2021

Disclosures regarding capital adequacy of mBank S.A. Group as at 31 December 2021

Warsaw, 1 March 2022

(update – 22 March 2022)

Contents

1. Introduction

This document is issued under the disclosure requirements resulting from Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (the CRR Regulation), which formed the legal basis of the reporting date i.e. 31 December 2021.

This document contains information on the prudential consolidated basis of the mBank SA Capital Group (mBank Group) in accordance with the requirements set out in Article 13 of the CRR Regulation. The information shall be published in accordance with the following provisions:

- Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295 (Regulation 2021/637),
- Guidelines EBA/GL/2020/07 of 2 June 2020 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis,
- Guidelines EBA/GL/2014/14 of 23 December 2014 on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013,
- Guidelines EBA/GL/2020/12 of 11 August 2020 amending disclosure guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic,
- Disclosure Policy of mBank S.A. on capital adequacy available on website www.mbank.pl.

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

2. Scope of prudential consolidation

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

The consolidated prudentially financial data of mBank Group for the year 2021 prepared in accordance with the CRR Regulation (the Prudentially consolidated financial data for the year 2021) is presented in the Explanatory Note 46 of mBank Group International Financial Reporting Standards Consolidated Financial Statements for 2021 (the Consolidated Financial Statements for the year 2021).

The accounting policies applied for the preparation of the Prudentially consolidated financial data for 2021 are the same as those, which have been applied to the Consolidated Financial Statements for the year 2021, except for the consolidation standards presented below.

Entities included in prudential consolidation according to the rules of the CRR Regulation were taken into account in the process of calculation of consolidated own funds and consolidated own funds requirements as at 31 December 2021. 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 (IFRS).

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

- EUR 10 million;
- 1% of the total amount of assets and off-balance sheet items of the parent undertaking or the undertaking that holds the participation.

The Prudentially consolidated financial data for the year 2021 include the following entities:

1. mBank S.A.
2. mBank Hipoteczny S.A.
3. mFaktoring S.A.
4. mFinanse S.A.
5. mLeasing Sp. z o.o.
6. Future Tech Fundusz Inwestycyny Zamknięty
7. mElements S.A.
8. Asekum Sp. z o.o.
9. LeaseLink Sp. z o.o.

Detailed information on consolidated entities included in accounting consolidation is presented in Explanatory Note 1 of the Consolidated Financial Statements for the year 2021.

3. Capital adequacy

One of the Bank's main tasks is to ensure an adequate level of capital. As part of the capital management policy of mBank Group, the Bank creates a framework and 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, ie.:

- maintenance of an optimal level and structure of own funds, assuring capital adequacy above the established minimum requirement (including risk appetite at approved level) as well as ensuring coverage against all material risks identified in mBank Group's activity,
- effective use of the capital base, guaranteeing achievement of expected returns, including return on regulatory capital and IFRS equity.

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 relation of Common Equity Tier 1 capital to the total risk exposure amount), Tier 1 capital ratio (calculated as a relation of Tier 1 capital to the total risk exposure amount), total capital ratio (calculated as a relation of own funds to the total risk exposure amount) as well as leverage ratio (calculated as a relation of Tier 1 capital to the total exposure measure) at the level higher than required by the supervision authority.

The strategic targets of mBank Group are aimed at maintaining the total capital ratio, Tier 1 capital ratio, Common Equity Tier 1 capital ratio as well as the leverage ratio above the level required by the supervision authority. This allows to maintain business development while meeting the supervisory requirements in the long perspective.

4. Own funds

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

Template EU CC1 - Composition of regulatory own funds

		a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	3 593 879	Template EU CC2: Shareholders' Equity, row 1 and 2, column b)
2	Retained earnings	1 329 607	Template EU CC2: Shareholders' Equity, row 3, column b)
3	Accumulated other comprehensive income (and other reserves)	8 817 499	Template EU CC2: Shareholders' Equity, row 3 and 5, column b)
EU-3a	Funds for general banking risk	1 153 753	Template EU CC2: Shareholders' Equity, row 3, column b)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**14 894 738**	-
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(45 753)	-
8	Intangible assets (net of related tax liability) (negative amount)	(798 007)	Template EU CC2: Assets, row 8, column b)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	500 202	Template EU CC2: Shareholders' Equity, row 5, column b)
12	Negative amounts resulting from the calculation of expected loss amounts	(214 366)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38-(3) CRR are met) (negative amount)	(68 090)	Template EU CC2: Assets, row 12, column b) and Liabilities, row 7, column b)
EU-25a	Losses for the current financial year (negative amount)	(1 178 753)	Template EU CC2: Shareholders' Equity, row 4, column b)
26	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(5 472)	-
27a	Other regulatory adjustments	467 528	Template EU CC2: Shareholders' Equity, row 5, column b)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(1 342 711)**	-
29	**Common Equity Tier 1 (CET1) capital**	**13 552 027**	-
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	-
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	-
44	**Additional Tier 1 (AT1) capital**	**-**	-
45	**Tier 1 capital (T1 = CET1 + AT1)**	**13 552 027**	-
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	2 319 684	Template EU CC2: Liabilities, row 2, column b)
51	**Tier 2 (T2) capital before regulatory adjustments**	**2 319 684**	-

Tier 2 (T2) capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	-
58	**Tier 2 (T2) capital**	**2 319 684**	Template EU CC2: Liabilities, row 2 column b)
59	**Total capital (TC = T1 + T2)**	**15 871 711**	-
60	**Total Risk exposure amount**	**95 738 983**	**-**
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	14.16%	-
62	Tier 1 capital	14.16%	-
63	Total capital	16.58%	-
64	Institution CET1 overall capital requirements	10.64%	-
65	of which: capital conservation buffer requirement	2.50%	-
66	of which: countercyclical capital buffer requirement	0.05%	-
67	of which: systemic risk buffer requirement	-	-
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.50%	-
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.59%	-
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**3.52%**	-
Amounts below the thresholds for deduction (before risk weighting)			
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	106 089	Template EU CC2: Assets, row 3, column b)
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	1 430 102	Template EU CC2: Assets, row 12, column b) and Liabilities, row 7, column b)

COMMON EQUITY TIER 1 CAPITAL

Capital instruments and the related share premium accounts

In the item Capital instruments and the related share premium accounts, the share capital and share premium capital from sales of shares over the nominal value of mBank Group prudentially consolidated were included as at 31 December 2021.

Capital instruments and the related share premium accounts	
Registered share capital	169 475
Share premium	3 424 404
Total	**3 593 879**

Detailed information on share and supplementary capital from sales of shares over the nominal value is described in Explanatory Notes 37 and 38 of the Consolidated Financial Statements for 2021.

Retained earnings

In Retained earnings item the profit from the previous years of mBank Group prudentially consolidated as at 31 December 2021 in the amount of PLN 1 329 607 thousand were included. Detailed information regarding retained earnings is described in Explanatory Notes 39 of the Consolidated Financial Statements for 2021.

Accumulated other comprehensive income (and other reserves)

Accumulated other comprehensive income as at 31 December 2021 amounted to PLN -1 204 388 thousand. The structure of accumulated other comprehensive income of mBank is presented below.

Accumulated other comprehensive income	
Exchange differences on translation of foreign operations	2 506
Cash flow hedges	(500 202)
Valuation of financial assets at fair value through other comprehensive income	(707 617)
Actuarial gains and losses related to post-employment benefits	(10 511)
Reclassification to investment properties	11 436
Total	**(1 204 388)**

Other reserves of mBank Group prudentially consolidated as at 31 December 2021 amounted to PLN 10 021 887 thousand. The structure of other reserves of mBank Group prudentially consolidated as at 31 December 2021 is presented below.

Other reserves	
Other supplementary capital	9 916 912
Other reserve capital	104 975
Total	**10 021 887**

Accumulated other comprehensive income and other reserves of mBank Group prudentially consolidated as at 31 December 2021 amounted to PLN 8 817 499 thousand.

Funds for general banking risk

mBank Group transfers some of its net profit to the funds for general banking risk to cover unexpected risk and future losses. The funds for general banking risk can be distributed only on consent of shareholders at the General Meeting. As at 31 December 2021 the funds for general banking risk of mBank Group prudentially consolidated amounted to PLN 1 153 753 thousand.

THE COMMON EQUITY TIER 1 CAPITAL: REGULATORY ADJUSTMENTS

Additional value adjustments

In accordance with Article 34 of the CRR Regulation, additional value adjustments have been calculated to all assets measured at fair value in accordance with the requirements of Article 105 of the CRR Regulation and included in Common Equity Tier 1 capital of mBank Group prudentially consolidated as at 31 December 2021 in the amount of PLN -45 753 thousand.

Intangible assets

In accordance with Article 36 and 37 of the CRR Regulation and in accordance with Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020 amending Delegated Regulation (EU) No 241/2014 with regard to the deduction of software assets from Common Equity Tier 1 items, intangible assets, with the exception of prudently valued software assets the value of which is not negatively affected by resolution, insolvency or liquidation of the institution, reduced by the amount of associated deferred tax liabilities are included in Common Equity Tier 1 capital. The value included in Common Equity Tier 1 capital of mBank Group prudentially consolidated as at 31 December 2021 amounted to PLN -798 007 thousand.

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

In accordance with Article 33 of the CRR Regulation, regulatory adjustments in the amount of PLN -500 202 thousand regarding accumulated other comprehensive income as at 31 December 2021 constituting the fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value, correct the accumulated other comprehensive income item, mentioned above.

Negative amounts resulting from the calculation of expected loss amounts

When calculating risk-weighted exposure amounts using the AIRB method, mBank Group is obliged to include in the calculation of own funds negative amounts resulting from the calculation of the expected loss amounts. Pursuant to Art. 36 sec. 1 point d), negative amounts due to the calculations referred to in Articles 158 and 159 of the CRR Regulation were included in the prudentially consolidated Common Equity Tier 1 capital of mBank Group as at 31 December 2021 in the amount of PLN -214 366 thousand.

Deferred tax assets arising from temporary differences

Amount from deferred tax assets arising from temporary differences in the amount of PLN -68 090 thousand, net of related tax liability, constituting amount above 10% threshold of CET capital, was included in the calculation of the prudentially consolidated Common Equity Tier 1 capital as at 31 December 2021.

Losses for the current financial year

The calculation of the consolidated Common Equity Tier 1 capital as at 31 December 2021 includes the prudentially consolidated loss of mBank Group for 2021 in the amount of PLN -1 178 753 thousand.

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

In accordance with Article 33(2) of the CRR Regulation, the fair value gains and losses arising from the mBank Group's own credit risk related to derivative liabilities are not offset profit and losses measured at fair value resulting from the mBank Group's own credit risk with similar profit and losses arising from its counterparty credit risk. As at 31 December 2021 the amount of PLN -5 472 thousand from fair value gains and losses measured at fair value was included in Common Equity Tier 1 capital of mBank Group.

Other regulatory adjustments

Adjustment in the amount of PLN 467 528 thousand, resulting from the application of transitional provisions regarding the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic, contained in Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, corrects the item the accumulated other comprehensive income item referred to the above.

ADDITIONAL TIER 1 CAPITAL

Items that could be treated as Additional Tier 1 capital are not identified in mBank Group as at 31 December 2021.

TIER 2 CAPITAL

Capital instruments and the related share premium accounts

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

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

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

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

As at 31 December 2021 in the consolidated Tier 2 capital in the item Equity instruments and related share premium accounts the amount of PLN 2 319 684 thousand was included from the above-mentioned tranches of capital instruments.

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

		a	b	c	d	e
		Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information
1	Issuer	mBank S.A.	mBank S.A.	mBank S.A.	mBank S.A.	mBank S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	PLBRE000012	Not applicable	ISIN: PLBRE0005185 Seria: MBKO170125	ISIN: PLBRE0005193 Seria: MBKO101028	ISIN: PLBRE0005201 Seria: MBKO101030
2a	Public or private placement	Public	Private placement	Private placement	Private placement	Private placement
3	Governing law(s) of the instrument	Polish	German and Polish in relations to subordination	Polish	Polish	Polish
3a	Contractual recognition of write down and conversion powers of resolution authorities	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Regulatory treatment					
4	Current treatment taking into account, where applicable, transitional CRR rules	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
5	Post-transitional CRR rules	CET1 capital	Tier II capital	Tier II capital	Tier II capital	Tier II capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Eligible at solo and (sub-) consolidated	Eligible at solo and (sub-) consolidated	Eligible at solo and (sub-) consolidated	Eligible at solo and (sub-) consolidated	Eligible at solo and (sub-) consolidated
7	Instrument type (types to be specified by each jurisdiction)	Common shares - meeting the conditions set out in Art. 28 of the CRR Regulation	Loan „pożyczki pod-porządkowane”- Polish Banking Act Art.127.2.2 - meeting the conditions set out in Art. 63 of the CRR Regulation	Bond „instrumenty kapitałowe”- Polish Banking Act Art.127.2.2 - meeting the conditions set out in Art. 63 and 64 of the CRR Regulation	Bond „instrumenty kapitałowe”- Polish Banking Act Art.127.2.2 - meeting the conditions set out in Art. 63 of the CRR Regulation	Bond „instrumenty kapitałowe”- Polish Banking Act Art.127.2.2 - meeting the conditions set out in Art. 63 of the CRR Regulation
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	**m PLN 169**	**m PLN 1 112**	**m PLN 458**	**m PLN 550**	**m PLN 200**
9	Nominal amount of instrument	169 mln PLN	m CHF 250 (m PLN 1 112)	m PLN 750	m PLN 550	m PLN 200
EU-9a	Issue price	PLN 4	Not applicable	100%	100%	100%
EU-9b	Redemption price	PLN 4	Not applicable	100%	100%	100%
10	Accounting classification	Equity capital	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost

11	Original date of issuance	1986: 10 000 000 shares 1994: 2 500 000 shares 1995: 2 000 000 shares 1997: 4 500 000 shares 1998: 3 800 000 shares 2000: 170 500 shares 2004: 5 742 625 shares 2005: 270 847 shares 2006: 532 063 shares 2007: 144 633 shares 2008: 30 214 shares 2010: 12 395 792 shares 2011: 16 072 shares 2012: 36 230 shares 2013: 35 037 shares 2014: 36 044 shares 2015: 28 867 shares 2016: 41 203 shares 2017: 31 995 shares 2018: 24 860 shares 2019: 13 385 shares 2020: 16 673 shares 2021: 1 656 shares	21-03-2018	17-12-2014	09-10-2018	09-10-2018
12	Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity date	21-03-2028	17-01-2025	10-10-2028	10-10-2030
14	Issuer call subject to prior supervisory approval	Not applicable	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	1) 21-03-2023; integral multiples of CHF 10 mn; notification of the lender, PFSA consent required; 2) Redemption due to a tax or regulatory event (PFSA consent required); at the end of Interest Period; notification of the lender	1) 17-01-2020 No minimum amount; at price 100%; 2) Redemption due to a regulatory event (PFSA consent required, notifica-tion of investors) at a price of 100%, at any Interest Payment Date	1) 10-10-2023 No minimum amount; at price 100%; 2) Redemption due to a regulatory event (PFSA consent required, notifica-tion of investors) at a price of 100%, at any Interest Payment Date	1) 10-10-2025 No minimum amount; at price 100%; 2) Redemption due to a regulatory event (PFSA consent required, notifica-tion of investors) at a price of 100%, at any Interest Payment Date
16	Subsequent call dates, if applicable	Not applicable	1) integral multiples of CHF 10 mn; notification of the lender, PFSA consent required; at the end of any Interest Period falling not earlier than the 5th anni-versary of the Drawdown Date 2) Redemption due to a tax or regulatory event (PFSA consent required); at the end of Interest Period; notification of the lender	Redemption due to a regulatory event (PFSA consent required, notifica-tion of investors) at a price of 100%, at any Interest Payment Date	Redemption due to a regulatory event (PFSA consent required, notifica-tion of investors) at a price of 100%, at any Interest Payment Date	Redemption due to a regulatory event (PFSA consent required, notifica-tion of investors) at a price of 100%, at any Interest Payment Date

	Coupons / dividends					
17	Fixed or floating dividend/coupon	Floating dividend	Floating dividend	Floating dividend	Floating dividend	Floating dividend
18	Coupon rate and any related index	Not applicable	CHF LIBOR 3M + 2.75%	WIBOR 6M + 2.10%	WIBOR 6M + 1.80%	WIBOR 6M + 1.95%
19	Existence of a dividend stopper	No	No	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Not applicable	Not applicable	Not applicable	Not applicable
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Not applicable	Not applicable	Not applicable	Not applicable
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Not applicable	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down features	No	No	No	No	No
31	If write-down, write-down trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

32	If write-down, full or partial	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
34a	Type of subordination (only for eligible liabilities)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
EU-34b	Ranking of the instrument in normal insolvency proceedings	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Receivables from subordinated liabilities not included in the Bank's own funds, including interest and costs of enforcement	Receivables from subordinated liabilities not included in the Bank's own funds, including interest and costs of enforcement	Receivables from subordinated liabilities not included in the Bank's own funds, including interest and costs of enforcement	Receivables from subordinated liabilities not included in the Bank's own funds, including interest and costs of enforcement
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
37a	Link to the full term and conditions of the instrument (signposting)	Not applicable	Not applicable	Link 1	Link 2	Link 3

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

		a	b	c
		Balance sheet as in published financial statements	**Under regulatory scope of consolidation**	Reference
		31.12.2021	31.12.2021	
Assets				
1	Cash and balances with the Central Bank	12 202 266	12 202 266	-
2	Financial assets held for trading and hedging derivatives	2 589 076	2 589 076	-
3	Non-trading financial assets mandatorily at fair value through profit or loss	1 417 191	1 423 822	Template EU CC1: row 73, column a)
4	Financial assets at fair value through other comprehensive income	36 206 059	36 200 110	-
5	Financial assets at amortised cost	140 296 538	140 296 498	-
6	Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 055 478	1 055 478	-
7	Non-current assets and disposal groups classified as held for sale	31 247	31 247	
8	Intangible assets	1 283 953	1 283 953	Template EU CC1: row 8, column a)
9	Tangible assets	1 542 250	1 542 250	-
10	Investment properties	127 510	127 510	-
11	Current income tax assets	28 147	28 147	-
12	Deferred income tax assets	1 392 350	1 392 344	Template EU CC1: row 21 and 75, column a)
13	Other assets	1 366 820	1 366 804	-
14	**Total assets**	**199 538 885**	**199 539 505**	**-**
Liabilities				
1	Financial liabilities held for trading and hedging derivatives	2 011 182	2 011 182	-
2	Financial liabilities measured at amortised cost	179 348 925	179 349 604	-
3	Fair value changes of the hedged items in portfolio hedge of interest rate risk	110 033	110 033	-
4	Liabilities held for sale	7 425	7 425	
5	Provisions	811 455	811 455	-
6	Current income tax liabilities	61 910	61 901	-
7	Deferred income tax liabilities	89	89	Template EU CC1: row 21 and 75, column a)
8	Other liabilities	3 469 950	3 469 900	Template EU CC1: row 46, column a)
9	**Total liabilities**	**185 820 969**	**185 821 589**	**-**
Shareholders' Equity				
1	Registered share capital	169 540	169 540	Template EU CC1: row 1, column a)
2	Share premium	3 424 404	3 424 404	Template EU CC1: row 1, column a)
3	Profit from the previous years	12 505 247	12 505 247	Template EU CC1: row 2, 3 I EU-3a, column a)
4	Profit for the current year	(1 178 753)	(1 178 753)	Template EU CC1: row EU-25a, column a)
5	Other components of equity	(1 204 388)	(1 204 388)	Template EU CC1: row 3 and 27a, column a)
6	Non-controlling interests	1 866	1 866	-
7	**Total shareholders' equity**	**13 717 916**	**13 717 916**	**-**

5. Capital requirement

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

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

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

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

On 25 July 2016 mLeasing S.A. (mLeasing) obtained approval from ECB and PFSA to the application of the AIRB approach to the calculation of capital requirement for credit risk.

