mBank S.A. Group

IFRS Condensed Consolidated Financial Statements
for the third quarter of 2018

Contents

Selected financial data

The selected financial data presented below are supplementary information to the condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2018.

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000		in EUR'000	
		3 Quarters (current year) period from 01.01.2018 to 30.09.2018	3 Quarters (previous year) period from 01.01.2017 to 30.09.2017	3 Quarters (current year) period from 01.01.2018 to 30.09.2018	3 Quarters (previous year) period from 01.01.2017 to 30.09.2017
I.	Interest income	3 325 027	2 995 535	781 716	703 739
II.	Fee and commission income	1 265 906	1 245 392	297 615	292 579
III.	Net trading income	241 462	221 081	56 768	51 938
IV.	Operating profit	1 633 596	1 395 629	384 059	327 874
V.	Profit before income tax	1 334 363	1 115 977	313 709	262 176
VI.	Net profit attributable to Owners of mBank S.A.	983 714	779 892	231 272	183 219
VII.	Net profit attributable to non-controlling interests	(36)	3 554	(8)	835
VIII.	Net cash flows from operating activities	3 335 098	(5 343 491)	784 083	(1 255 343)
IX.	Net cash flows from investing activities	62 557	(223 237)	14 707	(52 445)
X.	Net cash flows from financing activities	2 699 354	(307 088)	634 619	(72 144)
XI.	Net increase / decrease in cash and cash equivalents	6 097 009	(5 873 816)	1 433 410	(1 379 931)
XII.	Basic earnings per share (in PLN/EUR)	23.25	18.44	5.47	4.33
XIII.	Diluted earnings per share (in PLN/EUR)	23.23	18.43	5.46	4.33
XIV.	Declared or paid dividend per share (in PLN/EUR)	5.15	-	1.21	-

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000			in EUR'000		
		As at			As at		
		30.09.2018	31.12.2017	30.09.2017	30.09.2018	31.12.2017	30.09.2017
I.	Total assets	146 656 317	131 424 019	132 478 026	34 334 484	31 509 751	30 743 781
II.	Amounts due to banks	3 887 349	5 073 351	8 451 809	910 088	1 216 368	1 961 386
III.	Amounts due to customers	102 425 018	91 496 027	90 677 502	23 979 262	21 936 759	21 043 258
IV.	Equity attributable to Owners of mBank S.A.	14 800 400	14 289 370	13 965 261	3 465 000	3 425 968	3 240 877
V.	Non-controlling interests	2 154	2 186	2 201	504	524	511
VI.	Share capital	169 330	169 248	169 245	39 643	40 578	39 276
VII.	Number of shares	42 332 466	42 312 122	42 311 255	42 312 122	42 312 122	42 311 255
VIII.	Book value per share (in PLN/EUR)	349.62	337.71	330.06	81.85	80.97	76.60
IX.	Total capital ratio	20.21	20.99	20.47	20.21	20.99	20.47

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000		in EUR'000	
		3 Quarters Period from 01.01.2018 to 30.09.2018	3 Quarters Period from 01.01.2017 to 30.09.2017	3 Quarters Period from 01.01.2018 to 30.09.2018	3 Quarters Period from 01.01.2017 to 30.09.2017
I.	Interest income	2 914 703	2 629 204	685 248	617 677
II.	Fee and commission income	1 131 448	1 047 898	266 004	246 182
III.	Net trading income	249 562	227 349	58 672	53 411
IV.	Operating profit	1 387 844	1 376 414	326 283	323 360
V.	Profit before income tax	1 253 542	1 064 573	294 708	250 099
VI.	Net profit	983 432	777 918	231 205	182 756
VII.	Net cash flows from operating activities	5 090 806	(5 240 418)	1 196 851	(1 231 128)
VIII.	Net cash flows from investing activities	(104 851)	(216 233)	(24 651)	(50 799)
IX.	Net cash flows from financing activities	1 135 346	(636 245)	266 920	(149 473)
X.	Net increase / decrease in cash and cash equivalents	6 121 301	(6 092 896)	1 439 121	(1 431 400)
XI.	Basic earnings per share (in PLN/EUR)	23.24	18.40	5.46	4.32
XII.	Diluted earnings per share (in PLN/EUR)	23.23	18.39	5.46	4.32
XIII.	Declared or paid dividend per share (in PLN/EUR)	5.15	-	1.21	-

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000			in EUR'000		
		As at			As at		
		30.09.2018	31.12.2017	30.09.2017	30.09.2018	31.12.2017	30.09.2017
I.	Total assets	138 436 047	124 569 483	126 657 687	32 409 994	29 866 332	29 393 072
II.	Amounts due to banks	3 916 608	5 089 716	8 592 749	916 938	1 220 292	1 994 094
III.	Amounts due to customers	111 128 718	99 331 571	98 761 881	26 016 931	23 815 381	22 919 376
IV.	Own Equity	14 797 855	14 287 561	13 963 053	3 464 404	3 425 534	3 240 364
V.	Share capital	169 330	169 248	169 245	39 643	40 578	39 276
VI.	Number of shares	42 332 466	42 312 122	42 311 255	42 332 466	42 312 122	42 311 255
VII.	Book value per share (in PLN/EUR)	349.56	337.67	330.01	81.84	80.96	76.58
VIII.	Total capital ratio	23.73	24.62	24.16	23.73	24.62	24.16

The following exchange rates were used in translating selected financial data into euro:

- for items of the statement of financial position – exchange rate announced by the National Bank of Poland as at 30 September 2018: EUR 1 = 4.2714, 31 December 2017: EUR 1 = 4.1709, 30 September 2017: EUR 1 = PLN 4.3091.

- for items of the income statement – exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of the three quarters of 2018 and 2017: EUR 1 = PLN 4.2535 and EUR 1 = PLN 4.2566 respectively.

Introduction

mBank Group generated a profit before tax of PLN 390.3 million in Q3 2018, which represents an increase by 1.5% quarter on quarter. Net profit attributable to the owners of mBank reached PLN 285.3 million. In Q3 2018, total income grew quarter on quarter, driven by higher core income.

The main factors determining the Group's financial results in Q3 2018 were as follows:

- **Increase in total income** which rose to PLN 1,210.0 million (+0.1% quarter on quarter), spurred by rising net interest income (+5.6% quarter on quarter).
- **Increase in operating expenses** (including depreciation) compared with Q2 2018 to PLN 531.5 million.
- **Reduction in cost of risk** (sum of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading financial assets mandatorily measured at fair value through profit or loss) which dropped to PLN 185.1 million , i.e. 82 basis points compared with 99 basis points in Q2 2018.
- **Higher tax on the Group's balance sheet items** (PLN 103.4 million) compared to Q2 2018.
- **Continued organic growth and business expansion** as demonstrated by:
  - **increase in the number of individual clients** to 5,603.2 thousand (+94.8 thousand clients compared with the end of June 2018);
  - **increase in the number of corporate clients** to 23,327 (+393 customers compared with the end of June 2018).

At the end of September 2018, net loans and advances stood at PLN 91,305.5 million, which represents an increase by PLN 1,704.1 million, i.e. 1.9% quarter on quarter. Net of reverse repo/buy sell back transactions and the FX effect, loans and advances grew by 2.5%.

In Q3 2018, the volume of amounts due to customers climbed by PLN 4,630.6 million or 4.7% quarter on quarter - amounts due to corporate clients increased by PLN 3,018.8 million or 8.5% and amounts due to individual clients grew by PLN 1,790.0 million or 3.0%.

Consequently, the loan to deposit ratio[a] of mBank Group stood at 89.1%.

The changes in the Group's performance translated into the following profitability ratios:

- Gross ROE of 11.2% (compared with 11.1% in Q2 2018);
- Net ROE of 8.2% (compared with 8.3% in Q2 2018).

The capital ratios reported by mBank Group rose slightly in Q3 2018 amid an increase in own funds (resulting from the inclusion of 50% of H1 2018 profit). As at the end of September 2018, the total capital ratio stood at 20.2% and the Common Equity Tier 1 ratio at 17.3%.

[a] Loan to deposit ratio - loans and advances to clients/amounts due to clients.

Awards and distinctions

In August 2018 mBank took the second place in the ranking "Banks recommended for businesses by *Forbes*". The award was granted by the magazine in the first edition of its own recommendations, organised within the annual competition aimed at selecting best banks for business.

In the 19th edition of the competition run by *Global Finance* we were recognised as the best digital bank for corporates in Poland. In current edition of the contest the assembly of international experts awarded mBank's pursue to provide corporate clients with the best-quality services via the online transactional system.

In addition, we were the only Polish bank among the finalists of the BAI Global Innovation Awards 2018 competition in the Innovative Touchpoints & Connected Experiences category. It is a great honour to us that mBank earned recognition in such a prestigious programme promoting the most innovative solutions in the financial sector all over the world.

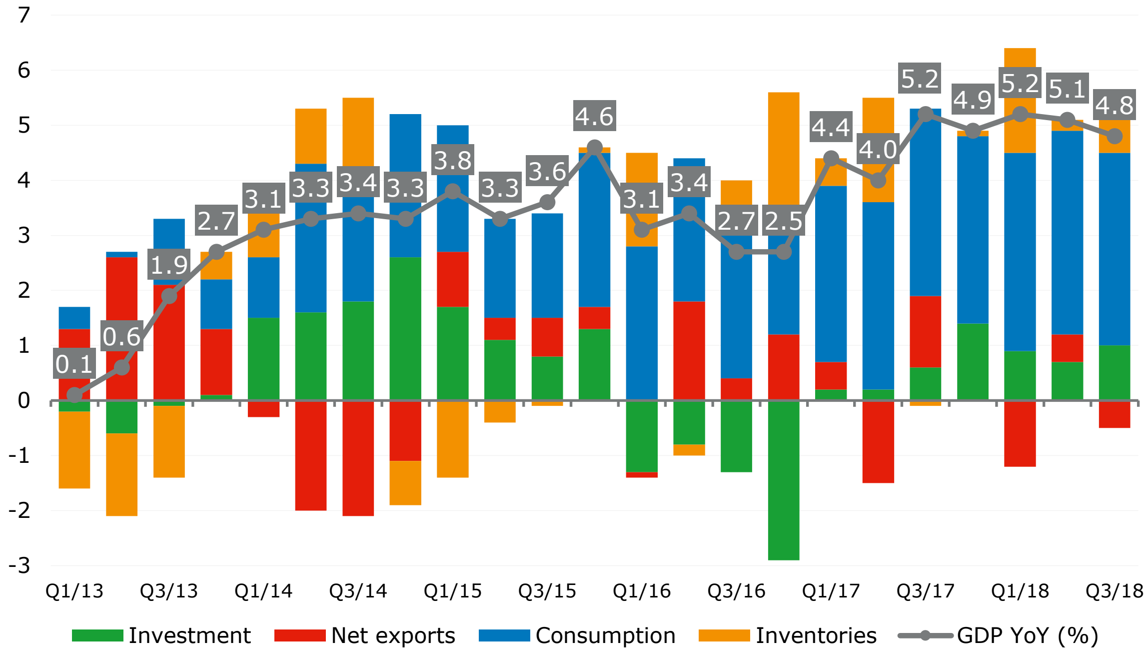
More information on awards and distinctions can be found on the Bank's website in the "Press Center" section: www.media.mbank.pl

Economy and the banking sector in Q3 2018

Strong GDP growth continues

In Q3 2018, GDP growth remained relatively strong. Based on monthly data on economic activity the Bank estimates the gross domestic product to have grown by 4.8% year on year in Q3 2018, which is only slightly below the H1 2018 figure (5.2% year on year).

Contribution to GDP growth



In the discussed period the main impetus to growth was once again provided by private consumption driven by the fast rise in household income (also in real terms amid stable and moderately high inflation rate), record-high consumer confidence and accelerated growth in consumer loans. Household consumer demand is estimated to have risen by almost 5% year on year from July to September.

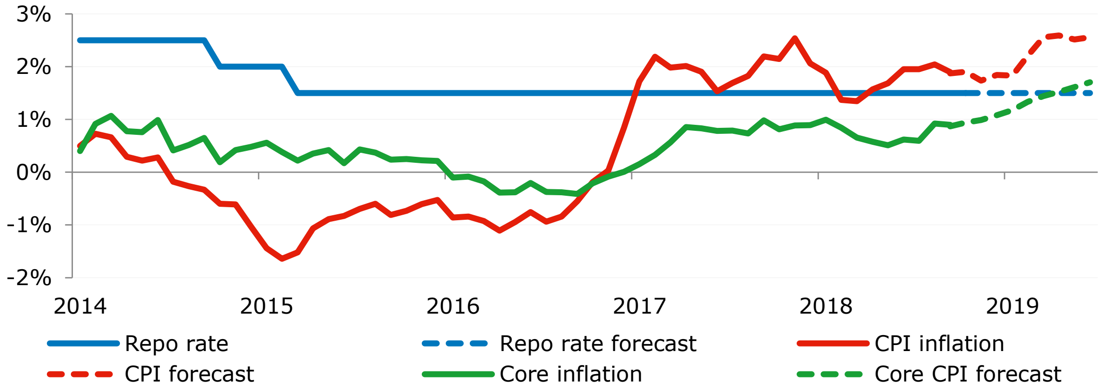
Investment played a smaller role according to the Bank's estimates, while a look at this category from the bigger-picture perspective leads to the conclusion that the *status quo* has been maintained. It translates into: (1) leading role of public investment, especially investment financed by local governments; (2) relatively low growth in private investment, including investment of companies financed mostly by private domestic capital; (3) relative dominance of construction investment over investment in machines and equipment. The above is also implied by the available information about investment plans of businesses and their structure. The Bank reckons current course of investment will continue in the coming quarters and dynamics of the investment growth will remain at the level of 5-6% year on year.

On the other hand, GDP growth in Q3 2018 was stifled by net exports - mounting trade deficit was driven by a slowdown in exports (triggered by the decline experienced by Poland's main trade partners) and coupled with a relatively high rise in imports (sustained high internal demand and growing impact of the supply-side constraints faced by domestic producers). This trend is expected to continue in the coming quarters.

Inflation within target range, MPC's policy and rhetoric unchanged

In Q3 2018, inflation experienced only slight increase. Inflation rate averaged 1.9% in the quarter, up from 1.7% in Q2 2018. Consumer prices were pushed up mainly by rising prices of fuel and other energy products driven by higher oil prices in PLN and the favourable base from last year. Food prices had an opposite effect as the waning effects of previous price increases were coupled with the consequences of favourable weather conditions and long vegetative period. Excluding food and energy prices, inflation rate rose moderately from 0.6% to 0.8% year on year, which is the best gauge of inflationary pressure. The relatively subdued growth in core inflation was caused by falling prices of consumer goods (however, the scale of deflation in this part of the basket has been decreasing systematically) and the muted growth in most categories of consumer services. The insensitivity of this category to rising salaries, which contradicts the relations observed among these variables in the past, has become the subject of intense research.

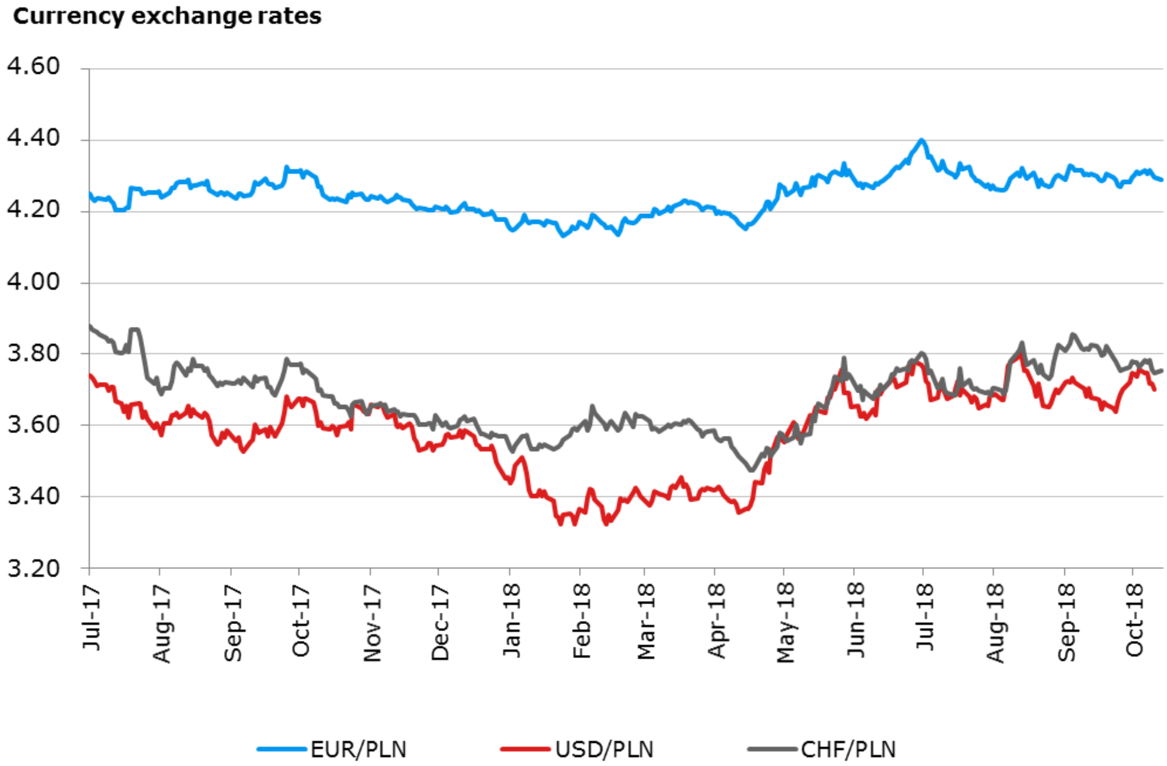
CPI Inflation and reference rate



Taken the developments described above, the Monetary Policy Council (MPC) upheld its previous economic outlook and inflation growth forecast, reiterating the plan to keep interest rates unchanged. According to Adam Glapiński, the chairman of the MPC, this situation shall prevail at least until the end of 2019. The Bank expects the rise in inflation (core inflation in particular) to affect MPC's decisions not earlier than in H2 2019 when the Council is likely to announce the first interest rate hike in Poland since 2012.

Financial markets - stability on assets market

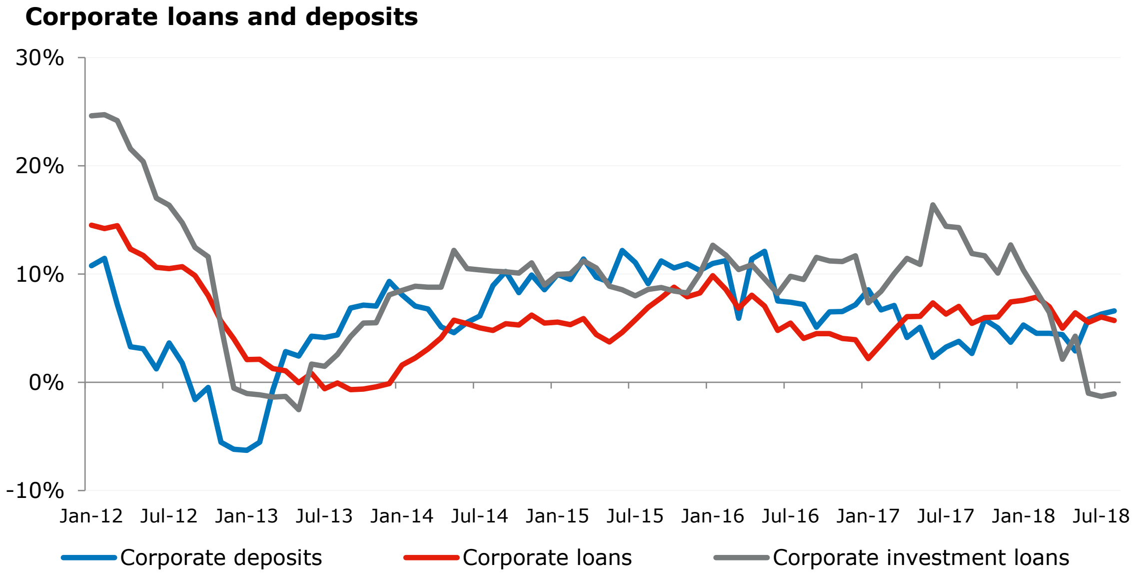
In the period between July and September the Polish assets market was relatively calm: after a clear strengthening in early July the zloty/euro exchange rate fluctuated between PLN 4.25 and 4.35; yields on 10-year Treasury bonds ranged from 3.05% to 3.30%; in the meantime, WIG20, the major index of the Warsaw Stock Exchange, added approximately 7%. Nonetheless it does not mean that the Q3 2018 lacked circumstances (both external and internal) causing market fluctuations. On the contrary, among these factors it is vital to mention in particular the massive capital outflow from emerging markets and economic turbulence in Turkey and Argentine, expectations for further monetary tightening in the United States resulting in an increase of market interest rates in USD, continued escalation of trade wars, outflow of funds from domestic investment funds and constrained supply of the Treasury bonds triggered by fiscal improvement.



The relatively good performance of domestic assets in spite of the challenging external environment is largely attributable to sound economic fundamentals allied with buoyant outlook for Poland. Moreover, Poland's fiscal improvement underpinned a rating upgrade awarded by Standard & Poor's in early October.

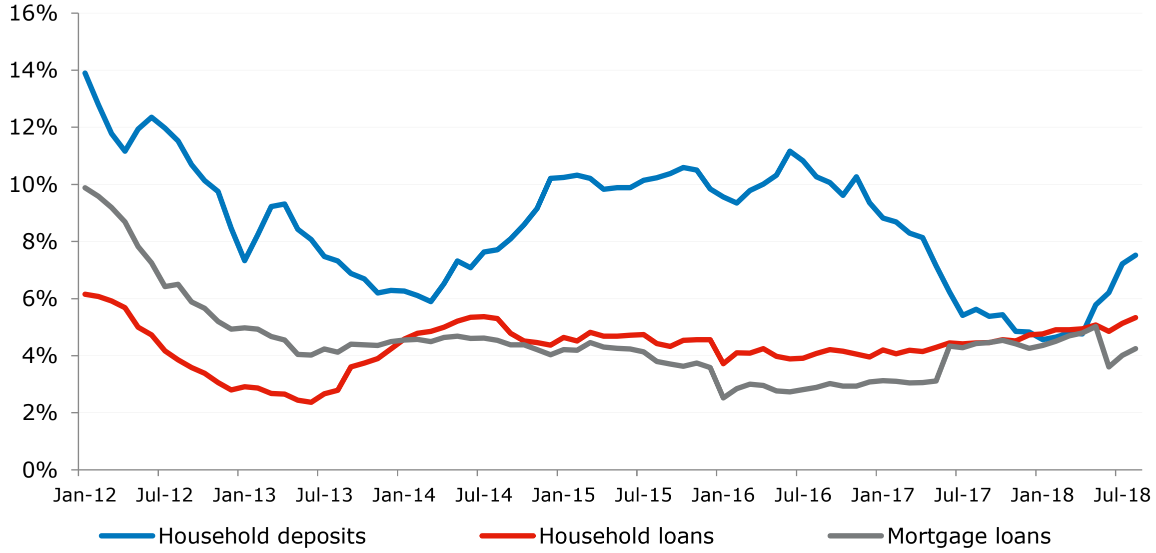
Further acceleration in lending

In Q3 2018 lending dynamics accelerated, especially in the retail segment (including real property loans). In the corporate sector, lending was stable but moderate. The increase in the value of property loans to households was driven by a robust quarterly growth in the number of new loans - the value of new PLN mortgage loans in Q3 2018 was close to an all-time high and was only slightly below the overall value of loans granted in 2007 or 2008. Systematic growth in consumer loans also contributed positively to total accelerated lending to households.



Annual growth in deposits rebounded clearly across all segments, especially in the retail sector. Growth in household deposits climbed from 4.6% year on year in January to 6.2% year on year at the end of Q2 and 7.5% year on year in August. In the Bank's opinion, the inflow of retail deposits resulted from diminishing attractiveness of alternative savings options (including financial assets and investment funds) and the sustained high growth in households' disposable income. Q3 2018 was also the first quarter in the last few years characterised by a sustained acceleration in corporate deposits with growth reaching 6.5% year on year, the highest figure since Q4 2016.

Household loans and deposits



Financial position of mBank Group in Q3 2018

Profit and Loss Account of mBank Group

The profit before tax generated by mBank Group in Q3 2018 stood at PLN 390.3 million and was by 1.5% higher compared with Q2 2018, largely due to higher core income and reduced risk costs. Net profit attributable to the owners of mBank fell by 0.8% quarter on quarter to PLN 285.3 million.

PLN M	Q2 2018	Q3 2018	Change in PLN M	Change in %
Interest income	1,102.6	1,168.8	66.3	6.0%
Interest expense	-248.2	-266.5	-18.2	7.3%
Net interest income	**854.4**	**902.4**	**48.0**	**5.6%**
Fee and commission income	423.1	413.4	-9.7	-2.3%
Fee and commission expense	-174.1	-174.6	-0.5	0.3%
Net fee and commission income	**249.0**	**238.8**	**-10.2**	**-4.1%**
Core income	**1,103.3**	**1,141.1**	**37.8**	**3.4%**
Dividend income	2.9	0.2	-2.7	-92.1%
Net trading income	84.7	72.3	-12.4	-14.7%
Gains less losses from investment securities, investments in subsidiaries and associates	1.7	2.0	0.3	18.6%
Other operating income	52.9	30.4	-22.5	-42.6%
Other operating expenses	-37.4	-36.1	1.3	-3.5%
Total income	**1,208.2**	**1,210.0**	**1.8**	**0.1%**
Net impairment losses and fair value change on loans and advances	-217.1	-185.1	31.9	-14.7%
Overhead costs and depreciation	-508.7	-531.5	-22.9	4.5%
Taxes on bank balance sheet items	-98.3	-103.4	-5.1	5.2%
Result on entities under the equity method	0.3	0.3	0.0	3.0%
Profit before income tax	**384.5**	**390.3**	**5.8**	**1.5%**
Income tax expense	-97.1	-105.0	-7.9	8.2%
Net profit attributable to:	**287.4**	**285.3**	**-2.2**	**-0.7%**
- Owners of mBank S.A.	**287.4**	**285.3**	**-2.2**	**-0.8%**
- Non-controlling interests	0.0	0.0	0.0	n/a
ROA net	0.8%	0.8%		
ROE gross	11.1%	11.2%		
ROE net	8.3%	8.2%		
Cost / Income ratio	42.1%	43.9%		
Net interest margin	2.6%	2.6%		
Common Equity Tier 1 ratio	17.1%	17.3%		
Total capital ratio	20.1%	20.2%		

Income from core operations - calculated as the sum of net interest income and net fee and commission income.
Total income - calculated as the sum of net interest income, net fee and commission income, dividend income, net trading income, other income, other operating income and other operating expenses.
Other income - calculated as the sum of gains less losses on investment securities and investments in subsidiaries and associates and gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates.
Total overhead costs (including depreciation) - calculated as the sum of total overhead costs and depreciation.
Net impairment losses and fair value change on loans and advances - sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from financial assets and liabilities designated as measured at fair value through profit or loss.
Net ROA - Calculated by dividing net profit attributable to Owners of the Bank by the average total assets. The average total assets are calculated on the basis of the balances as at the end of each month. Net profit attributable to Owners of the Bank is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).
Gross ROE – Calculated by dividing profit before income tax by the average equity attributable to Owners of the Bank net of the year's results. The average equity is calculated on the basis of the balances as at the end of each month. Profit before income tax is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).
Net ROE - Calculated by dividing net profit attributable to Owners of the Bank by the average equity attributable to Owners of the Bank net of the year's results. The average equity is calculated on the basis of the balances as at the end of each month. Net profit attributable to Owners of the Bank is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period).
Cost/Income ratio - total overhead costs and depreciation/total income (excluding tax on balance sheet items of the Group).
Net interest margin - net interest income/average interest-earning assets; Net interest income is annualized based on the number of days in the analysed period (an annualization factor is calculated by dividing a number of days in the year by a number of days in the analysed period). Interest-earning assets are calculated as the sum of the following items: cash, balances with the central bank, loans and advances to banks, trading securities, financial derivatives, loans and advances to clients (net), investment securities. Average interest-earning assets are calculated based on balances at the end of each month.

Income of mBank Group

The total income generated by mBank Group remained stable compared with Q2 2018 and amounted to PLN 1,210.0 million. Core income, i.e. net interest income and net fee and commission income, grew quarter on quarter (by 3.4%) to PLN 1,141.1 million, which is the best result in the Group's history.

mBank Group's **net interest income**, which went up quarter on quarter (by PLN 48.0 million, i.e. 5.6%), was the main contributor to total income. Interest income surged by PLN 66.3 million or 6.0% compared with Q2 2018 and reached PLN 1,168.8 million, spurred largely by higher income from loans and advances (PLN 872.0 million, i.e. up by PLN 43.2 million quarter on quarter). The rise was driven mainly by a pick-up in the volume of loans to clients and higher number of days (Q3 was by 1 day longer).

At the same time, interest expenses rose quarter on quarter (by PLN 18.2 million, i.e. +7.3%) to PLN 266.5 million. In Q3 2018, expenses arising from issue of debt securities increased by PLN 10.8 million, i.e. 14.7%, along with the rising volume of these securities resulting from further issues under the EMTN programme. Expenses arising from amounts due to banks dropped by PLN 4.1 million, i.e. 20.8%, following the repayment of a CHF 150 million loan from Commerzbank in Q3 2018.

mBank Group's **net interest margin** remained flat and stood at 2.6%, the same as in Q2 2018.

Net fee and commission income, the second largest contributor, fell compared with Q2 2018 (by PLN 10.2 million, i.e. 4.1%) to PLN 238.8 million.

Fee and commission income decreased by PLN 9.7 million, i.e. 2.3% quarter on quarter. Credit-related fees and commissions decreased by PLN 5.0 million, i.e. 5.0% compared with Q2 2018, due to lower fees related to corporate loans. Fees from brokerage activity went down as well by PLN 3.1 million, i.e. 11.0%, due to sluggish activity of clients on the Warsaw Stock Exchange. At the same time, payment cards-related fees grew by PLN 5.1 million, i.e. 4.8%, helped by rising number (+23.0% year on year) and volume (+20.9% year on year) of transactions.

Fee and commission expenses remained stable compared with the previous quarter at PLN 174.6 million. Commissions paid to external entities for sale of the bank's products went up by PLN 10.8 million, i.e. 34.5%, mainly due to higher sales of loans and accounts. At the same time, other fees paid to third parties dropped by PLN 9.5 million, i.e. 16.5%.

Net trading income went down by PLN 12.4 million compared with Q2 2018 to PLN 72.3 million. Net foreign exchange income shrank by PLN 10.0 million (i.e. 12.5%) due to reduced market volatility, while other net trading income fell by PLN 2.5 million.

Other income (calculated as the sum of gains less losses on investment securities and investments in subsidiaries and associates and gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates) picked up to PLN 2.0 million from PLN 1.7 million generated in Q2 2018.

Other operating income stood at PLN 30.4 million, down compared with Q2 2018 when the sale of an organised part of enterprise of mFinanse was posted (PLN 19.1 million in Q2 2018 compared with PLN 7.9

million in Q3 2018) and a real property owned by Garbary was sold. Other operating expenses fell by PLN 1.3 million quarter on quarter to PLN 36.1 million.

Costs of mBank Group

In Q3 2018, total overhead costs of mBank Group (including depreciation) stood at PLN 531.5 million, which represents a rise by PLN 22.9 million or 4.5% compared with Q2 2018. The increase was driven by higher staff-related and material expenses as well as depreciation.

PLN M	Q2 2018	Q3 2018	Change in PLN M	Change in %
Staff-related expenses	**-238.7**	**-243.1**	**-4.3**	**1.8%**
Material costs, including	**-183.0**	**-195.3**	**-12.3**	**6.7%**
- administration and real estate services costs	*-91.1*	*-96.6*	*-5.5*	6.0%
- IT costs	*-43.0*	*-42.6*	*0.4*	-1.0%
- marketing costs	*-30.3*	*-33.0*	*-2.7*	8.8%
- consulting costs	*-16.1*	*-20.9*	*-4.8*	29.7%
- other material costs	*-2.4*	*-2.2*	*0.2*	-9.0%
Taxes and fees	**-5.8**	**-7.3**	**-1.5**	**25.9%**
Contributions and transfer to the Bank Guarantee Fund	**-20.8**	**-21.0**	**-0.2**	**1.0%**
Contributions to the Social Benefits Fund	**-1.8**	**-2.3**	**-0.5**	**27.0%**
Depreciation	**-58.7**	**-62.7**	**-4.1**	**6.9%**
Total overhead costs and depreciation	**-508.7**	**-531.5**	**-22.9**	**4.5%**
Cost / Income ratio	42.1%	43.9%	-	-
Employment (FTE)	6,358	6,447	89	1.4%

In Q3 2018, staff-related expenses went up by PLN 4.3 million, i.e. 1.8% quarter on quarter. The headcount in mBank Group rose by 89 FTEs in the reported period due to the need to staff several new outlets. Higher staff-related expenses were driven by an increase in variable components of remuneration.

Material costs went up by PLN 12.3 million or 6.7% quarter on quarter. The discussed period was also marked by a PLN 5.5 million increase in administration and real estate costs (connected with the launch of new outlets), a PLN 4.8 million rise in consulting spending (on pending projects) and PLN 2.7 million growth in marketing costs (connected with pending marketing campaigns).

Depreciation increased by 6.9% compared with Q2 2018 to PLN 62.7 million.

Cost efficiency measured by the cost to income ratio fell slightly to 43.9% compared with 42.1% in Q2 2018 and 42.3% a year before.

Net impairment losses and fair value change on loans and advances

In Q3 2018, net impairment losses and fair value change on loans and advances of mBank Group (calculated as the sum of two items: impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading financial assets mandatorily measured at fair value through profit or loss) stood at PLN 185.1 million, including impairment or reversal of impairment on financial assets not measured at fair value through profit or loss of PLN 153.7 million and gains or losses from non-trading financial assets mandatorily measured at fair value through profit or loss amounted to PLN 31.5 million. Compared with Q2 2018, net impairment losses and fair value change on loans and advances dropped by PLN 31.9 million, i.e. 14.7%. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss is related to the part of the portfolio of loans and advances measured at amortised cost. The item "gains or losses from non-trading financial assets mandatorily measured at fair value through profit or loss" is mainly related to the credit risk of the portfolio of loans and advances measured with the use of that method.

PLN M	Q2 2018	Q3 2018	Change in PLN M	Change in %
Retail Banking	-106.2	-125.7	-19.5	18.3%
Corporates and Financial Markets	-110.3	-59.2	51.1	-46.3%
Other	-0.6	-0.2	0.3	-59,9%
Total net impairment losses and fair value change on loans and advances	**-217.1**	**-185.1**	**31.9**	**-14.7%**

Net impairment losses and fair value change on loans and advances in the Retail Banking segment were up by PLN 19.5 million quarter on quarter and stood at PLN 125.7 million. This was attributable to several factors, including changes in risk parameters used in models resulting in an increase in provisions and the rising share of unsecured non-mortgage loans in the portfolio of loans and advances.

Net impairment losses and fair value change on loans and advances in the Corporate Banking and Financial Markets area amounted to PLN 59.2 million, down by PLN 51.1 million v. the previous quarter, triggered mainly by lower provisions in the K2 segment.

Consolidated statement of financial position

The balance sheet total of mBank Group stood at PLN 146,656.3 million at the end of Q3 2018, up by 4.7% compared with Q2 2018.

Assets of mBank Group

PLN M	30.09.2017	30.06.2018	30.09.2018	QoQ change	YoY change
Cash and balances with Central Bank	6,028.5	5,514.9	9,643.3	74.9%	60.0%
Loans and advances to banks	2,403.9	3,787.0	4,469.9	18.0%	85.9%
Securities and loans and advances held for trading	1,990.4	3,445.0	2,618.2	-24.0%	31.5%
Derivative financial instruments	1,348.8	1,189.9	1,034.5	-13.1%	-23.3%
Net loans and advances to customers	85,532.0	89,601.4	91,305.5	1.9%	6.8%
Investment securities	32,448.7	33,388.4	34,085.6	2.1%	5.0%
Intangible assets	636.3	703.5	722.2	2.7%	13.5%
Tangible assets	701.8	715.5	748.2	4.6%	6.6%
Other assets	1,387.7	1,672.2	2,029.0	21.3%	46.2%
Total assets	**132,478.0**	**140,017.8**	**146,656.3**	**4.7%**	**10.7%**

Investment securities – calculated as the sum of financial assets at fair value through other comprehensive income, debt securities measured at amortised cost and non-trading equity instruments mandatorily at fair value through profit or loss.

Net loans and advances to banks – calculated as the sum of loans and advances measured at amortised cost and loans and advances mandatorily at fair value through profit or loss.

Loans and advances to clients were the largest asset category of mBank Group at the end of Q3 2018. Their share in total assets dropped slightly to 62.3% from 64.0% at the end of June 2018. At the end of Q3 2018, net loans and advances to customers (being a total of loans and advances measured at amortised cost and at fair value) stood at PLN 91,305.5 million, which represents an increase of PLN 1,704.1 million or 1.9% quarter on quarter. Net of reverse repo/buy-sell-back transactions and the FX effect, loans and advances to customers increased by 2.5%.

Gross loans to corporate clients rose quarter on quarter by PLN 1,215.3 million, or 3.0%, to PLN 41,971.6 million (excluding reverse repo / buy-sell-back transactions and the FX effect, the volume of loans and advances to corporate clients grew by 3.7%). The sales of loans to corporates increased on a quarterly basis by 8.0% to PLN 7,378 million (including new sales, limit increases and renewals).

