,39%	2 436	
	od 0.50 do 0.75	755 726	26 932	82,78%	778 020	0,61%	3 987	28,72%	0	212 063	27,26%	1 366	
	od 0.75 do 2.50	1 069 825	26 646	70,66%	1 088 654	1,33%	5 336	28,33%	0	484 564	44,51%	4 097	
	od 2.50 do 10.00	849 856	4 059	64,03%	852 456	5,53%	3 371	26,99%	0	817 638	95,92%	12 662	
	od 10.00 do 100.00	357 064	1 676	107,36%	358 863	17,11%	1 215	27,72%	0	550 531	153,41%	16 961	
	100.00 (Default))	779 237	1 008	0,00%	779 237	100,00%	1 995	60,42%	0	1 209 216	155,18%	394 525	
	Subtotal	**30 396 976**	**1 084 217**	**60,74%**	**31 055 583**	**3,03%**	**176 935**	**28,83%**	**0**	**5 444 931**	**17,53%**	**439 083**	**442 631**

		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 non-mortgage portfolio (microfirms)**												
	od 0.00 do 0.15	90 206	281 532	78,01%	309 827	0,12%	10 014	48,51%	0	34 814	11,24%	184	
	od 0.15 do 0.25	281 161	749 355	80,22%	882 315	0,20%	27 922	50,04%	0	143 422	16,26%	877	
	od 0.25 do 0.50	1 085 396	849 384	77,67%	1 745 082	0,37%	50 838	38,94%	0	333 923	19,14%	2 449	
	od 0.50 do 0.75	1 127 111	318 412	85,86%	1 400 503	0,62%	34 308	33,26%	0	326 077	23,28%	2 905	
	od 0.75 do 2.50	3 298 393	616 965	91,03%	3 860 005	1,38%	99 752	35,63%	0	1 326 131	34,36%	19 008	
	od 2.50 do 10.00	2 663 190	210 883	101,98%	2 878 243	4,97%	72 270	33,78%	0	1 251 645	43,49%	48 041	
	od 10.00 do 100.00	1 190 136	20 969	118,99%	1 215 088	18,76%	26 571	28,50%	0	671 001	55,22%	66 227	
	100.00 (Default))	725 692	3 797	3,62%	725 830	100,00%	18 563	65,38%	0	383 838	52,88%	467 232	
	Subtotal	**10 461 286**	**3 051 297**	**83,75%**	**13 016 892**	**8,97%**	**340 238**	**37,69%**	**0**	**4 470 852**	**34,35%**	**606 923**	**656 584**
Exposure class	**Retail non-mortgage portfolio (natural persons)**												
	od 0.00 do 0.15	564 137	1 405 941	73,03%	1 590 892	0,10%	207 286	48,27%	0	205 167	12,90%	800	
	od 0.15 do 0.25	724 456	1 737 662	67,61%	1 899 240	0,19%	263 595	48,79%	0	389 516	20,51%	1 806	
	od 0.25 do 0.50	1 193 602	1 249 277	69,19%	2 058 027	0,35%	269 052	49,68%	0	629 200	30,57%	3 605	
	od 0.50 do 0.75	943 746	313 951	77,56%	1 187 239	0,62%	150 216	50,63%	0	514 464	43,33%	3 737	
	od 0.75 do 2.50	4 110 218	621 849	77,41%	4 591 575	1,42%	573 153	51,14%	0	2 822 707	61,48%	33 348	
	od 2.50 do 10.00	3 002 331	161 493	82,43%	3 135 441	4,57%	325 492	50,79%	0	2 459 307	78,44%	72 835	
	od 10.00 do 100.00	745 336	21 172	84,56%	763 238	18,28%	85 329	51,08%	0	856 756	112,25%	71 436	
	100.00 (Default))	956 103	6 621	0,00%	956 103	100,00%	83 973	68,35%	0	889 902	93,08%	633 055	
	Subtotal	**12 239 928**	**5 517 966**	**71,44%**	**16 181 756**	**8,18%**	**1 958 096**	**51,30%**	**0**	**8 767 018**	**54,18%**	**820 622**	**920 369**
Exposure class	**Corporations - medium and small enterprises**												
	od 0.00 do 0.15	289 672	472 370	39,19%	474 806	0,07%	240	44,04%	3	83 178	17,52%	132	
	od 0.15 do 0.25	131 968	141 255	39,38%	187 600	0,20%	107	29,29%	2	37 745	20,12%	107	
	od 0.25 do 0.50	632 103	507 011	51,90%	895 250	0,39%	377	36,05%	2	326 358	36,45%	1 238	
	od 0.50 do 0.75	721 722	418 770	47,57%	920 942	0,63%	427	35,84%	2	464 902	50,48%	2 066	
	od 0.75 do 2.50	4 338 964	1 829 529	51,42%	5 279 748	1,47%	2 068	34,39%	2	3 218 307	60,96%	26 619	
	od 2.50 do 10.00	2 285 703	602 717	54,12%	2 611 870	4,32%	1 005	32,09%	2	2 020 681	77,37%	38 215	
	od 10.00 do 100.00	208 129	47 142	61,55%	237 144	17,72%	128	31,89%	2	330 288	139,28%	13 798	
	100.00 (Default))	162 956	5 669	44,81%	165 497	100,00%	89	65,01%	2	296 149	178,95%	96 018	
	Subtotal	**8 771 217**	**4 024 463**	**3,90**	**10 772 857**	**1,25**	**4 441**	**3,09**	**2**	**6 777 608**	**62,91%**	**178 193**	**150 050**

