2017

Disclosures regarding capital adequacy of mBank Group as at 30 June 2017

Warsaw, 27 July 2017

Contents:

1. Introduction

On the basis of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (hereinafter referred to as CRR Regulation) and Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Article 432(1), 432(1) and 433 of the CRR Regulation and on the basis of other regulations laying down implementing technical standards with regard to information disclosure, also in accordance with the Disclosure Policy of mBank S.A. (hereinafter referred to as mBank) available on the mBank website, information based on the data for mBank Group prudentially consolidated (hereinafter referred to as mBank Group) according to the requirements of the CRR Regulation are contained in the presented document.

Entities included in prudential consolidation according to the rules of the CRR Regulation were taken into account in the process of calculation of consolidated own funds and consolidated own funds requirements as at 30 June 2017. The scope of entities included in prudential consolidation is different from the scope of entities included in accounting consolidation based on International Financial Reporting Standards (hereinafter referred to as the IFRS).

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

2. Scope of prudential consolidation

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

The consolidated profit presented in prudentially consolidated financial data of mBank Group for the first half of the year 2017 may be included in consolidated Common Equity Tier 1 for the purpose of the calculation of consolidated Common Equity Tier 1 capital ratio, consolidated Tier 1 capital ratio and consolidated total capital ratio with the prior permission of the Polish Financial Supervisory Authority (hereinafter referred to as PFSA) or the General Meeting decision on profit distribution.

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 of mbank Group for the first half of the year 2017 includes the following entities:

1. mBank S.A.
2. mBank Hipoteczny S.A.
3. mCentrum Operacji Sp. z o.o.
4. mFaktoring S.A.
5. mFinance France S.A.
6. mFinanse S.A.
7. mLeasing Sp. z o.o.
8. Tele-Tech Investment Sp. z o.o.
9. Future Tech FIZ

3. Capital adequacy

One of the main tasks of the bank's balance sheet management is to ensure an appropriate level of capital. Within the framework of the capital management policy of mBank Group, mBank prepares the guidelines for the most effective planning and use of capital basis which:

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

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

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

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

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

4. Own funds

The consolidated own funds consist of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital. Detailed information on particular elements of consolidated own funds of mBank Group as at 30 June 2017 is presented in point 4.1. In point 4.2 the structure of consolidated own funds of mBank Group as at 30 June 2017 is presented.

4.1. Main information

COMMON EQUITY TIER 1 CAPITAL

<u>Capital instruments and the related share premium accounts</u>

The share capital (in the amount of PLN 169 016 thousand), supplementary capital and reserve capital of mBank Group prudentially consolidated were included in Capital instruments and the related share premium accounts item as at 30 June 2017 in the amount of PLN 11 263 727 thousand.

<u>Retained earnings</u>

In Retained earnings item the undistributed profit from the previous years of mBank Group prudentially consolidated as at 30 June 2017 in the amount of PLN 625 559 thousand were included.

<u>Accumulated other comprehensive income</u>

Unrealised gains and losses constitute mBank Group prudentially consolidated other elements of own capital as at 30 June 2017 in the amount of PLN 123 303 thousand were presented in Accumulated other comprehensive income item.

<u>Funds for general banking risk</u>

mBank Group transfers some of its net profit to the funds for general banking risk to cover unexpected risk and future losses. The funds for general banking risk can be distributed only on consent of shareholders at a general meeting. As at 30 June 2017 the funds for general banking risk of mBank Group prudentially consolidated amounted to PLN 1 153 753 thousand.

Independently reviewed interim profits

Verified net profit for the I quarter of 2017 of mBank Group prudentially consolidated, reduced by every foreseeable charges, was included in the calculation of consolidated Common Equity Tier 1 capital as at 30 June 2017, in accordance with the permission of PFSA to include the net profit of mBank Group prudentially consolidated in Common Equity Tier 1 capital, obtained respectively on 29 May of 2017. The net profit of mBank Group prudentially consolidated for the I quarter of 2017 reduced by every foreseeable charges amounted to PLN 109 389 thousand.