The volume of loans to individuals increased by PLN 687.0 million or 1.3% v. the end of June 2018 to PLN 51,820.5 million. Mortgage and housing loans rose slightly by 0.6% quarter on quarter. In Q3 2018 mBank Group sold PLN 1,189.5 million worth of mortgage loans and PLN 2,322.4 million worth of non-mortgage loans. Excluding the FX effect, loans to individuals increased by 1.6%.

At the end of Q3 2018, the value of gross loans and advances to the public sector decreased by PLN 54.8 million or 6.9% quarter on quarter and stood at PLN 735.5 million.

Investment securities were the second largest category of mBank Group's assets at the end of Q3 2018 and amounted to PLN 34,085.6 million, accounting for 23.2% of total assets, up by PLN 697.1 million or 2.1% quarter on quarter.

mBank Group's total liabilities and equity

PLN M	30.09.2017	30.06.2018	30.09.2018	QoQ change	YoY change
Amounts due to other banks	8,451.8	4,548.8	3,887.3	-14.5%	-54.0%
Amounts due to customers	90,677.5	97,794.4	102,425.0	4.7%	13.0%
Debt securities in issue	13,685.2	16,817.7	19,083.3	13.5%	39.4%
Subordinated liabilities	2,204.5	2,206.7	2,203.0	-0.2%	-0.1%
Other liabilities	3,491.5	4,129.6	4,255.1	3.0%	21.9%
Total Liabilities	**118,510.6**	**125,497.2**	**131,853.8**	**5.1%**	**11.3%**
Total Equity	**13,967.5**	**14,520.6**	**14,802.6**	**1.9%**	**6.0%**
Total Liabilities and Equity	**132,478.0**	**140,017.8**	**146,656.3**	**4.7%**	**10.7%**

In Q3 2018, amounts due to customers, which are mBank Group's principal source of funding, rose by PLN 4,630.6 million or 4.7% quarter on quarter. The share of amounts due to customers in total liabilities and equity reached 69.8%, maintaining the level from June 2018.

Amounts due to corporate clients increased by PLN 3,018.8 million or 8.5% quarter on quarter and hit PLN 38,610.5 million at the end of September 2018. The substantial rise in this category results mainly from inflow of funds into term deposits (+PLN 1,262.5 million or 12.4% quarter on quarter) coupled with accumulation of funds on current accounts (+PLN 995.7 million or 5.2%).

During the period under review amounts due to individuals went up by PLN 1,790.0 million or 3.0% quarterly, both on current accounts and term deposits (2.5% and 4.8%, respectively), up to PLN 61,692.8 million.

Amounts due to the public sector stood at PLN 2,121.7 million, representing a decrease by PLN 178.2 million (-7.7%) quarter on quarter.

Debt securities in issue were mBank Group's second largest category among liabilities and equity (13.0%). They grew by PLN 2,265.6 million or +13.5% quarter on quarter to PLN 19,083.3 million. The increase is attributable to an issue of EUR 500 million eurobonds under the EMTN programme in September.

Amounts due to other banks totalled PLN 3,887.3 million at the end of Q3 2018, accounting for 2.7% of total liabilities and equity of mBank Group. Compared with Q2 2018, the category declined by PLN 661.4 million or 14.5%, mainly due to the repayment of a loan granted by Commerzbank.

The share of equity in total liabilities and equity of mBank Group decreased slightly quarter on quarter to the level of 10.1% (against 10.4% at the end of June 2018).

Quality of the loan portfolio of mBank Group

As at 30 September 2018, the amount of non-performing loans (NPL) was slightly higher than in the previous quarter. The NPL ratio increased compared to the end of June 2018 and amounted to 5.2%.

The coverage ratio increased quarter on quarter from 70.0% to 71.7%.

PLN M	30.06.2018	30.09.2018	QoQ change
Provisions for non-performing loans	2,882.3	3,045.3	5.7%
Provisions for performing loans	457.8	471.4	3.0%
Total provisions	**3,340.1**	**3,516.7**	**5.3%**
Non-performing receivables	**4,773.6**	**4,901.7**	**2.7%**
Performing receivables	**88,163.6**	**89,954.2**	**2.0%**
NPL ratio	5.1%	5.2%	
Coverage ratio	70.0%	71.7%	

Provisions for non-performing loans – provisions for loans and advances at amortised cost with impairment (stage 3 and POCI) and fair value change of loans and advances mandatorily at fair value through profit or loss in default

Provisions for performing loans – provisions for loans and advances at amortised cost without impairment (stage 1 and 2) and fair value change of non-default loans and advances mandatorily at fair value through profit or loss

Non-performing receivables - loans and advances at amortised cost with impairment (stage 3 and POCI) and loans and advances mandatorily at fair value through profit or loss in default

Performing receivables - loans and advances at amortised cost without impairment (stage 1 and 2) and non-default loans and advances mandatorily at fair value through profit or loss

NPL ratio – portion of loans and advances at amortised cost with impairment (stage 3 and POCI) and loans and advances mandatorily at fair value through profit or loss in default in the whole portfolio

Performance of segments and the business lines

In Q3 2018, the Retail Banking segment was the largest contributor to mBank Group's profit before tax with a share of 62.0%, compared with 69.6% at the end of June 2018. The contribution of the Corporate and Investment Banking segment stood at 37.5% (compared to 30.9% in Q2 2018) and the contribution of the Financial Markets segment at 1.7% (versus 1.9% in Q2 2018).

The result of the Retail Banking segment was mainly driven by an increase in net interest income by 5.0% quarter on quarter (core income rose by 3.4% quarter on quarter). At the same time, segment's results remain under pressure from higher overhead costs and depreciation connected with the network expansion, as well as higher net impairment losses and fair value change on loans and advances.

The Corporate and Investment Banking segment made bigger contribution to the Group's result owing to better net interest income (up by 6.8% quarter on quarter), which in turn pushed core income up by 2.9%. On the other hand, net trading income fell by 9.9% quarter on quarter, driven down mainly by FX result. Q3 saw a major decrease (45.4%) in net impairment losses and fair value change on loans and advances as compared with Q2 2018.

Total income of the Financial Markets segment reached PLN 44.5 million in Q3 2018, up by 2.9% quarter on quarter, which was mainly caused by an increase of net interest income.

PLN M	Q2 2018	Q3 2018	QoQ change	% share in profit before tax
Retail Banking	267.7	242.0	-9.6%	62.0%
Corporate and Investment Banking	118.8	146.3	23.2%	37.5%
Financial Markets	7.2	6.7	-6.4%	1.7%
Other	-9.1	-4.7	-48.9%	-1.2%
Profit before tax of mBank Group	**384.5**	**390.3**	**1.5%**	**100.0%**

Retail Banking

mBank's Retail Banking segment serves 5,603 thousand individual clients and microenterprises in Poland, the Czech Republic and Slovakia online, directly through the call centre, via mobile banking and other state-of-the-art technological solutions, as well as in a network of 354 branches. The Bank offers a broad range of products and services including current and savings accounts, accounts for microenterprises, credit products, deposit products, payment cards, investment products, insurance products, brokerage services, and leasing for microenterprises.

Key highlights

- Increase of core income to PLN 723.8 million in Q3 2018 i.e. up by 3.4% quarter on quarter and up by 9.4% year on year.
- Increase in the share of mBank in non-mortgage loans market from 5.4% to 5.7% year on year.
- 6.2% share of mBank in retail deposits market.
- Record high sales of mortgage loans at PLN 1,189.5 million (i.e. +3.2% quarter on quarter and +45.5% year on year), while non-mortgage loans sales stood at PLN 2,322.4 million (i.e. -0.4% quarter on quarter and +40.8% year on year).
- Maintained high share of loggings into client accounts via mobile banking application: 58.7% at the end of September 2018 (59.3% at the end of June 2018).
- The Brokerage Bureau's share in the bond trade market at the WSE grew from 8.7% to 12.5% quarter on quarter, whereas its share in the futures market dropped from 18.0% to 12.0%.
- The "Your invoices – Qlips" service was introduced, making it easier to pay invoices directly in electronic banking. The service, launched in August 2018, enables customers to select providers for automatic generation of payments in the transactional system. Contrary to the traditional direct debit, the service enables clients to verify data before they accept the payment.
- Launch of bank account opening via a video chat available for Android users since September 2018. Wide group of clients joined owners of iOS-driven appliances who enjoyed possibility to open an account via mobile application already since June.

Key financial data:

PLN M	Q2 2018	Q3 2018	Change in PLN M	Change in %
Net interest income	565.8	593.8	28.0	5.0%
Net fee and commission income	134.0	129.9	-4.1	-3.0%
Net trading income	32.7	32.3	-0.4	-1.1%
Net other operating income	2.4	-6.5	-8.9	+/-
Total income	**734.9**	**749.6**	14.7	**2.0%**
Net impairment losses and fair value change on loans and advances[1]	-106.2	-125.7	-19.5	18.3%
Overhead costs and depreciation	-310.1	-329.4	-19.3	6.2%
Taxes on bank balance sheet items	-50.9	-52.6	-1.7	3.3%
Profit before tax of Retail Banking	**267.7**	**242.0**	**-25.7**	**-9.6%**

[1] From Q1 2018 the sum of two items from Profit and Loss Account: "Impairment on financial assets not measured at fair value through profit or loss" and "Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss".

Key business data (mBank and mBank Hipoteczny only):

thou.	30.09.2017	30.06.2018	30.09.2018	QoQ change	YoY change
Number of retail clients[1], including:	**5,259.0**	**5,508.4**	**5,603.2**	**1.7%**	**6.5%**
Poland	4,358.9	4,592.2	4,681.8	2.0%	7.4%
Foreign branches	900.1	916.2	921.4	0.6%	2.4%
The Czech Republic	631.2	638.3	641.0	0.4%	1.6%
Slovakia	268.9	277.9	280.4	0.9%	4.2%
PLN M					
Loans to retail clients, including:	**48,918.4**	**50,513.5**	**51,286.4**	**1.5%**	**4.8%**
Poland	44,463.1	45,901.8	46,660.8	1.7%	4.9%
mortgage loans	*32,396.5*	*32,518.2*	*32,726.1*	*0.6%*	*1.0%*
non-mortgage loans	*12,066.6*	*13,383.7*	*13,934.6*	*4.1%*	*15.5%*
Foreign branches	4,455.3	4,611.6	4,625.6	0.3%	3.8%
The Czech Republic	*3,571.2*	*3,713.1*	*3,714.3*	*0.0%*	*4.0%*
Slovakia	*884.1*	*898.5*	*911.4*	*1.4%*	*3.1%*
Deposits of retail clients, including:	**54,176.9**	**59,970.6**	**61,670.3**	**2.8%**	**13.8%**
Poland	45,391.8	50,140.0	51,824.4	3.4%	14.2%
Foreign branches	8,785.1	9,830.6	9,845.9	0.2%	12.1%
The Czech Republic	*6,261.3*	*6,999.6*	*7,007.7*	*0.1%*	*11.9%*
Slovakia	*2,523.9*	*2,831.0*	*2,838.2*	*0.3%*	*12.5%*
Investment funds od mBank's individual clients[2]	**16,574.8**	**17,681.5**	**17,026.2**	**-3.7%**	**2.7%**
thou.					
Credit cards, including:	**358.5**	**375.0**	**380.8**	**1.5%**	**6.2%**
Poland	323.0	335.4	340.4	1.5%	5.4%
Foreign branches	35.5	39.6	40.4	2.1%	13.8%
Debit cards, including:	**3,664.3**	**3,774.3**	**3,843.7**	**1.8%**	**4.9%**
Poland	3,094.0	3,194.9	3,261.9	2.1%	5.4%
Foreign branches	570.3	579.4	581.9	0.4%	2.0%

[1] Number of retail clients impacted by obligatory closing of inactive accounts and adjusted backward to exclude authorised users of microfirm C/A, not having any banking products for individual customers.

[2] Starting from 2018, there has been a change of approach in presenting investment funds of mBank's clients resulting from the inclusion of mDom Maklerski and mWealth Management in the mBank's structure in 2016.

Corporates and Financial Markets

The Corporates and Financial Markets segment serves 23,327 corporate clients including large enterprises (K1 - annual sales exceeding PLN 1 billion and non-banking financial institutions), mid-sized enterprises (K2 - annual sales of PLN 50 million – 1 billion) and small enterprises (K3 - annual sales below PLN 50 million), through a network of dedicated 46 branches. mBank Group's offer of products and services for corporate clients focuses on traditional banking products and services (including corporate accounts, domestic and international money transfers, payment cards, cash services, and liquidity management products), corporate finance products, hedging instruments, equity capital market (ECM) services, debt capital market (DCM) instruments, mergers and acquisitions (M&A), leasing and factoring. The segment comprises two areas: Corporate and Investment Banking, and Financial Markets.

Key highlights

- Slight decline of total income quarter on quarter and an increase of 7.4% year on year.
- Increase of corporate loans on the bank level (excluding reverse repo/buy sell back transactions) by 4.4% compared to end of June 2018 and by 5.3% year on year.
- Rise of corporate loans' sales (including new sale, rising and renewal) by 8.5% on a quarterly basis and by 9.3% year on year.
- Increase in corporate deposits on the bank level (excluding repo transactions) by 5.5% quarterly and 15.9% annually. mBank's market share in deposits for enterprises amounted to 9.6%.
- Qlips functionality allowing the companies to transfer information about invoices and accounts to the clients (B2C) via mBank directly in the customers' transactional services in form of transfers ready for settlement, available since August 2018.
- Award in the contest organised by the financial magazine Global Finance in the category „World's Best Corporate/Institutional Digital Banks 2018".

Key financial data:

Corporate and Investment Banking:

PLN M	Q2 2018	Q3 2018	Change in PLN M	Change in %
Net interest income	223.5	238.7	15.2	6.8%
Net fee and commission income	119.8	114.6	-5.1	-4.3%
Net trading income	69.5	62.6	-6.9	-9.9%
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	-0.1	0.0	0.2	+/-
Net other operating income	21.0	3.5	-17.5	-83.2%
Total income	**433.7**	**419.5**	**-14.2**	**-3.3%**
Net impairment losses and fair value change on loans and advances[1]	-109.8	-59.9	49.9	-45.4%
Overhead costs and depreciation	-166.5	-173.8	-7.3	4.4%
Taxes on bank balance sheet items	-38.6	-39.5	-0.9	2.3%
Profit before tax of Corporate and Investment Banking	**118.8**	**146.3**	**27.5**	**23.2%**

Financial Markets:

PLN M	Q2 2018	Q3 2018	Change in PLN M	Change in %
Net interest income	62.3	67.4	5.1	8.1%
Net fee and commission income	-2.3	-2.5	-0.2	8.1%
Net trading income	-17.2	-22.8	-5.6	32.7%
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	1.7	2.2	0.6	35.2%
Net other operating income	-1.2	0.3	1.4	+/-
Total income	**43.3**	**44.5**	**1.3**	**2.9%**
Net impairment losses and fair value change on loans and advances[1]	-0.5	0.7	1.2	+/-
Overhead costs and depreciation	-28.1	-28.4	-0.3	1.2%
Taxes on bank balance sheet items	-7.5	-10.1	-2.6	34.3%
Profit before tax of Financial Markets	**7.2**	**6.7**	**-0.5**	**-6.4%**

[1] From Q1 2018 the sum of two items from Profit and Loss Account: "Impairment on financial assets not measured at fair value through profit or loss" and "Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss"

Key business data (Bank only):

	30.09.2017	30.06.2018	30.09.2018	QoQ change	YoY change
Number of corporate clients[1], including:	**21,825**	**22,934**	**23,327**	**1.7%**	**6.9%**
K1	2,126	2,148	2,138	-0.5%	
K2	6,980	7,551	7,389	-2.1%	
K3	12,719	13,235	13,800	4.3%	
PLN M					
Loans to corporate clients[1], including:	**23,739.4**	**23,936.6**	**24,953,7**	**4.2%**	**5.1%**
K1	5,908.0	6,150.9	6,647,5	8.1%	
K2	14,667.2	15,308.4	15,695.2	2.5%	
K3	2,966.5	2,311.0	2,506.2	8.4%	
Reverse repo/buy sell back transactions	55.6	54.0	10.9	-79.8%	
Other	142.2	112.4	94.0	-16.4%	
Deposits of corporate clients[1], including:	**31,372.1**	**34,621.5**	**36,421.4**	**5.2%**	**16.1%**
K1	12,530.0	15,311.1	16,397.4	7.1%	
K2	12,201.5	11,758.9	12,267.1	4.3%	
K3	4,826.0	5,329.0	5,635.7	5.8%	
Repo transactions	1,412.0	1,710.6	1,684.6	-1.5%	
Other	402.5	511.9	436.5	-14.7%	

[1] Starting from Q1 2018, corporate clients were re-segmented due to which the data on customers, loans and corporate deposits is not comparable on an annual basis.

Summary of results of mBank Group's subsidiaries

In Q3 2018, total income generated by mBank Group's subsidiaries amounted to PLN 58.9 million, which represents a 4.5% decrease v. Q2 2018. However, mBank Hipoteczny and mLeasing recorded a quarterly increase in results, in both cases driven mainly by improvement of loan portfolio quality.

The table below presents the profit before tax of mBank Group subsidiaries in Q3 2018 compared with the previous quarter.

PLN M	Q2 2018	Q3 2018	Change in %
mFinanse (f. Aspiro)	29.0	18.4	-36.5%
mBank Hipoteczny	-0.4	19.9	+/-
mLeasing	9.1	21.0	130.5%
mFaktoring	6.4	1.3	-79.5%
Other[1]	17.5	-1.8	+/-
Total	**61.6**	**58.9**	-4.5%

[1] Other subsidiaries include mFinance France, mCentrum Operacji, BDH Development, Garbary, Tele-Tech Investment and Future Tech.

mFinanse

An open platform for financial services sale on the intermediaries market

The offer comprises loans, deposits, insurance products, investment and savings products for both individuals and companies

In Q3 2018, mFinanse reported an increase in mortgage loans sales by 7.7% quarter on quarter (PLN 607.6 million in Q3 2018 against PLN 564.3 million in Q2 2018). In the analysed period also the sales of cash loans were on the rise (PLN 191.2 million or +3.7% quarter on quarter compared with PLN 184.3 million in Q2 2018).

In Q3 2018, the sale of car loans dedicated to car dealers was close to the performance in the previous quarter (PLN 71.9 million in Q3 2018 compared with PLN 71.1 million in Q2 2018). The subsidiary's sales results in the area of car leasing slightly declined (PLN 34.6 million in Q3 2018 compared with PLN 36.0 million in Q2 2018).

In the analysed period the profit before tax of mFinanse stood at PLN 18.4 million, which represents a decrease on a quarterly basis by PLN 10.6 million. The gross profit's contraction was driven by an uneven distribution of income from sale of an organised part of enterprise of mFinanse among particular quarters, partly counterbalanced by the positive effect of an increase in sales of mortgage and cash loans to the individuals.

mBank Hipoteczny

The mortgage bank with the longest track record of issuing covered bonds in the Polish capital market

Focusing on financing commercial and investments of individual clients, market analyses and advisory services for investors and operators of commercial real estate industry

Since 2000, mBank Hipoteczny has been regularly issuing Polish covered bonds in line with the domestic issuance programme. In Q3 2018, mBank Hipoteczny did not issue covered bonds. As at the end of Q3 2018, the total value of outstanding mortgage bonds issued by mBank Hipoteczny amounted to PLN 7,438.9 million.

In addition, mBank Hipoteczny continues to issue unsecured bonds. At the end of Q3 2018, five series of unsecured bonds worth a total of PLN 630 million had been issued. mBH offers zero-coupon and coupon bonds denominated in PLN with maturities ranging from two months to one year.

In Q3 2018, mBank Hipoteczny's gross loan portfolio reached PLN 11.2 billion against PLN 11.4 billion at the end of Q2 2018. The fact that the portfolio value remained almost unchanged can be explained by substantial scale of early repayments in the corporate portfolio, which reduced the effect of cash flows from pooling of retail loans sold by mBank.

Sales of commercial loans stood at PLN 232.4 million in Q3 2018. Two pooling transactions worth PLN 114.6 million in total were recorded in the retail portfolio.

In Q3 2018 the subsidiary's standalone profit before tax amounted to PLN 19.9 million, up by over PLN 20 million against Q2 2018. The difference was mainly caused by the lower level of loan loss provisions (PLN 4.2 million in Q3 2018 compared to PLN 16.6 million in Q2 2018), higher net interest income (up by PLN 3.9 million) connected with early repayments of commercial loans and a drop in the bank's material costs, in particular in the IT area.

mLeasing

Financing offer in the form of leasing or rent, and car fleet management
3rd position on the leasing market in Poland as at 30.09.2018

mLeasing was ranked 3rd on the leasing market in Poland and 2nd on the real estate leasing market (accumulated results for 2018 considering the value of cars, real estate and equipment).

The total value of contracts signed in Q3 2018 totalled PLN 1,307.4 million against PLN 1,650.7 million in Q2 2018, thus falling by 20.8% quarter on quarter. However, it went up by PLN 88 million year on year.

The value of new movable assets purchased by mLeasing in Q3 2018 amounted to PLN 1,277.6 million, while new real property contracts were worth PLN 29.8 million. By comparison, in Q2 2018, these figures stood at PLN 1,639.2 million for movable assets and PLN 11.5 million for real property.

The subsidiary's profit before tax in Q3 2018 reached PLN 21.0 million, thus surging by 130.5% quarter on quarter (PLN 9.1 million in Q2 2018). The increase stems primarily from lower credit risk costs (PLN 5.3 million in Q3 2018 against PLN 15.6 million in Q2 2018).

mFaktoring

mFaktoring offers financing of ongoing business operations, receivables management, transfer of insolvency risk, management of debtors' settlement accounts and enforcement of receivables
Sixth largest player on the Polish factoring market among the members of the Polish Factors Association

The amount of invoices purchased by the subsidiary stood at PLN 5.1 billion in Q3 2018, which marks an increase by 15.9% compared with the previous quarter. Simultaneously, the average growth rate of the market announced by the Polish Factors Association was 8.3%. Therefore, the subsidiary secured its sixth position on the Polish factoring market.

Despite higher total income and keeping cost discipline, profit before tax fell by 79.5% quarter on quarter to PLN 1.3 million. This was the effect of the subsidiary's decision to create an impairment loss on some factoring receivables.

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

Consolidated income statement

	Note	3th Quarter (current year) period from 01.07.2018 to 30.09.2018	3 Quarters (current year) period from 01.01.2018 to 30.09.2018	3th Quarter (previous year) period from 01.07.2017 to 30.09.2017	3 Quarters (previous year) period from 01.01.2017 to 30.09.2017
Interest income, including:	5	1 168 823	3 325 027	1 022 706	2 995 535
Interest income on financial assets at amortised cost		*886 089*	*2 492 021*	*788 367*	*2 266 253*
Interest income on financial assets at fair value through other comprehesive income		*119 548*	*361 551*	*174 961*	*515 935*
Income similar to interest on financial assets at fair value through profit or loss		*163 186*	*471 455*	*59 378*	*213 347*
Interest expenses	5	(266 453)	(751 882)	(225 944)	(684 987)
Net interest income		**902 370**	**2 573 145**	**796 762**	**2 310 548**
Fee and commission income	6	413 356	1 265 906	422 976	1 245 392
Fee and commission expenses	6	(174 605)	(509 302)	(166 462)	(486 712)
Net fee and commission income		**238 751**	**756 604**	**256 514**	**758 680**
Dividend income	7	233	3 336	142	3 266
Net trading income, including:	8	72 271	241 462	83 116	221 081
Foreign exchange result		*69 667*	*220 714*	*87 606*	*221 925*
Gains or losses on financial assets and liabilities held for trading		*7 838*	*31 691*	*(1 003)*	*9 864*
Gains or losses from hedge accounting		*(5 234)*	*(10 943)*	*(3 487)*	*(10 708)*
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	9	(31 467)	(91 875)	*n/a*	*n/a*
Gains less losses from investment securities, investments in subsidiaries and associates	10	*n/a*	*n/a*	(5 780)	(22 442)
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates, including:	10	2 036	8 056	*n/a*	*n/a*
Gains less losses from debt securities measured at fair value through other comprehensive income		*1 305*	*7 347*	*n/a*	*n/a*
Gains less losses from investments in subsidiaries and associates		*-*	*(22)*	*n/a*	*n/a*
Gains less losses from derecognition		*731*	*731*	*n/a*	*n/a*
Other operating income	11	30 375	352 194	47 889	196 937
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	12	(153 658)	(432 089)	(164 422)	(367 742)
Overhead costs	13	(468 808)	(1 453 960)	(432 140)	(1 392 243)
Depreciation		(62 720)	(187 215)	(53 740)	(156 418)
Other operating expenses	14	(36 055)	(136 062)	(29 261)	(156 038)
Operating profit		**493 328**	**1 633 596**	**499 080**	**1 395 629**
Taxes on the Group balance sheet items		(103 379)	(300 129)	(95 521)	(279 844)
Share in profits (losses) of entities under the equity method		308	896	192	192
Profit before income tax		**390 257**	**1 334 363**	**403 751**	**1 115 977**
Income tax expense		(104 991)	(350 685)	(112 352)	(332 531)
Net profit		**285 266**	**983 678**	**291 399**	**783 446**
Net profit attributable to:					
- Owners of mBank S.A.		285 279	983 714	291 414	779 892
- Non-controlling interests		(13)	(36)	(15)	3 554

Net profit attributable to Owners of mBank S.A.		**285 279**	**983 714**	**291 414**	**779 892**
Weighted average number of ordinary shares	**15**	**42 314 554**	**42 312 942**	**42 288 178**	**42 283 023**
Earnings per share (in PLN)	**15**	**6.74**	**23.25**	**6.89**	**18.44**
Weighted average number of ordinary shares for diluted earnings	**15**	**42 341 212**	**42 339 600**	**42 313 217**	**42 308 062**
Diluted earnings per share (in PLN)	**15**	**6.74**	**23.23**	**6.89**	**18.43**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

Consolidated statement of comprehensive income

	3th Quarter (current year) period from 01.07.2018 to 30.09.2018	3 Quarters (current year) period from 01.01.2018 to 30.09.2018	3th Quarter (previous year) period from 01.07.2017 to 30.09.2017	3 Quarters (previous year) period from 01.01.2017 to 30.09.2017
Net profit	**285 266**	**983 678**	**291 399**	**783 446**
Other comprehensive income net of tax, including:	**(4 573)**	**30 211**	**16 190**	**153 812**
Items that may be reclassified subsequently to the income statement				
Exchange differences on translation of foreign operations (net)	(85)	17	500	651
Cash flows hedges (net)	(6 158)	14 078	(4 497)	(1 389)
Change in valuation of available for sale financial assets (net)	*n/a*	*n/a*	20 187	154 544
Debt instruments at fair value through other comprehensive income (net)	(4 129)	2 883	*n/a*	*n/a*
Items that will not be reclassified to the income statement				
Actuarial gains and losses relating to post-employment benefits (net)	-	-	-	6
Fair value changes of equity instruments measured at fair value through other comprehensive income (net)	5 799	13 233	*n/a*	*n/a*
Total comprehensive income (net)	**280 693**	**1 013 889**	**307 589**	**937 258**
Total comprehensive income (net), attributable to:				
- Owners of mBank S.A.	280 706	1 013 925	307 604	933 704
- Non-controlling interests	(13)	(36)	(15)	3 554

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

Consolidated statement of financial position

ASSETS	Note	30.09.2018	31.12.2017	30.09.2017
Cash and balances with the Central Bank		9 643 274	7 384 869	6 028 470
Financial assets held for trading and derivatives held for hedges	16	3 652 723	2 761 685	3 339 181
Loans and advances to banks	19	*n/a*	1 707 722	2 403 911
Non-trading financial assets mandatorily at fair value through profit or loss, including:	17	2 554 340	*n/a*	*n/a*
Equity instruments		*75 770*	*n/a*	*n/a*
Loans and advances to customers		*2 478 570*	*n/a*	*n/a*
Investment securities	18	*n/a*	32 144 699	32 448 706
Financial assets at fair value through other comprehensive income	18	25 153 377	*n/a*	*n/a*
Loans and advances to customers	19	*n/a*	84 475 844	85 531 969
Financial assets at amortised cost, including:	19	102 153 244	*n/a*	*n/a*
Debt securities	19	*8 856 425*	*n/a*	*n/a*
Loans and advances to banks	19	*4 469 853*	*n/a*	*n/a*
Loans and advances to customers	19	*88 826 966*	*n/a*	*n/a*
Investments in associates	20	29 951	28 680	28 387
Non-current assets and disposal groups classified as held for sale		-	42 134	-
Intangible assets	21	722 219	710 642	636 272
Tangible assets	22	748 167	758 738	701 845
Current income tax assets		7 372	9 688	8 770
Deferred income tax assets	26	934 269	629 250	561 590
Other assets		1 057 381	770 068	788 925
Total assets		**146 656 317**	**131 424 019**	**132 478 026**

LIABILITIES AND EQUITY				
Liabilities				
Financial liabilities held for trading and derivatives held for hedges	23	946 017	1 095 365	1 014 022
Financial liabilities measured at amortised cost, including:		127 598 635	113 050 373	115 019 024
Amounts due to banks		*3 887 349*	*5 073 351*	*8 451 809*
Amounts due to customers	24	*102 425 018*	*91 496 027*	*90 677 502*
Debt securities issued		*19 083 289*	*14 322 852*	*13 685 190*
Subordinated liabilities		*2 202 979*	*2 158 143*	*2 204 523*
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-	44 854	57 728
Provisions	25	266 640	190 975	172 151
Current income tax liabilities		283 845	179 685	120 835
Deferred income tax liabilities	26	83	81	1 380
Other liabilities		2 758 543	2 571 130	2 125 424
Total liabilities		**131 853 763**	**117 132 463**	**118 510 564**
Equity				
Equity attributable to Owners of mBank S.A.		**14 800 400**	**14 289 370**	**13 965 261**
Share capital:		**3 572 641**	**3 564 176**	**3 563 854**
Registered share capital		169 330	169 248	169 245
Share premium		3 403 311	3 394 928	3 394 609
Retained earnings:		**11 080 055**	**10 574 294**	**10 261 914**
Profit from the previous years		10 096 341	9 482 764	9 482 022
Profit for the current year		983 714	1 091 530	779 892
Other components of equity		**147 704**	**150 900**	**139 493**
Non-controlling interests		**2 154**	**2 186**	**2 201**
Total equity		**14 802 554**	**14 291 556**	**13 967 462**
Total liabilities and equity		**146 656 317**	**131 424 019**	**132 478 026**

Total capital ratio		**20.21**	**20.99**	**20.47**
Common Equity Tier 1 capital ratio		**17.32**	**18.31**	**17.83**
Book value		**14 800 400**	**14 289 370**	**13 965 261**
Number of shares		**42 332 466**	**42 312 122**	**42 311 255**
Book value per share (in PLN)		**349.62**	**337.71**	**330.06**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

Consolidated statement of changes in equity

Changes in equity from 1 January to 30 September 2018

	Share capital		Retained earnings					Other components of equity						
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year attributable to Owners of mBank S.A.	Exchange differences on translation of foreign operations	Valuation of financial assets at fair value through other comprehensive income	Cash flows hedges	Actuarial gains and losses relating to post-employment benefits	Equity attributable to Owners of mBank S.A., total	Non-controlling interests	Total equity
Equity as at 1 January 2018	**169 248**	**3 394 928**	**7 727 317**	**93 634**	**1 153 753**	**1 599 590**	**-**	**(5 527)**	**168 393**	**(5 198)**	**(6 768)**	**14 289 370**	**2 186**	**14 291 556**
Effects of IFRS 9 implementation	-	-	-	-	-	(260 179)	-	-	(33 407)	-	-	(293 586)	-	(293 586)
Restated equity as at 1 January 2018	**169 248**	**3 394 928**	**7 727 317**	**93 634**	**1 153 753**	**1 339 411**	**-**	**(5 527)**	**134 986**	**(5 198)**	**(6 768)**	**13 995 784**	**2 186**	**13 997 970**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**983 714**	**17**	**16 116**	**14 078**	**-**	**1 013 925**	**(36)**	**1 013 889**
Issuance of ordinary shares	82	-	-	-	-	-	-	-	-	-	-	82	-	82
Dividends	-	-	-	-	-	(217 907)	-	-	-	-	-	(217 907)	-	(217 907)
Transfer to supplementary capital	-	-	2 098 965	-	-	(2 098 965)	-	-	-	-	-	-	-	-
Other increase or decrease in equity	-	-	-	-	-	(51)	-	-	-	-	-	(51)	4	(47)
Stock option program for employees	**-**	**8 383**	**-**	**184**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8 567**		**8 567**
- value of services provided by the employees	-	-	-	*8 567*	-	-	-	-	-	-	-	*8 567*	-	*8 567*
- settlement of exercised options	-	*8 383*	-	*(8 383)*	-	-	-	-	-	-	-	-	-	-
Equity as at 30 September 2018	**169 330**	**3 403 311**	**9 826 282**	**93 818**	**1 153 753**	**(977 512)**	**983 714**	**(5 510)**	**151 102**	**8 880**	**(6 768)**	**14 800 400**	**2 154**	**14 802 554**

Changes in equity from 1 January to 31 December 2017

	Share capital		Retained earnings					Other components of equity						
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year attributable to Owners of mBank S.A.	Exchange differences on translation of foreign operations	Valuation of financial assets at fair value through other comprehensive income	Cash flows hedges	Actuarial gains and losses relating to post-employment benefits	Equity attributable to Owners of mBank S.A., total	Non-controlling interests	Total equity
Equity as at 1 January 2017	**169 121**	**3 381 975**	**4 944 689**	**97 887**	**1 131 453**	**3 312 950**	**-**	**(6 004)**	**(3 068)**	**(1 545)**	**(3 702)**	**13 023 756**	**27 405**	**13 051 161**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**1 091 530**	**477**	**171 461**	**(3 653)**	**(3 066)**	**1 256 749**	**3 540**	**1 260 289**
Issuance of ordinary shares	127	-	-	-	-	-	-	-	-	-	-	127	-	127
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(5 486)	(5 486)
Change in the scope of consolidation and change of share in consolidated company	-	-	-	-	-	-	-	-	-	-	-	-	(23 273)	(23 273)
Transfer to supplementary capital	-	-	2 782 628	-	-	(2 782 628)	-	-	-	-	-	-	-	-
Transfer to General Risk Fund	-	-	-	-	22 300	(22 300)	-	-	-	-	-	-	-	-
Other increase or decrease in equity	-	-	-	-	-	38	-	-	-	-	-	38	-	38
Stock option program for employees	**-**	**12 953**	**-**	**(4 253)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8 700**		**8 700**
- value of services provided by the employees	-	-	-	*8 700*	-	-	-	-	-	-	-	*8 700*	-	*8 700*
- settlement of exercised options	-	*12 953*	-	*(12 953)*	-	-	-	-	-	-	-	-	-	-
Equity as at 31 December 2017	**169 248**	**3 394 928**	**7 727 317**	**93 634**	**1 153 753**	**508 060**	**1 091 530**	**(5 527)**	**168 393**	**(5 198)**	**(6 768)**	**14 289 370**	**2 186**	**14 291 556**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

Changes in equity from 1 January to 30 September 2017

	Share capital		Retained earnings					Other components of equity						
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year attributable to Owners of mBank S.A.	Exchange differences on translation of foreign operations	Valuation of financial assets at fair value through other comprehensive income	Cash flows hedges	Actuarial gains and losses relating to post-employment benefits	Equity attributable to Owners of mBank S.A., total	Non-controlling interests	Total equity
Equity as at 1 January 2017	**169 121**	**3 381 975**	**4 944 689**	**97 887**	**1 131 453**	**3 312 950**	**-**	**(6 004)**	**(3 068)**	**(1 545)**	**(3 702)**	**13 023 756**	**27 405**	**13 051 161**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**779 892**	**651**	**154 544**	**(1 389)**	**6**	**933 704**	**3 554**	**937 258**
Issuance of ordinary shares	124	-	-	-	-	-	-	-	-	-	-	124	-	124
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(5 486)	(5 486)
Change in the scope of consolidation and change of share in consolidated company	-	-	-	-	-	-	-	-	-	-	-	-	(23 272)	(23 272)
Transfer to supplementary capital	-	-	2 782 628	-	-	(2 782 628)	-	-	-	-	-	-	-	-
Transfer to General Risk Fund	-	-	-	-	22 300	(22 300)	-	-	-	-	-	-	-	-
Stock option program for employees	**-**	**12 634**	**-**	**(4 957)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7 677**		**7 677**
- value of services provided by the employees	-	-	-	*7 677*	-	-	-	-	-	-	-	*7 677*	-	*7 677*
- settlement of exercised options	-	*12 634*	-	*(12 634)*	-	-	-	-	-	-	-	-	-	-
Equity as at 30 September 2017	**169 245**	**3 394 609**	**7 727 317**	**92 930**	**1 153 753**	**508 022**	**779 892**	**(5 353)**	**151 476**	**(2 934)**	**(3 696)**	**13 965 261**	**2 201**	**13 967 462**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

