Consolidated report

of the Bank Millennium S.A. Capital Group

for 1st quarter of 2019

CONSOLIDATED FINANCIAL HIGHLIGHTS

	Amount '000 PLN		Amount '000 EUR	
	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Interest income and other of similar nature	694 559	609 595	161 608	145 892
Fee and commission income	201 530	209 202	46 891	50 067
Profit (loss) before income tax	232 674	218 894	54 138	52 387
Profit (loss) after taxes	159 966	155 276	37 220	37 162
Total comprehensive income of the period	132 806	202 017	30 901	48 348
Net cash flows from operating activities	(1 036 081)	103 185	(241 072)	24 695
Net cash flows from investing activities	(151 699)	(2 365 773)	(35 297)	(566 191)
Net cash flows from financing activities	825 592	(450)	192 096	(108)
Net cash flows, total	(362 188)	(2 263 038)	(84 273)	(541 604)
Earnings (losses) per ordinary share (in PLN/EUR)	0.13	0.13	0.03	0.03
Diluted earnings (losses) per ordinary share	0.13	0.13	0.03	0.03
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Total Assets	82 306 793	80 458 914	19 135 329	18 711 375
Liabilities to banks and other monetary institutions	1 868 210	1 788 857	434 336	416 013
Liabilities to customers	66 672 620	66 243 769	15 500 574	15 405 528
Equity	8 517 192	8 384 386	1 980 144	1 949 857
Share capital	1 213 117	1 213 117	282 035	282 120
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN/EUR)	7.02	6.91	1.63	1.61
Diluted book value per share (in PLN/EUR)	7.02	6.91	1.63	1.61
Total Capital Ratio (TCR)	25.60%	21.68%	25.60%	21.68%
Pledged or paid dividend per share (in PLN/EUR)	-	-	-	-

Exchange rates accepted to convert selected financial data into EUR				
for items as at the balance sheet date	-	-	4.3013	4.3000
for items for the period covered by the report (exchange rate calculated as the average of exchange rates at the end of individual months of the period)	-	-	4.2978	4.1784

Information about the activity of Bank Millennium Capital Group during 1 quarter of 2019

Bank Millennium Group (the “Group”) consolidated net profit in 1Q 2019 amounted to PLN 160 million and was 3% higher versus net profit of the corresponding period in 2018.

Net interest income still remains the main revenue growth driver (+14.6% yearly), while increase of BFG contributions in 2019 caused significant growth of operating costs (including depreciation) by 16,4% yearly. It should be noted that BFG resolution fund fee is booked in 1Q, which disturbs comparison of results versus previous quarter.

Main financial and business highlights of 1Q 2019 are as follows:

Profitability improvement

- Net profit of 1Q 2019 reached 160 million PLN, which means 3% yearly growth
- ROE at 10.3% (with equal quarterly distribution of BFG fees) and at 9.1% adjusted for one-offs*) , influenced by strong increase of equity y/y (+10%)
- Cost/income*) at 46.1% level, lower than ratio for 2018 full year

Interest income growing fast. Costs disturbed by BFG annual fee

- Net interest income grew by 14.6% y/y and was flat in quarterly terms due to shorter quarter.
- Net Commission Income reverted downturn trend growing by +1.0% q/q. Yearly drop of -5.4% due to worse capital markets
- Operating costs grew by 9% y/y excluding BFG contributions

High asset quality and liquidity kept

- Impaired loans (stage 3) ratio at 4.4% level with coverage by total provisions at 73%
- Cost of Risk**) at 55 b.p. (annualised)
- Loans to Deposits ratio at low level of 81%

Very high capital ratios after retaining 2018 profit and T2 issue

- Group’s Total Capital Ratio (TCR) at 25.6%, and CET1 ratio at 21.5% after incorporating entire 2018 year profit
- 830 million PLN subordinated bonds issued in January improved T2 capital
- Moody’s agency once again upgraded the Bank’s rating to Baa1