REGULATORY ADJUSTMENTS /

DEDUCTIONS FROM THE COMMON EQUITY TIER 1 CAPITAL

Additional value adjustments

In accordance with Article 34 of the CRR Regulation, additional value adjustments have been calculated to all assets measured at fair value in accordance with the requirements of Article 105 of the CRR Regulation and included in Common Equity Tier 1 capital of mBank Group prudentially consolidated as at 30 June 2017 in the amount of PLN 31 028 thousand.

Intangible assets

In accordance with Article 37 of the CRR Regulation, intangible assets reduced by the amount of associated deferred tax liabilities are included in Common Equity Tier 1 capital. The value of intangible assets included in Common Equity Tier 1 capital of mBank Group prudentially consolidated as at 30 June 2017 amounted to PLN 628 269 thousand.

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

In accordance with Article 33(2) of the CRR Regulation, the fair value gains and losses arising from the institution's own credit risk related to derivative liabilities are not offset with those arising from its counterparty credit risk. As at 30 June 2017 the amount of PLN 3 777 thousand from fair value gains and losses was included in Common Equity Tier 1 capital of mBank Group.

<u>Negative amount resulting from the calculation of expected loss amounts</u>

mBank, being an institution calculating risk-weighted exposure amounts with the application of the AIRB approach, is obliged to include in calculation of own funds the negative amounts resulting from the calculation of expected loss amounts. According to Article 36 (1d), the negative amounts resulting from the calculation specified in Articles 158 and 159 of the CRR Regulation were included in consolidated Common Equity Tier 1 capital of mBank Group prudentially consolidated as at 30 June 2017 in the amount of PLN 283 269 thousand.

<u>Direct and indirect holdings by an institution of own CET1 instruments</u>

In direct and indirect holdings by an institution of own CET1 instruments item of consolidated Common Equity Tier 1 capital of mBank Group as at 30 June 2017 the synthetic holdings in the amount of PLN 369 thousand were included.

<u>Net impairment losses</u>

In net impairment losses item as at 30 June 2017 the net impairment losses on loans and advances for the II quarter of the year 2017 were included in the amount of PLN 120 399 thousand. Applied approach is compliant with the provisions of the Commission delegated Regulation (EU) No 183/2014 of 20 December 2013 supplementing the CRR Regulation with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments.

<u>Regulatory adjustments relating to unrealised gains and losses</u>

In accordance with Article 467 and 468 of the CRR Regulation and the PFSA recommendations, in 2017 institutions include in Common Equity Tier 1 capital calculation the unrealised losses related to assets or liabilities measured at fair value in 100% of their value and unrealised gains in 80% of their value. Regulatory adjustments in the amount of PLN 28 351 thousand regarding unrealised gains and losses as at 30 June 2017 constitute adjustments item to the item Accumulated other comprehensive income, mentioned above.

ADDITIONAL TIER 1 CAPITAL

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

TIER 2 CAPITAL

Capital instruments and the related share premium accounts

According to the decision dated 14 February 2014 mBank obtained a written permission of PFSA to include in Tier 2 capital the amount of PLN 500 000 thousand constituting subordinated liabilities from the bonds issue dated 3 December 2013 with a total nominal value of PLN 500,000 thousand and with 10 years maturity. The issue meets all the requirements
of the CRR Regulation.

According to the decision dated 8 January 2015 mBank obtained a written permission of PFSA to include in Tier 2 capital the amount of PLN 750 000 thousand constituting subordinated liabilities from the bonds issue dated 17 December 2014 with total nominal value of PLN 750 000 thousand with redemption date on 17 January 2025. The issue meets all the requirements of the CRR Regulation.

As at 30 June 2017 the amount of PLN 1 250 000 thousand was included in consolidated Tier 2 capital in Capital instruments and the related share premium accounts item by virtue of above mentioned two tranches of capital instruments.

Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from Tier 2 capital

According to the decision No. 609 of 24 December 2007 mBank obtained a written consent of the Commission for Banking Supervision to include in Tier 2 capital the liability in the amount of CHF 170 000 thousand received from the bonds issue on 12 December 2007 with undefined maturity.