Consolidated statement of cash flows

	Period from 01.01.2018 to 30.09.2018	Period from 01.01.2017 to 30.09.2017
A. Cash flows from operating activities	**3 335 098**	**(5 343 491)**
Profit before income tax	**1 334 363**	**1 115 977**
Adjustments:	***2 000 735***	***(6 459 468)***
Income taxes paid	(482 918)	(372 611)
Amortisation, including amortisation of fixed assets provided under operating lease	220 439	191 933
Foreign exchange (gains) losses related to financing activities	344 803	(845 509)
(Gains) losses on investing activities	(254 942)	2 465
Impairment of financial assets	-	20 004
Dividends received	(3 336)	(3 266)
Interest income (income statement)	(3 325 027)	(2 995 535)
Interest expense (income statement)	751 882	684 987
Interest received	3 493 180	3 211 161
Interest paid	(551 250)	(418 608)
Changes in loans and advances to banks	418	(277 533)
Changes in financial assets and liabilities held for trading and derivatives held for hedges	81 136	2 218
Changes in loans and advances to customers	(7 123 947)	(3 874 069)
Changes in investment securities	n/a	(1 041 647)
Changes in financial assets at fair value through other comprehensive income	(1 905 639)	*n/a*
Changes in securities at amortised cost	(336 253)	*n/a*
Changes of non-trading equity securities mandatorily at fair value through profit or loss	(16 383)	*n/a*
Changes in other assets	(287 341)	61 224
Changes in amounts due to other banks	(23 871)	508 187
Changes in amounts due to customers	10 912 666	(1 133 273)
Changes in debt securities in issue	273 990	(123 408)
Changes in provisions	31 341	(10 603)
Changes in other liabilities	201 787	(45 585)
Net cash generated from/(used in) operating activities	**3 335 098**	**(5 343 491)**
B.Cash flows from investing activities	**62 557**	**(223 237)**
Investing activity inflows	**470 447**	**68 711**
Disposal of shares in subsidiaries, net of cash disposed	100	32 863
Disposal of intangible assets and tangible fixed assets	30 432	32 582
Dividends received	3 336	3 266
Other investing inflows	436 579	-
Investing activity outflows	**407 890**	**291 948**
Acquisition of shares in subsidiaries	36 907	12 639
Purchase of intangible assets and tangible fixed assets	370 983	279 309
Net cash generated from/(used in) investing activities	**62 557**	**(223 237)**
C. Cash flows from financing activities	**2 699 354**	**(307 088)**
Financing activity inflows	**5 470 341**	**1 821 930**
Proceeds from loans and advances from other banks	187 200	-
Proceeds from other loans and advances	648 378	422 466
Issue of debt securities	4 634 681	1 399 340
Issue of ordinary shares	82	124
Financing activity outflows	**2 770 987**	**2 129 018**
Repayments of loans and advances from other banks	1 996 975	-
Repayments of other loans and advances	213 725	12 942
Redemption of debt securities	231 148	400 000
Repurchase of subordinated liabilities	-	1 611 840
Payments of financial lease liabilities	388	677
Dividends and other payments to shareholders	217 907	5 486
Interest paid from loans and advances received from other banks and from subordinated liabilities	110 844	98 073
Net cash generated from/(used in) financing activities	**2 699 354**	**(307 088)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**6 097 009**	**(5 873 816)**
Effects of exchange rate changes on cash and cash equivalents	(46 404)	37 228
Cash and cash equivalents at the beginning of the reporting period	9 824 260	15 000 049
Cash and cash equivalents at the end of the reporting period	**15 874 865**	**9 163 461**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

mBank S.A. stand-alone financial information

Income statement

	Note	3th Quarter (current year) period from 01.07.2018 to 30.09.2018	3 Quarters (current year) period from 01.01.2018 to 30.09.2018	3th Quarter (previous year) period from 01.07.2017 to 30.09.2017	3 Quarters (previous year) period from 01.01.2017 to 30.09.2017
Interest income, including:		1 022 848	2 914 703	897 402	2 629 204
Interest income on financial assets at amortised cost		*742 059*	*2 111 723*	*674 646*	*1 933 190*
Interest income on financial assets at fair value through other comprehesive income		*118 580*	*355 695*	*171 018*	*504 571*
Income similar to interest on financial assets at fair value through profit or loss		*162 209*	*447 285*	*51 738*	*191 443*
Interest expenses		(227 588)	(643 488)	(196 530)	(597 872)
Net interest income		**795 260**	**2 271 215**	**700 872**	**2 031 332**
Fee and commission income		378 977	1 131 448	361 664	1 047 898
Fee and commission expenses		(154 377)	(445 858)	(148 942)	(426 947)
Net fee and commission income		**224 600**	**685 590**	**212 722**	**620 951**
Dividend income		233	195 169	142	166 123
Net trading income, including:		76 690	249 562	83 318	227 349
Foreign exchange result		*68 613*	*218 486*	*86 384*	*222 805*
Gains or losses on financial assets and liabilities held for trading		*11 565*	*37 959*	*42*	*13 569*
Gains or losses from hedge accounting		*(3 488)*	*(6 883)*	*(3 108)*	*(9 025)*
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(30 768)	(89 215)	n/a	n/a
Gains less losses from investment securities, investments in subsidiaries and associates		n/a	n/a	(1 354)	(10 274)
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates, including:		2 276	3 729	n/a	n/a
Gains less losses from debt securities measured at fair value through other comprehensive income		*1 545*	*7 576*	*n/a*	*n/a*
Gains less losses from investments in subsidiaries and associates		*-*	*(22)*	*n/a*	*n/a*
Gains less losses from derecognition		*731*	*(3 825)*	*n/a*	*n/a*
Other operating income		8 920	33 020	66 046	86 787
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss		(141 370)	(382 513)	(143 309)	(328 010)
Overhead costs		(417 842)	(1 295 999)	(378 205)	(1 217 876)
Depreciation		(56 654)	(169 018)	(47 841)	(139 150)
Other operating expenses		(25 820)	(113 696)	(20 623)	(60 818)
Operating profit		**435 525**	**1 387 844**	**471 768**	**1 376 414**
Tax on the Bank's balance sheet items		(96 227)	(279 402)	(89 042)	(262 145)
Share in profits (losses) of entities under the equity method		40 369	145 100	4 102	(49 696)
Profit before income tax		**379 667**	**1 253 542**	**386 828**	**1 064 573**
Income tax expense		(94 442)	(270 110)	(98 438)	(286 655)
Net profit		**285 225**	**983 432**	**288 390**	**777 918**
Net profit attributable to Owners of mBank S.A.		**285 225**	**983 432**	**288 390**	**777 918**
Weighted average number of ordinary shares	**15**	**42 314 554**	**42 312 942**	**42 288 178**	**42 283 023**
Earnings per share (in PLN)	**15**	**6.74**	**23.24**	**6.82**	**18.40**
Weighted average number of ordinary shares for diluted earnings	**15**	**42 341 212**	**42 339 600**	**42 313 217**	**42 308 062**
Diluted earnings per share (in PLN)	**15**	**6.74**	**23.23**	**6.82**	**18.39**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

mBank S.A. stand-alone financial information

Statement of comprehensive income

	3th Quarter (current year) period from 01.07.2018 to 30.09.2018	3 Quarters (current year) period from 01.01.2018 to 30.09.2018	3th Quarter (previous year) period from 01.07.2017 to 30.09.2017	3 Quarters (previous year) period from 01.01.2017 to 30.09.2017
Net profit	**285 225**	**983 432**	**288 390**	**777 918**
Other comprehensive income net of tax, including:	**(4 821)**	**29 135**	**16 221**	**153 531**
Items that may be reclassified subsequently to the income statement				
Exchange differences on translation of foreign operations (net)	(75)	(8)	468	743
Cash flows hedges (net)	(6 158)	14 078	(4 497)	(1 389)
Share of other comprehensive income of entities under the equity method (net)	336	517	934	3 000
Change in valuation of available for sale financial assets (net)	*n/a*	*n/a*	19 316	151 177
Debt instruments at fair value through other comprehensive income (net)	(4 723)	1 315	*n/a*	*n/a*
Items that will not be reclassified to the income statement				
Fair value changes of equity instruments measured at fair value through other comprehensive income (net)	5 799	13 233	*n/a*	*n/a*
Total comprehensive income (net)	**280 404**	**1 012 567**	**304 611**	**931 449**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

mBank S.A. stand-alone financial information

Statement of financial position

ASSETS	30.09.2018	31.12.2017	30.09.2017
Cash and balances with the Central Bank	9 613 745	7 383 518	6 021 685
Financial assets held for trading and derivatives held for hedges	5 129 042	2 781 351	3 395 904
Loans and advances to banks	*n/a*	6 063 702	7 635 501
Non-trading financial assets mandatorily at fair value through profit or loss, including:	2 278 105	*n/a*	*n/a*
Equity instruments	*11 212*	*n/a*	*n/a*
Loans and advances to customers	*2 266 893*	*n/a*	*n/a*
Investment securities	*n/a*	31 110 560	31 368 783
Financial assets at fair value through other comprehensive income	24 193 506	*n/a*	*n/a*
Loans and advances to customers	*n/a*	73 431 738	74 672 195
Financial assets at amortised cost, including:	92 894 371	*n/a*	*n/a*
Debt securities	*8 856 425*	*n/a*	*n/a*
Loans and advances to credit institutions	*7 712 487*	*n/a*	*n/a*
Loans and advances to customers	*76 325 459*	*n/a*	*n/a*
Investements in subsidiaries	2 193 524	2 060 847	1 998 119
Investments in associates	29 567	28 680	28 387
Intangible assets	648 837	648 191	581 688
Tangible assets	505 090	509 773	435 871
Current income tax assets	7 372	6 558	5 003
Deferred income tax assets	313 954	129 037	101 158
Other assets	628 934	415 528	413 393
AKTYWA RAZEM	**138 436 047**	**124 569 483**	**126 657 687**

LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities held for trading and derivatives held for hedges	975 670	1 141 035	1 043 062
Financial liabilities measured at amortised cost, including:	120 052 365	106 579 430	109 559 153
Amounts due to banks	*3 916 608*	*5 089 716*	*8 592 749*
Amounts due to customers	*111 128 718*	*99 331 571*	*98 761 881*
Debt securities issued	*2 804 060*	*-*	*-*
Subordinated liabilities	*2 202 979*	*2 158 143*	*2 204 523*
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	27 046	38 977
Provisions	263 368	190 914	172 058
Current income tax liabilities	204 098	172 003	115 301
Deferred income tax liabilities	83	81	83
Other liabilities	2 142 608	2 171 413	1 766 000
Total liabilities	**123 638 192**	**110 281 922**	**112 694 634**
Equity			
Share capital:	**3 572 641**	**3 564 176**	**3 563 854**
Registered share capital	169 330	169 248	169 245
Share premium	3 403 311	3 394 928	3 394 609
Retained earnings:	**11 077 871**	**10 572 341**	**10 259 851**
- Profit from the previous years	10 094 439	9 482 637	9 481 933
- Profit for the current year	983 432	1 089 704	777 918
Other components of equity	**147 343**	**151 044**	**139 348**
Total equity	**14 797 855**	**14 287 561**	**13 963 053**
Total liabilities and equity	**138 436 047**	**124 569 483**	**126 657 687**

Total capital ratio	**23.73**	**24.62**	**24.16**
Common Equity Tier 1 capital ratio	**20.38**	**21.51**	**21.08**
Book value	**14 797 855**	**14 287 561**	**13 963 053**
Number of shares	**42 332 466**	**42 312 122**	**42 311 255**
Book value per share (in PLN)	**349.56**	**337.67**	**330.01**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

mBank S.A. stand-alone financial information

Statement of changes in equity

Changes in equity from 1 January to 30 September 2018

	Share capital		Retained earnings					Other components of equity					
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of financial assets at fair value through other comprehensive income	Cash flows hedges	Share in profits (losses) of entities under the equity method	Actuarial gains and losses relating to post-employment benefits	Total equity
Equity as at 1 January 2018	**169 248**	**3 394 928**	**7 145 517**	**22 638**	**1 115 143**	**2 289 043**	**-**	**(5 336)**	**164 413**	**(5 198)**	**3 770**	**(6 605)**	**14 287 561**
Effects of IFRS 9 implementation	-	-	-	-	-	(260 179)	-	-	(32 836)	-	-	-	(293 015)
Restated equity as at 1 January 2018	**169 248**	**3 394 928**	**7 145 517**	**22 638**	**1 115 143**	**2 028 864**	**-**	**(5 336)**	**131 577**	**(5 198)**	**3 770**	**(6 605)**	**13 994 546**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**983 432**	**(8)**	**14 548**	**14 078**	**517**	**-**	**1 012 567**
Issuance of ordinary shares	82	-	-	-	-	-	-	-	-	-	-	-	82
Dividends	-	-	-	-	-	(217 907)	-	-	-	-	-	-	(217 907)
Transfer to supplementary capital	-	-	2 071 135	-	-	(2 071 135)	-	-	-	-	-	-	-
Stock option program for employees	**-**	**8 383**	**-**	**184**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8 567**
- value of services provided by the employees	-	-	-	*8 567*	-	-	-	-	-	-	-	-	*8 567*
- settlement of exercised options	-	*8 383*	-	*(8 383)*	-	-	-	-	-	-	-	-	-
Equity as at 30 September 2018	**169 330**	**3 403 311**	**9 216 652**	**22 822**	**1 115 143**	**(260 178)**	**983 432**	**(5 344)**	**146 125**	**8 880**	**4 287**	**(6 605)**	**14 797 855**

Changes in equity from 1 January to 31 December 2017

	Share capital		Retained earnings					Other components of equity					
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of financial assets at fair value through other comprehensive income	Cash flows hedges	Share in profits (losses) of entities under the equity method	Actuarial gains and losses relating to post-employment benefits	Total equity
Equity as at 1 January 2017	**169 121**	**3 381 975**	**4 384 011**	**26 891**	**1 095 143**	**3 980 845**	**-**	**(5 953)**	**(2 431)**	**(1 545)**	**(737)**	**(3 517)**	**13 023 803**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**1 089 704**	**617**	**166 844**	**(3 653)**	**4 507**	**(3 088)**	**1 254 931**
Issuance of ordinary shares	127	-	-	-	-	-	-	-	-	-	-	-	127
Transfer to supplementary capital	-	-	2 761 506	-	-	(2 761 506)	-	-	-	-	-	-	-
Transfer to General Risk Fund	-	-	-	-	20 000	(20 000)	-	-	-	-	-	-	-
Stock option program for employees	**-**	**12 953**	**-**	**(4 253)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8 700**
- value of services provided by the employees	-	-	-	*8 700*	-	-	-	-	-	-	-	-	*8 700*
- settlement of exercised options	-	*12 953*	-	*(12 953)*	-	-	-	-	-	-	-	-	-
Equity as at 31 December 2017	**169 248**	**3 394 928**	**7 145 517**	**22 638**	**1 115 143**	**1 199 339**	**1 089 704**	**(5 336)**	**164 413**	**(5 198)**	**3 770**	**(6 605)**	**14 287 561**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

Changes in equity from 1 January to 30 September 2017

	Share capital		Retained earnings					Other components of equity					
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of financial assets at fair value through other comprehensive income	Cash flows hedges	Share in profits (losses) of entities under the equity method	Actuarial gains and losses relating to post-employment benefits	Total equity
Equity as at 1 January 2017	**169 121**	**3 381 975**	**4 384 011**	**26 891**	**1 095 143**	**3 980 845**	**-**	**(5 953)**	**(2 431)**	**(1 545)**	**(737)**	**(3 517)**	**13 023 803**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**777 918**	**743**	**151 177**	**(1 389)**	**3 000**	**-**	**931 449**
Issuance of ordinary shares	124	-	-	-	-	-	-	-	-	-	-	-	124
Transfer to supplementary capital	-	-	2 761 506	-	-	(2 761 506)	-	-	-	-	-	-	-
Transfer to General Risk Fund	-	-	-	-	20 000	(20 000)	-	-	-	-	-	-	-
Stock option program for employees	**-**	**12 634**	**-**	**(4 957)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7 677**
- value of services provided by the employees	-	-	-	*7 677*	-	-	-	-	-	-	-	-	*7 677*
- settlement of exercised options	-	*12 634*	-	*(12 634)*	-	-	-	-	-	-	-	-	-
Equity as at 30 September 2017	**169 245**	**3 394 609**	**7 145 517**	**21 934**	**1 115 143**	**1 199 339**	**777 918**	**(5 210)**	**148 746**	**(2 934)**	**2 263**	**(3 517)**	**13 963 053**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

mBank S.A. stand-alone financial information

Statement of cash flows

	Period from 01.01.2018 to 30.09.2018	Period from 01.01.2017 to 30.09.2017
A. Cash flows from operating activities	**5 090 806**	**(5 240 418)**
Profit before income tax	**1 253 542**	**1 064 573**
Adjustments:	***3 837 264***	***(6 304 991)***
Income taxes paid	(358 859)	(240 735)
Amortisation	169 018	139 150
Foreign exchange (gains) losses related to financing activities	285 339	(845 509)
(Gains) losses on investing activities	(152 583)	47 514
Impairment of financial assets	-	12 262
Dividends received	(195 169)	(166 123)
Interest income (income statement)	(2 914 703)	(2 629 204)
Interest expense (income statement)	643 488	597 872
Interest received	3 128 648	2 885 243
Interest paid	(592 575)	(536 721)
Changes in loans and advances to banks	774 312	(1 581 099)
Changes in financial assets and liabilities held for trading and derivatives held for hedges	(1 404 364)	(29 008)
Changes in loans and advances to customers	(5 390 684)	(2 432 413)
Changes in investment securities	*n/a*	(773 570)
Changes in financial assets at fair value through other comprehensive income	(1 553 902)	*n/a*
Changes in securities at amortised cost	(336 253)	*n/a*
Changes of non-trading equity securities mandatorily at fair value through profit or loss	(1 278)	*n/a*
Changes in other assets	(212 468)	(41 690)
Changes in amounts due to banks	18 877	633 288
Changes in amounts due to customers	11 911 626	(1 316 481)
Changes in debt securities in issue	3 026	-
Changes in provisions	31 548	(10 590)
Changes in other liabilities	(15 780)	(17 177)
Net cash generated from/(used in) operating activities	**5 090 806**	**(5 240 418)**
B.Cash flows from investing activities	**(104 851)**	**(216 233)**
Investing activity inflows	**195 507**	**199 377**
Disposal of shares in subsidiaries	100	32 863
Disposal of intangible assets and tangible fixed assets	238	391
Dividends received	195 169	166 123
Investing activity outflows	**300 358**	**415 610**
Acquisition of shares in subsidiaries	17 512	224 839
Purchase of intangible assets and tangible fixed assets	282 846	190 771
Net cash generated from/(used in) investing activities	**(104 851)**	**(216 233)**
C. Cash flows from financing activities	**1 135 346**	**(636 245)**
Financing activity inflows	**3 648 581**	**1 214 310**
Proceeds from loans and advances from banks	187 200	-
Proceeds from other loans and advances	648 378	422 466
Issue of debt securities	2 812 921	-
Issue of ordinary shares	82	124
Security deposit due to issue of Eurobonds	-	791 720
Financing activity outflows	**2 513 235**	**1 850 555**
Repayments of loans and advances from banks	1 996 975	-
Repayments of other loans and advances	213 725	12 942
Acquisition of shares in subsidiaries - increase of involvement	1 300	122 216
Repurchase of of subordinated liabilities	-	1 611 840
Payments of financial lease liabilities	4 484	5 484
Dividends and other payments to shareholders	217 907	-
Interest paid from loans and advances received from banks and subordinated liabilities	78 844	98 073
Net cash generated from/(used in) financing activities	**1 135 346**	**(636 245)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**6 121 301**	**(6 092 896)**
Effects of exchange rate changes on cash and cash equivalents	(46 405)	37 228
Cash and cash equivalents at the beginning of the reporting period	9 750 574	14 987 684
Cash and cash equivalents at the end of the reporting period	**15 825 470**	**8 932 016**

Explanatory notes to the consolidated financial statements

1. Information regarding the Group of mBank S.A.

The Group of mBank S.A. ("Group", "mBank Group") consists of entities under the control of mBank S.A. ("Bank", "mBank") of the following nature:

- strategic: shares and equity interests in companies supporting particular business segment of mBank S.A. (corporates and financial markets segment, retail banking segment and other) with an investment horizon not shorter than 3 years. The formation or acquisition of these companies was intended to expand the range of services offered to the clients of the Bank;
- other: shares and equity interests in companies acquired in exchange for receivables, in transactions resulting from composition and work out agreements with debtors, with the intention to recover a part or all claims to loan receivables and insolvent companies under liquidation or receivership.

The parent entity of the Group is mBank S.A., which is a joint stock company registered in Poland and a part of Commerzbank AG Group.

The head office of the Bank is located at 18 Senatorska St., Warsaw.

The shares of the Bank are listed on the Warsaw Stock Exchange.

As at 30 September 2018, mBank S.A. Group covered by the condensed consolidated financial statements comprised the following companies:

mBank S.A., the parent entity

mBank S.A. was established under the name of Bank Rozwoju Eksportu SA by Resolution of the Council of Ministers N° 99 of 20 June 1986. The Bank was registered pursuant to the legally valid decision of the District Court for the Capital City of Warsaw, 16th Economic Registration Division, on 23 December 1986 in the Business Register under the number RHB 14036. The 9th Extraordinary Meeting of Shareholders held on 4 March 1999 adopted the resolution changing the Bank's name to BRE Bank SA. The new name of the Bank was entered in the Business Register on 23 March 1999. On 11 July 2001, the District Court in Warsaw issued the decision on the entry of the Bank in the National Court Register (KRS) under number KRS 0000025237.

On 22 November 2013, the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, registered the amendments to the Bank's By-lows arising from Resolutions N°26 and Resolutions N°27 of the 26th Annual General Meeting of mBank S.A., which was held on 11 April 2013. With the registration of changes in By-lows, the name of the Bank has changed from the current BRE Bank Spółka Akcyjna on mBank Spółka Akcyjna (abbreviated mBank S.A.).

According to the Polish Classification of Business Activities, the business of the Bank was classified as "Other monetary intermediation" under number 6419Z. According to the Stock Exchange Quotation, the Bank is classified as "Banks" sector as part of the "Finance" macro-sector.

According to the By-laws of the Bank, the scope of its business consists of providing banking services and consulting and advisory services in financial matters, as well as of conducting business activities within the scope described in its By-laws. The Bank operates within the scope of corporate, institutional and retail banking (including private banking) throughout the whole country and operates trade and investment activities as well as brokerage activities.

The Bank provides services to Polish and international corporations and individuals, both in the local currency (Polish Zloty, PLN) and in foreign currencies.

The Bank may open and maintain accounts in Polish and foreign banks, and can possess foreign exchange assets and trade in them.

The Bank conducts retail banking business in Czech Republic and Slovakia through its foreign mBank branches in these countries.

As at 30 September 2018 the headcount of mBank S.A. amounted to 5 772 FTEs (Full Time Equivalents) and of the Group to 6 447 FTEs (30 September 2017: Bank 5 395 FTEs, Group 6 450 FTEs).

As at 30 September 2018 the employment in mBank S.A. was 6 706 persons and in the Group 8 658 persons (30 September 2017: Bank 6 339 persons, Group 8 440 persons).

The business activities of the Group are conducted in the following business segments presented in detail in Note 4.

Corporates and Financial Markets Segment, including:

Corporate and Investment Banking

- mBank Hipoteczny S.A., subsidiary (the corporate segment of the company's activity)
- mFaktoring S.A., subsidiary
- mLeasing Sp. z o.o., subsidiary (the corporate segment of the company's activity)
- Garbary Sp. z o.o., subsidiary
- Tele-Tech Investment Sp. z o.o., subsidiary

Financial Markets

- mFinance France S.A., subsidiary
- mBank Hipoteczny S.A., subsidiary (with regard to activities concerning funding)
- mLeasing Sp. z o.o., subsidiary (with regard to activities concerning funding)

Retail Banking Segment (including Private Banking)

- mFinanse S.A. (previously Aspiro S.A.), subsidiary
- mBank Hipoteczny S.A., subsidiary (the retail segment of the company's activity)
- mLeasing Sp. z o.o., subsidiary (the retail segment of the company's activity)

Other

- mCentrum Operacji Sp. z o.o., subsidiary
- BDH Development Sp. z o.o., subsidiary
- Future Tech Fundusz Inwestycyjny Zamknięty, subsidiary

Other information concerning companies of the Group

Information concerning the business conducted by the Group's entities is presented under Note 4 "Business Segments" of these condensed consolidated financial statements.

2. Description of relevant accounting policies

The most important accounting policies applied to the drafting of these consolidated financial statements are presented below. The accounting principles adopted by the Group were applied on an ongoing basis for all periods presented in the financial statements, except for the accounting principles applied in connection with the implementation of IFRS 9 as of 1 January 2018, as described in detail under Note 2.31. Comparative data.

2.1. Accounting basis

The Consolidated Financial Statements of mBank S.A. Group have been prepared for the 9-month period ended 30 September 2018.

The Consolidated Financial Statements of mBank S.A. Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union, according to the historical cost method, except for derivative contracts and financial assets held for trading, financial assets that do not meet SPPI criteria, financial assets assigned to business models whose objective is not to hold financial assets in order to collect contractual cash flows, equity instruments and liabilities related to cash-settled share-based payment transactions measured at fair value as well as financial assets measured at fair value through other comprehensive income and equity instruments for which it was irrevocable election has been made to present changes in fair value in other coprehensive income.

Non-current assets held for sale or group of these assets classified as held for sale are stated at the lower of the carrying value and fair value less costs to sell.

The comparative data has been prepared according to the historical cost method, as modified by the revaluation of available for sale financial assets, financial assets and financial liabilities measured at fair value through profit or loss, all derivative contracts, liabilities related to cash-settled share-based payment transactions measured at fair value.

The data for the year 2017 presented in these mBank S.A. Group condensed consolidated financial statements was audited by the auditor.

The preparation of the financial statements in compliance with IFRS requires the application of specific accounting estimates. It also requires the Management Board to use its own judgment when applying the accounting policies adopted by the Group. The issues in relation to which a significant professional judgement is required, more complex issues, or such issues where estimates or judgments are material to the consolidated financial statements are disclosed in Note 3.

Financial statements are prepared in compliance with materiality principle. Material omissions or misstatements of positions of financial statements are material if they could, individually or collectively, influence the economic decisions that users make on the basis of Group's financial statements. Materiality depends on the size and nature of the omission or misstatement of the position of financial statements or a combination of both. The Group presents separately each material class of similar positions. The Group presents separately positions of dissimilar nature or function unless they are immaterial.

These consolidated financial statements were prepared under the assumption that the Group continues as a going concern in the foreseeable future, i.e. in the period of at least 12 months following the reporting date. As of the date of approving these statements, the Bank Management Board has not identified any events that could indicate that the continuation of the operations by the Group is endangered.

2.2. Consolidation

Subsidiaries

Subsidiaries comprise entities, regardless of the nature of the involvement with an entity (including special purpose vehicles) over which the Group controls the investee. The control is achieved when the Group has power over the investee, is exposed or has rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. When the Group has less than a majority of the voting rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over the investee, including a contractual arrangements between the Group and other vote holders, rights arising from other contractual arrangements, the Group's voting rights and potential voting rights. If facts and circumstances indicate that there are changes in at least one of the three elements of control listed above, the Group reassess whether it controls an investee. The consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The consolidated financial statements combine items of assets, liabilities, equity, income and expenses of the parent with those of its subsidiaries eliminating the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Thus arises goodwill. If goodwill has negative value, it is recognised directly in the income statement. The profit or loss and each component of other comprehensive income is attributed to the Group's owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. If the Group loses control of a subsidiary, it shall account for all amounts previously recognised in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses control of the subsidiary. If a revaluation surplus previously recognised in other comprehensive income would be transferred directly to retained earnings on the disposal of the assets, the Group shall transfer the revaluation surplus directly to retained earnings when it loses control of the subsidiary.

Non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to a parent. The Group presents non-controlling interest in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction (i.e. transactions with owners in their capacity as owners). In such cases, the Group adjusts the carrying amount of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The Group recognises directly in the equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received and attributes it to the owners of the parent.

In case when an acquirer made a bargain purchase, which is a business combination, and a result of that is a gain, the acquirer recognises the resulting gain in profit or loss on the acquisition date. Before recognising a gain on a bargain purchase, the acquirer reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognises any additional assets and liabilities that are identified in that review. The acquirer then reviews the procedures used to measure the amounts required to be recognised at the acquisition date to ensure that the measurements appropriately reflect consideration of all available information as of the acquisition date.

Intra-group transactions, balances and unrealised gains on transactions between companies of the Group are eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

The Group applies predecessor accounting method for combinations of businesses under common control. The method stipulates that assets and liabilities of the acquired arrangements are not measured at fair value, but the acquirer includes them in its financial statements based on the value of the acquired arrangements stemming from the consolidated financial statements of the consolidating entity that prepares the consolidated financial statements at the higher level and exercises the common control under which the transaction takes place.

Consolidation does not cover those companies whose scale of business operations is immaterial in relation to the volume of business of the Group.

The condensed consolidated financial statements of the Bank cover the following companies:

	30.09.2018		31.12.2017		30.09.2017	
Company	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method
BDH Development Sp. z o.o.	100%	full	100%	full	100%	full
Garbary Sp. z o.o.	100%	full	100%	full	100%	full
mBank Hipoteczny S.A.	100%	full	100%	full	100%	full
mCentrum Operacji Sp. z o.o.	100%	full	100%	full	100%	full
mFaktoring S.A.	100%	full	100%	full	100%	full
mFinanse S.A.	100%	full	100%	full	100%	full
mLeasing Sp. z o.o.	100%	full	100%	full	100%	full
Tele-Tech Investment Sp. z o.o.	100%	full	100%	full	100%	full
Future Tech Fundusz Inwestycyjny Zamknięty	98.04%	full	98.04%	full	98.04%	full
mFinance France S.A.	99.998%	full	99.998%	full	99.998%	full
Archicom Polska S.A. (previously mLocum S.A.)	28.99%	-	28.99%	-	28.99%	-

The mLocum S.A. (currently Archicom S.A.) company was consolidated until 31 July 2017, i.e. until the date of sale of 51% of its shares. From that date, the company is presented under the item "Investments in associates".

2.3. Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights in governing bodies. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost. The carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Goodwill forms part of the carrying amount of an investment in an associate or a joint venture and it is neither amortised nor tested for impairment.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment with respect to its net investment in the associate or joint venture. At each reporting date the Group determines whether there was an objective evidence for impairment of an investment in an associate or a joint venture. If there was an objective evidence for impairment, the Group calculates impairment comparing the recoverable amount of the investment with its carrying value.

The share of the Group in the profits (losses) of associates and joint ventures since the date of acquisition is recognised in the income statement, whereas its share in equity since the date of acquisition – in other comprehensive income. The carrying amount of the investment is adjusted by the total changes of share of net assets. When the share of the Group in the losses of an associate or a joint ventures becomes equal to or greater than the share of the Group in that associate or in join ventures, possibly covering receivables other than secured claims, the Group discontinues the recognition of any further losses, unless it has assumed obligations or has settled payments on behalf of the respective associate or a joint venture.

Unrealised gains on transactions between the Group and its associates are eliminated proportionally to the extent of the Group's interest in the respective associate. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies applied by associates and joint ventures have been adjusted, wherever necessary, to assure consistency with the accounting principles applied by the Group.

The Group discontinues the use of the equity method from the date when its investment ceases to be an associate or a joint venture. If the retained interest in the former associate or joint venture is a financial asset, the Group measures the retained interest at fair value. The Group recognises in profit or loss any difference between the carrying amount of the investment at the date the equity method was discontinued and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture.

2.4. Interest income and expenses

All interest income on financial instruments carried at amortised cost using the effective interest rate method is recognized in the income statement as well as interest income from financial assets measured at fair value through profit or loss and measured at fair value through other comprehensive income.

The effective interest rate method is a method of calculation of the amortised initial value of financial assets or financial liabilities and allocation of interest income or interest expense to the proper periods. The effective interest rate is the interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial assets or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Bank estimates the expected cash flows taking into account all the contractual terms of the financial instrument, but without taking into account the expected credit losses. This calculation takes into account all the fees and points paid or received between the parties to the contract, which constitute an integral component of the effective interest rate, as well as transaction expenses and any other premiums or discounts.

The Group calculates interest income using the effective interest rate to the gross carrying amount of the financial asset except for the financial assets which subsequently have become credit-impaired. In case of reclassification to the stage 3 of a financial asset or a group of similar financial assets, the interest income is calculated on the net value of financial assets and recognized using the interest rate at which the future cash flows were discounted for the purpose of valuation of impairment.

Interest income includes interest and commissions received or due on account of loans, inter-bank deposits or investment securities recognized in the calculation of the effective interest rate.

Interest income, including interest on loans, is recognized in the income statement and on the other side in the statement of financial position as part of receivables from banks or from other customers.

The calculation of the effective interest rate takes into account the cash flows resulting from only those embedded derivatives, which are strictly linked to the underlying contract.

Income and expenses related to the interest component of the result on interest rate derivatives and resulting from current calculation of swap points on currency derivatives classified into banking book are presented in the interest results in the position Interest income/expense on derivatives classified into banking book. The banking book includes transactions, which are not concluded for trading purposes i.e. not aimed at generating a profit in a short-term period (up to 6 months) and those that do not constitute hedging a risk arising from the operations assigned into trading book.

Interest income and interest expenses related to the interest measurement component of derivatives concluded as hedging instruments under fair value hedge are presented in the interest result in the position interest income/expense on derivatives under the fair value hedge accounting.

Interest income related to the interest measurement component of derivatives concluded as hedging instruments under cash flow hedge are presented in the interest result in the position interest income on derivatives under the cash flow hedge accounting.

2.5. Fee and commission income

Income on account of fees and commissions is recognised on the accrual basis, at the time of performance of the respective services. Fees charged for the granting of loans which are likely to be drawn down are deferred (together with the related direct costs) and included in the calculation of the effective interest rate charge on the loan. Fees on account of syndicated loans are recognised as income at the time of closing of the process of organisation of the respective syndicate, if the Group has not retained any part of the credit risk on its own account or has retained a part of the risk of a similar level as other participants. Commissions and fees on account of negotiation or participation in the negotiation of a transaction on behalf of a third party, such as the acquisition of shares or other securities, or the acquisition or disposal of an enterprise, are recognised at the time of realisation of the transaction. Portfolio management fees and other fees for management, advisory and other services are recognized on the basis of service contracts, usually in proportion to the passage of time.The same principle is applied in the case of management of client assets, financial planning and custody services, which are continuously provided over an extended period of time.

Fee and commissions collected by the Group on account of issuance, renewal and change in the limit of credit and payment cards, guarantees granted as well as opening, extension and increase of letters of credit are accounted for a straight-line basis.

Fee and commissions collected by the Group on account of cash management operations, keeping of customer accounts, money transfers and brokerage business activities are recognised directly in the income statement as one-off.

In addition, revenue from fee and commission include income from a fee on insurance products sold through the Internet platform for the distribution of premium in installments. The fee for the distribution of premium in installments is settled in time in accordance with the duration of the policy.

The Group's fee and commission income comprises also income from offering insurance products of third parties. In case of selling insurance products that are not bundled with loans, the revenues are recognized as upfront income or in majority of cases settled on a monthly basis.

2.6. Revenue and expenses from sale of insurance products bundled with loans

The Group treats insurance products as bundled with loans, in particular when insurance product was offered to the customer only with the loan, i.e. it was not possible to purchase from the Group the insurance product which is identical in a legal form, content and economic conditions without purchasing the loan.

Revenue and expenses from sale of insurance products bundled with loans are split into interest income and fee and commission income based on the relative fair value analysis of each of these products.

The remuneration included in interest income is recognised over time as part of effective interest rate calculation for the bundled loan. The remuneration included in fee and commission income is recognised partly as upfront income and partly including deferring over time based on the analysis of the stage of completion of the service.

Expenses directly linked to the sale of insurance products are recognised using the same pattern as in case of income observing the matching concept. A part of expenses is treated as an element adjusting the calculation of effective interest rate for interest income and the remaining part of expenses is recognised in fee and commission expenses as upfront cost or as cost accrued over time.

The Group estimates also the part of remuneration which in the future will be returned due to early termination of insurance contract and appropriately decreases interest income or fee and commission income to be recognised.

In connection with entry into force of Recommendation U concerning best practices in the area of bancassurance, starting from 31 March 2015 the Group does not receive remuneration from the sale of insurance products which would have been treated as bundled with loans.

2.7. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. As defined in IFRS 8, the Group has determined the Management Board of the Bank as its chief operating decision-maker.

In accordance with IFRS 8, the Group has the following business segments: Corporates and Financial Markets including the sub-segments *Corporate and Investment Banking* as well as *Financial Markets*, Retail Banking (including Private Banking), and the Other business.

2.8. Financial assets

The Group classifies its financial assets to the following categories: financial assets valued at fair value through profit or loss, financial assets valued at fair value through other comprehensive income for which gains or losses may be reclassified subsequently to the income statement, financial assets valued at fair value through other comprehensive income for which gains or losses will not be reclassified subsequently to the income statement at derecognition and financial assets valued at amortized cost. Classification of the debt financial asset to the one of the above categories takes place at its initial recognition based on business model for managing financial assets and contractual cash flow characteristics. An equity instrument is classified as a financial asset at fair value through profit or loss unless at the time of initial recognition the group made an irrevocable election of specific equity investments to present subsequent fair value changes in other comprehensive income.

Standardised purchases and sales of financial assets at fair value through profit or loss and measured at fair value through other comprehensive income are recognized on the settlement date – the date on which the Bank delivers or receives the asset. Changes in fair value in the period between trade and settlement date with respect to assets carried at fair value is recognized in profit or loss or in other components of equity. Loans are recognized when cash is advanced to the borrowers. Derivative financial instruments are recognized beginning from the date of transaction.

A financial asset is de-recognized if Group loses control over any contractual rights attached to that asset, which usually takes place if the financial instrument is disposed of or if all cash flows attached to the instrument are transferred to an independent third party.

<u>Financial instruments valued at fair value through profit or loss</u>

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income..

Disposals of debt and equity securities held for trading are accounted according to the weighted average method.

The Group may, at the initial recognition, irrevocably designate a the financial assets/financial liabilities at fair value through profit or loss when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

As presented in this financial statements reporting periods, the Group did not designate any financial instrument on initial recognition as financial assets at fair value through profit or loss.

Financial assets and financial liabilities classified to this category are valued at fair value upon initial recognition.

Interest income/expense on financial assets/financial liabilities measured at fair value through profit or loss (Note 2.4), except for derivatives the recognition of which is discussed in Note 2.14, is recognized in net interest income. The valuation and result on disposal of financial assets/financial liabilities measured at fair value through profit or loss is recognized in trading income for finacial assets/liabilities held for trading or in item Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss.