		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	**Corporations - other**												
	od 0.00 do 0.15	992 531	2 725 697	33,72%	1 911 644	0,09%	125	45,16%	2	411 013	21,50%	754	
	od 0.15 do 0.25	352 159	1 009 471	49,49%	851 761	0,21%	79	44,84%	2	312 383	36,67%	822	
	od 0.25 do 0.50	1 450 226	1 889 878	40,28%	2 211 418	0,37%	233	49,42%	2	1 279 811	57,87%	3 898	
	od 0.50 do 0.75	2 029 690	1 850 374	45,99%	2 880 645	0,61%	196	47,74%	3	2 461 560	85,45%	8 453	
	od 0.75 do 2.50	6 826 950	4 784 126	43,98%	8 931 150	1,43%	824	43,52%	2	8 922 106	99,90%	55 493	
	od 2.50 do 10.00	1 654 302	1 215 002	48,40%	2 242 319	3,91%	412	43,12%	2	2 838 411	126,58%	37 526	
	od 10.00 do 100.00	277 792	156 488	29,08%	323 302	12,98%	337	41,58%	2	614 011	189,92%	16 015	
	100.00 (Default))	1 022 454	150 515	25,37%	1 060 642	100,00%	389	71,96%	2	1 279 061	120,59%	851 584	
	Subtotal	**14 606 104**	**13 781 551**	**42,13%**	**20 412 880**	**6,60%**	**2 595**	**46,37%**	**2**	**18 118 357**	**88,76%**	**974 545**	**931 514**
Exposure class	**Corporations - specialized lending exposures**												
	Subtotal	**9 189 573**	**1 417 846**	**26,86%**	**9 570 434**		**475**		**4**	**7 705 144**	**80,51%**	**333 413**	**240 220**
Exposure class	**Institutions**												
	od 0.00 do 0.15	2 232 521	4 299 558	32,86%	3 645 306	0,07%	91	45,44%	1	750 771	20,60%	1 086	
	od 0.15 do 0.25	1 323	15 052	32,75%	6 254	0,23%	4	42,81%	3	4 030	64,45%	6	
	od 0.25 do 0.50	590 221	28 277	44,93%	602 926	0,39%	20	43,23%	1	363 216	60,24%	1 016	
	od 0.50 do 0.75	56 733	701	50,00%	57 084	0,56%	3	43,54%	1	40 829	71,52%	139	
	od 0.75 do 2.50	66 957	31 805	41,70%	80 220	1,48%	14	54,22%	1	91 874	114,53%	652	
	od 2.50 do 10.00	25 969	51 950	44,06%	48 859	3,14%	4	52,17%	1	72 910	149,23%	830	
	od 10.00 do 100.00												
	100.00 (Default))												
	Subtotal	**2 973 724**	**4 427 343**	**33,13%**	**4 440 648**	**0,18%**	**136**	**45,34%**	**1**	**1 323 629**	**29,81%**	**3 729**	**1 742**
Total (all portfolios)		**91 084 135**	**33 563 941**	**50,99%**	**108 199 474**	**4,97%**	**2 489 606**	**35,48%**	**3**	**53 709 101**	**49,64%**	**3 433 869**	**3 418 230**

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

		30.06.2020
1	**Total assets as per published financial statements**	**182 942 801**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	81 480
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	2 493 361
5	Adjustment for securities financing transactions (SFTs)	693 202
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	13 392 071
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	(6 854 024)
8	**Leverage ratio total exposure measure**	**192 748 891**

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

		30.06.2020
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	175 552 425
2	(Asset amounts deducted in determining Tier 1 capital)	(2 334 802)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**173 217 623**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	1 244 054
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	2 736 978
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**	**3 981 032**
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2 156 286
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	1 879
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**	**2 158 165**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	40 948 673
18	(Adjustments for conversion to credit equivalent amounts)	(27 556 602)
19	**Other off-balance sheet exposures**	**13 392 071**
	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	14 398 011
21	Leverage ratio total exposure measure	192 748 891
	Leverage ratio	
22	Leverage ratio	7.47%
	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	full
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 2020 and 31 December 2019.

