



mBank S.A. Group

IFRS Condensed Consolidated Financial Statements
for the first quarter of 2020

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.

Contents

Selected financial data	4
Introduction	6
Economy and the banking sector in Q1 2020	8
Financial position of mBank Group in Q1 2020	11
Performance of segments and the business lines	17
Consolidated income statement	25
Consolidated statement of comprehensive income	26
Consolidated statement of financial position	27
Consolidated statement of changes in equity	28
Consolidated statement of cash flows	30
mBank S.A. stand-alone financial information	31
Income statement	31
Statement of comprehensive income.....	32
Statement of financial position	33
Statement of changes in equity	34
Statement of cash flows	36
Explanatory notes to the consolidated financial statements	37
1. Information regarding the Group of mBank S.A.....	37
2. Description of relevant accounting policies.....	39
3. Major estimates and judgments made in connection with the application of accounting policy principles	45
4. Business segments	48
5. Net interest income	53
6. Net fee and commission income	54
7. Dividend income	54
8. Net trading income.....	55
9. Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	55
10. Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	55
11. Other operating income	56
12. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	56
13. Overhead costs	57
14. Other operating expenses	57
15. Earnings per share	58
16. Financial assets held for trading and derivatives held for hedges	58
17. Non-trading financial assets mandatorily at fair value through profit or loss.....	62
18. Financial assets at fair value through other comprehensive income.....	63
19. Financial assets at amortised cost	64
20. Non-current assets and liabilities held for sale	66
21. Intangible assets.....	67
22. Tangible assets	67
23. Financial liabilities held for trading and derivatives held for hedges.....	67
24. Financial liabilities measured at amortised cost – amounts due to banks and customers.....	68
25. Provisions	68
26. Assets and liabilities for deferred income tax	69
27. Fair value of assets and liabilities	70
Selected explanatory information	76
1. Compliance with international financial reporting standards	76
2. Consistency of accounting principles and calculation methods applied to the drafting of the quarterly report and the last annual financial statements.....	76
3. Seasonal or cyclical nature of the business	76
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	76
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	76
6. Issues, redemption and repayment of non-equity and equity securities	76

7.	Dividends paid (or declared) altogether or broken down by ordinary shares and other shares	76
8.	Significant events after the end of the first quarter of 2020, which are not reflected in the financial statements	76
9.	Effect of changes in the structure of the entity in the first quarter of 2020, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities	76
10.	Changes in contingent liabilities and commitments	76
11.	Write-offs of the value of inventories down to net realisable value and reversals of such write-offs.....	77
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	77
13.	Revaluation write-offs on account of impairment of financial assets	77
14.	Reversals of provisions against restructuring costs	77
15.	Acquisitions and disposals of tangible fixed asset items.....	77
16.	Material liabilities assumed on account of acquisition of tangible fixed assets	77
17.	Information about changing the process (method) of measurement the fair value of financial instruments	77
18.	Changes in the classification of financial assets due to changes of purpose or use of these assets	77
19.	Corrections of errors from previous reporting periods	77
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)	77
21.	Default or infringement of a loan agreement or failure to initiate composition proceedings	77
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	78
23.	Registered share capital	78
24.	Material share packages	78
25.	Change in Bank shares and rights to shares held by managers and supervisors	79
26.	Proceedings before a court, arbitration body or public administration authority	79
27.	Off-balance sheet liabilities	82
28.	Transactions with related entities	83
29.	Credit and loan guarantees, other guarantees granted of significant value	84
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	84
31.	Factors affecting the results in the coming quarter	84
32.	Other information.....	85
33.	Events after the balance sheet date.....	85

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 2020.

SELECTED FINANCIAL DATA FOR THE GROUP	in PLN '000		in EUR '000	
	Period from 01.01.2020 to 31.03.2020	Period from 01.01.2019 to 31.03.2019 - restated	Period from 01.01.2020 to 31.03.2020	Period from 01.01.2019 to 31.03.2019 - restated
I. Interest income	1 334 977	1 200 843	303 659	279 409
II. Fee and commission income	544 426	465 392	123 837	108 286
III. Net trading income	44 805	38 142	10 192	8 875
IV. Operating profit	275 770	399 934	62 728	93 056
V. Profit before income tax	143 940	290 002	32 741	67 477
VI. Net profit attributable to Owners of mBank S.A.	90 917	163 173	20 680	37 967
VII. Net profit attributable to non-controlling interests	(11)	(14)	(3)	(3)
VIII. Net cash flows from operating activities	2 710 578	1 961 784	616 559	456 462
IX. Net cash flows from investing activities	(94 214)	(98 120)	(21 430)	(22 830)
X. Net cash flows from financing activities	(105 198)	(1 489 099)	(23 929)	(346 479)
XI. Total net increase / decrease in cash and cash equivalents	2 511 166	374 565	571 200	87 153
XII. Basic earnings per share (in PLN/EUR)	2.15	3.85	0.49	0.90
XIII. Diluted earnings per share (in PLN/EUR)	2.14	3.85	0.49	0.90
XIV. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE GROUP	in PLN '000		in EUR '000	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
I. Total assets	173 823 261	158 720 583	38 183 613	37 271 477
II. Amounts due to other banks	1 702 131	1 166 871	373 906	274 010
III. Amounts due to customers	128 960 426	116 661 138	28 328 631	27 394 890
IV. Equity attributable to Owners of mBank S.A.	16 583 303	16 151 303	3 642 841	3 792 721
V. Non-controlling interests	1 991	2 002	437	470
VI. Share capital	169 401	169 401	37 212	39 779
VII. Number of shares	42 350 367	42 350 367	42 350 367	42 350 367
VIII. Book value per share (in PLN/EUR)	391.57	381.37	86.02	89.56
IX. Total capital ratio	19.38	19.46	19.38	19.46

SELECTED FINANCIAL DATA FOR THE BANK	in PLN '000		in EUR '000	
	Period from 01.01.2020 to 31.03.2020	Period from 01.01.2019 to 31.03.2019 - restated	Period from 01.01.2020 to 31.03.2020	Period from 01.01.2019 to 31.03.2019 - restated
I. Interest income	1 184 805	1 056 238	269 500	245 762
II. Fee and commission income	502 308	426 814	114 257	99 310
III. Net trading income	45 110	36 670	10 261	8 532
IV. Operating profit	280 912	336 564	63 897	78 311
V. Profit before income tax	138 709	261 115	31 551	60 756
VI. Net profit	91 584	146 650	20 832	34 122
VII. Net cash flows from operating activities	2 584 724	2 316 620	587 932	539 025
VIII. Net cash flows from investing activities	(53 188)	(103 863)	(12 098)	(24 167)
IX. Net cash flows from financing activities	(49 039)	(1 818 719)	(11 155)	(423 174)
X. Total net increase / decrease in cash and cash equivalents	2 482 497	394 038	564 679	91 684
XI. Basic earnings per share (in PLN/EUR)	2.16	3.46	0.49	0.81
XII. Diluted earnings per share (in PLN/EUR)	2.16	3.46	0.49	0.81
XIII. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE BANK	in PLN '000		in EUR '000	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
I. Total assets	164 499 701	149 228 273	36 135 514	35 042 450
II. Amounts due to other banks	1 803 873	1 180 782	396 255	277 277
III. Amounts due to customers	134 637 815	121 936 987	29 575 778	28 633 788
IV. Equity	16 518 860	16 115 007	3 628 684	3 784 198
V. Share capital	169 401	169 401	37 212	39 779
VI. Number of shares	42 350 367	42 350 367	42 350 367	42 350 367
VII. Book value per share (in PLN/EUR)	390.05	380.52	85.68	89.36
VIII. Total capital ratio	22.62	22.84	22.62	22.84

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: EUR 1 = 4.5523, 31 December 2019: EUR 1 = 4.2585.
- 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 2020 and 2019: EUR 1 = PLN 4.3963 and EUR 1 = PLN 4.2978 respectively.

Introduction

The profit before tax generated by mBank Group in Q1 2020 stood at PLN 143.9 million, which represents a decrease by 49.7% quarter on quarter. Net profit attributable to the owners of mBank reached PLN 90.9 million. Both income and costs increased quarter on quarter in Q1 2020.

The main factors determining the Group's financial results in Q1 2020 were as follows:

- **Increase of total income** to PLN 1,434.3 million, i.e. +1.8% quarter on quarter, driven by an increase of net interest income, net fee and commission income, and net trading income.
- **Increase in overhead costs** (including depreciation) to PLN 736.3 million v. the previous quarter due to recognition of the annual contribution to the resolution fund of the Bank Guarantee Fund (BFG).
- **Significant increase 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 409.3 million, i.e. 151 basis points compared with 67 basis points in Q4 2019.
- **Result on provisions for legal risk related to foreign currency loans** set up in Q1 2020 at PLN 12.9 million vs. PLN 293.5 million in Q4 2019.
- **Increase in tax on the Group's balance sheet items** on a quarterly basis to PLN 131.8 million.
- **Continued organic growth and business expansion** as demonstrated by:
 - **increase in the individual customer base** to 5,649.1 thousand (+45.2 thousand customers compared to the end of 2019 and -118.9 thousand compared to the end of March 2019 due to the discontinuation of activity of Kompakt Finanse);
 - **increase in the number of corporate customers** to 27,084 (+608 compared to the end of 2019 and +2,796 compared to the end of March 2019).

At the end of Q1 2020, net loans and advances stood at PLN 110,871.8 million, which represents a quarter-on-quarter increase by PLN 5,524.3 million, i.e. 5.2%. Net of reverse repo/buy sell back transactions and FX effect, the value of loans and advances increased by 1.6% quarter on quarter. Gross loans and advances to corporate clients rose to PLN 50,494.1 million, i.e. by PLN 2,708.4 million or 5.7% quarter on quarter (net of reverse repo/buy sell back transactions and FX effect, the value of loans and advances to corporate clients rose by 0.6%). The volume of loans and advances granted to individual clients increased by PLN 3,001.3 million, i.e. 5.0% quarter on quarter, and stood at PLN 63,362.0 million.

In Q1 2020 amounts due to customers rose by PLN 12,299.3 million, i.e. 10.5% quarter on quarter, with amounts due to corporate customers growing by PLN 7,195.4 million, i.e. 18.9% quarter on quarter, and amounts due to individual customers up by PLN 5,254.4 million or 6.8%. Consequently, the loan to deposit ratio^a of mBank Group decreased compared with the end of 2019 and stood at 86.0%.

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

- Gross ROE of 3.6% (7.5% in Q4 2019);
- Net ROE of 2.2% (3.0% in Q4 2019).

mBank Group's capital ratios remained stable in Q1 2020 compared to the end of 2019. The total risk exposure amount increased by PLN 4.6 billion while own funds also increased (resulting from the inclusion of 50% of the profit from the first half of 2019 and 100% of the profit from the second half of 2019). The Total Capital Ratio stood at 19.4% and the Core Tier 1 ratio at 16.5% at the end of March 2020.

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

Awards and distinctions

For the second time in a row, Joanna Erdman – director for strategic projects at mBank - was distinguished by service Cashless.pl in the second edition of the ranking of most influential women in the payment industry. Joanna Erdman was entitled the most influential woman in 2019 and ranked second in the next edition. The aim of this initiative is to promote the diversity in the most important payment institutions in Poland.

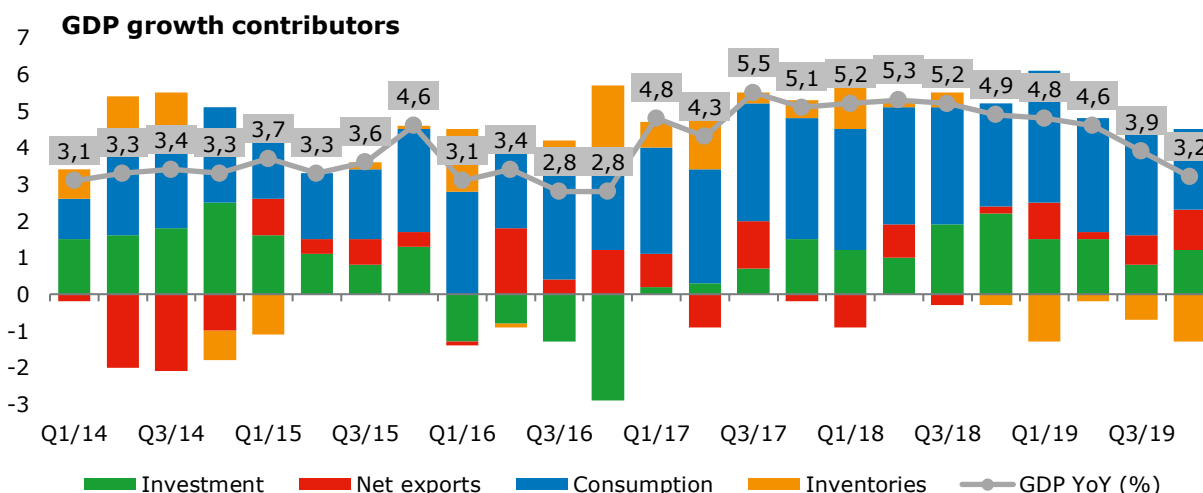
During the conference “Partnership as a success guarantee”, organised by Bank Gospodarstwa Krajowego (BGK) on February 6th, 2020, mBank received a reward for a bank with the best quality of loans’ portfolio under the BGK’s guarantees. This distinction apprises the work of mBank’s business, risk and sales’ support teams.

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 2020

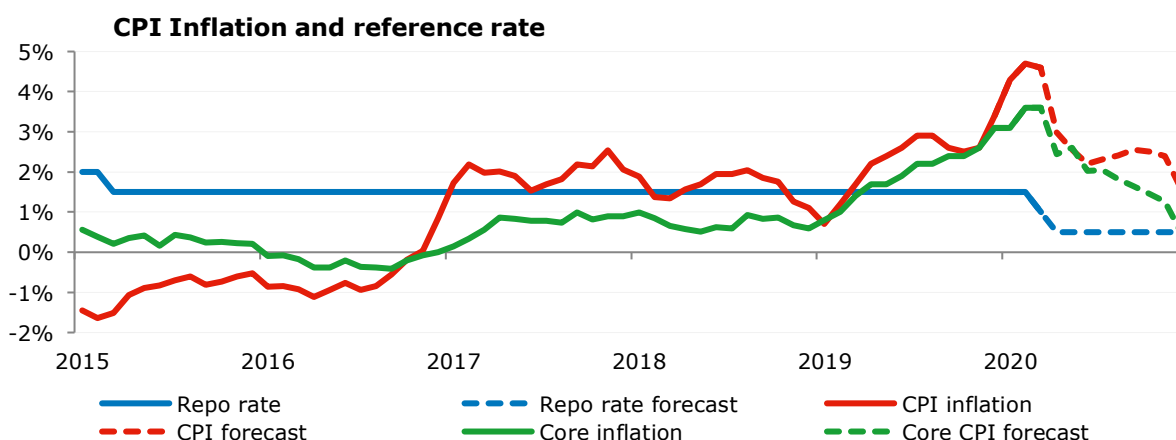
All previous forecasts revised due to the COVID-19 pandemic

The COVID-19 pandemic caused a dramatic slowdown in economic activity at the end of Q1 2020. Without the pandemic, the economic activity in Q1 2020 could have been higher than at the end of 2019. But that is just ancient history now. Efforts to curb the spread of the coronavirus introduced gradually since mid-March have brought many sectors of the economy to a standstill. The Bank estimates that the GDP growth rate will still be positive in Q1 (+1.5% year on year), after which GDP will shrink for the rest of the year. As a consequence, the global production stream will contract by 4.2% in the whole of 2020. Significantly higher GDP growth rates will not be witnessed until 2021. The economic devastation caused by the virus will result in a permanent shift in consumer preference and will require a structural change in the economy. For this reason, the GDP level reported in Q4 2019 will not be achieved until 2022.



Inflation well above the target, but it will soon drop significantly

Inflation rocketed in Q1 fuelled by high food prices, dynamic economic activity, a strong labour market, and an increase in regulated prices. Owing to the significant slowdown in GDP and the ensuing demand gap, inflation will start to shrink dynamically as early as in Q2 and will fall below the target rate of the National Bank of Poland (NBP) by the end of the year. The projected decrease in inflation will also be driven by record low oil prices. They have sunk to levels not seen in more than ten years due to lower demand and relatively small production cuts, which additionally were very difficult to coordinate as part of OPEC Plus due to conflicting interests of its members, Russia, and the USA. The return of inflation to the target rate may be disturbed by food prices due to a high probability of another dry year (in April soil moisture was close to the disastrous level reported in May 2019). In addition, price measurement will be disturbed because Statistics Poland (GUS) had to rebuild its price monitoring method within a short period of time. The Bank believes that this should not affect the inflationary trends observed in 2020.



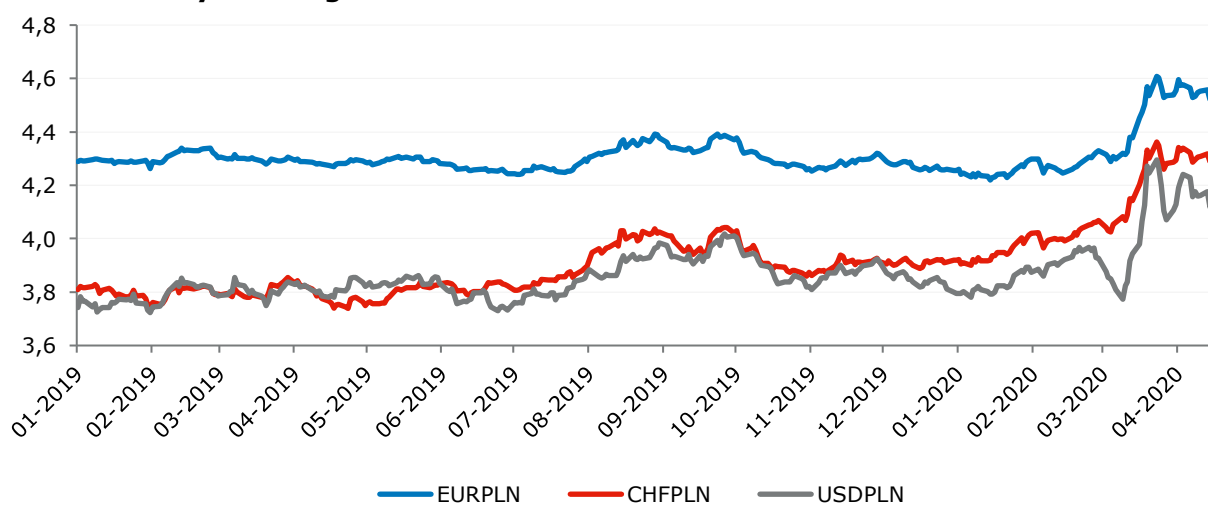
The NBP's response to recent economic developments was relatively quick. The central bank cut interest rates by a total of 100 bps in March and April, launched extraordinary measures involving the purchase of Treasury (and Treasury-backed) bonds, and promised a discount credit programme similar to the TLTRO (Targeted Longer-term Refinancing Operations) programme introduced by the European Central Bank (ECB). The Bank believes that there is little room left for further quick interest rate cuts. From now on,

the economy will have to be supported by fiscal policy. The interest rate cuts coincided with the government's efforts to keep the frozen economy afloat. The support packages announced by the government are worth approx. 9% of Polish GDP (including the programme announced by the Polish Development Fund (PFR)). Their form and value are similar to packages announced by other EU countries.

Financial markets face both global and local risks

The outbreak of the pandemic caused an immediate depreciation of the Polish zloty. The first stage of the depreciation was triggered by capital outflows from emerging markets and problems with USD financing. This stage is probably over owing to unprecedented monetary and fiscal policy easing around the world. The Bank believes, however, that the zloty may depreciate further following weaker economic data (everyone is working with more or less accurate forecasts because no hard data have been released so far). The weakening of the zloty will be driven by a further decrease in market interest rates, continuously low yields on Treasury bonds (so far the majority of additional bond issues conducted by the Ministry of Finance have been purchased by the NBP), and an increase in money supply due to a fiscal deficit financed largely through bond purchase by the NBP. Owing to the aforesaid expansion of the NBP's balance sheet and a slow climb out of the global recession, the low interest rates and the weaker zloty are here to stay.