<u>Financial assets measured at amortized cost</u>

Financial assets measured at amortized cost are assets that meet both of the following conditions, unless the Bank designated them to fair value through profit or loss: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flow characteristics and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are entered into books on the transaction date. At initial recognition financial assets classified to this category are valued at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

<u>Financial assets measured at fair value through other comprehensive income</u>

Financial assets measured at fair value through other comprehensive income are assets that meet both of the following conditions, unless the Bank designated them to fair value through profit or loss: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income and expense from financial assets measured at fair value through other comprehensive income are presented in net interest income. Gains and losses from sale of available for sale investments are presented in gains less losses from financial assets and liabilities not measured at fair value through profit or loss.

Financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss are valued at the end of the reporting period according to their fair value. Financial assets measured at amortized cost, are measured at adjusted cost of acquisition (amortised cost), applying the effective interest rate method. Gains and losses resulting from changes in the fair value of "financial assets measured at fair value through profit or loss" are recognized in the income statement in the period in which they arise.

Gains and losses arising from changes in the fair value of debt financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income until the derecognition of the respective financial asset in the statement of financial position or until its impairment: at such time the aggregate net gain or loss previously recognized in other comprehensive income is now recognized in the income statement. However, interest calculated using the effective interest rate is recognized in the income statement.

The fair value of quoted investments in active markets is based on current market prices. If the market for a given financial asset is not an active one, the Bank determines the fair value by applying valuation techniques. These comprise recently conducted transactions concluded according to normal market principles, reference to other instruments, discounted cash flow analysis, as well as valuation models for options and other valuation methods generally applied by market participants.

<u>Equity instruments</u>

Investments in equity instruments are measured at fair value through profit or loss. Upon initial recognition, the Bank may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value (the option of measurement at fair value through other comprehensive income) of an investment in an equity instrument that is not held for trading and does not constitute a contingent payment recognized by the Bank as part of a business combination in accordance with IFRS 3.

In case of the financial instruments for which the option of measurement at fair value through other comprehensive income was used, the requirements regarding impairment are not applied. All gains and losses related to change in fair value, including foreign exchange differences, are recognized in other comprehensive income. There is no possibility to reclassify them to profit and loss even if the instrument is derecognized. Only dividends received related to these instruments are recognized in profitand loss when the entity's right to receive payment is established. Taking above into account equity instruments for which fair value through other comprehensive income option was used are out of scope impairment requirements.

<u>Modification of contractual terms for financial assets</u>

The Bank settles previously recognized financial assets and re-recognizes the financial assets in accordance with the requirements for initial recognition in case of substantial modification of contractual terms of financial assets. As substantial modification the Bank defines such a modification that meets one of the following criteria:

- Substantial increase of the credit amount of more than 10%
- Substantial prolongation of the contractual maturity of more than 12 months
- Change of currency no provided in the terms of the contract. Change of the currency provided in the terms of the agreement is such a change that defines both the rate at which it would have place and the interest rate of the loan after the change of the currency.
- Change of the borrower – only if the current borrower is exempted from the debt
- Change of the cash flow criterion from 'SPPI compliance' of a financial assets to 'SPPI non-compliance' and vice versa
- Change of the financed asset in case of object finance or project finance.

In the event of substantial modification the deferred income and expense related to this assets is recognized in the income statement and the provision is released. At the same time there is re-recognition of financial assets in accordance with the requirements for initial recognition. Any other modifications of contractual terms that do not cause derecognition of financial assets are treated as not substantial modifications and the gain or loss on modification is recognized. The effect of all identified not substantial modifications of cash flows are treated as not related to credit risk. The result on modification is the difference between present value of the modified cash flows discounted using the old effective interest rate and the effective loan exposure. Commissions received related to minor modification are settled over time using effective interest rate. All identified substantial modifications of cash flows are treated as related to credit risk. In case of substantial modification in stage 2, for which as a consequence, the exposure was moved to stage 1, the adjustment to fair value of the exposure at the initial recognition, adjusts the interest result in the subsequent periods.

Purchased or originated credit impaired financial assets (POCI assets)

POCI are financial assets measured at amortized cost that at initial recognition are credit impaired. POCI are also financial assets that are credit impaired at the moment of substantial modification. At the initial recognition POCI assets are recognized at fair value. The fair value of POCI assets at the initial recognition is calculated as present value of estimated future cash flows including credit risk discounted for the risk free rate. After the initial recognition POCI assets are measured at amortized cost. With respect to these financial assets the Bank uses credit adjusted effective interest rate in order to determine the amortized cost of financial asset and the interest income generated by these assets – CEIR. In case of POCI exposures the change of the expected credit losses relative to the estimated credit losses at the date of their initial recognition is recognized as an impairment loss. Its value can both reduce the gross value of POCI exposure and increase it in the event of a decrease of expected losses relative to its value at the date of initial recognition.

Reclassification of financial assets

Debt financial assets are reclassified when, and only when, the Bank changes its business model for managing financial assets. In such a case the assets affected by the change of business model are subject to reclassification.

Finnacial liabilities are not subject to reclassification by the Group.

The accounting principles applied by the Group until 31 December 2017 in the scope of classification and measurement of financial instruments are described in Note 2 of the IFRS Consolidated Financial Statements of the mBank S.A. Group for 2017, published on 28 February 2018.

2.9. Offsetting financial instruments

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 conditions mentioned above are not satisfied and offsetting is inappropriate when: different financial instruments are used to emulate the features of a single financial instrument, financial assets and liabilities arise from financial instruments having the same risk exposure but involve different counterparties, financial or other assets are pledged as collaterals for non-recourse financial liabilities, financial assets are set aside in trust by a debtor for the purpose of discharging an obligation without those assets having been accepted by the creditor in the settlement of the obligation, or obligations incurred as a result of events giving rise to losses are expected to be recovered from a third party by virtue of a claim made under an insurance contract.

2.10. Impairment of financial assets

Financial instruments subject to estimation of allowance and provision are: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments if not measured at fair value through profit or loss, financial guarantee contracts if not measured at fair value through profit or loss, leases under IAS 17, contract assets under IFRS 15, as well as trading receivables.

How exposures are classified to stages

The transfer logic is an algorithm used to classify exposures to one of the four Stages: 1, 2, 3, POCI. Stage 1 includes exposures for which provisions/write-downs are calculated on a 12-month basis. Stage 2 contains exposures for which, as at the reporting date, a significant deterioration in credit quality was identified compared to the date of their initial recognition – provisions/write-downs are calculated on a lifetime period. Stage 3 contains exposures identified as credit-impaired, while Stage POCI contains assets identified as credit-impaired at initial recognition. 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. The exposure may also be transferred from Stage 3 to Stage 2 and from Stage 3 to Stage 1 (when no longer credit-impaired).

In case of non-financial guarantees, the Bank applied a simplified approach that the write-offs and provisions are always included in the amount Lt ECL.

Impairment corporate portfolio

Corporate exposures are deemed to be credit-impaired where the results of an impairment test demonstrate the need to establish valuation allowances/provisions. A client is reclassified as in default when one or more of the following criteria are met:

- any of the exposures representing the client's loan commitment to the Bank, its parent company or subsidiary is more than 90 days past due (for exposures payable to banks – more than 14 days). In the case of committed lines, the exposure is deemed to be past due on the date a specified limit is exceeded, a new limit – lower than the loan amount used – is introduced or when a loan amount is used without the consent of the Bank. No reclassification to default category is needed for customer with past due loan exposure not exceeding PLN 500 for Private Banking clients and PLN 3 000 for corporate portfolio clients, where risk increase related to commitment of a given customer is not directly impacted and no other criteria for customer default are present at the. same time.
- The Bank considers the client as unlikely to fully meet its loan commitments to the Bank, its parent company or subsidiary, demonstrating the need for corrective or restructuring measures or the exercise of collateral rights on the part of the Bank.

Impairment retail portfolio

In case of retail exposures, the identification of impaired exposure reflects the separation of exposure in the Bank's loan portfolio, for which at least one impairment trigger is active and the write-down value is different than zero. The impairment trigger for the retail exposure is:

- a discrete event or an ongoing situation based on which, taking into account all information possessed, the Bank acknowledges that without realizing the collaterals the debtor will not fully repay the Bank's receivables due to this exposure or
- the situation where, in accordance with loan agreement relating to this exposure, the collateral has been realized fully or partially, (cash flows have occurred), however the Bank's receivable related to this exposure has not been fully repaid.
- default event.

The events/situations determined by the Bank take place after the initial recognition of balance sheet loan exposure in Bank's books and affect the expected future cash flows due to the above exposure and it is possible to reliably estimate the impact.

Retail exposures are considered to be in default, if the following criterion is met:

- where at least one loan commitment of the debtor is past due for more than 90 days and total amount of past due credit exposures of the debtor (more than 31 days past due) exceed PLN 500,
- Bank accepts forced restructuring of an exposure, if as a result of it, loan exposures decrease due to the significant cancellation or extension of principal, interest or (if applicable) fees or commissions,
- Bank sells loan exposure with significant economic credit loss,
- an application has been filed to initiate bankruptcy proceedings against the debtor or the debtor has been put into bankruptcy, which may result in the termination or delay in repayment of the credit exposure towards the Bank.

In the case of retail exposures of mBank's foreign branches, the following must be taken into account:

- the main criterion for recognition as credit-impaired,
- additional criteria for recognition as credit-impaired.

The main criterion for recognizing a retail exposure as credit-impaired is deemed to be met when the exposure is more than 90 days past due, with the overdue amount exceeding the materiality threshold specified for each country on a separate basis (CZK 3000 and EUR 120).

Significant deterrioration

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

Qualitative criteria are:

- Where an amount is more than 30 days past due (days past due, with an activation threshold) – the number of days for which the longest overdue amount of the exposure concerned is greater than or equal to 31 days).

- Occurrence of the Forborne flag (the client status shows that he or she is experiencing difficulties in repaying the loan commitment, as defined by the Bank).
- Occurrence of the Watch 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 the Bank).

<u>Quantitative criteria</u>

The quantitative criterion of the Transfer Logic is based on a significant deterioration in credit quality, which is assessed on the basis of a relative 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. This factor is determined separately for the retail and corporate portfolio within the homogeneous segments in terms of probability of default events. Where a relative change in long-term PD exceeds "the transition threshold", the exposure is moved to Stage 2. An important issue in the process of calculating the credit quality deterioration is initial date recognition consistent in the entire Bank, against which the deterioration of credit quality is examined. Initial date re-recognition is determined for the exposures for which substantial modification of contractual terms took place. Each change of initial recognition date results in recalculation taking into account the new exposure characteristics, initial PD parameter at the new initial recognition date, against which the credit quality deterioration is examined.

<u>Low credit risk</u>

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. At the moment of implementing the IFRS 9, the Bank applies the LCR criterion to clients from the K1 segment with a PD rating grade greater than or equal to class 2.8. The LCR criterion is also applied to clients from segments such as: Governments and Banks, Local Government Units and NBFI (Non-Banking Financial Institution).

<u>Rebuttable presumption</u>

The Bank's approach that involves rejection of the presumption that a significant deterioration in credit quality occurs where DPD>= 31 days (rebuttable presumption) involves introducing a threshold of materiality (threshold of activation) for any outstanding amount payable to the Bank. The DPD >=31 days criterion (one of the qualitative criteria of the Transfer Logic) is not taken into account in the following cases:

1. for retail exposures - in the case of credit exposures, the sum of payable and non-payable capital does not exceed PLN 500 or an off-balance-sheet commitment of the exposure does not exceed PLN 500 (at the reporting date),
2. for corporate exposures - the sum of payable and non-payable capital at the reporting date does not exceed PLN 3 000 or an off-balance-sheet commitment of the exposure does not exceed PLN 3 000.

<u>Estimating expected credit losses (ECL)</u>

Valuation allowances and provisions are measured at the level of a single contract or exposure (agreement) by measuring expected credit losses (ECL). 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, the Bank calculates impairment provisions in the amount equal to 12-month expected credit losses (12m ECL). If the exposure credit risk increased significantly since the initial recognition (exposure is in the stage 2), the Bank calculates impairment provisions in the amount equal to life-time expected credit losses (Lt ECL). An expected loss is measured for non-zero exposures that are active at the reporting date (balance sheet and off-balance sheet). An expected credit loss is estimated separately for the balance- and off-balance-sheet part of the exposure. The parameters used to calculate an expected credit loss in Stage 1 are identical to those used to calculate a long-term credit loss in Stage 2 for t=1, where 't' stands for the first year of the forecast.

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

Use of macroeconomics scenarios in ECL estimation

The Bank is required to set an expected credit loss in a way which meets the expectations for various forward-looking macroeconomic scenarios in case of portfolio estimation of ECL. Therefore, the non-linearity factor (NLF) is set in order to adjust the value of an expected credit loss (calculated every month). 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 (both 12-month and lifetime) that are determined at the level of individual exposures in each segment. NLFs are calculated based on results from 3 simulation calculations at the same reporting date, which result from relevant macroeconomic scenarios.

In particular, NLF for a given segment is calculated as:

1. the probability-weighted average of the expected loss from 3 macroeconomic scenarios ('average estimation') comprising:
   a) baseline scenario
   b) optimistic scenario
   c) pessimistic scenario

2. 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.

In case of individual estimation of ECL, the assumed recovery scenarios take into account various modeling of macroeconomic environment.

Loan receivable write-off

Loan receivable write-off can be partial or total.

The accounting principles applied by the Group until 31 December 2017 regarding the impairment of financial assets are described under Note 2 of the IFRS Consolidated Financial Statements of the mBank S.A. Group for 2017, published on 28 February 2018.

2.11. Financial guarantee contracts

The financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

When a financial guarantee contract is recognised initially, it is measured at the fair value. After initial recognition, an issuer of such a contract measures it at the higher of:

- the amount initially recognised less cumulated amount of income,
- losses arising from these contracts; the amount of loss is determined in accordance with expected credit loss approach.

2.12. Cash and cash equivalents

Cash and cash equivalents comprise items with maturities of up to three months from the date of their acquisition, including: cash in hand and cash held at the Central Bank with unlimited availability for disposal, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and government securities acquired for the purpose of short-term resale.

2.13. Sale and repurchase agreements

Repo and reverse-repo transactions are defined as selling and purchasing securities for which a commitment has been made to repurchase or resell them at a contractual date and for a specified contractual price and are recognised when the money is transferred.

Securities sold with a repurchase clause (repos/sell buy back) are reclassified in the financial statements as pledged assets if the entity receiving them has the contractual or customary right to sell or pledge them as collateral security. The liability towards the counterparty is recognised as amounts due to other banks, deposits from other banks, other deposits or amounts due to customers, depending on its nature. Securities purchased together with a resale clause (reverse repos/buy sell back) are recognised as loans and advances to other banks or other customers, depending on their nature.

When concluding a repo/sell-buy-back or reverse repo/buy-sell-back transaction, mBank sells or buys securities with a repurchase or resale clause specifying a contractual date and price. Such transactions are presented in the statement of financial position as financial assets measured at fair value through profit or loss or at fair value through other comprehensive income, and also as liabilities in the case of repo/sell-buy-back transactions and as receivables in the case of reverse repo/buy-sell-back transactions measured at amortised cost.

Securities borrowed by the Group under buy-sell-back transactions are not recognised in the financial statements, unless they are sold to third parties. In such case the purchase and sale transactions are recorded in the financial statements with a gain or a loss included in trading income. The obligation to return them is recorded at fair value as amounts due to customers. Securities borrowed under buy-sell-back transactions and then lent under sell-buy-back transactions are not recognised as financial assets.

As a result of repo/sell-buy-back transactions concluded on securities held by the Group, financial assets are transferred in such way that they do not qualify for derecognition. Thus, the Group retains substantially all risks and rewards of ownership of the financial assets.

2.14. Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised at fair value from the date of transaction. Fair value is determined based on prices of instruments listed on active markets, including recent market transactions, and on the basis of valuation techniques, including models based on discounted cash flows and options pricing models, depending on which method is appropriate in the particular case. All derivative instruments with a positive fair value are recognised in the statement of financial position as assets, those with a negative value as liabilities.

The best fair value indicator for a derivative instrument at the time of its initial recognition is the price of the transaction (i.e., the fair value of the paid or received consideration). If the fair value of the particular instrument may be determined by comparison with other current market transactions concerning the same instrument (not modified) or relying on valuation techniques based exclusively on market data that are available for observation, then the Group recognises the respective gains or losses from the first day in accordance with the principles described under Note 2.15.

Derivative instrument embedded in the hybrid contract, the host of which is a financial asset within the scope of IFRS 9, is not separated and the hybrid contract is recognised in accordance with the requirements for classification of the financial assets.

Derivative instrument embedded in the hybrid contract, the host of which is not a financial asset within the scope of IFRS 9, is assessed for the need to separate it.

Derivative instruments, which are designated and constitute effective hedging instruments, are not classified under any of the categories specified above and are subject to the principles of hedge accounting.

In accordance with IFRS 9: (i), there is no need to separate the prepayment option from the host debt instrument for the needs of financial statements, if the option's exercise price is approximately equal on each exercise date to the amortised cost of the host debt instrument. If the value of prepayment option was not to be closely related to the underlying debt instrument, the option should be separated and fair valued in the financial statements of the Bank; (ii), exercise price of a prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract. Lost interest is the product of the principal amount prepaid multiplied by the interest rate differential. The interest rate differential is the excess of the effective interest rate of the host contract over the effective interest rate the entity would receive at the prepayment date if it reinvested the principal amount prepaid in a similar contract for the remaining term of the host contract.

The assessment of whether the call or put option is closely related to the host debt contract is made before separating the equity element of a host debt instrument in accordance with IAS 32.

The method of recognising the resulting fair value gain or loss depends on whether the given derivative instrument is designated as a hedging instrument, and if it is, it also depends on the nature of the hedged item. The Group designates some derivative instruments either as (1) fair value hedges against a recognised asset or liability or against a binding contractual obligation (fair value hedge), or as (2) hedges against highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

The Group decided that it would continue to apply the hedge accounting requirements in accordance with IAS 39, instead of the requirements set forth in IFRS 9.

Derivative instruments designated as hedges against positions maintained by the Group are recorded by means of hedge accounting, subject to the fulfilment of the criteria specified in IAS 39:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instruments

effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;
- the hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The Group documents the objectives of risk management and the strategy of concluding hedging transactions, as well as at the time of concluding the respective transactions, the relationship between the hedging instrument and the hedged item. The Group also documents its own assessment of the effectiveness of fair value hedging and cash flow hedging transactions, measured both prospectively and retrospectively from the time of their designation and throughout the period of duration of the hedging relationship between the hedging instrument and the hedged item.

Due to the split of derivatives classified into banking book and into trading book, the Group applies a different approach to the presentation of interest income/expense for each of these groups of derivatives that is described in Note 2.4 "Interest income and expenses". The remaining result from fair value measurement of derivatives is recognised in "Net trading income".

Fair value hedges

Changes in the fair value of derivative instruments designated and qualifying as fair value hedges are recognised in the income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Starting from the financial statements for the first half of 2018, hedging gain or loss on the hedged item adjusts the carrying amount of the hedged item.

In case a hedge has ceased to fulfil the criteria of hedge accounting, the adjustment to the carrying value of the hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity. The adjustment to the carrying amount of the hedged equity security remains in other comprehensive income until the disposal of the equity security.

Cash flow hedges

The effective part of the fair value changes of derivative instruments designated and qualifying as cash flow hedges is recognised in other comprehensive income. The gain or loss concerning the ineffective part is recognised in the income statement of the current period.

The amounts recognised in other comprehensive income are transferred to the income statement and recognised as income or cost of the same period in which the hedged item will affect the income statement (e.g., at the time when the forecast sale that is hedged takes place).

In case the hedging instrument has expired or has been sold, or the hedge has ceased to fulfil the criteria of hedge accounting, any aggregate gains or losses recognised at such time in other comprehensive income remain in other comprehensive income until the time of recognition in the income statement of the forecast transaction. When a forecast transaction is no longer expected to occur, the aggregate gains or losses recorded in other comprehensive income are immediately transferred to the income statement.

Derivative instruments not fulfilling the criteria of hedge accounting

Changes of the fair value of derivative instruments that do not meet the criteria of hedge accounting are recognised in the income statement of the current period.

The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

- Futures contracts for bonds, index futures
- Options for securities and for stock-market indices
- Options for futures contracts
- Forward transactions for securities
- Commodity swaps

Interest rate risk instruments:

- Forward Rate Agreement (FRA)
- Interest Rate Swap (IRS), Overnight Index Swap (OIS)

- Interest Rate Options

Foreign exchange risk instruments:

- Currency forwards, fx swap, fx forward
- Cross Currency Interest Rate Swap (CIRS)
- Currency options.

2.15. Gains and losses on initial recognition

The best evidence of fair value of a financial instrument at initial recognition is the transaction price (i.e., the fair value of the payment given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The transaction for which the fair value determined using a valuation model (where inputs are both observable and non-observable data) and the transaction price differ, the initial recognition is at the transaction price. The Group assumes that the transaction price is the best indicator of fair value, although the value obtained from the valuation model may differ. The difference between the transaction price and the model value, commonly referred to as "day one profit and loss", is amortised over the period of time.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable date, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit and loss. Subsequent changes in fair value are recognised immediately in the income statement without reversal of deferred day one profits and losses.

2.16. Financial liabilities measured at amortised cost

Financial liabilities measured in amortized include borrowings, deposits taken, debt securities issued and subordinated liabilities. These liabilities are initially recognized at fair value reduced by the incurred transaction costs. After the initial recognition, these liabilities are recorded at adjusted cost of acquisition (amortised cost using the effective interest method). Any differences between the amount received (reduced by transaction costs) and the redemption value are recognized in the income statement over the period of duration of the respective agreements according to the effective interest rate method.

2.17. Intangible assets

The Group measures intangible assets initially at cost. After initaial recognition, intangible assets are recognised at their cost of acquisition adjusted by the costs of improvement (rearrangement, development, reconstruction or modernisation) less any accumulated amortization and any accumulated impairment losses. Amortization is accrued by the straight line method taking into account the expected period of economic useful life of the respective intangible assets.

<u>Goodwill</u>

Goodwill as of the acquisition date is initially measured as cost of acquisition the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquire over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill on acquisition of subsidiaries is included in "Intangible assets". Goodwill is not amortised, but it is tested annually for impairment and if there have been any indication that it may be impaired, and it is carried in the statement of financial position at cost reduced by accumulated impairment losses. The Group assesses at the end of each reporting period whether there is any indication that cash generaing unit to which goodwill is allocated may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. Goodwill impairment losses should not be reversed.

Gains and losses on the disposal of the activity include the carrying amount of goodwill relating to the sold activity. Goodwill is allocated to cash generating units or groups of cash generating units for the purpose of impairment testing. The allocation is made as at the date of purchase to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose, not bigger than operating segments in accordance with IFRS 8 irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

<u>Computer software</u>

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. These costs are amortised on the basis of the expected useful life of the software (2-11 years). Expenses attached to the maintenance of computer software are expensed when incurred. Expenses directly linked to the development of identifiable and unique proprietary computer programmes controlled by the Group, which are likely to generate economic benefits in excess of such costs expected to be gained over a period exceeding one year, are recognised as intangible assets. Direct costs comprise personnel expenses directly related to the software.

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Capitalised costs attached to the development of software are amortised over the period of their estimated useful life (2-11 years).

Computer software directly connected with the functioning of specific information technology hardware is recognised as "Tangible fixed assets".

Development costs

The Group identifies development costs as intangible asset as the asset will generate probable future economic benefits and fulfil the following requirements described in IAS 38, i.e., the Group has the intention and technical feasibility to complete and to use the intangible asset, the availability of adequate technical, financial and other resources to complete and to use the intangible asset and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

"Development costs" useful lives are finite and the amortization period does not exceed 3 years. Amortization rates are adjusted to the period of economic utilisation. The Group shows separately additions from internal development and separately those acquired through business combinations.

Development expenditure comprises all expenditure that is directly attributable to research and development activities.

Intangible assets are tested in terms of possible impairment always after the occurrence of events or change of circumstances indicating that their carrying value in the statement of financial position might not be possible to be recovered.

2.18. Tangible fixed assets

Tangible fixed assets are carried at historical cost reduced by accumulated depreciation and accumulated impairment losses. Historical cost takes into account the expenses directly attached to the acquisition of the respective assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Any other expenses incurred on repairs and maintenance are expensed to the income statement in the reporting period in which they were incurred.

Land is not depreciated. Depreciation of other fixed assets is accounted for according to the straight line method in order to spread their initial value reduced by the residual value over the period of their useful life which is estimated as follows for the particular categories of fixed assets:

Buildings and structures	25-40 years,
Equipment	2-10 years,
Vehicles	5 years,
Information technology hardware	2-5 years,
Investments in third party fixed assets	10-40 years, no longer than the period of the lease contract,
Office equipment, furniture	5-10 years.

Land and buildings consist mainly of branch outlets and offices. Residual values, estimated useful life periods and depreciation method are verified at the end of the reporting period and adjusted prospectively in accordance with the arrising need.

Group assesses at the end of each reporting period whether there is any indication that tangible asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. Depreciable fixed assets are tested for impairment always whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The value of a fixed asset carried in the statement of financial position is reduced to the level of its recoverable value if the carrying value in the statement of financial position exceeds the estimated recoverable amount. The recoverable value is the higher of two amounts: the fair value of the fixed asset reduced by its selling costs and the value in use.

If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs (cash-generating unit of the asset).

The carrying amount of tangible fixed assets is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from from the derecognition of tangible fixed assets are included in profit or loss when the item is derecognised.

Gains and losses on account of the disposal of fixed assets are determined by comparing the proceeds from their sale against their carrying value in the statement of financial position and they are recognised in the income statement.

2.19. Inventories

Inventories are stated at the lower of: cost of purchase/cost of construction and net realisable value. Cost of construction of inventories comprises direct construction costs, the relevant portion of fixed indirect production costs incurred in the construction process and the borrowing costs, which can be directly allocated to the purchase or construction of an asset. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs. The amount of any inventory write-downs to the net realisable value and any inventory losses are recorded as costs of the period in which a write-down or a loss occurred and they are classified as other operating costs. Reversals of inventory write-downs resulting from increases in their net realisable value are recorded as a reduction of the inventories recognised as cost of the period in which the reversals took place. Inventory issues are valued through detailed identification of the individual purchase prices or costs of construction of the assets which relate to the realisation of the individual separate undertakings. In particular, inventories comprise land and rights to perpetual usufruct of land designated for use as part of construction projects carried out. They also comprise assets held for lease as well as assets taken over as a result of terminated lease agreements.

2.20. Non-current assets held for sale and discontinued operations

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets and its sale must be highly probable, i.e., the appropriate level of management must be committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are priced at the lower of: carrying value and fair value less costs to sell. Assets classified in this category are not depreciated.

When criteria for classification to non-current assets held for sale are not met, the Group ceases to classify the assets as held for sale and reclassifies them into appropriate category of assets. The Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- its carrying amount at a date before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

Discontinued operations are a component of the Group that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operation or is a subsidiary acquired exclusively with a view to resale.

The classification to this category takes places at the moment of sale or when the operation meets criteria of the operation classified as held for sale, if this moment took place previously. Disposal group which is to be taken out of usage may also be classified as discontinued operation.

2.21. Deferred income tax

The Group creates a deferred income tax on the temporary difference arising between the carrying amount of an asset or liability in the statement of financial position and its tax base. A taxable net difference is recognised in liabilities as "Provisions for deferred income tax". A deductible net difference is recognised under "Deferred income tax assets". Any change in the balance of the deferred tax assets and liabilities in relation to the previous accounting period is recorded under the item "Income Tax". The balance sheet method is applied for the calculation of the deferred corporate income tax.

Liabilities or assets for deferred corporate income tax are recognised in their full amount according to the balance sheet method in connection with the existence of temporary differences between the tax value of assets and liabilities and their carrying value. Such liabilities or assets are determined by application of the tax rates in force by virtue of law or of actual obligations at the end of the reporting period. According to expectations such tax rates applied will be in force at the time of realisation of the assets or settlement of the liabilities for deferred corporate income tax.

The main temporary differences arise on account of impairment write-offs recognised in relation to the loss of value of credits and granted guarantees of repayment of loans, amortisation of fixed assets and intangible assets, finance leases treated as operating leases for tax purposes, revaluation of certain financial assets and liabilities, including contracts concerning derivative instruments and forward transactions, provisions for retirement benefits and other benefits following the period of employment, and also deductible tax losses.

The Group reviews the carrying amount of a deferred tax assets at the end of each reporting period. The Group reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred income tax assets are recognised to the extent it is probable that there will be sufficient taxable profits to allow them to recover. If the forecast amount of income determined for tax purposes does not allow the realisation of the asset for deferred income tax in full or in part, such an asset is recognised to the respective amount, accordingly. The above described principle also applies to tax losses recorded as part of the deferred tax asset.

The Group presents the deferred income tax assets and liabilities netted in the statement of financial position separately for each subsidiary undergoing consolidation. Such assets and provisions may be netted against each other if the Group possesses the legal rights allowing it to simultaneously account for them when calculating the amount of the tax liability.

In the case of the Bank, the deferred income tax assets and provisions are netted against each other separately for each country where the Bank conducts its business and is obliged to settle corporate income tax.

The Group discloses separately the amount of negative temporary differences (mainly on account of unused tax losses or unutilised tax allowances) in connection with which the deferred income tax asset was not recognised in the statement of financial position, and also the amount of temporary differences attached to investments in subsidiaries and associates for which no deferred income tax provision has been formed.

Deferred income tax for the Group is provided on assets or liabilities due to temporary differences arising from investments in subsidiaries and associates, except where, on the basis of any probable evidence, the timing of the reversal of the temporary difference is controlled by the Group and it is possible that the difference will not reverse in the foreseeable future.

Deferred income tax on account of revaluation of financial instruments measured through other comprehensive income and of revaluation of cash flow hedging transactions is accounted for in the same way as any revaluation, directly in other comprehensive income, and it is subsequently transferred to the income statement when the respective investment or hedged item affects the income statement.

2.22. Assets repossessed for debt

Assets repossessed for debt represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, financial assets or other assets depending on their nature and the Group's intention in respect of recovery of these assets. In case the fair value of repossessed collateral exceeds the receivable from the debtor, the difference constitutes a liability toward the debtor.

Repossessed assets are subsequently measured and accounted for in accordance with the accounting policies relevant for these categories of assets.

2.23. Prepayments, accruals and deferred income

Prepayments are recorded if the respective expenses concern the months succeeding the month in which they were incurred. Prepayments are presented in the statement of financial position under "Other assets".

Accruals include costs of supplies delivered to the Group but not yet resulting in its payable liabilities. Deferred income includes received amounts of future benefits. Accruals and deferred income are presented in the statement of financial position under the item "Other liabilities".

2.24. Leasing

A lease arrangement is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Title may or may not eventually be transferred. A lease arrangement is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement and assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

<u>mBank S.A. Group as a lessor</u>

In the case of assets in use on the basis of a finance lease agreement, the amount equal to the net investment in the lease is recognised as receivables and presented as "Loans and advances to customers". The difference between the gross receivable amount and the present value of the receivables is recognised as unrealised financial income.

Revenue from leasing agreements is recognized as follows:

- Interests on finance lease

Revenue from finance lease is recognised on the accruals basis, based on the fixed rate of return calculated on the basis of all the cash flows related to the realisation of a given lease agreement, discounted using the lease interest rate.

- Net revenue from operating lease

Revenue from operating lease and the depreciation cost of fixed assets provided by the Group under operating lease, incurred in order to obtain this revenue are recognised in net amount as other operating income in the profit and loss account.

Revenue from operating lease is recognised as income on a straight-line basis over the lease period, unless application of a different systematic method better reflects the time allocation of benefits drawn from the leased asset.

<u>mBank S.A. Group as a lessee</u>

The leases entered into by the Group are primarily operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.25. Provisions

Loan committments and financial guarantee contracts are subject to loan loss provisions requirements according to IFRS 9 Financial Instruments.

According to IAS 37, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.26. Post-employment employee benefits and other employee benefits

<u>Post-employment employee benefits</u>

The Group forms provisions against future liabilities on account of post-employment benefits determined on the basis of an estimation of liabilities of that type, using an actuarial model. The Group uses a principle of recognition of actuarial gains or losses from the measurement of post-employment benefits related to changes in actuarial assumptions in other comprehensive income that will not be reclassified to the income statement. The Group recognizes service cost and net interest on the net defined benefit liability in the "Overhead cost" and in other interest expenses, respectively.

<u>Equity-settled share-based payment transactions</u>

The Group runs programmes of remuneration based on and settled in own shares. Equity-settled share-based payment transactions are accounted for in compliance with IFRS 2 *Share-based Payment*. In case of the part of the programme settled in shares, the fair value of the service rendered by employees in return for options and shares granted increases the costs of the respective period corresponding to own equity. The total amount which needs to be expensed over the period when the outstanding rights of the employees for their options and shares to become exercisable are vested is determined on the basis of the fair value of the granted options and shares. There are no market vesting conditions that shall be taken into account when estimating the fair value of share options and shares at the measurement date. Non-market vesting conditions are not taken into account when estimating the fair value of share options and shares but they are taken into account through adjustment on the number of equity instruments. At the end of each reporting period, the Bank revises its estimates of the number of options and shares that are expected to become exercised. In accordance with IFRS 2 it is not necessary to recognise the change in fair value of the share-based payment over the term of the programmes.

Cash-settled share-based payment transactions

In case of the part of the programme based on cash-settled share-based payments based on shares of the ultimate parent of the Bank, the fair value of the service rendered by employees in return for right to options/share appreciation rights increases the costs of the respective period, corresponding to liabilities. Until the liability related to the cash-settled share-based payments transactions is settled, the Bank measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

Other employee benefits

From September 2012, in mBank Hipoteczny has been functioning the incentive programme based on phantom shares of this bank which is considered as incentive programme according to IAS 19.

2.27. Equity

Equity consists of capital and own funds attributable to owners of the Bank, and non-controlling interest created in compliance with the respective provisions of the law, i.e., the appropriate legislative acts, the By-laws or the Company Articles of Association.

Registered share capital

Share capital is presented at its nominal value, in accordance with the By-laws and with the entry in the business register.

- Own shares

In the case of acquisition of shares in the Bank by the Bank the amount paid reduces the value of equity as own shares until the time when they are cancelled. In the case of sale or reallocation of such shares, the payment received in return is recognised in equity.

Share premium

Share premium is formed from the share premium obtained from the issue of shares reduced by the attached direct costs incurred with that issue.

Costs directly connected with the issue of new shares and options reduce the proceeds from the issue recognized in equity.

Moreover, share premium takes into account the settlements related to incentive programs based on Bank's shares.

Retained earnings

Retained earnings include:

- other supplementary capital,
- other reserve capital,
- general risk reserve,
- undistributed profit for the previous year,
- net profit (loss) for the current year.

Other supplementary capital, other reserve capital and general risk reserve are formed from allocations of profit and they are assigned to purposes specified in the By-laws or other regulations of the law.

Moreover, other reserve capital comprises valuation of incentive programs based on Bank's shares.

Dividends for a given year, which have been approved by the General Meeting but not distributed at the end of the reporting period, are shown under the liabilities due to dividends payable under "Other liabilities".

Other components of equity

Other components of equity result from:

- valuation of financial assets at fair value through other comprehensive income,
- exchange differences on translation of foreign operations,
- actuarial gains and losses relating to post-employment benefits,
- valuation of derivative financial instruments held for cash flow hedging in relation to the effective portion of the hedge.

2.28. Valuation of items denominated in foreign currencies

Functional currency and presentation currency

The items contained in financial reports of particular entities of the Group, including foreign branches of the Bank, are valued in the currency of the basic economic environment in which the given entity conducts its business activities ("functional currency"). The financial statements are presented in the Polish zloty, which is the presentation currency of the Group and the functional currency of the Bank.

Transactions and balances

Transactions denominated in foreign currencies are converted to the functional currency at the exchange rate in force at the transaction date. Foreign exchange gains and losses on such transactions as well as balance sheet revaluation of monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

Foreign exchange differences arising on account of such monetary items as financial assets measured at fair value through profit or loss are recognised under gains or losses arising in connection with changes of fair value.

At the end of each reporting period non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange differences component of that gain or loss is recognised in other comprehensive income. Coversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange differences component of that gain or loss is recognised in profit or loss.

Changes in fair value of monetary items valued through other comprehensive income cover foreign exchange differences arising from valuation at amortised cost, which are recognised in the income statement.

Items of the statement of financial position of foreign branches are converted from functional currency to the presentation currency with the application of the average exchange rate as at the end of the reporting period. Income statement items of these entities are converted to presentation currency with the application of the arithmetical mean of average exchange rates quoted by the National Bank of Poland on the last day of each month of the reporting period. Foreign exchange differences so arisen are recognised in other comprehensive income.

Companies belonging to the Group

The performance and the financial position of all the entities belonging to the Group, none of which conduct their operations under hyperinflationary conditions, the functional currencies of which differ from the presentation currency, are converted to the presentation currency as follows:

- assets and liabilities in each presented statement of financial position are converted at the average rate of exchange of the National Bank of Poland (NBP) in force at the end of this reporting period,
- revenues and expenses in each income statement are converted at the rate equal to the arithmetical mean of the average rates quoted by NBP on the last day of each of 9 months of each presented periods,
- all resulting foreign exchange differences are recognised as a distinct item of other comprehensive income.

Upon consolidation, foreign exchange differences arising from the conversion of net investments in companies operating abroad are recognised in other comprehensive income. Upon the disposal of a foreign operation, such foreign exchange differences are recognised in the income statement as part of the profit or loss arising upon disposal.