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

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

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

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

In the calculation of the total capital ratio of mBank Group as of 31 December 2021, when calculating the total capital charge, the mBank Group applies the AIRB approach pursuant to the provisions of the CRR Regulation to calculate a capital charge for credit and counterparty credit risk and pursuant to obtained AIRB approvals.

5.2. Results of the internal capital adequacy assessment

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

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

Capital adequacy is monitored:

- in regulatory terms, with reference to capital ratios, including the leverage ratio (which is described in more detail later in this document); and

- on an economic basis (internal), in relation to calculated internal capital.

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

In 2021 mBank calculated the economic capital at the 99.91% confidence level over a one-year time horizon for credit, market and business risk. The economic capital for operational risk was calculated using an algorithm based on the Standardised Measurement Approach (SMA) described in the updated Basel III standard: Finalising post-crisis reforms. The Bank also determined capital to cover other risks (including hard to quantify risks). In calculating total internal capital, the Bank did not take into account the effect of diversification between different types of risk.

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

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

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

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

5.3. Additional information regarding AIRB

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

Corporates and Commercial Banks

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

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

1) PD-rating - (PD - Probability of Default) assessment of the client's risk of default construed as the probability of default (client's default on obligations) over a 12-month period,

2) EL-rating - (EL - Expected Loss) assessment of the probability of a loss, taking into account the client's risk of default, structure and nature of credit products, and type and size of accepted collateral.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- for SPL FN depending on the type of real estate (offices, shopping centres, warehouse centres / logistics centres, developer housing projects, hotels) and type of transaction (financing/refinancing),
- for SPL TOP, depending on the type of financing (goods, facilities, projects, leveraged acquisition)

an appropriate, separate format of the rating sheet is used.

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

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

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

a) the rating of the financial strength of the counterparty / issuer based on:
    - assessment of the probability of incurring losses by the bank / international financial institution (analysis of credit risk of assets and liabilities, analysis of liquidity risk, assessment of other relevant information indicating the possibility of bank losses),
    - assessment of the bank's ability to withstand critical situations in relation to the risks incurred (analysis of financial results, assessment of capital adequacy, assessment of other relevant information indicating the ability to withstand critical situations),
b) rating including the assessment of counterparty / issuer integration in the group,
c) the financial rating of the counterparty / issuer - rating including a credit risk assessment of the country of origin and country of risk of the counterparty / issuer (in accordance with the "Criteria for credit risk assessment of the country and setting the county credit exposure limit"),

An integral part of the criteria is the Business Model Risk Assessment Block consisting of:
a) identification of the structure of used intangible assets,
b) analysis of the features of the broadly understood business model (analysis of the intangible assets model),
c) assessing the sensitivity of the broadly understood business model.

In addition, the criteria include:
a) the method of setting the maximum limit of credit exposure,
b) rules for updating temporary tenors for which limits on transactions are set,
c) the method of setting the financial rating of the counterparty / issuer according to the shortened credit risk assessment formula,
d) an early warning model.

Retail

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

- assessment of the customer's credit capacity, which consists in determining the loan amount available to the customer;
- assessment of the customer's creditworthiness, that is assessment of default risk during the service of the loan, expressed in the form of PD Rating (PD – Probability of Default).

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

- data from the loan application (application scoring, specific for different product segments of the portfolio);
- data on customers behaviour in relations with mBank (internal behavioural scoring);
- data on customers behaviour in relations with other banks (external behavioural scoring based on BIK - Credit Bureau information).

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

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

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

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

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

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

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

Retail foreign branches (Czech and Slovak market)

The risk assessment of a retail banking customer applying for a loan/change of loan terms in retail foreign branches, for the purposes of credit decisions, is based on the internal PD rating model. In order to ensure both: the high accuracy of the determined PD Rating and usage of all available sources of information model consist of modules based on different types of data:

- application scoring (specific for different product segments of the portfolio, based on the information from application form);
- internal behavioural scoring, (based on the data on customers behaviour and delinquencies in relations with mBank);
- external behavioural scoring form Credit Bureaus (based on the history of relations with other banks).

Depending on the availability of data and the assessment purpose (customer's credit application / offer provided to the customer by mBank), the above data sources are used in various combinations. On the basis of the gathered information, the percentage value of probability of default for each customer is calculated in the decision-making engine and the customer is assigned to the appropriate rating class (coherent approach within Commerzbank Group). The next stage of the process is the use of decision rules based on limit PD rating values).

Similarly as in the Polish retail area PD parameter is updated:

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

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

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

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

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

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

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

- the corporate exposure to enterprises.

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

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

A detailed description of the dates of approvals for

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

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

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

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

- the retail exposures to mLeasing customers.

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

The *control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on:*
(i) the relationship between the risk management function and the internal audit function;
(ii) the rating system review;
(iii) procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models;
(iv) the procedure to ensure the accountability of the functions in charge of developing and reviewing the models

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

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

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

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

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

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

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

The last management report was reported in June 2021. The report did not identify anomalies in terms of model value realisation and migration between risk categories.

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

(i) the definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods;

(ii) where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure;

(iii) where applicable, the definitions, methods and data for estimation and validation of credit conversion factors, including assumptions employed in the derivation of those variables.

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

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

The PD12M model

- the methods used during the construction: including logistic regression, WoE, kernel estimation,
- the methods used during the backtesting of the model: including GINI, ETLA test,
- during the construction, internal data (application and behavioural data about customers) and external data (Poland's Credit Information Bureau) are used with a time horizon of at least five years, involving all observations eligible for the rating system,
- within the rating system immaterial share of regulatory limit PDs (0.03%) was met but these affect <0.1% of the population,
- factors favouring differences in PD estimates and realised default rate are: a) the change in the definition of default introduced in the Bank as of 1st January2021 ; b) the additional uncertainty caused by the COVID-19.

The LGD model

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

- the average duration of a default is 23 months for non-mortgage-secured exposures and 30 months for mortgage-secured exposures.

The CCF model

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

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

The PD12M model

- the methods used during the construction: including logistic regression, WoE, ln(odds), kernel estimation
- the methods used during the backtesting of the model: including GINI, ETLA test,
- during the development internal Bank's and Bank's Group data were used with a time horizon of at least five years, involving all observations eligible for the rating system,
- within the rating system immaterial share of regulatory limit PDs (0.03%) was met but these affect <1% of the population,
- factors favouring differences in PD estimates and realised default rate are: a) the change in the definition of default introduced in the Bank as of 1st January 2021 ; b) the additional uncertainty caused by the COVID-19.

In addition differences between PD and default rate values result from the data presentation scheme defined in the EU-CR9 form where average PD value with number of obligors were given as at the end of the previous period (portfolio snapshot on 31/12/2020) with number of obligors for which loss event was realized in the horizon from the end of previous period (31/12/2020) to the end of current period (31/12/2021), such a scheme is adequate for models in which PD is calculated on a monthly basis but in the case of models where PD is calculated annually (as in the RC-POL model where PD is calculated at least annually, where the trigger of recalculation is obtaining of new financial statement or negative qualitative information requiring rating renewal) this indicates situation where realization of PD parameter is verified in a time horizon longer than 12 months from the moment of PD calculation – max. 23 months. It generates the occurrence of default cases in low rating classes as well as the occurrence of a DR>PD relationship in selected rating classes, additionally it should be noted that the reported portfolio is characterized by a relatively low number of defaults (about several dozen cases per year) which in the case of disaggregation of the data into 24 rating classes leads to a situation where the DR>PD relationship is determined by the occurrence of 1 more case of default.

The LGD model

- the methods used during the construction: including arithmetic mean, linear regression (LSR),
- the methods used during the backtesting of model: including ROC, GINI, calibration of the model values to empirical values,
- during the construction, internal data are used with a time horizon of at least five years, involving all observations eligible for the rating system,
- the conservatism of approach: conservative adjustments and haircuts, including calibration of the LGD to the economic downturn based on internal data from a historical time series of losses,
- the average duration of a default is 45 months.

The CCF model

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

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

The PD12M model

- the definitions that were in order of external (CRR) and internal Commerzbank's regulations, including definition of 'bad' observation,

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

The LGD model

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

The CCF model

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

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

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

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

The PD12M model

- the methods used during the construction: including logistic regression, WoE, kernel estimation,
- the methods that were used during the backtesting of the model: including GINI, ETLA test,
- during the development internal group data with a time horizon of at least five years, involving all observations eligible for the rating system was used,
- the lower supervisory limits of the PD parameter were not observed,
- factors favouring differences in PD estimates and realised default rate are: a) the change in the definition of default introduced in the Bank as of 1st January 2021; b) the additional uncertainty caused by the COVID-19.

The LGD model

- the methods that were used during the construction: including arithmetic mean,
- the methods that were used during the backtesting of the model: including ROC, GINI, calibration of the model values to empirical values,
- during the construction, internal data are used with a time horizon of at least five years, involving all observations eligible for the rating system,
- the conservatism of approach: conservative adjustments and haircuts, including calibration of the LGD to the economic downturn based on internal data from a historical time series of losses,
- the average duration of a default is 23 months.

Rating systems' validation

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

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

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

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

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

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

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

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

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

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
09. Institutions	0,00 do <0,15	63	0	0.00%	0.06%	0.07%	0.00%
	0,00 do <0,10	52	0	0.00%	0.05%	0.06%	0.00%
	0,10 do <0,15	11	0	0.00%	0.13%	0.13%	0.00%
	0,15 do <0,25	5	0	0.00%	0.21%	0.23%	0.00%
	0,25 do <0,50	21	0	0.00%	0.37%	0.36%	0.00%
	0,50 do <0,75	3	0	0.00%	0.52%	0.61%	0.00%
	0,75 do <2,50	23	0	0.00%	2.10%	1.74%	0.00%
	0,75 do <1,75	10	0	0.00%	1.04%	1.08%	0.00%
	1,75 do <2,5	13	0	0.00%	2.22%	2.24%	0.00%
	2,50 do <10,00	4	0	0.00%	2.84%	4.10%	0.00%
	2,5 do <5	3	0	0.00%	2.57%	2.68%	0.00%
	5 do <10	1	0	0.00%	8.20%	8.39%	0.00%
	10,00 do <100,00	0	0	n/d	22.42%	n/d	0.00%
	10 do <20	0	0	n/d	n/d	n/d	0.00%
	20 do <30	0	0	n/d	22.42%	n/d	0.00%
	30,00 do <100,00	0	0	n/d	n/d	n/d	0.00%
	100,00 (domyślnie)	0	n/d	n/d	n/d	n/d	n/d

Exposure class	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
10. Corporates: thereof SMEs	0,00 do <0,15	248	1	0,40%	0,08%	0,08%	0,30%
	0,00 do <0,10	171	1	0.58%	0.06%	0.06%	0.40%
	0,10 do <0,15	77	0	0.00%	0.12%	0.12%	0.00%
	0,15 do <0,25	115	0	0.00%	0.20%	0.19%	0.56%
	0,25 do <0,50	352	0	0.00%	0.38%	0.38%	0.24%
	0,50 do <0,75	388	2	0.52%	0.61%	0.62%	0.74%
	0,75 do <2,50	2013	14	0.70%	1.46%	1.48%	1.20%
	0,75 do <1,75	1368	11	0.80%	1.19%	1.19%	1.18%
	1,75 do <2,5	645	3	0.47%	2.12%	2.11%	1.25%
	2,50 do <10,00	1062	34	3.20%	4.12%	4.26%	4.35%
	2,5 do <5	807	22	2.73%	3.38%	3.43%	3.51%
	5 do <10	255	12	4.71%	6.94%	6.88%	6.71%
	10,00 do <100,00	173	12	6.94%	14.14%	20.57%	5.77%
	10 do <20	108	8	7.41%	12.68%	13.28%	6.41%
	20 do <30	30	2	6.67%	22.79%	24.43%	5.71%
	30,00 do <100,00	35	2	5.71%	38.03%	39.77%	4.39%
	100,00 (domyślnie)	92	n/d	n/d	100.00%	100.00%	n/d

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
12. Corporates: thereof other	0,00 do <0,15	147	0	0.00%	0.09%	0.08%	0.16%
	0,00 do <0,10	89	0	0.00%	0.07%	0.05%	0.00%
	0,10 do <0,15	58	0	0.00%	0.12%	0.13%	0.49%
	0,15 do <0,25	125	0	0.00%	0.20%	0.20%	0.00%
	0,25 do <0,50	267	0	0.00%	0.40%	0.37%	0.23%
	0,50 do <0,75	194	2	1.03%	0.61%	0.62%	0.44%
	0,75 do <2,50	874	2	0.23%	1.32%	1.45%	0.84%
	0,75 do <1,75	625	1	0.16%	1.16%	1.19%	0.73%
	1,75 do <2,5	249	1	0.40%	2.07%	2.11%	1.12%
	2,50 do <10,00	475	13	2.74%	4.02%	4.66%	4.59%
	2,5 do <5	320	9	2.81%	3.42%	3.61%	3.83%
	5 do <10	155	4	2.58%	7.23%	6.83%	6.05%
	10,00 do <100,00	353	14	3.97%	28.54%	32.52%	4.18%
	10 do <20	114	2	1.75%	15.52%	12.33%	4.16%
	20 do <30	42	8	19.05%	23.93%	23.11%	7.81%
	30,00 do <100,00	197	4	2.03%	44.00%	46.21%	3.24%
	100,00 (domyślnie)	347	n/d	n/d	100.00%	100.00%	n/d

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which de-faulted in the year				
a	b	c	d	e	f	g	h
13. Retail: thereof secured by mortgages / SMEs	0,00 do <0,15	737	2	0.27%	0.14%	0.12%	0.10%
	0,00 do <0,10	140	0	0.00%	n/d	0.09%	0.00%
	0,10 do <0,15	597	2	0.34%	0.14%	0.12%	0.11%
	0,15 do <0,25	1045	7	0.67%	0.20%	0.20%	0.27%
	0,25 do <0,50	1446	16	1.11%	0.37%	0.36%	0.49%
	0,50 do <0,75	714	8	1.12%	0.62%	0.61%	0.60%
	0,75 do <2,50	1414	36	2.55%	1.25%	1.29%	1.27%
	0,75 do <1,75	1171	26	2.22%	1.08%	1.11%	1.16%
	1,75 do <2,5	243	10	4.12%	2.08%	2.11%	1.74%
	2,50 do <10,00	362	23	6.35%	4.26%	4.61%	3.35%
	2,5 do <5	253	11	4.35%	3.31%	3.45%	2.24%
	5 do <10	109	12	11.01%	7.23%	7.28%	5.35%
	10,00 do <100,00	154	56	36.36%	22.49%	23.45%	19.91%
	10 do <20	63	12	19.05%	13.54%	13.95%	11.03%
	20 do <30	45	16	35.56%	24.13%	23.62%	26.29%
	30,00 do <100,00	46	28	60.87%	38.82%	36.31%	39.22%
	100,00 (domyślnie)	295	n/d	n/d	100.00%	100.00%	n/d

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which de-faulted in the year				
a	b	c	d	e	f	g	h
14. Retail: thereof secured by mortgages / non-SMEs	0,00 do <0,15	109260	118	0.11%	0.08%	0.09%	0.09%
	0,00 do <0,10	75692	67	0.09%	0.06%	0.07%	0.08%
	0,10 do <0,15	33568	51	0.15%	0.12%	0.12%	0.13%
	0,15 do <0,25	25466	71	0.28%	0.19%	0.19%	0.20%
	0,25 do <0,50	12997	98	0.75%	0.35%	0.34%	0.41%
	0,50 do <0,75	4047	36	0.89%	0.60%	0.61%	0.70%
	0,75 do <2,50	4776	119	2.49%	1.18%	1.25%	1.64%
	0,75 do <1,75	4034	92	2.28%	1.04%	1.10%	1.48%
	1,75 do <2,5	742	27	3.64%	2.08%	2.09%	2.20%
	2,50 do <10,00	2332	160	6.86%	5.02%	5.26%	4.81%
	2,5 do <5	1305	57	4.37%	3.48%	3.61%	3.01%
	5 do <10	1027	103	10.03%	7.45%	7.35%	6.51%
	10,00 do <100,00	1380	331	23.99%	19.58%	18.13%	13.42%
	10 do <20	959	192	20.02%	14.14%	13.91%	10.22%
	20 do <30	285	88	30.88%	24.56%	23.98%	18.26%
	30,00 do <100,00	136	51	37.50%	36.04%	35.63%	32.45%
	100,00 (domyślnie)	2629	n/d	n/d	100.00%	100.00%	n/d