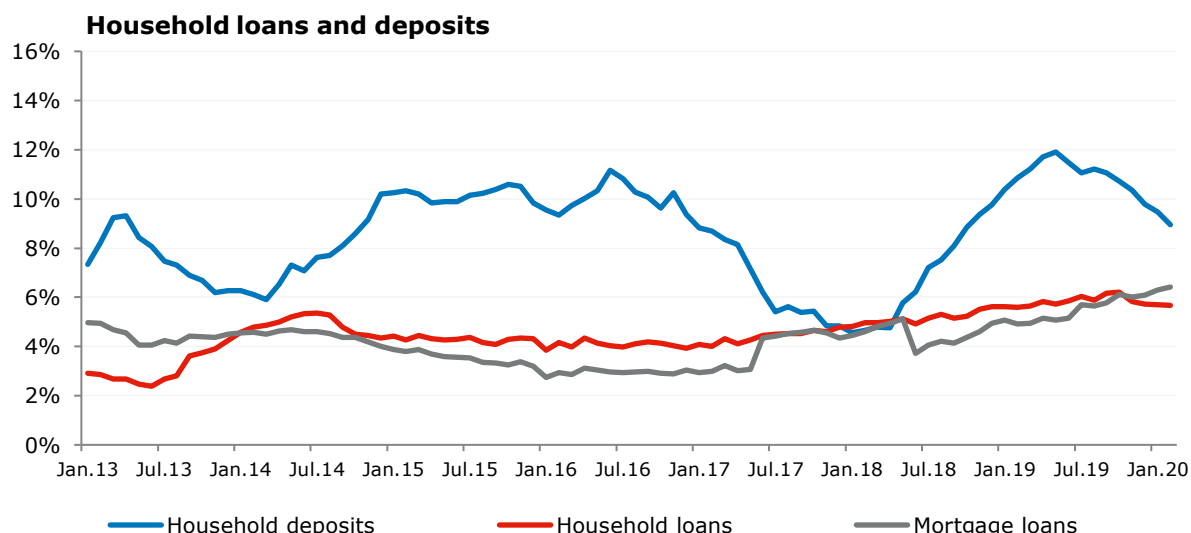
Currency exchange rates



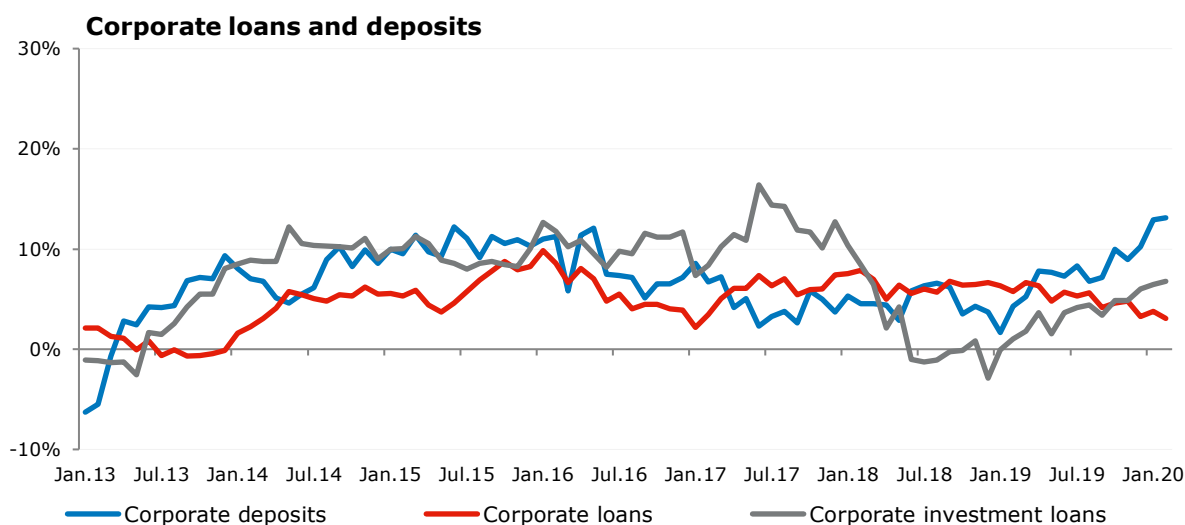
Lending set to slow down. Deposits will not dry up (for now)

The first quarter of 2020 saw a continuation of previous trends, but the coming quarters will witness a shift in the demand for loans and supply of deposits.

Household deposits will continue to rise, but the growth rate will decrease gradually. An ailing economy, salary cuts, and the need to finance consumption with savings will push the growth rate of household deposits down to around zero in the quarters to come. However, it is possible that the support programmes launched by the government and the dramatic decrease in consumer spending caused by administrative measures will result in a temporary increase in savings. The large cash withdrawals reported in March (estimated at approximately PLN 30 billion based on NBP data) will not take place again. They were driven by consumers' fears about the consequences of economic lockdown. As none of the pessimistic visions materialised, the cash should soon turn into corporate deposits or return to the banking sector in the form of household deposits. Consumers' borrowing activity will soon decrease rather abruptly due to shrinking consumer loans.



A slowing economy will soon trigger a contraction in corporate lending. We can expect a decrease in both working capital and investment loans. An alternative, especially to working capital loans, will be offered in particular by the Polish Development Fund's (PFR) programme, which will provide companies with liquidity support worth as much as PLN 100 billion in the next months. Investment activity will recover slowly, but a structural shift in the economy is expected to increase demand for investment loans. Corporate deposits are expected to shrink in the nearest future due to a significant decrease in revenues. The government support programmes will also be important in this context as they will reduce at least part of operating costs and prevent an abrupt decrease in deposits.



Financial position of mBank Group in Q1 2020

Profit and Loss Account of mBank Group

The profit before tax generated by mBank Group in Q1 2020 stood at PLN 143.9 million, declining by 49.7% quarter on quarter. Net profit attributable to the owners of mBank fell by 21.8% quarter on quarter to PLN 90.9 million.

PLN M	Q4 2019	Q1 2020	Change in PLN M	Change in %
Interest income	1 276.1	1 335.0	58.8	4.6%
Interest expense	-265.6	-269.5	-3.9	1.5%
Net interest income	1 010.5	1 065.5	55.0	5.4%
Fee and commission income	541.6	544.4	2.9	0.5%
Fee and commission expense	-196.8	-181.8	15.1	-7.7%
Net fee and commission income	344.7	362.7	17.9	5.2%
Core income	1 355.2	1 428.1	72.9	5.4%
Dividend income	0.3	0.3	0.0	10.7%
Net trading income	29.1	44.8	15.7	54.0%
Other income	39.3	-24.0	-63.3	-161.1%
Other operating income	58.5	41.1	-17.4	-29.7%
Other operating expenses	-73.1	-56.1	17.0	-23.3%
Total income	1 409.3	1 434.3	25.0	1.8%
Net impairment losses and fair value change on loans and advances	-174.9	-409.3	-234.4	134.1%
Result on provisions for legal risk related to foreign currency loans	-293.5	-12.9	280.5	-95.6%
Overhead costs and depreciation	-533.7	-736.3	-202.6	38.0%
Taxes on the Group balance sheet items	-121.4	-131.8	-10.5	8.6%
Profit before income tax	285.9	143.9	-141.9	-49.7%
Income tax expense	-169.7	-53.0	116.6	-68.7%
Net profit attributable to:	116.2	90.9	-25.3	-21.8%
- Owners of mBank S.A.	116.3	90.9	-25.3	-21.8%
- non-controlling interests	-0.1	0.0	0.1	-
ROA net	0.3%	0.2%		
ROE gross	7.5%	3.6%		
ROE net	3.0%	2.2%		
Cost / Income ratio	37.9%	51.3%		
Net interest margin	2.60%	2.63%		
Common Equity Tier 1 ratio	16.5%	16.5%		
Total capital ratio	19.5%	19.4%		

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

Other income – calculated as the sum of gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates and 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).

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. 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. 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).

Income of mBank Group

Total income generated by mBank Group increased quarter on quarter and amounted to PLN 1,434.3 million. Core income, i.e. net interest income and net fee and commission income, grew quarter on quarter (by 5.4%) to PLN 1,428.1 million.

Net interest income remained mBank Group's largest income source in Q1 2020: a quarter-on-quarter increase was reported (+PLN 55.0 million, i.e. 5.4%) despite the quarter being shorter (by 1 day) than Q4 2019. Interest income grew by PLN 58.8 million, i.e. 4.6% compared with Q4 2019 and reached PLN 1,335.0 million, spurred largely by higher income from loans and advances (PLN 1,085.2 million, i.e. +PLN 76.9 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 increased slightly compared with the previous quarter (by PLN 3.9 million, i.e. +1.5%), amounting to PLN 269.5 million.

Net interest income in Q4 2019 was reduced by PLN 68.5 million related to the CJEU verdict regarding the consumer's right to cut the cost of loan in the event of early repayment.

mBank Group's **net interest margin** increased modestly quarter on quarter and stood at 2.63% in Q1 2020 compared to 2.60% in Q4 2019.

Net fee and commission income, the second largest income contributor, increased compared with the previous quarter (+PLN 17.9 million, i.e. +5.4%) to PLN 362.7 million.

Fee and commission income increased by PLN 2.9 million, i.e. 0.5% quarter on quarter. Individual lines of fee and commission income were relatively stable quarter on quarter. Fees from brokerage activity and debt securities issue increased the most, by PLN 17.3 million, i.e. 79.4%. The increase was driven by a high number of new brokerage accounts of clients and active trading by retail clients. Payment cards-related fees declined by PLN 6.6 million, i.e. 5.4%, as a result of seasonally lower amount and value of transactions compared with Q4 2019. Credit-related fees and commissions increased by PLN 2.7 million, i.e. 2.4% compared to the previous quarter, driven by continued strong new sales of retail loans. At the same time, commissions from bank accounts decreased by PLN 7.3 million, i.e. 13.1%. Commissions for foreign currencies exchange are recognised in fee and commission income as of Q1 2020 but were previously recognised in FX result. Commissions for foreign currencies exchange stood at PLN 85.7 million in Q1 2020, an increase of PLN 2.4 million, i.e. 2.9% quarter on quarter.

Fee and commission expenses amounted to PLN 181.8 million in Q1 2020, which represented a decrease of PLN 15.1 million, i.e. 7.7% compared with the previous quarter attributable mainly to lower costs related to other fees.

Net trading income increased by PLN 15.7 million, i.e. 54% quarter on quarter and stood at PLN 44.8 million. The increase was mainly reported in gains or losses on trading financial assets and liabilities thanks to active trading on the volatile Polish debt market.

Other income (calculated as the sum of gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates and gains or losses from non-trading financial assets (including equity instruments and debt securities) mandatorily measured at fair value through profit or loss) decreased by PLN 63.3 million quarter on quarter. The decrease was driven mainly by revaluation of Visa Inc. shares by -PLN 20.6 million and no sale of bonds in Q1 2020.

Other operating income net of other operating expenses stood at -PLN 15.0 million in Q1 2020 and was stable quarter on quarter.

Costs of mBank Group

In Q1 2020, total overhead costs of mBank Group (including depreciation) stood at PLN 736.3 million, which marks an increase by PLN 202.6 million, i.e. 38.0% quarter on quarter. The growth resulted from recognition of the annual contribution to the BFG resolution fund.

PLN M	Q4 2019	Q1 2020	Change in PLN M	Change in %
Staff-related expenses	-249.5	-263.8	-14.2	5.7%
Material costs, including:	-153.2	-170.2	-17.0	11.1%
- administration and real estate services costs	-56.0	-63.4	-7.5	13.3%
- IT costs	-36.8	-43.2	-6.3	17.3%
- marketing costs	-39.6	-37.0	2.5	-6.4%
- consulting costs	-16.8	-22.1	-5.3	31.7%
- other material costs	-4.1	-4.5	-0.4	10.3%
Taxes and fees	-8.7	-6.1	2.6	-29.5%
Contributions and transfer to the Bank Guarantee Fund	-14.8	-197.2	-182.3	1228.0%
Contributions to the Social Benefits Fund	-2.0	-1.5	0.4	-22.4%
Depreciation	-105.5	-97.5	8.0	-7.6%
Total overhead costs and depreciation	-533.7	-736.3	-202.6	38.0%
Cost / Income ratio	37.9%	51.3%	-	-
Employment (FTE)	6 771	6 820	49	0.7%

In Q1 2020, staff-related expenses increased by PLN 14.2 million, i.e. 5.7% quarter on quarter, which was driven by an increase in social insurance contributions. The headcount in mBank Group rose by 49 FTEs in the reported period, among others due to the opening of several new outlets.

In Q1 2020, material costs increased by PLN 17.0 million, i.e. 11.1% quarter on quarter. Administration and real estate services costs, IT costs and consulting costs increased in Q1 2020. Depreciation decreased by PLN 8.0 million, i.e. 7.6% quarter on quarter, and stood at PLN 97.5 million.

The contribution and payments to the Bank Guarantee Fund (BFG) stood at PLN 197.2 million as the annual contribution to the resolution fund was recognised in Q1 2020.

Cost efficiency measured by the Cost/Income ratio deteriorated and stood at 51.3% in Q1 2020 compared with 37.9% in Q4 2019. The normalised Cost/Income ratio (including ¼ of the contribution to the resolution fund) reached 42.6%.

Net impairment losses and fair value change on loans and advances

In Q1 2020, 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 409.3 million. Compared with Q4 2019, impairment on and change in the fair value of loans and advances increased by PLN 234.4 million, i.e. 134.1%. 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 2019	Q1 2020	Change in PLN M	Change in %
Retail Banking	-91.5	-221.5	-130.0	142.1%
Corporates and Financial Markets	-82.1	-189.6	-107.6	131.1%
Other	-1.3	1.8	3.1	-/+
Total net impairment losses and fair value change on loans and advances	-174.9	-409.3	-234.4	134.1%

Impairment on and change in the fair value of loans and advances in the Retail Banking segment was PLN 130.0 million higher on a quarterly basis and amounted to PLN 221.5 million. A significant increase in the cost of risk results, among others, from the adoption of the pessimistic macroeconomic scenario in estimating portfolio provisions, related to the impact of coronavirus on the economy.

Impairment and change in the fair value of loans and advances in the Corporate and Financial Markets area amounted to PLN 189.6 million, which represents an increase by PLN 107.6 million against the previous quarter. Higher risk costs resulted, among others, from an additional review of sectors and individual clients, in particular clients under observation, to verify the potential increase in the probability of failure to implement restructuring plans due to the change of the economic situation in Poland as a result of COVID-19 pandemic.

Consolidated statement of financial position

The balance sheet total of mBank Group stood at PLN 173,823.3 million at the end of Q1 2020, up by 9.5% compared with Q4 2019.

Assets of mBank Group

PLN M	31.03.2019	31.12.2019	31.03.2020	QoQ change	YoY change
Cash and balances with Central Bank	5,553.4	7,897.0	10,823.3	37.1%	94.9%
Loans and advances to banks	4,020.5	4,341.8	9,513.4	119.1%	136.6%
Financial assets held for trading and derivatives held for hedges	4,495.1	2,693.3	3,533.3	31.2%	-21.4%
Net loans and advances to customers	97,722.8	105,347.5	110,871.8	5.2%	13.5%
Investment securities	34,672.3	34,305.2	34,748.3	1.3%	0.2%
Intangible assets	814.9	955.4	968.2	1.3%	18.8%
Tangible assets	1,325.0	1,262.4	1,234.3	-2.2%	-6.8%
Other assets	2,214.6	1,918.0	2,130.7	11.1%	-3.8%
Total assets	150,818.7	158,720.6	173,823.3	9.5%	15.3%

Loans and advances to customers – 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 and financial assets held for trading.

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 customers were the largest asset category of mBank Group at the end of Q1 2020. Their share in total assets dropped slightly to 63.8% from 66.4% at the end of December 2019. At the end of Q1 2020, net loans and advances to customers (a total of loans and advances measured at amortised cost, loans and advances mandatorily measured at fair value through profit or loss, and loans and advances classified as assets held for trading) amounted to PLN 110,871.8 million, which represents a quarter-on-quarter increase by PLN 5,524.3 million or 5.2%. Net of reverse repo/buy-sell-back transactions and FX effect, the value of loans and advances to customers went up by 1.6% quarter on quarter.

Gross loans to corporate customers grew by PLN 2,708.4 million (5.7%) to PLN 50,494.1 million compared with the previous quarter (net of reverse repo/buy-sell-back transactions and the FX effect, loans and advances to corporate customers rose by 0.6% quarter on quarter). The sales of loans to corporate customers shrank by 26.5% to PLN 7,555.8 million compared with Q4 2019 (including new sales, limit increases, and renewals). The drop was a result of high activity observed in Q4 2019 coupled with interim, reduced demand for new funding amid the economic turmoil caused by the COVID-19 pandemic in Q1 2020.

The volume of loans to individuals went up by PLN 3,001.3 million or 5.0% against the end of December 2019 to PLN 63,362.0 million. Gross mortgages and housing loans rose by 6.7% quarter on quarter. In Q1 2020, mBank Group sold PLN 2,226.7 million of mortgages and PLN 2,361.2 million of non-mortgage loans. Net of the FX effect, loans to individuals increased by 2.4% quarter on quarter.

At the end of Q1 2020, gross loans and advances to the public sector decreased slightly by PLN 2.4 million or 0.6% quarter on quarter and stood at PLN 389.0 million.

Investment securities were the second largest asset category at the end of Q1 2020 and stood at PLN 34,748.3 million, accounting for 20.0% of total assets, up by PLN 443.1 million or 1.3% quarter on quarter.

mBank Group's total liabilities and equity

PLN M	31.03.2019	31.12.2019	31.03.2020	QoQ change	YoY change
Amounts due to other banks	2,473.5	1,166.9	1,702.1	45.9%	-31.2%
Amounts due to customers	107,648.2	116,661.1	128,960.4	10.5%	19.8%
Debt securities in issue	18,441.3	17,435.1	18,000.3	3.2%	-2.4%
Subordinated liabilities	2,482.1	2,500.2	2,594.3	3.8%	4.5%
Other liabilities	4,506.2	4,803.9	5,980.8	24.5%	32.7%
Total Liabilities	135,551.3	142,567.3	157,238.0	10.3%	16.0%
Total Equity	15,267.4	16,153.3	16,585.3	2.7%	8.6%
Total Liabilities and Equity	150,818.7	158,720.6	173,823.3	9.5%	15.3%

In Q1 2020, amounts due to customers, which are mBank Group's principal source of funding, rose by PLN 12,299.3 million or 10.5% quarter on quarter. The share of amounts due to customers in total liabilities and equity reached 74.2%, which represents a rise compared with the end of December 2019.

Amounts due to corporate customers increased by PLN 7,195.4 million or 18.9% compared with Q4 2019 to reach PLN 45,333.3 million at the end of March 2020. The substantial rise in this category results mainly from an inflow of funds into current accounts (+PLN 3,302.8 million or +13.3% quarter on quarter), but also from rising volumes of term deposits (+PLN 2,545.9 million or +28.0%). Moreover the change was also helped by depreciation of the zloty, which caused an increase of the value of liabilities in foreign currencies, including loans from the European Investment Bank.

In the period under review, amounts due to individuals rose by PLN 5,254.4 million or 6.8%, both in current accounts and term deposits (7.8% and 2.2%, respectively), to PLN 82,918.8 million.

Amounts due to the public sector stood at PLN 708.3 million, representing a quarter-on-quarter decrease by PLN 150.5 million (-17.5%).

Debt securities in issue, up by PLN 565.2 million or 3.2% quarter on quarter to PLN 18,000.3 million, were mBank Group's second largest liabilities and equity category (accounting for 10.4%). Given the dominant share of debt securities issued in foreign currencies, the rise in this category was caused predominantly by the depreciation of the zloty seen in Q1 2020.

Amounts due to other banks stood at PLN 1,702.1 million at the end of Q1 2020, accounting for 1.0% of total liabilities and equity of mBank Group. Compared with Q4 2019, this category grew by PLN 535.3 million or 45.9%, mainly as a result of higher balances in current accounts maintained by other institutions with mBank.

The share of equity in total liabilities and equity of mBank Group decreased slightly quarter on quarter to 9.5% (against 10.2% at the end of December 2019).

Quality of the loan portfolio of mBank Group

As at 31 March 2020, the amount of non-performing receivables was slightly higher than in the previous quarter, mainly in the corporate segment. The NPL ratio maintained the level from the end December 2019 and amounted to 4.5%.

The coverage ratio for total receivables decreased marginally quarter on quarter from 73.6% to 73.5% whereas coverage ratio for non-performing receivables stood at 60.6% compared to 60.7% at the end of 2019.

PLN M	31.12.2019	31.03.2020	QoQ change
Provisions for non-performing loans	2,950.6	3,120.4	5.8%
Provisions for performing loans	623.6	667.0	7.0%
Total provisions	3,574.2	3,787.4	6.0%
Non-performing receivables	4,857.5	5,150.3	6.0%
Performing receivables	104,053.8	109,512.9	5.2%
NPL ratio	4.5%	4.5%	
Coverage ratio of non-performing receivables	60.7%	60.6%	

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

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

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

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

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

Performance of segments and the business lines

The Retail Banking segment made the largest contribution to the profit before tax of mBank Group in Q1 2020.

Lower results of particular business areas were mainly affected by the annual contribution to the BFG resolution fund posted in Q1 2020 as well as substantial increase of cost of risk.