Leasing business

Gains and losses on foreign exchange differences from the valuation of liabilities on account of credit financing of purchases of assets under operating leasing schemes are recognised in the income statement. In the operating leasing agreements recognised in the statement of financial position the fixed assets subject to the respective contracts are recognised at the starting date of the appropriate contract as converted to PLN, whereas the foreign currency loans with which they were financed are subject to valuation according to the respective foreign exchange rates.

In the case of finance lease agreements the foreign exchange differences arising from the valuation of leasing receivables and liabilities denominated in foreign currency are recognised through profit or loss at the end of the reporting period.

2.29. Trust and fiduciary activities

mBank S.A. operates trust and fiduciary activities including domestic and foreign securities and services provided to investment and pension funds.

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties. In connection with these, the Bank makes decisions concerning the allocation, purchase and sale of a wide variety of financial instruments. Assets held in a fiduciary capacity are not included in these financial statements. The assets concerned are not shown in these financial statements as they do not belong to the Group.

Other companies belonging to the Group do not conduct any trust or fiduciary activities.

2.30. New standards, interpretations and amendments to published standards

These financial statements include the requirements of all the International Accounting Standards and the International Financial Reporting Standards endorsed by the European Union, and the related with them interpretations which have been endorsed and binding for annual periods starting on 1 January 2018.

These financial statements do not include standards and interpretations listed below which await endorsement of the European Union or which have been endorsed by the European Union but entered or will enter into force after the balance sheet date.

In relation to standards and interpretations that have been approved by the European Union, but entered or will enter into force after the balance sheet date, the Group did not use the possibility of early application.

Published Standards and Interpretations which have been issued but are not yet binding or have not been adopted early

Standards and interpretations approved by the European Union:

- IFRS 16, *Leases*, published by the International Accounting Standards Board on 13 January 2016, approved by European Union on 31 October 2017, binding for annual periods starting on or after 1 January 2019.

  IFRS 16 introduces new principles for the recognition of leases. The main amendment is the elimination of the classification of leases as either operating leases or finance leases and instead, the introduction of a single lessee accounting model. Applying a single accounting model, a lessee is required to recognize lease assets and corresponding liability in the statement of financial position, except for leases with a term of less than 12 months and leases with underlying asset of low value. A lessee is also required to recognize depreciation costs of lease asset separately from interest costs on lease liabilities in the income statement.

  IFRS 16 substantially carries forward the lessor accounting approach. It means that lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

  The Group is of the opinion that the application of a new standard will have an impact on the recognition, presentation, measurement and disclosure of operating lease assets and corresponding liability in the financial statements of the Group as lessor.

- Amendments to IFRS 9, *Prepayment Features with Negative Compensation*, published by the International Accounting Standards Board on 12 October 2017, approved by European Union on 22 March 2018, binding for annual periods starting on or after 1 January 2019.

  Amendments to IFRS 9 introduce the statements with reference to contractual prepayment feature, when the lender could be forced to accept the prepayment amount that is substantially less than unpaid amounts of principal and interest. Such a prepayment amount would be a payment to the borrower from the lender, instead of compensation from the borrower to the lender. Such a financial asset would be eligible to be measured at amortized cost or fair value through other comprehensive income (subject to an assessment of the business model in which they are held), however, the negative compensation must be reasonable compensation for early termination of the contract.

  The Group is of the opinion that the application of the amended standard will have no significant impact on the financial statements in the period of their initial application.

Standards and interpretations not yet approved by the European Union:

- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*, published by International Accounting Standards Board on 7 June 2017, binding for annuals periods starting on or after 1 January 2019.

  IFRIC Interpretation 23 addresses, in particular, when there is uncertainty over income tax treatments, whether an entity considers uncertain tax treatments separately, what assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit, tax loss, tax bases, unused tax losses, tax rates and how an entity considers changes in facts and circumstances.

  The Group is of the opinion that the application of the interpretation will have no significant impact on the financial statements in the period of their initial application.

- Amendments to IAS 28, *Long-term Interests in Associates and Joint Ventures*, published by the International Accounting Standards Board on 12 October 2017, binding for annual periods starting on or after 1 January 2019.

  Amendments to IAS 28 clarify that an entity applies IFRS 9 'Financial Instruments' to other financial instruments in an associate or joint venture to which the equity method is not applied. These instruments include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. In amendments to IAS 28 it has been clarified that the requirements of IFRS 9 apply to long-term interests before an entity applies share of losses requirements from IAS28 and in applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

  The Group is of the opinion that the application of the amended standard will have no significant impact on the financial statements in the period of their initial application.

- IFRS 17, *Insurance contracts*, published by the International Accounting Standards Board on 18 May 2017, binding for annual periods starting on or after 1 January 2021.

  IFRS 17 defines a new approach to the recognition, valuation, presentation and disclosure of insurance contracts. The main purpose of IFRS 17 is to guarantee the transparency and comparability of insurers' financial statements. In order to meet this requirement the entity will disclose a lot of quantitative and qualitative information enabling the users of financial statements to assess the effect that insurance contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of the entity. IFRS 17 introduces a number of significant changes in relation to the existing requirements of IFRS 4. They concern, among others: aggregation levels at which the calculations are made, methods for the valuation of insurance liabilities, recognition a profit or loss over the period the entity provides insurance coverage, reassurance recognition, separation of the investment component and presentation of particular items of the balance sheet and profit and loss account of reporting units including the separate presentation of insurance revenues, insurance service expenses and insurance finance income or expenses.

  The Group is of the opinion that the application of the interpretation will have no significant impact on the financial statements in the period of their initial application.

- Annual Improvements to IFRS Standards 2015-2017 Cycle, published by the International Accounting Standards Board on 12 December 2017, binding for annual periods starting on or after 1 January 2019.

  The improvements to the following standards were implemented during the cycle: IFRS 3 in terms of clarifying that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business, IFRS 11 in terms of clarifying that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business, IAS 12 in terms of clarifying that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises, IAS 23 in terms of clarifying that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

  The Group is of the opinion that the application of the amendments to the above standards will have no significant impact on the financial statements in the period of their initial application.

- Amendments to IAS 19, *Plan Amendment, Curtailment or Settlement*, published by the International Accounting Standards Board on 7 February 2018, binding for annual periods starting on or after 1 January 2019.

Amendments to IAS 19 specifies how an entity determines pension expenses when changes to a defined benefit pension plan occur. IAS 19 'Employee Benefits' specifies how an entity accounts for a defined benefit plan. When a change to a plan – an amendment, curtailment or settlement- takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements.

The Group is of the opinion that the application of the amended standard will have no significant impact on the financial statements in the period of their initial application.

- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) effective for financial years beginning on or after 1 January 2020.

2.31. Comparative data

On 24 July 2014 the International Accounting Standards Board (IASB) issued a new International Financial Reporting Standard – IFRS 9, Financial instruments effective for annual periods beginning on or after 1 January 2018, which replaces the existing International Accounting Standard 39 „Financial instruments: recognition and measurement". The European Commission adopted IFRS 9 as published by the IASB on 24 July 2014 in the Resolution No. 2016/2067 issued on 22 November 2016.

IFRS 9 introduces a new impairment model based on the concept of „expected credit losses", changes to the rules of classification and measurement of financial instruments (particularly of financial assets) as well as a new approach towards hedge accounting.

The Group decided to use the provisions of IFRS 9 allowing exemption from the obligation to transform comparative data for prior periods in relation to changes resulting from classification and measurement and impairment. At the same time the Group introduced changes to the financial statements to adjust the presentation of financial data to the new categories introduced by IFRS 9.

As at 1 January 2018, differences in the carrying amount of financial assets and liabilities resulting from the application of IFRS 9 were recognized as a part of undistributed financial result from previous years and other components of equity in the Group's equity.

Quantitative impact of IFRS 9 on the Group's financial situation and own funds

In the tables below has been presented the impact resulting from changes in the classification and measurement of financial assets in connection with the implementation of IFRS9 as at 1 January 2018.

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

Restatement of consolidated statement of financial position of mBank S.A. Group as at 31 December 2017 in connection with the implementation of IFRS 9.

ASSETS	31.12.2017 IAS 39 carrying amount	ASSETS	Reclassification	IFRS 9 implementation	01.01.2018 IFRS 9 carrying amount
Cash and balances with the Central Bank	7 384 869	Cash and balances with the Central Bank	7 384 869	-	7 384 869
Loans and advances to banks (amortised cost)	1 707 722	Financial assets at amortised cost - loans and advances to banks	1 707 722	(499)	1 707 223
Trading securities (fair value though profit or loss)	1 525 382	Financial assets held for trading and derivatives held for hedges	1 525 382	-	1 525 382
Derivative financial instruments (fair value though profit or loss)	1 236 303	Financial assets held for trading and derivatives held for hedges	1 236 303	-	1 236 303
Loans and advances to customers (amortised cost)	84 475 844	Financial assets at amortised cost - loans and advances to customers	81 256 696	(238 725)	81 017 971
		Non-trading financial assets mandatorily at fair value through profit or loss -loans and advances to customers	3 219 148	(31 921)	3 187 227
Investment securities (fair value through other comprehensive income)	32 144 699	Non-trading financial assets mandatorily at fair value through profit or loss - equity instruments	41 087	-	41 087
		Financial assets at amortised cost - debt securities	8 566 042	(45 870)	8 520 172
		Financial assets at fair value through other comprehensive income	23 537 570	-	23 537 570
Investments in associates	28 680	Investments in associates	28 680	-	28 680
Non-current assets and disposal groups classified as held for sale	42 134	Non-current assets and disposal groups classified as held for sale	42 134	-	42 134
Intangible assets	710 642	Intangible assets	710 642	-	710 642
Tangible assets	758 738	Tangible assets	758 738	-	758 738
Current income tax assets	9 688	Current income tax assets	9 688	-	9 688
Deferred income tax assets	629 250	Deferred income tax assets	629 250	69 389	698 639
Other assets	770 068	Other assets	770 068	945	771 013
Total assets	**131 424 019**	**Total assets**	**131 424 019**	**(246 681)**	**131 177 338**

LIABILITIES AND EQUITY					
Liabilities					
Amounts due to the other banks (amortised cost)	5 073 351	Financial liabilities measured at amortised cost - Amounts due to banks	5 073 351	-	5 073 351
Derivative financial instruments (fair value though profit or loss)	1 095 365	Financial liabilities held for trading and derivatives held for hedges	1 095 365	-	1 095 365
Amounts due to customers (amortised cost)	91 496 027	Financial liabilities measured at amortised cost - amounts due to customers	91 496 027	-	91 496 027
Debt securities in issue (amortised cost)	14 322 852	Financial liabilities measured at amortised cost - debt securities in issue	14 322 852	-	14 322 852
Fair value changes of the hedged items in portfolio hedge of interest rate risk	44 854	Fair value changes of the hedged items in portfolio hedge of interest rate risk	44 854	-	44 854
Other liabilities	2 571 130	Other liabilities	2 571 130	2 581	2 573 711
Current income tax liabilities	179 685	Current income tax liabilities	179 685	-	179 685
Deferred income tax liabilities	81	Deferred income tax liabilities	81	-	81
Provisions	190 975	Provisions	190 975	44 324	235 299
Subordinated liabilities (amortised cost)	2 158 143	Financial liabilities measured at amortised cost - subordinated liabilities	2 158 143	-	2 158 143
Total liabilities	**117 132 463**	**Total liabilities**	**117 132 463**	**46 905**	**117 179 368**

Equity					
Equity attributable to Owners of mBank S.A.	**14 289 370**	**Equity attributable to Owners of mBank S.A.**	**14 289 370**	**(293 586)**	**13 995 784**
Share capital	**3 564 176**	**Share capital**	**3 564 176**	**-**	**3 564 176**
Registered share capital	169 248	Registered share capital	169 248	-	169 248
Share premium	3 394 928	Share premium	3 394 928	-	3 394 928
Retained earnings:	**10 574 294**	**Retained earnings:**	**10 574 294**	**(260 179)**	**10 314 115**
- Profit from the previous years	9 482 764	- Profit from the previous years	9 482 764	(260 179)	9 222 585
- Profit for the current year	1 091 530	- Profit for the current year	1 091 530	-	1 091 530
Other components of equity	**150 900**	**Other components of equity**	**150 900**	**(33 407)**	**117 493**
Non-controlling interests	**2 186**	**Non-controlling interests**	**2 186**	**-**	**2 186**
Total equity	**14 291 556**	**Total equity**	**14 291 556**	**(293 586)**	**13 997 970**
TOTAL LIABILITIES AND EQUITY	**131 424 019**	**TOTAL LIABILITIES AND EQUITY**	**131 424 019**	**(246 681)**	**131 177 338**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

Restatement of consolidated statement of financial position of mBank S.A. Group as at 31 December 2017 in connection with the implementation of IFRS 9.

ASSETS	01.01.2018	31.12.2017	Change
Cash and balances with the Central Bank	7 384 869	7 384 869	-
Financial assets held for trading and derivatives held for hedges	2 761 685	2 761 685	-
Loans and advances to banks	*n/a*	1 707 722	(1 707 722)
Non-trading financial assets mandatorily at fair value through profit or loss, including:	3 228 314	*n/a*	3 228 314
Equity instruments	*41 087*	*n/a*	*41 087*
Loans and advances to customers	*3 187 227*	*n/a*	*3 187 227*
Investment securities	*n/a*	32 144 699	(32 144 699)
Financial assets at fair value through other comprehensive income	23 537 570	*n/a*	23 537 570
Financial assets at amortised cost, including:	91 245 366	*n/a*	91 245 366
Debt securities	*8 520 172*	*n/a*	*8 520 172*
Loans and advances to banks	*1 707 223*	*n/a*	*1 707 223*
Loans and advances to customers	*81 017 971*	*n/a*	*81 017 971*
Loans and advances to customers	*n/a*	84 475 844	(84 475 844)
Investments in associates	28 680	28 680	-
Non-current assets and disposal groups classified as held for sale	42 134	42 134	-
Intangible assets	710 642	710 642	-
Tangible assets	758 738	758 738	-
Current income tax assets	9 688	9 688	-
Deferred income tax assets	698 639	629 250	69 389
Other assets	771 013	770 068	945
Total assets	**131 177 338**	**131 424 019**	**(246 681)**

LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities held for trading and derivatives held for hedges	1 095 365	1 095 365	-
Financial liabilities measured at amortised cost, including:	113 050 373	*n/a*	113 050 373
Amounts due to banks	*5 073 351*	*n/a*	*5 073 351*
Amounts due to customers	*91 496 027*	*n/a*	*91 496 027*
Debt securities issued	*14 322 852*	*n/a*	*14 322 852*
Subordinated liabilities	*2 158 143*	*n/a*	*2 158 143*
Amounts due to the other banks	*n/a*	5 073 351	(5 073 351)
Amounts due to customers	*n/a*	91 496 027	(91 496 027)
Debt securities in issue	*n/a*	14 322 852	(14 322 852)
Subordinated liabilities	*n/a*	2 158 143	(2 158 143)
Fair value changes of the hedged items in portfolio hedge of interest rate risk	*44 854*	44 854	-
Provisions	235 299	190 975	44 324
Current income tax liabilities	179 685	179 685	-
Deferred income tax liabilities	81	81	-
Other liabilities	2 573 711	2 571 130	2 581
Total liabilities	**117 179 368**	**117 132 463**	**46 905**

Equity			
Equity attributable to Owners of mBank S.A.	**13 995 784**	**14 289 370**	**(293 586)**
Share capital	**3 564 176**	**3 564 176**	**-**
Registered share capital	169 248	169 248	-
Share premium	3 394 928	3 394 928	-
Retained earnings:	**10 314 115**	**10 574 294**	**(260 179)**
- Profit from the previous years	9 222 585	9 482 764	(260 179)
- Profit for the current year	1 091 530	1 091 530	-
Other components of equity	**117 493**	**150 900**	**(33 407)**
Non-controlling interests	**2 186**	**2 186**	**-**
Total equity	**13 997 970**	**14 291 556**	**(293 586)**
TOTAL LIABILITIES AND EQUITY	**131 177 338**	**131 424 019**	**(246 681)**

Financial assets

As at 1 January 2018, the Group changed the classification of the certain part of retail portfolio (cash loans, renewable loans and credit cards) and small number of corporate loans (single investment loans) measured at amortised cost under IAS 39, which according to IFRS9 have to be measured at fair value through profit or loss due to the failure of the SPPI test.

The Group changed also the classification of part of corporate loans (part of syndicated loans portfolio) measured at amortised cost under IAS 39, which as a result of implementation of IFRS 9 are measured at fair value through profit and loss due to a business model which objective is not achieved by collecting contractual cash flows.

The impact of the valuation method change of the above loans from amortized cost to the fair value was negative and amounted to PLN 31 921 thousand excluding deferred tax effect.

Moreover, due to the methodology and approach to fair value through profit or loss of a part of the retail loan portfolio and a small number of corporate loans, in connection with the implementation of IFRS 9, which were measured at amortized cost in accordance with IAS 39, the value of Group's other assets increased as at 1 January 2018. The impact of this change amounted to PLN 945 thousand excluding the deferred tax effect.

In addition, for the certain part of the debt securities portfolio classified as "Available-for-Sale" under IAS 39 the Bank decided to apply the "Held-to-Collect" business model, which objective is to hold financial assets to collect contractual cash flows, which resulted in the reclassification of these securities from the fair value through other comprehensive income into amortised cost measurement category. The impact of the change in the method of valuation of the these debt securities was negative and amounted to PLN 45 870 thousand excluding deferred tax effect. As at 30 September 2018, the fair value of securities reclassified on 1 January 2018 from measured at fair value through equity to those measured at amortized cost amounted to PLN 7 624 442 thousand. If these securities had not been reclassified, the Group would have recognized in other comprehensive income a gain of PLN 37 530 thousand excluding deferred tax effect thousand during the three quarters of 2018.

As at 31 December 2017 the Group held equity instruments (stocks and shares) which, in accordance with IAS 39, are categorized as financial assets "available for sale". In accordance with IFRS 9, in the case of stocks and shares other than stocks and shares in subsidiaries, associates and joint ventures, the Group at the initial application made an irrevocable choice to measure one of the equity instrument at fair value through other comprehensive income. The rest of the equity instruments Group measures at fair value through profit and loss in accordance with IFRS 9. If the Group chose to measure the equity instruments at fair value through other comprehensive income, the fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognised in profit or loss and no gains or losses would be reclassified to profit or loss on disposal.

As at 1 January 2018 Group did not identify financial assets which were designated as measured at fair value through profit or loss in order to eliminate "accounting mismatch".

Financial liabilities

As a result of implementing IFRS 9, the Group did not change the classification of financial liabilities in comparison to the requirements in IAS 39, which could have a significant impact on the financial position and profit or loss of the Group.

The Group did not elect an option to measure financial liabilities at fair value.

As of 1 January 2018 the value of the Group's financial liabilities changed due to the methodology and approach to fair value measurement through profit and loss for the part of retail loan portfolio and a small number of corporate loans as a result of the implementation of IFRS 9, which under IAS 39 were measured at amortised cost. The impact of this change amounted to PLN 2 581 thousand deferred tax effect.

Impairment

The implementation of the new impairment model based on the concept of ECL resulted in the moderate increase of the Group's loss allowance, particularly with regard to exposures allocated to Stage 2 and 3. Contrary to IAS 39, IFRS 9 does not require the entities to identify the impairment trigger in order to estimate lifetime credit losses in Stage 2. Instead, the Group is obliged to constantly estimate the level of credit losses since the initial recognition of a given asset until its derecognition. In the event of significant increase in credit risk since the initial recognition of the asset, the Group will be obliged to calculate lifetime expected credit losses – Stage 2. Such an approach resulted in the earlier recognition of credit losses which causes an increase in loss allowance. Increase in loss allowance in stage 3 is mainly driven by a change in "cure" definition, so it is in line with "default" definition and takes into account life-time losses for re-defaulting assets evaluated on portfolio basis, as well as implementation of scenario approach for individually assessed borrowers. With regard to retail exposures classified to Stage 1 the Group identified only minor change in the level of impairment allowances. In the corporate segment the Group identified the increase of impairment allowances due to the cease of application of LIP parameter.

The total effect of the above changes on the category "Financial assets at amortized cost" was negative and amounted to PLN 239 224 thousand, of which PLN 238 725 thousand relates to loans and advances to clients, while PLN 499 thousand to receivables from banks. In addition, these changes also influenced the increase in provisions for off-balance sheet liabilities presented in the category "Provisions" in the amount of PLN 44 324 thousand.

As a result, the total negative impact of the implementation of IFRS 9 in the amount of PLN 362 975 thousand PLN and the tax effect resulting from the implementation of IFRS 9 in the form of an increase in net deferred tax asset in the amount of PLN 69 389 thousand caused a decrease in the retained earnings and other items of the Group's equity by PLN 293 586 thousand.

<u>Impact of IFRS 9 on capital adequacy</u>

The total impact of applying IFRS 9, calculated as at 1 January 2018, in relation to the total capital ratio (TCR) and the Tier1 ratio of the Group is immaterial and amounts to no more than 5 bps.

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

The consolidated data as at 31 December 2017 and 30 September 2017 is comparable with the current accounting period and therefore has not been adjusted.

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

Restatement of statement of financial position of mBank S.A. as at 31 December 2017 in connection with the implementation of IFRS 9.

ASSETS	31.12.2017 IAS 39 carrying amount	ASSETS	Reclassification	IFRS 9 implementation	01.01.2018 IFRS 9 carrying amount
Cash and balances with the Central Bank	7 383 518	Cash and balances with the Central Bank	7 383 518	-	7 383 518
Loans and advances to banks (amortised cost)	6 063 702	Financial assets at amortised cost - loans and advances to banks	5 663 263	(499)	5 662 764
		Financial assets at fair value through other comprehensive income	400 439	705	401 144
Trading securities (fair value though profit or loss)	1 547 802	Financial assets held for trading and derivatives held for hedges	1 547 802	-	1 547 802
Derivative financial instruments (fair value though profit or loss)	1 233 549	Financial assets held for trading and derivatives held for hedges	1 233 549	-	1 233 549
Loans and advances to customers (amortised cost)	73 431 738	Financial assets at amortised cost - loans and advances to customers	70 434 975	(216 496)	70 218 479
		Non-trading financial assets mandatorily at fair value through profit or loss - loans and advances to customers	2 996 763	(29 664)	2 967 099
Investment securities	31 110 560	Non-trading financial assets mandatorily at fair value through profit or loss - equity instruments	9 934	-	9 934
		Financial assets at amortised cost - debt securities	8 566 042	(45 870)	8 520 172
		Financial assets at fair value through other comprehensive income	22 534 584	-	22 534 584
Investments in subsidiaries	2 060 847	Investments in subsidiaries	2 060 847	(22 553)	2 038 294
Investments in associates	28 680	Investments in associates	28 680	-	28 680
Intangible assets	648 191	Intangible assets	648 191	-	648 191
Tangible assets	509 773	Tangible assets	509 773	-	509 773
Current income tax assets	6 558	Current income tax assets	6 558	-	6 558
Deferred income tax assets	129 037	Deferred income tax assets	129 037	63 903	192 940
Other assets	415 528	Other assets	415 528	946	416 474
Total assets	**124 569 483**	**Total assets**	**124 569 483**	**(249 528)**	**124 319 955**

LIABILITIES AND EQUITY					
Liabilities					
Amounts due to the other banks (amortised cost)	5 089 716	Financial liabilities measured at amortised cost - Amounts due to banks	5 089 716	-	5 089 716
Derivative financial instruments (fair value though profit or loss)	1 141 035	Financial liabilities held for trading and derivatives held for hedges	1 141 035	-	1 141 035
Amounts due to customers (amortised cost)	99 331 571	Financial liabilities measured at amortised cost - amounts due to customers	99 331 571	-	99 331 571
Fair value changes of the hedged items in portfolio hedge of interest rate risk	27 046	Fair value changes of the hedged items in portfolio hedge of interest rate risk	27 046	-	27 046
Other liabilities	2 171 413	Other liabilities	2 171 413	2 581	2 173 994
Current income tax liabilities	172 003	Current income tax liabilities	172 003	-	172 003
Deferred income tax liabilities	81	Deferred income tax liabilities	81	-	81
Provisions	190 914	Provisions	190 914	40 906	231 820
Subordinated liabilities (amortised cost)	2 158 143	Financial liabilities measured at amortised cost	2 158 143	-	2 158 143
Total liabilities	**110 281 922**	**Total liabilities**	**110 281 922**	**43 487**	**110 325 409**
Equity					
Share capital	**3 564 176**	**Share capital**	**3 564 176**	**-**	**3 564 176**
Registered share capital	169 248	Registered share capital	169 248	-	169 248
Share premium	3 394 928	Share premium	3 394 928	-	3 394 928
Retained earnings:	**10 572 341**	**Retained earnings:**	**10 572 341**	**(260 179)**	**10 312 162**
- Profit from the previous years	9 482 637	- Profit from the previous years	9 482 637	(260 179)	9 222 458
- Profit for the current year	1 089 704	- Profit for the current year	1 089 704	-	1 089 704
Other components of equity	**151 044**	**Other components of equity**	**151 044**	**(32 836)**	**118 208**
Total equity	**14 287 561**	**Total equity**	**14 287 561**	**(293 015)**	**13 994 546**
TOTAL LIABILITIES AND EQUITY	**124 569 483**	**TOTAL LIABILITIES AND EQUITY**	**124 569 483**	**(249 528)**	**124 319 955**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

Restatement of statement of financial position of mBank S.A. as at 31 December 2017 in connection with the implementation of IFRS 9.

ASSETS	01.01.2018	31.12.2017	Change
Cash and balances with the Central Bank	7 383 518	7 383 518	-
Financial assets held for trading and derivatives held for hedges	2 781 351	2 781 351	-
Loans and advances to banks	*n/a*	6 063 702	(6 063 702)
Non-trading financial assets mandatorily at fair value through profit or loss, including:	2 977 033	*n/a*	2 977 033
Equity instruments	*9 934*	*n/a*	*9 934*
Loans and advances to customers	*2 967 099*	*n/a*	*2 967 099*
Investment securities	*n/a*	31 110 560	(31 110 560)
Financial assets at fair value through other comprehensive income	22 935 728	*n/a*	22 935 728
Financial assets at amortised cost, including:	84 401 415	*n/a*	84 401 415
Debt securities	*8 520 172*	*n/a*	*8 520 172*
Loans and advances to banks	*5 662 764*	*n/a*	*5 662 764*
Loans and advances to customers	*70 218 479*	*n/a*	*70 218 479*
Loans and advances to customers	*nd*	73 431 738	(73 431 738)
Investments in subsidiaries	*2 038 294*	2 060 847	(22 553)
Investments in associates	28 680	28 680	-
Intangible assets	648 191	648 191	-
Tangible assets	509 773	509 773	-
Current income tax assets	6 558	6 558	-
Deferred income tax assets	192 940	129 037	63 903
Other assets	416 474	415 528	946
Total assets	**124 319 955**	**124 569 483**	**(249 528)**

LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities held for trading and derivatives held for hedges	1 141 035	1 141 035	-
Financial liabilities measured at amortised cost, including:	106 579 430	*n/a*	106 579 430
Amounts due to banks	*5 089 716*	*n/a*	*5 089 716*
Amounts due to customers	*99 331 571*	*n/a*	*99 331 571*
Subordinated liabilities	*2 158 143*	*n/a*	*2 158 143*
Amounts due to the other banks	*n/a*	5 089 716	(5 089 716)
Amounts due to customers	*n/a*	99 331 571	(99 331 571)
Subordinated liabilities	*n/a*	2 158 143	(2 158 143)
Fair value changes of the hedged items in portfolio hedge of interest rate risk	27 046	27 046	-
Provisions	231 820	190 914	40 906
Current income tax liabilities	172 003	172 003	-
Deferred income tax liabilities	81	81	-
Other liabilities	2 173 994	2 171 413	2 581
Total liabilities	**110 325 409**	**110 281 922**	**43 487**
Equity			
Share capital	**3 564 176**	**3 564 176**	**-**
Registered share capital	169 248	169 248	-
Share premium	3 394 928	3 394 928	-
Retained earnings:	**10 312 162**	**10 572 341**	**(260 179)**
- Profit from the previous years	9 222 458	9 482 637	(260 179)
- Profit for the current year	1 089 704	1 089 704	-
Other components of equity	**118 208**	**151 044**	**(32 836)**
Total equity	**13 994 546**	**14 287 561**	**(293 015)**
TOTAL LIABILITIES AND EQUITY	**124 319 955**	**124 569 483**	**(249 528)**

Financial assets

As at 1 January 2018, the Bank changed the classification of the certain part of retail portfolio (cash loans, renewable loans and credit cards) and small number of corporate loans (single investment loans) measured at amortised cost under IAS 39, which will have to be measured at fair value through profit or loss due to the failure of the SPPI test under requirements of IFRS 9.

The Bank changed also the classification of part of corporate loans (part of syndicated loans portfolio) measured at amortised cost under IAS 39, which as a result of implementation of IFRS 9 are measured at fair value through profit or loss due to a business model which objective is not to hold financial assets to collect contractual cash flows.

The impact of the valuation method change from amortized cost to the fair value for the above loans was negative and amounted to PLN 29 664 thousand excluding deferred tax effect.

Moreover, due to the methodology and approach to fair value through profit or loss of a part of the retail loan portfolio and a small number of corporate loans, in connection with the implementation of IFRS 9, which were measured at amortized cost in accordance with IAS 39, as at 1 January 2018, the value of Bank's other assets increased. The impact of this change amounted to PLN 946 thousand excluding the deferred tax effect.

The Bank has also changed the classification of mortgage bonds of mBank Hipoteczny measured at amortised cost under IAS 39, which as a result of implementation of IFRS 9 are measured at fair value through other comprehensive income due to a business model whose objective is achieved by both collecting contractual cash flows and selling. The impact of the change in the method of valuation of the mentioned mortgage bonds from amortized cost to fair value was positive and amounted to PLN 705 thousand excluding the deferred tax effect.

In addition, for the certain part of the debt securities portfolio classified as "Available-for-Sale" under IAS 39 the Bank decided to apply the "Held-to-Collect" business model, which objective is to hold financial assets to collect contractual cash flows, which resulted in the reclassification of these securities from the fair value through other comprehensive income into amortised cost measurement category. The impact of the change in the method of valuation of the these debt securities was negative and amounted to PLN 45 870 thousand excluding deferred tax effect. As at 30 September 2018, the fair value of securities reclassified on 1 January 2018 from measured at fair value through equity to those measured at amortized cost amounted to PLN 7 624 442 thousand. If these securities had not been reclassified, during the three quarters of 2018 the Bank would have recognized in other comprehensive income a gain of PLN 37 530 thousand excluding the deferred tax effect.

As at 31 December 2017 the Bank held equity instruments (stocks and shares) which, in accordance with IAS 39, are categorized as financial assets "available for sale". In accordance with IFRS 9, in the case of stocks and shares other than investments in subsidiaries, associates and joint ventures, the Bank at the initial application made an irrevocable choice to measure one of the equity instrument at fair value through other comprehensive income. The rest of the equity instruments the Bank measures at fair value through profit and loss in accordance with IFRS 9. If the Bank chose to measure the equity instruments at fair value through other comprehensive income, the fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognised in profit or loss and no gains or losses would be reclassified to profit or loss on disposal.

As at 1 January 2018, the net asset value of mBank's subsidiaries, i.e. mBank Hipoteczny and mLeasing changed as a result of implementation of IFRS 9. Related to the above the value of the Bank's investments in subsidiaries, valued using equity method, also changed. The impact of the above change was negative and amounted to PLN 22 553 thousand excluding deferred tax effect.

As at 1 January 2018 Bank did not identify financial assets which were designated as measured at fair value through profit or loss in order to eliminate "accounting mismatch".

Financial liabilities

As a result of implementing IFRS 9, the Bank did not change the classification of financial liabilities in comparison to the requirements in IAS 39, which could have a significant impact on the financial position and profit or loss of the Bank.

The Bank did not elect an option to measure financial liabilities at fair value.

As of 1 January 2018 the value of the Bank's financial liabilities increased due to the methodology and approach to fair value measurement through profit and loss for the part of retail loan portfolio and a small number of corporate loans as a result of the implementation of IFRS 9, which under IAS 39 were measured at amortised cost. The impact of this change amounted to PLN 2 581 thousand excluding deferred tax effect.

Impairment

The implementation of the new impairment model based on the concept of ECL resulted in the moderate increase of the Bank's loss allowance, particularly with regard to exposures allocated to Stage 2 and 3. Contrary to IAS 39, IFRS 9 does not require the entities to identify the impairment trigger in order to estimate lifetime credit losses in Stage 2. Instead, the Bank is obliged to constantly estimate the level of credit losses since the initial recognition of a given asset until its derecognition. In the event of significant increase in credit risk since the initial recognition of the asset, the Bank will be obliged to calculate lifetime expected credit losses – Stage 2. Such an approach resulted in the earlier recognition of credit losses which causes an increase in loss allowance. Increase in loss allowance in stage 3 is mainly driven by a change in "cure" definition, so it is in line with "default" definition and takes into account life-time losses for re-defaulting assets evaluated on portfolio basis, as well as implementation of scenario approach for individually assessed borrowers. With regard to retail exposures classified to Stage 1 the Bank identified only minor change in the level of impairment allowances. In the corporate segment the Bank identified the increase of impairment allowances due to the cease of application of LIP parameter.

The total effect of the above changes on the category "Financial assets at amortized cost" was negative and amounted to PLN 216 995 thousand, of which PLN 216 496 thousand relates to loans and advances to clients, while PLN 499 thousand to receivables from banks. In addition, these changes also influenced the increase in provisions for off-balance sheet liabilities presented in the category "Provisions" in the amount of PLN 40 906 thousand.

As a result, the total negative impact of the implementation of IFRS 9 in the amount of PLN 356 918 thousand and the tax effect resulting from the implementation of IFRS 9 in the form of an increase in net deferred tax asset in the amount of PLN 63 903 thousand caused a decrease in the retained earnings and other items of the Bank's equity by PLN 293 015 thousand.

Impact of IFRS 9 on capital adequacy

The total impact of applying IFRS 9, calculated as at 1 January 2018, in relation to the total capital ratio (TCR) and the Tier1 ratio of the Bank is immaterial and amounts to no more than 5 bps.

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

The data as at 31 December 2017 and 30 September 2017 is comparable with the current accounting period and therefore has not been adjusted.

3. Major estimates and judgments made in connection with the application of accounting policy principles

The Group applies estimates and adopts assumptions which impact the values of assets and liabilities presented in the subsequent period. Estimates and assumptions, which are continuously subject to assessment, rely on historical experience and other factors, including expectations concerning future events, which seem justified under the given circumstances.

Impairment of loans and advances

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the income statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions (on the basis of which the estimated cash flow amounts and their anticipated timing are determined) are regularly verified. If the current value of estimated cash flows for portfolio of loans and advances and contingent liabilities which are impaired, change by +/-10%, the estimated loans and advances and contingent liabilities impairment would either decrease by PLN 49.8 million or increase by PLN 56.8 million as at 30 September 2018, respectively. This estimation was performed for portfolio of loans and advances and contingent liabilities individually assessed for impairment on the basis of future cash flows due to repayments and recovery from collateral - Stage 3. The rules of determining write-downs and provisions for impairment of credit exposures have been described under Note 2.10.

Fair value of derivatives and other financial instruments

The fair value of financial instruments not listed on active markets is determined by applying valuation techniques. All the models are approved prior to being applied and they are also calibrated in order to assure that the obtained results indeed reflect the actual data and comparable market prices. As far as possible, observable market data originating from an active market are used in the models. Methods for determining the fair value of financial instruments are described in Note 2.8.

<u>Deferred tax assets</u>

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available, against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

<u>Revenue and expenses from sale of insurance products bundled with loans</u>

Revenue from sale of insurance products bundled with loans are split into interest income and fee and commission income based on the relative fair value analysis of each of these products.

The remuneration included in fee and commission income is recognised partly as upfront income and partly including deferring over time based on the analysis of the stage of completion of the service.

The Group leads in case of insurance policies bundled with loans to upfront recognition less than 10% of bancassurance income associated with cash and car loans and 0% to approximately 25% of bancassurance income associated with mortgage loans. Recognition of the remaining part of the income is spread over the economic life of the associated loans. Expenses directly linked to the sale of insurance products are recognised using the same pattern.

<u>Liabilities due to post-employment employee benefits</u>

The costs of post-employment employee benefits are determined using an actuarial valuation method. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and other factors. Due to the long–term nature of these programmes, such estimates are subject to significant uncertainty.

<u>Leasing classification</u>

The Group makes judgement classifying lease agreements as finance lease or operating lease based on the economic substance of the transaction basing on professional judgment whether substantially all the risk and rewards incidental to ownership of an asset were transferred or not.

4. Business segments

Following the adoption of "management approach" of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Bank's Management Board (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses their performance.

The classification by business segments is based on client groups and product groups defined by homogenous transaction characteristics. The classification is consistent with sales management and the philosophy of delivering complex products to the Bank's clients, including both standard banking products and more sophisticated investment products. The method of presentation of financial results coupled with the business management model ensures a constant focus on creating added value in relations with clients of the Bank and Group companies and should be seen as a primary division, which serves the purpose of both managing and perceiving business within the Group.

