



mBank S.A. Group

IFRS Condensed Consolidated Financial Statements
for the first quarter of 2019

This document is a translation from the original Polish version. In case of any discrepancies between the Polish and English versions, the Polish version shall prevail.

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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 first quarter of 2019.

SELECTED FINANCIAL DATA FOR THE GROUP	in PLN'000		in EUR'000	
	1st Quarter (current year) period from 01.01.2019 to 31.03.2019	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018	1st Quarter (current year) period from 01.01.2019 to 31.03.2019	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018
I. Interest income	1 200 843	1 053 643	279 409	252 164
II. Fee and commission income	400 652	419 295	93 223	100 348
III. Net trading income	102 882	84 493	23 938	20 221
IV. Operating profit	399 934	659 740	93 056	157 893
V. Profit before income tax	290 830	561 566	67 670	134 397
VI. Net profit attributable to Owners of mBank S.A.	164 001	412 583	38 159	98 742
VII. Net profit attributable to non-controlling interests	(14)	(9)	(3)	(2)
VIII. Net cash flows from operating activities	1 961 784	5 479 087	456 462	1 311 288
IX. Net cash flows from investing activities	(98 120)	328 457	(22 830)	78 608
X. Net cash flows from financing activities	(1 489 099)	(1 416 231)	(346 479)	(338 941)
XI. Net increase / decrease in cash and cash equivalents	374 565	4 391 313	87 153	1 050 956
XII. Basic earnings per share (in PLN/EUR)	3.87	9.75	0.90	2.33
XIII. Diluted earnings per share (in PLN/EUR)	3.87	9.74	0.90	2.33
XIV. Declared or paid dividend per share (in PLN/EUR)	-	5.15	-	1.23

SELECTED FINANCIAL DATA FOR THE GROUP	in PLN'000			in EUR'000		
	As at			As at		
	31.03.2019	31.12.2018	31.03.2018	31.03.2019	31.12.2018	31.03.2018
I. Total assets	150 818 659	145 750 119	133 640 216	35 063 506	33 895 377	31 754 833
II. Amounts due to banks	2 473 528	3 078 387	4 475 332	575 065	715 904	1 063 403
III. Amounts due to customers	107 648 204	102 009 062	94 308 572	25 026 900	23 723 038	22 409 070
IV. Equity attributable to Owners of mBank S.A.	15 311 027	15 213 980	14 484 158	3 559 628	3 538 135	3 441 644
V. Non-controlling interests	2 078	2 100	2 177	483	488	517
VI. Share capital	169 348	169 348	169 248	39 371	39 383	40 216
VII. Number of shares	42 336 982	42 336 982	42 312 122	42 336 982	42 336 982	42 312 122
VIII. Book value per share (in PLN/EUR)	361.65	359.35	342.32	84.08	83.57	81.34
IX. Total capital ratio	20.65	20.69	20.93	20.65	20.69	20.93

SELECTED FINANCIAL DATA FOR THE BANK	in PLN'000		in EUR'000	
	1st Quarter (current year) period from 01.01.2019 to 31.03.2019	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018	1st Quarter (current year) period from 01.01.2019 to 31.03.2019	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018
I. Interest income	1 056 238	920 975	245 762	220 413
II. Fee and commission income	362 074	360 239	84 246	86 215
III. Net trading income	101 410	85 729	23 596	20 517
IV. Operating profit	336 564	341 157	78 311	81 648
V. Profit before income tax	261 943	501 782	60 948	120 090
VI. Net profit	147 478	415 815	34 315	99 515
VII. Net cash flows from operating activities	2 316 620	5 791 663	539 025	1 386 096
VIII. Net cash flows from investing activities	(103 863)	(87 344)	(24 167)	(20 904)
IX. Net cash flows from financing activities	(1 818 719)	(1 285 122)	(423 174)	(307 563)
X. Net increase / decrease in cash and cash equivalents	394 038	4 419 197	91 684	1 057 629
XI. Basic earnings per share (in PLN/EUR)	3.48	9.83	0.81	2.35
XII. Diluted earnings per share (in PLN/EUR)	3.48	9.82	0.81	2.35
XIII. Declared or paid dividend per share (in PLN/EUR)	-	5.15	-	1.23

SELECTED FINANCIAL DATA FOR THE BANK	in PLN'000			in EUR'000		
	As at			As at		
	31.03.2019	31.12.2018	31.03.2018	31.03.2019	31.12.2018	31.03.2018
I. Total assets	142 564 251	137 649 170	127 236 878	33 144 457	32 011 435	30 233 308
II. Amounts due to banks	2 550 404	3 136 771	4 535 788	592 938	729 482	1 077 768
III. Amounts due to customers	115 552 311	109 873 386	102 920 340	26 864 509	25 551 950	24 455 350
IV. Own Equity	15 334 221	15 175 043	14 484 848	3 565 020	3 529 080	3 441 808
V. Share capital	169 348	169 348	169 248	39 371	39 383	40 216
VI. Number of shares	42 336 982	42 336 982	42 312 122	42 336 982	42 336 982	42 312 122
VII. Book value per share (in PLN/EUR)	362.19	358.43	342.33	84.20	83.36	81.34
VIII. Total capital ratio	24.34	24.20	24.27	24.34	24.20	24.27

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 31 March 2019: EUR 1 = 4.3013, 31 December 2018: EUR 1 = 4.3000, 31 March 2018: EUR 1 = PLN 4.2085.
- 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 first quarter of 2019 and 2018: EUR 1 = PLN 4.2978 and EUR 1 = PLN 4.1784 respectively.

Introduction

The profit before tax generated by mBank Group in Q1 2019 stood at PLN 290.8 million, which represents a decrease by 37.6% quarter on quarter. Net profit attributable to the owners of mBank reached PLN 164.0 million. Income remained stable versus the previous quarter, whereas costs increased considerably.

The main factors determining the Group's financial results in Q1 2019 were as follows:

- **Stable income** at the level of PLN 1,261.4 million, i.e. +0.1% quarter on quarter, with a slight increase reported in core income (+1.4% quarter on quarter);
- **Increase in overhead costs** (including depreciation) to PLN 715.8 million against the previous quarter due to the annual contribution to the resolution fund of the Bank Guarantee Fund (BFG) posted by mBank in Q1 2019;
- **Reduction in costs of risk** (sum of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss) to PLN 145.6 million, i.e. 61 basis points compared with 73 basis points in Q4 2018;
- **Increase in tax on the Group's balance sheet items** on a quarterly basis to PLN 109.1 million;
- **Continued organic growth and business expansion** as demonstrated by:
 - **increase in the individual customer base** to 5,768.0 thousand (+83.0 thousand customers compared to the end of 2018 and +346.7 thousand compared to the end of March 2018);
 - **increase in the number of corporate customers** to 24,288 (+582 compared to the end of 2018 and +1,972 compared to the end of March 2018);
 - **widening of leasing offer for small and medium enterprises** thanks to acquisition of LeaseLink, which specialises in leasing payment services, enabling online assets purchase through a digital process.

At the end of March 2019, net loans and advances stood at PLN 97,680.6 million, which represents a quarter-on-quarter increase by PLN 2,958.0 million, i.e. 3.1%. Loans and advances to corporate clients rose by PLN 1,950.0 million, i.e. 4.4% quarter on quarter, whereas loans and advances granted to individual clients increased by PLN 1,150.3 million, which translates into 2.2% quarterly growth. Net of reverse repo/buy sell back transactions and FX effect, the value of loans and advances increased by 2.4%.

In Q1 2019 amounts due to customers rose by PLN 5,639.1 million, i.e. 5.5% quarter on quarter, with amounts due to corporate customers growing by PLN 2,317.7 million, i.e. 6.6% quarter on quarter, and amounts due to individual customers up by PLN 2,297.9 million or 3.5%.

Consequently, the loan to deposit ratio^a of mBank Group decreased compared with the end of 2018 and stood at 90.7%.

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

- Gross ROE of 7.8% (13.3% in Q4 2018);
- Net ROE of 4.4% (9.5% in Q4 2018).

mBank Group's capital ratios remained stable in Q1 2019 due to an increase in own funds (resulting from the inclusion of 50% of the profit from the first three quarters of 2018 and 100% of the profit from Q4 2018) and an increase in the total risk exposure amount. The Total Capital Ratio stood at 20.7% and the Core Tier 1 ratio at 17.6% at the end of March 2019.

^a Loan to deposit ratio – loans and advances to customers/amounts due to customers

Awards and distinctions

mBank received two awards at the Mobile Trends Awards 2018, an annual gala that honours companies and institutions that make the best use of mobile technologies in their projects. We took first place in the category "Banking and Finance" and second place in the internet users' voting.

From the beginning of the Mobile Trends Awards competition, we have won a total of 11 awards, including being 8 times at the top. We have also gained recognition for the implementation of mobile authorization and mTransfer mobile service.

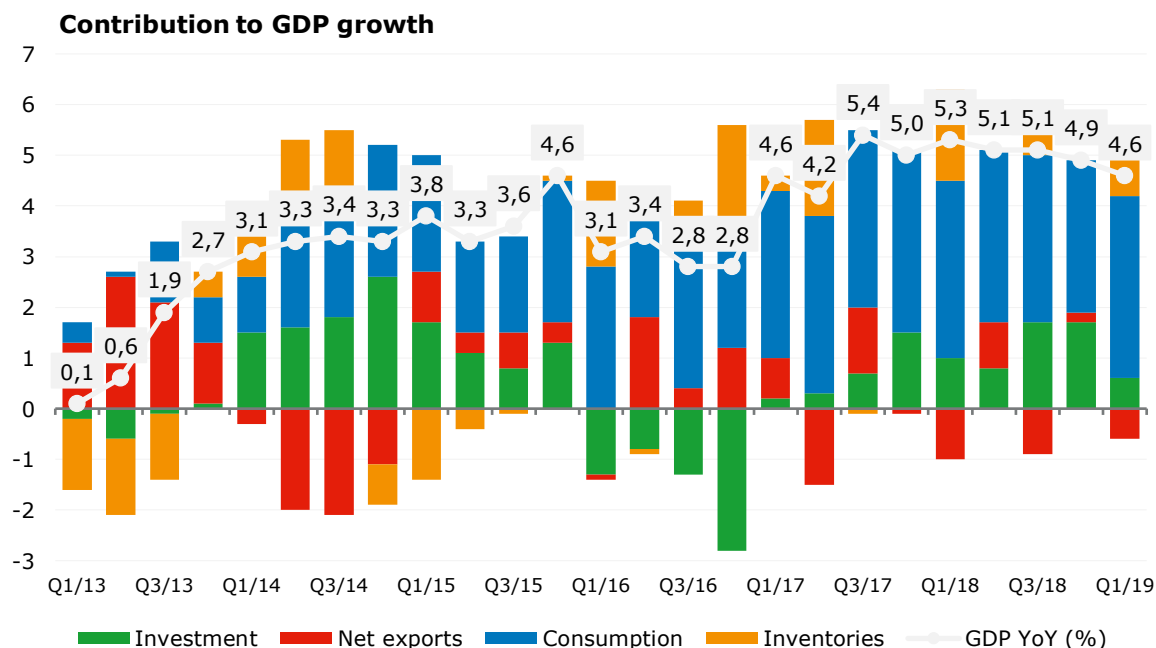
In addition, we were named the most friendly company in the consumers' opinion, winning a statuette in the "Star of Service Quality" competition organized by the "Polish Service Quality Programme". Its mission is to raise the standard of relations with customers through constant monitoring of their satisfaction level.

More information on awards and distinctions can be found on the Bank's website in the "Press Centre" section: <http://media-mbank.pl/>.

Economy and the banking sector in Q1 2019

Strong GDP growth continues

The economic growth remained strong throughout Q1 2019. According to our estimates based on monthly data on economic activity, the gross domestic product (GDP) grew by 4.7% year on year in Q1 2019, which is only slightly below the figure reported at the end of the previous year (4.9% year on year). Poland's economic performance came as a positive surprise to the majority of analysts due to the lack of a significant negative reaction to the slowdown affecting its main trading partners in 2018. In addition, industrial output and the construction and assembly sector grew dynamically.



With better-than-expected results, private consumption remained the most important growth engine in early 2019. It was propped up by high consumer confidence, which was close to an all-time peak. Aside from standard factors, such as the tight labour market, record-low unemployment and a high increase in real disposable incomes, consumer confidence might have been additionally boosted by the fiscal stimulus announced by the government. The package worth approximately 1% of GDP this year and 2% in 2020 will be the key element of the economic landscape in the quarters to come.

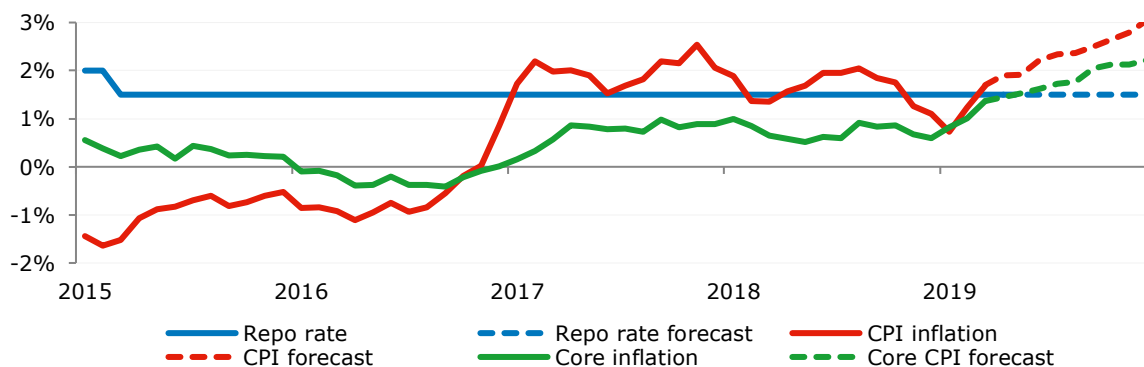
In our opinion, the contribution of investment dropped slightly in Q1 2019 due to an expected and scheduled slowdown in public investment (the spending peak fell on 2018) and rather moderate growth in private investment, the only exception being construction investment, in particular the residential property sector reporting very good figures in early 2019. A decrease in productive capacity utilisation in industry implies that growth in investment in machines and equipment (including in the process industry) might have been muted.

In addition, economic growth in Q1 was probably stifled by net exports. Interestingly, the (largely anticipated) increase in the trade deficit that took place in Q1 2019 was not caused by lower exports, but by a significant and abrupt increase in imports in the first months of 2019. The roots are yet to be analysed in detail. Nonetheless, a combination of higher imports of commodities and consumer and investment goods accompanied by high utilisation of domestic productive capacity is the likely explanation (commentaries released by the National Bank of Poland point to this as well).

High volatility of inflation with further increases on the horizon

The year started with an abrupt decrease in the inflation rate to 0.7% year on year caused mainly by a reduction in energy bills resulting from a statutory energy price freeze. It was, however, the last time the reading was this low. Consumer prices accelerated significantly in the following months (to 1.7% year on year in March) and our current forecasts suggest that it will not take longer than until the summer for inflation to go up to around 2.5%. The increase in CPI is attributable to a multitude of factors, which suggests that the upward trend will not end soon.

CPI Inflation and reference rate



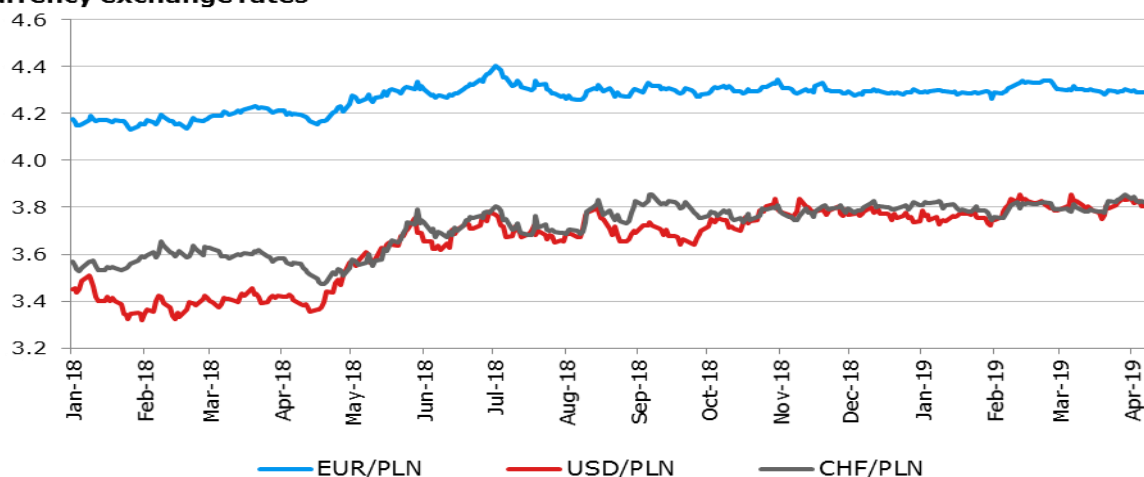
Firstly, after a period of falls, food prices are again rising dynamically driven mainly by processed food (such as flour and bread). The outbreak of African swine fever in China will result in a significant increase in meat prices in the months to come, causing an additional inflationary impulse to food prices. Secondly, rising oil prices will push up retail prices. The effect is expected to be the strongest in the spring. Last but not least, we have been witnessing a significant rise in core inflation driven by a variety of categories, many of which are not very volatile. In our opinion, the increase in core inflation to the highest level in the last six years (1.4% year on year) proves that the economic situation has an impact on inflationary processes.

In the present environment, the Monetary Policy Council abides by its policy of stable interest rates and does not see the current data as a reason for changing the rhetoric, let alone any interest rate movements. The Council takes a symmetric approach to the inflationary target and is unlikely to revise its current wait and see strategy, unless the target is exceeded permanently. As a consequence, we do not expect any interest rate changes in Poland in the coming years.

Financial markets - stability on asset markets

The first quarter on the Polish financial markets was marked by stability. The exchange rate, Treasury bond yields and shares listed on the Warsaw Stock Exchange (GPW) fluctuated within relatively narrow bands and did not change much during the first three months of the year. The exchange rate, oscillating around PLN 4.29 per euro and PLN 3.80 per dollar, was moving in no particular direction, impacted by opposing trends (growing perception of fiscal risk offset by high GDP growth, no inflows and outflows from emerging market assets, etc.). In general, markets all over the world were somewhat suspended between mild monetary policy (including surprises from the major central banks) clashing with the yet unfinished cycle of downward revisions to GDP growth forecasts and negative surprises from the major economies. Hopes for a rebound were fulfilled only in late March in China, which will be vital from the markets' perspective in the coming months.

Currency exchange rates

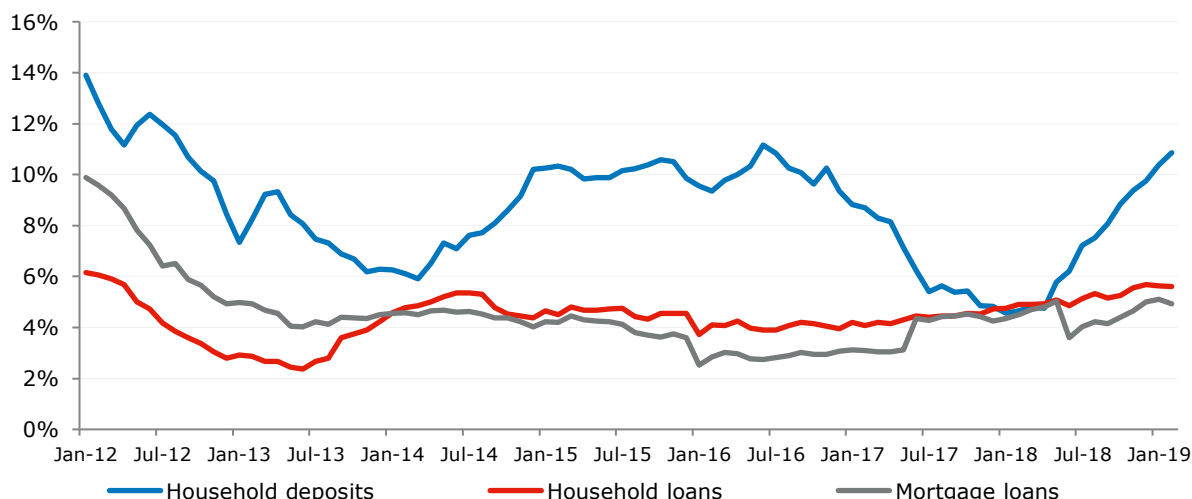


Solid growth in lending

In many ways the first quarter of 2019 was just a preview of how loans and deposits are likely to develop throughout the year.

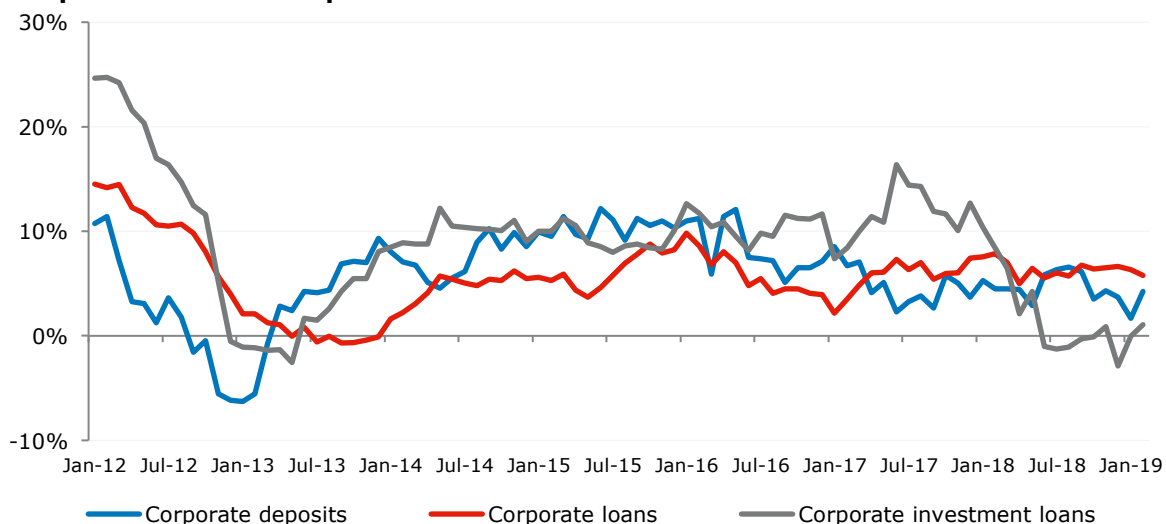
Firstly, growth in household deposits continued on the upward trend seen since the spring of 2018 to reach 10.6% year on year in the first two months of the year. The accumulation of household deposits was driven by a number of various factors such as a slight slowdown in private consumption and the concomitant rise in savings, and a shift of household assets from investment funds and the stock market towards bank deposits. In our opinion, the perspective of a marked upturn in the disposable income of Polish households resulting from the aforementioned fiscal stimulus will provide a boost to a double-digit growth in household deposits.

Household loans and deposits



Secondly, growth in corporate deposits was relatively slow at the beginning of 2019 and stood at 3.0% year on year in January and February, down from an average of 4.8% year on year in 2018. Usually, the reason behind slower growth in deposits is linked to the pressure on liquidity and profitability of the corporate sector placed by rising labour costs and efforts to tighten the tax system. In practice, this change is of structural nature, which means that in the foreseeable future, corporate deposits will maintain a pace lower than the two-digit growth rates prevailing in 2014-2016.