PLN M	Q4 2019	Q1 2020	QoQ change	% share in profit before tax
Retail Banking	22.2	145.4	554.1%	101.0%
Corporate and Investment Banking	208.4	-8.9	+/-	-6.2%
Financial Markets	37.1	20.3	-45.4%	14.1%
Other	18.1	-12.8	+/-	-8.9%
Profit before tax of mBank Group	285.9	143.9	-49.7%	100.0%

Retail Banking

mBank's Retail Banking segment serves 5,649.1 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 395 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

- Rise of total income by 5.4% on quarterly basis, amounting to PLN 869.2 million.
- Increase in the share of mBank in non-mortgage loans market from 5.9% to 6.6% year on year.
- 7.3% share of mBank in retail deposits market.
- High sales of mortgage loans at PLN 2,226.7 million (i.e. +2.4% quarter on quarter and +49.4% year on year), while non-mortgage loans sales stood at PLN 2,361.2 million (i.e. -11.4% quarter on quarter and -8.3% year on year).
- Maintained high share of loggings into client accounts via mobile banking application: 69.7% at the end of March 2020.
- The Brokerage Bureau's share in the WSE turnover in shares increased from 3.6% to 4.4% quarter on quarter, whereas its share in the futures market rose from 10.9% to 15.1%; increase of number of retail brokerage accounts by almost 14,000 in Q1 2020.
- Enabling deferral of principal installment by individuals and microenterprises. The service, introduced in the aftermath of an outbreak of COVID-19 pandemic, is available from home.
- Introduction of new service for customers: a request for money transfer on a telephone number via BLIK mobile payment system. It requires only selecting the right person using BLIK from the contact list after logging into an application. The transfer is completed by BLIK which allows for an instant transaction after the client accepts the request in her/his mobile with one click.
- Providing Garmin Pay service for the owners of Garmin Watch with NFC function. In only few simple steps the clients can add their Visa or Mastercard cards to the Garmin Pay wallet.
- Expanding banking offer with the free-of-charge account with a card for children under 13 years old. The service provides for cash withdrawals from ATMs. The account is owned by an adult, who can open it on-line and set i.a. daily withdrawals' limit. The added value of our service is a dedicated educating website for children, which tutors on safety rules of banking products and services.

Key financial data:

PLN M	Q4 2019	Q1 2020	Change in PLN M	Change in %
Net interest income	664.0	727.6	63.6	9.6%
Net fee and commission income	168.3	170.8	2.5	1.5%
Net trading income	10.5	8.0	-2.4	-23.3%
Net other operating income	-27.7	-16.5	11.3	-40.6%
Other income	9.5	-20.9	-30.4	+/-
Total income	824.5	869.1	44.6	5.4%
Net impairment losses and fair value change on loans and advances	-91.5	-221.5	-130.0	142.1%
Gains and losses on provisions against legal risk of FX loans	-293.5	-12.9	280.5	-95.6%
Overhead costs and depreciation	-353.6	-421.2	-67.7	19.1%
Taxes on bank balance sheet items	-63.8	-68.1	-4.3	6.7%
Profit before tax of Retail Banking	22.2	145.4	123.1	554.1%

Key business data (mBank and mBank Hipoteczny only):

thou.	31.03.2019	31.12.2019	31.03.2020	QoQ change	YoY change
Number of retail clients, including:	5,768.0	5,603.9	5,649.1	0.8%	-2.1%
Poland	4,837.1	4,645.3	4,684.3	0.8%	-3.2%
Foreign branches	930.9	958.6	964.7	0.6%	3.6%
The Czech Republic	646.6	667.0	671.6	0.7%	3.9%
Slovakia	284.3	291.5	293.1	0.5%	3.1%
PLN M					
Loans to retail clients, including:	53,803.4	60,017.0	63,199.6	5.3%	17.5%
Poland	49,132.3	54,933.1	57,906.2	5.4%	17.9%
mortgage loans	33,988.8	37,480.6	40,124.4	7.1%	18.1%
non-mortgage loans	15,143.5	17,452.5	17,781.8	1.9%	17.4%
Foreign branches	4,671.1	5,083.8	5,293.4	4.1%	13.3%
The Czech Republic	3,713.4	3,913.5	3,957.2	1.1%	6.6%
Slovakia	957.6	1,170.3	1,336.1	14.2%	39.5%
Deposits of retail clients, including:	68,073.2	77,487.7	82,780.1	6.8%	21.6%
Poland	57,841.2	66,837.9	71,672.8	7.2%	23.9%
Foreign branches	10,232.0	10,649.8	11,107.3	4.3%	8.6%
The Czech Republic	7,168.1	7,346.4	7,437.7	1.2%	3.8%
Slovakia	3,064.0	3,303.5	3,669.6	11.1%	19.8%
Investment funds of mBank's individual clients¹	14,121.9	15,143.2	12,951.3	-14.5%	-8.3%
thou.					
Credit cards, including:	387.0	396.5	397.0	0.1%	2.6%
Poland	345.6	355.4	356.3	0.2%	3.1%
Foreign branches	41.4	41.1	40.7	-0.9%	-1.6%
Debit cards, including:	3,978.4	3,848.7	3,902.9	1.4%	-1.9%
Poland	3,386.0	3,231.5	3,280.4	1.5%	-3.1%
Foreign branches	592.4	617.2	622.4	0.8%	5.1%

¹ Value of investment funds of mBank's individual clients represents value of open-end investment funds only.

Corporates and Financial Markets



The Corporates and Financial Markets segment serves 27,084 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 2019 to PLN 574.1 million (PLN 499.0 million from Corporate and Investment Banking and PLN 75.1 million from Financial Markets).
- Increase of corporate loans on the Bank level (excluding reverse repo/buy sell back transactions) by 4.4% compared to the end of December 2019 and by 15.6% year on year.
- Increase of corporate deposits on the Bank level (excluding repo transactions) by 16.9% quarterly and 14.7% year on year. mBank's market share in loans to enterprises reached 11.2%.
- Fifth position of mFactoring on the factoring market in Poland with market share of 8.3%.
- mBank provides aid instruments for its clients aimed at counteracting negative economic consequences of the spread of COVID-19. mBank enables customers to postpone payment of principal part of credit instalment up to 6 months. mLeasing allows for decreasing six leasing instalments up to 90% from home.
- Enabling customers to use the aid instruments offered by the Bank Gospodarstwa Krajowego (BGK) and EU funds, such as de minimis guarantees, liquidity guarantees, using Fund of Agriculture Guarantees and Guarantee Fund for supporting innovative enterprises under the Operating Programme Intelligent Development (FG POIR, Biznesmax Guarantee).
- mBank actively participates in preparations for implementation of Financial Shield of the Polish Development Fund (PFR). PFR's programme is going to be co-serviced with use of electronic banking of selected banks.
- Increased funding limit for Renewable Energy Sources (RES) projects up to PLN 2 billion. mBank finances RES projects already since 2018 and systematically increases its exposure. RES financing enjoys high interest among mBank's clients. The majority of funding is dedicated to wind farms, and the remaining share of the pool goes to photovoltaics.
- Introduction of electronic signature of agreements and other documents by corporate clients. Continues digitalisation of processes at mBank enables banking from home, which is particularly important in time of pandemic of COVID-19. mLeasing also introduced a service to sign agreements without need to leave home in "live" form with the use of Skype.
- mBank has introduced the fastest online payment platform Paynow. The service is designed for mBank's e-commerce business customers. Payment integrator owes its speed to cloud solution, prepared in cooperation with mElements. The service is also designed for a convenient usage on mobile devices.

Key financial data:Corporate and Investment Banking:

PLN M	Q4 2019	Q1 2020	Change in PLN M	Change in %
Net interest income	284.0	283.4	-0.6	-0.2%
Net fee and commission income	189.9	200.6	10.7	5.6%
Net trading income	18.9	15.7	-3.2	-16.9%
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	0.0	-6.2	-6.2	+/-
Net other operating income	3.7	5.6	1.9	52.4%
Total income	496.4	499.0	2.6	0.5%
Net impairment losses and fair value change on loans and advances	-81.9	-189.8	-107.9	131.8%
Overhead costs and depreciation	-161.3	-272.9	-111.5	69.1%
Taxes on bank balance sheet items	-44.8	-45.2	-0.4	0.9%
Profit before tax of Corporate and Investment Banking	208.4	-8.9	-217.3	+/-

Financial Markets:

PLN M	Q4 2019	Q1 2020	Change in PLN M	Change in %
Net interest income	62.1	52.1	-10.0	-16.1%
Net fee and commission income	-5.4	-4.6	0.9	-16.1%
Net trading income	7.1	22.6	15.5	218.4%
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	9.5	4.6	-4.9	-51.8%
Net other operating income	0.1	0.4	0.2	164.6%
Total income	73.4	75.1	1.7	2.3%
Net impairment losses and fair value change on loans and advances	-0.2	0.2	0.4	-/+
Overhead costs and depreciation	-24.0	-37.8	-13.8	57.2%
Taxes on bank balance sheet items	-12.0	-17.2	-5.2	43.4%
Profit before tax of Financial Markets	37.1	20.3	-16.9	-45.4%

Key business data (Bank only):

	31.03.2019	31.12.2019	31.03.2020	QoQ change	YoY change
Number of corporate clients, including:	24,288	26,476	27,084	2.3%	11.5%
K1	2,225	2,319	2,346	1.2%	
K2	7,692	8,211	8,468	3.1%	
K3	14,371	15,946	16,270	2.0%	
PLN M					
Loans to corporate clients, including:	26,516.9	28,962.4	30,616.8	5.7%	15.5%
K1	7,108.4	7,307.1	7,744.0	6.0%	
K2	16,343.5	18,685.1	19,488.0	4.3%	
K3	2,555.6	2,840.9	2,835.0	-0.2%	
Reverse repo/buy sell back transactions	383.7	13.4	405.1	2,923.8%	
Other	125.7	115.9	144.7	24.9%	
Deposits of corporate clients, including:	36,558.9	35,216.0	41,739.9	18.5%	14.2%
K1	16,060.5	12,434.0	15,846.7	27.4%	
K2	13,101.8	14,934.4	16,996.9	13.8%	
K3	5,932.2	7,079.4	7,423.5	4.9%	
Repo transactions	1,124.9	175.4	1,050.2	498.7%	
Other	339.4	592.9	422.7	-28.7%	

Summary of results of mBank Group's subsidiaries

In Q1 2020, the profit before tax generated by mBank Group subsidiaries amounted to PLN 18.8 million, which represents a 50.8% decrease against the previous quarter. The main factors weighing down on their financial performance include increased cost of risk 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 2020 compared with Q4 2019.

PLN M	Q4 2018	Q1 2019	Change in %
mFinanse	-3.9	3.9	-/+
mBank Hipoteczny	9.0	6.3	-29.6%
mLeasing	29.6	15.4	-48.0%
mFaktoring	5.6	-5.1	+/-
Other ¹	-1.9	-1.7	-12.3%
Total	38.3	18.8	-50.8%

¹ Other subsidiaries include mFinance France, mCentrum Operacji (liquidated and removed from National Court Register in December 2019), BDH Development, Garbary, Tele-Tech Investment, Future Tech and mElements (since Q1 2020).



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 2020, mFinanse recorded a slight increase in mortgage loan sales by 0.4% quarter on quarter (PLN 930.5 million in Q1 2020 against PLN 926.9 million in Q4 2019). In the period under review, mFinanse reported a drop in cash loan sales by 18.6% to PLN 168.0 million.

The profit from selling unsecured loans to companies rose quarter on quarter by 29.0% (PLN 195.1 million in Q1 2020 against PLN 151.3 million in Q4 2019). In Q1 2020, the subsidiary's sales results in the area of car leasing decreased by 20.4% (to PLN 21.2 million compared with PLN 26.7 million in the previous quarter).

mFinanse's profit before tax in Q1 2020 was primarily driven by its core activity as financial intermediary and, similarly as in 2019, income distributed over time, arising from the sale of organised parts of an enterprise in 2018 and 2015. The loss recorded in Q4 2019 resulted from higher provisions on settlements from one of these transactions.



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

mBank Hipoteczny (mBH) is a mortgage bank with the longest history of covered bonds issuance on a Polish capital market. Placing covered bonds on the market by mBH constitutes an important element of mBank Group's Strategy from the perspective of funding the mortgage loans granted to the clients.

In Q4 2019, mBank Hipoteczny issued covered bonds with a nominal value of EUR 300 million, and by this successfully placing another benchmark issue on the European market. In Q1 2020 mBank Hipoteczny focused on cumulating the cover pool for another foreign issuance and placed no covered bonds on the market. As at the end of Q1 2020, the total value of outstanding mortgage bonds issued by mBank Hipoteczny amounted to PLN 8.5 billion.

At the same time, mBank Hipoteczny has also continued to issue unsecured bonds on the Polish market. In Q1 2020, mBH completed two new issuances of coupon bonds of the joint value of PLN 95 million, which were registered at the Central Securities Deposit of Poland (KDPW S.A.). mBH's offer includes both zero-coupon and coupon bonds, in PLN, with maturities ranging from one week to one year and over one year up to five years. At the end of Q1 2020, the value of unsecured bonds issued by mBH amounted to PLN 460 million.

mBank Hipoteczny's gross loan portfolio totalled PLN 11.9 billion in Q1 2020 compared with PLN 11.8 billion at the end of Q4 2019, which represents a minor dynamics quarter on quarter. In Q1 2020 mBH's a pooling transaction from mBank worth PLN 150 million was completed.

In Q1 2020, the subsidiary's profit before tax stood at PLN 6.3 million, which represents a drop by 29.6% compared with Q4 2019. The decrease was driven mainly by smaller net interest income following less prepayments in Q1 2020 and 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. This cost amounted to PLN 10.6 million.



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

Leasing as a payment method in e-commerce offered by LeaseLink

The value of contracts executed in Q1 2020 amounted to PLN 1,145.7 million compared with PLN 1,466.0 million in Q4 2019, which represents a decrease by 21.8% quarter on quarter. This decline was caused mainly by weaker demand for leasing services in the aftermath of Covid-19 virus pandemic. At the same time, there was a seasonal decrease in leasing contracts, observed in the first quarter of the year compared with the fourth of the previous year also before.

The value of contracts regarding movables concluded in Q1 2020 amounted to PLN 1,145.7 million. In Q1 2020, the company concluded no contracts concerning real estate. By comparison, in Q4 2019, these figures stood at PLN 1,326.2 million for movable assets and PLN 139.8 million for real estate.

In Q1 2020, mLeasing earned a profit before tax of PLN 15.4 million, which is 48.0% less compared with the previous quarter (PLN 29.6 million). The drop stems primarily from higher credit risk costs (PLN 28.2 million in Q1 2020 against PLN 8.1 million in Q4 2019).



mFaktoring 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 2020, mFaktoring continued to grow dynamically. Compared with Q4 2019, turnover, i.e. the value of purchased invoices, fell by 4.8%. A turnover drop in first quarter of the year is typical for the factoring business. Despite this decline, the turnover in Q1 2020 reached a high level of PLN 5.9 billion. The turnover generated in sole March 2020 amounted to PLN 2.2 billion and was the highest in the company's history. This allowed mFaktoring to keep the fifth position on the factoring market in Poland, representing a 8.3% market share (according to the Polish Factors Association).

In Q1 2020, mFaktoring acquired 37 new clients. All corporate branches actively participated in the development of the factoring portfolio, adding PLN 54.2 million of new factoring limits.

Dynamic business development gave a boost to mFaktoring's interest and fee results. Nevertheless, the provisions for the non-performing receivables turned the company's result before tax into the loss of PLN 5.2 million in Q1 2020 compared with the profit of PLN 5.6 million in Q4 2019.

Consolidated income statement

	Note	1st Quarter (current year) period from 01.01.2020 to 31.03.2020	1st Quarter (previous year) period from 01.01.2019 to 31.03.2019 - restated
Interest income, including:	5	1 334 977	1 200 843
<i>Interest income accounted for using the effective interest method</i>		1 228 106	1 047 277
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		106 871	153 566
Interest expenses	5	(269 513)	(270 590)
Net interest income		1 065 464	930 253
Fee and commission income	6	544 426	465 392
Fee and commission expenses	6	(181 750)	(171 806)
Net fee and commission income		362 676	293 586
Dividend income	7	300	223
Net trading income, including:	8	44 805	38 142
<i>Foreign exchange result</i>		6 232	24 500
<i>Gains or losses on financial assets and liabilities held for trading</i>		38 228	11 325
<i>Gains or losses from hedge accounting</i>		345	2 317
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	9	(60 215)	(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, including:	10	(3 272)	16 849
<i>Gains less losses from debt securities measured at fair value through other comprehensive income</i>		758	17 865
<i>Gains less losses from investments in subsidiaries and associates</i>		(1 070)	(1 594)
<i>Gains less losses from derecognition</i>		(2 960)	578
Other operating income	11	41 131	35 809
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	12	(369 799)	(120 747)
Result on provisions for legal risk related to foreign currency loans		(12 911)	(4 592)
Overhead costs	13	(638 813)	(625 744)
Depreciation		(97 510)	(90 038)
Other operating expenses	14	(56 086)	(59 787)
Operating profit		275 770	399 934
Taxes on the Group balance sheet items		(131 830)	(109 932)
Profit before income tax		143 940	290 002
Income tax expense		(53 034)	(126 843)
Net profit		90 906	163 159
Net profit attributable to:			
- Owners of mBank S.A.		90 917	163 173
- Non-controlling interests		(11)	(14)
Net profit attributable to Owners of mBank S.A.		90 917	163 173
Weighted average number of ordinary shares	15	42 350 367	42 336 982
Earnings per share (in PLN)	15	2.15	3.85
Weighted average number of ordinary shares for diluted earnings	15	42 386 596	42 368 634
Diluted earnings per share (in PLN)	15	2.14	3.85

Consolidated statement of comprehensive income

	1st Quarter (current year) period from 01.01.2020 to 31.03.2020	1st Quarter (previous year) period from 01.01.2019 to 31.03.2019 - restated
Net profit	90 906	163 159
Other comprehensive income net of tax, including:	338 825	(69 519)
Items that may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations (net)	(461)	(29)
Cash flows hedges (net)	284 794	24 823
Debt instruments at fair value through other comprehensive income (net)	54 492	(94 311)
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)	429 731	93 640
Total comprehensive income (net), attributable to:		
- Owners of mBank S.A.	429 742	93 654
- Non-controlling interests	(11)	(14)

Consolidated statement of financial position

ASSETS	Note	31.03.2020	31.12.2019
Cash and balances with the Central Bank		10 823 272	7 897 010
Financial assets held for trading and hedging derivatives	16	3 724 410	2 866 034
Non-trading financial assets mandatorily at fair value through profit or loss, including:	17	2 113 328	2 267 922
<i>Equity instruments</i>	17	163 108	162 616
<i>Debt securities</i>	17	125 247	133 774
<i>Loans and advances to customers</i>	17	1 824 973	1 971 532
Financial assets at fair value through other comprehensive income	18	24 182 778	22 773 921
Financial assets at amortised cost, including:	19	128 646 199	118 779 885
<i>Debt securities</i>	19	10 277 145	11 234 873
<i>Loans and advances to banks</i>	19	9 513 378	4 341 758
<i>Loans and advances to customers</i>	19	108 855 676	103 203 254
Fair value changes of the hedged items in portfolio hedge of interest rate risk		830	-
Non-current assets and disposal groups classified as held for sale	20	11 173	10 651
Intangible assets	21	968 233	955 440
Tangible assets	22	1 234 334	1 262 397
Current income tax assets		67 812	12 662
Deferred income tax assets	26	850 630	937 712
Other assets		1 200 262	956 949
TOTAL ASSETS		173 823 261	158 720 583
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities held for trading and hedging derivatives	23	1 687 534	948 764
Financial liabilities measured at amortised cost, including:		151 257 182	137 763 369
<i>Amounts due to banks</i>	24	1 702 131	1 166 871
<i>Amounts due to customers</i>	24	128 960 426	116 661 138
<i>Debt securities issued</i>		18 000 321	17 435 143
<i>Subordinated liabilities</i>		2 594 304	2 500 217
Fair value changes of the hedged items in portfolio hedge of interest rate risk		42 543	136
Liabilities held for sale	20	429	1 315
Provisions	25	795 533	739 296
Current income tax liabilities		62 256	161 534
Deferred income tax liabilities	26	88	82
Other liabilities		3 392 402	2 952 782
TOTAL LIABILITIES		157 237 967	142 567 278
EQUITY			
Equity attributable to Owners of mBank S.A.		16 583 303	16 151 303
Share capital:		3 579 818	3 579 818
Registered share capital		169 401	169 401
Share premium		3 410 417	3 410 417
Retained earnings:		12 487 950	12 394 775
Profit from the previous years		12 397 033	11 384 425
Profit for the current year		90 917	1 010 350
Other components of equity		515 535	176 710
Non-controlling interests		1 991	2 002
TOTAL EQUITY		16 585 294	16 153 305
TOTAL LIABILITIES AND EQUITY		173 823 261	158 720 583
Total capital ratio (in %)		19.38	19.46
Common Equity Tier 1 capital ratio (in %)		16.51	16.51
Book value		16 583 303	16 151 303
Number of shares		42 350 367	42 350 367
Book value per share (in PLN)		391.57	381.37

Consolidated statement of changes in equity

Changes in equity from 1 January to 31 March 2020

	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 2020	169 401	3 410 417	9 826 282	98 316	1 153 753	1 316 424	-	(5 435)	74 321	119 142	(11 318)	16 151 303	2 002	16 153 305
Total comprehensive income	-	-	-	-	-	-	90 917	(461)	54 492	284 794	-	429 742	(11)	429 731
Other increase or decrease in equity	-	-	-	-	-	19	-	-	-	-	-	19	-	19
Stock option program for employees	-	-	-	2 239	-	-	-	-	-	-	-	2 239	-	2 239
- value of services provided by the employees	-	-	-	2 239	-	-	-	-	-	-	-	2 239	-	2 239
Equity as at 31 March 2020	169 401	3 410 417	9 826 282	100 555	1 153 753	1 316 443	90 917	(5 896)	128 813	403 936	(11 318)	16 583 303	1 991	16 585 294