The Group conducts its business through different business segments, which offer specific products and services targeted at specific client groups and market segments. The Group currently conducts its operations through the following business segments:

- <u>The Retail Banking segment</u>, which divides its customers into mBank customers and Private Banking customers and which offers a full range of the Bank's banking products and services as well as specialized products offered by a number of subsidiaries belonging to the Retail Banking segment. The key products in this segment include current and savings accounts (including accounts in foreign currencies), term deposits, lending products (retail mortgage loans and non-mortgage loans such as cash loans, car loans, overdrafts, credit cards and other loan products), debit cards, insurance products, investment products, brokerage and leasing services offered to both individual customers and to micro-businesses. The results of the Retail Banking segment include the results of foreign branches of mBank in the Czech Republic and Slovakia. The Retail Banking segment also includes the results of mFinanse S.A., as well as the results of retail segments of mLeasing Sp. z o.o. and mBank Hipoteczny S.A.
- <u>The Corporates and Financial Markets</u> segment, which is divided into two sub-segments:
- *Corporate and Investment Banking* sub-segment (business line), which targets small, medium and large-sized companies and public sector entities. The key products offered to these customers

include transactional banking products and services including current account products, multi-functional internet banking, tailor-made cash management and trade finance services, term deposits, foreign exchange transactions, a comprehensive offer of short-term financing and investment loans, cross-border credit, project finance, structured and mezzanine finance services, investment banking products including foreign exchange options, forward contracts, interest rate derivatives and commodity swaps and options, structured deposit products with embedded options (interest on structured deposit products are directly linked to the performance of certain underlying financial instruments such as foreign exchange options, interest rate options and stock options), debt origination for corporate clients, treasury bills and bonds, non-government debt, medium-term bonds, buy sell back and sell buy back transactions and repo transactions, as well as leasing, factoring and brokerage services. The Corporate and Investment Banking sub-segment includes the results of the following subsidiaries: mFaktoring S.A., Garbary Sp. z o.o., Tele-Tech Investment Sp. z o.o. as well as the results of corporate segments of mLeasing Sp. z o. o. and mBank Hipoteczny S.A.

- *Financial Markets* sub-segment (business line) consists primarily of treasury, financial markets, and financial institutions operations, manages the liquidity, interest rate and foreign exchange risks of the Bank, its trading and investment portfolios, and conducts market making in PLN denominated cash and derivative instruments. The Bank also maintains an extensive correspondent banking network and also develops relationships with other banks providing products such as current accounts, overdrafts, stand alone and syndicated loans and loans insured by KUKE to support the Polish export market. This sub-segment also includes the results of mFinance France S.A. as well as the results of mLeasing Sp. z o.o and mBank Hipoteczny S.A. with regard to activities concerning funding.

- Operations which are not included in the Retail Banking segment and the Corporates and Financial Markets segment are reported under "Other". This segment includes the results of mCentrum Operacji Sp. z o.o., BDH Development Sp. z o.o., Future Tech Fundusz Inwestycyjny Zamknięty and results of mLocum S.A. until the date of sale of the majority stake of the company on 31 July 2017.

The principles of segment classification of the Group's activities are described below.

Transactions between the business segments are conducted on regular commercial terms.

Allocation of funds to the Group companies and assigning them to particular business segments results in funding cost transfers. Interest charged for these funds is based on the Group's weighted average cost of capital and presented in operating income.

Internal fund transfers between the Bank's units are calculated at transfer rates based on market rates. Transfer rates are determined on the same basis for all operating units of the Bank and their differentiation results only from currency and maturity structure of assets and liabilities. Internal settlements concerning internal valuation of funds transfers are reflected in the results of each segment.

Assets and liabilities of a business segment comprise operating assets and liabilities, which account for most of the statement of financial position, whereas they do not include such items as taxes or loans.

The separation of the assets and liabilities of a segment, as well as of its income and costs, is done on the basis of internal information prepared at the Bank for the purpose of management accounting. Assets and liabilities for which the units of the given segment are responsible as well as income and costs related to such assets and liabilities are attributed to individual business segments. The financial result of a business segment takes into account all the income and cost items attributable to it.

The business operations of particular companies of the Group are fully attributed to the appropriate business segments (including consolidation adjustments).

The primary basis used by the Group in the segment reporting is business line division. In addition, the Group's activity is presented by geographical areas reporting broken down into Poland and foreign countries because of the place of origin of income and expenses. Foreign countries segment includes activity of mBank's foreign branches in Czech Republic and Slovakia as well as activity of foreign subsidiary mFinance France S.A. The activity of the company mFinance France S.A., after the elimination of income and expenses and assets and liabilities related to the issue of bonds under the EMTN programme, is presented in the "Foreign countries" segment. The cost of the EMTN programme as well as the related assets and liabilities are presented in the segment "Poland".

In connection with the change the cost allocation key for Bank Guarantee Fund since the beginning of 2018, the comparative data for 2017 and the three quarters of 2017 regarding overhead costs by business segment activities of mBank S.A. Group have been changed accordingly.

Business segment reporting on the activities of mBank S.A. Group
for the period from 1 January to 30 September 2018
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporate and Investment Banking	Financial Markets				
Net interest income	**678 791**	**192 505**	**1 695 204**	**6 645**	**2 573 145**	**2 573 145**
- sales to external clients	688 528	494 114	1 385 186	5 317	2 573 145	
- sales to other segments	(9 737)	(301 609)	310 018	1 328	-	
Net fee and commission income	**346 166**	**(6 863)**	**421 294**	**(3 993)**	**756 604**	**756 604**
Dividend income	**-**	**4**	**-**	**3 332**	**3 336**	**3 336**
Trading income	**188 089**	**(39 031)**	**93 657**	**(1 253)**	**241 462**	**241 462**
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	**(11 855)**	**-**	**(79 967)**	**(53)**	**(91 875)**	**(91 875)**
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	**213**	**8 243**	**-**	**(400)**	**8 056**	**8 056**
Other operating income	**60 769**	**1 230**	**282 848**	**7 347**	**352 194**	**352 194**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	**(172 493)**	**520**	**(259 728)**	**(388)**	**(432 089)**	**(432 089)**
Overhead costs	**(505 303)**	**(76 952)**	**(862 407)**	**(9 298)**	**(1 453 960)**	**(1 453 960)**
Amortisation	**(60 358)**	**(8 560)**	**(117 257)**	**(1 040)**	**(187 215)**	**(187 215)**
Other operating expenses	**(32 767)**	**(1 965)**	**(88 047)**	**(13 283)**	**(136 062)**	**(136 062)**
Operating profit	**491 252**	**69 131**	**1 085 597**	**(12 384)**	**1 633 596**	**1 633 596**
Taxes on Group balance sheet items	**(114 768)**	**(28 154)**	**(152 968)**	**(4 239)**	**(300 129)**	**(300 129)**
Share in profits (losses) of entities under the equity method	**-**	**-**	**-**	**896**	**896**	**896**
Gross profit of the segment	**376 484**	**40 977**	**932 629**	**(15 727)**	**1 334 363**	**1 334 363**
Income tax					(350 685)	(350 685)
Net profit attributable to Owners of mBank S.A.					983 714	983 714
Net profit attributable to non-controlling interests					(36)	(36)
Assets of the segment	**41 189 012**	**48 693 556**	**54 964 755**	**1 808 994**	**146 656 317**	**146 656 317**
Liabilities of the segment	**34 929 395**	**32 340 228**	**62 759 042**	**1 825 098**	**131 853 763**	**131 853 763**
Expenditures incurred on fixed assets and intangible assets	94 481	4 118	148 331	12 900	259 830	

Business segment reporting on the activities of mBank S.A. Group
for the period from 1 January to 31 December 2017
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporate and Investment Banking	Financial Markets				
Net interest income	**832 749**	**282 176**	**2 013 103**	**7 632**	**3 135 660**	**3 135 660**
- sales to external clients	897 740	595 308	1 638 103	4 509	3 135 660	
- sales to other segments	(64 991)	(313 132)	375 000	3 123	-	
Net fee and commission income	**406 289**	**(7 602)**	**582 321**	**11 150**	**992 158**	**992 158**
Dividend income	**-**	**11**	**-**	**3 417**	**3 428**	**3 428**
Trading income	**246 341**	**(64 902)**	**114 184**	**(1 560)**	**294 063**	**294 063**
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	**(6 050)**	**20 783**	**-**	**(18 670)**	**(3 937)**	**(3 937)**
Other operating income	**58 067**	**877**	**55 871**	**127 545**	**242 360**	**242 360**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	**(168 099)**	**2 119**	**(342 625)**	**884**	**(507 721)**	**(507 721)**
Overhead costs	**(639 970)**	**(93 360)**	**(1 059 197)**	**(26 422)**	**(1 818 949)**	**(1 818 949)**
Amortisation	**(74 088)**	**(9 849)**	**(137 278)**	**(3 004)**	**(224 219)**	**(224 219)**
Other operating expenses	**(40 138)**	**(1 147)**	**(89 603)**	**(79 283)**	**(210 171)**	**(210 171)**
Operating profit	**615 101**	**129 106**	**1 136 776**	**21 689**	**1 902 672**	**1 902 672**
Taxes on Group balance sheet items	**(141 748)**	**(32 264)**	**(195 832)**	**(5 412)**	**(375 256)**	**(375 256)**
Share in profits (losses) of entities under the equity method	-	-	-	486	**486**	**486**
Gross profit of the segment	**473 353**	**96 842**	**940 944**	**16 763**	**1 527 902**	**1 527 902**
Income tax					(432 832)	(432 832)
Net profit attributable to Owners of mBank S.A.					1 091 530	1 091 530
Net profit attributable to non-controlling interests					3 540	3 540
Assets of the segment	**37 438 110**	**41 469 251**	**50 963 246**	**1 553 412**	**131 424 019**	**131 424 019**
Liabilities of the segment	**31 408 233**	**27 320 647**	**57 764 732**	**638 851**	**117 132 463**	**117 132 463**
Expenditures incurred on fixed assets and intangible assets	199 415	19 834	260 484	25 084	504 817	

Business segment reporting on the activities of mBank S.A. Group
for the period from 1 January to 30 September 2017
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporate and Investment Banking	Financial Markets				
Net interest income	**605 637**	**211 987**	**1 486 921**	**6 003**	**2 310 548**	**2 310 548**
- sales to external clients	657 093	448 255	1 201 923	3 277	2 310 548	
- sales to other segments	(51 456)	(236 268)	284 998	2 726	-	
Net fee and commission income	**308 343**	**(5 086)**	**444 951**	**10 472**	**758 680**	**758 680**
Dividend income	**-**	**11**	**-**	**3 255**	**3 266**	**3 266**
Trading income	**182 336**	**(43 417)**	**83 144**	**(982)**	**221 081**	**221 081**
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	**(6 982)**	**3 210**	**-**	**(18 670)**	**(22 442)**	**(22 442)**
Other operating income	**45 816**	**792**	**33 427**	**116 902**	**196 937**	**196 937**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	**(122 789)**	**2 216**	**(248 365)**	**1 196**	**(367 742)**	**(367 742)**
Overhead costs	**(499 374)**	**(74 097)**	**(796 703)**	**(22 069)**	**(1 392 243)**	**(1 392 243)**
Amortisation	**(52 648)**	**(6 983)**	**(94 329)**	**(2 458)**	**(156 418)**	**(156 418)**
Other operating expenses	**(30 201)**	**(3 205)**	**(49 072)**	**(73 560)**	**(156 038)**	**(156 038)**
Operating profit	**430 138**	**85 428**	**859 974**	**20 089**	**1 395 629**	**1 395 629**
Taxes on Group balance sheet items	**(105 141)**	**(22 818)**	**(147 507)**	**(4 378)**	**(279 844)**	**(279 844)**
Share in profits (losses) of entities under the equity method	**-**	**-**	**-**	**192**	**192**	**192**
Gross profit of the segment	**324 997**	**62 610**	**712 467**	**15 903**	**1 115 977**	**1 115 977**
Income tax	-	-	-	-	(332 531)	(332 531)
Net profit attributable to Owners of mBank S.A.	-	-	-	-	779 892	779 892
Net profit attributable to non-controlling interests	-	-	-	-	3 554	3 554
Assets of the segment	**37 603 106**	**41 909 935**	**51 562 819**	**1 402 166**	**132 478 026**	**132 478 026**
Liabilities of the segment	**30 496 550**	**31 669 625**	**56 015 731**	**328 658**	**118 510 564**	**118 510 564**
Expenditures incurred on fixed assets and intangible assets	106 694	5 535	111 392	1 058	224 679	

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

Information about geographical areas on the activities of mBank S.A. Group for the period	from 1 January to 30 September 2018		
	Poland	Foreign Countries	Total
Net interest income	2 436 346	136 799	**2 573 145**
Net fee and commission income	740 745	15 859	**756 604**
Dividend income	3 336	-	**3 336**
Trading income	234 886	6 576	**241 462**
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(91 875)	-	**(91 875)**
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	8 056	-	**8 056**
Other operating income	351 034	1 160	**352 194**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(416 272)	(15 817)	**(432 089)**
Overhead costs	(1 360 508)	(93 452)	**(1 453 960)**
Amortisation	(184 040)	(3 175)	**(187 215)**
Other operating expenses	(133 963)	(2 099)	**(136 062)**
Operating profit	1 587 745	45 851	**1 633 596**
Taxes on Group balance sheet items	(282 459)	(17 670)	**(300 129)**
Share in profits (losses) of entities under the equity method	896	-	**896**
Gross profit of the segment	**1 306 182**	**28 181**	**1 334 363**
Income tax			(350 685)
Net profit attributable to Owners of mBank S.A.			983 714
Net profit attributable to non-controlling interests			(36)
Assets of the segment, including:	141 609 900	5 046 417	**146 656 317**
- tangible assets	1 453 403	16 983	1 470 386
- deferred income tax assets	932 118	2 151	934 269
Liabilities of the segment	121 912 688	9 941 075	**131 853 763**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

Information about geographical areas on the activities of mBank S.A. Group for the period	from 1 January to 31 December 2017			from 1 January to 30 September 2017		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	2 980 836	154 824	**3 135 660**	2 196 713	113 835	**2 310 548**
Net fee and commission income	985 828	6 330	**992 158**	751 829	6 851	**758 680**
Dividend income	3 428	-	**3 428**	3 266	-	**3 266**
Trading income	286 125	7 938	**294 063**	215 792	5 289	**221 081**
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	(3 937)	-	**(3 937)**	(22 442)	-	**(22 442)**
Other operating income	239 157	3 203	**242 360**	194 568	2 369	**196 937**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(497 246)	(10 475)	**(507 721)**	(361 797)	(5 945)	**(367 742)**
Overhead costs	(1 689 882)	(129 067)	**(1 818 949)**	(1 294 790)	(97 453)	**(1 392 243)**
Amortisation	(219 946)	(4 273)	**(224 219)**	(153 268)	(3 150)	**(156 418)**
Other operating expenses	(207 598)	(2 573)	**(210 171)**	(154 172)	(1 866)	**(156 038)**
Operating profit	1 876 765	25 907	**1 902 672**	1 375 699	19 930	**1 395 629**
Taxes on Group balance sheet items	(352 524)	(22 732)	**(375 256)**	(262 793)	(17 051)	**(279 844)**
Share in profits (losses) of entities under the equity method	486	-	**486**	192	-	**192**
Gross profit of the segment	**1 524 727**	**3 175**	**1 527 902**	**1 113 098**	**2 879**	**1 115 977**
Income tax			(432 832)			(332 531)
Net profit attributable to Owners of mBank S.A.			1 091 530			779 892
Net profit attributable to non-controlling interests			3 540			3 554
Assets of the segment, including:	125 313 613	6 110 406	**131 424 019**	126 547 914	5 930 112	**132 478 026**
- tangible assets	1 458 141	11 239	1 469 380	1 327 419	10 698	1 338 117
- deferred income tax assets	626 903	2 347	629 250	559 039	2 551	561 590
Liabilities of the segment	108 200 503	8 931 960	**117 132 463**	109 648 459	8 862 105	**118 510 564**

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5. Net interest income

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Interest income		
Interest income of financial assets at amortised cost, including:	**2 492 021**	**2 266 253**
- Loans and advances	*2 295 746*	*2 219 068*
- Debt securities	*150 935*	*n/a*
- Cash and short-term placements	*41 925*	*43 896*
- Other	*3 415*	*3 289*
Interest income on financial assets at fair value through other comprehensive income	**361 551**	**515 935**
- Debt securities	*361 551*	*n/a*
Investment securities	*n/a*	515 935
Income sililar to interest on financial assets at fair value through profit or loss, including:	**471 455**	**213 347**
Financial assets held for trading	55 415	53 665
- Debt securities	*55 415*	*53 665*
Non-trading financial assets mandatorily at fair value through profit or loss, including:	192 908	*n/a*
- Loans and advances	*192 908*	*n/a*
Interest income on derivatives classified into banking book	135 107	99 866
Interest income on derivatives concluded under the fair value hedge	60 682	49 036
Interest income on derivatives concluded under the cash flow hedge	27 343	10 780
Total interest income	**3 325 027**	**2 995 535**

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Interest expenses		
Arising from amounts due to banks	(44 593)	(45 876)
Arising from amounts due to customers	(412 435)	(371 213)
Arising from issue of debt securities	(234 223)	(203 170)
Arising from subordinated liabilities	(52 291)	(52 144)
Other	(8 340)	(12 584)
Total interest expense	**(751 882)**	**(684 987)**

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6. Net fee and commission income

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Fee and commission income		
Payment cards-related fees	317 843	282 620
Credit-related fees and commissions	282 620	242 709
Commissions for agency service regarding sale of insurance products of external financial entities	81 069	140 565
Fees from brokerage activity and debt securities issue	79 270	104 315
Commissions from bank accounts	153 995	137 978
Commissions from money transfers	97 435	87 692
Commissions due to guarantees granted and trade finance commissions	62 411	52 040
Commissions for agency service regarding sale of other products of external financial entities	86 159	105 720
Commissions on trust and fiduciary activities	20 126	19 846
Fees from portfolio management services and other management-related fees	9 276	10 971
Fees from cash services	42 238	39 957
Other	33 464	20 979
Fee and commission income	**1 265 906**	**1 245 392**

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Fee and commission expense		
Payment cards-related fees	(182 738)	(179 812)
Commissions paid to external entities for sale of the Bank's products	(104 101)	(96 510)
Commissions paid for agency service regarding sale of insurance products of external financial entities	(2 494)	(1 831)
Discharged brokerage fees	(18 627)	(21 699)
Cash services	(36 505)	(36 669)
Fees to NBP and KIR	(8 981)	(8 530)
Other discharged fees	(155 856)	(141 661)
Total fee and commision expense	**(509 302)**	**(486 712)**

7. Dividend income

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Trading securities	4	11
Available for sale securities	*n/a*	3 255
Financial assets at fair value through other comprehensive income	530	*n/a*
Financial assets at fair value through profit or loss	2 802	*n/a*
Total dividend income	**3 336**	**3 266**

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8. Net trading income

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Foreign exchange result	**220 714**	**221 925**
Net exchange differences on translation	280 687	69 628
Net transaction gains/(losses)	(59 973)	152 297
Gains or losses on financial assets and liabilities held for trading	**31 691**	**9 864**
Derivatives, including:	31 180	9 151
- Interest-bearing instruments	*24 239*	*4 174*
- Market risk instruments	*6 941*	*4 977*
Equity instruments	(758)	16
Debt securities	1 269	697
Gains or losses from hedge accounting	**(10 943)**	**(10 708)**
Net profit on hedged items	17 912	59 143
Net profit on fair value hedging instruments	(28 461)	(63 155)
Ineffective portion of cash flow hedge	(394)	(6 696)
Net trading income	**241 462**	**221 081**

"Foreign exchange result" includes profit/(loss) on spot transactions and forward contracts, options, futures and on translation of assets and liabilities denominated in foreign currencies. "Interest-bearing instruments" includes the profit/(loss) on money market instrument trading, swap contracts for interest rates, options and other derivative instruments. "Equity instruments" includes the valuation and profit/(loss) on global trade in equity securities. "Market risk instruments" include profit/(loss) on: bond futures, index futures, security options, stock exchange index options, and options on futures contracts as well as the result from securities forward transactions and commodity swaps.

The Group applies fair value hedge accounting and cash flow hedge accounting. Detailed information on hedge accounting are included in Note 16 " Financial assets held for trading and derivatives held for hedges".

9. Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		
Equity instruments	(53)	*n/a*
Loans and advances	(91 822)	*n/a*
Total gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	**(91 875)**	***n/a***

10. Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates

the period	from 01.01.2018 to 30.09.2018
Gains less losses related to sale of debt securities measured at fair value through other comprehensive income	7 347
Gains less losses related to sale of investments in subsidiaries and associates	(22)
Gains less losses from derecognition, including:	731
- Financial assets at amortised cost	*731*
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	**8 056**

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the period	from 01.01.2017 to 30.09.2017
Sale/redemption of financial assets available for sale	3 739
Gains less losses related to sale of investments in subsidiaries and associates	(6 177)
Impairment of available for sale equity securities	(4 751)
Impairment of available for sale debt securities	(7 511)
Impairment of investments in subsidiaries	(7 742)
Total gains less losses from investment securities and investments in subsidiaries and associates	**(22 442)**

11. Other operating income

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	51 638	125 407
Income from services provided	15 951	15 313
Net income from operating lease	5 497	4 009
Income due to release of provisions for future commitments	3 025	25 676
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	220	1 264
Income from compensations, penalties and fines received	142	373
Net revenues from the sale of an organised part of the company mFinanse S.A.	246 778	-
Other	28 943	24 895
Total other operating income	**352 194**	**196 937**

Net revenues from the sale of an organised part of the company mFinanse S.A. refer to the transaction described under point 9 of selected explanatory information of these condensed consolidated financial statements.

During the three quarters of 2017 income from sale or liquidation of tangible fixed assets, intangible assets as well as assets held for disposal comprises primarily income of the company mLocum S.A. from developer activity.

Income from services provided is earned on non-banking activities.

Net income from operating lease consists of income from operating lease and related depreciation cost of fixed asset provided by the Group under operating lease, incurred to obtain revenue.

Net income from operating lease for the three quarters of 2018 and for the three quarters of 2017 is presented below.

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Net income from operating lease, including:		
- Income from operating lease	38 721	39 524
- Depreciation cost of fixed assets provided under operating lease	(33 224)	(35 515)
Total net income from operating lease	**5 497**	**4 009**

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12. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Financial assets at amortised cost, including:	**(429 653)**	**(336 206)**
- Loans and advances	(429 653)	(336 206)
Stage 1	(83 057)	*n/a*
Stage 2	(29 639)	*n/a*
Stage 3	(316 118)	*n/a*
POCI	(839)	*n/a*
Financial assets at fair value through other comprehensive income	**(2 646)**	***n/a***
- Debt securities	(2 646)	*n/a*
Stage 1	(2 317)	*n/a*
Stage 2	(329)	*n/a*
Commitments and guarantees given	**210**	**(31 536)**
Stage 1	72	*n/a*
Stage 2	(154)	*n/a*
Stage 3	94	*n/a*
POCI	198	*n/a*
Net impairment losses on financial assets not measured at fair value through profit or loss	**(432 089)**	**(367 742)**

13. Overhead costs

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Staff-related expenses	(709 476)	(674 251)
Material costs, including:	(560 826)	(530 338)
- costs of administration and real estate services	(278 852)	(265 067)
- IT costs	(128 314)	(121 080)
- marketing costs	(92 962)	(81 791)
- consulting costs	(52 267)	(52 297)
- other material costs	(8 431)	(10 103)
Taxes and fees	(18 324)	(17 077)
Contributions and transfers to the Bank Guarantee Fund	(159 038)	(164 551)
Contributions to the Social Benefits Fund	(6 296)	(6 026)
Total overhead costs	**(1 453 960)**	**(1 392 243)**

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Staff-related expenses for the three quarters of 2018 and for the three quarters of 2017 are presented below.

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Wages and salaries	(577 690)	(549 560)
Social security expenses	(98 593)	(91 395)
Employee contributions related to post-employment benefits	(30)	(50)
Remuneration concerning share-based payments, including:	(8 989)	(8 429)
- share-based payments settled in mBank S.A. shares	(8 567)	(7 677)
- cash-settled share-based payments	(422)	(752)
Other staff expenses	(24 174)	(24 817)
Staff-related expenses, total	**(709 476)**	**(674 251)**

14. Other operating expenses

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories	(27 600)	(90 422)
Provisions for future commitments	(39 616)	(23 908)
Costs arising from provisions created for other receivables (excluding loans and advances)	(1 247)	(1 124)
Donations made	(10 127)	(2 560)
Costs of sale of services	(152)	(1 061)
Compensation, penalties and fines paid	(1 554)	(1 341)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(119)	(4)
Other operating costs	(55 647)	(35 618)
Total other operating expenses	**(136 062)**	**(156 038)**

During the three quarters of 2017 costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories comprise primarily the expenses incurred by mLocum in connection with its developer activity.

Other operating costs include debt collection expenses in the amount of PLN 25 392 thousand (30 September 2017: PLN 16 112 thousand).

Costs of services provided concern non-banking services.

15. Earnings per share

Earnings per share for 9 months – mBank S.A. Group consolidated data

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Basic:		
Net profit attributable to Owners of mBank S.A.	983 714	779 892
Weighted average number of ordinary shares	42 312 942	42 283 023
Net basic profit per share (in PLN per share)	**23.25**	**18.44**
Diluted:		
Net profit attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share	983 714	779 892
Weighted average number of ordinary shares	42 312 942	42 283 023
Adjustments for:		
- share options	26 658	25 039
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 339 600	42 308 062
Diluted earnings per share (in PLN per share)	**23.23**	**18.43**

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Earnings per share for 9 months – mBank S.A. stand-alone data

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Basic:		
Net profit	983 432	777 918
Weighted average number of ordinary shares	42 312 942	42 283 023
Net basic profit per share (in PLN per share)	**23.24**	**18.40**
Diluted:		
Net profit applied for calculation of diluted earnings per share	983 432	777 918
Weighted average number of ordinary shares	42 312 942	42 283 023
Adjustments for:		
- share options	26 658	25 039
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 339 600	42 308 062
Diluted earnings per share (in PLN per share)	**23.23**	**18.39**

16. Financial assets held for trading and derivatives held for hedges

	30.09.2018	31.12.2017	30.09.2017
Derivatives, including:	**1 034 543**	**1 236 303**	**1 348 821**
- Held for trading derivative financial instruments classified into banking book	141 987	220 694	226 790
- Held for trading derivative financial instruments classified into trading book	826 326	1 003 020	1 035 793
- Derivative financial instruments held for fair value hedging	133 613	93 752	174 515
- Derivative financial instruments held for cash flow hedging	85 062	30 312	21 162
- Offsetting effect	(152 445)	(111 475)	(109 439)
Equity instruments	**270**	**1 474**	**2 836**
- Other financial corporations	160	160	272
- Non-financial corporations	110	1 314	2 564
Debt securities	**2 574 814**	**1 523 908**	**1 987 524**
- General governments	2 253 149	1 232 515	1 759 745
pledged securities	*1 403 326*	*25 837*	*1 581 571*
- Credit institutions	168 481	112 697	74 032
- Other financial corporations	75 251	80 260	79 736
- Non-financial corporations	77 933	98 436	74 011
Loans and advances	**43 096**	**-**	**-**
- Non-financial corporations	43 096	-	-
Total financial assets held for trading	**3 652 723**	**2 761 685**	**3 339 181**

The above note includes government bonds and treasury bills subject to pledge in sell buy back transactions.

Derivative financial instruments

The Group has the following types of derivative instruments:

Forward currency transactions represent commitments to purchase foreign and local currencies, including outstanding spot transactions. **Futures for currencies and interest rates** are contractual commitments to receive or pay a specific net value, depending on currency rate of exchange or interest rate variations, or to buy or sell a foreign currency or a financial instrument on a specified future date for a fixed price established on the organised financial market. Because futures contracts are collateralised with fair-valued cash or securities and the changes of the face value of such contracts are accounted for daily in reference to stock exchange quotations, the credit risk is marginal. **FRA contracts** are similar to futures except that each FRA is negotiated individually and each requires payment on a specific future date of the difference between the interest rate set in the agreement and the current market rate on the basis of theoretical amount of capital.

Currency and interest rate swap contracts are commitments to exchange one cash flow for another cash flow. Such a transaction results in swap of currencies or interest rates (e.g., fixed to variable interest rate) or combination of all these factors (e.g., cross-currency CIRS). With the exception of specific currency swap contracts, such transactions do not result in swaps of capital. The credit risk of the Group consists of the potential cost of replacing swap contracts if the parties fail to discharge their liabilities. This risk is monitored daily by reference to the current fair value, proportion of the face value of the contracts and market liquidity. The Group evaluates the parties to such contracts using the same methods as for its credit business, to control the level of its credit exposure.

The Group applies fair value hedge accounting for fixed interest rate Eurobonds issued by mFinance France S.A, subsidiary of mBank, fixed interest rate mortgage bonds issued by mBank Hipoteczny a subsidiary of mBank, fixed interest rate loans received by mBank from European Investment Bank, cash flow hedge accounting of variable rate loans indexed to market rates, granted by the Bank as well as fixed interest rate bonds issued by the Bank directly. Hedging instrument in both types of hedge accounting are fix to float Interest Rate Swap.

Detailed information on hedge accounting are presented in these Note below.

Currency and interest rate options are agreements, pursuant to which the selling party grants the buying party the right, but not an obligation, to purchase (call option) or sell (put option) a specific quantity of a foreign currency or a financial instrument at a predefined price on or by a specific date or within an agreed period. In return for accepting currency or interest rate risk, the buyer offers the seller a premium. An option can be either a public instrument traded at a stock exchange or a private instrument negotiated between the Group and a customer (private transaction). The Group is exposed to credit risk related to purchased options only up to the balance sheet value of such options, i.e. the fair value of the options.

Market risk transactions include futures contracts as well as commodity options, stock options and index options.

Face values of certain types of financial instruments provide a basis for comparing them to instruments disclosed in the statement of financial position but they may not be indicative of the value of the future cash flows or of the present fair value of such instruments. For this reason, the face values do not indicate the level of the Group's exposure to credit risk or price change risk. Derivative instruments can have positive value (assets) or negative value (liabilities), depending on market interest or currency exchange rate fluctuations. The aggregate fair value of derivative financial instruments may be subject to strong variations.

Hedge accounting

In accordance with the IFRS9 provisions, only on the day of initial application the Group had the opportunity to choose as its accounting policy element to continue to apply the IAS 39 hedge accounting requirements instead of the IFRS 9 requirements.

IFRS 9 requires the Group to ensure that its hedging relationships are compliant with the risk management strategy applied by the Group and its objectives. IFRS 9 introduces new requirements with regard to the assessment of hedge effectiveness, rebalancing of the hedge relationship as well as it prohibits voluntary discontinuation of hedge accounting (i.e. in the absence of the conditions to stop the application of hedge accounting, as defined in the standard).

The Group decided to continue from 1 January 2018, to apply the hedge accounting requirements in accordance with IAS 39.

Fair value hedge accounting

The Group applies fair value hedge accounting, under which the only kind of hedged risk is the risk of changes in interest rates.

At the end of each month, the Group evaluates effectiveness of the applied hedging by carrying out analysis of changes in fair value of the hedged and hedging instruments in respect of the hedged risk in order to confirm that hedging relationships are effective in accordance with the accounting policy described in Note 2.14.

<u>Description of the hedging relation</u>

The Group hedges against the risk of change in fair value:

- fixed interest rate Eurobonds issued by mFinance France S.A. (mFF), subsidiary of mBank. The hedged risk results from changes in interest rates.

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- mortgage bonds issued by mBank Hipoteczny (mBH), a subsidiary of mBank. The hedged risk results from changes in interest rates.
- loans received by mBank from European Investment Bank. The hedged risk results from changes in interest rates,
- fixed interest rate bonds issued by mBank S.A. The hedged risk results from changes in interest rates.

Hedged items

The hedged items are:

- three tranches of fixed interest rate Eurobonds issued by mFF with a total nominal value of EUR 1 500 000 thousand,
- two tranches of fixed interest rate Eurobonds issued by mFF with a total nominal value of CHF 400 000 thousand,
- fixed interest rate Eurobonds issued by mFF with a nominal value of CZK 500 000 thousand,
- fixed interest rate mortgage bonds issued by mBH with a nominal value of EUR 596 900 thousand,
- fixed interest rate loans received by mBank from European Investment Bank with a nominal value of respectively EUR 100 000 thousand and CHF 113 110 thousand,
- fixed rate bonds issued by mBank S.A. with a nominal value of CHF 180 000 thousand,
- fixed rate bonds issued by mBank S.A. with a nominal value of EUR 500 000 thousand.

Hedging instruments

IRS is the hedging instrument swapping the fixed interest rate for a variable interest rate.

Presentation of the result from hedged and hedging transactions

Fair value adjustment of the hedged assets and liabilities as well as valuation of the hedging instruments are recognised in the income statement as trading income.

The total results of fair value hedge accounting recognised in the income statement

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Interest income on derivatives concluded under the fair value hedge accounting (Note 5)	60 682	49 036
Net profit on hedged items (Note 8)	17 912	59 143
Net profit on fair value hedging instruments (Note 8)	(28 461)	(63 155)
The total results of fair value hedge accounting recognised in the income statement	**50 133**	**45 024**

Cash flow hedge accounting

The Group applies cash flow hedge accounting of the part of loans at a variable interest rate indexed to the market rate portfolio, granted by the Bank. An Interest Rate Swap is the hedging instrument changing the variable interest rate to a fixed interest rate. The interest rate risk is the hedged risk within applied by the Group cash flow hedge accounting. The ineffective portion of the gains or losses on the hedging instrument is presented in Note 8 in the position "Other net trading income and result on hedge accounting". Portion of the gains or losses on the hedging instrument that is an effective hedge, is presented in the statement of comprehensive income as "Cash flow hedges (net)".

The period from October 2018 to September 2023 is the period in which the cash flows are expected, and when they are expected to have an impact on the result.

The following note presents other comprehensive income due to cash flow hedges as at 30 September 2018 and 30 September 2017.

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the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Other gross comprehensive income from cash flow hedge at the beginning of the period	**(6 418)**	**(1 907)**
- Unrealised gains/losses included in other gross comprehensive income during the reporting period	17 381	(1 715)
Accumulated other gross comprehensive income at the end of the reporting period	**10 963**	**(3 622)**
Deferred income tax on accumulated other comprehensive income at the end of the reporting period	(2 083)	688
Accumulated net other comprehensive income at the end of the reporting period	**8 880**	**(2 934)**
Impact on other comprehensive income in the reporting period (gross)	17 381	(1 715)
Deferred tax on cash flow hedges	(3 303)	326
Impact on other comprehensive income in the reporting period (net)	**14 078**	**(1 389)**

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Gains/losses rocognised in comprehensive income (gross) during the reporting period, including:		
- Unrealised gains/losses included in other comprehensive income (gross)	17 381	(1 715)
- Amount included as interest income in income statement recognised during the reporting period	27 343	10 780
- Ineffective portion of hedge recognised in net trading income	(394)	(6 696)
Impact on other comprehensive income in the reporting period (gross)	**44 330**	**2 369**

Total results of cash flow hedge accounting recognised in the income statement

the period	from 01.01.2018 to 30.09.2018	from 01.01.2017 to 30.09.2017
Interest income on derivatives concluded under the cash flow hedge (Note 5)	27 343	10 780
Ineffective portion of cash flow hedge accounting (Note 8)	(394)	(6 696)
The total results of cash flow hedge accounting recognised in the income statement	**26 949**	**4 084**

17. Non-trading financial assets mandatorily at fair value through profit or loss

	30.09.2018	31.12.2017	30.09.2017
Equity instruments	**75 770**	*n/a*	*n/a*
- Other financial corporations	16 792	*n/a*	*n/a*
- Non-financial corporations	58 978	*n/a*	*n/a*
Loans and advances	**2 478 570**	*n/a*	*n/a*
- Individual customers	2 140 504	*n/a*	*n/a*
- Corporate customers	323 621	*n/a*	*n/a*
- Public sector customers	14 445	*n/a*	*n/a*
Total non-trading financial assets mandatorily at fair value through profit or loss	**2 554 340**	*n/a*	*n/a*

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18. Financial assets at fair value through other comprehensive income

30.09.2018	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Equity instruments	**64 653**								
- Credit institutions	-								
- Other financial corporations	64 653								
- Non-financial corporations	-								
Debt securities	**25 088 724**	**25 074 433**	**21 551**	**-**	**-**	**(6 931)**	**(329)**	**-**	**-**
- Central banks	1 404 588	1 404 588	-	-	-	-	-	-	-
- General governments, including:	21 076 638	21 076 824	-	-	-	(186)	-	-	-
pledged securities	*2 304 689*	*2 304 689*	-	-	-	-	-	-	-
- Credit institutions	362 734	364 377	-	-	-	(1 643)	-	-	-
- Other financial corporations	1 484 364	1 474 211	11 259	-	-	(1 010)	(96)	-	-
- Non-financial corporations	760 400	754 433	10 292	-	-	(4 092)	(233)	-	-
Total financial assets at fair value through other comprehensive income	**25 153 377**								

The above note includes government bonds pledged under the Bank Guarantee Fund, government bonds and treasury bills pledged as sell-buy-back transactions and government bonds pledged as collateral for the loans received from the European Investment Bank.

The note below presents the carrying amount of investment securities in accordance with IAS 39 as at 31 December 2017 and as at 30 September 2017.

Investment securities according to IAS 39	31.12.2017	30.09.2017
Equity securities	**87 625**	**73 910**
- Other financial corporations	83 122	68 678
- Non-financial corporations	4 503	5 232
Debt securities	**32 057 074**	**32 374 796**
- Central banks	2 322 914	3 192 630
- General governments, including:	27 619 604	27 395 267
pledged securities	*6 299 892*	*6 478 441*
- Credit institutions	426 136	352 230
- Other financial corporations	1 103 781	912 896
- Non-financial corporations	584 639	521 773
Total investment securities according to IAS 39	**32 144 699**	**32 448 706**

The above note includes government bonds pledged under the Bank Guarantee Fund, government bonds and treasury bills pledged as sell-buy-back transactions and government bonds pledged as collateral for the loans received from the European Investment Bank.