Corporate loans and deposits



Thirdly, loans in general will grow at a slower rate than deposits due to a relatively stable growth in corporate loans, sustainably high levels of consumer lending and strong sales of housing loans.

Financial position of mBank Group in Q1 2019

Profit and Loss Account of mBank Group

The profit before tax generated by mBank Group in Q1 2019 stood at PLN 290.8 million, declining by 37.6% quarter on quarter as a result of posting annual contribution to the BFG resolution fund. Net profit attributable to the owners of mBank fell by 50.7% quarter on quarter to PLN 164.0 million.

PLN M	Q4 2018	Q1 2019	Change in PLN M	Change in %
Interest income	1,193.2	1,200.8	7.7	0.6%
Interest expense	-269.8	-270.6	-0.8	0.3%
Net interest income	923.3	930.3	6.9	0.7%
Fee and commission income	399.8	400.7	0.9	0.2%
Fee and commission expense	-180.5	-171.8	8.7	-4.8%
Net fee and commission income	219.2	228.8	9.6	4.4%
Core income	1,142.6	1,159.1	16.5	1.4%
Dividend income	0.2	0.2	0.0	0.5%
Net trading income	105.9	102.9	-3.0	-2.8%
Other income	13.3	27.7	14.4	108.3%
Other operating income	55.4	37.1	-18.3	-33.1%
Other operating expenses	-56.9	-65.6	-8.8	15.4%
Total income	1,260.5	1,261.4	0.8	0.1%
Net impairment losses and fair value change on loans and advances	-170.5	-145.6	24.9	-14.6%
Overhead costs and depreciation	-522.8	-715.8	-193.0	36.9%
Taxes on bank balance sheet items	-101.6	-109.1	-7.5	7.4%
Share in profits (losses) of entities under the equity method	0.3	0.0	-0.3	n/a
Profit before income tax	466.0	290.8	-175.1	-37.6%
Income tax expense	-133.3	-126.8	6.4	-4.8%
Net profit attributable to:	332.7	164.0	-168.7	-50.7%
- Owners of mBank S.A.	332.7	164.0	-168.7	-50.7%
- Non-controlling interests	0.0	0.0	0.0	0%
ROA net	0.9%	0.4%		
ROE gross	13.3%	7.8%		
ROE net	9.5%	4.4%		
Cost / Income ratio	41.5%	56.7%		
Net interest margin	2.6%	2.6%		
Common Equity Tier 1 ratio	17.5%	17.6%		
Total capital ratio	20.7%	20.7%		

Core income - calculated as the sum of net interest income and net fee and commission income.

Other income - calculated as the sum of gains or losses from non-trading financial assets (including equity instruments and debt securities) mandatorily measured at fair value through profit or loss (except for loans and advances) 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 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.

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 - the sum of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses from non-trading loans and advances mandatorily 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 - Calculated by dividing overhead costs and depreciation by total income (excluding tax on Group's balance sheet items).

Net interest margin - Calculated by dividing net interest income by 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 a sum of cash and balances with the Central Bank, loans and advances to banks, debt securities (in all valuation methods) and loans and advances to customers (net; in all valuation methods). The average interest earning assets are calculated on the basis of the balances as at the end of each month.

Income of mBank Group

Total income generated by mBank Group remained stable compared with the previous quarter and amounted to PLN 1,261.4 million. Core income, i.e. net interest income and net fee and commission income, grew quarter on quarter (by 1.4%) to PLN 1,159.1 million.

Net interest income remained mBank Group's largest income source in Q1 2019: a slight quarter-on-quarter increase was reported (+PLN 6.9 million, i.e. 0.7%) despite the quarter being shorter (by 2 days) than Q4 2018. Interest income grew by PLN 7.7 million, i.e. 0.6% compared with Q4 2018 and reached PLN 1,200.8 million, spurred largely by higher income from loans and advances (PLN 913.7 million, i.e. +PLN 13.4 million quarter on quarter). The rise was driven mainly by a pick-up in the volume of loans to customers.

At the same time, interest expenses remained stable compared with the previous quarter (increased by PLN 0.8 million, i.e. +0.3%), amounting to PLN 270.6 million. In Q1 2019, the cost of customer deposits rose by PLN 7.5 million, i.e. by 4.9%, due to their strong inflow. Expenses on subordinated debt fell by PLN 4.3 million after an increase reported in Q4 2018 caused by a higher average value of such liabilities (in October 2018 subordinated debt worth PLN 750 million was issued, whereas PLN 500 million in liabilities subject to amortisation was repaid in December 2018). In addition, the implementation of IFRS 16 entailed a new item in interest expenses connected with lease agreements, which stood at PLN 0.8 million.

mBank Group's **net interest margin** remained flat quarter on quarter and stood at 2.60% in Q1 2019, just like in Q4 2018.

Net fee and commission income, the second largest income contributor, increased slightly compared with the previous quarter (+PLN 9.6 million, i.e. +4.4%) to PLN 228.8 million.

Fee and commission income increased by PLN 0.9 million, i.e. 0.2% quarter on quarter. Credit-related fees and commissions remained at the stable level compared to the previous quarter (slight increase of PLN 0.2 million, i.e. 0.2%). Income from payment cards declined by PLN 7.3 million, i.e. 7.3%, as a result of slightly lower number and value of transactions as well as settlements with payment cards operators in Q4 2018. At the same time, income from commissions on bank accounts increased by PLN 1.6 million, i.e. 3.0%, which was caused by growing number of accounts and collecting a higher charge for accounts from corporate clients.

Fee and commission expenses amounted to PLN 171.8 million in Q1 2019, which represented a decrease compared with the previous quarter attributable mainly to lower costs related to other fees.

Net trading income at PLN 102.9 million was nearly as strong as in Q4 2018 (a drop by PLN 3.0 million). Foreign exchange result shrank by PLN 13.5 million due to reduced market volatility, while other net trading income grew by PLN 10.5 million, driven mainly by thanks to a positive mark-to-market valuation of interest rate derivatives.

Other income (calculated as the sum of gains or losses from non-trading financial assets (including equity instruments and debt securities) mandatorily measured at fair value through profit or loss (except for loans and advances) and gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates) rose by PLN 14.4 million quarter on quarter owing to the sale of bonds from the portfolio measured at fair value through other comprehensive income.

Other operating income net of other operating expenses stood at -PLN 28.6 million and was affected mainly by the a cost of provision for tax liability in the amount of PLN 27.1 million, created as a result of the Bank's decision to select an alternative method of taxing with income tax the interest paid by the Bank in relation to bonds issued before 1 January 2019 on foreign public markets under the EMTN programme.

Costs of mBank Group

In Q1 2019, total overhead costs of mBank Group (including depreciation) stood at PLN 715.8 million, which marks an increase by PLN 193.0 million, i.e. 36.9% quarter on quarter. The growth resulted from the annual contribution to the BFG resolution fund posted in Q1 2019.

PLN M	Q4 2018	Q1 2019	Change in PLN M	Change in %
Staff-related expenses	-242.8	-249.0	-6.1	2.5%
Material costs, including	-184.1	-156.3	27.8	-15.1%
- administration and real estate services costs	-87.2	-66.5	20.7	-23.7%
- IT costs	-36.0	-40.4	-4.4	12.1%
- marketing costs	-42.3	-30.1	12.2	-28.8%
- consulting costs	-16.3	-15.7	0.6	-3.7%
- other material costs	-2.2	-3.5	-1.3	57.7%
Taxes and fees	-7.6	-6.6	1.1	-13.9%
Contributions and transfer to the Bank Guarantee Fund	-21.4	-211.6	-190.2	889.1%
Contributions to the Social Benefits Fund	-1.4	-2.3	-0.8	58.3%
Depreciation	-65.4	-90.0	-24.7	37.7%
Total overhead costs and depreciation	-522.8	-715.8	-193.0	36.9%
Cost / Income ratio	41.5%	56.7%	-	-
Employment (FTE)	6,524	6,576	52	0.8%

In the analysed period, staff-related expenses increased by PLN 6.1 million, i.e. 2.5% quarter on quarter, which was mainly driven by an increase in social insurance contributions. The headcount in mBank Group rose by 52 FTEs in the reported period due to the opening of several new outlets and projects carried out in the Bank.

In Q1 2019, material costs fell by PLN 27.8 million, i.e. 15.1% quarter on quarter. As a result of implementation of IFRS 16, some administration and real estate services costs (rents) were replaced by depreciation and interest expenses. At the same time, marketing expenses shrank by PLN 12.2 million, while IT costs went up by PLN 4.4 million. Depreciation rose by PLN 24.7 million, i.e. 37.7% quarter on quarter, to PLN 90.0 million.

Cost efficiency measured by the Cost/Income ratio deteriorated and stood at 56.7% in Q1 2019 compared with 41.5% in Q4 2018. The normalised Cost/Income ratio (covering ¼ of the contribution to the resolution fund) reached 45.0%.

Net impairment losses and fair value change on loans and advances

In Q1 2019, 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 loans and advances mandatorily measured at fair value through profit or loss) stood at PLN 145.6 million. Compared with Q4 2018, impairment on and change in the fair value of loans and advances dropped by PLN 24.9 million, i.e. 14.6%. 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, while gains or losses from non-trading loans and advances mandatorily measured at fair value through profit or loss are related to the credit risk of the portfolio of loans and advances measured with the use of that method.

PLN M	Q4 2018	Q1 2019	Change in PLN M	Change in %
Retail Banking	-116.4	-114.3	2.2	-1.9%
Corporates and Financial Markets	-54.1	-30.6	23.5	-43.4%
Other	0.0	-0.8	-0.7	+/-
Total net impairment losses and fair value change on loans and advances	-170.5	-145.6	24.9	-14.6%

Impairment on and change in the fair value of loans and advances in the Retail Banking segment decreased by PLN 2.2 million quarter on quarter and stood at PLN 114.3 million.

Impairment on and change in the fair value of loans and advances in the Corporate and Financial Markets area amounted to PLN 30.6 million, which represents a drop by PLN 23.5 million against the previous quarter, triggered mainly by a smaller change in the fair value.

Consolidated statement of financial position

The balance sheet total of mBank Group stood at PLN 150,818.7 million at the end of Q1 2019, up by 3.5% compared with Q4 2018.

Assets of mBank Group

PLN M	31.03.2018	31.12.2018	31.03.2019	QoQ change	YoY change
Cash and balances with Central Bank	5,354.3	9,199.3	5,553.4	-39.6%	3.7%
Loans and advances to banks	3,811.3	2,546.3	4,020.5	57.9%	5.5%
Financial assets held for trading and derivatives held for hedges	4,300.9	2,104.3	4,537.3	115.6%	5.5%
Net loans and advances to customers	85,663.4	94,722.6	97,680.6	3.1%	14.0%
Investment securities	31,655.0	33,469.7	34,672.3	3.6%	9.5%
Intangible assets	692.3	776.2	814.9	5.0%	17.7%
Tangible assets	730.5	785.0	1,325.0	68.8%	81.4%
Other assets	1,432.6	2,146.7	2,214.6	3.2%	54.6%
Total assets	133,640.2	145,750.1	150,818.7	3.5%	12.9%

Loans and advances to customers –the item covers the sum of loans and advances to customers recognised in: financial assets measured at amortised cost, non-trading financial assets mandatorily measured at fair value through profit or loss.

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

Loans and advances to clients were the largest asset category of mBank Group at the end of Q1 2019. Their share in total assets dropped slightly to 64.8% from 65.0% at the end of December 2018. At the end of Q1 2019, net loans and advances to customers (being a total of loans and advances measured at amortised cost and at fair value) stood at PLN 97,680.6 million, which represents an increase of PLN 2,958.0 million or 3.1% quarter on quarter. Net of reverse repo/buy-sell-back transactions and the FX effect, loans and advances to customers increased by 2.4%.

Gross loans to corporate clients rose quarter on quarter by PLN 1,950.0 million, or 4.4%, to PLN 46,140.0 million (excluding reverse repo / buy-sell-back transactions and the FX effect, the volume of loans and advances to corporate clients grew by 3.1%). The sales of loans to corporates decreased on a quarterly basis by 39.1% to PLN 5,430.2 million (including new sales, limit increases and renewals).

The volume of loans to individuals increased by PLN 1,150.3 million or 2.2% v. the end of December 2018 to PLN 54,075.7 million. Gross mortgage and housing loans rose by 2.0% quarter on quarter. In Q1 2019 mBank Group sold PLN 1,490.1 million worth of mortgage loans and PLN 2,575.3 million worth of non-mortgage loans. Excluding the FX effect, loans to individuals increased by 1.9%.

At the end of Q1 2019, the value of gross loans and advances to the public sector decreased by PLN 52.2 million or 8.0% quarter on quarter and stood at PLN 597.7 million.

Investment securities were the second largest category of mBank Group's assets at the end of Q1 2019 and amounted to PLN 34,672.3 million, accounting for 23.0% of total assets, up by PLN 1,202.6 million or 3.6% quarter on quarter.

An increase of fixed assets in Q1 2019 results from recognition of leased-out assets and those based on tenancy or rental contracts in the books along with MSSF 16 implementation.

mBank Group's total liabilities and equity

PLN M	31.03.2018	31.12.2018	31.03.2019	QoQ change	YoY change
Amounts due to other banks	4,475.3	3,078.4	2,473.5	-19.6%	-44.7%
Amounts due to customers	94,308.6	102,009.1	107,648.2	5.5%	14.1%
Debt securities in issue	14,414.2	18,049.6	18,441.3	2.2%	27.9%
Subordinated liabilities	2,157.3	2,474.2	2,482.1	0.3%	15.1%
Other liabilities	3,798.5	4,922.8	4,460.5	-9.4%	17.4%
Total Liabilities	119,153.9	130,534.0	135,505.6	3.8%	13.7%
Total Equity	14,486.3	15,216.1	15,313.1	0.6%	5.7%
Total Liabilities and Equity	133,640.2	145,750.1	150,818.7	3.5%	12.9%

In Q1 2019, amounts due to customers, which are mBank Group's principal source of funding, rose by PLN 5,639.1 million or 5.5% quarter on quarter. The share of amounts due to customers in total liabilities and equity reached 71.4%, increasing its level from December 2018.

Amounts due to corporate clients increased by PLN 2,317.7 million or 6.6% quarter on quarter and hit PLN 37,664.0 million at the end of March 2019. The substantial rise in this category results mainly from inflow of funds into term deposits (+PLN 3,427.6 million or 38.1% quarter on quarter), which partly results from low basis at the end of 2018. Net change of this position was also impacted by repayment of several loans received from European Investment Bank, amounting to nearly EUR 250 million.

During the period under review amounts due to individuals grew by PLN 2,297.9 million or 3.5% quarterly, both on current accounts and term deposits (3.4% and 4.3%, respectively), up to PLN 68,221.4 million.

Amounts due to the public sector stood at PLN 1,762.7 million, representing an increase by PLN 1,023.6 million (+138.5%) quarter on quarter.

Debt securities in issue were mBank Group's second largest category among liabilities and equity (12.2%). They grew by PLN 391.7 million or +2.2% quarter on quarter, up to PLN 18,441.3 million. The increase is attributable to an issue of covered bonds by mBank Hipoteczny in the value of PLN 100 million and an appreciation of EUR and CHF, the currencies in which majority of eurobonds under the EMTN programme is issued.

Amounts due to other banks totaled PLN 2,473.5 million at the end of Q1 2019, accounting for 1.6% of total liabilities and equity of mBank Group. Compared with Q4 2018, the category declined by PLN 604.9 million or 19.6%, due to the repayment of a loan granted by another bank.

The share of equity in total liabilities and equity of mBank Group decreased slightly quarter on quarter to the level of 10.2% (against 10.4% at the end of December 2018).

Quality of the loan portfolio of mBank Group

As at 31 March 2019, the amount of non-performing loans (NPL) was slightly higher than in the previous quarter. The NPL ratio maintained the level from the end December 2018 and amounted to 4.8%.

The coverage ratio for total receivables decreased slightly quarter on quarter from 73.2% to 73.0% whereas coverage ratio for non-performing receivables stood at 62.4% compared to 62.8% at the end of 2018.

PLN M	31.12.2018	31.03.2019	QoQ change
Provisions for non-performing loans	2,961.6	3,020.1	2.0%
Provisions for performing loans	491.4	513.2	4.4%
Total provisions	3,453.0	3,533.3	2.3%
Non-performing receivables	4,717.4	4,841.7	2.6%
Performing receivables	93,477.1	96,410.0	3.1%
NPL ratio	4.8%	4.8%	
Coverage ratio for non-performing receivables	62.8%	62.4%	

Provisions for non-performing loans – provisions for loans and advances at amortised cost with impairment (basket 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 (basket 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 (basket 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 (basket 1 and 2) and non-default loans and advances mandatorily at fair value through profit or loss

NPL ratio – loans and advances at amortised cost with impairment (basket 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

With 67.7%, the Retail Banking segment made the biggest contribution to the profit before tax of mBank Group in Q1 2019. The contribution of the Corporate and Investment Banking segment was 28.0% and the Financial Markets segment accounted for 15.8%.

Lower results of particular business areas were mainly affected by the annual contribution to the BFG resolution fund posted in Q1 2019.

PLN M	Q2 2018	Q3 2018	QoQ change	% share in profit before tax
Retail Banking	250.7	197.0	-21.4%	67.7%
Corporate and Investment Banking	169.3	81.4	-51.9%	28.0%
Financial Markets	42.4	46.0	8.4%	15.8%
Other	3.6	-33.5	+/-	-11.5%
Profit before tax of mBank Group	466.0	290.8	-37.6%	100.0%

Retail Banking



mBank's Retail Banking segment serves 5,768.0 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 361 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

- Stable total income on quarterly basis, amounting to PLN 765.8 million.
- Increase in the share of mBank in non-mortgage loans market from 5.4% to 5.9% year on year.
- 6.5% share of mBank in retail deposits market.
- Record high sales of mortgage loans at PLN 1,490.1 million (i.e. +16.3% quarter on quarter and +49.8% year on year), while non-mortgage loans sales stood at PLN 2,575.3 million (i.e. +13.3% quarter on quarter and +28.8% year on year).
- Maintained high share of loggings into client accounts via mobile banking application: 62.5% at the end of March 2019.
- The Brokerage Bureau's share in the WSE total turnover fell from 14.8% to 11.1% quarter on quarter, whereas its share in the futures market dropped from 15.3% to 11.4%.
- For the second year in a row, mBank was a banking partner to Great Orchestra for Christmas Charity (WOŚP), one of most recognizable NGOs in Poland. The Bank supported WOŚP by its initiative "PLN 100 thousand from mBank for any 100 transitions from clients daily" and wide access to payments through terminals on the day of the finale. mBank enables its clients to support WOŚP throughout the year with a special button in the mobile app.
- Possibility to accept terms and conditions directly in the mobile app and transactional system when applying for cash loan, credit card and renewable loan.
- Launch of test sandbox for developers willing to provide alternative financial services to clients in the future, such as payment initiation or aggregation of transactions' data, based on the banking systems with use of API functionality (Application Programming Interface).

Key financial data:

PLN M	Q4 2018	Q1 2019	Change in PLN M	Change in %
Net interest income	615.3	629.8	14.5	2.4%
Net fee and commission income	117.5	109.3	-8.3	-7.0%
Net trading income	33.6	31.2	-2.4	-7.1%
Net other operating income	-6.4	-4.5	1.9	+/-
Total income	760.0	765.8	5.8	0.8%
Net impairment losses and fair value change on loans and advances ¹	-116.4	-114.3	2.2	-1.9%
Overhead costs and depreciation	-340.0	-398.5	-58.5	17.2%
Taxes on bank balance sheet items	-52.9	-56.1	-3.2	6.0%
Profit before tax of Retail Banking	250.7	197.0	-53.7	-21.4%

¹ 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.	31.03.2018	31.12.2018	31.03.2019	QoQ change	YoY change
Number of retail clients, including:	5,421.2	5,685.0	5,768.0	1.5%	6.4%
Poland	4,510.7	4,760.6	4,837.1	1.6%	7.2%
Foreign branches	910.5	924.3	930.9	0.7%	2.2%
The Czech Republic	635.6	642.2	646.6	0.7%	1.7%
Slovakia	274.9	282.1	284.3	0.8%	3.4%
PLN M					
Loans to retail clients, including:	48,444.5	52,510.8	53,803.3	2.5%	11.1%
Poland	43,952.9	47,801.8	49,132.3	2.8%	11.8%
mortgage loans	31,365.6	33,245.5	33,988.8	2.2%	8.4%
non-mortgage loans	12,587.3	14,556.3	15,143.5	4.0%	20.3%
Foreign branches	4,491.6	4,709.0	4,671.0	-0.8%	4.0%
The Czech Republic	3,643.5	3,768.8	3,713.4	-1.5%	1.9%
Slovakia	848.1	940.2	957.6	1.9%	12.9%
Deposits of retail clients, including:	57,768.7	65,852.8	68,073.3	3.4%	17.8%
Poland	48,525.8	55,733.9	57,841.2	3.8%	19.2%
Foreign branches	9,242.9	10,118.9	10,232.1	1.1%	10.7%
The Czech Republic	6,622.7	7,163.2	7,168.1	0.1%	8.2%
Slovakia	2,620.2	2,955.7	3,064.0	3.7%	16.9%
Investment funds of mBank's individual clients¹	15,311.1	13,119.6	14,102.6	7.5%	-7.9%
thou.					
Credit cards, including:	367.6	381.9	387.0	1.3%	5.3%
Poland	329.4	341.2	345.6	1.3%	4.9%
Foreign branches	38.2	40.7	41.4	1.5%	8.3%
Debit cards, including:	3,745.4	3,909.0	3,978.4	1.8%	6.2%
Poland	3,170.2	3,319.9	3,386.0	2.0%	6.8%
Foreign branches	575.2	589.1	592.4	0.6%	3.0%

¹ Value of investment funds of mBank's individual clients was adjusted backwards and currently represents value of open-end investment funds only.

Corporates and Financial Markets



The Corporates and Financial Markets segment serves 24,288 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

- Increase of total income compared to Q4 2018 up to PLN 522.0 million (PLN 436.6 million from Corporate and Investment Banking and PLN 85.4 million from Financial Markets)
- Increase of corporate loans on the Bank level (excluding reverse repo/buy sell back transactions) by 2.8% compared to the end of December 2018 and by 12.6% year on year.
- Fifth position of mFactoring on the factoring market in Poland with market share of 7.9%.
- Increase in corporate deposits on the Bank level (excluding repo transactions) by 9.8% quarterly and 10.3% annually. mBank's market share in deposits for enterprises amounted to 10.3%.
- Adoption of new rules for financing the mining and energy sector. Its provisions restrict among others financing of new coal mines and coal-fired power units.