	30.06.2020	31.12.2019
Exposure value	**192 748 891**	168 247 728
Capital and regulatory adjustments		
Tier 1 capital	14 398 011	13 882 865
Include Regulatory adjustments - Tier 1	(2 334 802)	(1 505 817)
Leverage ratio		
Leverage Ratio	7.47%	8.25%

The leverage ratio of the Group in the second 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 2019 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 in one half 2020;
- changes of foreign exchange rates.

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

The valuation of expected credit losses (ECL) is carried out at the level of a single contract or exposure (agreement). In the portfolio approach, expected credit losses are the product of the multiplication of individually estimated for each exposure, values of PD, LGD and EAD and the final value of expected credit losses is the sum of expected credit losses in particular periods, discounted with the effective interest rate. If on the reporting date the exposure credit risk did not increase significantly since the initial recognition, mBank calculates credit loss provisions in the amount equal to the expected credit losses calculated in 12-month horizon (12m ECL). If the exposure credit risk increased significantly since the initial recognition, mBank calculates credit loss provisions in the amount equal to the expected credit losses in the life-time horizon (Lt ECL).

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

The individual approach concerns all on-balance sheet and off-balance sheet credit exposures with impairment in the corporate loan portfolio and Private Banking loan portfolio, which are registered in corporate systems, as well as selected credit exposures with impairment in the retail microfirms loan portfolio (used in the case of exposures with mortgage collateral with a debt balance over PLN 300 thousand and arrears over 1 year.

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 under scenarios and depends on mBank's chosen strategy for the client.

In the case of restructuring strategy, considered scenarios are developed for exposures and assume a significant share of recoveries from the customer's own payments.

In the case of vindication strategy, the scenarios are developed for each recovery source (collateral) separately. mBank identifies scenarios per exposure/ recovery source. Minimum two scenarios are considered obligatory, provided one of them reflects a partial loss on exposure/recovery source. The weight of scenario results from an expert assessment of the likelihood of scenarios based on the relevant characteristics of the case, in particular, on existing security and their type, client's financial situation, client's willingness to cooperate, the risks that may occur in the case and micro- and macroeconomic factors.

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 at FVOCI (Fair Value through Other Comprehensive Income).

Due to the deterioration of the economic situation in the country resulting from the COVID-19 epidemic, the Group has taken in the first half of 2020 additional actions aimed at including this information in the expected credit losses which resulted in the increase of the cost of credit risk in both the corporate and retail exposures portfolio. Expected credit losses increased by PLN 165.9 million in the portfolio measured at amortized cost and by PLN 9.4 million in the portfolio at fair value through profit or loss.

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 for credit risk and counterparty credit risk. The information is provided separately for exposures under the standardised approach and the IRB approach.

		a)	b)	c)	d)	e)	f)	g)
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjust-ment 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	7 401 067	1 742	0	0	0	7 399 325
3	Corporates	1 341 595	50 449 162	1 321 784	0	71 068	-106 717	50 468 972
4	*Of which: Specialised lending*	0	10 607 420	240 220	0	0	-11 915	10 367 200
5	*Of which: SMEs*	168 625	12 627 056	150 050	0	65 750	-5 666	12 645 631
6	Retail	2 614 740	62 841 519	2 094 706	0	140 795	-113 304	63 361 552
7	Secured by real estate property	922 527	33 263 255	517 753	0	5 626	-55 436	33 668 029
8	SMEs	142 282	2 562 307	75 122	0	471	-9 281	2 629 466
9	Non-SMEs	780 245	30 700 948	442 631	0	5 155	-46 156	31 038 562
10	Qualifying revolving	0	0	0	0	0	0	0
11	Other retail	1 692 213	29 578 264	1 576 954	0	135 169	-57 868	29 693 524
12	SMEs	729 489	12 783 093	656 584	0	37 445	-12 661	12 855 999
13	Non-SMEs	962 723	16 795 171	920 369	0	97 724	-45 207	16 837 525
14	Equity	0	0	0	0	0	0	0
15	Total IRB approach	**3 956 335**	**120 691 748**	**3 418 232**	**0**	**211 863**	**-220 021**	**121 229 849**