Retail business

- +222 thousand yearly growth in number of active retail customers
- 988 million PLN new cash loans sold in 1Q (+29% y/y) and 856 million PLN of mortgages (+14% y/y)
- 11% yearly growth of deposits, to 47.8 bn PLN
- Almost 1.5 million digital customers (+22% y/y)

Companies business

- Solid growth of loans to companies kept: +14.9% y/y
- Deposits volume grew by +15.4% y/y
- Growth in factoring and leasing sales above +7% y/y

Quality and Innovations

- Złoty Bankier***) second place in ranking for banks with the best customer service and special award for the best social responsibility
- The Best Bank in Poland for 2019 in the annual competition organised by Global Finance Magazine.
- Over 1 million apps downloads by goodie.

(*) without extraordinary items i.e. with equal accrual through the year of BFG resolution fee booked upfront in 1Q and without net impact of PLN 24 million from extraordinary tax asset recovery.

(**) Total net provisions to average net loans

(***) "Złoty Bankier 2019" has been organized by Bankier.pl and Puls Biznesu

Acquisition of Euro Bank

On 5 November 2018 the Bank announced the agreement on the transaction to buy 99.8% of the shares in Euro Bank S.A. As at 2018 year end Euro Bank had total assets of PLN 14.5 billion, loans of PLN 12.2 billion and deposits of PLN 7.7 billion. Subject to obtaining all the approvals, closing of the transaction is targeted for end of May 2019, legal merger for the end of 3rd quarter 2019 and operational merger before the end of 2019 year.

Macroeconomic situation and factors influencing results in the next quarters

In Q4 2018, the economic situation in the domestic economy continued to be very good, although the growth rate of Gross Domestic Product in Poland slowed down to 4.9% y/y from 5.2% y/y a quarter before. Unchangeably, private consumption was still the main driver of economic growth, although in Q4 its growth slowed down to 4.2% y/y from 4.4% y/y in Q3 2018. The solid growth of household consumption was supported by a very good income situation of households resulting from rising wages and employment, as well as low unemployment rate boosting favourable consumer sentiment. Strong support for economic activity was also provided by investments, which were mostly related to infrastructure investments co-financed with funds from the EU budget. The net exports also contributed positively to the economic growth, despite the weakening of global economic activity, in particular in Poland's most important trade partners - the euro zone, including Germany.

Available data indicate that the high resilience of domestic exporters to the global trade slowdown was also maintained in Q1 2019. Import demand also continued to be solid and therefore net exports are likely to have had a slightly negative impact on the GDP growth at the beginning of this year. Household consumption probably remained the main driver of growth, although retail sales data point out to its slight slowdown. Similarly, data on construction and assembly production in January-March period support the estimates that investment activity in Q1 this year was slightly lower. Consequently, the GDP growth slowed down in this period, according to the Bank's expectations, to around 4.0% y/y.

Solid growth in individual consumption is still supported by the situation on the domestic labour market. The average monthly wage growth in the corporate sector in Q1 was close to 7.0% y/y, comparably to the preceding quarter. This was accompanied by a further increase in the number of employees, despite low unemployment and difficulties of companies in finding employees with appropriate qualifications. According to the Central Statistical Office the registered unemployment rate decreased in March to 5.9%, a level close to the lowest on record.

March brought an increase in CPI inflation up to 1.7% y/y from 1.2% y/y in February, and the core inflation (CPI excluding food and energy prices) totalled 1.4% y/y, reaching its highest level in nearly 6 years. However, the data still indicate relatively low inflationary pressure, despite high economic activity, rising wages and low unemployment rate. Therefore, the Monetary Policy Council has maintained a loose monetary policy stance, and the reference rate has been at the historically low level of 1.5% for over 4 years. In the Bank's assessment, the official NBP interest rates will remain at their current levels for a longer period of time.

After the estimated slowdown in the economic growth rate in Q1, the following quarters should bring a gradual, albeit small, rebound in economic growth, mostly as a result of measures related to the planned easing of the fiscal policy. These include, inter alia, one-off benefits for pensioners, extension of the 500 plus programme onto the first child and reduction of the tax burden for young employees, which all will boost household consumption. The outlook for investment, particularly in infrastructure, remains favourable, although the growth rate will be slower this year than in 2018 due to supply constraints in the construction sector and a high base effect. In addition, leading economic indicators do not signal a marked improvement in the euro area, which will have a restrictive effect on the activity of domestic export enterprises.