Key financial data:

Corporate and Investment Banking:

PLN M	Q4 2018	Q1 2019	Change in PLN M	Change in %
Net interest income	244.0	243.6	-0.5	-0.2%
Net fee and commission income	110.6	126.1	15.5	14.0%
Net trading income	64.7	61.0	-3.6	-5.6%
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	0.0	0.2	0.3	-/+
Net other operating income	6.0	5.7	-0.3	-5.0%
Total income	425.2	436.6	11.4	2.7%
Net impairment losses and fair value change on loans and advances ¹	-53.7	-31.2	22.5	-42.0%
Overhead costs and depreciation	-163.1	-282.7	-119.6	73.3%
Taxes on bank balance sheet items	-39.2	-41.3	-2.2	5.6%
Profit before tax of Corporate and Investment Banking	169.3	81.4	-87.9	-51.9%

Financial Markets:

PLN M	Q4 2018	Q1 2019	Change in PLN M	Change in %
Net interest income	61.0	55.1	-6.0	-9.8%
Net fee and commission income	-3.2	-2.1	1.1	-34.1%
Net trading income	6.9	15.3	8.4	120.6%
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	9.9	18.2	8.3	83.3%
Net other operating income	0.2	-1.1	-1.3	+/-
Total income	74.9	85.4	10.5	14.0%
Net impairment losses and fair value change on loans and advances ¹	-0.4	0.6	0.9	+/-
Overhead costs and depreciation	-23.7	-29.5	-5.7	24.1%
Taxes on bank balance sheet items	-8.4	-10.5	-2.1	25.2%
Profit before tax of Financial Markets	42.4	46.0	3.6	8.4%

¹ 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):

	31.03.2018	31.12.2018	31.03.2019	QoQ change	YoY change
Number of corporate clients, including:	22,316	23,706	24,288	2.5%	8.8%
K1	2,156	2,193	2,225	1.5%	
K2	7,465	7,520	7,692	2.3%	
K3	12,695	13,993	14,371	2.7%	
PLN M					
Loans to corporate clients, including:	23,175.6	25,532.7	26,416.1	3.5%	14.0%
K1	6 048.5	6,994.3	7,051.9	0.8%	
K2	14,808.0	15,745.6	16,343.5	3.8%	
K3	2,092.7	2,519.1	2,555.6	1.5%	
Reverse repo/buy sell back transactions	63.3	200.3	383.7	91.6%	
Other	163.2	73.4	81.4	10.9%	
Deposits of corporate clients, including:	33,081.4	32,987.4	36,558.9	10.8%	10.5%
K1	14,660.6	12,765.2	16,060.5	25.8%	
K2	11,900.4	13,048.9	13,101.8	0.4%	
K3	5,023.8	5,993.2	5,932.2	-1.0%	
Repo transactions	959.2	713.1	1,124.9	57.8%	
Other	537.5	467.1	339.4	-27.3%	

Summary of results of mBank Group's subsidiaries

In Q1 2019, the profit before tax generated by mBank Group subsidiaries amounted to PLN 52.1 million, which represents a 38.9% decrease against the previous quarter. The main factors weighing down on their financial performance include organisational changes and, in the case of mBank Hipoteczny, the contribution to the resolution fund posted in whole in the first quarter (similarly to mBank).

The table below presents the profit before tax posted by individual subsidiaries in Q1 2019 compared with Q4 2018.

PLN M	Q4 2018	Q1 2019	Change in %
mFinanse (f. Aspiro)	41.0	14.7	-64.0%
mBank Hipoteczny	17.4	10.1	-41.8%
mLeasing	24.7	22.4	-9.5%
mFactoring	7.9	7.0	-11.6%
Other ¹	-5.6	-2.1	-63.1%
Total	85.4	52.1	-38.9%

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



An open platform for financial services sale on the intermediaries market

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

In Q1 2019, mFinanse recorded an increase in mortgage loan sales by 12.1% quarter on quarter (PLN 736.8 million in Q1 2019 against PLN 657.2 million in Q4 2018). In the period under review, mFinanse also reported a rise in cash loan sales by 12.5% to PLN 231.4 million compared with PLN 205.7 million in Q4 2018.

The profit from selling unsecured loans to companies rose quarter on quarter by 53.7% (PLN 150.2 million in Q1 2019 against PLN 97.7 million in Q4 2018). In Q1 2019, the subsidiary's sales results in the area of car leasing increased by 10.4% (to PLN 34.1 million compared with PLN 30.9 million in the previous quarter).

mFinanse's profit before tax in Q1 2019 amounted to PLN 14.7 million compared with PLN 41.0 million in Q4 2018, which represents a drop by PLN 26.2 million quarter on quarter. It is noteworthy, however, that the profit before tax of the company posted in Q4 2018 was greatly affected by a one-off transaction, i.e. the PLN 26 million sale of an organised part of enterprise of mFinanse providing insurance intermediation in the scope of group insurance of leased assets (the transaction did not impact the consolidated profit before tax of the mBank Group). The improved profit before tax from core operations reported in Q1 2019 was driven by a major rise in the sales of mortgage loans and cash loans dedicated to individuals.



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

Providing stable, long-term and secure funding for the Group using a pooling model in cooperation with mBank

Since 2000, mBank Hipoteczny (mBH) has been regularly issuing Polish covered bonds in line with the Polish issuance programme. In Q4 2018, mBank Hipoteczny issued covered bonds with a nominal value of PLN 10 million, which were then assimilated with the issue dated June 22, 2018 traded on the Warsaw

Stock Exchange (GPW). As a result, mBank Hipoteczny originated securities with a nominal value of PLN 310 million. It was the first assimilation of mortgage covered bonds on the Polish stock exchange.

In Q1 2019, mBank Hipoteczny issued covered bonds with a nominal value of PLN 100 million with an almost 10-year maturity, which is currently the longest series of mortgage covered bonds in PLN traded in the capital market in Poland. As at the end of Q1 2019, the total value of outstanding mortgage bonds issued by mBank Hipoteczny amounted to PLN 7,271.6 million (at the PLN/EUR exchange rate of 4.3013 of the National Bank of Poland prevailing on March 29, 2019).

At the same time, mBank Hipoteczny has also continued to issue unsecured bonds. At the end of Q1 2019, mBH issued five series of unsecured bonds worth a total of PLN 715 million. The product range of mBank Hipoteczny includes zero-coupon and coupon bonds denominated in PLN with maturities from two months to one year.

In January 2019, mBank Hipoteczny implemented a new business model. In the coming years mBH plans to expand its portfolio of retail mortgage loans and CRE loans using the pooling model in close cooperation with mBank, which assumes that sales will be performed by mBank's salesforce in both retail and commercial area.

mBank Hipoteczny's gross loan portfolio totalled PLN 12.0 billion in Q1 2019 compared with PLN 11.2 billion at the end of Q4 2018, which represents a 6.6% rise quarter on quarter. The increase was driven by the largest retail loans pooling transaction ever made by mBH. The transaction was completed in February 2019 and the total amount of transferred principal reached PLN 710 million.

As far as the commercial portfolio is concerned, mBH signed three contracts worth jointly PLN 174 million in Q1 2019. Applications concerning the aforementioned contracts were filed with mBH back in 2018.

In Q1 2019, the subsidiary's profit before tax stood at PLN 10.1 million, which represents a drop by 41.8% compared with Q4 2018. The decrease was driven mainly by rising costs of mBH's operations pushed up by higher annual contribution to the BFG resolution fund, which was posted in whole in the first quarter of the year.



Financing offer in the form of leasing or rent, and car fleet management

4th position on the leasing market in Poland as at 31.12.2018

The value of contracts executed in Q1 2019 amounted to PLN 1,150.4 million compared with PLN 1,830.1 million in Q4 2018, which represents a decrease by 37.1% quarter on quarter. The decrease was caused by higher demand for leased company cars observed in Q4 2018 due to new tax rules coming into force on January 1, 2019.

The value of contracts regarding movables concluded in Q1 2019 amounted to PLN 1,101.4 million, while the value of contracts concerning real estate stood at PLN 49.0 million. By comparison, in Q4 2018, these figures stood at PLN 1,802.4 million for movable assets and PLN 27.7 million for real estate.

In Q1 2019, mLeasing earned a profit before tax of PLN 22.4 million, which is 9.3% less compared with the previous quarter (PLN 24.7 million). The drop stems primarily from higher credit risk costs (PLN 10.9 million in Q1 2019 against PLN 5.7 million in Q4 2018).

On March 8, 2019, mLeasing completed the purchase of a 100% stake in LeaseLink, a fintech specialising in financing corporate purchases made in online and traditional stores, thus strengthening its position as a funding provider for small and medium-sized enterprises.

As at the end of 2018 (the latest data available on the date of this report), mLeasing was the fourth largest leasing provider in Poland and ranked third on the real estate lease market (as measured by the value of assets, year to date).



mFactoring offers financing of ongoing business operations, receivables management, transfer of insolvency risk, management of debtors' settlement accounts and enforcement of receivables, provides domestic and export factoring with recourse and credit protection as well as import credit guarantees

The fifth largest player on the Polish factoring market among the members of the Polish Factors Association

In Q1 2019, mFactoring continued to grow dynamically and break new year-on-year business records. Compared with Q4 2018, turnover, i.e. the value of purchased invoices, fell by 10.8%. Despite this drop their value reached a high level of PLN 5 billion which allowed the company to be ranked fifth on the factoring market in Poland with a 7.9% market share (according to the Polish Factors Association).

In Q1 2019, mFactoring acquired 41 new clients, thus expanding its client portfolio to over 600. All corporate branches actively participated in the development of the factoring portfolio, adding PLN 320 million of new factoring limits. Broken down by segments, the structure of clients was as follows: K1 – PLN 200 million (2 clients), K2 – PLN 92 million (12 clients), K3 – PLN 28 million (27 clients).

Dynamic business development gave a boost to mFactoring's financial performance. In Q1 2019, the subsidiary posted a profit before tax of PLN 7.0 million compared with PLN 7.9 million in Q4 2018.

Consolidated income statement

	Note	1st Quarter (current year) period from 01.01.2019 to 31.03.2019	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018 - restated
Interest income, including:	5	1 200 843	1 053 643
<i>Interest income accounted for using the effective interest method</i>		1 047 277	888 138
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		153 566	165 505
Interest expenses	5	(270 590)	(237 219)
Net interest income		930 253	816 424
Fee and commission income	6	400 652	419 295
Fee and commission expenses	6	(171 806)	(150 419)
Net fee and commission income		228 846	268 876
Dividend income	7	223	167
Net trading income, including:	8	102 882	84 493
<i>Foreign exchange result</i>		89 240	71 427
<i>Gains or losses on financial assets and liabilities held for trading</i>		11 325	15 903
<i>Gains or losses from hedge accounting</i>		2 317	(2 837)
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	9	(14 020)	(38 369)
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	16 849	4 304
<i>Gains less losses from debt securities measured at fair value through other comprehensive income</i>		17 865	4 326
<i>Gains less losses from investments in subsidiaries and associates</i>		(1 594)	(22)
<i>Gains less losses from derecognition</i>		578	-
Other operating income	11	37 077	268 945
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	12	(120 747)	(81 462)
Overhead costs	13	(625 744)	(535 161)
Depreciation		(90 038)	(65 832)
Other operating expenses	14	(65 647)	(62 645)
Operating profit		399 934	659 740
Taxes on the Group balance sheet items		(109 104)	(98 463)
Share in profits (losses) of entities under the equity method		-	289
Profit before income tax		290 830	561 566
Income tax expense		(126 843)	(148 992)
Net profit		163 987	412 574
Net profit attributable to:			
- Owners of mBank S.A.		164 001	412 583
- Non-controlling interests		(14)	(9)
Net profit attributable to Owners of mBank S.A.		164 001	412 583
Weighted average number of ordinary shares	15	42 336 982	42 312 122
Earnings per share (in PLN)	15	3.87	9.75
Weighted average number of ordinary shares for diluted earnings	15	42 368 634	42 338 162
Diluted earnings per share (in PLN)	15	3.87	9.74

Consolidated statement of comprehensive income

	1st Quarter (current year) period from 01.01.2019 to 31.03.2019	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018 - restated
Net profit	163 987	412 574
Other comprehensive income net of tax, including:	(69 519)	72 094
Items that may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations (net)	(29)	62
Cash flows hedges (net)	24 823	27 454
Debt instruments at fair value through other comprehensive income (net)	(94 311)	44 578
Items that will not be reclassified to the income statement		
Actuarial gains and losses relating to post-employment benefits (net)	(2)	-
Total comprehensive income (net)	94 468	484 668
Total comprehensive income (net), attributable to:		
- Owners of mBank S.A.	94 482	484 677
- Non-controlling interests	(14)	(9)

Consolidated statement of financial position

ASSETS	Note	31.03.2019	31.12.2018	31.03.2018 - restated
Cash and balances with the Central Bank		5 553 368	9 199 264	5 354 319
Financial assets held for trading and derivatives held for hedges	16	4 537 295	2 104 302	4 300 858
Non-trading financial assets mandatorily at fair value through profit or loss, including:	17	2 659 781	2 836 060	3 477 833
<i>Equity instruments</i>		71 532	72 775	40 854
<i>Debt securities</i>		70 219	58 130	47 879
<i>Loans and advances to customers</i>		2 518 030	2 705 155	3 389 100
Financial assets at fair value through other comprehensive income	18	25 217 431	24 338 284	22 876 878
Financial assets at amortised cost, including:	19	108 496 298	103 564 317	94 775 022
<i>Debt securities</i>	19	9 313 153	9 000 539	8 689 402
<i>Loans and advances to banks</i>	19	4 020 545	2 546 346	3 811 337
<i>Loans and advances to customers</i>	19	95 162 600	92 017 432	82 274 283
Fair value changes of the hedged items in portfolio hedge of interest rate risk		32	-	-
Investments in associates	20	-	-	28 969
Non-current assets and disposal groups classified as held for sale	21	-	-	42 014
Intangible assets	22	814 898	776 175	692 258
Tangible assets	23	1 324 958	785 026	730 463
Current income tax assets		11 214	9 336	11 432
Deferred income tax assets	27	931 619	959 076	737 819
Other assets		1 271 765	1 178 279	612 351
Total assets		150 818 659	145 750 119	133 640 216
LIABILITIES AND EQUITY				
Liabilities				
Financial liabilities held for trading and derivatives held for hedges	24	981 254	981 117	900 830
Financial liabilities measured at amortised cost, including:		131 045 083	125 611 195	115 355 334
<i>Amounts due to banks</i>	25	2 473 528	3 078 387	4 475 332
<i>Amounts due to customers</i>	25	107 648 204	102 009 062	94 308 572
<i>Debt securities issued</i>		18 441 265	18 049 583	14 414 161
<i>Subordinated liabilities</i>		2 482 086	2 474 163	2 157 269
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-	-	33 474
Provisions	26	252 679	258 283	264 791
Current income tax liabilities		121 978	352 962	145 895
Deferred income tax liabilities	27	83	83	81
Other liabilities		3 104 477	3 330 399	2 453 476
Total liabilities		135 505 554	130 534 039	119 153 881
Equity				
Equity attributable to Owners of mBank S.A.		15 311 027	15 213 980	14 484 158
Share capital:		3 574 686	3 574 686	3 564 176
Registered share capital		169 348	169 348	169 248
Share premium		3 405 338	3 405 338	3 394 928
Retained earnings:		11 591 022	11 424 456	10 742 416
Profit from the previous years		11 427 021	10 108 005	10 329 833
Profit for the current year		164 001	1 316 451	412 583
Other components of equity		145 319	214 838	177 566
Non-controlling interests		2 078	2 100	2 177
Total equity		15 313 105	15 216 080	14 486 335
Total liabilities and equity		150 818 659	145 750 119	133 640 216
Total capital ratio		20.65	20.69	20.93
Common Equity Tier 1 capital ratio		17.55	17.47	17.87
Book value		15 311 027	15 213 980	14 484 158
Number of shares		42 336 982	42 336 982	42 312 122
Book value per share (in PLN)		361.65	359.35	342.32

Consolidated statement of changes in equity

Changes in equity from 1 January to 31 March 2019

	Share capital		Retained earnings				Other components of equity					Equity attributable to Owners of mBank S.A., total	Non-controlling interests	Total 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 as at 1 January 2019	169 348	3 405 338	9 826 282	93 448	1 153 753	350 973	-	(5 467)	145 978	83 643	(9 316)	15 213 980	2 100	15 216 080
Total comprehensive income	-	-	-	-	-	-	164 001	(29)	(94 311)	24 823	(2)	94 482	(14)	94 468
Other increase or decrease in equity	-	-	-	-	-	-	-	-	-	-	-	-	(8)	(8)
Stock option program for employees	-	-	-	2 565	-	-	-	-	-	-	-	2 565	-	2 565
<i>- value of services provided by the employees</i>	-	-	-	2 565	-	-	-	-	-	-	-	2 565	-	2 565
Equity as at 31 March 2019	169 348	3 405 338	9 826 282	96 013	1 153 753	350 973	164 001	(5 496)	51 667	108 466	(9 318)	15 311 027	2 078	15 313 105

Changes in equity from 1 January to 31 December 2018

	Share capital		Retained earnings				Other components of equity					Equity attributable to Owners of mBank S.A., total	Non-controlling interests	Total 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 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	-	-	-	-	-	(248 158)	-	-	(45 428)	-	-	(293 586)	-	(293 586)
Restated equity as at 1 January 2018	169 248	3 394 928	7 727 317	93 634	1 153 753	1 351 432	-	(5 527)	122 965	(5 198)	(6 768)	13 995 784	2 186	13 997 970
Total comprehensive income	-	-	-	-	-	-	1 316 451	60	23 013	88 841	(2 548)	1 425 817	(82)	1 425 735
Issuance of ordinary shares	100	-	-	-	-	-	-	-	-	-	-	100	-	100
Dividends	-	-	-	-	-	(217 907)	-	-	-	-	-	(217 907)	-	(217 907)
Transfer to supplementary capital	-	-	2 098 965	-	-	(2 098 965)	-	-	-	-	-	-	-	-
Other increase or decrease in equity	-	-	-	-	-	(38)	-	-	-	-	-	(38)	(4)	(42)
Stock option program for employees	-	10 410	-	(186)	-	-	-	-	-	-	-	10 224	-	10 224
<i>- value of services provided by the employees</i>	-	-	-	10 224	-	-	-	-	-	-	-	10 224	-	10 224
<i>- settlement of exercised options</i>	-	10 410	-	(10 410)	-	-	-	-	-	-	-	-	-	-
Equity as at 31 December 2018	169 348	3 405 338	9 826 282	93 448	1 153 753	(965 478)	1 316 451	(5 467)	145 978	83 643	(9 316)	15 213 980	2 100	15 216 080

Changes in equity from 1 January to 31 March 2018 – restated

	Share capital		Retained earnings					Other components of equity				Equity attributable to Owners of mBank S.A., total	Non-controlling interests	Total 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 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	-	-	-	-	-	(248 158)	-	-	(45 428)	-	-	(293 586)	-	(293 586)
Restated equity as at 1 January 2018	169 248	3 394 928	7 727 317	93 634	1 153 753	1 351 432	-	(5 527)	122 965	(5 198)	(6 768)	13 995 784	2 186	13 997 970
Total comprehensive income	-	-	-	-	-	-	412 583	62	44 578	27 454	-	484 677	(9)	484 668
Transfer to supplementary capital	-	-	27 829	-	-	(27 829)	-	-	-	-	-	-	-	-
Other increase or decrease in equity	-	-	-	-	-	16	-	-	-	-	-	16	-	16
Stock option program for employees	-	-	-	3 681	-	-	-	-	-	-	-	3 681	-	3 681
- value of services provided by the employees	-	-	-	3 681	-	-	-	-	-	-	-	3 681	-	3 681
Equity as at 31 March 2018	169 248	3 394 928	7 755 146	97 315	1 153 753	1 323 619	412 583	(5 465)	167 543	22 256	(6 768)	14 484 158	2 177	14 486 335

Consolidated statement of cash flows

	Period from 01.01.2019 to 31.03.2019	Period from 01.01.2018 to 31.03.2018 - restated
A. Cash flows from operating activities	1 961 784	5 479 087
Profit before income tax	290 830	561 566
Adjustments:	1 670 954	4 917 521
Income taxes paid	(325 748)	(255 521)
Amortisation, including amortisation of fixed assets provided under operating lease	100 593	77 091
Foreign exchange (gains) losses related to financing activities	36 223	43 026
(Gains) losses on investing activities	(17 202)	(7 670)
Dividends received	(223)	(167)
Interest income (income statement)	(1 200 843)	(1 053 643)
Interest expense (income statement)	270 590	237 219
Interest received	1 123 763	1 049 131
Interest paid	(242 617)	(235 990)
Changes in loans and advances to banks	80 376	2 651 335
Changes in financial assets and liabilities held for trading and derivatives held for hedges	98 147	(58 227)
Changes in loans and advances to customers	(2 946 981)	(1 528 688)
Changes in financial assets at fair value through other comprehensive income	(1 002 930)	556 258
Changes in securities at amortised cost	(259 002)	(285 970)
Changes of investments in subsidiaries and associates	-	(289)
Changes of non-trading equity securities mandatorily at fair value through profit or loss	(10 846)	(2 000)
Changes in other assets	(117 212)	160 090
Changes in amounts due to other banks	(63 422)	(597 957)
Changes in amounts due to customers	6 194 154	4 071 194
Changes in debt securities in issue	182 527	190 328
Changes in provisions	(5 604)	29 492
Changes in other liabilities	(222 789)	(121 521)
Net cash generated from/(used in) operating activities	1 961 784	5 479 087
B. Cash flows from investing activities	(98 120)	328 457
Investing activity inflows	12 077	427 225
Disposal of intangible assets and tangible fixed assets	11 854	10 518
Dividends received	223	167
Other investing inflows	-	416 540
Investing activity outflows	110 197	98 768
Acquisition of shares in subsidiaries	34 813	-
Purchase of intangible assets and tangible fixed assets	75 384	98 768
Net cash generated from/(used in) investing activities	(98 120)	328 457
C. Cash flows from financing activities	(1 489 099)	(1 416 231)
Financing activity inflows	265 000	272 000
Issue of debt securities	265 000	272 000
Financing activity outflows	1 754 099	1 688 231
Repayments of loans and advances from other banks	560 027	1 253 210
Repayments of other loans and advances	1 058 369	-
Redemption of debt securities	80 000	406 000
Acquisition of shares in subsidiaries - increase of involvement	4 142	-
Payments of financial lease liabilities	n/a	123
Payments of lease liabilities	27 974	n/a
Interest paid from loans and advances received from other banks and from subordinated liabilities	23 587	28 898
Net cash generated from/(used in) financing activities	(1 489 099)	(1 416 231)
Net increase / decrease in cash and cash equivalents (A+B+C)	374 565	4 391 313
Effects of exchange rate changes on cash and cash equivalents	(5 221)	7 480
Cash and cash equivalents at the beginning of the reporting period	10 630 969	9 824 260
Cash and cash equivalents at the end of the reporting period	11 000 313	14 223 053