Changes in equity from 1 January to 31 December 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	306 100	-	(5 467)	145 978	83 643	(9 316)	15 169 107	2 100	15 171 207
Total comprehensive income	-	-	-	-	-	-	1 010 350	32	(71 657)	35 499	(2 002)	972 222	(98)	972 124
Issuance of ordinary shares	53	-	-	-	-	-	-	-	-	-	-	53	-	53
Other increase or decrease in equity	-	-	-	-	-	(26)	-	-	-	-	-	(26)	-	(26)
Stock option program for employees	-	5 079	-	4 868	-	-	-	-	-	-	-	9 947	-	9 947
- value of services provided by the employees	-	-	-	9 947	-	-	-	-	-	-	-	9 947	-	9 947
- settlement of exercised options	-	5 079	-	(5 079)	-	-	-	-	-	-	-	-	-	-
Equity as at 31 December 2019	169 401	3 410 417	9 826 282	98 316	1 153 753	306 074	1 010 350	(5 435)	74 321	119 142	(11 318)	16 151 303	2 002	16 153 305

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	306 100	-	(5 467)	145 978	83 643	(9 316)	15 169 107	2 100	15 171 207
Total comprehensive income	-	-	-	-	-	-	163 173	(29)	(94 311)	24 823	(2)	93 654	(14)	93 640
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	306 100	163 173	(5 496)	51 667	108 466	(9 318)	15 265 326	2 078	15 267 404

Consolidated statement of cash flows

	Period from 01.01.2020 to 31.03.2020	Period from 01.01.2019 to 31.03.2019 - restated
Profit before income tax	143 940	290 002
Adjustments:	2 566 638	1 671 782
Income taxes paid	(119 228)	(325 748)
Depreciation, including depreciation of fixed assets provided under operating lease	108 121	100 593
Foreign exchange (gains) losses related to financing activities	718 878	36 223
(Gains) losses on investing activities	(251)	(17 202)
Dividends received	(300)	(223)
Interest income (income statement)	(1 334 977)	(1 200 843)
Interest expense (income statement)	269 513	270 590
Interest received	1 342 807	1 123 763
Interest paid	(317 858)	(242 617)
Changes in loans and advances to banks	(5 284 764)	80 376
Changes in financial assets and liabilities held for trading and hedging derivatives	105 483	98 147
Changes in loans and advances to customers	(5 543 438)	(2 946 981)
Changes in financial assets at fair value through other comprehensive income	(1 391 199)	(1 002 930)
Changes in securities at amortised cost	1 019 377	(259 002)
Changes of non-trading equity securities mandatorily at fair value through profit or loss	8 035	(10 846)
Changes in other assets	(254 790)	(117 212)
Changes in amounts due to banks	527 729	(63 422)
Changes in amounts due to customers	12 177 446	6 194 154
Changes in issued debt securities	33 176	182 527
Changes in provisions	56 237	(5 604)
Changes in other liabilities	446 641	(221 961)
A. Cash flows from operating activities	2 710 578	1 961 784
Disposal of intangible assets and tangible fixed assets	19 538	11 854
Dividends received	300	223
Acquisition of shares in subsidiaries	-	(34 813)
Purchase of intangible assets and tangible fixed assets	(114 052)	(75 384)
B. Cash flows from investing activities	(94 214)	(98 120)
Issue of debt securities	95 000	265 000
Repayments of loans and advances from banks	-	(560 027)
Repayments of other loans and advances	-	(1 058 369)
Redemption of debt securities	(150 000)	(80 000)
Acquisition of shares in subsidiaries – increase of involvement	-	(4 142)
Payments of lease liabilities	(28 503)	(27 974)
Interest paid from loans and advances received from banks and from subordinated liabilities	(21 695)	(23 587)
C. Cash flows from financing activities	(105 198)	(1 489 099)
Net increase / decrease in cash and cash equivalents (A+B+C)	2 511 166	374 565
Effects of exchange rate changes on cash and cash equivalents	191 536	(5 221)
Cash and cash equivalents at the beginning of the reporting period	9 609 929	10 630 969
Cash and cash equivalents at the end of the reporting period	12 312 631	11 000 313

mBank S.A. stand-alone financial information

Income statement

	Note	1st Quarter (current year) period from 01.01.2020 to 31.03.2020	1st Quarter (previous year) period from 01.01.2019 to 31.03.2019 - restated
Interest income, including:		1 184 805	1 056 238
<i>Interest income accounted for using the effective interest method</i>		1 082 320	914 510
<i>Income similar to interest on financial assets at fair value through profit or loss</i>		102 485	141 728
Interest expenses		(227 649)	(231 703)
Net interest income		957 156	824 535
Fee and commission income		502 308	426 814
Fee and commission expenses		(155 221)	(146 774)
Net fee and commission income		347 087	280 040
Dividend income		26 645	223
Net trading income, including:		45 110	36 670
<i>Foreign exchange result</i>		5 076	24 449
<i>Gains or losses on financial assets and liabilities held for trading</i>		37 510	13 347
<i>Gains or losses from hedge accounting</i>		2 524	(1 126)
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(58 954)	(13 283)
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates, including:		(2 704)	3 967
<i>Gains less losses from debt securities measured at fair value through other comprehensive income</i>		1 064	17 865
<i>Gains less losses from investments in subsidiaries and associates</i>		(851)	(651)
<i>Gains less losses from derecognition</i>		(2 917)	(13 247)
Other operating income		6 102	12 247
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss		(329 884)	(108 179)
Result on provisions for legal risk related to foreign currency loans		(12 911)	(4 592)
Overhead costs		(576 353)	(565 964)
Depreciation		(85 123)	(79 645)
Other operating expenses		(35 259)	(49 455)
Operating profit		280 912	336 564
Taxes on the Bank balance sheet items		(124 115)	(102 223)
Share in profits (losses) of entities under the equity method		(18 088)	26 774
Profit before income tax		138 709	261 115
Income tax expense		(47 125)	(114 465)
Net profit		91 584	146 650
Net profit		91 584	146 650
Weighted average number of ordinary shares	15	42 350 367	42 336 982
Earnings per share (in PLN)	15	2.16	3.46
Weighted average number of ordinary shares for diluted earnings	15	42 386 596	42 368 634
Diluted earnings per share (in PLN)	15	2.16	3.46

mBank S.A. stand-alone financial information**Statement of comprehensive income**

	1st Quarter (current year) period from 01.01.2020 to 31.03.2020	1st Quarter (previous year) period from 01.01.2019 to 31.03.2019 - restated
Net profit	91 584	146 650
Other comprehensive income net of tax, including:	310 030	9 135
Items that may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations (net)	(588)	(29)
Cash flows hedges (net)	354 194	24 823
Share of other comprehensive income of entities under the equity method	(14 541)	(2 044)
Debt instruments at fair value through other comprehensive income (net)	(29 035)	(13 615)
Items that will not be reclassified to the income statement		
Actuarial gains and losses relating to post-employment benefits (net)	-	-
Total comprehensive income (net)	401 614	155 785

mBank S.A. stand-alone financial information

Statement of financial position

ASSETS	31.03.2020	31.12.2019
Cash and balances with the Central Bank	10 777 600	7 861 776
Financial assets held for trading and hedging derivatives	3 858 992	2 921 749
Non-trading financial assets mandatorily at fair value through profit or loss, including:	1 878 524	2 035 189
<i>Equity instruments</i>	87 572	87 597
<i>Debt securities</i>	125 247	133 774
<i>Loans and advances to customers</i>	1 665 705	1 813 818
Financial assets at fair value through other comprehensive income	33 515 074	30 298 647
Financial assets at amortised cost, including:	109 611 446	101 310 293
<i>Debt securities</i>	10 277 145	11 234 873
<i>Loans and advances to banks</i>	12 303 594	7 337 703
<i>Loans and advances to customers</i>	87 030 707	82 737 717
Investments in subsidiaries	2 145 814	2 164 112
Fair value changes of the hedged items in portfolio hedge of interest rate risk	830	-
Non-current assets and disposal groups classified as held for sale	7 104	91 605
Intangible assets	820 984	823 109
Tangible assets	924 587	945 606
Current income tax assets	67 812	11 878
Deferred income tax assets	176 971	273 257
Other assets	713 963	491 052
TOTAL ASSETS	164 499 701	149 228 273
LIABILITIES AND EQUITY		
LIABILITIES		
Financial liabilities held for trading and hedging derivatives	1 735 894	987 933
Financial liabilities measured at amortised cost, including:	142 675 409	128 979 983
<i>Amounts due to banks</i>	1 803 873	1 180 782
<i>Amounts due to customers</i>	134 637 815	121 936 987
<i>Debt securities issued</i>	3 639 417	3 361 997
<i>Subordinated liabilities</i>	2 594 304	2 500 217
Fair value changes of the hedged items in portfolio hedge of interest rate risk	42 543	136
Provisions	793 966	737 167
Current income tax liabilities	51 681	150 859
Deferred income tax liabilities	88	82
Other liabilities	2 681 260	2 257 106
TOTAL LIABILITIES	147 980 841	133 113 266
EQUITY		
Share capital	3 579 818	3 579 818
Registered share capital	169 401	169 401
Share premium	3 410 417	3 410 417
Retained earnings:	12 458 373	12 364 550
Profit from the previous years	12 366 789	11 383 570
Profit for the current year	91 584	980 980
Other components of equity	480 669	170 639
TOTAL EQUITY	16 518 860	16 115 007
TOTAL LIABILITIES AND EQUITY	164 499 701	149 228 273
Total capital ratio (in %)	22.62	22.84
Common Equity Tier 1 capital ratio (in %)	19.31	19.42
Book value	16 518 860	16 115 007
Number of shares	42 350 367	42 350 367
Book value per share (in PLN)	390.05	380.52

mBank S.A. stand-alone financial information

Statement of changes in equity

Changes from 1 January to 31 March 2020

	Share capital		Retained earnings					Other components of equity					Total
	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 operation	Valuation of financial assets at fair value through other comprehensive income	Cash flow 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 2020	169 401	3 410 417	9 216 652	27 320	1 115 143	2 005 435	-	(5 151)	58 363	122 150	6 370	(11 093)	16 115 007
Total comprehensive income	-	-	-	-	-	-	91 584	(588)	(29 035)	354 194	(14 541)	-	401 614
Stock option program for employees	-	-	-	2 239	-	-	-	-	-	-	-	-	2 239
- value of services provided by the employees	-	-	-	2 239	-	-	-	-	-	-	-	-	2 239
Equity as at 31 March 2020	169 401	3 410 417	9 216 652	29 559	1 115 143	2 005 435	91 584	(5 739)	29 328	476 344	(8 171)	(11 093)	16 518 860

Changes from 1 January to 31 December 2019

	Share capital		Retained earnings					Other components of equity					Total
	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 operation	Valuation of financial assets at fair value through other comprehensive income	Cash flow 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	1 024 455	-	(5 160)	104 292	83 643	3 120	(9 113)	15 130 170
Total comprehensive income	-	-	-	-	-	-	980 980	9	(45 929)	38 507	3 250	(1 980)	974 837
Issuance of ordinary shares	53	-	-	-	-	-	-	-	-	-	-	-	53
Stock option program for employees	-	5 079	-	4 868	-	-	-	-	-	-	-	-	9 947
- value of services provided by the employees	-	-	-	9 947	-	-	-	-	-	-	-	-	9 947
- settlement of exercised options	-	5 079	-	(5 079)	-	-	-	-	-	-	-	-	-
Equity as at 31 December 2019	169 401	3 410 417	9 216 652	27 320	1 115 143	1 024 455	980 980	(5 151)	58 363	122 150	6 370	(11 093)	16 115 007

Changes from 1 January to 31 March 2019

	Share capital		Retained earnings					Other components of equity					Total
	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 operation	Valuation of financial assets at fair value through other comprehensive income	Cash flow 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	1 024 455	-	(5 160)	104 292	83 643	3 120	(9 113)	15 130 170
Total comprehensive income	-	-	-	-	-	-	146 650	(29)	(13 615)	24 823	(2 044)	-	155 785
Stock option program for employees	-	-	-	2 565	-	-	-	-	-	-	-	-	2 565
<i>- value of services provided by the employees</i>	-	-	-	<i>2 565</i>	-	-	-	-	-	-	-	-	<i>2 565</i>
Equity as at 31 March 2019	169 348	3 405 338	9 216 652	25 017	1 115 143	1 024 455	146 650	(5 189)	90 677	108 466	1 076	(9 113)	15 288 520

mBank S.A. stand-alone financial information

Statement of cash flows

	Period from 01.01.2020 to 31.03.2020	Period from 01.01.2019 to 31.03.2019 - restated
Profit before income tax	138 709	261 115
Adjustments:	2 446 015	2 055 505
Income taxes paid	(108 101)	(276 621)
Depreciation	86 358	79 645
Foreign exchange (gains) losses related to financing activities	432 953	35 335
(Gains) losses on investing activities	17 988	(43 315)
Dividends received	(26 645)	(223)
Interest income (income statement)	(1 184 805)	(1 056 238)
Interest expense (income statement)	227 649	231 703
Interest received	1 122 299	992 669
Interest paid	(276 144)	(220 057)
Changes in loans and advances to banks	(5 055 356)	(537 689)
Changes in financial assets and liabilities held for trading and hedging derivatives	98 980	79 814
Changes in loans and advances to customers	(5 600 323)	(2 279 103)
Changes in financial assets at fair value through other comprehensive income	(1 778 856)	(792 651)
Changes in securities at amortised cost	1 019 377	(241 135)
Changes of non-trading equity securities mandatorily at fair value through profit or loss	8 552	(12 138)
Changes in other assets	(226 447)	(28 226)
Changes in amounts due to banks	608 942	(26 527)
Changes in amounts due to customers	12 584 371	6 317 108
Changes in issued debt securities	6 362	11 702
Changes in provisions	56 799	(5 382)
Changes in other liabilities	432 062	(173 166)
A. Cash flows from operating activities	2 584 724	2 316 620
Disposal of shares in subsidiaries, net of cash disposed	650	-
Disposal of intangible assets and tangible fixed assets	101	62
Dividends received	26 645	223
Purchase of intangible assets and tangible fixed assets	(80 584)	(104 148)
B. Cash flows from investing activities	(53 188)	(103 863)
Repayments of loans and advances from banks	-	(560 027)
Repayments of other loans and advances	-	(1 058 369)
Acquisition of shares on subsidiaries - increase of involvement	-	(150 000)
Payments of lease liabilities	(27 344)	(26 736)
Interest paid from loans and advances received from banks and from subordinated liabilities	(21 695)	(23 587)
C. Cash flows from financing activities	(49 039)	(1 818 719)
Net increase / decrease in cash and cash equivalents (A+B+C)	2 482 497	394 038
Effects of exchange rate changes on cash and cash equivalents	191 536	(5 221)
Cash and cash equivalents at the beginning of the reporting period	9 534 771	10 597 670
Cash and cash equivalents at the end of the reporting period	12 208 804	10 986 487

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 segments 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;
- **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 2020, mBank S.A. Group covered by the 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 company by-laws, the name of the Bank has changed from 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 2020 the headcount of mBank S.A. amounted to 6 095 FTEs (Full Time Equivalents) and of the Group to 6 820 FTEs (31 March 2019: Bank 5 919 FTEs, Group 6 576 FTEs).

As at 31 March 2020 the employment in mBank S.A. was 7 165 persons and in the Group 9 522 persons (31 March 2019: Bank 6 895 persons, Group 8 956 persons).

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

Corporates and Financial Markets Segment, including:**Corporate and Investment Banking**

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

Financial Markets

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

Retail Banking Segment (including Private Banking)

- mFinanse S.A., 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
- mElements S.A., - subsidiary

Other

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

Other information concerning companies of the Group

Beginning from January 2020, the Group started to consolidate the company mElements S.A., operating in the construction of dedicated solutions for e-commerce trade and new technologies. The company develops and develops IT solutions including API solutions, online and mobile payments as well as services dedicated to online sellers, including the Paynow payment integrator. In October 2019, mElements S.A. received from the Polish Financial Supervision Authority permission to operate as a National Payment Institution. In 2019, the Company also became a member of the Chamber of Electronic Economy, associating the largest entities operating for the development of e-commerce in Poland. The Bank holds 100% shares in the company.

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	31.03.2020		31.12.2019		31.03.2019	
	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
mFinanse S.A.	100%	full	100%	full	100%	full
mFaktoring 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
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	100%	full
LeaseLink Sp. z o.o.	100%	full	100%	full	100%	full
mElements S.A.	100%	full	-	-	-	-
mCentrum Operacji Sp. z o.o. w likwidacji	-	-	-	-	100%	full

As at 31 December 2019, the Group classified BDH Development Sp. z o. o. to non-current assets held for sale. In November 2019, mCentrum Operacji Sp. z o. o. has been liquidated. The company's results achieved up to the date of liquidation were included in the Consolidated Financial Statements of the Group for 2019. The above issues have been described respectively in Note 24 and in Note 43 to the Consolidated Financial Statements of mBank S.A. Group for 2019, published on 28 February 2020.

The Management Board of mBank S.A. approved these condensed consolidated financial statements for issue on 29 April 2020.

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 2020. Comparative data include the period from 1 January 2019 to 31 March 2019 for the condensed consolidated income statement, condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity, additionally for the period from 1 January to 31 December 2019 for the condensed consolidated statement of changes in equity, and in the case of the condensed consolidated statement of financial position, data as at 31 December 2019.

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 on a historical cost basis, except for derivative financial instruments, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss (FVTPL), debt and equity instruments at fair value through other comprehensive income (FVOCI) and liabilities related to cash-settled share-based payment transactions all of which have been measured at fair value. 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 2019 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 condensed consolidated financial statements were prepared under the assumption that all the entities of the Group, except for mCentrum Operacji Sp. z o.o. w likwidacji which has been put into liquidation, 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 2019, published on 28 February 2020. These principles were applied consistently over all presented periods, except for the change in accounting policies introduced since the beginning of 2020, consisting in the change in the manner of recognizing the FX margin on spot transactions. The change has been described below, in the item "Comparative data".

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 2020.

Standards and interpretations not yet endorsed by the European Union:

These financial statements do not include standards and interpretations listed below which await endorsement of the European Union.

- IFRS 17, *Insurance contracts*, published by the International Accounting Standards Board ("IASB") 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 standard 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 IASB 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 amended standard will have no significant impact on the financial statements in the period of their initial application.

- Amendments to IAS 1, *Classification of liabilities as current or non-current*, published by IASB on 23 January 2020, binding for annual periods starting on or after 1 January 2022.

Amendments to IAS 1 affect the requirements for the presentation of liabilities in the financial statements. In particular, they explain one of the criteria for classifying liabilities as non-current.

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

- The recognition of FX margin on spot transactions

From January 2020, the Group changed the rules for presenting the FX margin on spot transactions. So far, the FX margin was presented in the Net trading income as part of the Foreign exchange result. After the change, the FX margin is part of the Net fee and commission income and is recognized in the item "Commissions from currency transactions". The change was caused by adjusting the presentation of the FX margin in the income statement to the prevailing market practice. The comparative data for the period from 1 January to 31 March 2019 have been appropriately restated, which resulted in an increase in Fee and commission income and a decrease in the Net trading income by PLN 64 740 thousand.

- Presentation of result on provisions for legal risk related to foreign currency loans

Since the end of 2019 a new line item in the income statement has been separated in which the Group presents the result on provisions for legal risk related to foreign currency loans. Previously the expenses of creating provisions for court cases relating to foreign currency loans were presented in the other operating expenses, and income relating to release of those provisions was presented within other operating income. This change was introduced in order to enable a clearer presentation of issues relevant to the Group's financial results. The comparative data for the period from 1 January to 31 March 2019 have been adjusted accordingly, which resulted in the decrease of other operating income by PLN 1 268 thousand and decrease of other operating expenses by PLN 5 860 thousand. The result on provisions for legal risk related to foreign currency loans for the period from 1 January to 31 March 2019 was negative and amounted to PLN 4 592 thousand.

- The recognition of some transactions of purchase and sale of securities

In the fourth quarter 2019, the Bank adjusted the recognition of transactions in Treasury securities which in the previous years were incorrectly classified as outright buy or sale of securities and should have been classified as buy/sell back ("BSB") or sell/buy back ("SBB") transactions instead. Detailed information on the impact of the adjustments made on the income statement, statement of comprehensive income, statement of financial position and cash flow statement of the Group for 2019 and 2018 was presented in Note 2.30 to the Consolidated Financial Statements of mBank S.A. for 2019, published on 28 February 2020 (impact on financial data of mBank: Note 2.28 of the Financial Statements of mBank S.A. for 2019, published on 28 February 2020).

Due to the above, in these condensed consolidated financial statements the Group adjusted the comparative data as at and for the period ended 31 March 2019, decreasing retained earnings by PLN 44 873 thousand and increasing the tax on selected financial institutions (banking tax) by PLN 828 thousand in correspondence with liabilities to tax authorities in the amount of PLN 45 701 thousand.