		a)	b)	c)	d)	e)	f)	g)
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjust-ment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					
16	Central governments or central banks	0	57 474 241	0	0	0	0	57 474 241
17	Regional governments or local authorities	0	280 561	206	0	0	0	280 355
18	Public sector entities	0	133 101	35	0	0	0	133 066
19	Multilateral development banks	0	2 419 627	0	0	0	0	2 419 627
20	International organisations	0	0	0	0	0	0	0
21	Institutions	0	607 369	413	0	0	0	606 956
22	Corporates	0	14 515 974	39 741	0	21 402	-32	14 476 233
23	Of which: SMEs	0	1 832 157	7 856	0	21 315	-5	1 824 302
24	Retail	0	4 054 561	46 114	0	157	-29	4 008 446
25	Of which: SMEs	0	22 814	6 390	0	0	0	16 425
26	Secured by mortgages on immovable property	0	10 611 851	129	0	0	0	10 611 722
27	Of which: SMEs	0	15 825	0	0	0	0	15 825
28	Exposures in default	1 580 307	0	957 047	0	2 242	-78 373	623 261
29	Items associated with particularly high risk	0	68 631	0	0	0	0	68 631
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	55 000	278 537	12 919	0	0	0	320 618
34	Other exposures	0	62 208	0	0	0	0	62 208
35	**Total standardised approach**	**1 635 307**	**90 506 661**	**1 056 604**	**0**	**23 801**	**-78 434**	**91 085 364**
36	**Total**	**5 591 642**	**211 198 409**	**4 474 836**	**0**	**235 664**	**-298 455**	**212 315 214**
37	Of which: Loans	5 345 402	135 115 198	4 299 037	0	123	-296 908	136 161 563
38	Of which: Debt securities	32 260	47 242 850	23 366	0	0	-1 547	47 251 744
39	Of which: Off-balance-sheet exposures	158 980	25 370 215	139 253	0	0	0	25 389 942

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 for credit and counterparty credit risk.

		a)	b)	c)	d)	e)	f)	g)
		Non-defaulted exposures (on-balance and off-balnce sheet)		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
		Defaulted exposures	Non-defaulted exposures					
1	Agriculture, Forestry And Fishing	9 879	323 762	10 789	0	0	-1 999	322 852
2	Mining And Quarrying	102 251	287 027	102 820	0	0	-2 893	286 457
3	Manufacturing	1 181 613	19 214 124	800 144	0	4 477	-39 690	19 595 593
4	Electricity, Gas, Steam And Air Conditioning Supply	17 166	1 623 220	16 169	0	0	-2 756	1 624 217
5	Water Supply; Sewerage, Waste Management And Remediation Activities	20 432	778 898	17 575	0	0	-1 035	781 755
6	Construction	520 238	10 306 935	441 673	0	6	-21 831	10 385 500
7	Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles	624 346	18 394 936	565 413	0	909	-32 615	18 453 872
8	Transportation And Storage	195 590	3 278 320	119 442	0	0	-1 758	3 354 468
9	Accommodation And Food Service Activities	43 563	1 338 381	48 070	0	0	-5 987	1 333 875
10	Information And Communication	98 579	3 639 857	98 783	0	10	-11 166	3 639 653
11	Financial And Insurance Activities	170 286	33 395 718	81 359	0	0	-2 360	33 484 642
12	Real Estate Activities	146 787	8 036 405	242 518	0	0	-11 222	7 940 674
13	Professional, Scientific And Technical Activities	314 445	7 460 644	228 762	0	0	-6 384	7 546 327
14	Administrative And Support Service Activities	40 467	1 299 738	41 796	0	0	-2 090	1 298 410
15	Public Administration And Defence; Compulsory Social Security	1 205	34 855 101	865	0	0	0	34 855 442
16	Education	39 803	324 642	22 709	0	153	-1 650	341 736
17	Human Health And Social Work Activities	15 256	1 257 866	19 439	0	0	-185	1 253 683
18	Arts, Entertainment And Recreation	16 210	670 362	14 404	0	0	-486	672 168
19	Other Service Activities	1 995 787	54 596 808	1 581 020	0	190 282	-152 348	55 011 574
20	Activities Of Households As Employers; Undifferentiated Goods- And Services-Producing Activities Of Households For Own Use	0	1 165 491	0	0	0	0	1 165 491
21	Activities Of Extraterritorial Organisations And Bodies	0	0	0	0	0	0	0
22	Other	37 739	8 950 174	21 086	0	39 827	0	8 966 825
23	**Total**	**5 591 642**	**211 198 409**	**4 474 836**	**0**	**235 664**	**-298 455**	**212 315 214**

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 for credit and counterparty credit risk.

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		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges Defaulted exposures	Gross Carrying values
		Defaulted exposures	Non-defaulted exposures					
1	Poland (PL)	5 070 169	186 065 650	3 991 029	0	233 288	-240 318	187 144 790
2	Czech Republic (CZ)	127 571	8 714 881	124 334	0	1 010	-32 142	8 718 119
3	Slovakia (SK)	57 739	5 712 104	56 121	0	1 237	-22 760	5 713 722
4	Germany (DE)	6 404	3 774 047	6 013	0	8	-102	3 774 438
5	Great Britain (GB)	0	2 754 145	1 002	0	0	0	2 753 144
6	Luxemburg (LU)	827	1 318 006	598	0	122	-27	1 318 235
7	Other	328 932	2 859 576	295 741	0	0	-3 106	2 892 767
8	***Total***	**5 591 642**	**211 198 409**	**4 474 836**	**0**	**235 664**	**-298 455**	**212 315 214**