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which de-faulted in the year				
a	b	c	d	e	f	g	h
16. Retail: thereof other / SMEs	0,00 do <0,15	2853	12	0.42%	0.11%	0.12%	0.40%
	0,00 do <0,10	531	2	0.38%	0.08%	0.09%	0.56%
	0,10 do <0,15	2322	10	0.43%	0.13%	0.12%	0.38%
	0,15 do <0,25	10393	103	0.99%	0.21%	0.21%	0.57%
	0,25 do <0,50	32353	177	0.55%	0.37%	0.36%	0.53%
	0,50 do <0,75	20847	143	0.69%	0.62%	0.62%	0.68%
	0,75 do <2,50	52566	901	1.71%	1.39%	1.41%	1.54%
	0,75 do <1,75	39080	561	1.44%	1.16%	1.16%	1.30%
	1,75 do <2,5	13486	340	2.52%	2.11%	2.11%	2.26%
	2,50 do <10,00	39816	2155	5.41%	4.90%	4.90%	5.22%
	2,5 do <5	24312	1072	4.41%	3.55%	3.55%	4.26%
	5 do <10	15504	1083	6.99%	6.98%	7.02%	6.92%
	10,00 do <100,00	14315	3060	21.38%	20.96%	20.97%	19.67%
	10 do <20	7945	1055	13.28%	14.05%	14.09%	13.45%
	20 do <30	4112	1032	25.10%	23.21%	23.41%	21.77%
	30,00 do <100,00	2258	973	43.09%	42.71%	40.76%	38.07%
	100,00 (domyślnie)	11785	n/d	n/d	100.00%	100.00%	n/d

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which de-faulted in the year				
a	b	c	d	e	f	g	h
17. Retail: thereof other / non-SMEs	0,00 do <0,15	72478	88	0.12%	0.10%	0.10%	0.15%
	0,00 do <0,10	38938	44	0.11%	0.07%	0.07%	0.13%
	0,10 do <0,15	33540	44	0.13%	0.13%	0.13%	0.17%
	0,15 do <0,25	101919	173	0.17%	0.20%	0.20%	0.20%
	0,25 do <0,50	144547	372	0.26%	0.36%	0.35%	0.31%
	0,50 do <0,75	63230	238	0.38%	0.62%	0.62%	0.51%
	0,75 do <2,50	218551	1951	0.89%	1.45%	1.46%	1.21%
	0,75 do <1,75	156776	1082	0.69%	1.20%	1.21%	1.01%
	1,75 do <2,5	61775	869	1.41%	2.09%	2.09%	1.80%
	2,50 do <10,00	156621	4610	2.94%	4.53%	4.52%	3.88%
	2,5 do <5	110147	2210	2.01%	3.67%	3.65%	2.92%
	5 do <10	46474	2400	5.16%	6.61%	6.58%	6.47%
	10,00 do <100,00	21460	4958	23.10%	19.92%	18.38%	20.50%
	10 do <20	14750	2053	13.92%	13.57%	13.29%	14.12%
	20 do <30	4183	1577	37.70%	24.65%	24.39%	28.07%
	30,00 do <100,00	2527	1328	52.55%	39.51%	38.15%	46.53%
	100,00 (domyślnie)	28883	n/d	n/d	100.00%	100.00%	n/d

The following table presents the average model LGD values as of 31.12.2021 for retail mortgage, retail non-mortgage, corporate and commercial banks and mLeasing portfolio based on long-term historical series for non-defaulted exposures and compared with observed (realized) loss rates based on historical observation.

Indicators	Retail mortgages exposures	Retail non-mortgages exposures	Corporate exposures	Commercial banks exposures	mLeasing exposures
Mean model LGD (31.12.2021)	23.97%	51.81%	49.71%	47.76%	22.79%
Mean model LGD weighted by EAD (31.12.2021)	27.01%	57.85%	44.01%	42.76%	18.58%
Mean empirical LGD*	20.54%	43.25%	39.71%	18.87%	11.70%
Mean empirical LGD weighted by EAD*	27.34%	57.59%	36.17%	18.87%	12.38%

** Retail mortgages exposures and Retail non-mortgages exposures (01.2006-12.2020), Corporate exposures (01.2006-02.2021), Commercial banks exposures (01.2009 - 06.2021), mLeasing exposures (01.2007 - 06.2020)*

Higher expected value of model LGD parameter compared to the empirical LGD observations in the analyzed period reflects the required margin of conservatism for model estimates.

5.4. Supervisory requirements regarding capital ratios

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

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

As of 31 December 2021 mBank Group was obliged to ensure adequate own funds to meet conservation capital buffer of 2.5% of total risk exposure amount, as defined in the Act.

As of 31 December 2021 the countercyclical capital buffer rate set for relevant exposures in Poland according with the article 83 of the Act amounted to 0%. The ratio shall be effective until it is changed by way of an ordinance of the Minister of Finance.

Countercyclical capital buffer in accordance with the provisions of the Act as the weighted average of the countercyclical buffer rates that apply in the countries where the relevant credit exposures of the mBank Group are located. As at the end of December 2021 this ratio amounted to 0.05%.

Exposures of foreign branches in Czech Republic and in Slovakia, where countercyclical buffer rates as of 31 December 2021 amounted to 0.5%, and 1.0% in each, had an impact on the mBank Group specific countercyclical capital buffer.

EU CCyB2 - Amount of institution-specific countercyclical capital buffer

		31.12.2021
1	Total risk exposure amount	95 738 983
2	Institution specific countercyclical capital buffer rate	0.0451%
3	Institution specific countercyclical capital buffer requirement	43 201

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

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
010	**Breakdown by country:**													
020	Poland	21 505 055	114 660 240	1 324 739	-	-	137 490 034	5 901 742	33 687	-	5 935 429	74 192 863	92.1571%	0.0000%
030	Czech Republic	6 936 096	8 089	-	-	-	6 944 185	266 905	-	-	266 905	3 336 313	4.1441%	0.0207%
040	Slovakia	2 962 461	3 026	-	-	-	2 965 487	130 242	-	-	130 242	1 628 025	2.0222%	0.0202%
050	Luxembourg	243 327	281 164	-	-	-	524 491	53 784	-	-	53 784	672 300	0.8351%	0.0042%
060	Netherlands	165 129	78 388	-	-	-	243 517	15 016	-	-	15 016	187 700	0.2332%	0.0000%
070	Germany	82 437	957	-	-	-	83 394	6 622	-	-	6 622	82 775	0.1028%	0.0000%
080	United States Of America	81 395	15 139	-	-	-	96 534	6 771	-	-	6 771	84 638	0.1051%	0.0000%
090	Russian Federation	60 077	186 662	-	-	-	246 739	13 773	-	-	13 773	172 163	0.2138%	0.0000%
100	Sweden	46 035	486	-	-	-	46 521	3 683	-	-	3 683	46 038	0.0572%	0.0000%
110	Cyprus	40 582	523	-	-	-	41 105	3 275	-	-	3 275	40 938	0.0508%	0.0000%
120	Ireland	6 000	17 566	-	-	-	23 566	1 610	-	-	1 610	20 125	0.0250%	0.0000%
130	Austria	1 939	678	-	-	-	2 617	177	-	-	177	2 213	0.0028%	0.0000%
140	Great Britain	776	7 458	-	-	-	8 234	312	-	-	312	3 900	0.0049%	0.0000%
150	Hungary	648	34 739	-	-	-	35 387	1 074	-	-	1 074	13 425	0.0167%	0.0000%
160	Belgium	191	15 214	-	-	-	15 405	1 038	-	-	1 038	12 975	0.0161%	0.0000%
170	Malta	99	2 842	-	-	-	2 941	167	-	-	167	2 088	0.0026%	0.0000%
180	Italy	80	1 254	-	-	-	1 334	39	-	-	39	488	0.0006%	0.0000%
190	France	80	27	-	-	-	107	6	-	-	6	937	0.0001%	0.0000%
200	United Arab Emirates	76	7 649	-	-	-	7 725	184	-	-	184	2 300	0.0029%	0.0000%
210	Spain	51	-	-	-	-	51	4	-	-	4	50	0.0001%	0.0000%
220	Switzerland	50	10	-	-	-	60	4	-	-	4	587	0.0001%	0.0000%
230	Norway	50	-	-	-	-	50	4	-	-	4	50	0.0001%	0.0000%
240	Portugal	39	3 058	-	-	-	3 097	41	-	-	41	362	0.0006%	0.0000%
250	Lithuania	26	-	-	-	-	26	3	-	-	3	312	0.0000%	0.0000%
260	Ukraine	21	177	-	-	-	198	32	-	-	32	400	0.0005%	0.0000%
270	Australia	20	333	-	-	-	353	15	-	-	15	237	0.0002%	0.0000%
280	Denmark	20	-	-	-	-	20	2	-	-	2	25	0.0000%	0.0000%
290	Israel	9	-	-	-	-	9	1	-	-	1	13	0.0000%	0.0000%
300	Bahama	3	-	-	-	-	3	-	-	-	-	62	0.0000%	0.0000%
310	Panama	3	686	-	-	-	689	29	-	-	29	62	0.0005%	0.0000%

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
320	Estonia	3	155	-	-	-	158	43	-	-	43	62	0.0007%	0.0000%
330	Malaysia	2	1 804	-	-	-	1 806	47	-	-	47	588	0.0007%	0.0000%
340	Andorra	2	-	-	-	-	2	-	-	-	-	-	0.0000%	0.0000%
350	Serbia	1	6	-	-	-	7	-	-	-	-	37	0.0000%	0.0000%
360	Canada	1	-	-	-	-	1	-	-	-	-	-	0.0000%	0.0000%
370	Taiwan	1	-	-	-	-	1	-	-	-	-	-	0.0000%	0.0000%
380	Tanzania	-	503	-	-	-	503	10	-	-	10	125	0.0002%	0.0000%
390	Singapur	-	1 999	-	-	-	1 999	110	-	-	110	1 375	0.0017%	0.0000%
400	Other	-	2 053	-	-	-	2 053	100	-	-	100	1 250	0.0015%	0.0000%
500	Total	32 132 785	115 332 885	1 324 739	0	0	148 790 409	6 406 865	33 687	0	6 440 552	80 507 801	100%	0.0451%

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 31 December 2021.

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 2021 amounted to 3.05% 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 2.12% in order to mitigate the risk and 1.59% for Tier 1 capital (on individual basis: 2.45% and 1.83% respectively). Additional capital requirement in Pillar II encompasses also additional risk factors related to the FX mortgage loan portfolio such as operational risk, market risk or risk of collective default of borrowers.

The high level of additional capital requirement in Pillar II resulted from the fact that the PFSA applied one methodology to all banks in Poland. This did not take into account the results of internal models applied by mBank to the calculation of capital requirements for credit risk. 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 2021 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.

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mBank Group	31.12.2021		31.12.2020	
Capital ratio	Required level	Reported level	Required level	Reported level
Total capital ratio (TCR)	**13.17%**	**16.58%**	**13.86%**	**19.86%**
Of which: FX ADD ON	2.12%		2.82%	
Of which: combined buffer requirement	3.05%		3.04%	
Tier 1 ratio*	**10.64%**	**14.16%**	**11.15%**	**16.99%**
Of which: FX ADD ON	1.59%		2.11%	
Of which: combined buffer requirement	3.05%		3.04%	

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

The ratios for December 31, 2021 presented in the table above at the reported level were calculated in accordance with Art. 468 (1) of Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) No 2019/876 as regards certain adjustments in response to the COVID-19 pandemic. A detailed description is provided in chapter 12 "IFRS 9 transitional arrangements in response to the COVID-19 pandemic".

5.5. Quantitative data regarding capital adequacy

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

Total risk exposure amount of mBank Group consists of:

- risk weighted exposure amount for credit risk, counterparty credit risk, 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.

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

		a	b	c	d	e
		31.12.2021	**30.09.2021**	**30.06.2021**	**31.03.2021**	**31.12.2020**
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	13 552 027	15 171 840	14 826 241	15 332 933	15 046 912
2	Tier 1 capital	13 552 027	15 171 840	14 826 241	15 332 933	15 046 912
3	Total capital	15 871 711	17 484 628	17 138 971	17 705 695	17 588 012
	Risk-weighted exposure amounts					
4	Total risk exposure amount	95 738 983	99 987 821	97 643 477	92 318 135	88 539 932
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	14.16%	15.19%	15.18%	16.61%	16.99%
6	Tier 1 ratio (%)	14.16%	15.19%	15.18%	16.61%	16.99%
7	Total capital ratio (%)	16.58%	17.51%	17.55%	19.18%	19.86%

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

		a	b	c	d	e
		31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU-7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.12%	2.82%	2.82%	2.82%	2.82%
EU-7b	of which: to be made up of CET1 capital (percentage points)	1.19%	1.58%	1.58%	1.58%	1.58%
EU-7c	of which: to be made up of Tier 1 capital (percentage points)	1.59%	2.11%	2.11%	2.11%	2.11%
EU-7d	Total SREP own funds requirements (%)	10.12%	10.82%	10.82%	10.82%	10.82%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU-8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.05%	0.05%	0.04%	0.04%	0.04%
EU-9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU-10a	Other Systemically Important Institution buffer (%)	0.50%	0.50%	0.50%	0.50%	0.50%
11	Combined buffer requirement (%)	3.05%	3.05%	3.04%	3.04%	3.04%
EU-11a	Overall capital requirements (%)	13.17%	13.87%	13.86%	13.86%	13.86%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.57%	7.08%	7.07%	8.50%	8.88%
	Leverage ratio					
13	Leverage ratio buffer requirement (%)	214 379 061	221 768 642	212 172 501	207 602 037	191 703 614
14	Overall leverage ratio requirement (%)	6.32%	6.84%	6.99%	7.39%	7.85%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU-14a	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU-14b	Total SREP leverage ratio requirements (%)	-	-	-	-	-
EU-14c	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU-14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU-14e	Overall leverage ratio requirement (%)	-	-	-	-	-
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	63 711	61 428	58 906	55 457	48 610
EU-16a	Cash outflows - Total weighted value	31 192	29 897	28 994	27 992	26 321
EU-16b	Cash inflows - Total weighted value	4 566	4 190	3 654	3 925	5 438
16	Total net cash outflows (adjusted value)	26 625	25 707	25 340	24 067	20 883
17	Liquidity coverage ratio (%)	239%	239%	232%	230%	233%
	Net Stable Funding Ratio					
18	Total available stable funding	160 241	160 425	153 879	N/A	N/A
19	Total required stable funding	107 315	104 925	102 877	N/A	N/A
20	NSFR ratio (%)	149%	153%	150%	N/A	N/A

The template presents all components of the total risk exposure amount of mBank Group, a denominator for capital ratios calculated according with art. 92 of CRR Regulation regard to template EU OV1 in Annex I to Regulation 2021/637 addressing disclosure requirements of Article 438 (d) of the CRR Regulation;

EU OV1 – Overview of RWAs

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		31.12.2021	30.09.2021	31.12.2021
1	Credit risk (excluding CCR)	79 409 230	83 645 384	6 352 739
2	Of which the standardised approach	20 782 885	21 275 591	1 662 631
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	58 626 345	62 369 793	4 690 108
6	Counterparty credit risk - CCR	2 579 553	2 809 407	206 364
7	Of which the standardised approach	2 093 846	2 228 508	167 509
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	4 803	3 078	384
EU 8b	Of which credit valuation adjustment - CVA	480 904	577 821	38 471
9	Of which other CCR	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	1 116 585	1 084 859	89 327
21	Of which the standardised approach	1 116 585	1 084 859	89 327
EU 22a	Large exposures	-	-	-
23	Operational risk	9 502 228	9 502 228	760 178
EU 23b	Of which standardised approach	9 502 228	9 502 228	760 178
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	3 131 387	2 831 943	250 511
29	**Total**	**95 738 983**	**99 873 821**	**7 659 119**

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.