19. Financial assets at amortised cost

30.09.2018	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	**8 856 425**	**8 856 491**	**-**	**-**	**-**	**(66)**	**-**	**-**	**-**
- General governments, including:	7 933 425	7 933 425	-	-	-	-	-	-	-
pledged securities	*3 647 852*	*3 647 852*	-	-	-	-	-	-	-
- Other financial corporations	923 000	923 066	-	-	-	(66)	-	-	-
Loans and advances to banks	**4 469 853**	**4 471 324**	**-**	**-**	**-**	**(1 471)**	**-**	**-**	**-**
Loans and advances to customers	**88 826 966**	**79 373 328**	**8 227 666**	**4 229 327**	**218 786**	**(205 877)**	**(217 101)**	**(2 820 283)**	**21 120**
Individual customers	47 817 741	41 815 282	5 321 964	2 426 542	116 252	(103 812)	(166 524)	(1 592 428)	465
Corporate customers	40 288 908	36 837 998	2 905 702	1 801 793	102 534	(101 400)	(50 577)	(1 227 797)	20 655
Public sector customers	720 317	720 048	-	992	-	(665)	-	(58)	-
Total financial assets at amortised cost	**102 153 244**	**92 701 143**	**8 227 666**	**4 229 327**	**218 786**	**(207 414)**	**(217 101)**	**(2 820 283)**	**21 120**

The above note includes government bonds pledged under the Bank Guarantee Fund, government bonds pledged as sell-buy-back transactions, government bonds pledged as collateral for the loans received from the European Investment Bank.

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Loans and advances to customers 30.09.2018	Gross carrying amount	Individual customers	Corporate customers	Public sector customers
Current accounts	12 633 077	6 861 047	5 771 223	807
Term loans, including:	66 730 528	42 617 136	23 393 159	720 233
- housing and mortgage loans to individual customers	*34 155 915*	*34 155 915*	-	-
Reverse repo / buy-sell-back	10 887	-	10 887	-
Finance leases	10 124 456	-	10 124 456	-
Other loans and advances	2 284 009	-	2 284 009	-
Other receivables	266 150	201 857	64 293	-
Total gross carring amount	**92 049 107**	**49 680 040**	**41 648 027**	**721 040**

Loans and advances to customers 30.09.2018	Accumulated impairment	Individual customers	Corporate customers	Public sector customers
Current accounts	(1 075 212)	(808 327)	(266 885)	-
Term loans, including:	(1 875 839)	(1 053 972)	(821 144)	(723)
- housing and mortgage loans to individual customers	*(502 738)*	*(502 738)*	-	-
Finance leases	(240 298)	-	(240 298)	-
Other loans and advances	(30 792)	-	(30 792)	-
Total accumulated impairment	**(3 222 141)**	**(1 862 299)**	**(1 359 119)**	**(723)**

Total gross carring amount	**92 049 107**	**49 680 040**	**41 648 027**	**721 040**
Total accumulated impairment	(3 222 141)	(1 862 299)	(1 359 119)	(723)
Total nett carring amount	**88 826 966**	**47 817 741**	**40 288 908**	**720 317**

Short-term (up to 1 year)	**30 582 270**
Long-term (over 1 year)	**61 466 837**

The following note presents loans and advances to banks as well as loans and advances to customers according to IAS 39, as at 31 December 2017 and as at 30 September 2017.

	31.12.2017	30.09.2017
Loans and advances to individuals:	**48 142 786**	**48 949 143**
- current receivables	7 324 329	7 244 258
- term loans, including:	40 818 457	41 704 885
- housing and mortgage loans	32 593 180	33 693 342
Loans and advances to corporate entities:	**37 941 722**	**38 287 508**
- current receivables	5 187 588	5 750 421
- term loans:	30 599 981	30 451 837
- corporate & institutional enterprises	5 030 702	5 327 095
- medium & small enterprises	25 569 279	25 124 742
- reverse repo / buy-sell-back transactions	57 119	55 649
- other loans and advances	2 097 034	2 029 601
Loans and advances to public sector	**995 570**	**1 035 255**
Other receivables	**307 627**	**212 273**
Total (gross) loans and advances to banks and customers	**87 387 705**	**88 484 179**
Provisions for loans and advances to customers (negative amount)	(2 911 861)	(2 952 210)
Total (net) loans and advances to customers	**84 475 844**	**85 531 969**
Short-term (up to 1 year) gross	29 218 925	27 858 468
Long-term (over 1 year) gross	58 168 780	60 625 711

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In the item loans and advances granted to corporate clients were also included loans granted to microenterprises serviced by mBank S.A. Retail Banking. Loans to microenterprises in the presented reporting periods amounted to respectively: 30 September 2018: PLN 6 265 391 thousand, 31 December 2017: PLN 5 756 476 thousand, 30 September 2017 – PLN 5 771 911 thousand.

Provisions for loans and advances to customers

	31.12.2017	30.09.2017
Incurred but not identified losses		
Gross balance sheet exposure	82 883 395	83 904 487
Impairment provisions for exposures analysed according to portfolio approach	(243 810)	(244 678)
Net balance sheet exposure	**82 639 585**	**83 659 809**
Receivables with impairment		
Gross balance sheet exposure	4 504 310	4 579 692
Provisions for receivables with impairment	(2 668 051)	(2 707 532)
Net balance sheet exposure	**1 836 259**	**1 872 160**

Loans and advances to banks

	31.12.2017	30.09.2017
Loans and advances to banks (gross)	**1 708 749**	**2 405 203**
Provisions for loans and advances to banks (negative amount)	(1 027)	(1 292)
Loans and advances to banks (net)	**1 707 722**	**2 403 911**

Provisions for loans and advances to banks

	31.12.2017	30.09.2017
Incurred but not identified losses		
Gross balance sheet exposure	1 708 532	2 394 932
Impairment provisions for exposures analysed according to portfolio approach (IBNI)	(810)	(778)
Net balance sheet exposure	**1 707 722**	**2 394 154**
Receivables with impairment		
Gross balance sheet exposure	217	10 271
Provisions for receivables with impairment	(217)	(514)
Net balance sheet exposure	**-**	**9 757**

The table below presents the structure of concentration of mBank S.A. Group's exposures in particular sectors according to the new sector division based on the chain value concept introduced in January 2017, where under one single sector have been focused entities operating activities related to a given market (suppliers, manufacturers, vendors).

As at 30 September 2018 the table includes loans and advances at amortized cost and does not include the loans and advances measured at fair value through profit or loss. Comparative data as at 31 December 2017 and as at 30 September 2017 remained unchanged.

The structure of concentration of carrying amounts of exposure of mBank Group

No.	Sectors	Principal exposure (in PLN thousand)	%	Principal exposure (in PLN thousand)	%	Principal exposure (in PLN thousand)	%
		30.09.2018		31.12.2017		30.09.2017	
1.	Household customers	49 680 040	54.00	48 142 786	55.09	48 949 143	55.32
2.	Real estate	5 696 336	6.19	5 949 824	6.81	5 993 797	6.77
3.	Construction	4 532 981	4.92	4 111 639	4.71	4 038 898	4.56
4.	Food sector	2 911 573	3.16	2 489 925	2.85	2 455 633	2.78
5.	Transport and logistics	2 610 041	2.84	2 306 225	2.64	2 250 714	2.54
6.	Metals	2 427 736	2.64	2 099 826	2.40	1 995 538	2.26
7.	Motorisation	2 252 286	2.45	1 958 338	2.24	1 931 025	2.18
8.	Construction materials	1 855 066	2.02	1 661 265	1.90	1 721 550	1.95
9.	Chemicals and plastic products	1 820 650	1.98	1 476 802	1.69	1 596 971	1.80
10.	Wholesale trade	1 381 731	1.50	1 181 227	1.35	1 189 951	1.34
11.	Wood, furniture and paper products	1 328 181	1.44	1 504 274	1.72	1 497 490	1.69
12.	Financial activities	1 261 691	1.37	923 673	1.06	779 417	0.88
13.	Fuels	1 149 165	1.25	1 049 079	1.20	1 100 534	1.24
14.	Scientific and technical activities	1 035 780	1.13	1 192 750	1.36	1 147 889	1.30
15.	Power, power and heating distribution	1 014 974	1.10	885 455	1.01	1 009 360	1.14
16.	Rental and leasing activities	966 749	1.05	1 033 389	1.18	1 295 914	1.46
17.	Retail trade	929 135	1.01	850 512	0.97	1 017 782	1.15
18.	Information and communication	892 516	0.97	769 810	0.88	776 674	0.88
19.	IT	782 670	0.85	484 017	0.55	461 975	0.52
20.	Services	729 762	0.79	626 703	0.72	575 190	0.65
21.	Hotels and restaurants	668 153	0.73	663 620	0.76	678 032	0.77
22.	Other manufacturing activity	580 256	0.63	466 358	0.53	466 031	0.53
23.	Textiles and wearing apparel	578 143	0.63	547 283	0.63	549 189	0.62
24.	Public administration	570 502	0.62	724 179	0.83	760 608	0.86
25.	Agriculture, forestry and fishing	532 881	0.58	544 444	0.62	531 364	0.60
26.	Human health	518 706	0.56	454 995	0.52	442 288	0.50
27.	Municipal services	462 344	0.50	430 137	0.49	452 009	0.51
28.	Media	369 083	0.40	416 144	0.48	450 786	0.51
29.	Pharmacy	345 742	0.38	304 448	0.35	277 508	0.31
30.	Household equipment	311 242	0.34	287 422	0.33	297 782	0.34
31.	Electronics	278 764	0.30	241 998	0.28	174 409	0.20
32.	Arts, entertainment and recreation	222 057	0.24	236 857	0.27	329 948	0.37
33.	Education and scientific research	171 530	0.19	125 835	0.14	114 240	0.13
34.	Mining	89 994	0.10	76 631	0.09	81 478	0.09

As at 30 September 2018, the total exposure of the Group in the above sectors (excluding household customers) amounts to 44.86% of the credit portfolio (31 December 2017: 43.56%; 30 September 2017: - 43.43%)

20. Investments in associates

On 2 June 2017, mBank S.A. signed a preliminary conditional agreement on the sale of mLocum S.A. shares to Archicom S.A. After meeting the conditions precedent, on 31 July 2017 were sold 14 120 880 shares representing 51% of the share capital of mLocum S.A. Sale of the remaining 8 026 120 shares representing 28.99% of the share capital of mLocum S.A. will take place no later than on 30 June 2020. From 31 July 2017, the mLocum's shares held by the Bank have been presented in the statement of financial position under position "Investments in associates".

On 3 January 2018, an amendment to the Statute of mLocum S.A. was registered, regarding the change of the name of the company and its branches. Currently, the company is called Archicom Polska S.A.

21. Intangible assets

	30.09.2018	31.12.2017	30.09.2017
Goodwill	3 532	3 532	3 532
Patents, licences and similar assets, including:	358 003	379 288	373 846
- computer software	276 867	264 764	265 733
Other intangible assets	2 166	3 150	3 414
Intangible assets under development	358 518	324 672	255 480
Total intangible assets	**722 219**	**710 642**	**636 272**

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22. Tangible assets

	30.09.2018	31.12.2017	30.09.2017
Tangible assets, including:	651 424	623 228	661 295
- land	1 033	1 038	1 039
- buildings and structures	162 045	162 546	179 706
- equipment	162 683	161 574	176 845
- vehicles	221 438	224 964	229 384
- other fixed assets	104 225	73 106	74 321
Fixed assets under construction	96 743	135 510	40 550
Total tangible assets	**748 167**	**758 738**	**701 845**

23. Financial liabilities held for trading and derivatives held for hedges

	30.09.2018	31.12.2017	30.09.2017
Derivatives, including:	946 017	1 095 365	1 014 022
- Held for trading derivative financial instruments classified into banking book	95 035	84 859	94 397
- Held for trading derivative financial instruments classified into trading book	926 831	1 089 007	999 364
- Derivative financial instruments held for fair value hedging	52 051	35 631	44 283
- Derivative financial instruments held for cash flow hedging	5 164	2 103	6 697
- Offsetting effect	(133 064)	(116 235)	(130 719)
Total financial liabilities held for trading and derivatives held for hedges	**946 017**	**1 095 365**	**1 014 022**

24. Financial liabilities measured at amortised cost – amounts due to customers

	30.09.2018	31.12.2017	30.09.2017
Individual customers:	**61 692 808**	**55 693 608**	**54 037 180**
Current accounts	48 810 862	43 733 114	41 878 277
Term deposits	12 767 510	11 819 154	12 076 967
Other liabilities due to:	114 436	141 340	81 936
- liabilities in respect of cash collaterals	56 833	62 279	37 683
- other	57 603	79 061	44 253
Corporate customers:	**38 610 511**	**34 589 603**	**34 725 104**
Current accounts	20 319 849	21 463 748	19 362 566
Term deposits	11 419 505	8 037 151	8 426 194
Loans and advances received	4 681 629	4 142 944	4 503 882
Repo transactions	1 684 561	439 637	1 788 504
Other liabilities due to:	504 967	506 123	643 958
- liabilities in respect of cash collaterals	314 366	348 268	453 212
- other	190 601	157 855	190 746
Public sector customers:	**2 121 699**	**1 212 816**	**1 915 218**
Current accounts	443 672	623 231	514 662
Term deposits	1 673 335	585 389	1 394 637
Other liabilities	4 692	4 196	5 919
Total amounts due to customers	**102 425 018**	**91 496 027**	**90 677 502**
Short-term (up to 1 year)	**97 811 039**	**86 874 677**	**84 795 785**
Long-term (over 1 year)	**4 613 979**	**4 621 350**	**5 881 717**

The Group presents amounts due to micro enterprises provided by Retail Banking of mBank S.A. under amounts due to individual customers.

In the presented reporting periods the value of liabilities in respect of current accounts and term deposits accepted from micro enterprises amounted to respectively: 30 September 2018: PLN 6 708 306 thousand, 31 December 2017: PLN 5 950 020 thousand, 30 September 2017: PLN 5 219 962 thousand.

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25. Provisions

	30.09.2018	31.12.2017	30.09.2017
For legal proceedings	105 510	95 282	87 066
Commitments and guarantees given	118 341	75 715	74 660
Other provisions	42 789	19 978	10 425
Total provisions	**266 640**	**190 975**	**172 151**

Other provisions present provisions for the potential claims of third parties.

Movements in the provisions

	30.09.2018	31.12.2017	30.09.2017
As at the beginning of the period (by type)	**190 975**	**182 754**	**182 754**
For legal proceedings	95 282	113 192	113 192
Commitments and guarantees given	75 715	43 435	43 435
Other provisions	19 978	26 127	26 127
Impact of the implementation of IFRS 9 on 1 January 2018	**44 324**	**-**	**-**
- increase in provisions for commitments and guarantees given	44 324	-	-
As at the beginning of the period (by type)	**235 299**	**182 754**	**182 754**
For legal proceedings	95 282	113 192	113 192
Commitments and guarantees given	120 039	43 435	43 435
Other provisions	19 978	26 127	26 127
Change in the period (due to)	**31 341**	**8 221**	**(10 603)**
- increase of provisions	79 155	183 058	133 391
- release of provisions	(39 229)	(162 041)	(103 333)
- write-offs	(815)	(2 723)	(6 620)
- utilization	(7 957)	(5 533)	(31 047)
- reclassification to other positions of statement of financial position	-	(2 587)	(2 587)
- foreign exchange differences	187	(1 953)	(407)
As at the end of the period (by type)	**266 640**	**190 975**	**172 151**
For legal proceedings	105 510	95 282	87 066
Commitments and guarantees given	118 341	75 715	74 660
Other provisions	42 789	19 978	10 425

26. Assets and liabilities for deferred income tax

Deferred income tax assets	30.09.2018	31.12.2017	30.09.2017
As at the beginning of the period	**960 678**	**859 609**	**859 609**
Impact of the implementation of IFRS 9 on 1 January 2018	109 632		
Restated opening balance	**1 070 310**		
Changes recognized in the income statement	230 677	114 022	81 791
Changes recognized in other comprehensive income	36	(14 264)	(16 386)
Other changes	1 554	1 311	1 110
As at the end of the period	**1 302 577**	**960 678**	**926 124**

Provisions for deferred income tax	30.09.2018	31.12.2017	30.09.2017
As at the beginning of the period	**(331 509)**	**(320 061)**	**(320 061)**
Impact of the implementation of IFRS 9 on 1 January 2018	(40 243)		
Restated opening balance	**(371 752)**		
Changes recognized in the income statement	8 396	15 650	(23 742)
Changes recognized in other comprehensive income	(6 767)	(26 862)	(22 111)
Other changes	1 732	(236)	-
As at the end of the period	**(368 391)**	**(331 509)**	**(365 914)**

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Income tax	30.09.2018	31.12.2017	30.09.2017
Current income tax	(589 758)	(562 504)	(390 580)
Deferred income tax recognised in the income statement	239 073	129 672	58 049
Income tax recognised in the income statement	**(350 685)**	**(432 832)**	**(332 531)**
Recognised in other comprehensive income	(9 286)	(51 727)	(49 454)
Total income tax	**(359 971)**	**(484 559)**	**(381 985)**

27. Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction of selling the asset or transferring a liability occurs either:

- on the main market for the asset or liability,
- in the absence of a main market, for the most advantageous market for the asset or liability.

The main and the most advantageous markets must be both available to the Group.

Following market practices the Group values open positions in financial instruments using either the mark-to-market approach or is applying pricing models well established in market practice (mark-to-model method) which use as inputs market prices or market parameters, and in few cases parameters estimated internally by the Group. All significant open positions in derivatives (currency or interest rates) are valued by marked-to-model using prices observable in the market. Domestic commercial papers are marked to model (by discounting cash flows), which in addition to market interest rate curve uses credit spreads estimated internally.

The Group assumed that the fair value of short-term financial liabilities (less than 1 year) is equal to the balance sheet values of such items.

In addition, the Group assumes that the estimated fair value of financial assets and financial liabilities longer than 1 year is based on discounted cash flows using appropriate interest rates.

The following table presents a summary of balance sheet values and fair values for each group of financial assets and liabilities not recognised in the statement of financial position of the Group at their fair values.

	30.09.2018	
	Carrying value	Fair value
Financial assets at amortised cost		
Debt securities	**8 856 425**	**8 910 374**
Loans and advances to banks	**4 469 853**	**4 486 573**
Loans and advances to customers, including:	**88 826 966**	**89 052 945**
Individual customers	**47 817 741**	**48 793 728**
Current accounts	6 052 720	6 232 514
Term loans	41 563 164	42 359 357
Other receivables	201 857	201 857
Corporate customers	**40 288 908**	**39 539 919**
Current accounts	5 504 338	5 398 683
Term loans, including finance leases	32 456 173	31 812 839
Reverse repo / buy-sell-back transactions	10 887	10 887
Other loans and advances	2 253 217	2 253 217
Other receivables	64 293	64 293
Public sector customers	**720 317**	**719 298**
Financial liabilities measured at amortised cost		
Amounts due to banks	**3 887 349**	**3 887 514**
Amounts due to customers	**102 425 018**	**102 335 539**
Debt securities issued	**19 083 289**	**19 305 879**
Subordinated financial liabilities	**2 202 979**	**2 236 130**

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	31.12.2017		30.09.2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortised cost				
Loans and advances to banks	**1 707 722**	**1 701 570**	**2 403 911**	**2 399 542**
Loans and advances to customers	**84 475 844**	**84 924 846**	**85 531 969**	**86 222 987**
Loans and advances to individuals	**46 567 862**	**47 629 716**	**47 350 146**	**48 840 260**
Current accounts	6 669 099	6 825 992	6 612 323	6 869 951
Term loans	39 898 763	40 803 724	40 737 823	41 970 309
Loans and advances to corporate entities	**36 605 346**	**35 993 148**	**36 934 931**	**36 143 102**
Current accounts	4 975 919	4 851 402	5 522 420	5 304 494
Term loans	29 502 709	29 014 447	29 356 416	28 782 144
Reverse repo / buy sell back transactions	57 119	57 119	55 649	55 649
Other receivables	2 069 599	2 070 180	2 000 446	2 000 815
Loans and advances to public sector	**995 009**	**994 355**	**1 034 619**	**1 027 352**
Other receivables	**307 627**	**307 627**	**212 273**	**212 273**
Financial liabilities measured at amortised cost				
Amounts due to other banks	**5 073 351**	**5 100 040**	**8 451 809**	**8 496 919**
Amounts due to customers	**91 496 027**	**91 518 916**	**90 677 502**	**90 698 084**
Debt securities in issue	**14 322 852**	**14 685 791**	**13 685 190**	**14 100 173**
Subordinated liabilities	**2 158 143**	**2 137 590**	**2 204 523**	**2 146 434**

Differences between fair value presented in the table above and in the financial statements for the year 2017 and for the third quarter of 2017 result from the update of the methodology for estimating the fair value of financial assets.

The following sections present the key assumptions and methods used by the Group for estimation of the fair values of financial instruments:

Loans and advances to banks and loans and advances to customers. The fair value for loans and advances to banks and loans and advances to customers is disclosed as the present value of future cash flows using current interest rates including appropriate credit spreads and is based on the expected maturity of the respective loan agreements. The level of credit spread was determined based on market quotation of median credit spreads for Moody's rating grade. Attribution of a credit spread to a given credit exposure is based on a mapping between Moody's rating grade and internal rating grades of the Group. To reflect the fact that the majority of the Group's exposures is collateralised whereas the median of market quotation is centred around unsecured issues, the Group applied appropriate adjustments.

Financial assets at fair value through other comprehensive income. Listed available for sale financial instruments held by the Group are valued at fair value. The fair value of debt securities not listed at an active market is calculated using current interest rates taking into account credit spreads for an appropriate issuer.

Financial liabilities. Financial instruments representing liabilities for the Group include the following:

- Contracted borrowings;
- Deposits;
- Issues of debt securities;
- Subordinated liabilities.

The fair value for these financial liabilities with more than 1 year to maturity is based on cash flows discounted using interest rates. For loans received from Commerzbank in CHF, the Group used the curve based on quotations of Commerzbank CDS for exposures in EUR and quotations of issued bonds under EMTN programme in EUR and CHF. For the loans received from European Investment Bank in EUR the Group used the EBI yield curve. With regard to the own issue as part of the EMTN programme the market price of the relevant financial services has been used.

In the case of deposits, the Group has applied the curve constructed on the basis of quotations of money market rates as well as FRA and IRS contracts for appropriate currencies and maturities. In case of subordinated liabilities, the Group used curves based on cross-currency basis swap levels taking into account the original spread on subordinated liabilities and their maturities.

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In case of covered bonds and other debt securities issued by mBank Hipoteczny, for the purpose of the disclosures swap curves and forecasted initial spreads for certain issues are used.

The Group assumed that the fair values of these instruments with less than 1 year to maturity was equal to the carrying amounts of the instruments.

According to the fair value methodology applied by the Group, financial assets and liabilities are classified as follows:

- Level 1: prices quoted on active markets for the same instrument (without modification);
- Level 2: prices quoted on active markets for the similar instruments or other valuation techniques for which all significant input data are based on observable market data;
- Level 3: valuation methods for which at least one significant input data is not based on observable market data.

The following tables presents the hierarchy of fair values of financial assets and liabilities recognised in the condensed statement of financial position of the Group at their fair values.

30.09.2018	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
RECURRING FAIR VALUE MEASUREMENTS				
Financial assets				
Financial assets held for trading and derivatives held for hedges	**3 652 723**	**2 253 259**	**1 034 703**	**364 761**
Loans and advances to custumers	**43 096**	**-**	**-**	**43 096**
- Credit institutions	43 096	-	-	43 096
Debt securities	**2 574 814**	**2 253 149**	**-**	**321 665**
- General governments	2 253 149	2 253 149	-	-
- Credit institutions	168 481	-	-	168 481
- Other financial corporations	75 251	-	-	75 251
- Non-financial corporations	77 933	-	-	77 933
Equity securities	**270**	**110**	**160**	**-**
- Other financial corporations	160	-	160	-
- Non-financial corporations	110	110	-	-
Derivative financial instruments, including:	**1 034 543**	**-**	**1 034 543**	**-**
Derivative financial instruments held for trading:	**870 360**	**-**	**870 360**	**-**
- interest rate derivatives	499 124	-	499 124	-
- foreign exchange derivatives	254 037	-	254 037	-
- market risks derivatives	117 199	-	117 199	-
Derivative financial instruments held for hedging:	**164 183**	**-**	**164 183**	**-**
- derivatives designated as fair value hedges	91 651	-	91 651	-
- derivatives designated as cash flow hedges	72 532	-	72 532	-
Non-trading financial assets mandatorily at fair value through profit or loss	**2 554 340**	**933**	**-**	**2 553 407**
Loans and advances to custumers	**2 478 570**	**-**	**-**	**2 478 570**
- Individual customers	2 140 504	-	-	2 140 504
- Credit institutions	323 621	-	-	323 621
- Corporate custumers	14 445	-	-	14 445
Equity securities	**75 770**	**933**	**-**	**74 837**
- Other financial corporations	16 792	933	-	15 859
- Non-financial corporations	58 978	-	-	58 978
Financial assets at fair value through other comprehensive income	**25 153 377**	**22 264 801**	**1 404 588**	**1 483 988**
Debt securities	**25 088 724**	**22 264 801**	**1 404 588**	**1 419 335**
- Banki centralne	1 404 588	-	1 404 588	-
- General governments	21 076 638	21 041 137	-	35 501
- Credit institutions	362 734	-	-	362 734
- Other financial corporations	1 484 364	1 223 664	-	260 700
- Non-financial corporations	760 400	-	-	760 400
Equity securities	**64 653**	**-**	**-**	**64 653**
- Other financial corporations	64 653	-	-	64 653
Total financial assets	**31 360 440**	**24 518 993**	**2 439 291**	**4 402 156**

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30.09.2018	Including:	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Other valuation techniques
Financial liabilities				
Derivative financial instruments	**946 017**	**-**	**946 017**	**-**
Derivative financial instruments held for trading	**953 067**	**-**	**953 067**	**-**
- interest rate derivatives	529 536	-	529 536	-
- foreign exchange derivatives	315 606	-	315 606	-
- market risks derivatives	107 925	-	107 925	-
Derivative financial instruments held for trading	**(7 050)**	**-**	**(7 050)**	**-**
- derivatives designated as fair value hedges	(7 061)	-	(7 061)	-
- derivatives designated as cash flow hedges	11	-	11	-
Total financial liabilities	**946 017**	**-**	**946 017**	**-**
TOTAL RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS	**31 360 440**	**24 518 993**	**2 439 291**	**4 402 156**
FINANCIAL LIABILITIES	**946 017**	**-**	**946 017**	**-**

Assets Measured at Fair Value Based on Level 3 - changes in the period from 1 January to 30 September 2018	Debt trading securities	Non-trading equity securities mandatorily at fair value through profit or loss	Debt securities at fair value through other comprehensive income	Equity securities at fair value through other comprehensive income
As at the beginning of the period	**288 676**	**-**	**1 214 940**	**86 639**
Transfer between asset categories due to the implementation of IFRS 9 as at 01.01.2018	-	40 101	-	(40 101)
Restated opening balance	**288 676**	**40 101**	**1 214 940**	**46 538**
Gains and losses for the period:	**998**	**-**	**(690)**	**18 115**
Recognised in profit or loss:	998	-	-	1 778
- Net trading income	*998*	-	-	*1 778*
Recognised in other comprehensive income:	-	-	(690)	16 337
- Financial assets at fair value through other comprehensive income	-	-	*(690)*	*16 337*
Purchases	909 923	38 276	1 350 392	-
Redemptions	(346 180)	-	(20 620)	-
Sales	(2 064 574)	(3 540)	(1 315 247)	-
Issues	1 532 822	-	190 560	-
As at the end of the period	**321 665**	**74 837**	**1 419 335**	**64 653**

During the three quarters of 2018 there were no transfers of financial instruments between the levels of fair value hierarchy.

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

31.12.2017	Including:	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Other valuation techniques
RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS				
Trading securities, including:	**1 525 382**	**1 236 546**	**160**	**288 676**
Debt securities	***1 523 908***	***1 235 232***	**-**	***288 676***
- government bonds	1 232 515	1 232 515	-	-
- deposit certificates	14 096	-	-	14 096
- banks bonds	98 601	-	-	98 601
- corporate bonds	178 696	2 717	-	175 979
Equity securities	***1 474***	***1 314***	***160***	**-**
- listed	1 314	1 314	-	-
- unlisted	160	-	160	-
Derivative financial instruments, including:	***1 236 303***	**-**	***1 236 303***	**-**
Derivative financial instruments held for trading	***1 146 956***	**-**	***1 146 956***	**-**
- interest rate derivatives	708 582	-	708 582	-
- foreign exchange derivatives	393 723	-	393 723	-
- market risks derivatives	44 651	-	44 651	-
Derivative financial instruments held for hedging	***89 347***	**-**	***89 347***	**-**
- derivatives designated as fair value hedges	59 652	-	59 652	-
- derivatives designated as cash flow hedges	29 695	-	29 695	-
Investment securities, including:	**32 144 699**	**28 520 206**	**2 322 914**	**1 301 579**
Debt securities	***32 057 074***	***28 519 220***	***2 322 914***	***1 214 940***
- government bonds	27 583 694	27 583 694	-	-
- money bills	2 322 914	-	2 322 914	-
- deposit certificates	221 700	-	-	221 700
- banks bonds	204 436	-	-	204 436
- corporate bonds	1 688 420	935 526	-	752 894
- communal bonds	35 910	-	-	35 910
Equity securities	***87 625***	***986***	**-**	***86 639***
- unlisted	87 625	986	-	86 639
TOTAL FINANCIAL ASSETS	**34 906 384**	**29 756 752**	**3 559 377**	**1 590 255**

31.12.2017	Including:	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Other valuation techniques
FINANCIAL LIABILITIES				
Derivative financial instruments, including:	***1 095 365***	**-**	***1 095 365***	**-**
Derivative financial instruments held for trading	***1 069 691***	**-**	***1 069 691***	**-**
- interest rate derivatives	658 744	-	658 744	-
- foreign exchange derivatives	376 854	-	376 854	-
- market risks derivatives	34 093	-	34 093	-
Derivative financial instruments held for trading	***25 674***	**-**	***25 674***	**-**
- derivatives designated as fair value hedges	24 188	-	24 188	-
- derivatives designated as cash flow hedges	1 486	-	1 486	-
Total financial liabilities	***1 095 365***	**-**	***1 095 365***	**-**
TOTAL RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS	**34 906 384**	**29 756 752**	**3 559 377**	**1 590 255**
FINANCIAL LIABILITIES	**1 095 365**	**-**	**1 095 365**	**-**

Assets Measured at Fair Value Based on Level 3 - changes in 2017	Debt trading securities	Debt investment securities	Equity investment securities
As at the beginning of the period	**290 544**	**901 885**	**65 261**
Total gains and losses for the period:	**3 274**	**(16 036)**	**3 339**
Recognised in profit or loss:	3 274	(7 511)	(4 751)
- Net trading income	*3 274*	-	-
- Gains less losses from investment securities, investments in subsidiaries and associates	-	*(7 511)*	*(4 751)*
Recognised in other comprehensive income:	-	(8 525)	8 090
- Available for sale financial assets	-	*(8 525)*	*8 090*
Purchases	1 038 365	478 498	22 636
Redemptions	(222 187)	(106 496)	-
Sales	(7 315 111)	(1 689 984)	(4 500)
Issues	6 493 791	1 647 073	-
Transfers out of Level 3	-	-	*(97)*
As at the end of the period	**288 676**	**1 214 940**	**86 639**

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Transfers between levels in 2017	Transfer into level 1	Transfer out of level 1	Transfer into level 2	Transfer out of level 2
Investment securities	**97**	-	-	-
Equity securities	97	-	-	-

In 2017, one transfer from level 3 to level 1 of the fair value hierarchy took place and concerned a company whose shares were admitted to public trading.

30.09.2017	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS				
TRADING SECURITIES	**1 990 360**	**1 765 509**	**155**	**224 696**
Debt securities	**1 987 524**	**1 762 828**	**-**	**224 696**
- government bonds	1 759 745	1 759 745	-	-
- deposit certificates	15 120	-	-	15 120
- banks bonds	58 912	-	-	58 912
- corporate bonds	153 747	3 083	-	150 664
Equity securities	**2 836**	**2 681**	**155**	**-**
- listed	2 681	2 681	-	-
- unlisted	155	-	155	-
DERIVATIVE FINANCIAL INSTRUMENTS	**1 348 821**	**-**	**1 348 821**	**-**
Derivative financial instruments held for trading	**1 173 157**	**-**	**1 173 157**	**-**
- interest rate derivatives	698 817	-	698 817	-
- foreign exchange derivatives	431 758	-	431 758	-
- market risks derivatives	42 582	-	42 582	-
Derivative financial instruments held for hedging	**175 664**	**-**	**175 664**	**-**
- derivatives designated as fair value hedges	174 381	-	174 381	-
- derivatives designated as cash flow hedges	1 283	-	1 283	-
INVESTMENT SECURITIES	**32 448 706**	**28 100 873**	**3 192 630**	**1 155 203**
Debt securities	**32 374 796**	**28 099 207**	**3 192 630**	**1 082 959**
- government bonds	27 359 309	27 359 309	-	-
- money bills	3 192 630	-	3 192 630	-
- deposit certificates	221 352	-	-	221 352
- banks bonds	130 878	-	-	130 878
- corporate bonds	1 434 669	739 898	-	694 771
- communal bonds	35 958	-	-	35 958
Equity securities	**73 910**	**1 666**	**-**	**72 244**
- listed	729	729	-	-
- unlisted	73 181	937	-	72 244
TOTAL FINANCIAL ASSETS	**35 787 887**	**29 866 382**	**4 541 606**	**1 379 899**

30.09.2017	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
FINANCIAL LIABILITIES				
Derivative financial instruments	**1 014 022**	**-**	**1 014 022**	**-**
Derivative financial instruments held for trading	**992 808**	**-**	**992 808**	**-**
- interest rate derivatives	686 738	-	686 738	-
- foreign exchange derivatives	275 111	-	275 111	-
- market risks derivatives	30 959	-	30 959	-
Derivative financial instruments held for hedging	**21 214**	**-**	**21 214**	**-**
- derivatives designated as fair value hedges	41 093	-	41 093	-
- derivatives designated as cash flow hedges	(19 879)	-	(19 879)	-
Total financial liabilities	**1 014 022**	**-**	**1 014 022**	**-**
TOTAL RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS	**35 787 887**	**29 866 382**	**4 541 606**	**1 379 899**
FINANCIAL LIABILITIES	**1 014 022**	**-**	**1 014 022**	**-**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2018 PLN (000's)

Assets Measured at Fair Value Based on Level 3 - changes in the period from 1 January to 30 September of 2017	Debt trading securities	Debt investment securities	Equity investment securities
As at the beginning of the period	**290 544**	**901 885**	**65 261**
Gains and losses for the period:	**1 755**	**4 660**	**2 070**
Recognised in profit or loss:	1 755	(7 511)	(4 751)
Net trading income	*1 755*	-	-
Gains less losses from investment securities, investments in subsidiaries and associates	-	*(7 511)*	*(4 751)*
Recognised in other comprehensive income:	-	*12 171*	*6 821*
Available for sale financial assets	-	*12 171*	*6 821*
Purchases	599 458	637 409	9 510
Redemptions	(47 709)	(30 342)	-
Sales	(2 766 142)	(936 166)	(4 500)
Issues	2 146 790	505 513	-
Transfers out of Level 3	-	-	(97)
As at the end of the period	**224 696**	**1 082 959**	**72 244**

Transfers between levels in in the period from 1 January to 30 September of 2017	Transfers into Level 1	Transfers out of Level 1	Transfers into Level 2	Transfers out of Level 2
Investment securities	**97**	**-**	**-**	**-**
Equity securities	*97*	-	-	-

During the three quarters of 2017 has been observed one transfer from level 3 to level 1 of fair value hierarchy took place and concerned a company whose shares were admitted to public trading.

Level 1

As at 30 September 2018, at level 1 of the fair value hierarchy, the Group has presented the fair value of held for trading government bonds in the amount of PLN 2 253 149 thousand (see Note 16) and the fair value of government bonds and treasury bills measured at fair value through other comprehensive income in the amount of PLN 21 041 137 thousand (see Note 18) (31 December 2017 respectively: PLN 1 232 515 thousand and PLN 27 583 694 thousand, 30 September 2017 respectively: PLN 1 759 745 thousand and PLN 27 359 309 thousand). Level 1 includes the fair values of corporate bonds in the amount of PLN 1 223 664 thousand (31 December 2017: PLN 938 243 thousand, 30 September 2017: PLN 742 981 thousand).

In addition, as at 30 September 2018 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 933 thousand (31 December 2017: PLN 986 thousand, 30 September 2017: PLN 937 thousand) and the value of the shares of listed companies in the amount of PLN 110 thousand (31 December 2017: PLN 1 314 thousand, 30 September 2017: PLN 3 410 thousand).

These instruments are classified as level 1 because their valuation is directly derived by applying current market prices quoted on active and liquid financial markets.

Level 2

Level 2 of the fair value hierarchy mainly includes the fair values of bills issued by NBP in the amount of PLN 1 404 588 thousand (31 December 2017: PLN 2 322 914 thousand, 30 September 2017: PLN 3 192 630 thousand), whose valuation is based on a NPV model (discounted future cash flows) fed with interest rate curves generated by transformation of quotations taken directly from active and liquid financial markets.

In addition, the level 2 category includes the valuation of derivative financial instruments borne on models consistent with market standards and practices, using parameters taken directly from the markets (e.g. foreign exchange rates, implied volatilities of fx options, stock prices and indices) or parameters which transform quotations taken directly from active and liquid financial markets (e.g. interest rate curves).

As at 30 September 2018, 31 December 2017, and 30 September 2017, level 2 also includes the value of options referencing on the WIG20 index, listed on the Stock Exchange. For the valuation of index options on WIG20 the Bank applied an internal model (based on a model for implied volatility) for which market data have been used as input parameters.

Level 3

Level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies (bonds and deposit certificates) in the amount of PLN 1 705 499 thousand (31 December 2017: PLN 1 467 706 thousand, 30 September 2017: PLN 1 271 697 thousand).