Non-performing and forborne exposures

In accordance with the EBA guidelines on management of non-performing and forborne exposures, which came into force from 30th June 2019, Banks are obliged to monitor and manage the NPL portfolio. Banks should strive to maintain the value of the NPL portfolio below the threshold set by the regulator at 5%. The NPL ratio calculated in accordance with the EBA guidelines on management of non-performing and forborne exposures (EBA/GL/2018/06) was at 4.68% as at June 30, 2020 and increased by 0.79% compared to the previous quarter.
The increase in the NPL ratio was largely influenced by changes to the implementing technical standards amending Regulation (EU) No 680/2014 on supervisory reporting (EBA /ITS/ 2019/02) according to which there was excluded from the scope of the calculation of the ratio a position "Cash balances at central banks and other demand deposits", amounting to approxi. PLN 12 billion, which decreased the denominator of the NPL ratio.

Credit quality of performing and non-performing exposures by past due days - addressing disclosure requirements (replacing EU CR1-D – Ageing of past due exposures) of art 442 of CRR Regulation.

		a)	b)	c)	d)	e)	f)	g)	h)
		Gross carrying amount/nominal amount							
		Performing exposures			Non-performing exposures				
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years
1	**Loans and advances**	**111 027 297**	**110 542 893**	**484 404**	**5 454 717**	**1 708 539**	**442 925**	**583 263**	**767 311**
2	*Central banks*	3 065 647	*3 065 647*	*0*	0	*0*	*0*	*0*	*0*
3	*General governments*	272 484	*272 484*	*0*	1 069	*0*	*0*	*1*	*0*
4	*Credit institutions*	1 522 994	*1 522 994*	*0*	0	*0*	*0*	*0*	*0*
5	*Other financial corporations*	2 494 188	*2 494 186*	*2*	20 606	*100*	*19*	*0*	*16 722*
6	*Non-financial corporations*	43 906 504	*43 632 551*	*273 953*	2 877 265	*1 224 690*	*220 668*	*258 864*	*237 751*
7	*Of which SMEs*	19 545 961	*19 293 577*	*252 384*	3 045 548	*462 133*	*1 484 532*	*462 133*	*114 412*
8	*Households*	59 765 480	*59 555 031*	*210 449*	2 555 777	*483 749*	*222 238*	*324 398*	*512 838*
9	**Debt securities**	**48 633 442**	**48 633 442**	**0**	**196 691**	**196 691**	**0**	**0**	**0**
10	*Central banks*	5 744 967	*5 744 967*	*0*	0	*0*	*0*	*0*	*0*
11	*General governments*	37 417 081	*37 417 081*	*0*	0	*0*	*0*	*0*	*0*
12	*Credit institutions*	3 428 215	*3 428 215*	*0*	0	*0*	*0*	*0*	*0*
13	*Other financial corporations*	1 186 415	*1 186 415*	*0*	175 479	*175 479*	*0*	*0*	*0*
14	*Non-financial corporations*	856 764	*856 764*	*0*	21 212	*21 212*	*0*	*0*	*0*
15	**Off-balance-sheet exposures**	**38 007 836**			*181 907*				
16	*Central banks*	*2 936*			*0*				
17	*General governments*	*88 588*			*0*				
18	*Credit institutions*	*4 363 251*			*0*				
19	*Other financial corporations*	*428 639*			*0*				
20	*Non-financial corporations*	*22 520 256*			*171 465*				
21	*Households*	*10 604 166*			*10 442*				
22	**Total**	**197 668 575**	**159 176 335**	**484 404**	**5 833 315**	**1 905 230**	**442 925**	**583 263**	**767 311**

		i)	j)	k)	l)
		Gross carrying amount/nominal amount			
		Non-performing exposures			
		Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	**Loans and advances**	**1 066 587**	**301 962**	**584 130**	**5 445 278**
2	*Central banks*	*0*	*0*	*0*	*0*
3	*General governments*	*1 068*	*0*	*0*	*1 069*
4	*Credit institutions*	*0*	*0*	*0*	*0*
5	*Other financial corporations*	*3 450*	*315*	*0*	*20 605*
6	*Non-financial corporations*	*383 187*	*142 321*	*409 784*	*2 877 265*
7	*Of which SMEs*	*155 966*	*136 545*	*229 827*	*14 590*
8	*Households*	*678 882*	*159 326*	*174 346*	*2 546 339*
9	**Debt securities**	**0**	**0**	**0**	
10	*Central banks*	*0*	*0*	*0*	*0*
11	*General governments*	*0*	*0*	*0*	*0*
12	*Credit institutions*	*0*	*0*	*0*	*0*
13	*Other financial corporations*	*0*	*0*	*0*	*175 479*
14	*Non-financial corporations*	*0*	*0*	*0*	*21 212*
15	**Off-balance-sheet exposures**				**181 907**
16	*Central banks*				*0*
17	*General governments*				*0*
18	*Credit institutions*				*0*
19	*Other financial corporations*				*0*
20	*Non-financial corporations*				*171 465*
21	*Households*				*10 442*
22	***Total***	**1 066 587**	**301 962**	**584 130**	**5 627 185**