The impact of the adjustments on the comparative data presented in these condensed consolidated financial statements for the period from 1 January to 31 March 2019 and as at 31 March 2019 is presented in the following statements.

Restatements in the consolidated income statement

	Period from 01.01.2019 to 31.03.2019 before restatement	Restatement	Period from 01.01.2019 to 31.03.2019 after restatement
Interest income, including:	1 200 843	-	1 200 843
<i>Interest income accounted for using the effective interest method</i>	1 047 277	-	1 047 277
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	153 566	-	153 566
Interest expenses	(270 590)	-	(270 590)
Net interest income	930 253	-	930 253
Fee and commission income	400 652	64 740	465 392
Fee and commission expenses	(171 806)	-	(171 806)
Net fee and commission income	228 846	64 740	293 586
Dividend income	223	-	223
Net trading income, including:	102 882	(64 740)	38 142
<i>Foreign exchange result</i>	89 240	(64 740)	24 500
<i>Gains or losses on financial assets and liabilities held for trading</i>	11 325	-	11 325
<i>Gains or losses from hedge accounting</i>	2 317	-	2 317
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(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, including:	16 849	-	16 849
<i>Gains less losses from debt securities measured at fair value through other comprehensive income</i>	17 865	-	17 865
<i>Gains less losses from investments in subsidiaries and associates</i>	(1 594)	-	(1 594)
<i>Gains less losses from derecognition</i>	578	-	578
Other operating income	37 077	(1 268)	35 809
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(120 747)	-	(120 747)
Result on provisions for legal risk related to foreign currency loans		(4 592)	(4 592)
Overhead costs	(625 744)	-	(625 744)
Depreciation	(90 038)	-	(90 038)
Other operating expenses	(65 647)	5 860	(59 787)
Operating profit	399 934	-	399 934
Tax on the Group's balance sheet items	(109 104)	(828)	(109 932)
Share in profits (losses) of entities under the equity method	-	-	-
Profit before income tax	290 830	(828)	290 002
Income tax expense	(126 843)	-	(126 843)
Net profit	163 987	(828)	163 159
Net profit attributable to:			
- Owners of mBank S.A.	164 001	(828)	163 173
- Non-controlling interests	(14)	-	(14)
Earnings per share (in PLN)	3.87	(0.02)	3.85
Diluted earnings per share (in PLN)	3.87	(0.02)	3.85

Restatements in the consolidated statement of comprehensive income

	Period from 01.01.2019 to 31.03.2019 before restatement	Restatement	Period from 01.01.2019 to 31.03.2019 after restatement
Net profit	163 987	(828)	163 159
Other comprehensive income net of tax	(69 519)	-	(69 519)
Total comprehensive income (net)	94 468	(828)	93 640
Total comprehensive income (net), attributable to:			
- Owners of mBank S.A.	94 482	(828)	93 654
- Non-controlling interests	(14)	-	(14)

Restatement in the consolidated statement of financial position

ASSETS	31.03.2019 before restatement	Restatement	31.03.2019 after restatement
TOTAL ASSETS	150 818 659	-	150 818 659
LIABILITIES	31.03.2019 before restatement	Restatement	31.03.2019 after restatement
Other liabilities	3 104 477	45 701	3 150 178
Other items of liabilities	132 401 077	-	132 401 077
TOTAL LIABILITIES	135 505 554	45 701	135 551 255
EQUITY			
Equity attributable to Owners of mBank S.A.	15 311 027	(45 701)	15 265 326
Share capital	3 574 686	-	3 574 686
Retained earnings	11 591 022	(45 701)	11 545 321
- Profit from the previous year	11 427 021	(44 873)	11 382 148
- Profit for the current year	164 001	(828)	163 173
Other components of equity	145 319	-	145 319
Non-controlling interests	2 078	-	2 078
TOTAL EQUITY	15 313 105	(45 701)	15 267 404
TOTAL LIABILITIES AND EQUITY	150 818 659	-	150 818 659

Restatement in the consolidated statement of cash flow

	Period from 01.01.2019 to 31.03.2019 before restatement	Restatement	Period from 01.01.2019 to 31.03.2019 after restatement
Profit before income tax	290 830	(828)	290 002
Adjustments, including:	1 670 954	828	1 671 782
Changes in other liabilities	(222 789)	828	(221 961)
Other adjustments	1 893 743	-	1 893 743
A. Cash flows from operating activities	1 961 784	-	1 961 784
B. Cash flows from investing activities	(98 120)	-	(98 120)
C. Cash flows from financing activities	(1 489 099)	-	(1 489 099)
Net increase / decrease in cash and cash equivalents (A+B+C)	374 565	-	374 565
Effects of exchange rate changes on cash and cash equivalents	(5 221)	-	(5 221)
Cash and cash equivalents at the beginning of the reporting period	10 630 969	-	10 630 969
Cash and cash equivalents at the end of the reporting period	11 000 313	-	11 000 313

Stand-alone data of the Bank

Restatements in the income statement

	Period from 01.01.2019 to 31.03.2019 before restatement	Restatement	Period from 01.01.2019 to 31.03.2019 after restatement
Interest income, including:	1 056 238	-	1 056 238
<i>Interest income accounted for using the effective interest method</i>	914 510	-	914 510
<i>Income similar to interest on financial assets at fair value through profit or loss</i>	141 728	-	141 728
Interest expenses	(231 703)	-	(231 703)
Net interest income	824 535	-	824 535
Fee and commission income	362 074	64 740	426 814
Fee and commission expenses	(146 774)	-	(146 774)
Net fee and commission income	215 300	64 740	280 040
Dividend income	223	-	223
Net trading income, including:	101 410	(64 740)	36 670
<i>Foreign exchange result</i>	89 189	(64 740)	24 449
<i>Gains or losses on financial assets and liabilities held for trading</i>	13 347	-	13 347
<i>Gains or losses from hedge accounting</i>	(1 126)	-	(1 126)
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(13 283)	-	(13 283)
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	-	3 967
<i>Gains less losses from debt securities measured at fair value through other comprehensive income</i>	17 865	-	17 865
<i>Gains less losses from investments in subsidiaries and associates</i>	(651)	-	(651)
<i>Gains less losses from derecognition</i>	(13 247)	-	(13 247)
Other operating income	13 515	(1 268)	12 247
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(108 179)	-	(108 179)
Result on provisions for legal risk related to foreign currency loans	-	(4 592)	(4 592)
Overhead costs	(565 964)	-	(565 964)
Depreciation	(79 645)	-	(79 645)
Other operating expenses	(55 315)	5 860	(49 455)
Operating profit	336 564	-	336 564
Tax on the Bank's balance sheet items	(101 395)	(828)	(102 223)
Share in profits (losses) of entities under the equity method	26 774	-	26 774
Profit before income tax	261 943	(828)	261 115
Income tax expense	(114 465)	-	(114 465)
Net profit	147 478	(828)	146 650
Earnings per share (in PLN)	3.48	(0.02)	3.46
Diluted earnings per share (in PLN)	3.48	(0.02)	3.46

Restatements in the statement of comprehensive income

	Period from 01.01.2019 to 31.03.2019 before restatement	Restatement	Period from 01.01.2019 to 31.03.2019 after restatement
Net profit	147 478	(828)	146 650
Other comprehensive income net of tax	9 135	-	9 135
Total comprehensive income (net)	156 613	(828)	155 785

Restatement in the statement of financial position

ASSETS	31.03.2019 before restatement	Restatement	31.03.2019 after restatement
TOTAL ASSETS	142 564 251	-	142 564 251
LIABILITIES	31.03.2019 before restatement	Restatement	31.03.2019 after restatement
Other liabilities	2 438 388	45 701	2 484 089
Other items of liabilities	124 791 642	-	124 791 642
TOTAL LIABILITIES	127 230 030	45 701	127 275 731
EQUITY			
Share capital	3 574 686	-	3 574 686
Retained earnings	11 573 618	(45 701)	11 527 917
- Profit from the previous year	11 426 140	(44 873)	11 381 267
- Profit for the current year	147 478	(828)	146 650
Other components of equity	185 917	-	185 917
TOTAL EQUITY	15 334 221	(45 701)	15 288 520
TOTAL LIABILITIES AND EQUITY	142 564 251	-	142 564 251

Restatement in the statement of cash flow

	Period from 01.01.2019 to 31.03.2019 before restatement	Restatement	Period from 01.01.2019 to 31.03.2019 after restatement
Profit before income tax	261 943	(828)	261 115
Adjustments, including:	2 054 677	828	2 055 505
Changes in other liabilities	(173 994)	828	(173 166)
Other adjustments	2 228 671	-	2 228 671
A. Cash flows from operating activities	2 316 620	-	2 316 620
B. Cash flows from investing activities	(103 863)	-	(103 863)
C. Cash flows from financing activities	(1 818 719)	-	(1 818 719)
Net increase / decrease in cash and cash equivalents (A+B+C)	394 038	-	394 038
Effects of exchange rate changes on cash and cash equivalents	(5 221)	-	(5 221)
Cash and cash equivalents at the beginning of the reporting period	10 597 670	-	10 597 670
Cash and cash equivalents at the end of the reporting period	10 986 487	-	10 986 487

Additionally, from half year 2019, the Group changed the rules for presenting balance sheet comparative data in interim financial statements to align the presentation with the prevailing market practice. As comparative data of balance sheet items, the Group only shows data at the end of the previous financial year, but does not show data at the end of the same period of the previous year.

The above-mentioned changes in the comparative data have been included in these financial statements in all the notes to which these changes referred.

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 61.3 million or increase by PLN 71.2 million as at 31 March 2020, respectively (as at 31 December 2019: PLN 49.7 million and PLN 59.4 million, respectively). This estimation was performed for portfolio of loans and advances and for off-balance sheet liabilities individually assessed for impairment on the basis of future cash flows due to repayments and recovery from collateral – stage 3. The rules of determining write-downs and provisions for impairment of credit exposures have been described under Note 3.3.6 to the Consolidated Financial Statements of mBank S.A. Group for 2019, published on 28 February 2020.

Due to the economic situation change in the country resulting from COVID-19, the Group has taken additional actions aimed at including this information in the expected credit losses:

1. Increase of the expected loss as a result of adopting in models 100% weight for the pessimistic macroeconomic scenario,
2. Conducted an additional review of sectors and individual clients of the corporate portfolio, in particular clients under observation, to verify the potential increase in the probability of non-realization of restructuring plans.

The above-mentioned activities resulted in recognition of additional cost in expected credit losses in the amount of PLN 141 million in the portfolio measured at amortized cost. In addition, these activities considered the valuation of the loan portfolio measured at fair value through profit or loss, for which the Group recognized an additional loss of PLN 7 million.

The Group will continue to analyze the impact of COVID-19 and national aid programs on the result of the credit risk costs in the coming quarters.

Provisions for legal risks

Provisions for legal proceedings are recognized for the value in dispute and other costs on each reporting date based on an estimate of the probability of loss. However, the Group's final liability may differ from the provisions that have been recognized, as a high degree of judgement is involved in assessing the probability of uncertain liabilities in such legal proceedings and quantifying them. These estimates may turn out to be inaccurate at a later stage of the proceedings.

The Group closely observes the developments in courts verdicts in legal proceedings regarding mortgage and housing loans in CHF, including impact of the Court of Justice of the European Union (CJEU) judgment described in point 26 Selected explanatory information "Proceedings before a court, arbitration body or public administration authority". As at 31 March 2020, the Group recognized a provision for individual court cases concerning indexation clauses in mortgage and housing loans in CHF in the amount of PLN 429 528 thousand (31 December 2019: PLN 417 653 thousand). This provision has been calculated in accordance with the calculation methodology implemented in 2019 based on the 'expected value' method allowed by the IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" in which the obligation is estimated by weighting all possible outcomes by their associated probabilities. The increase in the provision in the first quarter of 2020 was mainly due to the change in the CHF / PLN exchange rate. The methodology applied by the Bank depends on numerous assumptions, all associated with the significant degree of expert judgement made by the Bank, among which the most important are: an expected population of borrowers who will file a lawsuit against the Bank, the probability of losing the case having final and binding judgement, the distribution of expected verdicts judged by the courts and the loss to be incurred by the Bank in case of a losing the case in court.

The population of borrowers who will file a lawsuit against the Bank has been projected for a period of 5 years (counting from 31 December 2019) based on the Bank's history of legal cases in the past and assumes a significant increase in inflow of new cases. The Bank assumes that vast majority of the projected cases will be filed within first 3 years. If the assumed number of inflowing cases changed by +/- 20% and all other relevant assumptions remained constant the amount of the provision would change by +/- PLN 43.9 million.

The probability of loss has been calculated using data from the Bank's history of final and binding positive and negative verdicts. The final rulings to-date in the indexation clauses proceedings are favourable to the Group in the majority of the cases. As the number of final verdicts is not statistically representative (too few binding verdicts have been issued by courts in cases related to mBank) the assumption of probability of loss takes also into account expert judgements by the Bank about the future trends in the court verdicts. If the assumed probability of loss changed by +/- 10% and all other relevant assumptions remained constant the amount of the provision would change by +/- PLN 43.0 million.

The methodology also takes into account the expected level of loss in case of losing the case by the Bank. The projected loss rate was calculated using the probabilities of different verdicts that may be issued. As currently there is still no homogenous line of verdicts taken by the courts in such cases the Bank took into account three possible losing scenarios of outcomes in legal proceedings: (i) the contract is partially invalid; the contract is not invalid, but the indexation mechanism is eliminated, which transforms a loan indexed to CHF into a PLN loan subject to the interest rate of the loan indexed to CHF, (ii) the contract

is invalid in whole; the change in the contract resulting from deletion of the exchange rate norm (assuming that the norm defines the main subject matter of the contract) would be too far-reaching and (iii) the contract on a mortgage indexed to the CHF is not invalid and the loan remains a mortgage indexed to CHF; the gap should be filled by interpreting the contract based on a norm referring to the fixing rate of the NBP. Each of these scenarios is associated with a different level of predicted losses for the Bank. The Bank calculated the average level of loss weighted with the probabilities of occurrence of those scenarios in case of negative final and binding judgement. The probabilities of those scenarios applied by the Bank has been based on the assessment of the Bank consulted with the external legal advisor. If the assumed weighted average loss changed by +/- 5% and all other relevant assumptions remained constant the amount of the provision would change by +/- PLN 21.5 million.

The method used to calculate the provision is based on parameters that are highly judgmental and with a high range of possible values. It is possible that the provision will have to be adjusted significantly in the future, particularly that important parameters used in calculations are interdependent.

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 2019, published on 28 February 2020.

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.

Income tax in interim financial statements

Income tax in interim financial statements is accrued in accordance with IAS 34. Interim period tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

The calculation of the average annual effective income tax rate requires the use of a pre-tax income forecast for the entire fiscal year and permanent differences between the carrying amounts of assets and liabilities and their tax base. The projected annual effective tax rate used to calculate the income tax expense during the first quarter of 2020 was 36.8%.

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.

The Group as a lessee makes 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, determining the interest rate used to discount future cash flows and determination of the depreciation rate of right-of-use assets.

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 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., LeaseLink Sp. z o.o. and mElements S.A. (since January 2020), as well as the results of retail segments of mLeasing Sp. z o.o., Asekum 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: mFactoring 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. and mBank Hipoteczny S.A.
 - *Financial Markets* sub-segment (business line) consists primarily of treasury, financial markets, and financial institutions operations, manages the liquidity, interest rate and foreign exchange risks of the Bank, its trading and investment portfolios, and conducts market making in PLN denominated cash and derivative instruments. The Bank also maintains an extensive correspondent banking network and also develops relationships with other banks providing products such as current accounts, overdrafts, stand alone and syndicated loans and loans insured by KUKE to support the Polish export market. This sub-segment also includes the results of mFinance France S.A. as well as the results of mLeasing Sp. z o.o. and mBank Hipoteczny S.A. with regard to activities concerning funding.

- Operations which are not included in the Retail Banking segment and the Corporates and Financial Markets segment are reported under "Other". This segment includes the results of BDH Development Sp. z o.o., Future Tech Fundusz Inwestycyjny Zamknięty and mCentrum Operacji Sp. z o.o. w likwidacji until the date of liquidation of the company.

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

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

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

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

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

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

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

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

In connection with the change in the key of allocation of income on capital since the beginning of 2020, the comparative data for the first quarter of 2019 regarding the interest result by business segment activities of mBank S.A. Group have been changed accordingly.

Business segment reporting on the activities of mBank S.A. Group for the period from 1 January to 31 March 2020 – data regarding consolidated income statement.

	Corporates & Financial Markets		Retail Banking	Other	Total figure for the Group
	Corporate and Investment Banking	Financial Markets			
Net interest income	283 351	52 061	727 594	2 458	1 065 464
- sales to external clients	291 933	180 250	593 885	(604)	1 065 464
- sales to other segments	(8 582)	(128 189)	133 709	3 062	-
Net fee and commission income	200 557	(4 569)	170 836	(4 148)	362 676
Dividend income	-	-	-	300	300
Trading income	15 683	22 631	8 038	(1 547)	44 805
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(1 249)	-	(58 865)	(101)	(60 215)
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates	(6 174)	4 568	(291)	(1 375)	(3 272)
Other operating income	26 160	596	13 230	1 145	41 131
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(188 583)	224	(183 226)	1 786	(369 799)
Result on provisions for legal risk related to foreign currency loans	-	-	(12 911)	-	(12 911)
Overhead costs	(247 076)	(34 298)	(353 030)	(4 409)	(638 813)
Amortisation	(25 779)	(3 512)	(68 189)	(30)	(97 510)
Other operating expenses	(20 573)	(215)	(29 702)	(5 596)	(56 086)
Operating profit	36 317	37 486	213 484	(11 517)	275 770
Taxes on Group balance sheet items	(45 183)	(17 212)	(68 109)	(1 326)	(131 830)
Gross profit of the segment	(8 866)	20 274	145 375	(12 843)	143 940
Income tax					(53 034)
Net profit attributable to Owners of mBank S.A.					90 917
Net profit attributable to non-controlling interests					(11)

Business segment reporting on the activities of mBank S.A. Group - data regarding consolidated statement of financial position

31.03.2020	Corporates & Financial Markets		Retail Banking	Other	Total figure for the Group
	Corporate and Investment Banking	Financial Markets			
Assets of the segment	47 016 355	56 891 281	67 726 635	2 188 990	173 823 261
Liabilities of the segment	42 051 904	29 336 259	84 245 736	1 604 068	157 237 967
Expenditures incurred on fixed assets and intangible assets	39 964	970	21 682	6	62 622

31.12.2019	Corporates & Financial Markets		Retail Banking	Other	Total figure for the Group
	Corporate and Investment Banking	Financial Markets			
Assets of the segment	44 805 002	46 845 014	64 989 636	2 080 931	158 720 583
Liabilities of the segment	35 685 057	25 498 967	79 052 093	2 331 161	142 567 278
Expenditures incurred on fixed assets and intangible assets	251 106	16 324	266 773	2	534 205

Business segment reporting on the activities of mBank S.A. Group for the period from 1 January to 31 March 2019 – data regarding consolidated income statement

	Corporates & Financial Markets		Retail Banking	Other	Total figure for the Group
	Corporate and Investment Banking	Financial Markets			
Net interest income	244 274	50 750	630 672	4 557	930 253
- sales to external clients	242 829	177 057	509 015	1 352	930 253
- sales to other segments	1 445	(126 307)	121 657	3 205	-
Net fee and commission income	168 763	(2 080)	131 852	(4 949)	293 586
Dividend income	-	-	-	223	223
Trading income	18 363	15 304	8 635	(4 160)	38 142
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(560)	-	(24 326)	10 866	(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
Other operating income	15 835	271	18 147	1 556	35 809
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)
Result on provisions for legal risk related to foreign currency loans	-	-	(4 592)	-	(4 592)
Overhead costs	(257 082)	(26 380)	(337 008)	(5 274)	(625 744)
Amortisation	(25 585)	(2 806)	(61 515)	(132)	(90 038)
Other operating expenses	(10 182)	(1 374)	(18 011)	(30 220)	(59 787)
Operating profit	123 448	52 459	253 928	(29 901)	399 934
Taxes on Group balance sheet items	(41 347)	(10 489)	(56 085)	(2 011)	(109 932)
Gross profit of the segment	82 101	41 970	197 843	(31 912)	290 002
Income tax					(126 843)
Net profit attributable to Owners of mBank S.A.					163 173
Net profit attributable to non-controlling interests					(14)