mBank S.A. stand-alone financial information

Income statement

	Note	1st Quarter (current year) period from 01.01.2019 to 31.03.2019	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018
Interest income, including:		1 056 238	920 975
<i>Interest income on financial assets at amortised cost</i>		914 510	768 128
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		141 728	152 847
Interest expenses		(231 703)	(201 062)
Net interest income		824 535	719 913
Fee and commission income		362 074	360 239
Fee and commission expenses		(146 774)	(134 018)
Net fee and commission income		215 300	226 221
Dividend income		223	167
Net trading income, including:		101 410	85 729
<i>Foreign exchange result</i>		89 189	71 251
<i>Gains or losses on financial assets and liabilities held for trading</i>		13 347	15 305
<i>Gains or losses from hedge accounting</i>		(1 126)	(827)
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(13 283)	(38 994)
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates, including:		3 967	1 752
<i>Gains less losses from debt securities measured at fair value through other comprehensive income</i>		17 865	4 189
<i>Gains less losses from investments in subsidiaries and associates</i>		(651)	(22)
<i>Gains less losses from derecognition</i>		(13 247)	(2 415)
Other operating income		13 515	10 108
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss		(108 179)	(73 958)
Overhead costs		(565 964)	(477 985)
Depreciation		(79 645)	(59 604)
Other operating expenses		(55 315)	(52 192)
Operating profit		336 564	341 157
Tax on the Bank's balance sheet items		(101 395)	(91 928)
Share in profits (losses) of entities under the equity method		26 774	252 553
Profit before income tax		261 943	501 782
Income tax expense		(114 465)	(85 967)
Net profit		147 478	415 815
Net profit		147 478	415 815
Weighted average number of ordinary shares	15	42 336 982	42 312 122
Earnings per share (in PLN)	15	3.48	9.83
Weighted average number of ordinary shares for diluted earnings	15	42 368 634	42 338 162
Diluted earnings per share (in PLN)	15	3.48	9.82

mBank S.A. stand-alone financial information

Statement of comprehensive income

	1st Quarter (current year) period from 01.01.2019 to 31.03.2019	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018
Net profit	147 478	415 815
Other comprehensive income net of tax, including:	9 135	70 806
Items that may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations (net)	(29)	54
Cash flows hedges (net)	24 823	27 454
Share of other comprehensive income of entities under the equity method (net)	(2 044)	1 074
Debt instruments at fair value through other comprehensive income (net)	(13 615)	42 224
Items that will not be reclassified to the income statement		
Actuarial gains and losses relating to post-employment benefits (net)	-	-
Total comprehensive income (net)	156 613	486 621

mBank S.A. stand-alone financial information

Statement of financial position

ASSETS	31.03.2019	31.12.2018	31.03.2018
Cash and balances with the Central Bank	5 553 353	9 182 971	5 351 345
Financial assets held for trading and derivatives held for hedges	4 577 249	2 126 112	4 324 554
Non-trading financial assets mandatorily at fair value through profit or loss, including:	2 395 390	2 567 330	3 227 757
<i>Equity instruments</i>	12 275	12 226	9 785
<i>Debt securities</i>	70 219	58 130	47 879
<i>Loans and advances to customers</i>	2 312 896	2 496 974	3 170 093
Financial assets at fair value through other comprehensive income	29 235 854	28 173 110	24 814 053
Financial assets at amortised cost, including:	95 655 821	91 111 844	85 486 934
<i>Debt securities</i>	9 313 152	9 000 540	8 689 403
<i>Loans and advances to credit institutions</i>	8 004 844	5 909 341	8 139 575
<i>Loans and advances to customers</i>	78 337 825	76 201 963	68 657 956
Fair value changes of the hedged items in portfolio hedge of interest rate risk	32	-	-
Investments in subsidiaries	2 473 808	2 300 324	2 294 043
Investments in associates	-	-	28 969
Intangible assets	699 714	693 210	626 931
Tangible assets	1 032 238	537 001	494 868
Current income tax assets	11 214	9 336	9 387
Deferred income tax assets	270 927	295 347	165 744
Other assets	658 651	652 585	412 293
AKTYWA RAZEM	142 564 251	137 649 170	127 236 878
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities held for trading and derivatives held for hedges	1 021 426	1 016 214	935 692
Financial liabilities measured at amortised cost, including:	123 468 156	118 342 044	109 613 397
<i>Amounts due to banks</i>	2 550 404	3 136 771	4 535 788
<i>Amounts due to customers</i>	115 552 311	109 873 386	102 920 340
<i>Debt securities issued</i>	2 883 355	2 857 724	-
<i>Subordinated liabilities</i>	2 482 086	2 474 163	2 157 269
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	18 245
Provisions	250 500	255 882	261 388
Current income tax liabilities	51 477	244 389	49 893
Deferred income tax liabilities	83	83	81
Other liabilities	2 438 388	2 615 515	1 873 334
Total liabilities	127 230 030	122 474 127	112 752 030
Equity			
Share capital:	3 574 686	3 574 686	3 564 176
Registered share capital	169 348	169 348	169 248
Share premium	3 405 338	3 405 338	3 394 928
Retained earnings:	11 573 618	11 423 575	10 743 679
- Profit from the previous years	11 426 140	10 106 090	10 327 864
- Profit for the current year	147 478	1 317 485	415 815
Other components of equity	185 917	176 782	176 993
Total equity	15 334 221	15 175 043	14 484 848
Total liabilities and equity	142 564 251	137 649 170	127 236 878
Total capital ratio	24.34	24.20	24.27
Common Equity Tier 1 capital ratio	20.74	20.46	20.76
Book value	15 334 221	15 175 043	14 484 848
Number of shares	42 336 982	42 336 982	42 312 122
Book value per share (in PLN)	362.19	358.43	342.33

mBank S.A. stand-alone financial information

Statement of changes in equity

Changes in equity from 1 January to 31 March 2019

	Share capital		Retained earnings					Other components of equity					Total 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	
Equity as at 1 January 2019	169 348	3 405 338	9 216 652	22 452	1 115 143	1 069 328	-	(5 160)	104 292	83 643	3 120	(9 113)	15 175 043
Total comprehensive income	-	-	-	-	-	-	147 478	(29)	(13 615)	24 823	(2 044)	-	156 613
Stock option program for employees	-	-	-	2 565	-	-	-	-	-	-	-	-	2 565
<i>- value of services provided by the employees</i>	-	-	-	2 565	-	-	-	-	-	-	-	-	2 565
Equity as at 31 March 2019	169 348	3 405 338	9 216 652	25 017	1 115 143	1 069 328	147 478	(5 189)	90 677	108 466	1 076	(9 113)	15 334 221

Changes in equity from 1 January to 31 December 2018

	Share capital		Retained earnings					Other components of equity					Total 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	
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	-	-	-	-	-	(248 158)	-	-	(44 857)	-	-	-	(293 015)
Restated equity as at 1 January 2018	169 248	3 394 928	7 145 517	22 638	1 115 143	2 040 885	-	(5 336)	119 556	(5 198)	3 770	(6 605)	13 994 546
Total comprehensive income	-	-	-	-	-	-	1 317 485	176	(15 264)	88 841	(650)	(2 508)	1 388 080
Issuance of ordinary shares	100	-	-	-	-	-	-	-	-	-	-	-	100
Dividends	-	-	-	-	-	(217 907)	-	-	-	-	-	-	(217 907)
Transfer to supplementary capital	-	-	2 071 135	-	-	(2 071 135)	-	-	-	-	-	-	-
Stock option program for employees	-	10 410	-	(186)	-	-	-	-	-	-	-	-	10 224
<i>- value of services provided by the employees</i>	-	-	-	10 224	-	-	-	-	-	-	-	-	10 224
<i>- settlement of exercised options</i>	-	10 410	-	(10 410)	-	-	-	-	-	-	-	-	-
Equity as at 31 December 2018	169 348	3 405 338	9 216 652	22 452	1 115 143	(248 157)	1 317 485	(5 160)	104 292	83 643	3 120	(9 113)	15 175 043

Changes in equity from 1 January to 31 March 2018 – restated

	Share capital		Retained earnings					Other components of equity					Total 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	
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	-	-	-	-	-	(248 158)	-	-	(44 857)	-	-	-	(293 015)
Restated equity as at 1 January 2018	169 248	3 394 928	7 145 517	22 638	1 115 143	2 040 885	-	(5 336)	119 556	(5 198)	3 770	(6 605)	13 994 546
Total comprehensive income	-	-	-	-	-	-	415 815	54	42 224	27 454	1 074	-	486 621
Stock option program for employees	-	-	-	3 681	-	-	-	-	-	-	-	-	3 681
- value of services provided by the employees	-	-	-	3 681	-	-	-	-	-	-	-	-	3 681
Equity as at 31 March 2018	169 248	3 394 928	7 145 517	26 319	1 115 143	2 040 885	415 815	(5 282)	161 780	22 256	4 844	(6 605)	14 484 848

mBank S.A. stand-alone financial information

Statement of cash flows

	Period from 01.01.2019 to 31.03.2019	Period from 01.01.2018 to 31.03.2018 - restated
A. Cash flows from operating activities	2 316 620	5 791 663
Profit before income tax	261 943	501 782
Adjustments:	2 054 677	5 289 881
Income taxes paid	(276 621)	(199 956)
Amortisation	79 645	59 604
Foreign exchange (gains) losses related to financing activities	35 335	43 113
(Gains) losses on investing activities	(43 315)	(258 531)
Dividends received	(223)	(167)
Interest income (income statement)	(1 056 238)	(920 975)
Interest expense (income statement)	231 703	201 062
Interest received	992 669	943 789
Interest paid	(220 057)	(215 033)
Changes in loans and advances to banks	(537 689)	2 714 355
Changes in financial assets and liabilities held for trading and derivatives held for hedges	79 814	(18 075)
Changes in loans and advances to customers	(2 279 103)	(1 118 628)
Changes in financial assets at fair value through other comprehensive income	(792 651)	121 502
Changes in securities at amortised cost	(241 135)	(169 231)
Changes of investments in associates	-	(22 819)
Changes of non-trading equity securities mandatorily at fair value through profit or loss	(12 138)	(1 832)
Changes in other assets	(28 226)	9 146
Changes in amounts due to banks	(26 527)	658 366
Changes in amounts due to customers	6 317 108	3 732 294
Changes in debt securities in issue	11 702	-
Changes in provisions	(5 382)	29 568
Changes in other liabilities	(173 994)	(297 671)
Net cash generated from/(used in) operating activities	2 316 620	5 791 663
B. Cash flows from investing activities	(103 863)	(87 344)
Investing activity inflows	285	330
Disposal of shares in subsidiaries	-	100
Disposal of intangible assets and tangible fixed assets	62	63
Dividends received	223	167
Investing activity outflows	104 148	87 674
Purchase of intangible assets and tangible fixed assets	104 148	87 674
Net cash generated from/(used in) investing activities	(103 863)	(87 344)
C. Cash flows from financing activities	(1 818 719)	(1 285 122)
Financing activity outflows	1 818 719	1 285 122
Repayments of loans and advances from banks	560 027	1 253 210
Repayments of other loans and advances	1 058 369	-
Acquisition of shares in subsidiaries - increase of involvement	150 000	1 300
Payments of financial lease liabilities	n/a	1 714
Payments of lease liabilities	26 736	n/a
Interest paid from loans and advances received from banks and subordinated liabilities	23 587	28 898
Net cash generated from/(used in) financing activities	(1 818 719)	(1 285 122)
Net increase / decrease in cash and cash equivalents (A+B+C)	394 038	4 419 197
Effects of exchange rate changes on cash and cash equivalents	(5 221)	7 480
Cash and cash equivalents at the beginning of the reporting period	10 597 670	9 750 574
Cash and cash equivalents at the end of the reporting period	10 986 487	14 177 251

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 31 March 2019, 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-laws 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-laws, 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 31 March 2019 the headcount of mBank S.A. amounted to 5 919 FTEs (Full Time Equivalents) and of the Group to 6 576 FTEs (31 March 2018: Bank 5 673 FTEs, Group 6 346 FTEs).

As at 31 March 2019 the employment in mBank S.A. was 6 895 persons and in the Group 8 956 persons (31 March 2018: Bank 6 415 persons, Group 8 556 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)
- mFactoring 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
- Asekum Sp. z o.o., subsidiary (the corporate segment of the company's activity)
- LeaseLink Sp. z o.o., - subsidiary (the corporate segment of the company's activity)

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)

- mFinance 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)
- Asekum Sp. z o.o., subsidiary (the retail segment of the company's activity)
- LeaseLink 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

In March 2019, mLeasing acquired 100% shares in LeaseLink Sp. z o.o., a company specializing in leasing payment services. Detailed information on the acquired shares is presented in item 9 "Selected explanatory information".

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

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

Company	31.03.2019		31.12.2018		31.03.2018	
	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
mBank Hipoteczny S.A.	100%	full	100%	full	100%	full
mLeasing Sp. z o.o.	100%	full	100%	full	100%	full
mFinance S.A.	100%	full	100%	full	100%	full
mFactoring S.A.	100%	full	100%	full	100%	full
mFinance France S.A.	99.998%	full	99.998%	full	99.998%	full
Future Tech Fundusz Inwestycyjny Zamknięty	98.04%	full	98.04%	full	98.04%	full
Tele-Tech Investment Sp. z o.o.	100%	full	100%	full	100%	full
mCentrum Operacji Sp. z o.o.	100%	full	100%	full	100%	full
BDH Development Sp. z o.o.	100%	full	100%	full	100%	full
Garbary Sp. z o.o.	100%	full	100%	full	100%	full
Asekum Sp. z o.o.	100%	full	100%	full	-	-
LeaseLink Sp. z o.o.	100%	full	-	-	-	-

Beginning from March 2019, the Group started to consolidate the company LeaseLink Sp. z o.o.

Beginning from October 2018, the Group started to consolidate the company Asekum Sp. z o.o.

The Management Board of mBank S.A. approved these condensed consolidated financial statements for issue on 29 April 2019.

2. Description of relevant accounting policies

Accounting basis

The Condensed Consolidated Financial Statements of mBank S.A. Group have been prepared for the 3-month period ended 31 March 2019. Comparative data presented in these condensed consolidated financial statements relate to the period of 12 months ended on 31 December 2018 and to the period of 3 months ended on 31 March 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 irrevocable election has been made to present changes in fair value in other comprehensive 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 data for the year 2018 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.

Detailed accounting principles applied to the preparation of these condensed consolidated financial statements are presented in Note 2 to the Consolidated Financial Statements of mBank S.A. Group for 2018, published on February 27, 2019. These principles were applied consistently over all presented periods, except for the accounting principles applied in connection with the implementation of IFRS 16 as of 1 January 2019, which is described in more detail below.

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 2019.

IFRS 16 Leases

The Standard was issued by International Accounting Standards Board (IASB) on January 13, 2016 and it has been accepted by the European Union. IFRS 16 applies for annual reporting periods beginning in or after 1 January 2019. The incoming standard supersedes regulations effective until December 31, 2018: IAS 17 Leasing, IFRIC Interpretation 4 and SIC Interpretations 15 and 27.

The new standard introduced a single lessee accounting model, convergent with IAS 17. As per IFRS 16, the contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Transfer of the right of use occurs when it concerns an identified asset, for which the lessee possesses the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use.

If lease definition is executed, a company recognizes the right to use of the leased asset and a financial liability representing its obligation to make future lease payments, excluding short-term lease contracts lasting no longer than 12 months and lease contracts concerning immaterial lease assets.

The expenses related to the use of leased assets, previously presented as overhead costs, currently are classified as depreciation and interest expenses.

Right-of-use assets are depreciated on a straight-line basis, while liabilities under lease agreements are settled using the effective interest rate.

Impact of IFRS 16 on financial statements

In the first quarter of 2019, the Group completed the implementation of IFRS 16 (project), which was planned in three stages:

- stage I - analysis of all contracts for purchase of services, regardless of the current qualification, aimed at selecting those contracts on the basis of which the Group uses assets belonging to suppliers,
- stage II - assessment of contracts identified in the first stage in terms of meeting the criteria for considering leasing in accordance with IFRS 16,
- stage III - implementation of IFRS 16 based on the developed concept.

The object of the analyzes were consisted of all financial leasing contracts, operating lease, rental agreements, as well as the right of perpetual usufruct of land. In addition, the transactions of acquired services (costs of external services within operating activities) were analyzed in terms of the use of an identified asset.

As part of the project, the Group made relevant changes to the accounting policy and operational procedures. Methodologies for the correct identification of contracts that are leasing and the collection of data necessary for the correct accounting treatment of these transactions have been developed and implemented. In addition, the Group has implemented relevant changes in the IT systems of the Group companies, so that they are adapted to collect and process relevant data.

In the consolidated financial statements lease agreements have been shown, in which the Group acts as a lessor for third parties. The previous accounting treatment by the lessor has been largely unchanged by IFRS 16. This means that the lessor continues to classify leases as operating leases or finance leases and their accounting treatment as two separate types of leasing. Nevertheless, additional disclosures are required from 2019.

The Group decided to implement the standard on 1 January 2019. In accordance with the transitional provisions included in IFRS 16, the new principles were adopted retrospectively with reference to the cumulative effect of the initial application of the new standard to equity as at 1 January 2019. Therefore, comparative data for the financial year 2018 have not been restated (modified retrospective approach).

Individual adjustments resulting from the implementation of IFRS 16 are described below.

Description of adjustments

(a) Recognition of leasing liabilities

After the adoption of IFRS 16, the Group recognizes lease liabilities in connection with a lease that was previously classified as an operating lease in accordance with the principles of IAS 17 Leasing. The liabilities result primarily from lease contracts for real estate, the right of perpetual usufruct of land and car leasing. These liabilities have been measured at the present value of lease payments remaining to be paid at the date of application of IFRS 16, discounted using the leasing interest rate as at 1 January 2019, calculated on the basis of the Bank's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term:

- fixed payments less any lease incentives receivable,
- variable lease payments that depend on market index or a rate
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option,
- payment of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

In order to calculate discount rates for IFRS 16, the Bank assumed that the discount rate should reflect the cost of financing that would be incurred to purchase the leased asset.

As at 1 January 2019, the discount rate calculated by the Bank amounted to:

- for contracts in PLN: 1.95%
- for contracts in EUR: 0.02%
- for contracts in USD: 2.93%
- for contracts in CZK: 2.19%

(b) Recognition of right-of-use assets

Right-of-use assets are measured at cost and presented in the statement of financial position together with the assets owned by the Bank along with the breakdown of additional information in the explanatory notes.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- initial direct costs incurred by the lessee in connection with the conclusion of the leasing contract,
- an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset or carry out renovations.

(c) Application of estimates

The implementation of IFRS 16 required making certain estimates and calculations that have an impact on the valuation of lease liabilities and right-of-use assets. They include, among others:

- determination of the duration of contracts (for contracts with an indefinite period or with the possibility of extending the Group applied the reasonably certain period of lease)
- determining the interest rate used to discount future cash flows,
- determination of the depreciation rate.

(d) The use of practical simplifications

When applying IFRS 16 for the first time, the Group applied the following practical simplifications allowed by the standard:

- applying one discount rate to the portfolio of leasing agreements with similar features,
- contracts for operating leases with the remaining lease period of less than 12 months as at 1 January 2019 were treated as short-term leasing,
- for operating lease contracts for which the underlying asset is of low value (less than PLN 20,000), the Group did not recognize any lease liabilities or related right-of-use assets. Lease payments on this account are recognized as expenses during the leasing period.
- the exclusion of initial direct costs in the measurement of right-of-use assets on the date of initial application, and

- using the time perspective (using the knowledge gained after the fact) in determining the leasing period, if the contract includes options for extending or terminating the lease agreement.

Impact on the consolidated statement of financial position of mBank Group

The impact of the implementation of IFRS 16 on the recognition of additional financial liabilities and related right-of-use is presented in the table below:

	31 December 2018 (without IFRS16 effect)	IFRS 16 effect	1 January 2019 (with IFRS16 effect)
ASSETS			
Tangible fixed asstes	785 026	562 375	1 347 401
including Right-of-use assets	-	562 375	562 375
Liabilities and equity			
Financial liabilities at amortised cost	125 611 195	563 360	126 174 555
including Lease liabilities	-	563 360	563 360

The reconciliation of the difference between the amounts of future lease payments due to irrevocable operating leases as at the end of 2018 and the lease liabilities recognized as at the date of first application of IFRS 16 are as follows:

	01.01.2019
Commitments due to operating lease as at 31 December 2018 (without discount)	603 248
The impact of the discount using the Group's incremental borrowing rate	(39 888)
Lease liabilities as at 1 January 2019	563 360
Other adjustments to right-of-use assets	(985)
Right-of-use assets as at 1 January 2019	562 375

Impact on the statement of financial position of mBank

The impact of the implementation of IFRS 16 on the recognition of additional financial liabilities and related right-of-use is presented in the table below:

	31 December 2018 (without IFRS16 effect)	IFRS 16 effect	1 January 2019 (with IFRS16 effect)
ASSETS			
Tangible fixed asstes	537 001	516 704	1 053 705
including Right-of-use assets	-	528 691	528 691
Liabilities and equity			
Financial liabilities at amortised cost	118 342 044	527 562	118 869 606
including Lease liabilities	-	527 562	527 562

The reconciliation of the difference between the amounts of future lease payments due to irrevocable operating leases as at the end of 2018 and the lease liabilities recognized as at the date of first application of IFRS 16 are as follows:

	01.01.2019
Commitments due to operating lease as at 31 December 2018 (without discount)	556 112
The impact of the discount using the Bank's incremental borrowing rate	(39 347)
Plus: finance lease liabilities as at 31 December 2018	10 797
Lease liabilities as at 1 January 2019	527 562
Other adjustments to right-of-use assets	1 129
Right-of-use assets as at 1 January 2019	528 691

Impact on the income statement

Since 2019 in the Group's income statement, a change in the classification of costs will appear (rental costs were replaced by depreciation and interest expense) and the time of recognition (recognition of leasing costs will be faster due to recognition of interest cost using the effective interest rate method) which was previously not applied to contracts other than those classified as finance leasing in accordance with IAS 17).

Impact on equity

The implementation of IFRS 16 did not affect retained earnings and equity of the Group as at 1 January 2019.

Impact on capital ratios

Due to the inclusion of lease agreements in the Group's balance sheet as at 1 January 2019, the total amount of risk exposures increased, and thus the total capital ratio of the Group decreased by ca. 15 basis points (total capital ratio of the Bank decreased by ca. 19 basis points).

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

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.

Standards and interpretations not yet approved by the European Union:

- 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, reinsurance 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.

- 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.

Amendments to References to the Conceptual Framework in IFRS Standards is a document that sets out the objective of the financial reporting, the qualitative characteristics of useful financial

information, a description of the reporting entity, definitions of an asset, a liability, equity, income and expenses, criteria of recognition assets and liabilities in financial statements and guidance on when to derecognize them, measurement bases and guidance on when to use them, as well as concepts and guidance on presentation and disclosure.

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 IFRS 3, Definition of a Business, published by the International Accounting Standards Board on 22 October 2018, binding for annual periods starting on or after 1 January 2020.

Amendments to IFRS 3 clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The main amendments are to clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The assessment of whether the market participants are capable of replacing any missing inputs or processes and continuing to produce outputs has been removed. Moreover, guidance and illustrative examples have been added to help entities assess whether a substantive process has been acquired, and the definitions of a business and of outputs have been narrowed by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs. An optional concentration test has been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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 1 and IAS 8, Definition of Material, published by the International Accounting Standards Board on 31 October 2018, binding for annual periods starting on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 clarify the definition of material and its application by aligning the wording of the definition of material across IFRS Standards and other publications and making minor improvements to that wording, as well as including some of the supporting requirements in IAS 1 Presentation of Financial Statements in the definition to give them more prominence. The explanation accompanying the definition of material was clarified. The amendments have the objective to help entities make better materiality judgements without substantively changing existing requirements.

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 IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB.