EU CR10.2

Specialised lending : Project finance (Slotting approach)							
Regulatory categories	Remaining maturity	On-balancesheet exposure	Off-balancesheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
		a	b	c	d	e	f
Category 1	Less than 2.5 years	2 296	5 195	50%	3 728	1 472	-
	Equal to or more than 2.5 years	466 445	1 910	70%	466 974	278 414	1 868
Category 2	Less than 2.5 years	1 862 256	759 797	70%	2 107 387	1 335 935	8 430
	Equal to or more than 2.5 years	4 256 170	111 487	90%	4 287 632	3 539 348	34 301
Category 3	Less than 2.5 years	154 967	9 724	115%	157 608	175 381	4 413
	Equal to or more than 2.5 years	347 799	31 620	115%	356 313	377 919	9 977
Category 4	Less than 2.5 years	4 318	-	250%	4 318	10 796	345
	Equal to or more than 2.5 years	34 502	-	250%	34 502	86 256	2 760
Category 5	Less than 2.5 years	353 550	-		353 550	-	176 775
	Equal to or more than 2.5 years	335 633	-		335 633	-	167 816
Ogółem	Less than 2.5 years	2 377 388	774 716		2 626 591	1 523 584	189 963
	Equal to or more than 2.5 years	5 440 549	145 017		5 481 055	4 281 937	216 722

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

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

		Risk weighted exposure amount
		31.12.2021
1	Risk weighted exposure amount as at the end of the previous reporting period	**59 959 365**
2	Asset size (+/-)	(2 178 948)
3	Asset quality (+/-)	(1 808 935)
4	Model updates (+/-)	-
5	Methodology and policy (+/-)	-
6	Acquisitions and disposals (+/-)	-
7	Foreign exchange movements (+/-)	60 496
8	Other (+/-)	-
9	Risk weighted exposure amount as at the end of the reporting period	**56 031 979**

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

AIRB stage	Asset class	% share in risk-weighted assets (% of RWA STA)
AIRB first stage portfolios	mBank Group exposures, including:	78%
	Corporate exposures	21%
	Specialised lending exposures – income producing real estate	5%
	Retail exposures – mortgage loans	23%
	Retail exposures – non-mortgage loans	9%
	Retail exposures of microenterprises – mortgage loans	1%
	Retail exposures of microenterprises – non-mortgage loans	3%
	Bank exposures	1%
	Exposures of mBH – specialised lending exposures (income producing real estate)	2%
	Exposures of mLeasing	9%
	Non-credit assets	4%
	AIRB first stage	**78%**
	mBH - Retail exposures – mortgage loans	3%
	Roll-out	**3%**
Permanent partial use		**19%**
Total		**100%**

Information about the structure of risk-weighted assets

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

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

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	66 218 298	40	66 221 917	156	2 953 465	4.46%
2	Regional government or local authorities	161 583	20 051	161 583	10 008	34 318	20.00%
3	Public sector entities	1 188	20 783	1 188	10 304	6 320	54.96%
4	Multilateral development banks	2 923 754	-	2 923 754	-	-	0.00%
5	International organisations	-	-	-	-	-	0.00%
6	Institutions	813 856	48 797	912 330	23 493	393 107	42.01%
7	Corporates	9 009 858	6 268 484	8 772 575	1 845 372	10 659 671	100.39%
8	Retail	4 706 639	769 651	4 706 639	177 632	3 661 176	74.96%
9	Secured by mortgages on immovable property	15 049 908	87 197	15 049 908	43 598	5 770 766	38.23%
10	Exposures in default	561 040	554	554 195	302	700 957	126.41%
11	Exposures associated with particularly high risk	117 856	-	117 856	-	176 785	150.00%
12	Covered bonds	-	-	-	-	-	0.00%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
14	Collective investment undertakings	-	-	-	-	-	0.00%
15	Equity	166 686	-	166 686	-	273 440	164.04%
16	Other items	19 219	61	19 219	61	19 281	100.00%
17	**TOTAL**	99 749 885	7 215 618	99 607 850	2 110 926	24 649 286	24.23%

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

	Exposure classes	Risk weight							
		0%	2%	4%	10%	20%	35%	50%	70%
		a	b	c	d	e	f	g	h
1	Central governments or central banks	65 040 687	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	171 591	-	-	-
3	Public sector entities	-	-	-	-	-	-	10 352	-
4	Multilateral development banks	2 923 754	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-
6	Institutions	152 668	529 595	-	-	135 859	-	710 627	-
7	Corporates	-	-	-	-	-	-	1 478	-
8	Retail exposures	-	-	-	-	-	-	-	-
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	14 209 177	169 226	-
10	Exposures in default	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-
16	Other items	-	-	-	-	-	-	-	-
17	**TOTAL**	68 117 109	529 595	-	-	307 450	14 209 177	891 683	-

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

	Exposure classes	Risk weight							Total	Of which unrated
		75%	100%	150%	250%	370%	1250%	Others		
		i	j	k	l	m	n	o	p	q
1	Central governments or central banks	-	1	-	1 181 385	-	-	-	66 222 073	1 202 773
2	Regional government or local authorities	-	-	-	-	-	-	-	171 591	23 227
3	Public sector entities	-	1 140	-	-	-	-	-	11 492	1 140
4	Multilateral development banks	-	-	-	-	-	-	-	2 923 754	-
5	International organisations	-	-	-	-	-	-	-	-	-
6	Institutions	-	30	-	-	-	-	-	1 528 778	673 927
7	Corporates	-	11 178 147	-	-	-	-	-	10 659 671	10 659 671
8	Retail exposures	4 884 271	-	-	-	-	-	-	4 884 271	4 884 271
9	Exposures secured by mortgages on immovable property	-	715 037	65	-	-	-	-	15 093 503	15 093 503
10	Exposures in default	-	261 576	292 921	-	-	-	-	554 497	554 497
11	Exposures associated with particularly high risk	-	-	117 856	-	-	-	-	117 856	117 856
12	Covered bonds	-	-	-	-	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	95 517	-	71 169	-	-	-	166 686	166 686
16	Other items	-	19 280	-	-	-	-	-	19 280	19 280
17	**TOTAL**	4 884 271	12 270 728	410 842	1 252 554	-	-	-	102 353 455	33 396 834

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 mBank Group applies AIRB approach.

A-IRB	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions	On-balance sheet exposures
	a	b	c	d	e	f	g	h	i	j	k	l	m
Retail mortgage portfolio (microfirms)													
	0.00 to <0.15	1 635	893	0.850000	2 394	0.001414	10	0.205280	-	128	0.053467	1	-
	0.00 to <0.10	-	-		-	-	-	-	-	-		-	-
	0.10 to <0.15	1 635	893	0.850000	2 394	0.001414	10	0.205280	-	128	0.053467	1	-
	0.15 to <0.25	142 716	21 699	0.933218	162 966	0.002074	547	0.262056	-	14 941	0.091682	89	(38)
	0.25 to <0.50	639 505	56 939	0.843990	687 561	0.003689	1 645	0.300874	-	109 479	0.159228	762	(322)
	0.50 to <0.75	602 352	70 715	1.035094	675 550	0.006224	1 587	0.304760	-	158 405	0.234483	1 283	(448)
	0.75 to <2.50	662 767	74 846	1.449918	771 287	0.012437	1 884	0.329399	-	304 986	0.395425	3 132	(1 049)
	0.75 to <1.75	566 748	66 848	1.288604	652 889	0.010980	1 566	0.330260	-	240 728	0.368712	2 350	(780)
	1.75 to <2.5	96 019	7 998	2.798244	118 398	0.020469	318	0.324656	-	64 258	0.542729	782	(269)
	2.50 to <10.00	129 191	4 601	6.562924	159 384	0.042802	373	0.343561	-	136 176	0.854389	2 342	(990)
	2.5 to <5	90 238	3 846	7.525927	119 182	0.032836	277	0.345903	-	91 184	0.765082	1 357	(494)
	5 to <10	38 953	755	1.655760	40 202	0.072346	96	0.336617	-	44 994	1.119198	985	(496
	10.00 to <100.00	51 743	902	1.110655	52 742	0.232472	124	0.333694	-	80 500	1.526298	4 204	(2 308)
	10 to <20	22 745	239	1.834605	23 182	0.137991	66	0.295172	-	29 216	1.260288	931	(471)
	20 to <30	15 249	270	0.850000	15 477	0.227882	30	0.372429	-	27 996	1.808878	1 317	(717)
	30.00 to <100.00	13 749	393	0.850000	14 083	0.393048	28	0.354535	-	23 288	1.653625	1 956	(1 120)
	100.00 (Default)	160 985	238	-	160 985	1.000000	307	0.657242	-	611 172	3.796453	60 820	(60 828)
Subtotal		2 390 894	230 833	1.221563	2 672 869	0.073607	6 477	0.332292	-	1 415 787	0.529688	72 633	(65 983)

EU CR6 - continued

A-IRB	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions	On-balance sheet exposures
	a	b	c	d	e	f	g	h	i	j	k	l	m
Retail mortgage portfolio (microfirms)													
	0.00 to <0.15	17 707 776	1 116 427	0.634512	18 416 163	0.000892	132 815	0.320945	-	1 357 118	0.073692	5 018	(2 276)
	0.00 to <0.10	10 397 595	889 129	0.637606	10 964 509	0.000656	87 916	0.357004	-	737 767	0.067287	2 554	(1 429)
	0.10 to <0.15	7 310 181	227 298	0.622409	7 451 654	0.001237	44 899	0.268304	-	619 351	0.083116	2 464	(847)
	0.15 to <0.25	7 339 617	168 887	0.626168	7 445 369	0.001911	42 902	0.269623	-	866 994	0.116447	3 850	(1 386)
	0.25 to <0.50	5 140 899	143 479	0.660775	5 235 706	0.003481	29 139	0.286157	-	999 330	0.190868	5 216	(1 436)
	0.50 to <0.75	1 666 371	49 595	0.764275	1 704 277	0.006064	9 261	0.295078	-	498 963	0.292771	3 053	(915)
	0.75 to <2.50	1 289 024	27 186	0.748369	1 309 369	0.012059	7 037	0.307202	-	622 936	0.475753	4 842	(1 633)
	0.75 to <1.75	1 109 152	24 150	0.703476	1 126 141	0.010629	6 090	0.308466	-	500 733	0.444645	3 698	(1 232)
	1.75 to <2.5	179 873	3 036	1.105535	183 228	0.020836	947	0.299436	-	122 203	0.666945	1 144	(401)
	2.50 to <10.00	508 234	4 020	0.708095	511 080	0.051170	2 445	0.295858	-	541 750	1.060010	7 752	(3 163)
	2.5 to <5	294 112	2 675	0.746031	296 107	0.034878	1 479	0.296113	-	261 975	0.884731	3 043	(1 096)
	5 to <10	214 122	1 345	0.632637	214 973	0.073623	966	0.295506	-	279 775	1.301443	4 709	(2 067)
	10.00 to <100.00	518 131	1 565	1.014633	519 719	0.246575	2 042	0.296292	-	907 458	1.746055	37 823	(18 376)
	10 to <20	270 810	960	0.898561	271 673	0.141477	1 136	0.290135	-	447 162	1.645957	11 181	(5 386)
	20 to <30	107 317	291	0.760000	107 538	0.245278	362	0.319228	-	220 731	2.052586	8 505	(4 438)
	30.00 to <100.00	140 004	314	1.604753	140 508	0.450811	544	0.290642	-	239 565	1.704992	18 137	(8 552)
	100.00 (Default)	724 883	1 117	-	724 883	1.000000	1 976	0.662394	-	1 026 900	1.416642	423 428	(423 783)
Subtotal		34 894 935	1 512 276	0.642494	35 866 566	0.026603	227 617	0.309607	-	6 821 449	0.190190	490 982	(452 968)

EU CR6 - continued

A-IRB		On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions	On-balance sheet exposures
		a	b	c	d	e	f	g	h	i	j	k	l	m
Retail non-mortgage portfolio (microfirms)														
	0.00 to <0.15	23 806	19 455	0.823391	39 825	0.001187	768	0.612786	-	4 081	0.102473	20	(18)	
	0.00 to <0.10	9 256	4 075	0.873573	12 816	0.000842	211	0.608841	-	865	0.067494	4	(4)	
	0.10 to <0.15	14 549	15 381	0.810097	27 009	0.001310	557	0.614186	-	3 216	0.119071	16	(14)	
	0.15 to <0.25	124 258	524 429	0.820094	554 339	0.002102	15 535	0.655270	-	127 210	0.229481	754	(481)	
	0.25 to <0.50	1 233 667	1 038 926	0.760721	2 023 999	0.003744	50 908	0.678877	-	521 287	0.257553	3 648	(2 710)	
	0.50 to <0.75	1 583 017	518 788	0.837929	2 017 727	0.006192	42 691	0.686911	-	619 411	0.306985	5 218	(4 019)	
	0.75 to <2.50	3 955 957	779 197	0.905859	4 661 798	0.014149	106 605	0.721890	-	2 333 364	0.500529	32 648	(32 403)	
	0.75 to <1.75	2 980 772	626 118	0.895794	3 541 644	0.011682	80 072	0.718375	-	1 641 420	0.463463	20 003	(18 879)	
	1.75 to <2.5	975 185	153 079	0.947027	1 120 155	0.021093	26 533	0.731665	-	691 944	0.617722	12 646	(13 524)	
	2.50 to <10.00	3 004 482	274 659	1.021633	3 285 081	0.049030	72 562	0.736381	-	2 136 580	0.650389	77 890	(86 649)	
	2.5 to <5	1 772 078	209 063	0.991753	1 979 417	0.035421	45 713	0.735135	-	1 282 354	0.647844	35 751	(39 084)	
	5 to <10	1 232 404	65 595	1.116867	1 305 664	0.069726	26 849	0.738673	-	854 226	0.654246	42 138	(47 566)	
	10.00 to <100.00	1 175 274	25 027	1.167325	1 204 487	0.222274	23 449	0.736771	-	981 702	0.815037	106 384	(113 908)	
	10 to <20	624 218	19 755	1.164090	647 215	0.140993	13 195	0.737858	-	499 169	0.771257	39 218	(45 783)	
	20 to <30	380 703	2 158	1.306017	383 521	0.246214	6 513	0.738253	-	291 361	0.759700	29 414	(31 030)	
	30.00 to <100.00	170 352	3 114	1.091738	173 752	0.470420	3 741	0.731890	-	191 173	1.100264	37 752	(37 095)	
	100.00 (Default)	661 226	6 815	0.000000	661 226	1.000000	16 891	0.756410	-	481 289	0.727874	480 799	(482 907)	
Subtotal		11 761 687	3 187 296	0.842971	14 448 482	0.080456	329 409	0.491934	-	7 204 924	0.498663	707 361	(723 095)	

EU CR6 - continued

A-IRB		On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Retail non-mortgage portfolio (natural persons)													
	0.00 to <0.15	468 610	693 631	0.728526	973 938	0.001038	114 952	0.533510		147 049	0.150984	544	(495)
	0.00 to <0.10	222 453	269 211	0.697858	410 324	0.000726	49 450	0.514049		46 035	0.112192	153	(168)
	0.10 to <0.15	246 157	424 420	0.747978	563 614	0.001265	65 502	0.547679		101 014	0.179225	391	(327)
	0.15 to <0.25	618 630	1 367 869	0.696098	1 570 802	0.002022	196 773	0.582997		415 867	0.264748	1 858	(1 370)
	0.25 to <0.50	1 411 467	1 672 146	0.673483	2 537 630	0.003566	302 564	0.628021		1 039 728	0.409724	5 701	(4 878)
	0.50 to <0.75	1 132 505	451 977	0.749927	1 471 453	0.006187	158 557	0.655426		865 100	0.587922	5 972	(5 927)
	0.75 to <2.50	4 572 320	660 024	0.778289	5 086 008	0.014563	563 200	0.679339		4 399 699	0.865059	50 466	(50 567)
	0.75 to <1.75	3 211 473	509 413	0.783220	3 610 454	0.011973	393 770	0.676389		2 934 593	0.812804	29 286	(29 568)
	1.75 to <2.5	1 360 847	150 611	0.761611	1 475 554	0.020902	169 430	0.686558		1 465 106	0.992919	21 179	(20 999)
	2.50 to <10.00	3 544 681	185 241	0.830350	3 698 495	0.045230	362 297	0.673133		4 032 699	1.090362	112 821	(123 076)
	2.5 to <5	2 492 225	146 798	0.809006	2 610 984	0.036473	256 294	0.667178		2 758 231	1.056395	63 160	(66 603)
	5 to <10	1 052 457	38 444	0.911854	1 087 511	0.066255	106 003	0.687430		1 274 468	1.171913	49 660	(56 474)
	10.00 to <100.00	585 096	20 482	0.869245	602 900	0.203323	67 064	0.684569		969 131	1.607449	84 226	(83 820)
	10 to <20	360 233	16 629	0.865971	374 633	0.136018	44 011	0.682099		535 526	1.429468	34 710	(38 731)
	20 to <30	129 042	2 264	0.857649	130 983	0.246565	13 995	0.682407		238 954	1.824313	22 073	(21 604)
	30.00 to <100.00	95 821	1 590	0.919989	97 284	0.404286	9 058	0.696991		194 650	2.000843	27 443	(23 484)
	100.00 (Default)	861 849	10 058	0.000000	861 849	1.000000	64 569	0.734125		917 212	1.064237	601 863	(604 753)
Subtotal		13 195 158	5 061 428	0.712826	16 803 075	0.074280	1 829 976	0.653668		12 786 485	0.760961	863 451	(874 886)

EU CR6 - continued

A-IRB	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions	On-balance sheet exposures
	a	b	c	d	e	f	g	h	i	j	k	l	m
Corporations - medium and small enterprises													
	0.00 to <0.15	523 077	619 082	0.510755	864 781	0.000787	339	0.460560	2	128 635	0.148749	280	(214)
	0.00 to <0.10	395 428	431 731	0.529711	639 929	0.000640	227	0.463707	2	88 694	0.138600	169	(133)
	0.10 to <0.15	127 649	187 351	0.467074	224 852	0.001205	112	0.451718	2	39 941	0.177632	110	(82)
	0.15 to <0.25	349 389	415 402	0.490044	562 558	0.002015	226	0.417976	2	134 240	0.238624	411	(248)
	0.25 to <0.50	1 015 004	636 788	0.524935	1 369 145	0.003788	540	0.381455	2	431 680	0.315292	1 711	(925)
	0.50 to <0.75	618 383	314 956	0.514082	791 021	0.006209	407	0.365434	2	306 445	0.387404	1 557	(856)
	0.75 to <2.50	4 228 915	1 923 593	0.510808	5 257 774	0.014556	2 184	0.310506	2	2 435 838	0.463283	21 603	(12 039)
	0.75 to <1.75	2 982 904	1 385 896	0.526973	3 748 825	0.011874	1 606	0.317648	2	1 678 019	0.447612	12 739	(6 874)
	1.75 to <2.5	1 246 011	537 696	0.469142	1 508 949	0.021403	578	0.292709	2	757 819	0.502216	8 864	(5 165)
	2.50 to <10.00	2 674 227	778 663	0.469022	3 066 435	0.041642	1 063	0.275952	2	1 830 134	0.596828	31 599	(20 185)
	2.5 to <5	2 125 828	612 626	0.454671	2 428 782	0.034065	801	0.287186	2	1 432 343	0.589737	21 486	(14 496)
	5 to <10	548 399	166 037	0.521969	637 653	0.069415	262	0.237097	2	397 790	0.623835	10 113	(5 690)
	10.00 to <100.00	263 919	30 319	0.416316	278 821	0.142310	170	0.344898	2	273 463	0.980783	10 908	(6 379)
	10 to <20	246 560	16 917	0.489979	255 176	0.126773	117	0.342668	2	239 515	0.938627	8 488	(5 093)
	20 to <30	10 931	7 457	0.223850	12 600	0.230505	24	0.292647	3	15 313	1.215317	801	(678)
	30.00 to <100.00	6 429	5 945	0.448112	11 045	0.380341	29	0.424105	2	18 635	1.687189	1 619	(608)
	100.00 (Default)	164 155	15 697	0.217305	167 576	1.000000	105	0.656856	-	296 782	1.771029	99 338	(99 338)
Subtotal		9 837 069	4 734 500	0.502646	12 358 111	0.034122	5 034	0.303136	2	5 837 217	0.472339	167 407	(140 184)