Information about geographical areas on the activities of mBank S.A. Group for the period from 1 January to 31 March 2020 and for the period from 1 January to 31 March 2019

	from 1 January to 31 March 2020			from 1 January to 31 March 2019		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	982 516	82 948	1 065 464	875 772	54 481	930 253
Net fee and commission income	358 368	4 308	362 676	290 716	2 870	293 586
Dividend income	300	-	300	223	-	223
Trading income	45 349	(544)	44 805	36 561	1 581	38 142
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(60 215)	-	(60 215)	(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	(3 272)	-	(3 272)	16 849	-	16 849
Other operating income	40 542	589	41 131	35 468	341	35 809
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(379 279)	9 480	(369 799)	(116 478)	(4 269)	(120 747)
Result on provisions for legal risk related to foreign currency loans	(12 911)	-	(12 911)	(4 592)	-	(4 592)
Overhead costs	(603 077)	(35 736)	(638 813)	(596 594)	(29 150)	(625 744)
Amortisation	(94 128)	(3 382)	(97 510)	(86 722)	(3 316)	(90 038)
Other operating expenses	(55 684)	(402)	(56 086)	(58 962)	(825)	(59 787)
Operating profit	218 509	57 261	275 770	378 221	21 713	399 934
Taxes on Group balance sheet items	(122 990)	(8 840)	(131 830)	(103 683)	(6 249)	(109 932)
Gross profit of the segment	95 519	48 421	143 940	274 538	15 464	290 002
Income tax			(53 034)			(126 843)
Net profit attributable to Owners of mBank S.A.			90 917			163 173
Net profit attributable to non-controlling interests			(11)			(14)

Information about geographical areas on the activities of mBank S.A. Group as at 31 March 2020 and as at 31 December 2019

	31.03.2020			31.12.2019		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Assets of the segment, including:	163 651 880	10 171 381	173 823 261	149 957 094	8 763 489	158 720 583
- tangible assets	2 173 569	40 171	2 213 740	2 188 996	39 492	2 228 488
- deferred income tax assets	848 268	2 362	850 630	935 335	2 377	937 712
Liabilities of the segment	146 035 658	11 202 309	157 237 967	131 757 088	10 810 190	142 567 278

5. Net interest income

	the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Interest income			
Interest income accounted for using the effective interest method		1 228 106	1 047 277
Interest income of financial assets at amortised cost, including:		1 117 694	924 997
- <i>Loans and advances</i>		1 045 177	857 727
- <i>Debt securities</i>		61 649	53 612
- <i>Cash and short-term placements</i>		15 585	15 062
- <i>Other</i>		(4 717)	(1 404)
Interest income on financial assets at fair value through other comprehensive income		110 412	122 280
- <i>Debt securities</i>		110 412	122 280
Income similar to interest on financial assets at fair value through profit or loss, including:		106 871	153 566
Financial assets held for trading		11 863	16 162
- <i>Loans and advances</i>		1 672	606
- <i>Debt securities</i>		10 191	15 556
Non-trading financial assets mandatorily at fair value through profit or loss, including:		38 339	55 343
- <i>Loans and advances</i>		38 339	55 343
Interest income on derivatives classified into banking book		30 368	47 695
Interest income on derivatives concluded under the fair value hedge		20 029	21 429
Interest income on derivatives concluded under the cash flow hedge		6 272	12 937
Total interest income		1 334 977	1 200 843

	the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Interest expenses			
Financial liabilities measured at amortised cost, including:		(266 436)	(267 416)
- <i>Deposits</i>		(169 402)	(158 362)
- <i>Loans received</i>		(2 722)	(4 879)
- <i>Issue of debt securities</i>		(72 494)	(82 193)
- <i>Subordinated liabilities</i>		(19 287)	(18 707)
- <i>Lease liabilities</i>		(547)	(828)
- <i>Other financial liabilities</i>		(1 984)	(2 447)
Other		(3 077)	(3 174)
Total interest expense		(269 513)	(270 590)

6. Net fee and commission income

	the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Fee and commission income			
Payment cards-related fees		114 670	92 069
Credit-related fees and commissions		114 150	96 253
Commissions from currency transactions		85 666	64 740
Commissions from bank accounts		48 561	55 542
Commissions from money transfers		35 000	33 885
Commissions for agency service regarding sale of insurance products of external financial entities		27 372	24 433
Fees from brokerage activity and debt securities issue		39 024	23 411
Commissions due to guarantees granted and trade finance commissions		23 990	22 043
Commissions for agency service regarding sale of other products of external financial entities		20 331	17 152
Commissions on trust and fiduciary activities		8 177	6 359
Fees from portfolio management services and other management-related fees		2 554	2 318
Fees from cash services		12 342	12 194
Other		12 589	14 993
Fee and commission income		544 426	465 392

	the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Fee and commission expense			
Payment cards-related fees		(59 222)	(55 460)
Commissions paid to external entities for sale of the Group's products		(39 438)	(45 205)
Commissions of insurance products		(3 053)	(1 543)
Commissions paid for sale of external financial entities		(5 986)	(4 361)
Discharged brokerage fees		(7 303)	(7 623)
Cash services		(10 999)	(10 173)
Fees to NBP and KIR		(2 870)	(2 539)
Other discharged fees		(52 879)	(44 902)
Total fee and commission expense		(181 750)	(171 806)

7. Dividend income

	the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Financial assets at fair value through profit and loss		300	223
Total dividend income		300	223

8. Net trading income

	the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Foreign exchange result		6 232	24 500
Net exchange differences on translation		(31 113)	64 863
Net transaction gains/(losses)		37 345	(40 363)
Gains or losses on financial assets and liabilities held for trading		38 228	11 325
Derivatives, including:		13 743	5 777
- <i>Interest-bearing instruments</i>		17 910	6 170
- <i>Market risk instruments</i>		(4 167)	(393)
Debt securities		22 945	6 053
Loans and advances		1 540	(505)
Gains or losses from hedge accounting		345	2 317
Net profit on hedged items		(82 204)	(68 489)
Net profit on fair value hedging instruments		80 139	70 852
Ineffective portion of cash flow hedge		2 410	(46)
Net trading income		44 805	38 142

The foreign exchange result includes profit/(loss) on 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 equity 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 hedging derivatives".

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

	the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Equity instruments		(101)	75
Debt securities		(20 634)	10 792
Loans and advances		(39 480)	(24 887)
Total gains or losses on non-trading financial assets mandatorily at fair value through profit or loss		(60 215)	(14 020)

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 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Gains less losses related to sale of debt securities measured at fair value through other comprehensive income		758	17 865
Gains less losses related to sale and revaluation of investments in subsidiaries and associates		(1 070)	(1 594)
Gains less losses from derecognition, including:		(2 960)	578
- <i>Financial assets at amortised cost</i>		(2 960)	578
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss and investments in subsidiaries and associates		(3 272)	16 849

11. Other operating income

	the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories		19 920	11 345
Income from services provided		2 214	1 869
Net income from operating lease		1 435	1 310
Income due to release of provisions for future commitments		986	2 420
Income from recovering receivables designated previously as prescribed, remitted or uncollectible		773	663
Income from compensations, penalties and fines received		206	94
Net revenues from the sale of an organised part of the company mFinanse S.A.		6 067	6 500
Other		9 530	11 608
Total other operating income		41 131	35 809

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 12 of the Consolidated Financial Statements of mBank S.A. Group for 2019 published on 28 February 2020.

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 and right-of-use assets in sublease generated for the first quarter of 2020 and for the first quarter of 2019 is presented below.

	the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Net income from operating lease and right-of-use assets in sublease, including:			
- Income from operating lease		10 861	11 865
- Income from right-of-use assets in sublease		1 185	-
- Depreciation cost of fixed assets provided under operating lease and right-of-use assets in sublease		(10 611)	(10 555)
Total net income from operating lease and right-of-use assets in sublease		1 435	1 310

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

	the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Financial assets at amortised cost, including:			
- Debt securities		(5)	(18)
<i>Stage 1</i>		(5)	(18)
- Loans and advances		(318 263)	(128 596)
<i>Stage 1</i>		(45 878)	(17 787)
<i>Stage 2</i>		(15 204)	(12 996)
<i>Stage 3</i>		(254 216)	(98 620)
<i>POCI</i>		(2 965)	807
Financial assets at fair value through other comprehensive income		288	246
- Debt securities		288	246
<i>Stage 1</i>		357	247
<i>Stage 2</i>		(69)	(1)
Commitments and guarantees given		(51 819)	7 621
<i>Stage 1</i>		(647)	1 284
<i>Stage 2</i>		3 818	1 642
<i>Stage 3</i>		(55 208)	4 831
<i>POCI</i>		218	(136)
Net impairment losses on financial assets not measured at fair value through profit or loss		(369 799)	(120 747)

13. Overhead costs

the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Staff-related expenses	(263 761)	(248 963)
Material costs, including:	(170 214)	(156 273)
- costs of administration and real estate services	(63 420)	(66 486)
- IT costs	(43 151)	(40 385)
- marketing costs	(37 040)	(30 137)
- consulting costs	(22 058)	(15 727)
- other material costs	(4 545)	(3 538)
Taxes and fees	(6 139)	(6 584)
Contributions and transfers to the Bank Guarantee Fund	(197 183)	(211 637)
Contributions to the Social Benefits Fund	(1 516)	(2 287)
Total overhead costs	(638 813)	(625 744)

Staff-related expenses for the first quarter of 2020 and for the first quarter of 2019 is presented below.

the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Wages and salaries	(209 463)	(198 813)
Social security expenses	(39 535)	(36 689)
Remuneration concerning share-based payments, including:	(2 426)	(2 726)
- share-based payments settled in mBank S.A. shares	(2 239)	(2 565)
- cash-settled share-based payments	(187)	(161)
Other staff expenses	(12 337)	(10 735)
Staff-related expenses, total	(263 761)	(248 963)

14. Other operating expenses

the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories	(19 776)	(9 524)
Provisions for future commitments	(6 379)	(130)
Costs arising from provisions created for other receivables (excluding loans and advances)	(228)	(74)
Donations made	(2 540)	(2 511)
Costs of sale of services	-	(2)
Compensation, penalties and fines paid	(326)	(264)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	-	(5)
Debt collection expenses	(9 884)	(10 730)
Other operating costs	(16 953)	(36 547)
Total other operating expenses	(56 086)	(59 787)

The item "Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for resale and inventories" includes mainly the costs of mLeasing Sp. z o. o. from the sale of leasing items.

Costs of services provided concern non-banking services.

15. Earnings per share

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

	the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Basic:			
Net profit attributable to Owners of mBank S.A.		90 917	163 173
Weighted average number of ordinary shares		42 350 367	42 336 982
Net basic profit per share (in PLN per share)		2.15	3.85
Diluted:			
Net profit attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share		90 917	163 173
Weighted average number of ordinary shares		42 350 367	42 336 982
Adjustments for:			
- share options		36 229	31 652
Weighted average number of ordinary shares for calculation of diluted earnings per share		42 386 596	42 368 634
Diluted earnings per share (in PLN per share)		2.14	3.85

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

	the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Basic:			
Net profit		91 584	146 650
Weighted average number of ordinary shares		42 350 367	42 336 982
Net basic profit per share (in PLN per share)		2.16	3.46
Diluted:			
Net profit applied for calculation of diluted earnings per share		91 584	146 650
Weighted average number of ordinary shares		42 350 367	42 336 982
Adjustments for:			
- share options		36 229	31 652
Weighted average number of ordinary shares for calculation of diluted earnings per share		42 386 596	42 368 634
Diluted earnings per share (in PLN per share)		2.16	3.46

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

	31.03.2020	31.12.2019
Derivatives, including:	1 894 511	959 776
- Held for trading derivative financial instruments classified into banking book	233 342	138 882
- Held for trading derivative financial instruments classified into trading book	1 774 366	877 926
- Derivative financial instruments held for fair value hedging	321 118	230 937
- Derivative financial instruments held for cash flow hedging	724 728	273 282
- Offsetting effect	(1 159 043)	(561 251)
Debt securities	1 638 764	1 733 569
- General governments, including:	1 178 215	1 330 541
<i>pledged securities</i>	765 139	162 038
- Credit institutions	228 512	170 953
- Other financial corporations	80 594	122 429
- Non-financial corporations	151 443	109 646
Loans and advances	191 135	172 689
- Corporate customers	191 135	172 689
Total financial assets held for trading	3 724 410	2 866 034

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.

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 Group 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 2.13. to the Consolidated Financial Statements of mBank S.A. Group for 2019, published on 28 February 2020.

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,
- part of the fixed interest rate mortgage portfolio granted by mBank's foreign branch in the Czech Republic. The hedged risk results from changes in interest rates,
- part of the portfolio of deposits modelled by the Bank in PLN with economic characteristics of fixed-rate deposits. The hedged risk results from changes in interest rates.

Hedged items

The hedged items are:

- two tranches of fixed interest rate eurobonds issued by mFF with a total nominal value of EUR 1 000 000 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 576 900 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, CHF 175 560 thousand and CHF 138 388 thousand,
- fixed rate bonds issued by mBank S.A. with a nominal value of CHF 305 000 thousand,
- fixed rate bonds issued by mBank S.A. with a nominal value of EUR 500 000 thousand,
- part of the fixed interest rate mortgage portfolio, denominated in CZK, granted by mBank's foreign branch in the Czech Republic,
- part of the portfolio of deposits modelled by the Bank in PLN with economic characteristics of fixed-rate deposits.

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, with the exception of interest income and costs of the interest element of the valuation of hedging instruments, which are presented in the item Interest income / expense on derivatives concluded under the fair value hedge.

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

the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Interest income on derivatives concluded under the fair value hedge accounting (Note 5)	20 029	21 429
Net profit on hedged items (Note 8)	(82 204)	(68 489)
Net profit on fair value hedging instruments (Note 8)	80 139	70 852
The total results of fair value hedge accounting recognised in the income statement	17 964	23 792

Cash flow hedge accounting

- cash flow hedge accounting of the part of loans at a variable interest rate indexed to the market rate portfolio, granted by the Bank

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 2020 to August 2029 is the period in which the cash flows are expected, and when they are expected to have an impact on the result.

- cash flow hedges in relation to mortgage loans and mortgage bonds issued by mBank Hipoteczny

The Group applies hedge accounting in relation to mortgage loans and mortgage bonds issued by mBank Hipoteczny. The purpose of the hedging strategy is to eliminate the risk of volatility of cash flows generated by mortgage loans in PLN due to changes in reference interest rates and mortgage bonds denominated in a convertible currency due to exchange rate changes using currency interest rate swaps (CIRS).

As part of hedge accounting, the Group designates a hedged item consisting of:

- parts of the portfolio of housing loans for retail customers entered in the collateral register for mortgage covered bonds, denominated in PLN with an interest rate indexed to 3M WIBOR, the loan margin is excluded from collateral;
- mortgage bonds issued by the Bank in EUR with a fixed interest rate

As hedging instruments, the Group uses CIRS derivative transactions in which, as a party to the transaction, it pays variable interest flows in PLN increased by a margin, and receives fixed interest rates in EUR and the denominations are exchanged at the beginning and at the end of the transaction. As transactions concluded by a mortgage bank, CIRS transactions are subject to entry in the register of covered bond collateral. In addition, if the bank's bankruptcy is announced by the court, it will not be immediately terminated, it will last until the end of the original maturity on the conditions specified on the date of the transaction (they will not be extended beyond the original maturity).

The Group hedges the interest rate risk and currency risk within one economic relationship between the concluded CIRS transactions and part of the loan portfolio in PLN and mortgage bonds financing them in EUR. For the purposes of cash flow hedge accounting, the Group simultaneously establishes two hedging relationships:

- by decomposing the part of the actual CIRS transaction securing the portfolio of loans in PLN with a variable interest rate (hedging against interest rate risk) and
- by decomposing the actual portion of the CIRS transaction securing the liability in EUR (protection against currency risk).

For the purpose of calculating changes in the fair value of future cash flows of items being hedged, the Group uses the "hypothetical derivative" method, which assumes the possibility of reflecting the hedged item and the characteristics of the risk being hedged in the form of a derivative. The valuation principles are analogous to the principles for the valuation of interest rate derivatives.

In the case of established relationships, the period in which cash flows are expected and when they should be expected to influence the results is the period from April 2020 to September 2025.

The following note presents other comprehensive income due to cash flow hedges for the period from 1 January to 31 March 2020 and for the period from 1 January to 31 March 2019.

	the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Other gross comprehensive income from cash flow hedge at the beginning of the period		147 088	103 263
Unrealised gains/losses included in other gross comprehensive income during the reporting period		446 011	43 583
Profits / (Losses) recognized in other comprehensive income in the period		(94 412)	(12 937)
- <i>net interest income</i>		(6 272)	(12 937)
- <i>foreign exchange result</i>		(88 140)	-
Accumulated other gross comprehensive income at the end of the reporting period		498 687	133 909
Deferred income tax on accumulated other comprehensive income at the end of the reporting period		(94 751)	(25 443)
Accumulated other net comprehensive income at the end of the reporting period		403 936	108 466
Impact on other comprehensive income in the reporting period (gross)		351 599	30 646
Deferred tax on cash flow hedges		(66 805)	(5 823)
Impact on other comprehensive income in the reporting period (net)		284 794	24 823

	the period	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Gains/losses recognised in comprehensive income (gross) during the reporting period, including:			
Unrealised gains/losses included in other comprehensive income (gross)		351 599	30 646
Results of cash flow hedge accounting recognised in the income statement		96 822	12 891
- <i>amount included as interest income in income statement during the reporting period (Note 5)</i>		6 272	12 937
- <i>ineffective portion of hedge recognised included in other net trading income in income statement (Note 8)</i>		2 410	(46)
- <i>foreign exchange result</i>		88 140	-
Impact on other comprehensive income in the reporting period (gross)		448 421	43 537

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

	31.03.2020	31.12.2019
Equity instruments	163 108	162 616
- Other financial corporations	89 710	106 250
- Non-financial corporations	73 398	56 366
Debt securities	125 247	133 774
- Other financial corporations	125 247	133 774
Loans and advances	1 824 973	1 971 532
- Individual customers	1 532 184	1 685 799
- Corporate customers	287 676	279 062
- Public sector customers	5 113	6 671
Total non-trading financial assets mandatorily at fair value through profit or loss	2 113 328	2 267 922
Short-term (up to 1 year)	1 285 757	1 382 155
Long-term (over 1 year)	827 571	885 767

18. Financial assets at fair value through other comprehensive income

31.03.2020	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	24 182 778	24 144 960	41 901	-	-	(2 895)	(1 188)	-	-
- Central banks	3 059 817	3 059 817	-	-	-	-	-	-	-
- General governments, including: <i>pledged securities</i>	19 273 391	19 273 463	-	-	-	(72)	-	-	-
- Credit institutions	1 245 532	1 245 532	-	-	-	-	-	-	-
- Other financial institutions	230 041	231 162	-	-	-	(1 121)	-	-	-
- Non-financial corporations	1 164 642	1 165 454	-	-	-	(812)	-	-	-
- Non-financial corporations	454 887	415 064	41 901	-	-	(890)	(1 188)	-	-
Total financial assets at fair value through other comprehensive income	24 182 778	24 144 960	41 901	-	-	(2 895)	(1 188)	-	-

Short-term (up to 1 year) gross	7 191 244
Long-term (over 1 year) gross	16 995 617

31.12.2019	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	22 773 921	22 737 162	41 121	-	-	(3 242)	(1 120)	-	-
- Central banks	3 219 627	3 219 627	-	-	-	-	-	-	-
- General governments, including: <i>pledged securities</i>	17 573 979	17 574 048	-	-	-	(69)	-	-	-
- Credit institutions	1 232 295	1 232 295	-	-	-	-	-	-	-
- Other financial institutions	263 460	264 583	-	-	-	(1 123)	-	-	-
- Other financial institutions	1 162 968	1 163 964	-	-	-	(996)	-	-	-
- Non-financial corporations	553 887	514 940	41 121	-	-	(1 054)	(1 120)	-	-
Total financial assets at fair value through other comprehensive income	22 773 921	22 737 162	41 121	-	-	(3 242)	(1 120)	-	-

Short-term (up to 1 year) gross	4 031 311
Long-term (over 1 year) gross	18 746 972

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

31.03.2020	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	10 277 145	10 277 229	-	-	-	(84)	-	-	-
- General governments, including:	9 009 908	9 009 908	-	-	-	-	-	-	-
<i>pledged securities</i>	1 942 516	1 942 516	-	-	-	-	-	-	-
- Non-financial corporations	1 267 237	1 267 321	-	-	-	(84)	-	-	-
Loans and advances to banks	9 513 378	9 514 579	-	-	-	(1 201)	-	-	-
Loans and advances to customers	108 855 676	97 893 144	9 729 854	4 361 060	244 922	(335 735)	(278 044)	(2 740 638)	(18 887)
Individual customers	60 079 815	54 267 078	5 355 390	2 099 133	108 250	(206 206)	(213 475)	(1 325 847)	(4 508)
Corporate customers	48 392 436	43 243 284	4 374 464	2 260 870	136 672	(129 183)	(64 569)	(1 414 723)	(14 379)
Public sector customers	383 425	382 782	-	1 057	-	(346)	-	(68)	-
Total financial assets at amortised cost	128 646 199	117 684 952	9 729 854	4 361 060	244 922	(337 020)	(278 044)	(2 740 638)	(18 887)
Short-term (up to 1 year) gross	48 450 411								
Long-term (over 1 year) gross	83 570 377								

31.12.2019	Carrying amount	Gross carrying amount				Accumulated impairment			
		Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	11 234 873	11 234 952	-	-	-	(79)	-	-	-
- General governments, including:	9 975 484	9 975 484	-	-	-	-	-	-	-
<i>pledged securities</i>	1 799 235	1 799 235	-	-	-	-	-	-	-
- Non-financial corporations	1 259 389	1 259 468	-	-	-	(79)	-	-	-
Loans and advances to banks	4 341 758	4 342 890	-	-	-	(1 132)	-	-	-
Loans and advances to customers	103 203 254	94 130 201	7 920 046	4 105 697	237 588	(313 118)	(258 035)	(2 603 391)	(15 734)
Individual customers	56 999 856	52 456 328	4 076 251	2 039 606	102 706	(189 868)	(198 492)	(1 284 124)	(2 551)
Corporate customers	45 819 083	41 290 212	3 843 795	2 065 043	134 882	(122 923)	(59 543)	(1 319 200)	(13 183)
Public sector customers	384 315	383 661	-	1 048	-	(327)	-	(67)	-
Total financial assets at amortised cost	118 779 885	109 708 043	7 920 046	4 105 697	237 588	(314 329)	(258 035)	(2 603 391)	(15 734)
Short-term (up to 1 year) gross	42 975 941								
Long-term (over 1 year) gross	78 995 433								

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.