Comparative data

In Q4 2018, the Group adjusted the disclosure concerning the impact of IFRS 9 implementation as at 1 January 2018, by introducing the following changes, which required adjustment of prior period errors and restatement of comparative data for the first quarter of 2018 included in these condensed consolidated financial statements.

- a) classification of loans and advances granted to customers whose interest structure was based on the quadrupled lombard rate, to fair value through profit or loss category

The portfolio of loans and advances granted to customers in the carrying amount of PLN 449 836 thousand as at 31 March 2018, composed mainly of credit cards whose interest structure was based on the quadrupled lombard rate, was recorded in "Non-trading financial assets measured at fair value through profit or loss." Before, the portfolio was recorded in "Financial assets measured at amortised cost". In view of the emerging market practice, the bank ultimately decided to classify the portfolio as measured at fair value through profit or loss. The difference between the fair value of this portfolio and the value at amortized cost was immaterial, therefore the Group did not adjust the value of this portfolio as at 31 March 2018.

Due to the change in the classification of this portfolio, interest income on these loans for the first quarter of 2018 in the amount of PLN 9 486 thousand was transferred from the item "Interest income accounted for using the effective interest method - Interest income on financial assets at amortized cost - Loans and advances" to item "Income similar to interest on financial assets at fair value through profit or loss - Non-trading financial assets mandatorily measured at fair value through profit or loss - Loans and advances".

Impairment of these loans in the amount of PLN 3,009 thousand, included in the income statement for the first quarter of 2018 in the item "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortized cost - Loans and advances" have been transferred to "Gains and losses on financial assets not held for trading that are compulsorily measured at fair value through profit or loss - Loans and advances".

b) classification of the retail mortgage loan portfolio to be measured at fair value through other comprehensive income - the correction applies only to the Bank's stand-alone data

Due to a change in business model assessment as at the implementation date of IFRS 9, the portfolio of loans and advances customers comprising retail mortgage loans which in the future could be sold to mBank's subsidiary mBank Hipoteczny and serve as collateral for covered bond issues, the Bank classified those portfolios to "Financial assets measured at fair value through other comprehensive income".

In the financial statements of financial position for the first quarter of 2018, the Bank classified such loan portfolios to:

- financial assets valued at amortized cost - PLN 2 428 249 thousand
- financial assets held for trading at fair value through profit or loss - PLN 185 297 thousand

The Bank measured to fair value the portfolio of retail mortgage loans previously measured at amortized cost, due to immateriality it did not adjust the value of this portfolio as at 31 March 2018. The revaluation effect was recognized in other comprehensive income in the fourth quarter of 2018.

c) reclassification of VISA's preference shares

The preferred shares in VISA with a fair value of PLN 47 879 thousand as at 31 March 2018 were moved from "Financial assets measured at fair value through other comprehensive income" to "Non-trading financial assets measured at fair value through profit or loss" as, according to IAS 32, they do not match the definition of an equity instrument. Due to its characteristics, the instrument fails the SPPI test. The adjustment of the comparative data resulted in the transfer of the valuation of these instruments in the net amount of PLN 13 604 thousand being moved from "Other components of equity" to the "Profit from the previous years" in the amount of PLN 12 021 thousand and the current result to the item "Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss - Debt securities" in the amount of PLN 1,943 thousand and "Income tax" in the amount minus PLN 360 thousand.

In addition, in the financial statements for 2018, in connection with the implementation of IFRS 15 "Revenue from contracts with customers", the Group made the changes to income and expenses presentation described below, which required adjustment of prior period errors and restatement of comparative data for the first quarter of 2018 included in these condensed consolidated financial statements.

a) netting of part of fees and commissions income and expenses from card organizations

In accordance with the requirements of IFRS 15, the Group has netted fees and commissions income from card organizations for the period from 1 January to 31 March 2018 in the amount of PLN 7 880 thousand, which constituted the reimbursement of costs incurred by the Bank, with fees and commissions expenses. The change did not affect the result on fees and commissions.

b) netting revenues and costs due to fees and commissions related to car fleet management - the correction applies only to consolidated data of the Group

In accordance with the requirements of IFRS 15, the Group decreased by PLN 2 323 thousand fees and commissions expenses for the period from 1 January to 31 March 2018, i.e. by the amount of fees and commissions income related to the leasing car fleet management, which were reimbursed to the Group. The change did not affect the result on fees and commissions.

The impact of the changes introduced on the comparative data presented in these financial statements is presented in the tables below.

Restatements in the consolidated income statement of mBank S.A. Group.

	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018 before restatement	Adjustments	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018 after restatement
Interest income, including:	1 053 643	-	1 053 643
<i>Interest income accounted for using the effective interest method</i>	897 624	(9 486)	888 138
<i>Interest income on financial assets at fair value through other comprehensive income</i>	156 019	9 486	165 505
Income similar to interest on financial assets at fair value through profit or loss	(237 219)	-	(237 219)
Interest expenses	816 424	-	816 424
Fee and commission income	429 498	(10 203)	419 295
Fee and commission expenses	(160 622)	10 203	(150 419)
Net fee and commission income	268 876	-	268 876
Dividend income	167	-	167
Net trading income, including:	84 493	-	84 493
<i>Foreign exchange result</i>	71 427	-	71 427
<i>Gains or losses on financial assets and liabilities held for trading</i>	15 903	-	15 903
<i>Gains or losses from hedge accounting</i>	(2 837)	-	(2 837)
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(37 303)	(1 066)	(38 369)
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates, including:	4 304	-	4 304
<i>Gains less losses from debt securities measured at fair value through other comprehensive income</i>	4 326	-	4 326
<i>Gains less losses from investments in subsidiaries and associates</i>	(22)	-	(22)
Other operating income	268 945	-	268 945
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(84 471)	3 009	(81 462)
Overhead costs	(535 161)	-	(535 161)
Depreciation	(65 832)	-	(65 832)
Other operating expenses	(62 645)	-	(62 645)
Operating profit	657 797	1 943	659 740
Tax on the Bank's balance sheet items	(98 463)	-	(98 463)
Share in profits (losses) of entities under the equity method	289	-	289
Profit before income tax	559 623	1 943	561 566
Income tax expense	(148 632)	(360)	(148 992)
Net profit	410 991	1 583	412 574
Net profit attributable to:			
- Owners of mBank S.A.	411 000	1 583	412 583
- Non-controlling interests	(9)	-	(9)
Zysk na jedną akcję zwykłą (w zł)	9.71	0.04	9.75
Rozwodniony zysk na jedną akcję zwykłą (w zł)	9.71	0.03	9.74

Restatements in the consolidated statement of comprehensive income of mBank S.A. Group

	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018 before restatement	Adjustments	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018 after restatement
Net profit	410 991	1 583	412 574
Other comprehensive income net of tax, including:	73 677	(1 583)	72 094
Items that may be reclassified subsequently to the income statement			
Exchange differences on translation of foreign operations (net)	62	-	62
Cash flows hedges (net)	27 454	-	27 454
Change in valuation of debt instruments at fair value through other comprehensive income (net)	44 218	360	44 578
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)	1 943	(1 943)	-
Total comprehensive income (net)	484 668	-	484 668
Total comprehensive income (net), attributable to:			
- Owners of mBank S.A.	484 677	-	484 677
- Non-controlling interests	(9)	-	(9)

Restatements in the consolidated statement of financial position of mBank S.A. Group

ASSETS	31.03.2018 before restatement	Adjustments	31.03.2018 after restatement
Non-trading financial assets mandatorily at fair value through profit or loss, including:	2 980 118	497 715	3 477 833
<i>Debt securities</i>	-	47 879	47 879
<i>Loans and advances to customers</i>	2 939 264	449 836	3 389 100
Financial assets at fair value through other comprehensive income	22 924 757	(47 879)	22 876 878
Financial assets at amortised cost, including:	95 224 858	(449 836)	94 775 022
<i>Loans and advances to customers</i>	82 724 119	(449 836)	82 274 283
Other items of assets	12 510 483	-	12 510 483
Total assets	133 640 216	-	133 640 216
Equity			
Equity attributable to Owners of mBank S.A.	14 484 158	-	14 484 158
Share capital	3 564 176	-	3 564 176
Retained earnings	10 728 812	13 604	10 742 416
Profit from the previous years	10 317 812	12 021	10 329 833
Profit for the current year	411 000	1 583	412 583
Other components of equity	191 170	(13 604)	177 566
Non-controlling interests	2 177	-	2 177
Total equity	14 486 335	-	14 486 335
Total liabilities	119 153 881	-	119 153 881
Total liabilities and equity	133 640 216	-	133 640 216

Restatements in the consolidated statement of cash flow statement of mBank S.A. Group

Period	from 01.01.2018 to 31.03.2018 before restatement	Adjustments	from 01.01.2018 to 31.03.2018 after restatement
A. Cash flows from operating activities	5 479 087	-	5 479 087
Profit before income tax	559 623	1 943	561 566
Adjustments:	4 919 464	(1 943)	4 917 521
Income taxes paid	(255 521)	-	(255 521)
Amortisation, including amortisation of fixed assets provided under operating lease	77 091	-	77 091
Foreign exchange (gains) losses related to financing activities	43 026	-	43 026
(Gains) losses on investing activities	(5 727)	(1 943)	(7 670)
Dividends received	(167)	-	(167)
Interest income (income statement)	(1 053 643)	-	(1 053 643)
Interest expense (income statement)	237 219	-	237 219
Interest received	1 049 131	-	1 049 131
Interest paid	(235 990)	-	(235 990)
Changes in loans and advances to banks	2 651 335	-	2 651 335
Changes in financial assets and liabilities held for trading and derivatives held for hedges	(58 227)	-	(58 227)
Changes in loans and advances to customers	(1 528 688)	-	(1 528 688)
Changes in financial assets at fair value through other comprehensive income	554 315	1 943	556 258
Changes in securities at amortised cost	(285 970)	-	(285 970)
Changes of investments in subsidiaries and associates	(289)	-	(289)
Changes of non-trading equity securities mandatorily at fair value through profit or loss	(57)	(1 943)	(2 000)
Changes in other assets	160 090	-	160 090
Changes in amounts due to other banks	(597 957)	-	(597 957)
Changes in amounts due to customers	4 071 194	-	4 071 194
Changes in debt securities in issue	190 328	-	190 328
Changes in provisions	29 492	-	29 492
Changes in other liabilities	(121 521)	-	(121 521)
Net cash generated from/(used in) operating activities	5 479 087	-	5 479 087
B. Cash flows from investing activities	328 457	-	328 457
C. Cash flows from financing activities	(1 416 231)	-	(1 416 231)
Net increase / decrease in cash and cash equivalents (A+B+C)	4 391 313	-	4 391 313
Effects of exchange rate changes on cash and cash equivalents	7 480	-	7 480
Cash and cash equivalents at the beginning of the reporting period	9 824 260	-	9 824 260
Cash and cash equivalents at the end of the reporting period	14 223 053	-	14 223 053

Stand-alone data of the Bank

Restatements in the stand-alone income statement of mBank S.A.

	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018 before restatement	Adjustments	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018 after restatement
Interest income, including:	920 975	-	920 975
<i>Interest income accounted for using the effective interest method</i>	777 614	(9 486)	768 128
<i>Interest income on financial assets at fair value through other comprehensive income</i>	143 361	9 486	152 847
Income similar to interest on financial assets at fair value through profit or loss	(201 062)	-	(201 062)
Interest expenses	719 913	-	719 913
Net interest income	368 119	(7 880)	360 239
Fee and commission income	(141 898)	7 880	(134 018)
Fee and commission expenses	226 221	-	226 221
Net fee and commission income	167	-	167
Dividend income	85 729	-	85 729
<i>Net trading income, including:</i>	71 251	-	71 251
<i>Foreign exchange result</i>	15 305	-	15 305
<i>Gains or losses on financial assets and liabilities held for trading</i>	(827)	-	(827)
Gains or losses from hedge accounting	(37 928)	(1 066)	(38 994)
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates, including:	1 752	-	1 752
<i>Gains less losses from debt securities measured at fair value through other comprehensive income</i>	4 189	-	4 189
<i>Gains less losses from investments in subsidiaries and associates</i>	(22)	-	(22)
<i>Gains less losses from derecognition</i>	(2 415)	-	(2 415)
Other operating income	10 108	-	10 108
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(76 967)	3 009	(73 958)
Overhead costs	(477 985)	-	(477 985)
Depreciation	(59 604)	-	(59 604)
Other operating expenses	(52 192)	-	(52 192)
Operating profit	339 214	1 943	341 157
Taxes on the Group balance sheet items	(91 928)	-	(91 928)
Share in profits (losses) of entities under the equity method	252 553	-	252 553
Profit before income tax	499 839	1 943	501 782
Income tax expense	(85 607)	(360)	(85 967)
Net profit	414 232	1 583	415 815
Earnings per share (in PLN)	9.79	0.04	9.83
Diluted earnings per share (in PLN)	9.78	0.04	9.82

Restatements in the stand-alone statement of comprehensive income of mBank S.A.

	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018 before restatement	Adjustments	1st Quarter (previous year) period from 01.01.2018 to 31.03.2018 after restatement
Net profit	414 232	1 583	415 815
Other comprehensive income net of tax, including:	72 389	(1 583)	70 806
Items that may be reclassified subsequently to the income statement			
Exchange differences on translation of foreign operations (net)	54	-	54
Cash flows hedges (net)	27 454	-	27 454
Share of other comprehensive income of entities under the equity method	1 074	-	1 074
Debt instruments at fair value through other comprehensive income (net)	41 864	360	42 224
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)	1 943	(1 943)	-
Total comprehensive income (net)	486 621	-	486 621

Restatements in the stand-alone statement of financial position of mBank S.A.

ASSETS	31.03.2018 before restatement	Adjustments	31.03.2018 after restatement
Financial assets held for trading and derivatives held for hedges	4 509 851	(185 297)	4 324 554
Non-trading financial assets mandatorily at fair value through profit or loss, including:	2 730 042	497 715	3 227 757
<i>Debt securities</i>	-	47 879	47 879
<i>Loans and advances to customers</i>	2 720 257	449 836	3 170 093
Financial assets at fair value through other comprehensive income	22 248 386	2 565 667	24 814 053
Financial assets at amortised cost, including:	88 365 019	(2 878 085)	85 486 934
<i>Loans and advances to customers</i>	71 536 041	(2 878 085)	68 657 956
Other items of assets	9 383 580	-	9 383 580
Total assets	127 236 878	-	127 236 878
Equity			
Equity attributable to Owners of mBank S.A.	3 564 176	-	3 564 176
Share capital	10 730 075	13 604	10 743 679
Retained earnings	10 315 843	12 021	10 327 864
Profit from the previous years	414 232	1 583	415 815
Profit for the current year	190 597	(13 604)	176 993
Other components of equity	14 484 848	-	14 484 848
Total liabilities	112 752 030	-	112 752 030
Total liabilities and equity	127 236 878	-	127 236 878

Restatements in the stand-alone cash flow statement of mBank S.A.

Period	from 01.01.2018 to 31.03.2018 before restatement	Adjustments	from 01.01.2018 to 31.03.2018 after restatement
A. Cash flows from operating activities	5 791 663	-	5 791 663
Profit before income tax	499 839	1 943	501 782
Adjustments:	5 291 824	(1 943)	5 289 881
Income taxes paid	(199 956)	-	(199 956)
Amortisation, including amortisation of fixed assets provided under operating lease	59 604	-	59 604
Foreign exchange (gains) losses related to financing activities	43 113	-	43 113
(Gains) losses on investing activities	(256 588)	(1 943)	(258 531)
Dividends received	(167)	-	(167)
Interest income (income statement)	(920 975)	-	(920 975)
Interest expense (income statement)	201 062	-	201 062
Interest received	943 789	-	943 789
Interest paid	(215 033)	-	(215 033)
Changes in loans and advances to banks	2 714 355	-	2 714 355
Changes in financial assets and liabilities held for trading and derivatives held for hedges	(18 075)	-	(18 075)
Changes in loans and advances to customers	(1 118 628)	-	(1 118 628)
Changes in financial assets at fair value through other comprehensive income	119 559	1 943	121 502
Changes in securities at amortised cost	(169 231)	-	(169 231)
Changes of investments in subsidiaries and associates	(22 819)	-	(22 819)
Changes of non-trading equity securities mandatorily at fair value through profit or loss	111	(1 943)	(1 832)
Changes in other assets	9 146	-	9 146
Changes in amounts due to other banks	658 366	-	658 366
Changes in amounts due to customers	3 732 294	-	3 732 294
Changes in provisions	29 568	-	29 568
Changes in other liabilities	(297 671)	-	(297 671)
Net cash generated from/(used in) operating activities	5 791 663	-	5 791 663
B. Cash flows from investing activities	(87 344)	-	(87 344)
C. Cash flows from financing activities	(1 285 122)	-	(1 285 122)
Net increase / decrease in cash and cash equivalents (A+B+C)	4 419 197	-	4 419 197
Effects of exchange rate changes on cash and cash equivalents	7 480	-	7 480
Cash and cash equivalents at the beginning of the reporting period	9 750 574	-	9 750 574
Cash and cash equivalents at the end of the reporting period	14 177 251	-	14 177 251

The above described and presented changes of comparative data are included in these financial statements in all the notes to which such changes were applicable.

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 which are impaired, change by +/-10%, the estimated loans and advances impairment would either decrease by PLN 54.5 million or increase by PLN 61.1 million as at 31 March 2019, respectively. This estimation was performed for portfolio of loans and advances individually assessed for impairment on the basis of future cash flows due to repayments and recovery from collateral. The rules of determining write-downs and provisions for impairment of credit exposures have been described under Note 3.4.6 to the Consolidated Financial Statements of mBank S.A. Group for 2018, published on February 27, 2019.

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 to the Consolidated Financial Statements of mBank S.A. Group for 2018, published on February 27, 2019.

Deferred tax assets

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.

Revenue and expenses from sale of insurance products bundled with loans

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.

Liabilities due to post-employment employee benefits

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.

Leasing classification

The Group as lessor 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:

- **The Retail Banking segment**, 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. and as well as the results of retail segments of mLeasing Sp. z o.o., Asekum Sp. z o.o., LeaseLink Sp. z o.o. and mBank Hipoteczny S.A.
- **The Corporates and Financial Markets 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., Asekum Sp. z o.o., LeaseLink 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 KUKI 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.

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".

mBank S.A. Group

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PLN (000's)

**Business segment reporting on the activities of mBank S.A. Group
for the period from 1 January to 31 March 2019
(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	243 566	55 075	629 790	1 822	930 253	930 253
- sales to external clients	242 829	177 097	509 015	1 312	930 253	
- sales to other segments	737	(122 022)	120 775	510	-	
Net fee and commission income	126 065	(2 102)	109 259	(4 376)	228 846	228 846
Dividend income	-	-	-	223	223	223
Trading income	61 062	15 308	31 228	(4 716)	102 882	102 882
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(560)	-	(24 326)	10 866	(14 020)	(14 020)
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	228	18 214	-	(1 593)	16 849	16 849
Other operating income	15 835	271	19 415	1 556	37 077	37 077
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(30 606)	560	(89 926)	(775)	(120 747)	(120 747)
Overhead costs	(257 082)	(26 610)	(337 008)	(5 044)	(625 744)	(625 744)
Amortisation	(25 585)	(2 845)	(61 515)	(93)	(90 038)	(90 038)
Other operating expenses	(10 182)	(1 374)	(23 870)	(30 221)	(65 647)	(65 647)
Operating profit	122 741	56 497	253 047	(32 351)	399 934	399 934
Taxes on Group balance sheet items	(41 347)	(10 489)	(56 085)	(1 183)	(109 104)	(109 104)
Gross profit of the segment	81 394	46 008	196 962	(33 534)	290 830	290 830
Income tax					(126 843)	(126 843)
Net profit attributable to Owners of mBank S.A.					164 001	164 001
Net profit attributable to non-controlling interests					(14)	(14)
Assets of the segment	43 031 609	47 618 081	57 978 467	2 190 502	150 818 659	150 818 659
Liabilities of the segment	36 000 719	27 956 719	69 259 614	2 288 502	135 505 554	135 505 554
Expenditures incurred on fixed assets and intangible assets	18 586	2 400	35 588	60	56 634	

mBank S.A. Group

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PLN ('000's)

**Business segment reporting on the activities of mBank S.A. Group
for the period from 1 January to 31 December 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	922 829	253 535	2 310 513	9 597	3 496 474	3 496 474
- sales to external clients	931 528	671 346	1 886 643	6 957	3 496 474	
- sales to other segments	(8 699)	(417 811)	423 870	2 640	-	
Net fee and commission income	456 746	(10 050)	538 818	(9 664)	975 850	975 850
Dividend income	-	4	-	3 554	3 558	3 558
Trading income	252 755	(32 091)	127 263	(591)	347 336	347 336
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(54 142)	-	(112 711)	6 812	(160 041)	(160 041)
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	181	18 181	-	(3 867)	14 495	14 495
Other operating income	83 025	1 613	309 651	13 331	407 620	407 620
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(183 907)	161	(343 399)	(428)	(527 573)	(527 573)
Overhead costs	(647 635)	(98 438)	(1 159 946)	(5 321)	(1 911 340)	(1 911 340)
Amortisation	(81 123)	(10 818)	(159 726)	(925)	(252 592)	(252 592)
Other operating expenses	(49 070)	(2 157)	(121 255)	(20 471)	(192 953)	(192 953)
Operating profit	699 659	119 940	1 389 208	(7 973)	2 200 834	2 200 834
Taxes on Group balance sheet items	(153 919)	(36 533)	(205 899)	(5 409)	(401 760)	(401 760)
Share in profits (losses) of entities under the equity method	-	-	-	1 240	1 240	1 240
Gross profit of the segment	545 740	83 407	1 183 309	(12 142)	1 800 314	1 800 314
Income tax					(483 945)	(483 945)
Net profit attributable to Owners of mBank S.A.					1 316 451	1 316 451
Net profit attributable to non-controlling interests					(82)	(82)
Assets of the segment	42 262 523	45 241 697	56 475 056	1 770 843	145 750 119	145 750 119
Liabilities of the segment	32 620 034	28 783 798	67 336 104	1 794 103	130 534 039	130 534 039
Expenditures incurred on fixed assets and intangible assets	228 759	16 396	270 194	17 001	532 350	

mBank S.A. Group

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PLN (000's)