Performing and non-performing exposures and related provisions - addressing disclosure requirements (replacing EU CR1-D – Ageing of past due exposures) of art 442 of CRR Regulation.

		a)	b)	c)	d)	e)	f)	g)	h)	i)
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		Performing exposures			Non-performing exposures			Performing exposures		
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2
1	**Loans and advances**	**111 027 296**	**10 408 578**	**5 144 838**	**5 454 715**	**52 756**	**5 001 794**	**(630 179)**	**(274 631)**	**(291 032)**
2	*Central banks*	3 065 647	0	0	0	0	0	0	0	0
3	*General governments*	272 484	0	1 069	1 069	1	1 069	(190)	(188)	0
4	*Credit institutions*	1 522 994	1 596	0	0	0	0	(1 001)	(1 000)	0
5	*Other financial corporations*	2 494 188	5 234	20 605	20 605	0	20 605	(1 350)	(1 316)	(34)
6	*Non-financial corporations*	43 906 503	5 049 793	2 809 413	2 877 265	52 755	2 755 688	(214 580)	(95 729)	(54 338)
7	*Of which SMEs*	19 545 962	2 397 303	1 429 377	1 484 532	4 477	1 423 932	(112 046)	(42 388)	(30 095)
8	*Households*	59 765 480	5 351 955	2 313 751	2 555 776	0	2 224 432	(413 058)	(176 398)	(236 660)
9	**Debt securities**	**48 633 442**	**48 255 641**	**41 378**	**32 259**	**0**	**32 259**	**(4 586)**	**(3 220)**	**(1 367)**
10	*Central banks*	5 744 967	5 744 967	0	0	0	0	0	0	0
11	*General governments*	37 417 081	37 406 972	0	0	0	0	(168)	(168)	0
12	*Credit institutions*	3 428 215	3 393 183	0	0	0	0	(597)	(597)	0
13	*Other financial corporations*	1 186 415	938 639	0	11 047	0	11 047	(669)	(669)	0
14	*Non-financial corporations*	856 764	771 880	41 378	21 212	0	21 212	(3 152)	(1 786)	(1 367)
15	**Off-balance-sheet exposures**	**38 007 836**	**36 550 347**	**2 376 062**	**181 907**	**0**	**181 907**	**(77 537)**	**(45 212)**	**(32 325)**
16	*Central banks*	2 936	2 936	0	0	0	0	0	0	0
17	*General governments*	88 588	88 588	0	0	0	0	(39)	(39)	0
18	*Credit institutions*	4 363 251	5 281 505	506	0	0	0	(606)	(606)	0
19	*Other financial corporations*	428 639	427 787	852	0	0	0	(745)	(596)	(149)
20	*Non-financial corporations*	22 520 256	20 576 840	1 943 229	171 465	0	171 465	(40 916)	(25 699)	(15 217)
21	*Households*	10 604 166	10 172 691	431 475	10 442	0	10 442	(35 231)	(18 272)	(16 959)
22	***Total***	**197 668 574**	**95 214 566**	**7 562 278**	**5 668 881**	**52 756**	**5 215 960**	**(712 302)**	**(323 063)**	**(324 724)**

		j)	k)	l)	m)	n)	o)
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	
			Of which stage 2	Of which stage 3		On performing exposures	On non-performing exposures
1	**Loans and advances**	**(1 659 399)**	**(51 017)**	**(179 261)**	**0**	**48 919 090**	**993 473**
2	*Central banks*	0	0	0	0	0	0
3	*General governments*	(596)	0	0	0	7 521	0
4	*Credit institutions*	0	0	0	0	0	0
5	*Other financial corporations*	(15 939)	0	(19)	0	4 323	4 666
6	*Non-financial corporations*	(1 576 104)	(34 515)	(86 686)	0	13 306 732	470 338
7	*Of which SMEs*	(829 455)	(20 695)	(44 342)	0	7 329 357	359 985
8	*Households*	(66 760)	(16 502)	(92 556)	0	35 600 514	518 469
9	**Debt securities**	**(4 086 488)**	**0**	**0**	**0**	**50 070**	**0**
10	*Central banks*	(442 639)	0	0	0	0	0
11	*General governments*	(599 130)	0	0	0	0	0
12	*Credit institutions*	(2 962 526)	0	0	0	0	0
13	*Other financial corporations*	(82 193)	0	0	0	0	0
14	*Non-financial corporations*	0	0	0	0	50 070	0
15	**Off-balance-sheet exposures**	**(108 068)**	**0**	**(108 068)**		**0,00**	**0,00**
16	*Central banks*	0	0	0		0	0
17	*General governments*	0	0	0		0	0
18	*Credit institutions*	0	0	0		0	0
19	*Other financial corporations*	0	0	0		0	0
20	*Non-financial corporations*	(106 460)	0	(106 460)		0	0
21	*Households*	(1 608)	0	(1 608)		0	0
22	***Total***	**(5 853 955)**	**(51 017)**	**(287 329)**	**0**	**48 969 160**	**993 473**