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

Loans and advances to customers 31.03.2020	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public sector customers
Current accounts	13 773 792	7 685 627	6 084 199	3 966
Term loans, including:	82 390 516	53 933 935	28 076 709	379 872
- housing and mortgage loans to natural persons	41 705 552	41 705 552		
Reverse repo or buy/sell back	1 322 598	-	1 322 598	-
Finance leases	11 799 794	-	11 799 794	-
Other loans and advances	2 713 857	-	2 713 857	-
Other receivables	228 423	210 289	18 133	1
Total gross carrying amount	112 228 980	61 829 851	50 015 290	383 839

Loans and advances to customers 31.03.2020	Accumulated impairment	including		
		Individual customers	Corporate customers	Public sector customers
Current accounts	(960 340)	(635 546)	(324 794)	-
Term loans, including:	(2 049 063)	(1 114 490)	(934 159)	(414)
- housing and mortgage loans to natural persons	(451 280)	(451 280)		
Finance leases	(317 344)	-	(317 344)	-
Other loans and advances	(46 557)	-	(46 557)	-
Total accumulated impairment	(3 373 304)	(1 750 036)	(1 622 854)	(414)
Total gross carrying amount	112 228 980	61 829 851	50 015 290	383 839
Total accumulated impairment	(3 373 304)	(1 750 036)	(1 622 854)	(414)
Total carrying amount	108 855 676	60 079 815	48 392 436	383 425
Short-term (up to 1 year) gross	38 941 571			
Long-term (over 1 year) gross	73 287 409			

Loans and advances to customers 31.12.2019	Gross carrying amount	including:		
		Individual customers	Corporate customers	Public sector customers
Current accounts	13 455 553	7 493 468	5 958 926	3 159
Term loans, including:	78 051 279	50 819 397	26 850 332	381 550
- housing and mortgage loans to natural persons	38 979 040	38 979 040		
Reverse repo or buy/sell back	13 398	-	13 398	-
Finance leases	11 631 675	-	11 631 675	-
Other loans and advances	2 629 690	-	2 629 690	-
Other receivables	611 937	362 026	249 911	-
Total gross carrying amount	106 393 532	58 674 891	47 333 932	384 709

Loans and advances to customers 31.12.2019	Accumulated impairment	including		
		Individual customers	Corporate customers	Public sector customers
Current accounts	(966 201)	(664 889)	(301 312)	-
Term loans, including:	(1 901 009)	(1 010 146)	(890 469)	(394)
- housing and mortgage loans to natural persons	(414 932)	(414 932)		
Finance leases	(289 832)	-	(289 832)	-
Other loans and advances	(33 236)	-	(33 236)	-
Total accumulated impairment	(3 190 278)	(1 675 035)	(1 514 849)	(394)
Total gross carrying amount	106 393 532	58 674 891	47 333 932	384 709
Total accumulated impairment	(3 190 278)	(1 675 035)	(1 514 849)	(394)
Total carrying amount	103 203 254	56 999 856	45 819 083	384 315
Short-term (up to 1 year) gross	36 875 519			
Long-term (over 1 year) gross	69 518 013			

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

	31.03.2020	31.12.2019
Net housing and mortgage loans to natural persons (in PLN '000), including:	41 254 272	38 564 108
- PLN	20 095 734	18 624 049
- CHF	14 540 125	13 561 831
- EUR	3 342 006	3 120 555
- CZK	3 029 248	3 024 539
- USD	219 855	206 635
- Other currency	27 304	26 499
Net housing and mortgage loans to natural persons in original currencies (main currencies in '000)		
- PLN	20 095 734	18 624 049
- CHF	3 381 346	3 458 504
- EUR	734 136	732 783
- CZK	18 193 682	18 046 175
- USD	53 021	54 411

The table below includes loans and advances at amortized cost and does not include the loans and advances measured at fair value through profit or loss.

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

No.	Sectors	Gross value	%	Gross value	%
		31.03.2020		31.12.2019	
1.	Household customers	61 829 851	55.09	58 674 891	55.15
2.	Real estate	6 827 435	6.08	6 305 974	5.93
3.	Construction	5 631 847	5.02	5 160 496	4.85
4.	Financial sector	2 971 325	2.65	1 766 892	1.66
5.	Food sector	2 964 418	2.64	3 017 507	2.84
6.	Transport and logistics	2 894 806	2.58	2 825 670	2.66
7.	Metals	2 561 699	2.28	2 331 810	2.19
8.	Motorisation	2 490 232	2.22	2 240 037	2.11
9.	Construction materials	2 233 983	1.99	2 178 231	2.05
10.	Chemicals and plastic products	2 058 150	1.83	1 915 441	1.80
11.	Wood, furniture and paper products	1 867 377	1.66	1 782 443	1.68
12.	Wholesale trade	1 544 319	1.38	1 427 747	1.34
13.	Scientific and technical activities	1 516 329	1.35	1 406 065	1.32
14.	Retail trade	1 231 973	1.10	1 231 428	1.16
15.	Retail and leasing activities	1 122 616	1.00	1 116 106	1.05
16.	IT	1 027 881	0.92	1 172 087	1.10
17.	Fuels	1 024 788	0.91	1 033 659	0.97
18.	Power, power and heating distribution	971 496	0.87	1 126 577	1.06
19.	Pharmacy	877 901	0.78	894 470	0.84
20.	Information and communication	776 329	0.69	944 929	0.89

As at 31 March 2020, the total exposure of the Group in the above sectors (excluding household customers) amounts to 37.95% of the credit portfolio (31 December 2019: 37.50).

20. Non-current assets and liabilities held for sale

On 7 November 2019, as part of implementing the mBank Group plan to withdraw from development activity and focus on the main activity in the financial industry, mBank S.A. signed a conditional agreement for the sale of shares in the company BDH Development Sp. z o.o. (BDH) to Archicom Polska S.A. The conclusion of the final agreement on the sale of shares will take place after all the conditions precedent are met in the form of the sale by BDH of shares held in CSK Sp. z o. o. (condition met), registration by the registry court of the reduction in BDH's share capital related to the redemption of shares, and the President of the Office for Competition and Consumer Protection's consent to the concentration consisting in the acquisition by Archicom Polska S.A. control over BDH. The parties undertook to sign a promised agreement transferring the value of BDH shares no later than 31 December 2020.

In connection with the above agreement, in accordance with the accounting principles described in Note 2.19 to the Consolidated Financial Statements of mBank S.A. Group for 2019, published on 28 February 2020, as at 31 December 2019, the Group classified BDH as non-current assets held for sale.

The financial data regarding assets and liabilities held for sale are presented below.

ASSETS	31.03.2020	31.12.2019
Other assets	11 173	10 651
TOTAL ASSETS	11 173	10 651

LIABILITIES	31.03.2020	31.12.2019
Financial liabilities measured at amortised cost, including:	156	96
<i>Amounts due to banks</i>	96	96
<i>Amounts due to customers</i>	60	
Other liabilities	273	1 219
TOTAL LIABILITIES	429	1 315

21. Intangible assets

	31.03.2020	31.12.2019
Development costs	12 019	-
Goodwill	27 760	27 760
Patents, licences and similar assets, including:	672 292	696 491
- computer software	552 741	576 535
Other intangible assets	1 196	1 199
Intangible assets under development	254 966	229 990
Total intangible assets	968 233	955 440

22. Tangible assets

	31.03.2020	31.12.2019
Tangible assets, including:	683 697	698 634
- land	1 033	1 033
- buildings and structures	161 380	163 524
- equipment	184 071	188 496
- vehicles	234 664	238 850
- other fixed assets	102 549	106 731
Fixed assets under construction	58 701	75 416
The right to use, including:	491 936	488 347
- real estate	441 195	437 295
- the right of perpetual usufruct of land	48 186	48 358
- cars	1 602	1 561
- other	953	1 133
Total tangible assets	1 234 334	1 262 397

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

	31.03.2020	31.12.2019
Derivatives, including:	1 687 534	948 764
- Held for trading derivative financial instruments classified into banking book	411 560	104 161
- Held for trading derivative financial instruments classified into trading book	1 547 663	957 386
- Derivative financial instruments held for fair value hedging	2 798	6 451
- Derivative financial instruments held for cash flow hedging	-	12 960
- Offsetting effect	(274 487)	(132 194)
Total financial liabilities held for trading and derivatives held for hedges	1 687 534	948 764

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

31.03.2020	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
Deposits	1 083 122	124 231 400	82 759 510	40 806 611	665 279
Current accounts	759 787	96 160 300	67 542 117	28 125 888	492 295
Term deposits	68 243	27 020 878	15 217 393	11 630 501	172 984
Repo transactions	255 092	1 050 222	-	1 050 222	-
Loans and advances received	207 343	3 247 321	-	3 247 321	-
Other financial liabilities	411 666	1 481 705	159 311	1 279 333	43 061
Liabilities in respect of cash collaterals	228 824	606 081	42 201	561 161	2 719
Leasing liabilities	25	522 849	26 601	456 248	40 000
Other liabilities	182 817	352 775	90 509	261 924	342
Deposits and other financial liabilities, total	1 702 131	128 960 426	82 918 821	45 333 265	708 340
Short-term (up to 1 year)	1 506 180	124 649 785			
Long-term (over 1 year)	195 951	4 310 641			

31.12.2019	Amount due to banks	Amount due to customers	including:		
			Individual customers	Corporate customers	Public sector customers
Deposits	528 448	112 424 332	77 525 267	34 083 016	816 049
Current accounts	424 200	88 073 656	62 639 670	24 823 049	610 937
Term deposits	-	24 175 269	14 885 597	9 084 560	205 112
Repo transactions	104 248	175 407	-	175 407	-
Loans and advances received	189 901	2 980 294	-	2 980 294	-
Other financial liabilities	448 522	1 256 512	139 105	1 074 601	42 806
Liabilities in respect of cash collaterals	301 021	423 059	43 854	377 593	1 612
Leasing liabilities	-	496 912	-	456 052	40 860
Other liabilities	147 501	336 541	95 251	240 956	334
Deposits and other financial liabilities, total	1 166 871	116 661 138	77 664 372	38 137 911	858 855
Short-term (up to 1 year)	816 830	112 608 069			
Long-term (over 1 year)	350 041	4 053 069			

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

25. Provisions

	31.03.2020	31.12.2019
Provisions for legal proceedings, including:	496 010	484 760
- provisions for individual cases concerning indexation clauses in mortgage and housing loans in CHF	429 528	417 653
- provisions for other legal proceedings relating to loans in foreign currencies	60 070	61 103
- provisions for remaining legal proceedings	6 412	6 004
Provisions for commitments and guarantees given	207 272	153 432
Other provisions	92 251	101 104
Provisions, total	795 533	739 296

The description regarding individual cases concerning indexation clauses in mortgage and housing loans in CHF is presented in point 26 Selected explanatory information.

The methodology of the measurement of provisions for legal risk regarding individual court cases concerning indexation clauses in mortgage and housing loans in CHF is presented in Note 3.

The item Other provisions includes provisions recognized related to the judgment of the CJEU of 11 September 2019 regarding reimbursement of commissions in case of earlier loan repayments of consumer loans and mortgage loans.

Movements in the provisions

Change from 1 January to 31 March	2020				
	Provisions for individual cases concerning indexation clauses in mortgage and housing loans in CHF	Provisions for other legal proceedings relating to loans in foreign currencies	Provisions for remaining legal proceedings	Provisions for commitments and guarantees given	Other provisions
Provisions as at the beginning of the period	417 653	61 103	6 004	153 432	101 104
Change in the period, due to:	11 875	(1 033)	408	53 840	(8 853)
- increase of provisions	12 530	563	678	86 014	5 701
- release of provisions	-	(182)	(126)	(33 253)	(482)
- utilization	(655)	(1 414)	(149)	(4)	(14 123)
- foreign exchange differences	-	-	5	1 083	51
Provisions as at the end of the period	429 528	60 070	6 412	207 272	92 251

Change from 1 January to 31 December	2019				
	Provisions for individual cases concerning indexation clauses in mortgage and housing loans in CHF	Provisions for other legal proceedings relating to loans in foreign currencies	Provisions for remaining legal proceedings	Provisions for commitments and guarantees given	Other provisions
Provisions as at the beginning of the period	30 565	67 258	8 498	109 409	42 553
Change in the period, due to:	387 088	(6 155)	(2 494)	44 023	58 551
- increase of provisions	387 855	3 776	2 114	94 410	136 179
- release of provisions	(339)	(3 506)	(2 894)	(49 454)	(5 947)
- utilization	(428)	(6 425)	(1 714)	(55)	(71 985)
- reclassification to other position of statement of financial position	-	-	-	-	302
- foreign exchange differences	-	-	-	(878)	2
Provisions as at the end of the period	417 653	61 103	6 004	153 432	101 104

26. Assets and liabilities for deferred income tax

Deferred income tax assets	31.03.2020	31.12.2019
As at the beginning of the period	1 473 790	1 344 037
Changes recognized in the income statement	517 046	124 182
Changes recognized in other comprehensive income	14 178	855
Other changes	(82)	4 716
As at the end of the period	2 004 932	1 473 790

Provisions for deferred income tax	31.03.2020	31.12.2019
As at the beginning of the period	(536 160)	(385 044)
Changes recognized in the income statement	(520 307)	(136 256)
Changes recognized in other comprehensive income	(97 923)	(11 231)
Other changes	-	(3 629)
As at the end of the period	(1 154 390)	(536 160)

Income tax	from 01.01.2020 to 31.03.2020	from 01.01.2019 to 31.03.2019
Current income tax	(49 773)	(91 416)
Deferred income tax recognised in the income statement	(3 261)	(35 427)
Income tax recognised in the income statement	(53 034)	(126 843)
Recognised in other comprehensive income	(83 745)	7 084
Total income tax	(136 779)	(119 759)

27. Fair value of assets and liabilities

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

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

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 Note 3.3.7 to the Consolidated Financial Statements of mBank Group for 2019, published on 28 February 2020.

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.

Positions that are recognised in GL through 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.

	31.03.2020		31.12.2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortised cost				
Debt securities	10 277 145	10 620 018	11 234 873	11 409 164
Loans and advances to banks	9 513 378	9 425 920	4 341 758	4 338 448
Loans and advances to customers, including:	108 855 676	110 210 620	103 203 254	103 538 180
Loans and advances to individuals	60 079 815	62 231 427	56 999 856	58 296 285
Current accounts	7 050 081	7 263 304	6 828 579	7 011 607
Term loans	52 819 445	54 757 834	49 809 251	50 922 652
Other	210 289	210 289	362 026	362 026
Loans and advances to corporate entities	48 392 436	47 589 991	45 819 083	44 854 574
Current accounts	5 759 405	5 630 723	5 657 614	5 522 094
Term loans, including finance lease	38 625 000	37 951 237	37 301 706	36 472 717
Reverse repo or buy/sell back transactions	1 322 598	1 322 598	13 398	13 398
Other loans and advances	2 667 300	2 667 300	2 596 454	2 596 454
Other	18 133	18 133	249 911	249 911
Loans and advances to public sector	383 425	389 202	384 315	387 321
Financial liabilities at amortised cost				
Amounts due to other banks	1 702 131	1 698 626	1 166 871	1 166 836
Amounts due to customers	128 960 426	128 930 803	116 661 138	116 661 251
Debt securities in issue	18 000 321	17 905 791	17 435 143	17 711 082
Subordinated liabilities	2 594 304	2 561 603	2 500 217	2 519 770

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 discounted cash flows by the use of discounting factor including an estimation of a spread reflecting the credit spread for mBank and the liquidity margin. For the loans received from European Investment Bank in EUR and in CHF 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.

Positions that are recognised in GL through 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.

31.03.2020	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 hedging derivatives	3 724 410	1 178 215	1 820 126	726 069	
Loans and advances to customers	191 135	-	-	191 135	
Debt securities	1 638 764	1 178 215	-	460 549	
Derivative financial instruments, including:	1 894 511	-	1 820 126	74 385	
Derivative financial instruments held for trading	2 007 708	-	2 007 708	-	
Hedging derivative financial instruments	1 045 846	-	971 461	74 385	
Offsetting effect	(1 159 043)	-	(1 159 043)	-	
Non-trading financial assets mandatorily at fair value through profit or loss	2 113 328	725	-	2 112 603	
Loans and advances to customers	1 824 973	-	-	1 824 973	
Debt securities	125 247	-	-	125 247	
Equity securities	163 108	725	-	162 383	
Financial assets at fair value through other comprehensive income	24 182 778	20 241 173	3 059 817	881 788	
Debt securities	24 182 778	20 241 173	3 059 817	881 788	
Total financial assets	30 020 516	21 420 113	4 879 943	3 720 460	
Financial liabilities					
Derivative financial instruments, including:	1 687 534	-	1 687 534	-	
Derivative financial instruments held for trading	1 959 223	-	1 959 223	-	
Hedging derivative financial instruments	2 798	-	2 798	-	
Offsetting effect	(274 487)	-	(274 487)	-	
Total financial liabilities	1 687 534	-	1 687 534	-	
Assets and Liabilities Measured at Fair Value Based on Level 3 - changes from 1 January to 31 March 2020	Debt trading securities	Derivative financial instruments	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	403 028	(7 524)	133 774	161 791	1 032 369
Gains and losses for the period:	2 597	81 909	(8 527)	592	7 736
Recognised in profit or loss:	2 597	88 838	(8 527)	592	-
<i>Net trading income</i>	2 597	88 838	12 107	75	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	(20 634)	-	-
<i>Gains or losses on subsidiaries and associates</i>	-	-	-	517	-
Recognised in other comprehensive income:	-	(6 929)	-	-	7 736
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	7 736
<i>Cash flow hedges</i>	-	(6 929)	-	-	-
Purchases	469 714	-	-	-	147 133
Redemptions	(7 991)	-	-	-	(48 500)
Sales	(441 723)	-	-	-	(263 422)
Issues	34 924	-	-	-	6 472
As at the end of the period	460 549	74 385	125 247	162 383	881 788

31.12.2019	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 hedging derivatives	2 866 034	1 330 541	959 776	575 717
Loans and advances to customers	172 689	-	-	172 689
Debt securities	1 733 569	1 330 541	-	403 028
Derivative financial instruments, including:	959 776	-	959 776	-
Derivative financial instruments held for trading	1 016 808	-	1 016 808	-
Hedging derivative financial instruments	504 219	-	504 219	-
Offsetting effect	(561 251)	-	(561 251)	-
Non-trading financial assets mandatorily at fair value through profit or loss	2 267 922	825	-	2 267 097
Loans and advances to customers	1 971 532	-	-	1 971 532
Debt securities	133 774	-	-	133 774
Equity securities	162 616	825	-	161 791
Financial assets at fair value through other comprehensive income	22 773 921	18 521 925	3 219 627	1 032 369
Debt securities	22 773 921	18 521 925	3 219 627	1 032 369
Total financial assets	27 907 877	19 853 291	4 179 403	3 875 183
Financial liabilities				
Derivative financial instruments, including:	948 764	-	941 240	7 524
Derivative financial instruments held for trading	1 061 547	-	1 061 547	-
Hedging derivative financial instruments	19 411	-	11 887	7 524
Offsetting effect	(132 194)	-	(132 194)	-
Total financial liabilities	948 764	-	941 240	7 524

Assets Measured at Fair Value Based on Level 3 - changes from 1 January to 31 December 2019	Debt trading securities	Derivative financial instruments	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:	429	(7 524)	75 644	75 041	(8 352)
Recognised in profit or loss:	429	(3 810)	75 644	75 041	-
<i>Net trading income</i>	429	(3 810)	320	(8)	-
<i>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss</i>	-	-	75 324	75 326	-
<i>Gains or losses on subsidiaries and associates</i>	-	-	-	(277)	-
Recognised in other comprehensive income:	-	(3 714)	-	-	(8 352)
<i>Financial assets at fair value through other comprehensive income</i>	-	-	-	-	(8 352)
<i>Cash flow hedges</i>	-	(3 714)	-	-	-
Purchases	1 330 096	-	-	11 055	1 098 460
Redemptions	(233 141)	-	-	-	(274 629)
Sales	(3 246 823)	-	-	(10 891)	(1 838 078)
Issues	2 245 704	-	-	14 581	788 410
As at the end of the period	403 028	(7 524)	133 774	161 791	1 032 369

During the first quarter of 2020 and the first quarter of 2019 there were no transfers of financial instruments between the levels of fair value hierarchy.