According to Article 484 (5) of the CRR Regulation, above mentioned subordinated liabilities can be included in Tier 2 capital calculation with application of the rules of grandfathering and limits of grandfathering in transitional period ongoing from 1 January 2014 till 31 December 2021.

As at 30 June 2017 the amount of PLN 575 756 thousand was included in consolidated Tier 2 capital from the virtue of above mentioned tranche of capital instruments with application of the rules of grandfathering and limits of grandfathering.

TOTAL CAPITAL

The amount of consolidated own funds of mBank Group prudentially consolidated as at 30 June 2017 was presented in Total capital item constituting the sum of consolidated Common Equity Tier 1 capital and consolidated Tier 2 capital. The consolidated own funds of mBank Group as at 30 June 2017 amounted to PLN 14 044 428 thousand.

4.2 Structure of consolidated own funds

In accordance with the provisions of Regulation No 1423/2013, the structure of own funds is presented below based on Appendix No 6 to the Regulation No 1423/2013.

Common Equity Tier 1 capital: instruments and reserves	
Capital instruments and the related share premium accounts	11 263 727
Retained earnings	625 559
Accumulated other comprehensive income	123 303
Funds for general banking risk	1 153 753
Independently reviewed interim profits net of any foreseeable charge or dividend	109 389
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**13 275 731**
Common Equity Tier 1 capital: regulatory adjustments	
Additional value adjustments	-31 029
Intangible assets (net related deferred tax liability)	-589 865
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-3 777
Negative amount resulting from the calculation of expected loss amounts	-283 269
Direct and indirect holdings by an institution of own CET1 instruments	-369
Net impairment losses	-120 399
Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468 of the CRR Regulation	-28 351
Of which: filter for unrealised gain related to assets or liabilities measured at fair value	-26 788
Additional Tier 1 capital: instruments	
Total regulatory adjustments to Common equity Tier 1	**-1 057 059**
Common Equity Tier 1 capital	**12 218 672**
Additional Tier 1 capital before regulatory adjustments	**0**
Total regulatory adjustments to Additional Tier 1 capital	**0**
Additional Tier 1 capital	**0**
Tier 1 capital (CET1 + AT1)	**12 218 672**
Tier 2 capital: instruments and provisions	
Capital instruments and the related share premium accounts	1 250 000
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	575 756
Tier 2 capital before regulatory adjustments	**1 825 756**
Total regulatory adjustments to Tier 2 capital	**0**
Tier 2 capital	**1 825 756**
Total capital (T1 + T2)	**14 044 428**
Total risk weighted assets	**66 137 452**
Capital ratios	
Common Equity Tier 1 (as a percentage of risk exposure amount)	**18.47%**
Tier 1 (as a percentage of risk exposure amount)	**18.47%**
Total capital (as a percentage of risk exposure amount)	**21.24%**

5. Capital requirements

5.1. Consents to the application of AIRB approach to the calculation of capital requirement for credit risk

On 4 July 2012 PFSA and Bundesanstalt fur Finanzdienstleistungsaufsicht ("BaFin") granted consent to the application of the advanced internal rating based approach ("AIRB approach") by mBank to the calculation of the capital requirement for credit risk for the corporate portfolio and the retail mortgage loan portfolio. Additionally, on 27 August 2012 BaFin in cooperation with PFSA granted consent to the application of internal rating based approach concerning the risk weighting for specialized lending exposures ("IRB slotting approach") by mBank Hipoteczny SA (hereinafter referred to as the mBH) to the calculation of the capital requirement for credit risk.

On 25 July 2016 mLeasing S.A. obtained a final 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 a final 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 22 May 2017 mBank received final consent of ECB and PFSA to use AIRB approach to the calculation of capital requirement for credit risk with respect to non-mortgage retail exposures.

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

On 9 May 2017 mBank has submitted application to ECB and PSFA for material change in PD Behavioral model which is used in mLeasing SA.