**Business segment reporting on the activities of mBank S.A. Group
for the period from 1 January to 31 March 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	216 575	62 872	535 606	1 371	816 424	816 424
- sales to external clients	222 648	155 068	437 536	1 172	816 424	
- sales to other segments	(6 073)	(92 196)	98 070	199	-	
Net fee and commission income	111 739	(2 060)	157 344	1 853	268 876	268 876
Dividend income	-	-	-	167	167	167
Trading income	55 960	993	28 638	(1 098)	84 493	84 493
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(3 948)	-	(36 193)	1 772	(38 369)	(38 369)
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	329	4 337	-	(362)	4 304	4 304
Other operating income	16 701	565	247 765	3 914	268 945	268 945
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(10 666)	367	(71 683)	520	(81 462)	(81 462)
Overhead costs	(204 888)	(26 255)	(297 937)	(6 081)	(535 161)	(535 161)
Amortisation	(20 442)	(2 775)	(42 263)	(352)	(65 832)	(65 832)
Other operating expenses	(13 252)	(389)	(48 862)	(142)	(62 645)	(62 645)
Operating profit	148 108	37 655	472 415	1 562	659 740	659 740
Taxes on Group balance sheet items	(36 659)	(10 523)	(49 418)	(1 863)	(98 463)	(98 463)
Share in profits (losses) of entities under the equity method	-	-	-	289	289	289
Gross profit of the segment	111 449	27 132	422 997	(12)	561 566	561 566
Income tax					(148 992)	(148 992)
Net profit attributable to Owners of mBank S.A.					412 583	412 583
Net profit attributable to non-controlling interests					(9)	(9)
Assets of the segment	37 965 542	42 970 047	51 096 410	1 608 217	133 640 216	133 640 216
Liabilities of the segment	33 635 900	25 169 336	60 343 596	5 049	119 153 881	119 153 881
Expenditures incurred on fixed assets and intangible assets	9 422	697	17 047	-	27 166	

mBank S.A. Group

IFRS Condensed Consolidated Financial Statements for the first quarter of 2019

PLN (000's)

Information about geographical areas on the activities of mBank S.A. Group for the period	from 1 January to 31 March 2019			from 1 January to 31 December 2018			from 1 January to 31 March 2018		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	876 870	53 383	930 253	3 308 372	188 102	3 496 474	773 868	42 556	816 424
Net fee and commission income	226 489	2 357	228 846	953 989	21 861	975 850	265 724	3 152	268 876
Dividend income	223	-	223	3 558	-	3 558	167	-	167
Trading income	100 787	2 095	102 882	338 557	8 779	347 336	82 244	2 249	84 493
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(14 020)	-	(14 020)	(160 041)	-	(160 041)	(38 369)	-	(38 369)
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	16 849	-	16 849	14 495	-	14 495	4 304	-	4 304
Other operating income	36 736	341	37 077	405 076	2 544	407 620	268 562	383	268 945
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(116 478)	(4 269)	(120 747)	(507 719)	(19 854)	(527 573)	(77 475)	(3 987)	(81 462)
Overhead costs	(596 594)	(29 150)	(625 744)	(1 779 253)	(132 087)	(1 911 340)	(506 198)	(28 963)	(535 161)
Amortisation	(86 722)	(3 316)	(90 038)	(247 951)	(4 641)	(252 592)	(64 745)	(1 087)	(65 832)
Other operating expenses	(64 822)	(825)	(65 647)	(190 565)	(2 388)	(192 953)	(61 393)	(1 252)	(62 645)
Operating profit	379 318	20 616	399 934	2 138 518	62 316	2 200 834	646 689	13 051	659 740
Taxes on Group balance sheet items	(102 855)	(6 249)	(109 104)	(378 064)	(23 696)	(401 760)	(92 799)	(5 664)	(98 463)
Share in profits (losses) of entities under the equity method	-	-	-	1 240	-	1 240	289	-	289
Gross profit of the segment	276 463	14 367	290 830	1 761 694	38 620	1 800 314	554 179	7 387	561 566
Income tax			(126 843)			(483 945)			(148 992)
Net profit attributable to Owners of mBank S.A.			164 001			1 316 451			412 583
Net profit attributable to non-controlling interests			(14)			(82)			(9)
Assets of the segment, including:	145 877 155	4 941 504	150 818 659	138 339 905	7 410 214	145 750 119	128 003 520	5 636 696	133 640 216
- tangible assets	2 092 608	47 248	2 139 856	1 541 714	19 487	1 561 201	1 411 841	10 880	1 422 721
- deferred income tax assets	929 328	2 291	931 619	957 159	1 917	959 076	735 675	2 144	737 819
Liabilities of the segment	125 164 789	10 340 765	135 505 554	120 308 585	10 225 454	130 534 039	109 820 214	9 333 667	119 153 881

5. Net interest income

	the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Interest income			
Interest income accounted for using the effective interest method		1 047 277	888 138
Interest income of financial assets at amortised cost, including:		924 997	765 825
- Loans and advances		857 727	707 421
- Debt securities		53 612	44 889
- Cash and short-term placements		15 062	11 519
- Other		(1 404)	1 996
Interest income on financial assets at fair value through other comprehensive income		122 280	122 313
- Debt securities		122 280	122 313
Income similar to interest on financial assets at fair value through profit or loss, including:		153 566	165 505
Financial assets held for trading		16 162	14 550
- Loans and advances		606	-
- Debt securities		15 556	14 550
Non-trading financial assets mandatorily at fair value through profit or loss, including:		55 343	80 339
- Loans and advances		55 343	80 339
Interest income on derivatives classified into banking book		47 695	44 874
Interest income on derivatives concluded under the fair value hedge		21 429	18 912
Interest income on derivatives concluded under the cash flow hedge		12 937	6 830
Total interest income		1 200 843	1 053 643

	the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Interest expenses			
Financial liabilities measured at amortised cost, including:		(267 416)	(235 835)
- Deposits		(158 362)	(130 512)
- Loans received		(4 879)	(7 601)
- Issue of debt securities		(82 193)	(76 822)
- Subordinated liabilities		(18 707)	(18 780)
- Lease agreements		(828)	n/a
- Other financial liabilities		(2 447)	(2 120)
Other		(3 174)	(1 384)
Total interest expense		(270 590)	(237 219)

6. Net fee and commission income

	the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Fee and commission income			
Payment cards-related fees		92 069	91 594
Credit-related fees and commissions		96 253	87 642
Commissions for agency service regarding sale of insurance products of external financial entities		24 433	46 192
Fees from brokerage activity and debt securities issue		23 411	26 548
Commissions from bank accounts		55 542	53 460
Commissions from money transfers		33 885	31 563
Commissions due to guarantees granted and trade finance commissions		22 043	20 071
Commissions for agency service regarding sale of other products of external financial entities		17 152	27 652
Commissions on trust and fiduciary activities		6 359	6 596
Fees from portfolio management services and other management-related fees		2 318	2 839
Fees from cash services		12 194	13 969
Other		14 993	11 169
Fee and commission income		400 652	419 295

	the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Fee and commission expense			
Payment cards-related fees		(55 460)	(48 905)
Commissions paid to external entities for sale of the Bank's products		(45 205)	(30 882)
Commissions paid for agency service regarding sale of insurance products of external financial entities		(1 543)	(1 879)
Discharged brokerage fees		(7 623)	(5 807)
Cash services		(10 173)	(12 833)
Fees to NBP and KIR		(2 539)	(2 211)
Other discharged fees		(49 263)	(47 902)
Total fee and commission expense		(171 806)	(150 419)

7. Dividend income

	the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Financial assets at fair value through other comprehensive income		223	167
Total dividend income		223	167

8. Net trading income

the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Foreign exchange result	89 240	71 427
Net exchange differences on translation	129 603	(8 645)
Net transaction gains/(losses)	(40 363)	80 072
Gains or losses on financial assets and liabilities held for trading	11 325	15 903
Derivatives, including:	5 777	13 414
- <i>Interest-bearing instruments</i>	6 170	12 999
- <i>Market risk instruments</i>	(393)	415
Equity instruments	-	(353)
Debt securities	6 053	2 842
Loans and advances	(505)	-
Gains or losses from hedge accounting	2 317	(2 837)
Net profit on hedged items	(68 489)	11 380
Net profit on fair value hedging instruments	70 852	(17 204)
Ineffective portion of cash flow hedge	(46)	2 987
Net trading income	102 882	84 493

The foreign exchange result includes profit/(loss) on spot and forward contracts, options, futures and recalculated assets and liabilities denominated in foreign currencies. The result on derivative transactions of interest-bearing instruments includes the result of swap contracts for interest rates, options and other derivatives. The result of the market risk instruments operations 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 result on capital instruments operations includes the valuation and result on trading in equity securities held for trading.

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 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		
Equity instruments	75	(119)
Debt securities	10 792	1 943
Loans and advances	(24 887)	(40 193)
Total gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(14 020)	(38 369)

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 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Gains less losses related to sale of debt securities measured at fair value through other comprehensive income	17 865	4 326
Gains less losses related to sale and revaluation of investments in subsidiaries and associates	(1 594)	(22)
Gains less losses from derecognition, including:	578	-
- <i>Financial assets at amortised cost</i>	578	-
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	16 849	4 304

11. Other operating income

the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	11 345	10 647
Income from services provided	1 869	9 407
Income from sub-leasing of assets due to right to use	3 327	n/a
Net income from operating lease	1 310	1 908
Income due to release of provisions for future commitments	3 688	737
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	663	15
Income from compensations, penalties and fines received	94	14
Net revenues from the sale of an organised part of the company mFinanse S.A.	6 500	219 717
Other	8 281	26 500
Total other operating income	37 077	268 945

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

Net revenues from the sale of an organised part of the company mFinanse S.A. concern to the transaction described in detail in Note 44 of the Consolidated Financial Statements of mBank S.A. Group for 2018 published on February 27, 2019.

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 first quarter of 2019 and for the first quarter of 2018 is presented below.

the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Net income from operating lease, including:		
- Income from operating lease	11 865	13 167
- Depreciation cost of fixed assets provided under operating lease	(10 555)	(11 259)
Total net income from operating lease	1 310	1 908

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

	the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Financial assets at amortised cost, including:		(128 614)	(81 924)
- Debt securities		(18)	-
Stage 1		(18)	-
- Loans and advances		(128 596)	(81 924)
Stage 1		(17 787)	(27 845)
Stage 2		(12 996)	(17 253)
Stage 3		(98 620)	(43 620)
POCI		807	6 794
Financial assets at fair value through other comprehensive income		246	349
- Debt securities		246	349
Stage 1		247	380
Stage 2		(1)	(31)
Commitments and guarantees given		7 621	113
Stage 1		1 284	(1 833)
Stage 2		1 642	2 213
Stage 3		4 831	(1 199)
POCI		(136)	932
Net impairment losses on financial assets not measured at fair value through profit or loss		(120 747)	(81 462)

13. Overhead costs

	the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Staff-related expenses		(248 963)	(227 707)
Material costs, including:		(156 273)	(182 606)
- costs of administration and real estate services		(66 486)	(91 085)
- IT costs		(40 385)	(42 685)
- marketing costs		(30 137)	(29 693)
- consulting costs		(15 727)	(15 310)
- other material costs		(3 538)	(3 833)
Taxes and fees		(6 584)	(5 282)
Contributions and transfers to the Bank Guarantee Fund		(211 637)	(117 315)
Contributions to the Social Benefits Fund		(2 287)	(2 251)
Total overhead costs		(625 744)	(535 161)

Staff-related expenses for the first quarter of 2019 and for the first quarter of 2018 are presented below.

the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Wages and salaries	(198 813)	(183 491)
Social security expenses	(36 689)	(33 531)
Remuneration concerning share-based payments, including:	(2 726)	(3 824)
- share-based payments settled in mBank S.A. shares	(2 565)	(3 681)
- cash-settled share-based payments	(161)	(143)
Other staff expenses	(10 735)	(6 861)
Staff-related expenses, total	(248 963)	(227 707)

14. Other operating expenses

the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories	(9 524)	(9 269)
Provisions for future commitments	(5 990)	(31 129)
Costs arising from provisions created for other receivables (excluding loans and advances)	(74)	(72)
Donations made	(2 511)	(7 000)
Costs of sale of services	(2)	(146)
Compensation, penalties and fines paid	(264)	(547)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(5)	(18)
Other operating costs	(47 277)	(14 464)
Total other operating expenses	(65 647)	(62 645)

The item "Other operating expenses" includes a cost of provision for tax liability in the amount of PLN 27 062 thousand, created as a result of the Bank's decision to select an alternative method of taxing with income tax the interest paid by the Bank in relation to bonds issued before 1 January 2019 on foreign public markets under the EMTN program.

Moreover, the item "Other operating expenses" includes debt collection expenses in the amount of PLN 10 730 thousand (first quarter of 2018: PLN 6 731 thousand).

Costs of services provided concern non-banking services.

15. Earnings per shareEarnings per share for 3 months – mBank S.A. Group consolidated data

the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Basic:		
Net profit attributable to Owners of mBank S.A.	164 001	412 583
Weighted average number of ordinary shares	42 336 982	42 312 122
Net basic profit per share (in PLN per share)	3.87	9.75
Diluted:		
Net profit attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share	164 001	412 583
Weighted average number of ordinary shares	42 336 982	42 312 122
Adjustments for:		
- share options	31 652	26 040
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 368 634	42 338 162
Diluted earnings per share (in PLN per share)	3.87	9.74

Earnings per share for 3 months – mBank S.A. stand-alone data

the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Basic:		
Net profit	147 478	415 815
Weighted average number of ordinary shares	42 336 982	42 312 122
Net basic profit per share (in PLN per share)	3.48	9.83
Diluted:		
Net profit applied for calculation of diluted earnings per share	147 478	415 815
Weighted average number of ordinary shares	42 336 982	42 312 122
Adjustments for:		
- share options	31 652	26 040
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 368 634	42 338 162
Diluted earnings per share (in PLN per share)	3.48	9.82

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

	31.03.2019	31.12.2018	31.03.2018
Derivatives, including:	991 096	1 006 079	1 137 925
- Held for trading derivative financial instruments classified into banking book	96 893	81 480	189 983
- Held for trading derivative financial instruments classified into trading book	884 038	916 006	883 129
- Derivative financial instruments held for fair value hedging	257 318	175 649	140 996
- Derivative financial instruments held for cash flow hedging	238 300	196 668	76 855
- Offsetting effect	(485 453)	(363 724)	(153 038)
Equity instruments	-	-	1 245
- Credit institutions	-	-	30
- Other financial corporations	-	-	244
- Non-financial corporations	-	-	971
Debt securities	3 504 045	1 055 057	3 161 688
- General governments	3 208 915	748 294	2 900 638
<i>pledged securities</i>	1 188 308	538 345	934 624
- Credit institutions	146 773	166 305	112 520
- Other financial corporations	78 571	72 626	71 921
- Non-financial corporations	69 786	67 832	76 609
Loans and advances	42 154	43 166	-
- Corporate customers	42 154	43 166	-
Total financial assets held for trading	4 537 295	2 104 302	4 300 858

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, fixed interest rate bonds issued by the Bank directly and cash flow hedge accounting of variable rate loans indexed to market rates, granted by the Bank. 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 Bank 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 Bank to ensure that its hedging relationships are compliant with the risk management strategy applied by the Bank 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.

The Bank determines the hedge ratio based on the nominal value of the hedged item and hedging instrument and it is 1:1 except for mortgage bonds issued by mBank Hipoteczny (mBH) at mBank Group hedging relationship, for which the hedged ratio was determined based on BPV (Basis Point Value).

The sources of hedge ineffectiveness for hedging relationships for which the ineffectiveness arises include mismatch of cash flow dates and repricing periods, base mismatch (e.g. another WIBOR), nominal mismatch in case when the hedge ratio is different than 1:1, CVA/DVA mismatch which is in hedging instrument and is not in hedged instrument and mismatch due to initial valuation of hedging instruments if a previously acquired derivative was included in hedging relationship.

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 to the Consolidated Financial Statements of mBank S.A. Group for 2018, published on February 27, 2019.

Description of the hedging relation

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;
- 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 bonds issued by mBank. 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,
- one tranche of fixed interest rate Eurobonds issued by mFF with a total nominal value of CHF 200 000 thousand,
- fixed interest rate mortgage bonds issued by mBH with a nominal value of EUR 546 900 thousand,
- fixed interest rate loans received by mBank from European Investment Bank with a nominal value of respectively EUR 100 000 thousand, CHF 113 110 thousand and CHF 175 560 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 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Interest income on derivatives concluded under the fair value hedge accounting (Note 5)	21 429	18 912
Net profit on hedged items (Note 8)	(68 489)	11 380
Net profit on fair value hedging instruments (Note 8)	70 852	(17 204)
The total results of fair value hedge accounting recognised in the income statement	23 792	13 088

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 April 2019 to April 2024 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 31 March 2019 and 31 March 2018.

the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Other gross comprehensive income from cash flow hedge at the beginning of the period	103 263	(6 418)
- Unrealised gains/losses included in other gross comprehensive income during the reporting period	30 646	33 895
Accumulated other gross comprehensive income at the end of the reporting period	133 909	27 477
Deferred income tax on accumulated other comprehensive income at the end of the reporting period	(25 443)	(5 221)
Accumulated net other comprehensive income at the end of the reporting period	108 466	22 256
Impact on other comprehensive income in the reporting period (gross)	30 646	33 895
Deferred tax on cash flow hedges	(5 823)	(6 441)
Impact on other comprehensive income in the reporting period (net)	24 823	27 454

the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Gains/losses recognised in comprehensive income (gross) during the reporting period, including:		
- Unrealised gains/losses included in other comprehensive income (gross)	30 646	33 895
- Amount included as interest income in income statement recognised during the reporting period	12 937	6 830
- Ineffective portion of hedge recognised in net trading income	(46)	2 987
Impact on other comprehensive income in the reporting period (gross)	43 537	43 712

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

the period	from 01.01.2019 to 31.03.2019	from 01.01.2018 to 31.03.2018
Interest income on derivatives concluded under the cash flow hedge (Note 5)	12 937	6 830
Ineffective portion of cash flow hedge accounting (Note 8)	(46)	2 987
The total results of cash flow hedge accounting recognised in the income statement	12 891	9 817

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

	31.03.2019	31.12.2018	31.03.2018
Equity instruments	71 532	72 775	40 854
- Other financial corporations	13 124	12 934	15 406
- Non-financial corporations	58 408	59 841	25 448
Debt securities	70 219	58 130	47 879
- Other financial corporations	70 219	58 130	47 879
Loans and advances	2 518 030	2 705 155	3 389 100
- Individual customers	2 187 534	2 370 872	2 823 250
- Corporate customers	319 184	321 380	548 244
- Public sector customers	11 312	12 903	17 606
Total non-trading financial assets mandatorily at fair value through profit or loss	2 659 781	2 836 060	3 477 833

18. Financial assets at fair value through other comprehensive income

31.03.2019	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	25 217 431	25 200 113	21 607	-	-	(3 924)	(365)	-	-
- Central banks	537 743	537 743	-	-	-	-	-	-	-
- General governments, including:	22 261 404	22 261 591	-	-	-	(187)	-	-	-
<i>pledged securities</i>	1 956 082	1 956 082	-	-	-	-	-	-	-
- Credit institutions	332 646	334 056	-	-	-	(1 410)	-	-	-
- Other financial corporations	1 451 345	1 441 137	11 345	-	-	(947)	(190)	-	-
- Non-financial corporations	634 293	625 586	10 262	-	-	(1 380)	(175)	-	-
Total financial assets at fair value through other comprehensive income	25 217 431	25 200 113	21 607	-	-	(3 924)	(365)	-	-
Short-term (up to 1 year) gross	6 418 478								
Long-term (over 1 year) gross	18 803 242								

31.12.2018	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	24 338 284	24 321 098	21 721	-	-	(4 171)	(364)	-	-
- Central banks	589 901	589 901	-	-	-	-	-	-	-
- General governments, including:	21 287 623	21 287 701	-	-	-	(78)	-	-	-
<i>pledged securities</i>	2 207 051	2 207 051	-	-	-	-	-	-	-
- Credit institutions	361 980	363 632	-	-	-	(1 652)	-	-	-
- Other financial corporations	1 488 643	1 478 557	11 333	-	-	(1 059)	(188)	-	-
- Non-financial corporations	610 137	601 307	10 388	-	-	(1 382)	(176)	-	-
Total financial assets at fair value through other comprehensive income	24 338 284	24 321 098	21 721	-	-	(4 171)	(364)	-	-
Short-term (up to 1 year) gross	6 694 165								
Long-term (over 1 year) gross	17 648 654								

31.03.2018	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	22 876 878	22 865 631	15 541	-	-	(4 085)	(209)	-	-
- Central banks	2 563 317	2 563 317	-	-	-	-	-	-	-
- General governments, including:	18 635 000	18 635 185	-	-	-	(185)	-	-	-
<i>pledged securities</i>	1 846 285	1 846 285	-	-	-	-	-	-	-
- Credit institutions	394 126	395 963	-	-	-	(1 837)	-	-	-
- Other financial institutions	754 196	754 799	-	-	-	(603)	-	-	-
- Non-financial corporations	530 239	516 367	15 541	-	-	(1 460)	(209)	-	-
Total financial assets at fair value through other comprehensive income	22 876 878	22 865 631	15 541	-	-	(4 085)	(209)	-	-
Short-term (up to 1 year) gross	6 417 476								
Long-term (over 1 year) gross	16 463 696								

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

31.03.2019	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	9 313 153	9 313 258	-	-	-	(105)	-	-	-
- General governments, including:	8 046 981	8 046 981	-	-	-	-	-	-	-
<i>pledged securities</i>	1 638 812	1 638 812	-	-	-	-	-	-	-
- Other financial corporations	1 266 172	1 266 277	-	-	-	(105)	-	-	-
Loans and advances to banks	4 020 545	4 021 585	-	-	-	(1 040)	-	-	-
Loans and advances to customers	95 162 600	84 991 605	9 001 123	4 044 477	258 054	(221 905)	(237 835)	(2 670 075)	(2 844)
Individual customers	50 208 526	44 106 401	5 537 804	2 138 194	105 747	(117 125)	(184 565)	(1 376 184)	(1 746)
Corporate customers	44 368 554	40 299 873	3 463 318	1 905 268	152 307	(104 012)	(53 270)	(1 293 832)	(1 098)
Public sector customers	585 520	585 331	1	1 015	-	(768)	-	(59)	-
Total financial assets at amortised cost	108 496 298	98 326 448	9 001 123	4 044 477	258 054	(223 050)	(237 835)	(2 670 075)	(2 844)
Short-term (up to 1 year) gross	40 574 030								
Long-term (over 1 year) gross	71 056 072								

31.12.2018	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	9 000 539	9 000 626	-	-	-	(87)	-	-	-
- General governments, including:	7 742 000	7 742 000	-	-	-	-	-	-	-
<i>pledged securities</i>	2 137 273	2 137 273	-	-	-	-	-	-	-
- Other financial corporations	1 258 539	1 258 626	-	-	-	(87)	-	-	-
Loans and advances to banks	2 546 346	2 547 864	-	-	-	(1 518)	-	-	-
Loans and advances to customers	92 017 432	82 159 668	8 714 545	3 976 749	209 017	(214 875)	(220 963)	(2 599 882)	(6 827)
Individual customers	48 924 332	42 757 830	5 588 684	2 103 477	104 512	(110 937)	(171 820)	(1 345 048)	(2 366)
Corporate customers	42 456 817	38 765 918	3 125 861	1 872 269	104 505	(103 368)	(49 143)	(1 254 764)	(4 461)
Public sector customers	636 283	635 920	-	1 003	-	(570)	-	(70)	-
Total financial assets at amortised cost	103 564 317	93 708 158	8 714 545	3 976 749	209 017	(216 480)	(220 963)	(2 599 882)	(6 827)
Short-term (up to 1 year) gross	37 578 214								
Long-term (over 1 year) gross	69 030 255								

31.03.2018	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	8 689 402	8 689 437	-	-	-	(35)	-	-	-
- General governments, including:	7 756 944	7 756 944	-	-	-	-	-	-	-
<i>pledged securities</i>	3 958 004	3 958 004	-	-	-	-	-	-	-
- Other financial corporations	932 458	932 493	-	-	-	(35)	-	-	-
Loans and advances to banks	3 811 337	3 811 915	273	772	-	(1 394)	-	(229)	-
Loans and advances to customers	82 274 283	73 096 573	7 808 198	4 008 807	202 299	(178 335)	(191 641)	(2 472 571)	953
Individual customers	44 348 458	38 439 096	5 182 285	2 261 176	96 370	(86 670)	(147 582)	(1 400 071)	3 854
Corporate customers	37 001 522	33 737 463	2 621 631	1 746 662	105 929	(90 770)	(44 045)	(1 072 447)	(2 901)
Public sector customers	924 303	920 014	4 282	969	-	(895)	(14)	(53)	-
Total financial assets at amortised cost	94 775 022	85 597 925	7 808 471	4 009 579	202 299	(179 764)	(191 641)	(2 472 800)	953
Short-term (up to 1 year) gross	39 199 618								
Long-term (over 1 year) gross	58 418 656								

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.