EU CR6 - continued

A-IRB	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after sup-porting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions	On-balance sheet exposures
	a	b	c	d	e	f	g	h	i	j	k	l	m
Corporations - other													
0.00 to <0.15	1 070 587	1 699 626	0.490295	2 101 841	0.000880	241	0.474774	2	515 135	0.245088	836	(614)	
0.00 to <0.10	712 321	950 379	0.470454	1 324 884	0.000684	146	0.463365	2	270 722	0.204336	381	(359)	
0.10 to <0.15	358 266	749 247	0.515461	776 957	0.001215	95	0.494180	2	244 413	0.314577	456	(254)	
0.15 to <0.25	1 313 514	1 832 659	0.423291	2 118 981	0.002011	169	0.537769	2	907 653	0.428344	2 211	(1 371)	
0.25 to <0.50	2 387 062	2 764 521	0.436036	3 880 990	0.004021	301	0.476747	2	2 345 618	0.604387	7 006	(3 607)	
0.50 to <0.75	1 066 177	1 459 479	0.453082	1 742 945	0.006151	241	0.472049	2	1 287 752	0.738837	4 804	(3 202)	
0.75 to <2.50	5 182 847	3 001 793	0.482725	6 865 612	0.013206	860	0.435749	2	6 177 615	0.899791	36 438	(23 654)	
0.75 to <1.75	4 326 299	2 389 009	0.484400	5 655 455	0.011593	628	0.449480	2	5 158 068	0.912052	27 834	(18 772)	
1.75 to <2.5	856 548	612 784	0.476195	1 210 156	0.020746	232	0.365510	2	1 019 547	0.842492	8 604	(4 882)	
2.50 to <10.00	1 580 790	1 269 758	0.456956	2 184 692	0.040243	477	0.427060	2	2 600 772	1.190452	33 651	(19 006)	
2.5 to <5	1 275 245	1 176 143	0.462058	1 840 564	0.034245	329	0.437821	2	2 160 581	1.173869	25 565	(13 822)	
5 to <10	305 545	93 614	0.392868	344 128	0.074097	148	0.360328	2	440 191	1.279149	8 086	(5 184)	
10.00 to <100.00	163 685	49 494	0.555264	197 112	0.285401	471	0.369316	2	337 876	1.714132	19 650	(4 876)	
10 to <20	77 249	37 457	0.558259	101 205	0.161634	128	0.280791	2	141 109	1.394289	4 432	(1 849)	
20 to <30	7 547	1 380	0.500000	8 237	0.239315	60	0.301099	2	11 878	1.442030	472	(364)	
30.00 to <100.00	78 889	10 658	0.551897	87 669	0.440030	283	0.494611	2	184 889	2.108944	14 746	(2 662)	
100.00 (Default)	602 669	178 321	0.344137	664 048	1.000000	216	0.635223	-	769 855	1.159336	493 470	(497 265)	
Subtotal	13 367 331	12 255 651	0.456432	19 756 221	0.047140	2 976	0.443385	2	14 942 276	0.756333	598 066	(553 595)	

EU CR6 - continued

A-IRB	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after sup-porting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions	On-balance sheet exposures
	a	b	c	d	e	f	g	h	i	j	k	l	m
Corporations - specialized lending exposures													
Subtotal		7 761 880	919 733	0.314992	8 107 646	-	439	0.374726	-	5 805 521	0.716055	406 685	282 561

EU CR6 - continued

A-IRB	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions	On-balance sheet exposures
	a	b	c	d	e	f	g	h	i	j	k	l	m
Institutions													
	0.00 to <0.15	389 474	1 241 293	0.450262	2 168 181	0.000574	61	0.381827	2	484 486	0.223453	477	(270)
	0.00 to <0.10	356 718	1 207 847	0.450848	2 044 349	0.000529	50	0.379413	2	448 144	0.219211	408	(249)
	0.10 to <0.15	32 756	33 445	0.429108	123 831	0.001311	11	0.421666	2	36 342	0.293481	69	(21)
	0.15 to <0.25	68 376	1 599 406	0.191422	734 854	0.002056	26	0.493257	2	487 369	0.663219	751	(384)
	0.25 to <0.50	53 063	181 556	0.402056	151 750	0.003673	15	0.455537	1	81 403	0.536428	254	(39)
	0.50 to <0.75	100 164	5 500	0.450000	104 783	0.005185	8	0.434512	1	72 743	0.694225	238	(219)
	0.75 to <2.50	39 704	27 220	0.399333	53 494	0.019126	13	0.471978	1	53 337	0.997065	477	(455)
	0.75 to <1.75	751	22 326	0.377264	10 694	0.010433	7	0.548315	1	10 954	1.024313	60	(75)
	1.75 to <2.5	38 952	4 895	0.500000	42 800	0.021298	6	0.452905	1	42 383	0.990257	417	(379)
	2.50 to <10.00	23 373	-	-	23 374	0.028447	6	0.583039	1	34 616	1.480962	378	(269)
	2.5 to <5	22 241	-	-	22 242	0.025721	4	0.590888	1	32 768	1.473249	338	(267)
	5 to <10	1 132	-	-	1 132	0.081998	2	0.428867	1	1 847	1.631625	40	(2)
	10.00 to <100.00	1 445	-	-	1 445	0.224232	2	0.453750	4	4 366	3.021453	147	(33)
	10 to <20	-	-	-	-	-	-	-	-	-	-	-	-
	20 to <30	1 445	-	-	1 445	0.224232	2	0.453750	4	4 366	3.021453	147	(33)
	30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal		675 599	3 054 975	0.311429	3 237 881	0.001812	131	0.415250	2	1 218 320	0.376271	2 722	(1 669)
Total		**93 884 553**	**30 956 692**	**0.541501**	**113 250 851**	**0.046797**	**2 402 059**	**0.417853**	**2**	**56 031 979**	**0.494760**	**3 309 307**	**(3 094 943)**

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

		Exposure value as defined in Article 166 CRR for exposrues subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposurevalue subject to a roll-out plan (%)
		a	b	c	d	e
1	Central governments or central banks	68 118 097	68 118 097	1.000000	0.000000	0.000000
1.1	Of which Regional governments or local authorities		-	-	-	-
1.2	Of which Public sector entities		-	-	-	-
2	Institutions	7 584 220	7 585 889	0.295870	0.000000	0.704130
3	Corporates	66 534 130	67 505 735	0.261270	0.000000	0.738730
3.1	Of which Corporates - Specialised lending, excluding slotting approach		364 046	1.000000	0.000000	0.000000
3.2	Of which Corporates - Specialised lending under slotting approach		13 601 685	0.357604	0.000000	0.642396
4	Retail	89 809 064	91 919 606	0.114783	0.099372	0.785844
4.1	of which Retail – Secured by real estate SMEs		2 621 726	0.000000	0.000000	1.000000
4.2	of which Retail – Secured by real estate non-SMEs		56 203 850	0.143062	0.162521	0.694418
4.3	of which Retail – Qualifying revolving		0.000000	-	-	-
4.4	of which Retail – Other SMEs		14 967 697	0.001250	0.000000	0.998750
4.5	of which Retail – Other non-SMEs		35 715 757	0.070282	0.000000	0.929718
5	Equity	287 502	287 502	1.000000	0.000000	0.929718
6	Other non-credit obligation assets	8 837 641	8 837 641	0.060664	0.000000	0.939336
7	Total	**241 170 654**	**244 254 470**	**0.406847**	**0.037397**	**0.555756**

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.

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

	A-IRB	Total exposures	Credit risk Mitigation techniques								
			Funded credit Protection (FCP)								
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)
		a	b	c	d	e	f	g	h	i	j
1	Central governments and central banks	-	-	-	-	-	-	-	-	-	-
2	Institutions	2 966 324	0%	0%	0%	0%	0%	0%	0%	0%	0%
3	Corporates	39 229 641	2%	0%	0%	0%	0%	150%	2%	114%	34%
3.1	*Of which Corporates – SMEs*	12 216 848	2%	0%	0%	0%	0%	140%	3%	114%	22%
3.2	*Of which Corporates – Specialised lending*	8 051 588	0%	0%	0%	0%	0%	45%	0%	45%	0%
3,3	*Of which Corporates – Other*	18 961 205	2%	0%	0%	0%	0%	202%	2%	144%	56%
4	Retail	58 308 833	0%	0%	0%	0%	0%	41%	0%	41%	0%
4.1	*Of which Retail – Immovable property SMEs*	2 672 869	0%	0%	0%	0%	0%	119%	0%	119%	0%
4.2	*Of which Retail – Immovable property non-SMEs*	35 866 565	0%	0%	0%	0%	0%	57%	0%	57%	0%
4.3	*Of which Retail – Qualifying revolving*	-	-	-	-	-	-	-	-	-	-
4.4	*Of which Retail – Other SMEs*	2 966 324	0%	0%	0%	0%	0%	2%	0%	2%	0%
4.5	*Of which Retail – Other non-SMEs*	16 803 075	0%	0%	0%	0%	0%	0%	0%	0%	0%
5	Total	100 504 798	1%	0%	0%	0%	0%	82%	1%	68%	13%

EU CR7-A

A-IRB		Credit risk Mitigation techniques		Credit risk Mitigation methods in the calculation of RWEAs	
		Unfunded credit Protection (UFCP)		RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
		Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)		
		k	l	m	n
1	Central governments and central banks	-	-	-	-
2	Institutions	0%	0%	-	737 639
3	Corporates	14%	0%	-	25 792 450
3.1	*Of which Corporates – SMEs*	25%	0%	-	5 722 726
3.2	*Of which Corporates – Specialised lending*	0%	0%	-	5 753 210
3,3	*Of which Corporates – Other*	12%	0%	-	14 316 514
4	Retail	0%	0%	-	21 761 361
4.1	*Of which Retail – Immovable property SMEs*	0%	0%	-	1 415 787
4.2	*Of which Retail – Immovable property non-SMEs*	0%	0%	-	6 821 449
4.3	*Of which Retail – Qualifying revolving*	-	-	-	-
4.4	*Of which Retail – Other SMEs*	0%	0%	-	737 639
4.5	*Of which Retail – Other non-SMEs*	0%	0%	-	12 786 485
5	Total	5%	0%	-	48 291 450

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 the CRR Regulation with regard to the leverage ratio.

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

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

		a
		Applicable amount
1	Total assets as per published financial statements	199 538 885
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation*	(2 069 853)
8	Adjustments for derivative financial instruments	3 566 538
9	Adjustment for securities financing transactions (SFTs)	872 588
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	12 824 516
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	(45 753)
12	Other adjustments	(307 860)
13	**Leverage ratio total exposure measure**	**214 379 061**

*This amount also comprises the amount of differences between the amount of total assets from published financial statements and consolidated Finrep assets which is a result of derivatives netting.

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

EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		31.12.2021	30.06.2021
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	196 204 573	192 456 997
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(1 350 270)	(1 439 527)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	194 854 303	191 017 470
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	3 870 657	2 979 293
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	1 956 997	1 718 616
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	5 827 654	4 697 909
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	872 205	2 758 598
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	383	62 201
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	872 588	2 820 799

Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	38 029 381	39 022 165
20	(Adjustments for conversion to credit equivalent amounts)	(25 204 865)	(25 385 843)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associat-ed associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	12 824 516	13 636 322
Excluded exposures			
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	**Tier 1 capital**	13 552 027	14 826 241
24	**Total exposure measure**	214 379 061	212 172 501
Leverage ratio			
25	Leverage ratio (%)	6.32%	6.99%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	6.32%	6.99%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	6.32%	6.99%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital	-	-
27	Leverage ratio buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	NA	NA
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	13 029 866	9 632 092
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	872 205	2 758 598
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	226 030 001	219 045 994
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	226 030 001	219 045 994
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjust-ment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.77%	6.77%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjust-ment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.77%	6.77%

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

		31.12.2021
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	99 915 980
EU-2	Trading book exposures	304
EU-3	Banking book exposures, of which:	99 915 675
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	69 142 053
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	162 772
EU-7	Institutions	934 417
EU-8	Secured by mortgages of immovable properties	15 086 273
EU-9	Retail exposures	4 729 576
EU-10	Corporates	8 988 876
EU-11	Exposures in default	562 626
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	309 082

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

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

Exposure value, Tier 1 capital and leverage ratio of mBank Group calculated in accordance with a full definition of Tier 1 capital as of 31 December 2021 and 30 September 2021.

	31.12.2021	30.09.2021
Exposure value	**214 379 061**	**221 768 642**
Capital and regulatory adjustments		
Tier 1 capital	13 037 746	15 171 840
Include Regulatory adjustments - Tier 1	(1 350 270)	(1 122 960)
Leverage ratio		
Leverage Ratio on mBank Group	6.32%	6.84%
Leverage Ratio calculated without of the transitional provisions of the CRR in response to the COVID-19 pandemic	6.10%	6.84%

The leverage ratio of the mBank Group at the end of 2021 was driven by the following factors:

- including in own funds calculation mBank's current loss for 2021;
- inclusion in the calculation of own funds of transitional provisions in relation to the negative valuation of government and local government bonds;
- exclusion in the calculation impairment losses on financial assets not measured at fair value through profit or loss due to with recognition of current loss.

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

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

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. Additionally, annual planning process includes forecast of year end leverage ratio as well as plan of the ratio in a four-year time horizon. The projection is updated depending on the macroeconomic environment. Moreover, mBank also examines capital adequacy in adverse macroeconomic scenarios, understood as risk scenario accepted by the Bank's Management Board.

7. Credit risk mitigation techniques

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

The information addresses disclosure requirements of art. 453 letters a) to e) of CRR Regulation.

7.1. Collateral valuation and management

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

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

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

As at 31 December 2021 mBank Group did not hold credit derivatives.

Collateral

Retail

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

Retail properties

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

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

Prior to taking a credit decision, mBank in each case determines the value of the real property accepted as collateral. Value verification in the retail sales process is based on an appraisal report, which is verified in terms of its assumptions and parameters by analysts.

The determined value is confirmed by the analysis of similar real estate transaction prices from the internal real estate database and the AMRON interbank database, rental rates or information from available publications regarding the real estate market. For standard types of residential real estate, the Bank has introduced the possibility of verifying the value of real estate valuation for typical residential properties located on developed markets, based on the note from the inspection of real estate and also analysis of transaction prices of similar real estate originating from the internal real estate database and the interbank AMRON database.

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

Vehicles

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

Corporates

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

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

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

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

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

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

7.2. Main types of collateral

Retail

Mortgage on real property

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

Conditional transfer of ownership

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

The „de minimis" guarantee

The guarantee provided by Polish state bank Bank Gospodarstwa Krajowego within the governmental aid program addressed to entrepreneurs, covering the working capital loans and investment loans. The guarantee might secure up to the 60% of the loan amount and not more than PLN 3,5 million.

The COSME guarantee

The guarantee provided by Polish state bank Bank Gospodarstwa Krajowego within the governmental aid program addressed to entrepreneurs, covering the working capital loans and investment loans. The guarantee might secure up to the 80% of the loan amount and not more than PLN 0,48 million.

Corporates

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

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

The most frequently used collateral types include:

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

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

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

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

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	79 457 958	61 415 248	57 569 983	3 845 264	-
2	Debt securities	52 606 835	-	-	-	
3	**Total**	**132 064 793**	**61 415 248**	**57 569 983**	**3 845 264**	-
4	*Of which non-performing exposures*	3 528 366	1 162 576	1 118 506	44 070	-
EU-5	*Of which defaulted*	3 528 366	1 162 576			

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

In 2021 there was no significant change in the use of credit risk mitigation techniques.

7.3. Market or credit risk concentration

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

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

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

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

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

Within control of concentration risk arising from exposures secured with the same type of collateral or by the same provider, mBank sets and monitors limits for mortgage-backed exposures. mBank also analyses its concentration in such collaterals as corporate personal collaterals.

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

As at 31 December 2021 there was no substantial level of geographical concentration in the credit portfolio of mBank Group. In terms of exposure relating to countries other than Poland there was no substantial share of exposure with value loss.

8. Credit risk adjustments

8.1. Overdue and impaired exposures – definitions used

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

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

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

Corporate portfolio - Impairment triggers

The list of definite loss events in corporate portfolio:

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

   The adopted definition of overdue credit obligations and materiality thresholds are in line with the Regulation of the Minister of Finance, Investment and Development of October 3, 2019.
2. mBank's sale of the credit obligation with material economic loss related to change in creditworthiness of the debtor.
3. mBank performed distressed restructuring (the materiality threshold from which the Bank considers a diminished financial obligation to be defaulted is 1%).
4. Filing by the debtor or filing by mBank, the parent or subsidiary entity of the Bank a bankruptcy motion against debtor or filing similar motion in respect of credit obligations of the debtor towards the Bank, the parent or subsidiary entity of mBank.
5. Bankruptcy of debtor or acquiring by him a similar legal protection resulting in his evasion of or delay in repayment of credit obligations towards mBank, the parent or subsidiary entity of mBank.
6. Termination of part or whole credit agreement by mBank or the beginning of restructuring/collection procedures.
7. Fraud (embezzlement) of the debtor .
8. mBank expecting suffering a loss on the client.
9. Occurrence of cross default default (until 31 December 2021 inclusive, the indication of the cross default was preceded by an expert assessment of analysts).

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

Retail portfolio - Impairment triggers

The list of definite loss events in retail portfolio:

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

exposures related to given debtor and amounts to 1%.

The adopted definition of overdue credit obligations and materiality thresholds are in line with the Regulation of the Minister of Finance, Investment and Development of October 3, 2019.

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

Forborne definition

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

EBA Guidelines on the application of the definition of default (EBA/GL/2016/07)

Starting from 1st January 2021, mBank Group has implemented the definition of default in line with the EBA guidelines from 18 January 2017 (EBA/GL/2016/07).

The mBank Group maintained its current application of the definition of default at the client level, also for retail banking exposures.

The new definition of default is used consistently both for the purposes of the own funds requirements calculation and for estimating impairment and expected credit loss. In line with supervisory expectations, it also plays a meaningful role in internal credit risk management processes.

The impact of the implementation of the EBA/GL/2016/07 guidelines on the credit risk costs as at their initial recognition in the consolidated profit and loss account of mBank Group amounted to PLN 37.8 million (negative impact).

In addition, from 1 January 2022, a change in the method of marking the cross default loss event in the area of corporate banking was implemented - there was a switch to automatic marking (expert assessment of analysts was excluded). The change did not have a significant impact on the level of the default portfolio.