In the calculation of the total capital ratio of mBank Group as of 30 June 2017, 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. Assessment of internal capital adequacy – description of approach applied

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

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

In the first half of 2017 mBank calculated the economic capital at the 99,91% confidence level over a one-year time horizon, for all risk types. Diversification between different risks was not included while calculating total economic capital.

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

- risk inventory in mBank Group,
- calculation of internal capital for coverage of risk,
- capital aggregation,
- stress tests,
- planning and allocation of economic capital to business lines and the Group subsidiaries,
- monitoring consisting in a permanent identification of risk involved in the business of mBank Group and the analysis of the level of capital for risk coverage.

In order to assess the adequacy of internal capital mBank calculates Risk Coverage Potential ("RCP"), i.e. economic own funds. Having estimated internal capital as well as RCP both under normal and under stressed conditions Bank determines risk absorbance capacity and limits for economic capital for particular risks are determined.

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

The internal capital adequacy assessment process is accepted by the Supervisory Board of mBank. The whole internal capital adequacy assessment process is reviewed annually.

The Management Board of mBank is responsible for the internal capital adequacy assessment process in mBank Group.

5.3. Supervisory requirements regarding capital ratios

According to provisions of the CRR Regulation, the Bank and the 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%.

PFSA imposed higher minimum levels regarding capital ratios to be met by banks in Poland: 12% for total capital ratio and 9% for Tier 1 capital ratio.

As a result of the Act on Macro-prudential Supervision over the Financial System and Crisis Management in the Financial System ("the Act") that entered into force in 2015 and transposed the CRD IV provisions to the Polish prudential regulations as of 30 June 2017 Bank was obliged to ensure adequate own funds to meet conservation capital buffer of 1.25% of the total risk exposure amount.

As of the end of the first half of 2017 the countercyclical capital buffer rate set for relevant exposures in Poland according with the article 83 of the Act amounted to 0%. mBank Group specific countercyclical capital buffer calculated in accordance with the provisions of the Act as the weighted average of the countercyclical buffer rates that apply in the countries where the relevant credit exposures of the Group are located, amounted to 0.02% as of 30 June 2017.

In the fourth quarter of 2016 Bank received an administrative decision of the PFSA, in which mBank has been identified as other systemically important institution (O-SII). It imposed on mBank an OSII capital buffer of 0.5% of the total risk exposure amount, calculated in accordance with article 92(3) of the CRR Regulation to be maintained on individual and consolidated levels.

Consequently, the combined buffer requirement set for the mBank Group as of the end of the first half of 2017 amounted to 1.77% (of the total risk exposure amount).

Additionally, as a result of risk assessment carried out by the PFSA within the supervisory review and evaluation process ("SREP"), in particular with regard to the evaluation of risk related to the portfolio of foreign exchange retail mortgage loans, mBank Group received an individual recommendation to maintain own funds on the consolidated level to cover additional capital requirement of 3.25% in order to mitigate the risk and 2.44% for Tier 1 capital. (On individual basis accordingly: 3.81% and 2.86%).

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 (risk weight equals to 100%) as a starting point. Consequently, more than half of the additional capital requirement calculated by the PFSA for mBank Group comes from "aligning" the capital requirement to the requirement calculated under the standardised approach. The second important component with effect on an additional capital requirement within Pillar II was related to the SREP score quantifying the risk of foreign exchange retail mortgage loans portfolio, taking into account the specific nature of the Bank portfolio, the following factors were taken into account:

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

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

- the basis requirement of PFSA addressed to banks in Poland to maintain the total capital ratio of 12% and the Tier 1 ratio of 9%;
- the additional own funds requirement related to Pillar II – 3.25%(consolidated level) and 3.81% (individual level);
- the combined buffer requirement of 1.77%.

In the first half of 2017 capital ratios on consolidated and individual basis were above the minimum required values.