With regard to financial instruments valued in repetitive way to the fair value classified as level 1 and 2 in hierarchy of fair value, any cases in which transfer between these levels may occur, are monitored by the Bank on the basis of internal rules. In case if there is no market price used to a direct valuation for more than 5 working days, the method of valuation is changed, i.e. change from marked-to-market valuation to marked-to-model valuation under the assumption that the valuation model for the respective type of this

instrument has been already approved. The return to marked-to-market valuation method takes place after a period of at least 10 working days in which the market price was available on a continuous basis. If there is no market prices for a debt treasury bonds the above terms are respectively 2 and 5 working days.

Level 1

As at 31 March 2020, 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 1 718 215 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 19 235 755 thousand (see Note 18) (31 December 2019 respectively: PLN 1 330 541 thousand and PLN 17 537 697 thousand). Level 1 includes the fair values of corporate bonds in the amount of PLN 1 005 418 thousand (31 December 2019: PLN 984 228 thousand).

In addition, as at 31 March 2020 level 1 includes the value of the registered privileged shares of Giełda Papierów Wartościowych in the amount of PLN 725 thousand (31 December 2019: PLN 825 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 3 059 817 thousand (31 December 2019: PLN 3 219 627 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 2020 and 31 December 2019, level 2 also includes the value of options referencing on the WIG20 index. For options valuation on WIG 20 index an internal Bank's 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 1 429 948 thousand (31 December 2019: PLN 1 532 889 thousand) and includes the fair value of a debt instrument measured at fair value through profit or loss, resulting from the reclassification of preferred stock in Visa Inc.

Level 3 includes also the fair value of local government bonds in the amount of PLN 37 636 thousand (31 December 2019 - PLN 36 282 thousand).

Model valuation for these items assumes a valuation based on the market interest rate yield curve adjusted by the level of credit spread. The credit spread parameter reflects the credit risk of the security issuer and is determined in accordance with the Bank's internal model. This model uses credit risk parameters (e.g. PD, LGD) and information obtained from the market (including implied spreads from transactions). PD and LGD parameters are not observed on active markets and therefore have been determined on the basis of statistical analysis. Both models - the valuation of debt instruments and the credit spread model were built internally in the Bank by risk units, were approved by the Model Risk Committee and are subject to periodic monitoring and validation carried out by an entity independent of the units responsible for building and maintaining the model.

Level 3 as at 31 March 2020 includes the value of loans and advances to customers in the amount of PLN 2 016 108 thousand (31 December 2019 - PLN 2 144 221 thousand).

The Fair Value calculation for loans and advances to customers is based on its discounted estimated future cash flows. Future cash flows are determined taking into account:

- repayment schedule,
- time value of money, based on risk-free interest rates set in the process of forecasting interest flows,
- uncertainty of cash flows resulting from credit risk throughout the forecasted lifetime of the exposure by modifying contract flows using multi-year credit risk parameters Lt PD and Lt LGD,
- other factors that would be taken into consideration by the potential exposure buyer (overhead costs and the profit margin expected by market participants) during the process of calibration of the discount rate used in the valuation process.

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

Moreover, level 3 covers mainly the fair value of equity securities amounting to PLN 162 383 thousand (31 December 2019: PLN 161 791 thousand). The 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 2020 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 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 changes in accounting principles, which were presented under Note 2 in point "Comparative data".

3. Seasonal or cyclical nature of the business

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

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

In the first quarter of 2020 the COVID-19 pandemic significantly affected the Group's results, mainly by increasing expected credit losses charges and valuation of loan portfolio measured at fair value through profit or loss. Detailed information in this regard is presented in Note 3 "Major estimates and judgments made in connection with the application of accounting policy principles".

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 2020, mBank Hipoteczny S.A. issued long term bonds in the amount of PLN 95 000 thousand and redeemed long term bonds in the amount of PLN 150 000 thousand.

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

On 27 March 2020, the 33rd Annual General Meeting of mBank S.A. adopted a resolution regarding the distribution of the net profit for 2019. The net profit of mBank S.A. in the amount of PLN 980 980 thousand was left undivided.

8. Significant events after the end of the first quarter of 2020, 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 2020, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities

Events as indicated above did not occur in the Group.

10. Changes in contingent liabilities and commitments

In the first quarter of 2020, 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 2020, 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 2020, 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. Material liabilities assumed on account of acquisition of tangible fixed assets

In the first quarter of 2020, events as indicated above did not occur in the Group.

15. Reversals of provisions against restructuring costs

In the first quarter of 2020, events as indicated above did not occur in the Group.

16. Acquisitions and disposals of tangible fixed asset items

In the first quarter of 2020, 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.

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

In the first quarter of 2020, events as indicated above did not occur in the Group. The restatements of comparative data have been described in the Note 2, in the item "Comparative data".

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)

As part of actions taken in Poland related to the COVID-19 pandemic, in March and in April 2020 the Monetary Policy Council reduced interest rates by a total of 100 basis points, which affected the valuation of assets and liabilities at fair value. The COVID-19 pandemic also caused a sharp slowdown in economic activity at the end of the first quarter of 2020. Actions aimed at decreasing the rate of virus spread, introduced gradually since mid-March, have frozen activities in many sectors of the economy. It also affected the fair value of loans and advances. For more information on the impact on the valuation of loans, see Note 3 "Major estimates and judgments made in connection with the application of accounting policy principles".

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

In the first quarter of 2020, 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

The Bank did not publish a performance forecast for the year 2020.

23. Registered share capital

The total number of ordinary shares as at 31 March 2020 was 42 350 367 shares (31 December 2019: 42 350 367 shares) at PLN 4 nominal value each. All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 31 MARCH 2020						
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
ordinary bearer	-	-	13 385	53 540	fully paid in cash	2019
Total number of shares			42 350 367			
Total registered share capital				169 401 468		
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 2020 it held 69.31% of the share capital and votes at the General Meeting of mBank S.A. In the first quarter of 2020 there were no changes in the ownership structure of Bank's material shares packages.

- Commerzbank AG announcement regarding the approval of the strategy including, among others, the potential sale of mBank S.A shares

On 26 September 2019 Commerzbank AG published a communication according to which the new business strategy of Commerzbank was approved by the Management and Supervisory Board of Commerzbank. The strategy provides for sale of the majority stake in mBank held by Commerzbank. The potential sale of the Bank's shares would depend on obtaining the required regulatory approvals.

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 2019	Number of shares acquired from the date of publishing the report for 2019 to the date of publishing the report for Q1 2020	Number of shares sold from the date of publishing the report for 2019 to the date of publishing the report for Q1 2019	Number of shares held as at the date of publishing the report for Q1 2020
Management Board				
1. Cezary Stypułkowski	21 249	-	-	21 249
2. Lidia Jabłonowska-Luba	-	-	-	-
3. Frank Bock	334	-	-	334
4. Andreas Böger	270	-	-	270
5. Krzysztof Dąbrowski	1 000	-	-	1 000
6. Cezary Kocik	1 040	-	-	1 040
7. Adam Pers	-	-	-	-

As at the date of publishing the report for 2019 and as at the date of publishing the report for the first quarter of 2020, 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 2019 and as at the date of publishing the report for the first quarter of 2020, 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 2019 and as at the date of publishing the report for the first quarter of 2020, 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

The Group monitors the status of all court cases brought against entities of the Group, including the status of court rulings regarding loans in foreign currencies in terms of shaping of and possible changes in the line of verdicts of the courts, as well as the level of required provisions for legal proceedings.

The Group creates provisions for litigations against entities of the Group, which as a result of the risk assessment involve a probable outflow of funds from fulfilling the liability and when a reliable estimate of the amount of the liability can be made. The amount of provisions is determined taking into account the amounts of outflow of funds calculated on the basis of scenarios of potential settlements of disputable issues and their probability estimated by the Group based on the previous decisions of courts in similar matters and the experience of the Group.

The value of provisions for litigations as at 31 March 2020 amounted to PLN 496 010 thousand (PLN 484 760 thousand as at 31 December 2019). A potential outflow of funds due to the fulfilment of the obligation takes place at the moment of the final resolution of the cases by the courts, which is beyond the control of the Group.

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 afore-mentioned cases, legal proceedings against the Bank were dismissed and the cases were finally concluded. In the eighth case, a plaintiff withdrew their suit waiving the claim and the Regional Court dismissed the action. As far as the ninth suit is concerned, the amount in dispute is PLN 275 423 thousand, including statutory interest and costs of proceedings. According to the claims brought in the suit, this amount comprises the receivables, acquired by the plaintiff by way of assignment, due to the parties aggrieved by Interbrok on account of a reduction (as a result of Interbrok's bankruptcy) of the receivables by a return of the deposits paid by the aggrieved for making investments on the forex market. The plaintiff claims the Bank's liability on the grounds of the Bank's aid in committing the illicit act of Interbrok, consisting in unlicensed brokerage operations.

On 7 November 2017, the Regional Court in Warsaw dismissed the action in its entirety. The ruling is not final. The plaintiff appealed.

2. 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 thousand 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.

mBank S.A. has submitted its statement of defense and requested that the action be dismissed. The court accepted the Defendants' requests to summon sixteen banks to join the proceedings and ordered that the banks be served with the summons. Two banks have notified of their intention to intervene in the case as an indirect intervenor.

3. A lawsuit filed by Polski Koncern Naftowy ORLEN S.A.

On 7 February 2020, mBank S.A. received a lawsuit filed by Polski Koncern Naftowy ORLEN S.A. (Orlen) with its registered office in Płock seeking damages amounting to PLN 635 681 thousand on account of interchange fee. In the lawsuit, Orlen petitioned the court for awarding the damages jointly from mBank S.A. and other domestic bank and also from Master Card Europe and VISA Europe Management Services.

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, i.e. a collusion restricting competition in the market of acquiring services connected with settling clients' liabilities towards the plaintiff on account of card payments for goods and services purchased by clients on the territory of Poland.

At present, mBank S.A. is preparing its statement of defence

4. 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.

As at 17 October 2012, the group of class members consisted of 1,247 individuals. 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. 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. 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. The date of the appeal hearing was set for 30 April 2020, but due to Covid-19 the hearing was canceled. The case is pending.

As at 31 March 2020 the total value of claims in this class actions amounted to PLN 5.2 million.

5. 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.

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.

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. On 19 October 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. On 27 February 2020, a hearing was held at the Court of Appeal in Łódź. On 9 March 2020, a verdict was passed in a case in which the Court of Appeal referred the case for re-examination of the Regional Court.

As at 31 March 2020 the total value of claims in this class actions amounted to PLN 377 million.

6. Individual court proceedings concerning indexation clauses

Apart from the class action proceedings there are also individual court proceedings initiated against the Bank by its customers in connection with CHF loan agreements. As at 31 March 2020, 4 168 (31 December 2019: 3 715 proceedings) individual court proceedings were initiated against the Bank by its customers in connection with CHF loan agreements with the total value of claims amounting to PLN 565.7 million (31 December 2019: PLN 443.2 million). The value of provisions for all court proceedings related to CHF loan agreements amounted to PLN 489.6 million as at 31 March 2020 (as at 31 December 2019: PLN 478.8 million).

Out of the individual proceedings, 3 409 (31 December 2019: 2 902 proceedings) proceedings with the total value of claims amounting to PLN 553.1 million (31 December 2019: PLN 430.1 million) related to indexation clauses in CHF loan agreements and include claims for declaring ineffectiveness or invalidity in part (i.e. to the extent that the agreement contains contractual provisions related to indexation) or invalidity in whole of the loan agreements. The final rulings to-date in the indexation clauses proceedings are favourable to the Bank in the majority of the cases.

The carrying amount of mortgage and housing loans granted to individual customers in CHF presented in the condensed consolidated financial statements of mBank S.A. Group as at 31 March 2020 amounted to PLN 14.5 billion (i.e. CHF 3.4 billion) compared to PLN 13.6 billion (i.e. CHF 3.5 billion) as at the end of 2019. Additionally the volume of the portfolio of loans granted in CHF that were already fully repaid as of 31 March 2020 amounted to PLN 6.4 billion (as at 31 December 2019: PLN 6.3 billion).

The Group's approach to the measurement of provisions for legal risk associated with this portfolio of loans has been described in the Note 4 "Major estimates and judgments made in connection with the application of accounting policy principles".

Ruling of the Court of Justice of the European Union regarding a CHF mortgage

On 3 October 2019 the Court of Justice of the European Union issued the ruling in the prejudicial mode regarding a mortgage linked to the Swiss franc granted by a Polish bank. The submitted prejudicial questions were to determine, among other things, if a generally applicable custom can be used where there is no provision in domestic law that could replace an abusive exchange rate clause. In accordance with CJEU's ruling, the question of abusiveness will be decided by Polish courts. CJEU did not refer to this issue. In addition, CJEU did not make a clear-cut decision regarding the consequences of an exchange rate clause being considered abusive by a domestic court. However, the possibility of a credit agreement being performed further in PLN and with interest calculated according to LIBOR was found doubtful by the Court. If an exchange rate clause is found abusive, a domestic court must decide whether the agreement in question can be performed further or should be declared invalid, taking into account the client's will and the consequences of invalidity for the client. CJEU approved the application of a disposable norm (in the bank's opinion article 358 of the Polish Civil Code referring to the NBP fixing rate can be considered to be a disposable norm), if the invalidity of the agreement would be unfavourable for the client. CJEU rejected the application of general provisions referring to a custom or equity principles.

Tax audits

On 9 April 2019, mBank Hipoteczny 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 with related entities, and was informed about the initiation of verification activities regarding the correctness of the CIT-8 and CIT-8/O tax returns for 2017.

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 depositary were in conformity with the law and agreements on the performance of functions of the depositary, 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 depositary bank for investment funds to the applicable law. All objections of the Bank have been rejected by the regulator.

On 25 April 2019 the Bank submitted to PFSA Office a declaration of actions taken as realization of post-inspection recommendations. PFSA by letter dated 4 September 2019 objected to the implementation of selected recommendations. On 11 October 2019 Bank submitted to PFSA the response addressing given objections, in which the description of taken actions was further specified as well as some new solutions for implementation were presented. On 5 December 2019, the PFSA Office sent to the Bank a reply to the letter containing the acceptance of some of the Bank's activities aimed at implementing post-audit recommendations and clarifications of other expectations that are being implemented. The Bank will notify the PFSA about completion and implementation of recommendations.

On 27 February 2020, the Bank received the decision of PFSA Office dated 25 February 2020 to initiate administrative proceedings regarding the imposition of an administrative penalty on the Bank, pursuant to the provisions of the Act dated 27 May 2004 on investment funds and management of alternative investment funds.

27. Off-balance sheet liabilities

Off-balance sheet liabilities as at 31 March 2020 and 31 December 2019 were as follows.

Consolidated data of mBank S.A. Group

	31.03.2020	31.12.2019
1. Contingent liabilities granted and received	44 719 709	42 068 017
Commitments granted	40 144 055	38 073 362
- financing	30 528 444	29 134 935
- guarantees and other financial facilities	8 740 881	8 938 427
- other commitments	874 730	-
Commitments received	4 575 654	3 994 655
- financial commitments	1 122 803	392 130
- guarantees	3 452 851	3 602 525
2. Derivative financial instruments (nominal value of contracts)	699 987 381	596 187 240
Interest rate derivatives	581 549 593	497 168 526
Currency derivatives	111 042 584	93 546 161
Market risk derivatives	7 395 204	5 472 553
Total off-balance sheet items	744 707 090	638 255 257

Stand-alone data of mBank S.A.

	31.03.2020	31.12.2019
1. Contingent liabilities granted and received	48 781 801	46 072 755
Commitments granted	44 206 147	42 078 100
- financing	29 204 542	28 121 245
- guarantees and other financial facilities	14 126 875	13 956 855
- other commitments	874 730	-
Commitments received	4 575 654	3 994 655
- financial commitments	1 122 803	392 130
- guarantees	3 452 851	3 602 525
2. Derivative financial instruments (nominal value of contracts)	692 408 369	589 039 886
Interest rate derivatives	576 161 784	492 076 810
Currency derivatives	108 851 381	91 490 523
Market risk derivatives	7 395 204	5 472 553
Total off-balance sheet items	741 190 170	653 112 641

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 as at 31 March 2020 and as at 31 December 2019, and related costs and income for the period from 1 January to 31 March 2020 and from 1 January to 31 March 2019 are presented in the table below.

As at the end of the period	mBank's subsidiaries			Commerzbank AG			Other companies of the Commerzbank AG Group		
	31.03.2020	31.12.2019	31.03.2019	31.03.2020	31.12.2019	31.03.2019	31.03.2020	31.12.2019	31.03.2019
Statement of Financial Position									
Assets	116 958	160 187		2 353 390	528 688		42 750	19	
Liabilities	24 893	31 518		2 385 788	2 059 006		756 159	709 071	
Income Statement									
Interest income	623		4	6 918		23 469	147		161
Interest expense	(46)		(21)	(7 496)		(12 302)	(971)		(1 871)
Fee and commission income	134		25	1 290		965	-		13
Fee and commission expense	-		-	-		(657)	-		-
Other operating income	31		35	370		340	-		-
Overhead costs, amortisation and other operating expenses	-		-	(2 422)		(2 675)	-		-
Contingent liabilities granted and received									
Liabilities granted	388 179	355 716		2 139 533	2 124 709		9 541	3 502	
Liabilities received	-	-		1 886 768	1 816 577		-	-	

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 2020 recognized in the Group's income statement for that period amounted to PLN 8 660 thousand (in the period from 1 January to 31 March 2019: PLN 8 649 thousand).

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 2020, 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 20 November 2014, mFF issued a 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

- On 28 February 2020, Mr. Maciej Leśny, Chairman of the Supervisory Board of mBank S.A. announced that he would not run for 2020 as a Member of the Supervisory Board of mBank S.A. for a new term.
- On 27 March 2020, during the XXXIII Ordinary General Meeting of Shareholders of mBank S.A. a new composition of the Supervisory Board of mBank S.A. has been constituted. Mr. Maciej Leśny, the current chairman of the Supervisory Board, has retired. His function was taken by Mrs. Agnieszka Słomka-Gołębiowska, who was previously an independent member of the Council.

From 27 March 2020, the composition of the Supervisory Board of mBank S.A. is as follows:

1. Agnieszka Słomka-Gołębiowska - Chairwoman
2. Jörg Hessenmüller - Deputy Chairwoman
3. Tomasz Bieske
4. Marcus Chromik
5. Mirosław Godlewski
6. Aleksandra Gren
7. Michael Mandel
8. Bettina Orlopp

31. Factors affecting the results in the coming quarter

In the first quarter of 2020 the COVID-19 pandemic significantly affected the Group's results, mainly by increasing expected credit losses charges. The Group expects further impact of the pandemic and related activities undertaken in Poland and worldwide on the results of the next quarter and the entire 2020.

The reduction of interest rates by the Monetary Policy Council by 100 basis points in total, announced on 17 March 2020 and on 8 April 2020, will have a negative impact on the Group's net interest income. The impact is currently estimated at approximately PLN 155 million in 2020, based on the assumption of a fixed balance sheet total. However, due to the negative impact of the COVID-19 pandemic on economic activity, the Group expects also a decrease in customer activity and lower sales of banking products. The final impact may differ from the current estimation depending on the macro situation, business activity and volume development.

The Group has introduced a number of facilities for customers to limit the impact of the pandemic on their financial situation. Despite this, due to the potential deterioration of the macroeconomic situation, the Group expects that the financial situation of borrowers will deteriorate in the following quarters and thus further significantly increase the expected credit losses charges in the second quarter and in the entire 2020 when compared to those charges in the second quarter of 2019 and entire 2019. Moreover, the weakening of the zloty may have a negative impact on the amount of provisions created for legal risk of foreign currency mortgages and housing loans.

Considering the above, the Bank's Management Board expects that the consolidated net result in the second quarter of 2020 and in the entire 2020 will be significantly lower than the net profit achieved in the second quarter of 2019 and in entire 2019.

32. Other information**■ Requirements on mBank Group capital ratios as of 31 March 2020**

On 19 March 2020, into force the repeal of the regulation on the systemic risk buffer applicable to banks in Poland under the provisions of the Act on Macro-prudential Supervision over the Financial System and Crisis Management in the Financial System of 5 August 2015 (Dz. U. 2019, item 483) into force. Thus, the value of the system buffer was reduced to 0% for mBank and mBank Group from 2.81% and 2.83%, respectively.

Given the above, as well as the other components that make up the required level of capital ratios, the minimum required level of capital ratios at the end of March 2020 was as follows:

- Individual total capital ratio – 14.94% and Tier 1 capital ratio – 12.03%,
- Consolidated total capital ratio – 14.42% and Tier 1 capital ratio – 11.64%.

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

33. Events after the balance sheet date**Revision of mBank's rating outlook to negative by S&P Global Ratings**

On April 27, 2020, S&P Global Ratings affirmed the current ratings of the Bank (long-term issuer credit rating: "BBB", short-term issuer credit rating: "A-2") and revised the rating outlook of long-term rating from "developing" to "negative", considering that the negative economic consequences of the COVID-19 pandemic may pose a risk to the bank's rating.