Loans and advances to customers 31.03.2019	Gross carrying amount	Individual customers	Corporate customers	Public sector customers
Current accounts	12 569 753	6 694 657	5 873 266	1 830
Term loans, including:	70 445 904	44 969 971	24 891 416	584 517
- <i>housing and mortgage loans to individual customers</i>	35 388 447	35 388 447	-	-
Reverse repo / buy-sell-back	1 734 588	-	1 734 588	-
Finance leases	10 818 012	-	10 818 012	-
Other loans and advances	2 473 496	-	2 473 496	-
Other receivables	253 506	223 518	29 988	-
Total gross carrying amount	98 295 259	51 888 146	45 820 766	586 347

Loans and advances to customers 31.03.2019	Accumulated impairment	Individual customers	Corporate customers	Public sector customers
Current accounts	(971 071)	(679 504)	(291 567)	-
Term loans, including:	(1 881 375)	(1 000 116)	(880 432)	(827)
- <i>housing and mortgage loans to individual customers</i>	(476 984)	(476 984)	-	-
Finance leases	(251 446)	-	(251 446)	-
Other loans and advances	(28 767)	-	(28 767)	-
Total accumulated impairment	(3 132 659)	(1 679 620)	(1 452 212)	(827)

Total gross carrying amount	98 295 259	51 888 146	45 820 766	586 347
Total accumulated impairment	(3 132 659)	(1 679 620)	(1 452 212)	(827)
Total carrying amount	95 162 600	50 208 526	44 368 554	585 520
Short-term (up to 1 year) gross	36 388 014			
Long-term (over 1 year) gross	61 907 245			

Loans and advances to customers 31.12.2018	Gross carrying amount	Individual customers	Corporate customers	Public sector customers
Current accounts	12 073 809	6 474 555	5 598 673	581
Term loans, including:	68 498 140	43 720 475	24 141 323	636 342
- housing and mortgage loans to individual customers	34 696 807	34 696 807	-	-
Reverse repo / buy-sell-back	1 146 263	-	1 146 263	-
Finance leases	10 555 560	-	10 555 560	-
Other loans and advances	2 411 802	-	2 411 802	-
Other receivables	374 405	359 473	14 932	-
Total gross carrying amount	95 059 979	50 554 503	43 868 553	636 923

Loans and advances to customers 31.12.2018	Accumulated impairment	Individual customers	Corporate customers	Public sector customers
Current accounts	(931 926)	(664 656)	(267 270)	-
Term loans, including:	(1 837 896)	(965 515)	(871 741)	(640)
- housing and mortgage loans to individual customers	(453 300)	(453 300)	-	-
Finance leases	(243 170)	-	(243 170)	-
Other loans and advances	(29 555)	-	(29 555)	-
Total accumulated impairment	(3 042 547)	(1 630 171)	(1 411 736)	(640)
Total gross carrying amount	95 059 979	50 554 503	43 868 553	636 923
Total accumulated impairment	(3 042 547)	(1 630 171)	(1 411 736)	(640)
Total carrying amount	92 017 432	48 924 332	42 456 817	636 283
Short-term (up to 1 year) gross	34 577 060			
Long-term (over 1 year) gross	60 482 919			

Loans and advances to customers 31.03.2018	Gross carrying amount	Individual customers	Corporate customers	Public sector customers
Current accounts	11 047 485	5 828 796	5 212 648	6 041
Term loans, including:	71 770 194	39 963 398	30 887 572	919 224
- housing and mortgage loans to individual customers	32 737 314	32 737 314	-	-
Reverse repo / buy-sell-back	25 828	-	25 828	-
Other loans and advances	2 059 954	-	2 059 954	-
Other receivables	212 416	186 733	25 683	-
Total gross carrying amount	85 115 877	45 978 927	38 211 685	925 265

Loans and advances to customers 31.03.2018	Accumulated impairment	Individual customers	Corporate customers	Public sector customers
Current accounts	(942 449)	(702 227)	(240 222)	-
Term loans, including:	(1 872 356)	(928 242)	(943 152)	(962)
- housing and mortgage loans to individual customers	(419 303)	(419 303)	-	-
Other loans and advances	(26 789)	-	(26 789)	-
Total accumulated impairment	(2 841 594)	(1 630 469)	(1 210 163)	(962)
Total gross carrying amount	85 115 877	45 978 927	38 211 685	925 265
Total accumulated impairment	(2 841 594)	(1 630 469)	(1 210 163)	(962)
Total carrying amount	82 274 283	44 348 458	37 001 522	924 303
Short-term (up to 1 year) gross	33 920 945			
Long-term (over 1 year) gross	51 194 932			

In the item loans and advances granted to corporate clients were also included loans granted to microenterprises serviced by mBank S.A. Retail Banking.

The currency structure of housing and mortgage loans granted to individual customers

	31.03.2019	31.12.2018	31.03.2018
Housing and mortgage loans to individuals (in PLN 000's), including:	34 911 463	34 243 507	32 318 011
- PLN	14 286 021	13 358 719	11 888 617
- CHF	14 231 972	14 409 167	14 237 978
- EUR	3 140 912	3 171 106	3 164 520
- CZK	2 996 098	3 053 157	2 792 289
- USD	227 227	227 414	215 379
- Other currency	29 233	23 944	19 228
Housing and mortgage loans to individuals in original currencies (main currencies in 000's)			
- PLN	14 286 021	13 358 719	11 888 617
- CHF	3 695 368	3 775 394	3 975 756
- EUR	730 224	737 467	751 935
- CZK	17 983 782	18 249 594	16 831 157
- USD	59 228	60 487	63 089

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

No.	Sectors	Gross value (PLN 000's)	%	Gross value (PLN 000's)	%	Gross value (PLN 000's)	%
		31.03.2019		31.12.2018		31.03.2018	
1.	Household customers	51 888 146	52.79	50 554 503	53.18	45 978 927	54.02
2.	Real estate	5 886 479	6.00	5 781 986	6.08	6 084 066	7.15
3.	Construction	4 913 079	5.00	4 367 250	4.59	4 143 809	4.87
4.	Financial sector	3 103 384	3.16	3 379 316	3.55	1 232 095	1.45
5.	Transport and logistics	2 842 505	2.89	2 729 735	2.87	2 366 119	2.78
6.	Food sector	2 758 161	2.81	2 854 184	3.00	2 506 402	2.94
7.	Metals	2 591 540	2.64	2 512 155	2.64	2 164 670	2.54
8.	Motorisation	2 137 086	2.17	2 019 772	2.12	2 012 903	2.36
9.	Construction materials	2 070 029	2.11	1 897 015	2.00	1 747 665	2.05
10.	Chemicals and plastic products	2 037 111	2.07	1 913 025	2.01	1 629 979	1.92
11.	Wholesale trade	1 536 909	1.56	1 362 759	1.43	1 291 757	1.52
12.	Wood, furniture and paper products	1 504 342	1.53	1 378 926	1.45	1 372 140	1.61
13.	Scientific and technical activities	1 303 688	1.33	1 216 481	1.28	1 076 798	1.27
14.	Rental and leasing activities	1 134 105	1.15	1 131 910	1.19	888 533	1.04
15.	Fuels	1 014 225	1.03	1 286 179	1.35	976 724	1.15
16.	IT	1 010 631	1.03	1 024 833	1.08	494 984	0.58
17.	Power, power and heating distribution	965 819	0.98	1 011 767	1.06	865 393	1.02
18.	Retail trade	895 101	0.91	835 071	0.88	862 432	1.01
19.	Information and communication	875 080	0.89	887 843	0.93	722 071	0.85
20.	Services	825 899	0.84	828 299	0.87	636 109	0.75
21.	Textiles and wearing apparel	692 425	0.70	518 104	0.55	509 694	0.60
22.	Hotels and restaurants	685 611	0.70	614 454	0.65	668 008	0.78
23.	Human health	571 389	0.58	548 103	0.58	477 065	0.56
24.	Agriculture, forestry and fishing	553 371	0.56	571 208	0.60	505 132	0.59
25.	Other manufacturing activity	514 003	0.52	570 565	0.60	487 465	0.57
26.	Public administration	445 851	0.45	490 562	0.52	658 567	0.77
27.	Municipal services	443 872	0.45	431 003	0.45	467 189	0.55
28.	Media	431 565	0.44	425 252	0.45	451 983	0.53
29.	Household equipment	344 320	0.35	296 758	0.31	298 389	0.35
30.	Pharmacy	342 933	0.35	342 945	0.36	317 684	0.37
31.	Arts, entertainment and recreation	254 731	0.26	247 010	0.26	223 131	0.26
32.	Electronics	244 423	0.25	284 148	0.30	248 309	0.29
33.	Education and scientific research	170 816	0.17	168 568	0.18	125 121	0.15
34.	Mining	84 195	0.09	85 445	0.09	75 319	0.09

As at 31 March 2019, the total exposure of the Group in the above sectors (excluding household customers) amounts to 45.97% of the credit portfolio (31 December 2018: 46.28%; 31 March 2018: - 45.32%).

20. Investments in associates

As at March 31, 2019 and as at December 31, 2018, the Group did not have any investments in associates.

As at March 31, 2018 "Investments in associates" included shares in Archicom Polska S.A. (previously mLocum S.A.).

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.

From 31 July 2017, the mLocum's shares held by the Bank were 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.

Sale of the remaining 8 026 120 shares representing 28.99% of the share capital of Archicom Polska S.A. took place on 20 December 2018. Thus, the share sale transaction was finalized.

21. Non-current assets held for sale

As at 31 March 2018, as non-current assets (disposal groups), the Group disclosed the value of the property owned by Garbary Sp. z o. o. ("the company"). On 28 December 2017, the company signed a preliminary agreement for sale of real estate placed at Garbary 101/111 Street in Poznań. On 27 April 2018, the company signed the final agreement on the sale of real estate.

22. Intangible assets

	31.03.2019	31.12.2018	31.03.2018
Goodwill	33 487	3 532	3 532
Patents, licences and similar assets, including:	447 943	440 636	356 082
- computer software	361 462	367 822	253 265
Other intangible assets	1 716	1 968	2 899
Intangible assets under development	331 752	330 039	329 745
Total intangible assets	814 898	776 175	692 258

23. Tangible assets

	31.03.2019	31.12.2018	31.03.2018
Tangible assets, including:	693 092	668 460	613 108
- land	1 033	1 033	1 038
- buildings and structures	160 247	160 804	160 009
- equipment	215 489	177 868	164 811
- vehicles	217 965	219 275	220 069
- other fixed assets	98 358	109 480	67 181
Fixed assets under construction	83 344	116 566	117 355
The right to use, including;	548 522	n/a	n/a
- real estate	497 367	n/a	n/a
- the right of perpetual usufruct of land	48 874	n/a	n/a
- cars	702	n/a	n/a
- other	1 579	n/a	n/a
Total tangible assets	1 324 958	785 026	730 463

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

	31.03.2019	31.12.2018	31.03.2018
Derivatives, including:	981 254	981 117	900 830
- Held for trading derivative financial instruments classified into banking book	142 790	74 986	41 850
- Held for trading derivative financial instruments classified into trading book	930 648	995 156	960 116
- Derivative financial instruments held for fair value hedging	254	10 660	7 992
- Derivative financial instruments held for cash flow hedging	522	-	-
- Offsetting effect	(92 960)	(99 685)	(109 128)
Total financial liabilities held for trading and derivatives held for hedges	981 254	981 117	900 830

25. Financial liabilities measured at amortised cost – amounts due to banks and customers

31.03.2019	Amount due to banks	Amount due to customers, total	Individual customers	Corporate customers	Public sector customers
Deposits, including:	1 746 050	104 044 056	68 126 754	34 202 482	1 714 820
Current accounts	887 129	74 969 958	53 839 053	20 664 563	466 342
Term deposits	107 173	27 949 188	14 287 701	12 413 009	1 248 478
Repo transactions	751 748	1 124 910	-	1 124 910	-
Loans and advances received	191 878	2 430 544	-	2 430 544	-
Other financial liabilities, including:	535 600	1 173 604	94 673	1 031 005	47 926
Liabilities in respect of cash collaterals	314 559	405 647	15 433	390 214	-
Leasing liabilities	5 750	522 117	28 740	453 107	40 270
Other liabilities	215 291	245 840	50 500	187 684	7 656
Total	2 473 528	107 648 204	68 221 427	37 664 031	1 762 746
Short-term (up to 1 year)	2 171 050	104 102 684			
Long-term (over 1 year)	302 478	3 545 520			

31.12.2018	Amount due to banks	Amount due to customers, total	Individual customers	Corporate customers	Public sector customers
Deposits, including:	1 821 123	97 798 992	65 766 024	31 294 333	738 635
Current accounts	864 189	74 122 771	52 064 464	21 595 872	462 435
Term deposits	156 391	22 963 140	13 701 560	8 985 380	276 200
Repo transactions	800 543	713 081	-	713 081	-
Loans and advances received	747 381	3 457 264	-	3 457 264	-
Other financial liabilities, including:	509 883	752 806	157 541	594 706	559
Liabilities in respect of cash collaterals	348 776	396 704	51 390	345 314	-
Other liabilities	161 107	356 102	106 151	249 392	559
Total	3 078 387	102 009 062	65 923 565	35 346 303	739 194
Short-term (up to 1 year)	2 890 328	97 735 387			
Long-term (over 1 year)	188 059	4 273 675			

31.03.2018	Amount due to banks	Amount due to customers, total	Individual customers	Corporate customers	Public sector customers
Deposits, including:	1 782 225	89 460 555	57 615 386	29 288 839	2 556 330
Current accounts	1 347 395	64 033 201	45 367 294	18 146 165	519 742
Term deposits	134 136	24 585 453	12 248 092	10 300 773	2 036 588
Repo transactions	300 694	841 901	-	841 901	-
Loans and advances received	2 153 683	4 178 655	-	4 178 655	-
Other financial liabilities, including:	539 424	669 362	104 648	557 168	7 546
Liabilities in respect of cash collaterals	377 086	404 558	63 028	341 530	-
Other liabilities	162 338	264 804	41 620	215 638	7 546
Total	4 475 332	94 308 572	57 720 034	34 024 662	2 563 876
Short-term (up to 1 year)	3 681 386	89 623 277			
Long-term (over 1 year)	793 946	4 685 295			

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

26. Provisions

	31.03.2019	31.12.2018	31.03.2018
For legal proceedings	108 629	106 321	103 567
Commitments and guarantees given	104 870	109 409	120 415
Other provisions	39 180	42 553	40 809
Total provisions	252 679	258 283	264 791

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

Movements in the provisions

	31.03.2019	31.12.2018	31.03.2018
As at the beginning of the period (by type)	258 283	190 975	190 975
For legal proceedings	106 321	95 282	95 282
Commitments and guarantees given	109 409	75 715	75 715
Other provisions	42 553	19 978	19 978
Impact of the implementation of IFRS 9 on 1 January 2018		44 324	44 324
- increase in provisions for commitments and guarantees given		44 324	44 324
As at the beginning of the period (by type)	258 283	235 299	235 299
For legal proceedings	106 321	95 282	95 282
Commitments and guarantees given	109 409	120 039	120 039
Other provisions	42 553	19 978	19 978
Change in the period (due to)	(5 604)	22 984	29 492
- increase of provisions	30 633	101 933	80 607
- release of provisions	(28 980)	(66 423)	(49 886)
- write-offs	(7 077)	(14 672)	(675)
- utilization	-	-	(427)
- foreign exchange differences	(180)	2 146	(127)
As at the end of the period (by type)	252 679	258 283	264 791
For legal proceedings	108 629	106 321	103 567
Commitments and guarantees given	104 870	109 409	120 415
Other provisions	39 180	42 553	40 809

27. Assets and liabilities for deferred income tax

Deferred income tax assets	31.03.2019	31.12.2018	31.03.2018
As at the beginning of the period	1 344 037	960 678	960 678
Impact of the implementation of IFRS 9 on 1 January 2018		109 632	109 632
Restated opening balance		1 070 310	1 070 310
Changes recognized in the income statement	92 863	272 367	108 715
Changes recognized in other comprehensive income	1 462	972	(6)
Other changes	889	388	2 020
As at the end of the period	1 439 251	1 344 037	1 181 039
Provisions for deferred income tax	31.03.2019	31.12.2018	31.03.2018
As at the beginning of the period	(385 044)	(331 509)	(331 509)
Impact of the implementation of IFRS 9 on 1 January 2018		(40 243)	(40 243)
Restated opening balance		(371 752)	(371 752)
Changes recognized in the income statement	(128 290)	10 905	(55 579)
Changes recognized in other comprehensive income	5 622	(27 252)	(15 970)
Other changes	(3)	3 055	-
As at the end of the period	(507 715)	(385 044)	(443 301)

Income tax	31.03.2019	31.12.2018	31.03.2018
Current income tax	(91 416)	(767 217)	(202 128)
Deferred income tax recognised in the income statement	(35 427)	283 272	53 136
Income tax recognised in the income statement	(126 843)	(483 945)	(148 992)
Recognised in other comprehensive income	7 084	(28 710)	(15 976)
Total income tax	(119 759)	(512 655)	(164 968)

28. 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.

In line with IFRS9, for accounting purposes, the Group determines the valuation of its assets and liabilities through amortised cost or through fair value. In addition, for the positions that are valued through amortised cost, there is calculated and disclosed the fair value, but only for disclosure purposes – according to IFRS7.

The approach to the method used for the loans that are fair valued in line of IFRS9 requirements, is described in the point 3.4.7 to the Consolidated Financial Statements of mBank S.A. Group for 2018, published on February 27, 2019.

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 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.

For disclosure purposes, 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.

Financial assets and liabilities measured at amortised cost

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.

	30.03.2019		31.12.2018		31.03.2018	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortised cost						
Debt securities	9 313 153	9 434 415	9 000 539	9 148 798	8 689 402	8 808 415
Loans and advances to banks	4 020 545	3 975 844	2 546 346	2 521 793	3 811 337	3 783 748
Loans and advances to customers, including:	95 162 600	95 488 266	92 017 432	91 924 443	82 274 283	82 728 145
Individual customers	50 208 526	51 260 626	48 924 332	49 612 551	44 348 458	45 492 173
Current accounts	6 015 153	6 179 306	5 809 899	5 972 042	5 126 569	5 296 862
Term loans	43 969 855	44 857 802	42 754 960	43 281 036	39 035 156	40 008 578
Other receivables	223 518	223 518	359 473	359 473	186 733	186 733
Corporate customers	44 368 554	43 639 262	42 456 817	41 673 943	37 001 522	36 315 429
Current accounts	5 581 699	5 459 197	5 331 403	5 217 161	4 972 426	4 841 258
Term loans, including finance leases	34 577 550	33 970 760	33 581 972	32 913 340	29 944 420	29 389 495
Reverse repo / buy-sell-back transactions	1 734 588	1 734 588	1 146 263	1 146 263	25 828	25 828
Other loans and advances	2 444 729	2 444 729	2 382 247	2 382 247	2 033 165	2 033 165
Other receivables	29 988	29 988	14 932	14 932	25 683	25 683
Public sector customers	585 520	588 378	636 283	637 949	924 303	920 543
Financial liabilities measured at amortised cost						
Amounts due to banks	2 473 528	2 472 124	3 078 387	3 076 822	4 475 332	4 685 615
Amounts due to customers	107 648 204	107 601 405	102 009 062	101 932 151	94 308 572	94 324 534
Debt securities issued	18 441 265	18 701 369	18 049 583	18 236 156	14 414 161	14 752 425
Subordinated financial liabilities	2 482 086	2 500 693	2 474 163	2 492 101	2 157 269	2 172 966

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 estimated 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 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.

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.

Financial assets and liabilities measured at fair value

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

31.03.2019	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	4 537 295	3 208 915	991 096	337 284
Loans and advances to customers	42 154	-	-	42 154
- Corporate customers	42 154	-	-	42 154
Debt securities	3 504 045	3 208 915	-	295 130
- General governments	3 208 915	3 208 915	-	-
- Credit institutions	146 773	-	-	146 773
- Other financial corporations	78 571	-	-	78 571
- Non-financial corporations	69 786	-	-	69 786
Derivative financial instruments, including:	991 096	-	991 096	-
Derivative financial instruments held for trading:	855 503	-	855 503	-
- interest rate derivatives	570 733	-	570 733	-
- foreign exchange derivatives	195 315	-	195 315	-
- market risks derivatives	89 455	-	89 455	-
Derivative financial instruments held for hedging:	135 593	-	135 593	-
- derivatives designated as fair value hedges	103 345	-	103 345	-
- derivatives designated as cash flow hedges	32 248	-	32 248	-
Non-trading financial assets mandatorily at fair value through profit or loss	2 659 781	819	-	2 658 962
Loans and advances to customers	2 518 030	-	-	2 518 030
- Individual customers	2 187 534	-	-	2 187 534
- Corporate customers	319 184	-	-	319 184
- General governments	11 312	-	-	11 312
Debt securities	70 219	-	-	70 219
- Other financial corporations	70 219	-	-	70 219
Equity securities	71 532	819	-	70 713
- Other financial corporations	13 124	819	-	12 305
- Non-financial corporations	58 408	-	-	58 408
Financial assets at fair value through other comprehensive income	25 217 431	23 443 643	537 743	1 236 045
Debt securities	25 217 431	23 443 643	537 743	1 236 045
- Central banks	537 743	-	537 743	-
- General governments	22 261 404	22 224 489	-	36 915
- Credit institutions	332 646	-	-	332 646
- Other financial corporations	1 451 345	1 219 154	-	232 191
- Non-financial corporations	634 293	-	-	634 293
Total financial assets	32 414 507	26 653 377	1 528 839	4 232 291

31.03.2019	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, including:	981 254	-	981 254	-
Derivative financial instruments held for trading	1 255 342	-	1 255 342	-
- interest rate derivatives	829 351	-	829 351	-
- foreign exchange derivatives	336 264	-	336 264	-
- market risks derivatives	89 727	-	89 727	-
Derivative financial instruments held for hedging	(274 088)	-	(274 088)	-
- derivatives designated as fair value hedges	(68 558)	-	(68 558)	-
- derivatives designated as cash flow hedges	(205 530)	-	(205 530)	-
Total financial liabilities	981 254	-	981 254	-
TOTAL RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS	32 414 507	26 653 377	1 528 839	4 232 291
FINANCIAL LIABILITIES	981 254	-	981 254	-
Assets Measured at Fair Value Based on Level 3 - changes in the period from 1st January to 31 March 2019	Debt trading securities	Non-trading debt securities mandatorily at fair value through profit or loss	Non-trading equity securities mandatorily at fair value through profit or loss	Debt securities at fair value through other comprehensive income
As at the beginning of the period	306 763	58 130	72 005	1 266 558
Gains and losses for the period:	1 407	12 089	(1 594)	2 449
Recognised in profit or loss:	1 407	12 089	(1 594)	-
- Net trading income	1 407	1 297	-	-
- Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	-	10 792	-	-
- Gains less losses from investments in subsidiaries and associates	-	-	(1 594)	-
Recognised in other comprehensive income:	-	-	-	2 449
- Financial assets at fair value through other comprehensive income	-	-	-	2 449
Purchases	230 014	-	351	156 973
Redemptions	(52 185)	-	(49)	(15 576)
Sales	(2 147 900)	-	-	(367 781)
Issues	1 957 031	-	-	193 422
As at the end of the period	295 130	70 219	70 713	1 236 045

During the first quarter of 2019 there were no transfers of financial instruments between the levels of fair value hierarchy.