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

mBank Group	**30 June 2017**	
Capital ratio	**Required level**	**Reported level**
Total capital ratio (TCR)	17.02%	21.24%
Tier 1 capital ratio (Tier 1 ratio)	13.21%	18.47%
Common Equity Tier 1 capital ratio (CET1 ratio)	12.59%	18.47%

5.4. Quantitative data regarding capital adequacy, including information on internal rating based approach

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.

(in PLN, thousand)

	June 30, 2017	
	Risk exposure amount	**Own funds requirement**
TOTAL	66 137 452	5 290 995
Credit risk, of which:	57 898 843	4 631 907
under AIRB approach	43 918 834	3 513 507
under standardised approach	13 978 940	1 118 315
for contributions to the default fund of a CCP	1 069	85
Market risk, of which:	1 017 973	81 437
Foreign exchange risk	0	0
Commodities risk	0	0
Position risk	1 017 973	81 437
Operational risk	6 938 734	555 099
Credit valuation adjustment risk	164 105	13 128
Large exposures in the trading book	0	0
Other	117 797	9 424
Total capital ratio*	**21.24%**	
Common equity tier 1 capital ratio*	**18.47%**	
Tier 1 capital ratio*	**18.47%**	

** under transitional definition of capital*

As of 30 June 2017 the AIRB approach was applied to the calculation of own funds requirement for credit and counterparty credit risk for the following portfolios:

- mBank corporate portfolio,
- mBank retail mortgage loan portfolio,
- mBank real estate-related specialized lending exposures (IRB slotting approach),
- mBank retail non-mortgage exposures,
- mBank retail microenterprises mortgage loan portfolio (conditional consent),
- commercial bank exposures (conditional consent),
- mLeasing S.A. (subsidiary of mBank) leasing exposures,
- mBank Hipoteczny S.A. specialized lending exposures (IRB slotting approach).

In 2017 mBank Group received a confirmation from ECB and PFSA that high significance conditions which were specified in the conditional consent to the application of the advanced internal rating based approach (AIRB approach) to the calculation of own funds requirement for credit risk for mBank retail non-mortgage exposures, have been met. It allows to apply AIRB approach to the calculation of own funds requirement for credit risk for the portfolio.

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

With regard to mBank's retail microenterprises mortgage loan portfolio and commercial bank exposures, high significance conditions specified by the bank supervision have been met, mBank Group awaiting formal confirmation by the bank supervision.

The table below presents the exposure values, risk weighted exposure amounts and own funds requirements for credit and credit counterparty risk for exposure classes within each approach used (in PLN thousand).

	June 30, 2017			
	Gross exposure	Net exposure	Risk weighted exposure amount	Own funds requirement
Credit and counterparty credit risk	**158 684 646**	**157 984 061**	**57 898 843**	**4 631 907**
AIRB approach	**99 776 195**	**99 776 195**	**43 918 834**	**3 513 507**
Institutions	6 315 459	6 315 459	1 356 322	108 506
Corporates - SME	10 231 506	10 231 506	5 040 828	403 266
Corporates - Specialised Lending	8 431 955	8 431 955	5 773 615	461 889
Corporates - Other	22 907 436	22 907 436	12 470 577	997 646
Retail - Secured by real estate - SME	2 324 343	2 324 343	1 052 010	84 161
Retail - Secured by real estate - non-SME (individual persons and other enterprises)	25 219 008	25 219 008	5 975 375	478 030
Retail - Qualifying revolving	0	0	0	0
Retail - Other - SME	8 389 034	8 389 034	3 051 134	244 091
Retail - Other - non-SME	12 660 850	12 660 850	6 171 035	493 683
Other non-credit-obligation assets	3 296 604	3 296 604	3 027 938	242 235
Standardised approach	**58 882 278**	**58 181 693**	**13 978 940**	**1 118 315**
Central governments or central banks	32 802 407	32 802 404	32 161	2 573
Regional governments or local authorities	927 948	927 363	239 109	19 129
Public sector entities	119 416	119 377	15 920	1 274
Multilateral Development Banks	735 259	735 259	0	0
Institutions	825 224	825 175	296 236	23 699
Corporates	10 766 717	10 750 517	6 883 968	550 717
Retail	4 691 814	4 580 090	3 010 864	240 869
Secured by mortgages on immovable property	6 862 252	6 862 252	2 905 387	232 431
Exposures in default	769 140	252 880	248 333	19 867
High risk exposures	20 752	20 752	31 128	2 490
Collective investments undertakings (CIU)	155	155	155	12
Equities	326 146	270 422	282 763	22 621
Other items	35 048	35 047	32 916	2 633
Risk exposure amount for contributions to the default fund of a CCP	**26 173**	**26 173**	**1 069**	**85**