Credit quality of forborne exposures - addressing disclosure requirements (replacing EU CR1-E – Non-performing and forborne exposures) of art 442 of CRR Regulation.

	a)	b)	c)	d)	e)	f)	g)	h)
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne	Of which: defaulted	Of which: impaired	On performing forborne exposures	Performing forborne		Of which collateral and financial guarantees received on nonperforming exposures with forbearance measures
Loans and advances	**704 804**	**1 239 395**	**1 230 056**	**1 196 871**	**(557 525)**	**(536 692)**	**1 083 704**	**715 287**
Central banks	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
General governments	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Credit institutions	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other financial corporations	*0*	*3 600*	*3 600*	*3 600*	*(1 865)*	*(1 865)*	*1 736*	*1 736*
Non-financial corporations	*206 772*	*863 785*	*863 785*	*847 694*	*(399 775)*	*(392 910)*	*529 443*	*358 347*
Loans and advances	*498 032*	*372 010*	*362 671*	*345 577*	*(155 885)*	*(141 917)*	*552 525*	*355 204*
Debt securities	*0*	*175 479*	*175 479*	*11 047*	*(2 299)*	*(2 299)*	*0*	*0*
Loan commitments given	*5 456*	*2 437*	*2 437*	*2 427*	*(386)*	*(115)*	*0*	*0*
Total	**710 260**	**1 417 311**	**1 407 972**	**1 210 345**	**(560 210)**	**(539 106)**	**1 083 704**	**715 287**

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.

		a)	b)
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening balance 31.12.2019**	**3 245 161**	0
2	Increases due to amounts set aside for estimated loan losses during the period	821 634	0
3	Decreases due to amounts reversed for estimated loan losses during the period	(163 534)	0
4	Decreases due to amounts taken against accumulated credit risk adjustments	(267 958)	0
5	Transfers between credit risk adjustments	91	0
6	Impact of exchange rate differences	32 696	0
7	Business combinations, including acquisitions and disposals of subsidiaries	0	0
8	Other adjustments	0	0
9	**Closing balance 30.06.2020**	**3 668 090**	0
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	**0**	0
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	0	0

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.

		a)
		Gross carrying value defaulted exposures
1	**Opening balance 31.12.2019**	**5 045 797**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	1 321 325
3	Returned to non-defaulted status	(111 664)
4	Amounts written off	(333 148)
5	Other changes	(121 262)
6	**Closing balance 30.06.2020**	**5 801 048**

Information on collateral obtained by taking possession and execution processes

Information on collateral obtained by taking possession and execution processes as at 30 June 2020 is presented below.

		b	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	0	0
2	Other than PP&E	55 000	(38 777)
3	*Residential immovable property*	0	0
4	*Commercial Immovable property*	0	0
5	*Movable property (auto, shipping, etc.)*	0	0
6	*Equity and debt instruments*	55 000	(38 777)
7	*Other*	0	0
8	**Total**	**55 000**	**(38 777)**

8. Liquidity risk

As of 30 June 2020 the LCR ratio for mBank Group reached level of 243% and in the first half of 2020 remained on safe level, significantly exceeding 100%. The high-quality liquid assets (HQLA) used to calculate the LCR ratio consist only of level 1 assets, including primarily Treasury bonds in PLN.

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

Quantitative information of LCR				
Total weighted value (average)				
Quarter ending on:		30.06.2020	31.03.2020	31.12.2019
Number of data points used in the calculation of averages		12	12	12
EU-21	**Liquidity buffer**	**35 868**	**31 203**	**31 124**
22	**Total net cash outflows**	**15 851**	**14 670**	**14 852**
23	**Liquidity coverage ratio**	**226%**	**213%**	**210%**

9. Transitional arrangements regarding IFRS 9

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.

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

Due to the crisis caused by the COVID-19 pandemic, mBank Group offers to its clients a number of assistance tools aimed at supporting them in a difficult situation resulting from the outbreak of the epidemic. The purpose of these tools is to help maintain the financial liquidity of clients by reducing the financial burden in the short term.

The tools used by mBank Group are in line with "Banks' position with regard to the unification of the rules of offering support tools to clients of the banking sector" developed by the Polish Banks Association.