8.2. Quantitative information

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

How exposures are classified to stages

mBank, by implementing International Financial Reporting Standards classifies credit exposures to stages:

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

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

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

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

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

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

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

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

Significant deterioration of credit quality (classification to stage 2)

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

Qualitative criteria are:

- The number of days of delay in paying the amount due is greater than or equal to 31 days, taking into account materiality thresholds:
  - the absolute threshold refers to the past due exposure amount and amounts to PLN 400 for retail exposures in Polish branch and exposures of Private Banking debtors, registered in corporate systems, CZK 2,500 for retail exposures in the foreign branch of the Bank in Czech Republic, EUR 100 for retail exposures in the foreign branch of the Bank in Slovakia and PLN 2,000 for exposures in the area of corporate and investment banking,
  - the relative threshold refers to the ratio of the past due exposure amount to the total balance sheet exposure amount and amounts to 1%.
- The number of days of delay in paying the amount due of exposure is greater than or equal to 91 days (without materiality thresholds).
- Occurrence of the Forborne performing flag (the client status shows that he or she is experiencing difficulties in repaying the loan commitment, as defined by mBank).
- Occurrence of the Watch List flag (the Bank's internal process designed to identify corporate clients who are subject to increased monitoring in terms of changes in credit quality, in accordance with the Watch List classification rules adopted by mBank).

- Deterioration of the risk profile of the entire exposure portfolio, due to the type of product, industry or distribution channel. (for retail customers).

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

Low credit risk criteria

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

Calculation of expected credit losses

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

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

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

The expected credit losses are calculated as a difference between the value of exposure and the present value of the estimated future cash flows discounted with the effective interest rate, including the costs of debt collection and collateral enforcement. The method of calculating the expected recoveries takes place in scenarios and depends on the Bank's chosen strategy for the client. In the case of restructuring strategy, considered scenarios are developed for exposures and assume a significant share of recoveries from the customer's own payments. In the case of vindication strategy, the scenarios are developed for each recovery source (collateral) separately. Bank identifies scenarios per exposure/recovery source, minimum two are considered obligatory, provided one of them reflects a partial loss on exposure/recovery source. The weight of scenario results from an expert assessment of the likelihood of scenarios based on the relevant facts of the case, in particular, on existing security and their type, client's financial situation, client's willingness to cooperate, the risks that may occur in the case and micro- and macroeconomic factors.

Use of macroeconomics scenarios in ECL estimation

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

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

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

In the case of individual estimation of ECL, the assumed recovery scenarios take into account various macroeconomic and general factors having an impact on the time and amount of recoveries.

Fair Value for credit assets

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

- ***Fair value valuation of non-impaired credit assets***

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

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

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

- ***Fair value valuation of impaired financial assets***

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

Maturity of exposures

EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	4 148 714	30 028 658	27 557 945	64 667 081	-	126 402 398
2	Debt securities	-	16 310 843	30 190 958	6 093 941	-	52 595 742
3	Total	**4 148 714**	**46 339 501**	**57 748 903**	**70 761 022**	**-**	**178 998 140**

Impaired and past-due exposures

Non-performing and forborne exposures

In accordance with the EBA/GL/2018/06 guidelines, banks are obliged to monitor and manage the NPL portfolio. Banks should strive to maintain the value of the NPL portfolio below the threshold set by the regulator at 5%. The NPL ratio calculated in accordance with the Guidelines EBA/GL/2018/06 was at 3.62% as at December 31, 2021 and decreased by 0.76 p.p. compared to the December 31, 2020. The change of the indicator applies to both business lines, but is mainly visible in corporate banking. The decrease of the ratio results from the realization of debt collection processes.

Implementation of the EBA/GL/2016/07 Guidelines

On the implementation date of the EBA/GL/2016/07 guidelines on the application of the definition of default under Article 178 of the CRR Regulation, the share of NPL exposure in the loan portfolio decreased. On the consolidated level the NPL_REG ratio (ratio calculated according to EBA/GL/2018/06 guidelines) decreased by 0.06 p.p. (from 4.38% as of 31 December 2020 to 4.32% as of 1 January 2021). The observed direction of changes is a consequence of introducing for mortgage loans portfolio the obligations from paragraphs 95 – 105 EBA/GL/2016/07 guidelines, concerning the treatment of joint credit obligations. The positive effect of using this regulations is balanced with the negative effect of introducing a continuous method of calculating days past due and by lowering absolute component of the materiality threshold to PLN 400.

In case of the corporate and investment banking portfolio, no material impact of changes to the EBA/GL/2016/07 guidelines on the NPL level. This is due to the fact that the corporate area in the assessment of the default status is mostly based on an expert judgment approach, that identifies probability of default much earlier than being past due more than 90 days. Thus, changes in the calculation of days past due introduced by the EBA/GL/2016/07 guidelines, had an immaterial impact on the level of NPL in the corporate area.

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

		a	b	c	d	e	f
		Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3
005	**Cash balances at central banks and other demand deposits**	**11 163 808**	**11 163 808**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**125 018 456**	**117 712 685**	**6 221 864**	**4 690 941**	**2 017**	**4 340 374**
020	*Central banks*	5 756 485	5 756 485	-	-	-	-
030	*General governments*	127 954	127 814	-	1 069	-	1 069
040	*Credit institutions*	1 214 653	1 214 653	-	-	-	-
050	*Other financial corporations*	2 877 070	2 859 867	17 203	3 220	-	3 220
060	*Non-financial corporations*	45 321 905	40 921 756	4 213 148	2 322 996	86	2 175 036
070	*Of which: SMEs*	20 457 113	18 597 132	1 675 684	1 183 401	86	1 117 768
080	*Households*	69 720 389	66 832 110	1 991 513	2 363 656	1 931	2 161 049
090	**Debt Securities**	**52 606 836**	**52 439 066**	**43 948**	**-**	**-**	**-**
100	*Central banks*	8 496 392	8 496 392	-	-	-	-
110	*General governments*	36 773 867	36 773 867	-	-	-	-
120	*Credit institutions*	5 327 337	5 327 337	-	-	-	-
130	*Other financial corporations*	1 276 228	1 151 152	43 948	-	-	-
140	*Non-financial corporations*	733 012	690 318	-	-	-	-
150	**Off-balance sheet exposures**	**37 989 625**	**35 204 824**	**670 546**	**371 664**	**32 335**	**360 914**
160	*Central banks*	-	-	-	-	-	-
170	*General governments*	40 966	40 966	-	-	-	-
180	*Credit institutions*	3 114 026	3 114 026	-	-	-	-
190	*Other financial corporations*	110 583	109 062	1 521	-	-	-
200	*Non-financial corporations*	23 857 062	21 160 545	582 858	351 962	32 335	341 430
210	*Households*	10 866 988	10 780 225	86 167	19 702	-	19 484
220	***Total***	***226 778 725***	***216 520 383***	***6 936 358***	***5 062 605***	***34 352***	***4 701 288***

EU CR1: Performing and non-performing exposures and related provisions.

		g	h	i	j	k	l
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3
005	**Cash balances at central banks and other demand deposits**	**(1 230)**	**(1 230)**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**(775 638)**	**(435 445)**	**(345 975)**	**(2 531 359)**	**(282)**	**(2 440 501)**
020	*Central banks*	-	-	-	-	-	-
030	*General governments*	(56)	(56)	-	(556)	-	(556)
040	*Credit institutions*	(854)	(854)	-	-	-	-
050	*Other financial corporations*	(1 990)	(1 887)	(104)	(3 171)	-	(3 171)
060	*Non-financial corporations*	(357 966)	(193 599)	(156 568)	(1 015 114)	(15)	(1 024 220)
070	*Of which: SMEs*	(138 026)	(81 709)	(57 238)	(528 174)	(15)	(563 314)
080	*Households*	(414 772)	(239 049)	(189 303)	(1 512 518)	(267)	(1 412 554)
090	**Debt Securities**	**(11 091)**	**(10 503)**	**(588)**	**-**	**-**	**-**
100	*Central banks*	(1 149)	(1 149)	-	-	-	-
110	*General governments*	(5 133)	(5 133)	-	-	-	-
120	*Credit institutions*	(628)	(628)	-	-	-	-
130	*Other financial corporations*	(1 515)	(927)	(588)	-	-	-
140	*Non-financial corporations*	(2 666)	(2 666)	-	-	-	-
150	**Off-balance sheet exposures**	**(68 305)**	**(52 575)**	**(15 728)**	**(250 072)**	**-**	**(250 416)**
160	*Central banks*	-	-	-	-	-	-
170	*General governments*	(27)	(27)	-	-	-	-
180	*Credit institutions*	(773)	(773)	-	-	-	-
190	*Other financial corporations*	(517)	(353)	(164)	-	-	-
200	*Non-financial corporations*	(40 511)	(32 305)	(8 206)	(241 720)	-	(244 905)
210	*Households*	(26 477)	(19 117)	(7 358)	(8 352)	-	(5 511)
220	***Total***	***(856 264)***	***(499 753)***	***(362 291)***	***(2 781 431)***	***(282)***	***(2 690 917)***

EU CR1: Performing and non-performing exposures and related provisions.

		m	n	o
		Accumulated partial write-off	Collaterals and financial guarantees received	
			On performing exposures	On non-performing exposures
005	**Cash balances at central banks and other demand deposits**	-	-	-
010	**Loans and advances**	-	**60 252 671**	**1 162 577**
020	*Central banks*	-	-	-
030	*General governments*	-	-	-
040	*Credit institutions*	-	4 283	-
050	*Other financial corporations*	-	58 407	48
060	*Non-financial corporations*	-	15 950 815	734 280
070	*Of which: SMEs*	-	8 044 689	542 623
080	*Households*	-	44 239 166	428 249
090	**Debt Securities**	-	-	-
100	*Central banks*	-	-	-
110	*General governments*	-	-	-
120	*Credit institutions*	-	-	-
130	*Other financial corporations*	-	-	-
140	*Non-financial corporations*	-	-	-
150	**Off-balance sheet exposures**	-	**7 253 989**	**28 527**
160	*Central banks*	-	-	-
170	*General governments*	-	13 540	-
180	*Credit institutions*	-	197 638	-
190	*Other financial corporations*	-	368	-
200	*Non-financial corporations*	-	6 626 430	28 049
210	*Households*	-	416 013	478
220	***Total***	-	***67 506 660***	***1 191 104***

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

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
				of which: defaulted			
010	Agriculture, forestry and fishing	251 343	3 334	3 334	250 802	(2 816)	(57)
020	Mining and quarrying	151 750	3 087	3 087	151 750	(2 564)	-
030	Manufacturing	10 804 115	370 142	370 142	10 792 374	(241 495)	(1 941)
040	Electricity, gas, steam and air conditioning supply	1 491 849	2 841	2 841	1 491 761	(25 219)	-
050	Water supply	437 042	3 592	3 592	436 482	(4 531)	-
060	Construction	4 921 884	338 205	338 205	4 912 674	(219 562)	(896)
070	Wholesale and retail trade	9 959 157	332 662	332 662	9 932 032	(268 058)	(2 664)
080	Transport and storage	2 830 148	100 215	100 215	2 826 523	(89 457)	(393)
090	Accommodation and food service activities	856 047	293 478	293 478	852 715	(55 656)	(574)
100	Information and communication	1 605 172	39 405	39 405	1 600 902	(49 068)	(132)
110	Real estate activities	1 119 630	56 005	56 005	1 104 330	(38 016)	(12 764)
120	Financial and insurance actvities	6 879 509	636 472	636 472	6 739 489	(173 732)	(15 963)
130	Professional, scientific and technical activities	3 466 389	100 493	100 493	3 458 126	(120 564)	(537)
140	Administrative and support service activities	762 426	9 457	9 457	757 373	(10 085)	(153)
150	Public administration and defense, compulsory social security	2 862	66	66	2 775	(78)	-
160	Education	96 301	3 925	3 925	95 924	(3 372)	-
170	Human health services and social work activities	964 111	8 270	8 270	961 386	(13 766)	-
180	Arts, entertainment and recreation	499 412	9 380	9 380	498 338	(6 720)	(200)
190	Other services	545 754	11 967	11 967	544 760	(11 992)	(56)
200	**Total**	**47 644 901**	**2 322 996**	**2 322 996**	**47 410 516**	**(1 336 751)**	**(36 330)**

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

		a	b	c	d	e	f	g
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
010	*On balance sheet exposures*	*129 999 843*	*4 698 070*	*4 695 489*	*128 802 579*	*(3 178 713)*		*(128 287)*
020	Andorra	-	-	-	-	-		-
030	United Arab Emirates	1 554	-	-	1 554	(3)		-
040	Argentina	-	-	-	-	-		-
050	Austria	39 111	-	-	39 110	(29)		-
060	Australia	356	-	-	356	(3)		-
070	Azerbaijan	-	-	-	-	-		-
080	Bosnia and Herzegovina	1	-	-	1	-		-
090	Belgium	47 120	103	103	47 120	(609)		-
100	Bulgaria	-	-	-	-	-		-
110	Bahamas	42	42	42	1	(1)		(28)
120	Belarus	4 377	-	-	4 377	(94)		-
130	Canada	337	-	-	337	-		-
140	Switzerland	31 103	2	2	31 073	(4)		-
150	Costa Rica	32	-	-	32	-		-
160	Curaçao	2 189	-	-	2 189	-		-
170	Cyprus	32 997	-	-	32 996	(62)		-
180	Czechia	12 610 596	97 775	97 775	12 610 593	(82 994)		-
190	Germany	207 995	409	409	207 926	(1 592)		-
200	Denmark	89 818	-	-	89 799	(1 830)		-
210	Dominican Republic	-	-	-	-	-		-
220	Estonia	-	-	-	-	-		-

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

		a	b	c	d	e	f	g
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
230	Spain	1 571	247	247	1 476	(175)		(3)
240	Finland	6 491	-	-	6 491	-		-
250	France	664 476	-	-	664 453	(6)		-
260	United Kingdom	64 994	1 016	1 016	64 959	(630)		(8)
270	Gibraltar	11	-	-	11	-		-
280	Greece	4	-	-	4	-		-
290	Croatia	2	-	-	2	-		-
300	Hungary	2 020	39	39	1 997	(1)		-
310	Ireland	17 537	-	-	17 533	(22)		-
320	Israel	28	28	28	28	(20)		-
330	Iceland	1	-	-	1	-		-
340	Italy	314	91	91	311	(61)		-
350	Jordan	4 647	-	-	4 647	(41)		-
360	Japan	3	-	-	3	-		-
370	Sri Lanka	1	-	-	1	-		-
380	Lithuania	161	108	108	161	(30)		-
390	Luxembourg	516 007	-	-	516 007	(7 617)		-
400	Latvia	1	-	-	1	-		-
410	Monaco	-	-	-	-	-		-
420	North Macedonia	3	-	-	3	-		-
430	Malta	7 338	334	334	7 218	(228)		(65)
440	Mexico	-	-	-	-	-		-
450	Netherlands	192 717	-	-	192 714	(4 323)		-
460	Norway	609	-	-	600	(9)		-
470	New Zealand	134	-	-	134	-		-

EU CQ4: Quality of non-performing exposures by geography

		a	b	c	d	e	f	g
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet com-mitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
480	Panama	24	-	-	24	-		-
490	Poland	112 378 141	4 540 773	4 538 192	111 181 913	(3 023 532)		(128 183)
500	Portugal	737	-	-	710	(1)		-
510	Qatar	5	-	-	5	-		-
520	Romania	-	-	-	-	-		-
530	Serbia	26	-	-	26	-		-
540	Russian Federation	632	616	616	632	(466)		-
550	Sweden	47 660	88	88	47 638	(6 890)		-
560	Singapore	6	-	-	-	-		-
570	Slovakia	2 971 601	56 160	56 160	2 971 601	(47 114)		-
580	Thailand	128	128	128	128	(2)		-
590	Turkey	31 150	-	-	31 150	(279)		-
600	Taiwan, Province of China	-	-	-	-	-		-
610	Tanzania, United Republic of	2	-	-	2	-		-
620	Ukraine	156	110	110	152	(22)		-
630	United States	22 877	1	1	22 379	(23)		-
640	South Africa	-	-	-	-	-		-

EU CQ4: Quality of non-performing exposures by geography

		a	b	c	d	e	f	g
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
650	***Off balance sheet exposures***	***38 361 287***	***371 664***	***371 447***			***(318 375)***	
660	Andorra	150	-	-			-	
630	United Arab Emirates	663	-	-			(2)	
640	Austria	143 659	-	-			(212)	
650	Australia	248	-	-			-	
660	Belgium	410	-	-			-	
670	Canada	3 184	-	-			-	
680	Switzerland	13 596	-	-			(57)	
690	China	72	-	-			-	
700	Costa Rica	14	-	-			-	
710	Curaçao	100	-	-			-	
720	Cyprus	501 584	-	-			(79)	
730	Czechia	663 195	116	116			(401)	
740	Germany	2 105 389	-	-			(872)	
750	Denmark	39 754	-	-			(2)	
760	Estonia	45	-	-			-	
770	Spain	3 273	-	-			(4)	
780	Finland	21 020	-	-			(1)	
790	France	12 656	-	-			(6)	
800	United Kingdom	1 063 910	-	-			(100)	
810	Gibraltar	79	-	-			-	
820	Greece	2	-	-			-	
830	Hong Kong	300	-	-			(1)	

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

		a	b	c	d	e	f	g
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet com-mitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
840	Hungary	29	-	-			-	
850	Ireland	36 123	-	-			(39)	
860	Israel	12 086	74	74			(51)	
870	Iceland	21	-	-			-	
880	Italy	3 176	-	-			-	
890	Japan	33 168	-	-			(1)	
900	Korea, Republic of	2 200	-	-			(3)	
910	Lithuania	38	-	-			-	
920	Luxembourg	66 743	-	-			(186)	
930	Latvia	50	-	-			-	
940	Monaco	20	-	-			-	
950	Malta	886	-	-			(7)	
960	Mexico	15	-	-			-	
970	Malaysia	50	-	-			-	
980	Netherlands	53 302	-	-			(151)	
990	Norway	325	-	-			-	
1000	New Zealand	8	-	-			-	
1010	Panama	56	-	-			-	
1020	Poland	33 297 129	371 433	371 216			(315 979)	
1030	Portugal	882	-	-			(1)	
1040	Qatar	5	-	-			-	
1050	Russian Federation	45	-	-			-	
1060	Sweden	367	-	-			(1)	

		a	b	c	d	e	f	g
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
1070	Singapore	1 264	-	-			-	
1080	Slovakia	216 382	40	40			(143)	
1090	Thailand	50	-	-			-	
1100	Taiwan, Province of China	1 843	-	-			(1)	
1110	Tanzania, United Republic of	98	-	-			-	
1120	Ukraine	2	1	1			-	
1130	United States	47 495	-	-			(9)	
1140	South Africa	1 006	-	-			(3)	
1150	India	6 282	-	-			(1)	
1160	Jordan	4 895	-	-			(40)	
1170	Sri Lanka	385	-	-			(7)	
1180	Romania	247	-	-			-	
1190	Turkey	1 311	-	-			(15)	
1200	*Total*	*168 361 130*	*5 069 734*	*5 066 936*	*128 802 579*	*(3 178 713)*	*(318 375)*	*(128 287)*