At the beginning of this year, despite very low real interest rates, deposits in the banking sector grew dynamically, supported by a good income situation of households and a visible relocation of some savings from investment funds to the banking sector. The annual growth rate of deposits of non-financial enterprises gradually increased in Q1 this year, although it was slower than the growth of household deposits. Low real interest rates and rising wages, which improve creditworthiness, were conducive to the growth of loans for households in Q1. However it was partly supported by the weakening of the PLN exchange rate raising value of loans in PLN. In Q1 2019, the growth rate of loans to non-financial companies exceeded the growth of loans to households, however, there is still no clear rebound of the growth of loans for investment purposes.

In coming quarters the activity of banking sector, including Bank Millennium, can be influenced by the following negative external factors:

- A stronger-than-expected slowdown in global economic growth as a result of intensified protectionism in global trade, an increase in uncertainty regarding the UK leaving the European Union (Brexit) and high public debt in some of the Eurozone countries. Due to the connections within the global production chains, such events in the external environment may have a negative impact on Polish exports and thus on the income situation of domestic enterprises and households.

- Strongly increasing labour costs in Poland are affecting also banking sector and growing problems with finding employees with appropriate qualifications may additionally limit profitability of some enterprises financed by banks.

- **Introduction of costly legal-regulatory solutions towards FX mortgages.** On 2 August 2016 the President's Bill on support for FX mortgage borrowers was submitted to the Parliament. The proposed law is to apply to FX (all currencies) loan agreements signed from 1 July 2000 to 26 August 2011 (when the "Anti-spread Act" came into force). This Draft Bill concerns the return of part of FX spreads applied by banks. On 2 August 2017 a new Presidential Draft Bill appeared in Parliament regarding changes in the Act on Support for Distressed Borrowers who Took Residential Loans. The Draft Bill assumes a modification of the existing Borrowers' Support Fund by separating-out two Funds: Supporting Fund and Conversion Fund. As regards the Supporting Fund, the Draft Bill aims to increase availability of money from the fund by means of: relaxing criteria, which must be satisfied by a borrower applying for support; increasing the maximum amount of support; extending the period, for which the support is granted; forgiving part of the support granted conditional on punctual repayment to the fund. The Conversion Fund is to be used for currency conversion of FX mortgages to PLN. The Draft Bill contains very general regulations and does not specify criteria of eligibility for such currency conversion and its rules. Quarterly payments to the Conversion Fund made by lenders are not to exceed the equivalent of the FX mortgage portfolio and the rate of 0.5%. The maximum costs for the entire sector, assessed based on FX mortgage balance (PLN 128 billion in December 2018 according to KNF), may reach PLN 2.6 billion in the first year of operation of the Conversion Fund. According to the Draft Bill, KNF may issue a recommendation to lenders specifying the principles of voluntary conversion of receivables with consideration of stability of the financial system and effective use of money in the Restructuring Fund. After Government's acceptance and voting of several changes by the Parliamentary Sub-Committee, Presidential Draft Bill of 2 August 2017 was sent on 24 January 2019 for the further parliamentary proceedings.
  The two above Draft Bills included, so far four draft Acts have been submitted to Parliament and in consequence it is not possible to estimate the impact of the proposed legislation on the banking sector and the Group. However if any of the Draft Bills is adopted and begins to bind banks, this may lead to significant reduction of the Group's profitability and its capital position.

- Regulatory trimming of income generated by the banking sector on managing and distributing units of mutual funds, coupled with unclear situation on local capital market, may cause further erosion of commission income of the banking sector, including Bank Millennium Group.