This position is a non-statutory moratorium within the meaning of the European Banking Authority's guidelines on statutory and non-statutory loan repayment mechanisms (EBA/GL/2020/02), that banks apply in connection with the COVID-19 crisis. They were notified by the Polish Financial Supervision Authority to the European Banking Authority.

The moratorium covers aid instruments granted from 13 March 2020 to 30 September 2020.

The detailed description of the mBank Group approach to forbearance classification in relation to aid activities under COVID-19 and detailed information on the aid activities applied in the Group as a result of the outbreak of the COVID-19 pandemic in the area of Retail Banking and Corporate Banking are described in the Consolidated Financial Statements for the first half of 2020 - Note 3.

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

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

		a	b	c	d	e	f	g
		Gross carrying amount						
			Performing			Non-performing		
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
1	**Loans and advances subject to moratorium**	**15 849 607**	**15 617 207**	**246 083**	**2 836 164**	**232 400**	**41 548**	**41 332**
2	of which: Households	6 295 666	6 281 407	101 635	859 049	14 259	162	28
3	*of which: Collateralised by residential immovable property*	5 007 064	4 994 233	45 610	680 107	12 831	13	13
4	of which: Non-financial corporations	9 553 941	9 335 801	144 448	1 977 115	218 140	41 386	41 303
5	*of which: Small and Medium-sized Enterprises*	4 957 633	4 801 848	144 068	983 353	155 785	41 386	41 303
6	*of which: Collateralised by commercial immovable property*	4 978 599	4 830 164	128 129	1 283 387	148 435	41 303	41 303

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

		h	i	j	k	l	m	n	o
		Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non-performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	Loans and advances subject to moratorium	**(175 037)**	**(118 629)**	**(2 597)**	**(70 145)**	**(56 408)**	**(3 586)**	**(3 537)**	**54 551**
2	of which: Households	(58 681)	(55 294)	(2 105)	(32 793)	(3 387)	(36)	0	1 881
3	*of which: Collateralised by residential immovable property*	(19 337)	(16 637)	(194)	(13 312)	(2 700)	0	0	1 052
4	of which: Non-financial corporations	(116 357)	(63 337)	(492)	(37 352)	(53 020)	(3 550)	(3 537)	52 670
5	*of which: Small and Medium-sized Enterprises*	(58 586)	(33 821)	(491)	(19 731)	(24 765)	(3 550)	(3 537)	24 051
6	*of which: Collateralised by commercial immovable property*	(63 718)	(26 269)	(238)	(18 408)	(37 449)	(3 537)	(3 537)	49 909

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

		a	b	c	d	e	f	g	h	i
			Gross carrying amount							
						Residual maturity of moratoria				
		Number of obligors		**Of which: legislative moratoria**	**Of which: expired**	**<= 3 months**	**> 3 months <= 6 months**	**> 6 months <= 9 months**	**> 9 months <= 12 months**	**> 1 year**
1	Loans and advances for which moratorium was offered	**75 414**	**16 388 091**							
2	Loans and advances subject to moratorium (granted)	**72 120**	**15 849 607**	**1 915**	**1 507 348**	**8 384 870**	**5 957 389**	**0**	**0**	**0**
3	of which: Households		6 295 666	1 915	900 446	4 700 551	694 669	**0**	**0**	**0**
4	*of which: Collateralised by residential immovable property*		5 007 064	1 265	656 395	3 877 148	473 521	**0**	**0**	**0**
5	of which: Non-financial corporations		9 553 941	0	606 902	3 684 319	5 262 720	**0**	**0**	**0**
6	*of which: Small and Medium-sized Enterprises*		4 957 633	0	473 509	2 334 615	2 149 509	**0**	**0**	**0**
7	*of which: Collateralised by commercial immovable property*		4 978 599	0	494 229	2 834 820	1 649 550	**0**	**0**	**0**

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

		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	**127 319**	127 319	101 856	127 319
2	of which: Households	0			0
3	of which: Collateralised by residential immovable property	0			0
4	of which: Non-financial corporations	127 319	127 319	101 856	127 319
5	of which: Small and Medium-sized Enterprises	17 639			0
6	of which: Collateralised by commercial immovable property	20 881			0

Name	Position	Signature
Cezary Stypułkowski	President of the Management Board, Chief Executive Officer	(signed electronically)
Lidia Jabłonowska-Luba	Vice-President of the Management Board, Chief Risk Officer	(signed electronically)
Frank Bock	Vice-President of the Management Board, Head of Financial Markets	(signed electronically)
Andreas Böger	Vice-President of the Management Board, Chief Financial Officer	(signed electronically)
Krzysztof Dąbrowski	Vice-President of the Management Board, Head of Operations and IT	(signed electronically)
Cezary Kocik	Vice-President of the Management Board, Head of Retail Banking	(signed electronically)
Adam Pers	Vice President of the Management Board, Head of Corporate & Investment Banking	(signed electronically)