Breakdown of AIRB retail exposures by credit quality grade and by corresponding external rating grades as of 30 June 2017 (in PLN thousand).

The table below presents exposure values, the amount of undrawn commitments, the exposure-weighted average risk weight and risk-weighted exposure values.

mBank rating	S & P			Gross exposure	Of which: off balance sheet exposures	Exposure weighted average risk weight	Risk weighted exposure amount
1,2	AAA	AAA	Investment grade	16 365	13 430	5.58%	640
1.4	AA+	AA	Investment grade	48 566	34 605	5.25%	1 831
1.6	AA. AA-			322 948	86 226	4.78%	13 803
1.8	A+. A	A		11 480 420	411 175	5.17%	586 625
2	A-			6 051 139	535 001	7.83%	456 673
2.2	BBB+	BBB		4 173 873	1 051 393	12.84%	484 661
2.4	BBB			3 624 972	1 087 915	18.91%	604 475
2.6				2 782 985	720 490	24.92%	608 687
2.8	BBB-			2 530 100	747 383	33.63%	736 884
3	BB+	BB	non-investment grade	2 327 695	574 150	40.85%	828 341
3.2	BB			2 091 578	344 037	47.00%	870 112
3.4				1 881 112	247 288	53.15%	898 162
3.6	BB-			1 694 821	163 831	58.24%	895 664
3.8	B+	B		1 356 196	104 147	60.64%	752 466
4	B+			1 227 926	100 963	65.08%	721 804
4.2	B			915 414	48 010	66.78%	565 361
4.4				657 595	22 704	72.27%	445 262
4.6				515 246	20 039	77.66%	378 096
4.8	B-			526 334	13 043	85.40%	423 778
5	B-			492 553	11 769	94.03%	440 382
5.2	CCC+	CCC		372 103	5 824	105.33%	369 913
5.4				354 253	4 801	118.04%	394 761
5.6	CCC bis CC-			263 257	3 263	116.90%	295 136
5.8				436 099	3 837	120.40%	496 565
6	C. D-I. D-II	DEFAULT	default	2 449 685	9 724	163.10%	3 979 472
TOTAL				**48 593 235**	**6 365 048**	**36.19%**	**16 249 554**

Breakdown of AIRB corporate exposures by credit quality grade and by corresponding external rating grades as of 30 June 2017 (in PLN thousand).

The table below presents exposure values, the amount of undrawn commitments, the exposure-weighted average risk weight and risk-weighted exposure values.

mBank rating	S & P			Gross exposure	Of which: off balance sheet exposures	Exposure weighted average risk weight	Risk weighted exposure amount
1.4	AA+	AA	Investment grade	1 099 916	846 660	11.22%	61 739
1.6	AA, AA-			580 791	379 302	15.23%	45 864
1.8	A+, A	A		747 801	645 602	19.48%	74 643
2	A-			651 288	299 293	24.14%	113 498
2.2	BBB+	BBB		1 780 156	1 107 000	37.85%	406 532
2.4	BBB			2 615 392	919 589	42.33%	853 369
2.6				3 109 551	1 537 193	60.69%	1 284 115
2.8	BBB-			3 624 535	1 808 516	63.00%	1 656 791
3	BB+	BB	non-investment grade	4 350 601	1 901 932	75.89%	2 379 427
3.2	BB			3 703 347	1 436 716	83.65%	2 352 907
3.4				2 972 918	1 071 539	83.63%	1 941 372
3.6	BB-			2 725 996	1 080 009	95.76%	1 892 413
3.8	B+	B		1 661 759	406 382	102.29%	1 432 475
4				693 300	151 055	94.22%	549 845
4.2	B			666 314	135 189	100.45%	585 874
4.4				533 856	174 937	110.65%	460 033
4.6				189 621	35 658	88.25%	149 034
4.8	B-			201 601	82 441	89.42%	133 258
5				154 151	22 500	176.20%	242 010
5.2	CCC+	CCC		36 200	13 131	120.72%	27 630
5.4				15 987	1 750	89.24%	12 498
5.6	CCC bis CC-			18 602	5 831	113.28%	17 108
5.8				156 714	43 788	99.31%	140 279
6	C, D-I. D-II	DEFAULT	default	848 545	75 940	89.70%	698 691
TOTAL				**33 138 942**	**14 181 953**	**72.37%**	**17 511 405**