Level 3 includes also the fair value of local government bonds in the amount of PLN 35 501 thousand (31 December 2017: PLN 35 910 thousand, 30 September 2017: PLN 35 958 thousand).

The above mentioned debt instruments are classified as level 3 because in addition to parameters which transform quotations taken directly from active and liquid financial markets (interest rate curves), their valuation uses credit spread estimated by the Bank by means of an internal credit risk model and reflects the credit risk of the issuer. The model uses parameters (e.g., rate of recovery from collateral, rating migrations, default ratio volatilities) which are not observed on active markets and hence were generated by statistical analysis.

As at 30 September 2018, Level 3 includes the fair value of loans and advances to customers in the amount of PLN 2 521 666 thousand.

The fair value for loans and advances to customers is calculated as the present value of future cash flows (adjusted by prepayments) using current interest rates, including credit spread, cost of liquidity and cost of capital margin. The level of credit spread was determined based on market quotation of median credit spreads for Moody's rating grade. Attribution of a credit spread to a given credit exposure is based on a mapping between Moody's rating grade and internal rating grades of the Group. To reflect the fact that the Group's exposures are in major part collateralised whereas the median of market quotation is centred around unsecured issues, the Group applied appropriate adjustments.

Moreover, level 3 also includes the fair value of equity securities amounting to PLN 139 490 thousand (31 December 2017: PLN 86 639 thousand, 30 September 2017: PLN 72 244 thousand). As at 30 September 2018, these amount includes the value of preferred stock in Visa Inc. in the amount of PLN 64 653 thousand (31 December 2017: PLN 46 538 thousand, 30 September 2017 PLN 45 238 thousand). The other equity securities presented at level 3 have been valuated using the market multiples method. The market multiples method, consists of valuating the equity capital of a company by using a relation between the market values of the own equity capital or market values of the total capital invested in comparable companies (goodwill) and selected economic and financial figures.

Selected explanatory information

1. Compliance with international financial reporting standards

The presented condensed consolidated report for the third quarter of 2018 fulfils the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" relating to interim financial reports.

In addition, selected explanatory information provide additional information in accordance with Decree of the Minister of Finance dated 29 March 2018 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws 2018, item 757).

2. Consistency of accounting principles and calculation methods applied to the drafting of the quarterly report and the last annual financial statements

The detailed description of the Group's accounting policies is presented in Note 2 and 3 of these condensed consolidated financial statements. The accounting principles adopted by the Group were applied on a continuous basis for all periods presented in the financial statements, except for the accounting principles applied in connection with the implementation of IFRS 9 as of 1 January 2018. The main changes in the classification, measurement and principles for creating provisions for impairment of financial instruments introduced by IFRS 9 are presented under Note 2.31 Comparative data.

3. Seasonal or cyclical nature of the business

The business operations of the Group do not involve significant events that would be subject to seasonal or cyclical variations.

4. Nature and values of items affecting assets, liabilities, equity, net profit/(loss) or cash flows, which are extraordinary in terms of their nature, magnitude or exerted impact

- From 1 January 2018, the Group has implemented the International Financial Reporting Standard - IFRS 9: "Financial Instruments", whose impact on the statement of financial situation and the level of own funds of the Bank and the Group as at 1 January 2018 has been presented under Note 2.31.
- New debt securities issue program (EMTN)

  On 11 April 2018, the Management Board of mBank SA adopted a resolution regarding a consent to establish a new programme for the issuance of debt instruments (Euro Medium Term Note Program) directly by the Bank, in many tranches and currencies, with various interest structures and due dates, up to the total amount of EUR 3 000 000 thousand ("New EMTN Programme"). The amount of EUR 3 000 000 thousand is the equivalent of PLN 12 573 300 thousand according to the average exchange rate of the National Bank of Poland of 11 April 2018.

  The new EMTN Programme will be established by the way of update of the existing debt instruments programme of mFinance France S.A. (mFF) of a incorporated under the laws of France with its registered office in Paris, subsidiary of mBank S.A. The update does not affect the existence of the instruments already issued by mFF nor the validity of the guarantee granted by the Bank with regard to those instruments.

  Under the New EMTN Programme, the Bank made two issues:

  - on June 7, 2018, the Bank issued bonds with a total value of CHF 180 000 thousand (equivalent of PLN 660 906 thousand at the average exchange rate of the National Bank of Poland as of 7 June 2018), maturing on 7 June 2022,
  - on September 5, 2018, the Bank issued bonds with a total value of EUR 500 000 thousand (equivalent of PLN 2 159 150 thousand at the average exchange rate of the National Bank of Poland as of 5 September 2018), maturing on 5 September 2022.

5. Nature and amounts of changes in estimate values of items, which were presented in previous interim periods of the current reporting year, or changes of accounting estimates indicated in prior reporting years, if they bear a substantial impact upon the current interim period

The impact of the implementation as at 1 January 2018 of IFRS 9 on the statements of financial position of the Bank and mBank S.A. Group prepared as at 1 January 2018 has been presented under Note 2.31 of these condensed consolidated financial statements.

6. Issues, redemption and repayment of non-equity and equity securities

In the first quarter of 2018, mBank Hipoteczny S.A. issued long term bonds in the amount of PLN 250 000 thousand and redeemed short term bonds in the amount of PLN 110 000 thousand.

In addition, on September 5, 2018, the Bank issued bonds with a total value of EUR 500 000 thousand, which was described under point 4 above.

7. Dividends paid (or declared) altogether or broken down by ordinary shares and other shares

On 12 April 2018, the 31st Annual General Meeting of mBank S.A. adopted a resolution regarding the distribution of the net profit for 2017. The dividend for the Bank's shareholders was contributed the amount of PLN 217 907 428.30, with the amount of the dividend per share amounting to PLN 5.15. This amount represents 20% of the Bank's net profit generated in the period from 1 January to 31 December 2017.

The dividend day was set for 24 May 2018 (the dividend day), while the payment of the dividend took place on June 7, 2018.

8. Significant events after the end of the third quarter of 2018, which are not reflected in the financial statements

Events as indicated above did not occur in the Group.

9. Effect of changes in the structure of the entity in the third quarter of 2018, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities

- The sale of an organised part of mFinanse

On 27 November 2017, mBank S.A. and mBank's subsidiary mFinanse S.A. ("mFinanse"), concluded a conditional agreement under which mBank was obliged to sell 100%, i.e. 100 000 shares in Latona S.A. to Phoebe IVS with its registered office in Denmark "Inwestor", then mFinanse was obliged to sell the organized part of the enterprise of mFinanse to Latona S.A.

In connection with the above, on 26 March 2018, the Bank sold 100% of shares in Latona S.A. to the Investor, and on 27 March 2018, mFinanse sold the organized part of mFinanse to Latona S.A.

The organized part of the enterprise was a separate activity under which, on the basis of agency agreements, mFinanse performed insurance intermediation activities in the field of group insurance contracts as an insurance agent.

As a result of the transaction, till 30 September 2018 the Group recognised a gross profit in the amount of PLN 246 778 thousand. Due to the nature of the transaction, the recognition of the part of the remuneration in the future will depend on the performance of the business sold. This may result in the recognition of an additional gross profit of up to PLN 153 million in the period of about 5 years from the end of the third quarter of 2018. Cash flows relating to the transaction are presented in the in the statement of cash flows as "Other investing inflows".

10. Changes in contingent liabilities and commitments

In the third quarter of 2018, there were no changes in contingent liabilities and commitments of credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

11. Write-offs of the value of inventories down to net realisable value and reversals of such write-offs

In the third quarter of 2018, events as indicated above did not occur in the Group.

12. Revaluation write-offs on account of impairment of tangible fixed assets, intangible assets, or other assets as well as reversals of such write-offs

In the third quarter of 2018, events as indicated above did not occur in the Group.

13. Revaluation write-offs on account of impairment of financial assets

Data regarding write-offs on account of impairment of financial assets is presented under Note 12 of these condensed consolidated financial statements.

14. Reversals of provisions against restructuring costs

In the third quarter of 2018, events as indicated above did not occur in the Group.

15. Acquisitions and disposals of tangible fixed asset items

In the third quarter of 2018, there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease operations that are performed by the companies of the Group.

16. Material liabilities assumed on account of acquisition of tangible fixed assets

In the third quarter of 2018, events as indicated above did not occur in the Group.

17. Information about changing the process (method) of measurement the fair value of financial instruments

In connection with the implementation of IFRS 9 as of 1 January 2018, the Group has appropriately changed the methods for determining the fair value of financial instruments, as described in detail under Note 2 "Description of relevant accounting policies".

18. Changes in the classification of financial assets due to changes of purpose or use of these assets

In the reporting period there were no changes in the classification of financial assets as a result of a change in the purpose or use of these assets.

19. Corrections of errors from previous reporting periods

In the third quarter of 2018 there were no corrections of errors from previous reporting periods.

20. Information on changes in the economic situation and operating conditions that have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are included in the fair value or in the adjusted purchase price (amortized cost)

In the third quarter of 2018, events as indicated above did not occur in the Group.

21. Default or infringement of a loan agreement or failure to initiate composition proceedings

In the third quarter of 2018, events as indicated above did not occur in the Group.

22. Position of the management on the probability of performance of previously published profit/loss forecasts for the year in light of the results presented in the quarterly report compared to the forecast

mBank S.A. did not publish a performance forecast for the year 2018.

23. Registered share capital

The total number of ordinary shares as at 30 September 2018 was 42 332 466 shares (31 December 2017: 42 312 122 shares, 30 September 2017 - 42 311 255 shares) at PLN 4 nominal value each. All issued shares were fully paid up.

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REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 30 SEPTEMBER 2018						
Share type	**Type of privilege**	**Type of limitation**	**Number of shares**	**Series / face value of issue in PLN**	**Paid up**	**Registered on**
ordinary bearer*	-	-	9 988 000	39 952 000	fully paid in cash	1986
ordinary registered*	-	-	12 000	48 000	fully paid in cash	1986
ordinary bearer	-	-	2 500 000	10 000 000	fully paid in cash	1994
ordinary bearer	-	-	2 000 000	8 000 000	fully paid in cash	1995
ordinary bearer	-	-	4 500 000	18 000 000	fully paid in cash	1997
ordinary bearer	-	-	3 800 000	15 200 000	fully paid in cash	1998
ordinary bearer	-	-	170 500	682 000	fully paid in cash	2000
ordinary bearer	-	-	5 742 625	22 970 500	fully paid in cash	2004
ordinary bearer	-	-	270 847	1 083 388	fully paid in cash	2005
ordinary bearer	-	-	532 063	2 128 252	fully paid in cash	2006
ordinary bearer	-	-	144 633	578 532	fully paid in cash	2007
ordinary bearer	-	-	30 214	120 856	fully paid in cash	2008
ordinary bearer	-	-	12 395 792	49 583 168	fully paid in cash	2010
ordinary bearer	-	-	16 072	64 288	fully paid in cash	2011
ordinary bearer	-	-	36 230	144 920	fully paid in cash	2012
ordinary bearer	-	-	35 037	140 148	fully paid in cash	2013
ordinary bearer	-	-	36 044	144 176	fully paid in cash	2014
ordinary bearer	-	-	28 867	115 468	fully paid in cash	2015
ordinary bearer	-	-	41 203	164 812	fully paid in cash	2016
ordinary bearer	-	-	31 995	127 980	fully paid in cash	2017
ordinary bearer	-	-	20 344	81 376	fully paid in cash	2018
Total number of shares			**42 332 466**			
Total registered share capital				**169 329 864**		
Nominal value per share (PLN)		**4**				

* As at the end of the reporting period

In connection with registration on 21 September 2018 by the National Depository of Securities (KDPW) of 20 344 shares of mBank S.A., the share capital of mBank S.A. increased by PLN 81 376 with the effect from 21 September 2018. The shares were issued as part of the conditional increase in the share capital of the Bank by issuance of shares with no subscription rights for the existing shareholders in order to enable beneficiaries of the incentive programmes to take up shares in mBank S.A.

24. Material share packages

In the third quarter of 2018, there were no changes in the holding of material share packages of the Bank.

Commerzbank AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 30 September 2018 it held 69.34% of the share capital and votes at the General Meeting of mBank S.A.

On 20 March 2015, the Bank received from ING Otwarty Fundusz Emerytalny (now Nationale-Nederlanden Otwarty Fundusz Emerytalny) (Fund) a notification that the total numbers of votes controlled at the General Meeting of mBank S.A. increased over 5%.

Prior to the acquisition, the Fund held 2 110 309 shares of mBank S.A., which constituted 4.99% of mBank S.A. share capital and entitled it to exercise 2 110 309 votes at the General Meeting of mBank S.A. On 18 March 2015, in the brokerage account of the Fund there were 2 130 699 shares of mBank S.A., which represented 5.05% of the share capital of mBank S.A. The shares entitled to 2 130 699 votes at the General Meeting of mBank SA, which represented 5.05% of the total number of votes.

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25. Change in Bank shares and rights to shares held by managers and supervisors

	Number of rights to shares held as at the date of publishing the report for H1 2018	Number of rights to shares acquired from the date of publishing the report for H1 2018 to the date of publishing the report for Q3 2018	Number of rights to shares realised from the date of publishing the report for H1 2018 to the date of publishing the report for Q3 2018	Number of rights to shares held as at the date of publishing the report for Q3 2018
Management Board				
1. Cezary Stypułkowski	-	2 099	2 099	-
2. Lidia Jabłonowska-Luba	-	1 468	1 468	-
3. Frank Bock	-	-	-	-
4. Andreas Böger	-	-	-	-
5. Krzysztof Dąbrowski	-	513	513	-
6. Cezary Kocik	-	1 750	1 750	-
7. Adam Pers	-	500	500	-

	Number of shares held as at the date of publishing the report for H1 2018	Number of shares acquired from the date of publishing the report for H1 2018 to the date of publishing the report for Q3 2018	Number of shares sold from the date of publishing the report for H1 2018 to the date of publishing the report for Q3 2018	Number of shares held as at the date of publishing the report for Q3 2018
Management Board				
1. Cezary Stypułkowski	16 275	2 099	-	18 374
2. Lidia Jabłonowska-Luba	-	1 468	1 468	-
3. Frank Bock	-	-	-	-
4. Andreas Böger	-	-	-	-
5. Krzysztof Dąbrowski	1 117	513	-	1 630
6. Cezary Kocik	-	1 750	1 750	-
7. Adam Pers	-	500	240	260

As at the date of publishing the report for the first half of 2018 and as at the date of publishing the report for the third quarter of 2018, the Members of the Management Board had no and they have no rights to Bank's shares.

As at the date of publishing the report for the first half of 2018 and as at the date of publishing the report for the third quarter of 2018, the Member of the Supervisory Board of mBank S.A. Mr Jörg Hessenmüller had the Bank's shares in the amount respectively: 6 118 and 7 155.

As at the date of publishing the report for the first half of 2018 and as at the date of publishing the report for the third quarter of 2018, the other Members of the Supervisory Board of mBank S.A. had neither Bank shares nor rights to Bank shares.

26. Proceedings before a court, arbitration body or public administration authority

As at 30 September 2018, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities and receivables of the Bank or its subsidiaries, which represent at least 10% of the Bank's equity. Moreover, the total value of claims concerning liabilities of the Bank or its subsidiary in all proceedings before a court, an arbitration body or a public administration authority as at 30 September 2018 was also not higher than 10% of the Bank's equity.

The Bank monitors the status of all legal proceedings brought against the Bank and the level of required provisions.

Information on the most important court proceedings relating to the issuer's contingent liabilities

1. Claims of Interbrok's clients

Since 14 August 2008, 170 entities which have been clients of Interbrok Investment E. Dróżdż i Spółka Spółka jawna (hereinafter Interbrok) called the Bank for amicable settlement for the total amount of PLN 386,086 thousand via the District Court in Warsaw. Nine compensation lawsuits were filed against the Bank. Eight of the nine lawsuits were filed by former clients of Interbrok for the total amount of PLN 800 thousand with the proviso that the claims may be extended up to the total amount of PLN 5,950 thousand. The plaintiffs alleged that the Bank had aided in Interbrok's illegal activities, which caused damage to them. With regard to seven of the afore-mentioned cases, legal proceedings against the Bank were dismissed and the cases were finally concluded. In the eighth case, a plaintiff withdrew their suit waiving the claim and the Regional Court dismissed the action. As far as the ninth suit is concerned, the amount in dispute is PLN 275,423 thousand, including statutory interest and costs of proceedings. According to the claims brought in the suit, this amount comprises the receivables, acquired by the plaintiff by way of assignment, due to the parties aggrieved by Interbrok on account of a reduction (as a result of Interbrok's bankruptcy) of the receivables by a return of the deposits paid by the aggrieved for making investments on the forex market. The plaintiff claims the Bank's liability on the grounds of the Bank's aid in committing the illicit act of Interbrok, consisting in unlicensed brokerage operations. On 7 November 2017, the Regional Court in Warsaw dismissed the action in its entirety. The ruling is not final. The plaintiff appealed.

2. Class action against mBank S.A. concerning the clause on changing interest rate

On 4 February 2011, a class action filed with the Regional Court in Łódź on 20 December 2010 by the Municipal Consumer Ombudsman representing a group of 835 individuals, the Bank's retail banking clients, was served on the Bank. The class action was filed to determine the Bank's liability for the improper performance of mortgage loan agreements. It was in particular claimed that the Bank had improperly applied provisions of agreements on changing interest rate, namely that the Bank had not lowered interest on loans, despite the fact that, according to the Plaintiff, it was obliged to do so. The Bank does not agree with the above-mentioned allegations. On 18 February 2011, the Bank responded to the lawsuit filing for its dismissal in whole.

On 6 May 2011, the Regional Court in Łódź decided to dismiss the application for dismissing the lawsuit, filed by mBank S.A., and admitted the case to be heard as a class action. In response to this decision, mBank S.A. filed a complaint with the Court of Appeal in Łódź on 13 June 2011. However, the Court of Appeal in Łódź dismissed mBank S.A.'s complaint on 28 September 2011. Currently, the case proceeds as a class action. Until March 2012, new individuals had been joining the class action. As at 17 October 2012, the group of class members consisted of 1,247 individuals. The Regional Court in Łódź did not establish bail for the benefit of mBank S.A., which was applied for by the Bank. The Bank filed a complaint about this decision. But on 29 November 2012, the Court of Appeal in Łódź overturned the Bank's complaint about the establishment of bail. The judgment is binding and the plaintiff is not obliged to pay bail. The final statement of defence was sent in January 2013 and on 15 February 2013, the plaintiff answered it in a pleading. By its decision of 18 February 2013, the Regional Court in Łódź submitted the case to mediation. On 26 February 2013, the Municipal Consumer Ombudsman appealed against the case being submitted to mediation. On 22 June 2013, a trial was held and on 3 July 2013, the Court announced its judgment allowing the claim in full. According to the Court, the Bank did not properly execute the agreements concluded with consumers, as a result of which they suffered losses. The Bank appealed against this judgment on 9 September 2013. However, on 30 April 2014, the Court of Appeal in Łódź dismissed the appeal of mBank S.A., upholding the stance adopted by the Regional Court expressed in the judgment. Upon receiving a written justification of the judgment, mBank S.A. brought a cassation appeal. The cassation appeal was filed with the Supreme Court by mBank S.A. on 3 October 2014. By its decision of 7 October 2014, the Court of Appeal in Łódź suspended the enforcement of the judgment passed by the Regional Court until the cassation appeal of mBank S.A. has been resolved. On 18 February 2015, the Supreme Court accepted the cassation appeal filed by mBank S.A. for review. On 14 May 2015, the Supreme Court revoked the ruling of the Court of Appeal in Łódź and referred the case back to that court for re-examination. By the decision of 24 September 2015, the Court of Appeal in Łódź admitted the expert opinion evidence in order to verify the legality of mBank's actions connected with changing the interest rates on the mortgage loans covered by the class action in the period from 1 January 2009 to 28 February 2010.

mBank S.A. received the expert's opinion in April 2016. Both parties filed pleadings in which they commented on the opinion. On 22 June 2016, the Court of Appeal in Łódź obliged the expert to submit a supplementary opinion answering the comments made by the parties. The supplementary opinion was issued in September 2016. The expert sustained all the arguments and the standpoint presented in the initial opinion.

On 24 February 2017, a trial was held during which the court admitted the oral supplementary expert opinion as evidence; however, the opinion did not allay the Court's doubts so by the resolution of 6 April 2017, the Court of Appeal admitted another written supplementary expert opinion as evidence. The supplementary opinion was issued by an expert and presented to Parties for comments. On 29 September 2017, the Bank submitted a comprehensive piece of writing with its comments on the opinion. On 30 April 2018, a hearing was held before the Court which accepted supplementary verbal testimony of an expert as evidence. The Court issued a decision obliging mBank to submit certificates containing the history of changes in interest rates applied to each credit agreement covered by the proceedings by 15 June 2018. The court granted the Plaintiff's attorney a period of 21 days to collect data necessary to supplement the opinion by an expert. In June, the Bank filed a comprehensive pleading, in which among others the Bank calls for an expert change.

3. Class action against mBank S.A. concerning indexation clauses

   On 4 April 2016, the Municipal Consumer Ombudsman representing a group of 390 individuals, retail clients of mBank, who concluded agreements on CHF-indexed mortgage loans with mBank, filed a class action with the Regional Court in Łódź against the Bank. With subsequent pleadings, the plaintiff reported other individuals who gradually joined the class action.

   The class action includes alternative claims for declaring invalidity of the loan agreements in part i.e. in the scope of the provisions related to indexation, or in whole; or for finding that the indexation provisions are invalid as they permit indexation of over 20% and below 20% at the CHF exchange rate from the table of exchange rates of mBank S.A. applicable as at the date of conclusion of each of the loan agreements.

   By its decision of 19 December 2016, the Regional Court in Łódź admitted the case to be heard as a class action. mBank filed a complaint about this decision; however, the Court of Appeal in Łódź dismissed the complaint on 15 March 2017.

   By its decision of 9 May 2017, the Regional Court in Łódź decided on instigating a class action and set the time limit of three months from the publication of the decision for persons whose claims may be covered by the class action to join the class. Within the time limit set, 352 persons joined the group of class members. As decided by the Court on 13 March 2018, the group is composed of 1,731 persons. The said decision was appealed against by both parties. Regardless of the appeal proceedings, the Court scheduled a hearing for 5 October 2018. On 5 October 2018, after conducting the substantive hearing, hearing the parties and presenting final votes, the court closed the hearing. October 19, 2018 the court issued a judgment in which it dismissed all claim of the plaintiff. In the oral justification, the court stated that the Plaintiff had not shown that he had a legal interest in bringing the claim in question, and also referred to the validity of loan agreements indexed by CHF, stressing that both the contract itself and the indexation clause are in compliance with both applicable regulations and rules of social coexistence.

4. A lawsuit filed by LPP S.A.

   On 17 May 2018, mBank S.A. received a lawsuit filed by LPP S.A. with its registered office in Gdańsk seeking damages amounting to PLN 96 307 009.15 on account of interchange fee. In the lawsuit, LPP S.A. petitioned the court for awarding the damages jointly from mBank S.A. and from other domestic bank.

   The plaintiff accuses the two sued banks as well as other banks operating in Poland of taking part in a collusion breaching the Competition and Consumer Protection Act and the Treaty on the Functioning of the European Union. In the plaintiff's opinion, the collusion took the form of an agreement in restriction of competition in the market of acquiring services connected with settling clients' liabilities towards the plaintiff on account of payments for goods purchased by them with payment cards in the territory of Poland. According to the plaintiff:

   a. the banks agreed on the interchange fee amount for transactions made with VISA and/or MasterCard payment cards and charged the plaintiff these amounts,
   b. the sued banks as well as other banks operating in Poland collaborating with the sued banks charged the plaintiff the interchange fees in the amount agreed on in the collusion and amounts of interchange fees paid by the plaintiff to the sued banks and other banks collaborating with the sued banks in the years 2008-2014,
   c. the plaintiff suffered losses due to the collusion of the sued banks and other banks operating in Poland as the banks agreed on the interchange fee amount and charged the plaintiff the fee, and
   d. the sued banks were aware of the legal nature of the collusion and economic consequences the plaintiff had to face due to the collusion (the plaintiff's losses: the plaintiff had to pay more than it would have paid if the sued banks and other banks collaborating with the sued banks had not entered in the collusion).

   mBank S.A. has submitted its statement of defence on 16 August 2018.

Tax audits

On 24 September 2018, mBank S.A. was requested by the Head of the First Masovian Tax Office in Warsaw to submit the tax documentation referred to in Article 9a (1)-(3a) of the Corporate Income Tax Act concerning transactions concluded in 2016 with related entities.

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On September 24, 2018, mLeasing Sp. z o.o. was requested by the Head of the First Masovian Tax Office in Warsaw to submit the tax documentation referred to in Article 9a (1)-(3a) of the Corporate Income Tax Act concerning transactions concluded in 2016 with related entities.

On June 11, 2018, in CSK Sp. z o.o., (on 100% dependent on BDH Development Sp. z o.o.) the employees of the Lodz Treasury Office in Łódź (Urząd Skarbowy Łódź Śródmieście)started the tax inspection in the area of corporate income tax for 2016. The tax audit revealed no irregularities.

From 23 November 2017 to 3 April 2018 at mBank S.A. was conducted the tax inspection regarding the correctness of settlement of the tax on goods and services due to the import of services for 2015, conducted by employees of the Mazowiecki Customs and Tax Office in Warsaw. The tax audit revealed no irregularities.

The tax authorities, may inspect at any time the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Management Board is not aware of any circumstances, which may give rise to a potential tax liability in this respect.

27. Off-balance sheet liabilities

Off-balance sheet liabilities as at 30 September 2018, 31 December 2017 and 30 September 2017 were as follows:

	30.09.2018	31.12.2017	30.09.2017
1. Contingent liabilities granted and received	**40 610 412**	**37 494 697**	**34 520 904**
Commitments granted	**37 105 861**	**33 491 642**	**31 605 087**
- financing	26 935 234	25 947 991	24 542 463
- guarantees and other financial facilities	7 898 868	7 143 651	6 849 624
- other commitments	2 271 759	400 000	213 000
Commitments received	**3 504 551**	**4 003 055**	**2 915 817**
- financial commitments	591 468	13 222	224 637
- guarantees	2 913 083	3 989 833	2 691 180
2. Derivative financial instruments (nominal value of contracts)	**532 496 969**	**429 312 795**	**426 738 647**
Interest rate derivatives	418 458 984	334 308 351	332 467 909
Currency derivatives	109 071 473	91 837 298	86 212 302
Market risk derivatives	4 966 512	3 167 146	8 058 436
Total off-balance sheet items	**573 107 381**	**466 807 492**	**461 259 551**

28. Transactions with related entities

mBank S.A. is the parent entity of the mBank S.A. Group and Commerzbank AG is the ultimate parent of the Group as well as the direct parent of mBank S.A.

All transactions between the Bank and related entities were typical and routine transactions concluded on terms, which not differ from arm's length terms, and their nature, terms and conditions resulted from the current operating activities conducted by the Bank. Transactions concluded with related entities as a part of regular operating activities include loans, deposits and foreign currency transactions.

The amounts of transactions with related entities, i.e., balances of receivables and liabilities and related costs and income as at 30 September 2018, 31 December 2017 and 30 September 2017 were as follows.

PLN (000's)	mBank S.A. subsidiaries and associates			Commerzbank AG			Other companies of the Commerzbank AG Group		
As at the end of the period	**30.09.2018**	**31.12.2017**	**30.09.2017**	**30.09.2018**	**31.12.2017**	**30.09.2017**	**30.09.2018**	**31.12.2017**	**30.09.2017**
Statement of Financial Position									
Assets	45 602	10 481	10 478	396 080	610 783	572 699	20 234	9 084	15 231
Liabilities	247 288	41 915	30 164	3 051 463	4 442 482	7 968 508	1 108 967	1 079 046	894 196
Income Statement									
Interest income	1 260	938	802	79 069	110 603	85 054	397	431	324
Interest expense	(579)	(395)	(319)	(58 709)	(121 661)	(97 599)	(4 856)	(5 331)	(3 851)
Fee and commission income	937	138	112	2 672	1 158	849	73	39	33
Fee and commission expense	-	-	-	3	(5)	(5)	-	-	-
Other operating income	-	67	50	15	24	13	-	-	2 527
Overhead costs, amortisation and other operating expenses	-	(11)	(7)	(7 233)	(8 865)	(9 095)	-	-	-
Contingent liabilities granted and received									
Contingent liabilities granted	344 313	361 286	376 761	1 324 394	2 099 374	1 636 442	-	7 057	7 291
Contingent liabilities received	-	-	-	1 551 248	1 632 240	1 607 714	-	8 385	9 157

The total costs of remuneration of Members of the Supervisory Board, the Management Board and other key management personnel of the Bank that perform their duties from 1 January to 30 September 2018 recognised in the Group's income statement for that period amounted to PLN 29 250 049 (in the period from 1 January to 30 September 2017: PLN 24 594 997).

With regard to the Management Board and other key management personnel the remuneration costs include also remuneration in the form of shares and share options.

29. Credit and loan guarantees, other guarantees granted of significant value

As at 30 September 2018, the Bank's significant exposure under guarantees granted related to the guarantee payment of all amounts to be paid in respect of debt securities issued by mFinance France S.A. (mFF), a subsidiary of the mBank S.A.

On 25 September 2013, mFF issued tranche of Eurobonds with nominal value of CHF 200 000 thousand maturing on 8 October 2018. In this case, the guarantee was granted on 25 September 2013 for the duration of the Programme, i.e. to 8 October 2018.

On 22 November 2013, mFF issued next tranche of Eurobonds with nominal value of CZK 500 000 thousand maturing on 6 December 2018. In this case, the guarantee was granted on 22 November 2013 for the duration of the Programme, i.e. to 6 December 2018.

On 24 March 2014, mFF issued next tranche of Eurobonds with nominal value of EUR 500 000 thousand maturing on 1 April 2019. In this case, the guarantee was granted on 24 March 2014 for the duration of the Programme, i.e. to 1 April 2019.

On 20 November 2014, mFF issued next tranche of Eurobonds with nominal value of EUR 500 000 thousand maturing on 26 November 2021. In this case, the guarantee was granted on 20 November 2014 for the duration of the Programme, i.e. to 26 November 2021.

On 21 September 2016, mFF issued next tranche of Eurobonds with nominal value of EUR 500 000 thousand maturing on 26 September 2020. In this case, the guarantee was granted on 21 September 2016 for the duration of the Programme, i.e. to 26 September 2020.

On 14 March 2017, mFF issued next tranche of Eurobonds with nominal value of CHF 200 000 thousand maturing on 28 March 2023. In this case, the guarantee was granted on 14 March 2017 for the duration of the Programme, i.e. to 28 March 2023.

30. Other information which the issuer deems necessary to assess its human resources, assets, financial position, financial performance and their changes as well as information relevant to an assessment of the issuer's capacity to meet its liabilities

- Change in the composition of the Supervisory Board of mBank S.A.

On September 11, 2018, Mr. Maciej Leśny, Chairman of the Bank's Supervisory Board, received a letter of resignation from Mr. Thorsten Kanzler, who decided to resign as member of the Bank's Supervisory Board and member of the Risk Committee of the Bank's Supervisory Board as of September 23, 2018

On September 24, 2018, by the resolution of the Supervisory Board of mBank S.A., Mr. Gurjinder Singh Johal was appointed as a member of the Supervisory Board of mBank S.A. on September 24, 2018 until the end of the current term of office of the Supervisory Board.

31. Factors affecting the results in the coming quarter

Apart from operating activity of the Bank and mBank Group entities, there are no other events expected in the fourth quarter of 2018 that would have a significant impact on the profit of this period.

32. Other information

- Recommendations of Financial Stability Committee (FSC) on the restructuring of the foreign exchange housing loans portfolio

On 13 January 2017, FSC endorsed the resolution on the recommendation on the restructuring of the foreign exchange housing loans portfolio. The resolution includes a list of recommendations, part of which were introduced in the year 2017. Two of the recommendations that may have significant impact on the Group but have not yet been introduced, are:

- to increase the minimum LGD for exposures secured by mortgages on residential properties, the purchase of which was financed by an FX loan by means of a dedicated resolution of the Ministry of Finance (this regulatory measure is addressed to banks that apply internal ratings based approach to the calculation of the capital charge for credit risk, among others to mBank S.A.);
- introduction of changes in the rules of operation of the Borrower Support Fund, which would lead to a greater use of the funds to support borrowers in difficult financial situation - recommendation not introduced. In October 2017 the Parliament of the Republic of Poland has begun work on the draft of the amendment to the *act on support of borrowers in financial difficulties, who had taken out a housing loan* as well as a *law on corporate income tax*, proposed by the President of the Republic of Poland, which address the FSC recommendation.

Due to ongoing work on the implementation of these recommendations Bank is not able to assess at this moment the potential impact of the aforementioned changes on the capital ratios and financial statements of the Bank and the Group.

- Requirements on mBank Group capital ratios in 3Q 2018

Starting from 2018 the binding conservation capital buffer defined in the Act on Macro-prudential Supervision over the Financial System and Crisis Management in the Financial System of 5 August 2015 (Dz.U. 2015 item 1513), increased to 1.88% of the total risk exposure amount.

Starting from 1 January 2018, banks in Poland has been obliged to meet systemic risk buffer of 3% on individual and consolidated basis, resulting from entry into force of the Regulation of the Minister of Development and Finance with regard to systemic risk buffer, addressing one of the mentioned FSC recommendations. The regulation introduces systemic risk buffer of 3% of the total risk exposure amount applied to all exposures located in Poland. Due to the fact that not all exposures are located in Poland, mBank having two foreign branches in Czech Republic and in Slovakia, the systemic risk buffer rate to be applied to mBank Group shall be slightly below 3%.

According with the administrative decision of July 31st, 2018 as a result of supervisory review with regard to accuracy of the mBank's capital buffer for other systemically important institution, mBank was updated with the capital buffer of 0,5% of the total risk exposure amount, calculated in accordance with article 92(3) of CRR Regulation, to be maintained on individual and consolidated levels. The required capital buffer was applicable as of September 30th, 2018.

Taking into account the above mentioned capital buffers and the position of KNF on the minimum level of capital ratios binding in 2017, the required level of capital ratios as of September 30th, 2018 will amount to:

- Individual total capital ratio – 17.23% and Tier 1 capital ratio – 14.20%
- Consolidated total capital ratio – 16.70% and Tier 1 capital ratio – 13.82%.

At the date of publication of these financial statements, mBank S.A. fulfils the KNF requirements related to the required capital ratios for 2018 on both individual and consolidated levels.

- Recommendation of the Polish Financial Supervision Authority (KNF) regarding additional capital requirement

On 17 October 2018, mBank S.A. received a decision from the KNF of October 15th, 2018 with information regarding review of the additional capital requirement associated with the risk of the foreign currency mortgage loan portfolio for households. As a result of the review of the accuracy of the additional capital requirement for mBank S.A. (individual level) KNF updated its level, which was set at: 4.18 p.p. for total capital ratio, 3.14 p.p. for Tier 1 capital ratio, 2.34 p.p. for Common Equity Tier 1 capital ratio.

mBank S.A. fulfils the KNF requirements related to the required capital ratios for 2018 taking into account updated level of the additional capital requirement.

- Proposals concerning foreign currency mortgage loans restructuring

Some proposals of restructuring of foreign currency mortgage loans for individuals have been discussed in recent years, including the solutions presented by the Chancellery of the President of the Republic of Poland. At its meeting starting on 19 October 2016, the Parliament of the Republic of Poland has begun work on three draft laws governing in different ways the above issue: presented by the President of the Republic of Poland draft *law on the principles of reimbursement of certain claims arising from credit and loan agreements* and parliamentary drafts of *law on restructuring loans denominated in or indexed to a currency other than the Polish currency and to prohibiting granting of such loans and of law on special rules for the restructuring of foreign currency mortgage loans due to changes in foreign currency exchange rates in relation to the Polish currency*. In addition, on 13 October 2017, the Parliament of the Republic of Poland has begun work on the draft *of the amendment of the act on support of borrowers in financial difficulties, who had taken out a housing loan as well as a law on corporate income tax*, proposed by the President of the Republic of Poland. At the moment of these financial statements publication the final form of the proposed solutions is not known yet. Therefore, at the moment, the Bank is not able to estimate reliably either the implementation probability of the discussed solutions or the potential impact of the final solutions on the financial statements of the Bank and the mBank Group.

33. Events after the balance sheet date

On October 9, 2018, mBank S.A. issued two series of subordinated bonds with a total nominal value of PLN 750 000 thousand. 1 100 pieces of 10-year subordinated bonds with a nominal value of PLN 500 thousand each were issued, with maturity on October 10, 2028, and 400 pieces of 12-year subordinated bonds with a nominal value of PLN 500 thousand each, with maturity on October 10 2030.

The Bank applied to the Polish Financial Supervision Authority for permission to be included in the supplementary capital of the Bank, in accordance with art. 127 para. 3 point 2 letter b) of the Banking Law Act, a monetary liability in the amount of PLN 750 000 thousand PLN obtained by the Bank for the above-mentioned subordinated bond issue.

Signature of the Management Board of mBank S.A.

Date	First and last name	Position	Signature
29.10.2018	Cezary Stypułkowski	President of the Management Board	
29.10.2018	Lidia Jabłonowska-Luba	Vice-President of the Management Board, Chief Risk Officer	
29.10.2018	Frank Bock	Vice-President of the Management Board, Head of Financial Markets	
29.10.2018	Andreas Böger	Vice-President of the Management Board, Chief Financial Officer	
29.10.2018	Krzysztof Dąbrowski	Vice-President of the Management Board, Head of Operations and IT	
29.10.2018	Cezary Kocik	Vice-President of the Management Board, Head of Retail Banking	
29.10.2018	Adam Pers	Vice President of the Management Board, Head of Corporate & Investment Banking	