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

		a	b	c	d
		Gross carrying amount/ Nominal amount of exposures with forbearance measures			
		Performing forborne	Non-performing forborne		
				Of which defaulted	Of which impaired
005	**Cash balances at central banks and other demand deposits**	-	-	-	-
010	**Loans and advances**	**922 876**	**1 065 346**	**1 065 346**	**1 053 860**
020	*Central banks*	-	-	-	-
030	*General governments*	-	-	-	-
040	*Credit institutions*	-	-	-	-
050	*Other financial corporations*	-	-	-	-
060	*Non-financial corporations*	327 527	673 168	673 168	667 195
070	*Households*	595 349	392 178	392 178	386 665
080	**Debt Securities**	-	-	-	-
090	**Loan commitments given**	23 794	27 080	27 080	26 685
100	***Total***	**946 670**	**1 092 426**	**1 092 426**	**1 080 545**

EU CQ1: Credit quality of forborne exposures

		e	f	g	h
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005	**Cash balances at central banks and other demand deposits**	-	-	-	-
010	**Loans and advances**	**(34 630)**	**(388 540)**	**621 121**	**550 423**
020	*Central banks*	-	-	-	-
030	*General governments*	-	-	-	-
040	*Credit institutions*	-	-	-	-
050	*Other financial corporations*	-	-	-	-
060	*Non-financial corporations*	(28 441)	(226 900)	621 121	391 473
070	*Households*	(6 189)	(161 640)	-	158 950
080	**Debt Securities**	-	-	-	-
090	**Loan commitments given**	(187)	(17 208)	**23 356**	**4 233**
100	***Total***	**(34 817)**	**(405 748)**	**644 477**	**554 656**

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

		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
005	Cash balances at central banks and other demand deposits	11 163 808	11 163 808	-	-	-	-	-	-
010	Loans and advances	125 018 456	124 375 146	643 309	4 690 941	1 840 995	203 911	391 007	847 525
020	*Central banks*	5 756 485	5 756 485	-	-	-	-	-	-
030	*General governments*	127 954	127 954	-	1 069	-	-	-	1
040	*Credit institutions*	1 214 653	1 214 653	-	-	-	-	-	-
050	*Other financial corporations*	2 877 070	2 877 062	8	3 220	-	-	-	-
060	*Non-financial corporations*	45 321 905	45 031 051	290 853	2 322 996	1 300 054	75 959	70 325	381 342
070	*Of which SMEs*	20 457 113	20 238 920	218 193	1 183 401	578 421	57 783	58 760	150 149
080	*Households*	69 720 389	69 367 941	352 448	2 363 656	540 941	127 952	320 682	466 182
090	Debt securities	52 606 836	52 606 836	-	-	-	-	-	-
100	*Central banks*	8 496 392	8 496 392	-	-	-	-	-	-
110	*General governments*	36 773 867	36 773 867	-	-	-	-	-	-
120	*Credit institutions*	5 327 337	5 327 337	-	-	-	-	-	-
130	*Other financial corporations*	1 276 228	1 276 228	-	-	-	-	-	-
140	*Non-financial corporations*	733 012	733 012	-	-	-	-	-	-
150	Off-balance-sheet exposures	37 989 625	-	-	371 664	-	-	-	-
160	*Central banks*	-	-	-	-	-	-	-	-
170	*General governments*	40 966	-	-	-	-	-	-	-
180	*Credit institutions*	3 114 026	-	-	-	-	-	-	-
190	*Other financial corporations*	110 583	-	-	-	-	-	-	-
200	*Non-financial corporations*	23 857 062	-	-	351 962	-	-	-	-
210	*Households*	10 866 988	-	-	19 702	-	-	-	-
220	***Total***	226 778 725	188 145 790	643 309	5 062 605	1 840 995	203 911	391 007	847 525

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

		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
005	Cash balances at central banks and other demand deposits	-	-	-	-
010	Loans and advances	858 462	264 667	284 372	4 688 360
020	*Central banks*	-	-	-	-
030	*General governments*	1 068	-	-	1 069
040	*Credit institutions*	-	-	-	-
050	*Other financial corporations*	3 126	93	-	3 220
060	*Non-financial corporations*	318 868	81 541	94 906	2 322 996
070	*Of which SMEs*	225 324	53 301	59 662	1 183 401
080	*Households*	535 400	183 033	189 466	2 361 075
090	Debt securities	-	-	-	-
100	*Central banks*	-	-	-	-
110	*General governments*	-	-	-	-
120	*Credit institutions*	-	-	-	-
130	*Other financial corporations*	-	-	-	-
140	*Non-financial corporations*	-	-	-	-
150	Off-balance-sheet exposures	-	-	-	371 447
160	*Central banks*	-	-	-	-
170	*General governments*	-	-	-	-
180	*Credit institutions*	-	-	-	-
190	*Other financial corporations*	-	-	-	-
200	*Non-financial corporations*	-	-	-	351 962
210	*Households*	-	-	-	19 485
220	***Total***	858 462	264 667	284 372	5 059 807

Changes in the stock of non-performing exposures

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

		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances – 1 January 2021**	**5 261 373**
020	Inflows to non-performing portfolios	1 898 865
030	Outflows from non-performing portfolios	(2 469 297)
040	Outflows due to write-offs	(1 404)
050	Outflow due to other situations	(2 467 893)
060	**Final stock of non-performing loans and advances – 31 December 2021**	**4 690 941**

The changes in the stock of non-performing loans and advances were described on page 70 under the table EU CR1-A: Maturity of exposures.

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Information on collateral obtained by taking possession and execution processes

Information on collateral obtained by taking possession and execution processes as at 31 December 2021 is presented below.

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

		a	b
		Collateral obtained by taking possession accumulated	
		Value at initial recognition	Accumulated negative changes
010	**Property Plant and Equipment (PP&E)**	**-**	**-**
020	**Other than Property Plant and Equipment**	**217 836**	**(136 106)**
030	*Residential immovable property*	-	-
040	*Commercial Immovable property*	48 505	(12 292)
050	*Movable property (auto, shipping, etc.)*	39 331	(10 037)
060	*Equity and debt instruments*	130 000	(113 777)
070	*Other*	-	-
080	***Total***	**217 836**	**(136 106)**

9. Operational risk

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

It is comprehensive in nature, which may have a significant impact on the bank's operations and standing. Apart from the environment and external events, its source may be the bank itself. Due to their dynamic nature, external and internal factors influencing operational risk are subject to constant analysis.

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

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

Due to the dynamics of changes in the factors influencing operational risk, the key elements of the risk management process are: identification, assessment, risk reduction tools, counteracting the materialization of operational risk, control and monitoring of the risk reduction effectiveness and reporting. The management is based on qualitative and quantitative methods and tools as well as the use of their synergy effect. The operational risk management process is performed in conjunction with the control function, which is a part of the internal control system.

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

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

mBank operates in a number of major business areas nationwide, and through its foreign branches, also outside of Poland. mBank offers a wide and diverse range of financial products to its customers from various market segments. Bank's customers include both major corporations operating in Poland and large, medium-size, small and micro-enterprises, as well as individual customers in Poland and abroad.

Based on CRR Regulation for the purpose of collecting operational loss data, the operations are classified into the following business lines:

- Corporate finance,
- Trading and sales,
- Commercial banking,
- Retail banking,
- Payment and settlement,
- Agency services (custody services).
- Asset management,
- Retail brokerage services.

This diverse range of products addressed to a very wide spectrum of customers makes the bank naturally exposed to operational risks which may actually do derive from a variety of sources.

According to the above classification the vast majority of mBank Group's operational losses refers to the lines: retail banking and commercial banking.

Losses are also monitored by risk categories:

- Internal fraud,
- External fraud,
- Malicious Damage,
- Employee practices and workplace safety,
- Clients, products and business practices,
- Disasters and public safety,
- Technology and interface failures,
- Execution, delivery and process management.

In terms of such division of losses, mBank Group incurs the highest losses in categories of operational risk: clients, products and business practices, and external fraud. Losses for foreign currency loans have been separated in the "Clients, products and business practices" category.

The level of operational risk losses is monitored on an ongoing basis and regularly reported to the Bank's Management Board, the Bank's Supervisory Board and to the committees of the Business and Risk Forum. There are escalation mechanisms in the mBank Group when the operational loss thresholds are exceeded. They ensure an appropriate analysis of operational events and trigger corrective actions.

10. Liquidity risk

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

Exposure value, Tier 1 capital and leverage ratio of mBank Group calculated in accordance Liquidity risk is understood as the risk of losing the ability to fund assets and timely execute payments arising from mBank Group's balance sheet and off-balance sheet items on terms and conditions convenient for mBank Group and at a market price.

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

In 2021, the liquidity situation was monitored and remained on a very high level. This year was a continuation of the year 2020 in terms of economic conditions (COVID-19 pandemic), which resulted in a significant increase in balances on customer accounts with a twice lower increase in the dynamics of lending. This situation had a direct impact on the strengthening of the liquidity position.

Risk management organization

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

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

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

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

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

Centralization level of Liquidity risk management

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

Measuring, limiting and reporting liquidity risk

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

The following measures are reported daily:

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

The following measures are reported weekly:

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

The following measures are reported monthly:

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

The following measures are reported quarterly:

- regulatory and internal liquidity measures for mBank's Supervisory Board.

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

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

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

Stress tests

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

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

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

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

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

In addition to the set of liquidity stress tests, reverse scenario is carried out annually to identify the most significant risk factors and to determine the liquidity risk appetite and severity of liquidity risk stress scenarios.

Currently, the material risk factors for mBank Group's are:

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

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

Contingency plan

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

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

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

Description of the emergency procedure includes:

- general rules of conduct in case various emergency scenarios materialize, including:
    a) scope of duties and responsibilities,
    b) authorization to make a decision regarding the initiation and termination of emergency procedure,
    c) determining the time needed to start actions,
    d) decision-making paths,
- outline - when and how to act in the event of a disruption in mBank Group's ability to fund operations at reasonable costs,
- defined sources of funding in the event of deterioration of liquidity,
- identifying a set of alternative funding sources potentially available in an emergency,
- clarifying the rules for the internal exchange of information on mBank Group's current liquidity situation during emergency proceedings,
- developing communication rules with external entities and internal stakeholders to limit reputational risk.

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

Other information and quantitative data

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

mBank keeps a surplus of liquid and unencumbered assets constituting the Liquidity Reserves, for which there is a possibility of pledging, transaction on repo market or selling at any time without significant loss in value.

The Liquidity Reserve in the form of securities includes:

- Polish Government debt securities in PLN and EUR,
- Polish Treasury bills,
- bills issued by the National Bank of Poland in PLN,
- Czech Republic's Government debt securities in CZK,
- bills issued by Czech National Bank in CZK,
- debt securities issued by European Investment Bank in PLN.

The amount of mBank's liquidity reserve in the years 2021 - 2020 is presented in the table below:

Value of Liquidity Reserves (in PLN million)	
31.12.2021	31.12.2020
54 097	51 088

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

Value of Liquidity Reserves (in PLN million)	
31.12.2021	31.12.2020
750	785

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

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

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

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

For the purpose of current monitoring of liquidity, mBank Group establishes values of realistic, cumulated gap of cash flows. The realistic gap is calculated on the basis of contractual cash flows. Mainly cash flows in portfolios of non-banking customers' deposits, overdrafts and term loans are amended. In the calculation of the liquidity measures mBank Group takes into account the possibilities of raising the funds by selling or pledging the debt securities from the Liquidity Reserves.

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

.

Value of realistic cumulative gap of cash flows misfit (in PLN million) on mBank Group level				
Time bucket	LAB Base Case - 31.12.2021		LAB Base Case - 31.12.2020	
	bucket	cumulative	bucket	cumulative
up to 1 working day	35 454	35 454	24 870	24 870
up to 3 working days	2 335	37 789	3 051	27 921
up to 7 calendar days	580	38 369	(171)	27 750
up to 15 calendar days	(1 616)	36 753	423	28 173
up to 1 month	(1 646)	35 107	1 509	29 682
up to 2 months	(636)	34 471	3 231	32 913
up to 3 months	(213)	34 258	(257)	32 656
up to 4 months	(428)	33 830	324	32 980
up to 5 months	(436)	33 394	324	33 304
up to 6 months	(765)	32 629	(36)	33 268
up to 7 months	(464)	32 165	(296)	32 972
up to 8 months	(413)	31 755	430	33 402
up to 9 months	(2 860)	28 892	15	33 417
up to 10 months	(711)	28 181	(419)	32 998
up to 11 months	(803)	27 378	(349)	32 649
up to 12 months	(1 077)	26 301	(2 481)	30 168

The above values should be interpreted as liquidity surpluses/shortages in the aforementioned time buckets. The growth rate of term deposits and current accounts (PLN 22.1 billion, the exchange rate as at 31 December 2021 was used in calculation), which exceeded the growth rate of lending activities (PLN 7.0 billion, the exchange rate as at 31 December 2021 was used in calculation), had a positive impact on the level of the liquidity gap LAB cash flows gaps mismatch in terms up to 1 month and up to 1 year within 2021 and values of regulatory measures LCR and NSFR are presented in the following table:

	31.12.2021	31.12.2020
LAB Base Case 1M	35 106	29 682
LAB Base Case 1Y	26 299	30 168
LCR	216%	218%
NSFR	149%	---

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

As at 31 December 2021, the mBank Group's high-quality liquid assets (HQLA) used to calculate the LCR ratio consist only of level 1 assets, including primarily Treasury bonds in PLN.

As at 31 December 2021 the impact of the adverse market scenario on derivatives, financing transactions and other contracts accounted for 0.546% of the total unweighted value of outflows recognized in the LCR.

mBank Group identifies three significant currencies in accordance with art. 4 clause 5 of the EU Commission Delegated Regulation 2015/61 and art. 415 paragraph 2 of the CRR Regulation: PLN, CZK and EUR, of which the LCR ratio was above 100% for PLN and CZK. The CZK and EUR currencies are associated with running two foreign branches in the Czech Republic and Slovakia. The currency mismatch is limited at the level of the actual liquidity gap in individual currencies.

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

Quantitative information of LCR									
		Total unweighted value (average)				Total weighted value (average)			
Quarter ending on:		31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2021	30.09.2021	30.06.2021	31.03.2021
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	**Total high-quality liquid assets (HQLA)**					**63 711**	**61 428**	**58 906**	**55 457**
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	112 020	108 177	103 903	99 423	8 235	7 938	7 619	7 284
3	*Stable deposits*	*86 372*	*83 175*	*79 631*	*75 829*	*4 319*	*4 164*	*3 988*	*3 797*
4	*Less stable deposits*	*25 648*	*25 002*	*24 272*	*23 594*	*3 916*	*3 774*	*3 631*	*3 487*
5	Unsecured wholesale funding	42 666	40 085	37 796	35 556	18 109	17 181	16 426	15 611
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*9 665*	*9 059*	*8 522*	*7 866*	*2 298*	*2 195*	*2 065*	*1 908*
7	*Non-operational deposits (all counterparties)*	*32 823*	*30 848*	*28 905*	*27 291*	*15 633*	*14 807*	*13 992*	*13 304*
8	*Unsecured debt*	*178*	*178*	*369*	*399*	*178*	*178*	*369*	*399*
9	*Secured wholesale funding*					-	-	-	-
10	Additional requirements	21 775	21 946	22 487	20 890	3 827	3 725	3 817	3 702
11	*Outflows related to derivative exposures and other collateral requirements*	*1 577*	*1 464*	*1 461*	*1 535*	*1 659*	*1 482*	*1 479*	*1 553*
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	*20 198*	*20 482*	*21 026*	*19 355*	*2 168*	*2 244*	*2 338*	*2 149*
14	Other contractual funding obligations	533	578	658	655	376	406	479	475
15	Other contingent funding obligations	15 658	15 016	14 299	15 355	644	646	653	920
16	**TOTAL CASH OUTFLOWS**					**31 191**	**29 897**	**28 994**	**27 992**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	5 501	5 390	4 878	5 144	4 479	4 135	3 604	3 871
19	Other cash inflows	93	51	51	73	87	55	50	54
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	**5 594**	**5 440**	**4 929**	**5 217**	**4 566**	**4 190**	**3 654**	**3 925**

EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*5 594*	*5 440*	*4 929*	*5 217*	*4 566*	*4 190*	*3 654*	*3 925*
TOTAL ADJUSTED VALUE									
EU-21	**LIQUIDITY BUFFER**					**63 711**	**61 428**	**58 906**	**55 457**
22	**TOTAL NET CASH OUTFLOWS**					**26 625**	**25 707**	**25 340**	**24 067**
23	**LIQUIDITY COVERAGE RATIO**					**239%**	**239%**	**232%**	**230%**

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

As of December 31, 2021, the LCR ratio of mBank Group reached 216% and in the fourth quarter the LCR measure remained on a safe level, significantly exceeding 100%.

In the fourth quarter of 2021, there was an outflow of corporate deposit base , which resulted in a decrease in total level of term deposits and current accounts(PLN -4.1 billion, converted at the exchange rate as of December 31, 2021). In the entire quarter, a slight dynamics of the development of lending activities were noticed (PLN 0.9 billion, converted at the exchange rate as of December 31, 2021). The decrease in the level of deposits translated into a fall of the liquidity buffer by PLN 3.9 billion (converted at the exchange rate as of December 31, 2021).

Despite the observed changes, the liquidity buffer remains high and safe (PLN 60.4 billion, converted at the exchange rate as of December 31, 2021). The high-quality liquid assets of mBank in the liquidity buffer (HQLA) used to calculate the LCR ratio consist of only Level 1 assets, including:

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

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

The main source of financing are deposits, which as of December 31, 2021 accounted for 92.54% of all external sources of financing. The deposit base is diversified, and the deposits of the 10 largest customers as of December 31, 2021 accounted for 2.57% of the deposit base. The other sources of financing are:

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

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

As of December 31, 2021, the impact of the adverse market scenario on derivatives accounted for 0.546% of the total unweighted outflow value included in the LCR.