31.12.2018	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	2 104 302	748 294	1 006 079	349 929
Loans and advances to customers	43 166	-	-	43 166
- Corporate customers	43 166	-	-	43 166
Debt securities	1 055 057	748 294	-	306 763
- General governments	748 294	748 294	-	-
- Credit institutions	166 305	-	-	166 305
- Other financial corporations	72 626	-	-	72 626
- Non-financial corporations	67 832	-	-	67 832
Derivative financial instruments, including:	1 006 079	-	1 006 079	-
Derivative financial instruments held for trading:	707 089	-	707 089	-
- interest rate derivatives	405 799	-	405 799	-
- foreign exchange derivatives	139 030	-	139 030	-
- market risks derivatives	162 260	-	162 260	-
Derivative financial instruments held for hedging:	298 990	-	298 990	-
- derivatives designated as fair value hedges	107 466	-	107 466	-
- derivatives designated as cash flow hedges	191 524	-	191 524	-
Non-trading financial assets mandatorily at fair value through profit or loss	2 836 060	770	-	2 835 290
Loans and advances to customers	2 705 155	-	-	2 705 155
- Individual customers	2 370 872	-	-	2 370 872
- Corporate customers	321 380	-	-	321 380
- General governments	12 903	-	-	12 903
Debt securities	58 130	-	-	58 130
- Other financial corporations	58 130	-	-	58 130
Equity securities	72 775	770	-	72 005
- Other financial corporations	12 934	770	-	12 164
- Non-financial corporations	59 841	-	-	59 841
Financial assets at fair value through other comprehensive income	24 338 284	22 481 825	589 901	1 266 558
Debt securities	24 338 284	22 481 825	589 901	1 266 558
- Central banks	589 901	-	589 901	-
- General governments	21 287 623	21 251 235	-	36 388
- Credit institutions	361 980	-	-	361 980
- Other financial corporations	1 488 643	1 230 590	-	258 053
- Non-financial corporations	610 137	-	-	610 137
Total financial assets	29 278 646	23 230 889	1 595 980	4 451 777

31.12.2018	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, including:	981 117	-	981 117	-
Derivative financial instruments held for trading	986 253	-	986 253	-
- interest rate derivatives	579 788	-	579 788	-
- foreign exchange derivatives	235 762	-	235 762	-
- market risks derivatives	170 703	-	170 703	-
Derivative financial instruments held for hedging	(5 136)	-	(5 136)	-
- derivatives designated as fair value hedges	9	-	9	-
- derivatives designated as cash flow hedges	(5 145)	-	(5 145)	-
Total financial liabilities	981 117	-	981 117	-
TOTAL RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS	29 278 646	23 230 889	1 595 980	4 451 777
FINANCIAL LIABILITIES	981 117	-	981 117	-

Assets Measured at Fair Value Based on Level 3 - changes in 2018	Debt trading securities	Non-trading debt securities mandatorily at fair value through profit or loss	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	-	46 538	40 101	-	(86 639)
Restated opening balance	288 676	46 538	40 101	1 214 940	-
Gains and losses for the period:	2 065	11 592	(7 388)	3 791	-
Recognised in profit or loss:	2 065	11 592	(7 388)	-	-
- Net trading income	2 065	4 564	-	-	-
- Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	-	7 028	-	-	-
- Gains less losses from investments in subsidiaries and associates	-	-	(7 388)	-	-
Recognised in other comprehensive income:	-	-	-	3 791	-
- Financial assets at fair value through other comprehensive income	-	-	-	3 791	-
Purchases	1 244 432	-	42 454	1 629 915	-
Redemptions	(439 375)	-	-	(251 779)	-
Sales	(5 472 304)	-	(3 162)	(1 586 363)	-
Issues	4 683 269	-	-	256 054	-
As at the end of the period	306 763	58 130	72 005	1 266 558	-

In 2018 there were no transfers of financial instruments between the levels of fair value hierarchy.

31.03.2018	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	4 300 858	2 901 883	1 137 925	261 050
Debt securities	3 161 688	2 900 638	-	261 050
- General governments	2 900 638	2 900 638	-	-
- Credit institutions	112 520	-	-	112 520
- Other financial corporations	71 921	-	-	71 921
- Non-financial corporations	76 609	-	-	76 609
Equity securities	1 245	1 245	-	-
- Credit institutions	30	30	-	-
- Other financial corporations	244	244	-	-
- Non-financial corporations	971	971	-	-
Derivative financial instruments, including:	1 137 925	-	1 137 925	-
Derivative financial instruments held for trading:	1 004 559	-	1 004 559	-
- interest rate derivatives	618 254	-	618 254	-
- foreign exchange derivatives	316 156	-	316 156	-
- market risks derivatives	70 149	-	70 149	-
Derivative financial instruments held for hedging:	133 366	-	133 366	-
- derivatives designated as fair value hedges	128 625	-	128 625	-
- derivatives designated as cash flow hedges	4 741	-	4 741	-
Non-trading financial assets mandatorily at fair value through profit or loss	3 477 833	867	-	3 476 966
Loans and advances to customers	3 389 100	-	-	3 389 100
- Individual customers	2 823 250	-	-	2 823 250
- Corporate customers	548 244	-	-	548 244
- General governments	17 606	-	-	17 606
Debt securities	47 879	-	-	47 879
- Other financial corporations	47 879	-	-	47 879
Equity securities	40 854	867	-	39 987
- Other financial corporations	15 406	867	-	14 539
- Non-financial corporations	25 448	-	-	25 448
Financial assets at fair value through other comprehensive income	22 876 878	19 176 446	2 563 317	1 137 115
Debt securities	22 876 878	19 176 446	2 563 317	1 137 115
- Central banks	2 563 317	-	2 563 317	-
- General governments	18 635 000	18 598 368	-	36 632
- Credit institutions	394 126	-	-	394 126
- Other financial corporations	754 196	578 078	-	176 118
- Non-financial corporations	530 239	-	-	530 239
Total financial assets	30 655 569	22 079 196	3 701 242	4 875 131

31.03.2018	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, including:	900 830	-	900 830	-
Derivative financial instruments held for trading	987 162	-	987 162	-
- interest rate derivatives	713 735	-	713 735	-
- foreign exchange derivatives	208 871	-	208 871	-
- market risks derivatives	64 556	-	64 556	-
Derivative financial instruments held for hedging	(86 332)	-	(86 332)	-
- derivatives designated as fair value hedges	(14 217)	-	(14 217)	-
- derivatives designated as cash flow hedges	(72 115)	-	(72 115)	-
Total financial liabilities	900 830	-	900 830	-
TOTAL RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS	30 655 569	22 079 196	3 701 242	4 875 131
FINANCIAL LIABILITIES	900 830	-	900 830	-

Assets Measured at Fair Value Based on Level 3 - changes in the period from 1st January to 31 March 2018	Debt trading securities	Non-trading debt securities mandatorily at fair value through profit or loss	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	-	46 538	40 101	-	(86 639)
Restated opening balance	288 676	46 538	40 101	1 214 940	-
Gains and losses for the period:	1 522	1 341	8	6 336	-
Recognised in profit or loss:	1 522	1 341	8	-	-
- Net trading income	1 522	(602)	8	-	-
- Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	-	1 943	-	-	-
Recognised in other comprehensive income:	-	-	-	6 336	-
- Financial assets at fair value through other comprehensive income	-	-	-	6 336	-
Purchases	206 169	-	-	42 024	-
Redemptions	(26 401)	-	-	(5 572)	-
Sales	(732 159)	-	(122)	(172 851)	-
Issues	523 243	-	-	52 238	-
As at the end of the period	261 050	47 879	39 987	1 137 115	-

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

Level 1

As at 31 March 2019, 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 3 208 915 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 22 224 489 thousand (see Note 18) (31 December 2018 respectively: PLN 748 294 thousand and PLN 21 251 235 thousand, 31 March 2018 respectively: PLN 2 900 638 thousand and PLN 18 598 368 thousand). Level 1 includes the fair values of corporate bonds in the amount of PLN 1 219 154 thousand (31 December 2018: PLN 1 230 590 thousand, 31 March 2018: PLN 578 078 thousand).

In addition, as at 31 March 2019 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 819 thousand (31 December 2018: PLN 770 thousand, 31 March 2018: PLN 867 thousand).

Moreover, as at 31 March 2018 level 1 includes the value of shares quoted on stock exchange in the amount of PLN 1 245 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 537 743 thousand (31 December 2018: PLN 589 901 thousand, 31 March 2018: PLN 2 563 317 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 31 March 2019, 31 December 2018 and 31 March 2018, level 2 also includes the value of options referencing on the WIG20 index. For options on WIG 20 index an internal model (based on implied volatility model) using market parameters is applied.

Level 3

Level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies in the amount of PLN 1 564 479 thousand (31 December 2018: PLN 1 595 063 thousand; 31 March 2018: PLN 1 409 412 thousand). Level 3 includes also the fair value of local government bonds in the amount of PLN 36 915 thousand (31 December 2018 - PLN 36 388 thousand; 31 March 2018 - PLN 36 632 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. PD, LGD) and information acquired from the market (including credit spreads implied from transactions). Credit risk parameters PD and LGD are not observed on active markets and hence were generated by statistical analysis.

Level 3 as at 31 March 2019 includes the value of loans and advances to customers in the amount of PLN 2 560 184 thousand (31 December 2018 - PLN 2 748 321 thousand; 31 March 2018 - PLN 3 389 100 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 covers mainly the fair value of equity securities amounting to PLN 70 713 thousand (31 December 2018: PLN 72 005 thousand; 31 March 2018: PLN 39 987 thousand). Equity securities presented at level 3 have been valued 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 first quarter of 2019 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 16 as of 1 January 2019, which were presented under Note 2 in point "New standards, interpretations and amendments to published standards".

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 16: "Leases", whose impact on the statement of financial situation of the Bank and the Group as at 1 January 2019 has been presented under Note 2 in point "New standards, interpretations and amendments to published standards".

■ The amount of contribution to the Bank Guarantee Fund in 2019

In accordance with the Resolution of the Banking Guarantee Fund dated April 11, 2019, regarding the determination of the amount of contributions to the bank guarantee fund for 2019, the Group recognized in the income statement on the current period a contribution in the amount of PLN 197 252 thousand.

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

Events as indicated above did not occur in the Group.

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

In the first quarter of 2019, mBank Hipoteczny S.A. issued mortgage bonds in the amount of PLN 100 000 thousand and long term bonds in the amount of PLN 165 000 thousand. In the same period the company redeemed long term bonds in the amount of PLN 80 000 thousand.

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

On 28 March 2019, the 32nd Annual General Meeting of mBank S.A. adopted a resolution regarding the distribution of the net profit for 2018. The net profit of mBank S.A. in the amount of PLN 1 317 484 333.94 was allocated in the amount of PLN 248 157 618.16 for covering losses from previous years. The remaining part of the profit in the amount of PLN 1 069 326 715.78 was left undivided.

8. Significant events after the end of the first quarter of 2019, 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 first quarter of 2019, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities

On March 8, 2019, mLeasing acquired 100% shares in LeaseLink Sp. z o.o. (hereinafter "Leaselink"). LeaseLink is a company operating in the field of fintech in the sectors of leasing of low-value objects and e-commerce, specializing in leasing payment services. The Bank indirectly holds 100% shares in LeaseLink through mLeasing. The consideration transferred for shares amounted to PLN 31 610 thousand.

Until the publication of these financial statements, the accounting for the business combination has not been completed. The following disclosure presents provisional amounts for items for which the accounting is incomplete. The Group will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect the information obtained about the facts and circumstances that existed at the acquisition date. In accordance with the requirements of IFRS 3, the period in which the Group is required to complete the settlement of the business combination shall not exceed one year from the acquisition date.

The table below presents provisional financial data regarding assets and liabilities of LeaseLink as at the date of acquisition of shares by mLeasing.

Items	
Loans and advances to banks	1 355
Loans and advances to customers	65 482
Intangible assets	2 590
Tangible asstes	1 165
Other assets	3 546
Total assets	74 138
Amounts due to banks	72 483
Total liabilities	72 483
Net assets	1 655

As at the acquisition date of 100% shares in LeaseLink the Group recognized goodwill in the amount of PLN 29 955 thousand.

Purchase price	31 610
Net asstes acquired	1 655
Goodwill	29 955

10. Changes in contingent liabilities and commitments

In the first quarter of 2019, 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 first quarter of 2019, 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 first quarter of 2019, 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 first quarter of 2019, events as indicated above did not occur in the Group.

15. Acquisitions and disposals of tangible fixed asset items

In the first quarter of 2019, 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 first quarter of 2019, 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 the reporting period there were no changes in the process (method) of measurement the fair value of financial instruments.

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

Corrections of errors from the previous period, made in connection with the implementation of IFRS 9 and IFRS 15 starting from 1 January 2018, are described in Note 2 in the section "Comparative data". These adjustments did not affect the opening balance of the current period or the current reporting period.

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 first quarter of 2019, 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 first quarter of 2019, 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 2019.

23. Registered share capital

The total number of ordinary shares as at 31 March 2019 was 42 336 982 shares (31 December 2018: 42 336 982 shares, 31 March 2018: 42 312 122 shares) at PLN 4 nominal value each. All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 31 MARCH 2019						
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	-	-	24 860	99 440	fully paid in cash	2018
Total number of shares			42 336 982			
Total registered share capital				169 347 928		
Nominal value per share (PLN)		4				

* As at the end of the reporting period

24. Material share packages

Commerzbank AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 31 March 2019 it held 69.33% of the share capital and votes at the General Meeting of mBank S.A.

In the first quarter of 2019 there were no changes in the ownership structure of significant blocks of shares in the Bank.

On February 4, 2019 the Bank received from Nationale-Nederlanden Otwarty Fundusz Emerytalny (Fund) a notification of a reduction in the total number of votes at the General Meeting of mBank S.A. to less than 5%. Until 28 January 2019, Fund held 2 117 564 shares in mBank S.A., which accounted for 5.002% of the share capital of mBank S.A. and entitled to 2 117 564 votes at the general meeting of mBank S.A. From January 29, 2019, Fund holds 2 101 872 shares in mBank S.A., which constitutes 4.965% of the share capital of mBank S.A. and entitles to 2 101 872 votes at the general meeting of mBank S.A.

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

	Number of shares held as at the date of publishing the report for the year 2018	Number of shares acquired from the date of publishing the report for the year 2018 to the date of publishing the report for Q1 2019	Number of shares sold from the date of publishing the report for the year 2018 to the date of publishing the report for Q1 2019	Number of shares held as at the date of publishing the report for Q1 2019
Management Board				
1. Cezary Stypułkowski	19 384	-	-	19 384
2. Lidia Jabłonowska-Luba	-	-	-	-
3. Frank Bock	223	-	-	223
4. Andreas Böger	180	-	-	180
5. Krzysztof Dąbrowski	1 630	-	-	1 630
6. Cezary Kocik	-	-	-	-
7. Adam Pers	-	-	-	-

As at the date of publishing the report for the year 2018 and as at the date of publishing the report for the first quarter of 2019, 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 year 2018 and as at the date of publishing the report for the first quarter of 2019, the Member of the Supervisory Board of mBank S.A. Mr Jörg Hessenmüller had the 7 175 Bank's shares.

As at the date of publishing the report for the year 2018 and as at the date of publishing the report for the first quarter of 2019, 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 31 March 2019, 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 would 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 31 March 2019 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. Drózdź 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 aforementioned 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 2018, the Bank filed a comprehensive pleading, in which it requires, among others, the change of an expert. The Bank is waiting for the date of the hearing.

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. On 11 January 2019, the appeal of the plaintiff to which the Bank submitted a response.

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. The hearing was held on November 23, 2018. The court postponed the hearing and requested the Plaintiff to address formal irregularities in a pleading (reply to the statement of defence). The court accepted the Defendants' requests to summon sixteen banks to join the proceedings and ordered that the banks be served with the summons.

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.

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.

Inspection by the Office of the Polish Financial Supervision Authority (PFSA Office)

In the period from October till December 2018 the PFSA Office employees carried out an inspection in the Bank in order to investigate whether the activities of mBank S.A. in the area of fulfilling its duties as the depository were in conformity with the law and agreements on the performance of functions of the depository, in particular in conformity with the Act of 27 May 2004 on Investment Funds and Management of Alternative Investment Funds (Journal of Laws of 2018, item 1355, as later amended).

The detailed findings of the inspection were presented in the protocol delivered to the Bank on 11 February 2019. On 25 February 2019 the Bank delivered to the PFSA office its objections to the protocol as well as additional explanations related to the issues being the subject of the inspection.

On 1 April 2019 the Bank received PFSA response to the objections to the inspection protocol as well as PFSA recommendations in regard to the adjustment of Bank's activity as a depository bank for investment funds to the applicable law. All objections of the Bank have been rejected by the regulator. The Bank intends to fulfill the PFSA recommendations.

27. Off-balance sheet liabilities

Off-balance sheet liabilities as at 31 March 2019, 31 December 2018 and 31 March 2018 were as follows.

mBank Group consolidated data

	31.03.2019	31.12.2018	31.03.2018
1. Contingent liabilities granted and received	41 569 845	40 041 417	38 479 606
Commitments granted	37 513 324	36 461 423	34 039 223
- financing	28 403 122	27 882 914	26 324 420
- guarantees and other financial facilities	8 951 504	8 541 433	7 547 011
- other commitments	158 698	37 076	167 792
Commitments received	4 056 521	3 579 994	4 440 383
- financial commitments	663 627	381 660	466 712
- guarantees	3 392 894	3 198 334	3 973 671
2. Derivative financial instruments (nominal value of contracts)	562 401 906	517 423 172	455 943 814
Interest rate derivatives	440 144 405	420 056 711	359 348 918
Currency derivatives	116 880 571	93 080 870	92 054 524
Market risk derivatives	5 376 930	4 285 591	4 540 372
Total off-balance sheet items	603 971 751	557 464 589	494 423 420

mBank stand - alone data

	31.03.2019	31.12.2018	31.03.2018
1. Contingent liabilities granted and received	48 090 422	46 586 902	44 921 382
Commitments granted	44 034 437	43 006 908	40 480 999
- financing	27 744 445	27 256 725	24 986 923
- guarantees and other financial facilities	16 131 294	15 713 107	15 326 284
- other commitments	158 698	37 076	167 792
Commitments received	4 055 985	3 579 994	4 440 383
- financial commitments	663 091	381 660	466 712
- guarantees	3 392 894	3 198 334	3 973 671
2. Derivative financial instruments (nominal value of contracts)	560 753 558	515 651 767	458 789 802
Interest rate derivatives	437 270 905	417 184 171	360 557 176
Currency derivatives	118 105 723	94 182 005	93 692 254
Market risk derivatives	5 376 930	4 285 591	4 540 372
Total off-balance sheet items	608 843 980	562 238 669	503 711 184

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 31 March 2019, 31 December 2018 and 31 March 2018 were as follows.

PLN (000's)	mBank S.A. subsidiaries and associates			Commerzbank AG			Other companies of the Commerzbank AG Group		
	31.03.2019	31.12.2018	31.03.2018	31.03.2019	31.12.2018	31.03.2018	31.03.2019	31.12.2018	31.03.2018
As at the end of the period									
Statement of Financial Position									
Assets	-	-	23 025	2 269 829	555 810	1 245 371	10 347	7 587	5 726
Liabilities	21 131	24 895	60 105	2 052 348	2 188 337	3 135 821	921 676	968 311	1 097 563
Income Statement									
Interest income	4	12 147	238	23 469	100 581	25 364	161	535	121
Interest expense	(21)	(817)	(134)	(12 302)	(70 586)	(18 957)	(1 871)	(6 216)	(1 557)
Fee and commission income	25	968	72	965	3 771	273	13	84	8
Fee and commission expense	-	-	-	(657)	(4 828)	-	-	-	-
Other operating income	35	9 231	-	340	1 458	5	-	-	-
Overhead costs, amortisation and other operating expenses	-	(98)	-	(2 675)	(8 647)	(2 751)	-	-	-
Contingent liabilities granted and received									
Contingent liabilities granted	359 325	352 182	342 148	1 898 494	1 842 625	1 339 906	-	-	7 121
Contingent liabilities received	-	-	-	2 121 411	2 074 354	1 590 961	-	-	7 121

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 31 March 2019 recognised in the Group's income statement for that period amounted to PLN 8 648 532 thousand (in the period from 1 January to 31 March 2018: PLN 10 918 690).

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 31 March 2019, 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 24 March 2014, mFF issued 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

In the first quarter of 2019, events as indicated above did not occur in the Group.

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 second quarter of 2019 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 as of March 31, 2019

Starting from 1 January 2019 the binding conservation capital buffer defined in the Act on Macroprudential Supervision over the Financial System and Crisis Management in the Financial System of 5 August 2015 (Dz.U. 2015 item 1513), increased from 1.875% to 2.5% of the total risk exposure amount.

Consequently, taking into account other components of the required level of capital ratios, the required level of capital ratios as at 31 March 2019 amounted to:

- Individual total capital ratio – 18.01% and Tier 1 capital ratio – 14.97%
- Consolidated total capital ratio – 17.50% and Tier 1 capital ratio – 14.59%.

At the date of publication of these financial statements, mBank S.A. fulfils the KNF requirements related to the required capital ratios for 2019 on both individual and consolidated levels.

- Proposals concerning foreign currency mortgage loans restructuring

On January 24, 2019 at its meeting the Parliamentary subcommittee on FX mortgage loans legislative proposals finally made a choice, from among the four legislative proposals presented so far, and decided to further proceed with the draft amendment of (i) the act on support of borrowers in financial difficulties and (ii) the act on corporate income tax. On February 21, 2019, the Parliamentary Finance Committee adopted the draft amendment. The abovementioned bill was submitted to the Parliament by the Office of the President of the Republic of Poland in August, 2017. At the moment of these financial statements publication the final form of the proposed solution 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 1 April 2019, mFinance France redeemed Eurobonds with a nominal value of EUR 500 000 thousand, issued on March 24, 2014.

- On 5 April 2019, under the Euro Medium Term Note Program (EMTN Program), mBank issued unsecured bonds with a nominal value of CHF 125 000 thousand (equivalent of PLN 477 775 thousand at the average NBP exchange rate of April 5, 2019), with maturity on October 4, 2024.