Breakdown of AIRB specialised lending corporate exposures, including risk-weighted exposure values. under slotting approach by risk category as of 30 June 2017 are presented below (in PLN thousand).

Risk category	Gross exposure	Of which: off balance sheet exposures	Risk weighted exposure amount	Average risk weight
1	52 100	0	36 470	70.00%
2	7 536 153	1 485 517	5 291 156	85.85%
3	410 953	40 454	437 917	115.00%
4	3 229	0	8 072	250.00%
5*	429 520	0	0	0.00%
Total	**8 431 955**	**1 525 971**	**5 773 615**	**82.15%**

*exposures in default

Breakdown of AIRB bank exposures by credit quality grade and by corresponding external rating grades as of 30 June 2017 (in PLN thousand).

The table below presents exposure values, the amount of undrawn commitments, the exposure-weighted average risk weight and risk-weighted exposure values.

mBank rating	S & P			Gross exposure	Of which: off balance sheet exposures	Exposure weighted average risk weight	Risk weighted exposure amount
1.2	AAA	AAA	Investment grade	13 587	6 951	23.64%	2 169
1.4	AA+	AA		824 750	620 161	19.29%	93 179
1.6	AA, AA-	AA		982 195	452 728	17.41%	127 645
1.8	A+, A	A		539 253	135 543	18.75%	87 177
2	A-	A		3 192 283	1 891 412	29.28%	588 662
2.2	BBB+	BBB		245 017	3 965	19.44%	47 109
2.4	BBB			127 409	28 500	48.50%	54 193
2.6	BBB			36 915	13 380	66.77%	19 818
2.8	BBB-			63 271	5 612	70.03%	41 674
3	BB+	BB	non-investment grade	32 227	14 653	83.27%	22 108
3.2	BB			119 681	16 198	50.89%	56 403
3.4	BB			93	93	78.77%	36
3.6	BB-			82 925	0	38.15%	31 638
3.8	B+	B		41 114	10 000	203.39%	72 435
4	B+			629	100	131.63%	756
4.4	B			691	0	139.73%	965
5	B-			886	886	208.74%	925
5.4	CCC+	CCC		2 314	0	234.68%	5 430
5.8	CCC bis CC-			200	200	289.60%	261
6	C, D-I, D-II	DEFAULT	default	10 019	0	1035.38%	103 739
TOTAL				**6 315 459**	**3 200 382**	**30.72%**	**1 356 322**

6. Leverage ratio

Since 2014 mBank and mBank Group calculates leverage ratio according to the CRR Regulation provisions. The purpose of the introduction of the supplementary measure depicting relation between Tier 1 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 the National Bank of Poland. Calculations are made according to the rules of the CRR Regulation taking into account Commission Delegated Regulation 2015/62 as of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio.

Exposure value, Tier 1 capital and leverage ratio of mBank Group calculated in accordance with a transitional definition of Tier 1 capital as of 30 June 2017 (in PLN thousand)

Capital and total exposure measure	**Transitional arrangements**
Tier 1 capital	12 218 672
Leverage ratio total exposure measure	133 567 317
Leverage ratio	
Leverage ratio	9.15%