Information regarding NSFR

The table below presents quantitative NSFR data as of 31 December 2021 (data in millions of zlotys).

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

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	-	-	-	17 508	17 508
2	*Own funds*	-	-	-	*17 214*	*17 214*
3	*Other capital instruments*	-	-	-	*293*	*293*
4	Retail deposits	-	113 499	-	5 862	112 300
5	*Stable deposits*	-	*85 783*	-	*4 763*	*86 257*
6	*Less stable deposits*	-	*27 716*	-	*1 099*	*26 043*
7	Wholesale funding:	-	5 722	816	5 920	6 405
8	*Operational deposits*	-	*155*	-	-	*77*
9	*Other wholesale funding*	-	*5 567*	*816*	*5 920*	*6 328*
10	Interdependent liabilities	-	-	-	-	-
11	Other liabilities:	-	50 915	2 164	5 959	24 028
12	*NSFR derivative liabilities*	-				-
13	*All other liabilities and capital instruments not included in the above categories*	-	*50 915*	*2 164*	*5 959*	*24 028*
14	**Total available stable funding (ASF)**	-	*170 137*	*2 980*	*35 248*	*160 241*
15	Total high-quality liquid assets (HQLA)	-			56 726	5 072
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool	-	-	-	-	-
16	Deposits held at other financial institutions for operational purposes	-	303	-	-	151
17	Performing loans and securities:	-	21 314	11 619	89 996	89 351
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*	-	-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*	-	-	-	-	-
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*	-	*20 925*	*11 265*	*87 762*	*87 015*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	*1 757*	*1 368*	*43 349*	*35 049*
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	*310*	*314*	*16 799*	*11 232*
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*	-	*389*	*353*	*2 234*	*2 336*
25	Interdependent assets	-	-	-	-	-
26	Other assets:	-	19 588	324	6 730	11 147
27	*Physical traded commodities*	-	-	-	-	-

28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	-	-	-	*2 829*	*2 405*
29	*NSFR derivative assets*	-	*104*	-	-	*5*
30	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	-	-
31	*All other assets not included in the above categories*	-	*19 483*	*324*	*3 901*	*8 737*
32	Off-balance sheet items	-	32 801	2 113	-	1 746
33	**Total RSF**	-	73 703	14 056	153 452	107 315
34	**Net Stable Funding Ratio (%)**	-				149%

As of December 31, 2021, the Net Stable Funding Ratio (NSFR) of mBank Group reached the level of 149% and in the fourth quarter of 2021 the NSFR measure remained at a safe level, significantly exceeding 100%.

11. Transitional arrangements regarding IFRS 9

The Bank decided, for the purpose of capital adequacy calculation, including calculation of own funds, based on Article 1 paragraph 9 of Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 amending the CRR Regulation, not to apply the transitional arrangements, which allows to mitigate the impact on capital related to the introduction of IFRS 9.

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

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

As of 31 December 2021 mBank included transitional provisions regarding the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic, contained in the regulation of the European Parliament and of the Council (EU) 2020/873 of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic in the calculation of own funds, capital ratios and leverage ratio for the first time.

The application of the transitional provisions is intended to mitigate the negative impact of unrealized losses on government and local government debt instruments during the COVID-19 pandemic and the decision to apply them means that the Bank will be able to limit the impact of significant part of the volatility of the market valuation of the government and local government bonds portfolio.

The measures reported as of 31 December 2021 calculated taking into account the transitional provisions as well as measures as of 31 December 2021 calculated without taking into account the transitional provisions are presented below.

mBank	Measures reported	Measures calculated without taking into account transitional provisions
Common Equity Tier 1 capital (PLN thousand)	13 529 356	13 061 828
Tier 1 capital (PLN thousand)	13 529 356	13 061 828
Own funds (PLN thousand)	15 849 040	15 381 512
Common Equity Tier 1 ratio (%)	16.23	15.67
Tier 1 capital ratio (%)	16.23	15.67
Total capital ratio (%)	19.01	18.45
Leverage ratio (%)	6.53	6.32

mBank Group	Measures reported	Measures calculated without taking into account transitional provisions
Common Equity Tier 1 capital (PLN thousand)	13 552 027	13 037 746
Tier 1 capital (PLN thousand)	13 552 027	13 037 746
Own funds (PLN thousand)	15 871 711	15 357 430
Common Equity Tier 1 ratio (%)	14.16	13.59
Tier 1 capital ratio (%)	14.16	13.59
Total capital ratio (%)	16.58	16.01
Leverage ratio (%)	6.32	6.10

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

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

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

mBank has in place the "Remuneration policy for employees having a material impact on the risk profile of mBank S.A." (hereinafter referred to as the "Remuneration Policy"), which was adopted for the first time by the Supervisory Board in December 2011. Since then, the Remuneration Policy has been subject to annual verification. The Policy applicable in 2021 was approved by Resolution of the Supervisory Board No. 49/20 of 17 December 2020.

Remuneration Policy was compliant with:

1) Polish Banking Law Act of 29 August 1997 implementing Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC,
2) Regulation of the Minister of Development and Finance of 6 March 2017 on the Risk Management System, Internal Control System, Remuneration Policy, and Detailed Method for Banks' Internal Capital Assessment[a],
3) EBA guidelines on sound remuneration policies under Articles 74 (3) and 75 (2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No. 575/2013 – EBA/GL/2015/22 of 27 June 2016[b],

The adopted Remuneration Policy:

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

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

1) Commission Delegated Regulation (EU) No. 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have material impact on an institution's risk profile[c],

[a] *The regulation was repealed with effect from 11 June 2021 and replaced by the* regulation of the Minister of Finance, Development Funds and Regional Policy of 8 June 2021 on the Risk Management System, Internal Control System and Remuneration Policy at Banks

[b] The guidelines were repealed with effect from 31 December 2021 and replaced with new Guidelines on regular remuneration policy under Directive 2013/36 / EU - EBA / GL / 2021/04 of 21/07/2021.

[c] *The regulation was repealed with effect from 14 June 2021 and replaced by the* EU Commission Delegated Regulation 2021/923 of 25 March 2021 supplementing Directive 2013/36 / EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for establishing managerial responsibilities, control functions, significant economic units and significant impact on the risk profile of a significant economic unit and specifying the criteria for determining employees or categories of employees whose professional activities affect the risk profile of these institutions in a manner comparable to that of employees or categories of employees referred to in Art. 92 sec. 3 of this directive

2) Regulation of the Minister of Development and Finance of 6 March 2017 on the Risk Management System, Internal Control System, Remuneration Policy and Detailed Method for Banks' Internal Capital Assessment[d].

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

Remuneration Committee of the Supervisory Board

In March 2012, the Remuneration Committee of the Supervisory Board was established and has been operating in the Bank since then. The Committee supports the Supervisory Board in fulfilling its statutory obligations and conducting its activities resulting from the law. The Remuneration Committee is composed of the members of mBank's Supervisory Board. As at 31 December 2021, the Committee was composed of:

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

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

I) With respect to mBank:

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

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

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

   and issuing recommendations in this respect to the Supervisory Board.
2) approving and setting the MBO goals (Management By Objective) and results for the Bank's Management Board members,
3) preparing on an annual basis the score cards of the risk takers who are the Bank's Management Board members of mBank,
4) verifying the Bonus Pool for the Bank's Management Board members and recommending its division among the Bank's Management Board members to the Supervisory Board,

[d] *The regulation was repealed with effect from 11 June 2021 and replaced by the r*egulation of the Minister of Finance, Development Funds and Regional Policy of 8 June 2021 on the Risk Management System, Internal Control System and Remuneration Policy at Banks

5) issuing opinions for the Supervisory Board on reducing, suspending or returning the payment in whole or in part or on decreasing the amount of the deferred and non-deferred bonus of the Bank's Management Board members in accordance with the provisions of the "Remuneration Policy,

6) issuing opinions for the Supervisory Board on suspending the payment in whole or in part or decreasing the amount of severance pay for members of the Bank's Management Board under the provisions of the management contract,

7) determining on an annual basis the situation of mBank Group in relation to Article 142 (2) of the Banking Law (i.e. solvency / liquidity status of mBank Group) for the purposes connected with determination of bonuses for the Bank's Management Board members, recommending to the Supervisory Board a suspension in whole or a decrease in the amount of the aforementioned bonus,

8) presenting opinions concerning approval for the Bank's Management Board members to engage in competitive activity or to sit on management or supervisory boards of companies outside mBank Group,

9) making other decisions or carrying out other activities defined in or arising from the "Remuneration or the contracts concluded with the Bank's Management Board members.

In 2021, the Remuneration Committee of the Supervisory Board held four meetings, whereas the Supervisory Board, being a governing body supervising remuneration in the Bank, held nine meetings.

Process of determining the policy of variable remuneration components

The annual process of verifying and introducing appropriate amendments to Remuneration and Identification Policies is coordinated by the Director of the Corporate Governance Department (organisational unit reporting directly to the President of the Bank's Management Board of Bank) supported by a team of employees responsible for HR, risk management, legal issues and compliance (in issues related to the selection of criteria indicating the positions having material impact on the risk profile, compliance of applicable policies with regulatory requirements and market practices in this scope.)

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

The most relevant information concerning the determination of remuneration in 2021

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

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

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

<u>*Members of the Bank's Management Board (Risk Takers I):*</u>

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

MBO is set by a member of the Bank's Management Board and the Remuneration Committee of the Supervisory Board. In MBO:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Template EU REM1 - Remuneration awarded for the financial year

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	10	6	9	55
2		Total fixed remuneration	1 467	13 316	5 332	23 853
3		Of which: cash-based	1 428	11 893	5 167	23 227
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	39	1 423	165	626
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	-	-	-	-
10		Total variable remuneration	-	-	-	-
11		Of which: cash-based	-	-	-	-
12		Of which: deferred	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		1 467	13 316	5 332	23 853

In 2021, no special payments were granted and were not paid to employees whose professional activity has a material impact on the Bank's risk profile, therefore the Bank does not disclose the data required by the **EU REM2** template.

Template EU REM3 - Deferred remuneration

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	**14 888**	**3 508**	**11 380**	-	-	**7 497**	**4 391**	**2 791**
8	Cash-based	4 026	1 278	2 748	-	-	-	1 278	0
9	Shares or equivalent ownership interests	10 862	2 230	8 632	-	-	7 497	3 113	2 791
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	**8 395**	**2 054**	**6 341**	-	-	**5 544**	**2 045**	**4 199**
14	Cash-based	1 279	572	707	-	-	-	572	0
15	Shares or equivalent ownership interests	7 116	1 482	5 634	-	-	5 544	1 473	4 199
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	**13 761**	**1 761**	**12 000**	-	-	**10 511**	**1 916**	**10 035**
20	Cash-based	1 073	556	517	-	-	-	556	-
21	Shares or equivalent ownership interests	12 688	1 205	11 483	-	-	10 511	1 360	10 035
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	37 044	7 323	29 721	0	0	23 552	8 352	17 025

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

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

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

	a	b	c	d	e	f	g	h	i	j
	Management body remuneration			Business areas						-
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff										**64**
Of which: members of the MB	10	6	16							
Of which: other senior management				-	3	1	1	-	4	
Of which: other identified staff				9	13	1	11	4	17	
Total remuneration of identified staff	1 467	13 316	14 783	4 178	7 957	975	5 823	1 273	8 979	
Of which: variable remuneration	-	-	-	-	-	-	-	-	-	
Of which: fixed remuneration	1 467	13 316	14 783	4 178	7 957	975	5 823	1 273	8 979	

At the day of the publication of this report variable remuneration for 2021 for the employees presented in the above table was not accepted yet by the competent authorities of the Bank. This document will be modified when it comes to the variable remuneration payout for 2021, granted in 2022, after the approval of the financial statements for 2021 by General Meeting of shareholders.

13BIS. Remuneration Policy for employees having material impact on the risk profile - update of the information after the approval of the variable part of remuneration, regarding 2021 year, by the competent authorities of mBank

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

Template EU REM1 - Remuneration awarded for the financial year

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remune-ration	Number of identified staff	10	6	9	55
2		Total fixed remuneration	1 467	13 316	5 332	23 853
3		Of which: cash-based	1 428	11 893	5 167	23 227
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	39	1 423	165	626
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	10	6	9	55
10		Total variable remuneration	-	7 000	3 885	9 975
11		Of which: cash-based	-	-	1 943	4 988
12		Of which: deferred	-	-	777	1 995
EU-13a		Of which: shares or equivalent ownership interests	-	7 000	1 943	4 988
EU-14a		Of which: deferred	-	4 200	777	1 995
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		1 467	20 316	9 217	33 828

In 2021, no special payments were granted and were not paid to employees whose professional activity has a material impact on the Bank's risk profile, therefore the Bank does not disclose the data required by the **EU REM2** template.

Template EU REM3 - Deferred remuneration

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	**14 888**	**3 508**	**11 380**	-	-	**7 497**	**4 391**	**2 791**
8	Cash-based	4 026	1 278	2 748	-	-	-	1 278	0
9	Shares or equivalent ownership interests	10 862	2 230	8 632	-	-	7 497	3 113	2 791
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	**8 395**	**2 054**	**6 341**	-	-	**5 544**	**2 045**	**4 199**
14	Cash-based	1 279	572	707	-	-	-	572	0
15	Shares or equivalent ownership interests	7 116	1 482	5 634	-	-	5 544	1 473	4 199
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	**13 761**	**1 761**	**12 000**	-	-	**10 511**	**1 916**	**10 035**
20	Cash-based	1 073	556	517	-	-	-	556	-
21	Shares or equivalent ownership interests	12 688	1 205	11 483	-	-	10 511	1 360	10 035
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	37 044	7 323	29 721	0	0	23 552	8 352	17 025

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

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

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

	a	b	c	d	e	f	g	h	i	j
	Management body remuneration			Business areas						-
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff										**64**
Of which: members of the MB	10	6	16							
Of which: other senior management				-	3	1	1		4	
Of which: other identified staff				9	13	1	11	4	17	
Total remuneration of identified staff	1 467	20 316	21 783	6 208	11 827	1 665	7 943	1 713	13 689	
Of which: variable remuneration	-	7 000	7 000	2 030	3 870	690	2 120	440	4 710	
Of which: fixed remuneration	1 467	13 316	14 783	4 178	7 957	975	5 823	1 273	8 979	

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

In 2021 mBank Group still offered to its clients a number of assistance tools aimed at supporting them in a difficult situation resulting from the outbreak of the COVID 19 pandemic.. The purpose of these tools is to help to maintain the financial liquidity of clients by reducing the financial burden in the short term. The number of claims for support was significantly lower than in 2020. It resulted i.a, from narrowing of the group of customers eligible for assistance under sectoral solutions, as well as from the partial adaptation of customers to the new economic reality related to the protracted pandemic.

The tools used by mBank Group in 2021 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 in Poland covered aid instruments granted from 13 March to 30 September 2020, and then - in the period from January 18 to 31 March 2021 - aid instruments dedicated to enterprises from industries particularly affected by the COVID-19 effects. The moratorium in Czech Republic covered aid instruments granted from 1 April 1 to 31 October 2020, and in Slovakia from 1 April 2020 to 31 March 2021.

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 mBank Group as a result of the outbreak of the COVID-19 pandemic in the area of Retail Banking and Corporate Banking are described in Note 4 of the Consolidated Financial Statements for the year 2021.

14.1 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**	**11 985 244**	**11 210 696**	**184 826**	**1 747 130**	**774 548**	**37 283**	**22 367**
2	of which: Households	6 032 193	5 807 475	112 505	311 757	224 718	14 196	5 745
3	*of which: Collateralised by residential immovable property*	4 974 712	4 889 436	90 363	206 660	85 276	8 990	3 322
4	of which: Non-financial corporations	5 953 051	5 403 221	72 321	1 435 373	549 830	23 087	16 622
5	*of which: Small and Medium-sized Enterprises*	2 803 232	2 701 440	60 554	474 729	101 792	23 088	16 622
6	*of which: Collateralised by commercial immovable property*	2 586 100	2 553 564	60 099	442 414	32 536	21 890	16 622

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			Inflows to non-performing exposures
				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: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	
1	**Loans and advances subject to moratorium**	(325 390)	(117 544)	(4 704)	(89 615)	(207 846)	12 157	17 446	57 241
2	of which: Households	(144 184)	(33 600)	(1 487)	(17 840)	(110 584)	(4 308)	(1 398)	47 968
3	*of which: Collateralised by residential immovable property*	(32 199)	(9 264)	(643)	(5 773)	(22 935)	(2 055)	(442)	23 873
4	of which: Non-financial corporations	(181 206)	(83 944)	(3 217)	(71 775)	(97 262)	16 465	18 844	9 273
5	*of which: Small and Medium-sized Enterprises*	(42 494)	(20 949)	(3 026)	(13 589)	(21 545)	16 465	18 812	9 273
6	*of which: Collateralised by commercial immovable property*	(8 110)	(22 253)	(3 071)	(17 627)	14 143	16 922	18 844	4 081

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

		a	b	c	d	e	f	g	h	i
		Number of obligors	Gross carrying amount							
				Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
						<= 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	68 710	12 073 962							
2	Loans and advances subject to moratorium (granted)	**68 487**	**11 985 244**	**461 195**	**11 774 380**	**425**	**210 439**	-	-	-
3	of which: Households		6 032 193	461 195	6 031 768	425	-	-	-	-
4	*of which: Collateralised by residential immovable property*		4 974 712	349 979	4 974 314	398	-	-	-	-
5	of which: Non-financial corporations		5 953 051	-	5 742 612	-	210 439	-	-	-
6	*of which: Small and Medium-sized Enterprises*		2 803 232	-	2 799 308	-	3 924	-	-	-
7	*of which: Collateralised by commercial immovable property*		2 586 100	-	2 586 100	-	-	-	-	-

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**	**866 618**	**14 740**	**678 312**	**11 916**
2	of which: Households	-	-	-	-
3	of which: Collateralised by residential immovable property	-	-	-	-
4	of which: Non-financial corporations	866 618	14 740	678 312	11 916
5	of which: Small and Medium-sized Enterprises	154 978	-	-	11 916
6	of which: Collateralised by commercial immovable property	25 404	-	-	-

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