Bank Millennium Group Profit and Loss Account after 1st quarter 2019

Operating Income *(PLN million)*	1Q 2019	1Q 2018	Change y/y
Net Interest Income *	500.3	436.7	14.6%
Net Commission Income	163.2	172.5	-5.4%
Core Income	663.5	609.2	8.9%
Other Non-Interest Income */**	77.3	47.2	63.7%
- of which one-off tax asset recovery	26.9	-	-
Total Operating Income	740.8	656.4	12.9%
Total Operating Income without one-off	713.9	656.4	8.8%

(*) Pro-forma data: Net Interest Income includes margin from all derivatives. From 1st January 2006 the Bank started to apply hedge accounting principles. Starting from that date, the margin from these operations is reflected in Net Interest Income. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, the Bank provides pro-forma data, which presents all margin from derivatives in Net Interest Income caption, whereas in accounting terms part of this margin (PLN 16.3 million in Q1 2019 and PLN 8.4 million in Q1 2018) is presented in Other Non-Interest Income. In the Bank's opinion, such approach allows better understanding of the real evolution of this item from economic point of view.

(**) Without fair value adjustment of credit portfolio (PLN 4.9 million in 1Q 2019 and PLN 3.1 million in 1Q 2018), which is moved to pro-forma cost of risk

Net Interest Income (pro-forma) in 1Q 2019 reached PLN 500.3 million and increased strongly by 14.6% versus the corresponding period of the previous year. The increase was driven mainly by solid growth of business volumes, while Net Interest Margin stood at a similar level as year ago (2.53% compared to 2.51% last year). 1st quarter NII and NIM were influenced by shorter number of days and by the incremental interest costs of the new subordinated bonds issue of PLN 830 million.

Net Commission Income in 1Q 2019 amounted to PLN 163.2 million, which means a 5.4% drop versus 1Q 2018 but a small (by 0.7%) increase in quarterly terms. Capital market performance is the main driver of this evolution: fees from distribution and management of investment products slightly recovered in 1Q after two years negative trend.

Core Income, defined as a combination of net interest and commission income, reached the amount of PLN 663.5 million in 1Q 2019 which means a robust growth of 8.9% yearly.

Other Non-interest Income, which comprise FX Result, Results on Financial Assets and Liabilities (without interest margin on derivatives and fair value adjustment of credit portfolio) and net other operating income and costs, amounted to PLN 77.3 million in 1Q 2019 and increased strongly by PLN 30 million (or 64%) yearly. Other operating income has been increased by PLN 26.9 million of released provision on the previously recognized tax (CIT) receivable for 2010 year as a result of beneficial outcome of the control proceeding. In net terms, the financial impact of this one-off gain amounted to PLN 24.3 million.

Total operating income (pro-forma) of the Group reached PLN 740.8 million in 1Q 2019 and increased by 12.9% year-on-year. After adjusting for above mentioned one-off, Total operating income grew by 8.8% yearly to the amount of PLN 713.9 million.

Operating Costs *(PLN million)*	1Q 2019	1Q 2018	Change y/y
Personnel Costs	(172.6)	(157.7)	9.4%
Other Administrative Costs *	(127.9)	(117.9)	8.5%
Banking Guarantee Fund (BFG) cost	(84.0)	(54.7)	53.7%
Total Operating Costs	(384.5)	(330.2)	16.4%
Cost/Income - reported	**51.9%**	**50.3%**	***+1.6 p.p.***
*Cost/Income - adjusted ** *	46.1%	45.9%	*+0.4 p.p.*

(*) including depreciation
(**) only ¼ of total annual BFG resolution fund fee booked in 1Q (PLN 72.4 million in 2019 and PLN 37.7 million in 2018) is treated as recurrent assuming equal distribution of the fee among all the quarters of the financial year

Total costs in 1Q 2019 amounted to PLN 384.5 million, which means a nominal increase by 16.4% versus the corresponding period of 2018. Strong increase of obligatory BFG contributions in 2019 was the important factor for operating costs growth. Additionally, BFG yearly resolution fee (which doubled year-on-year) is always booked in 1Q, which disturbs comparison of costs and entire results versus previous three quarters. Excluding BFG contributions booked in 1Q, operating costs grew 9% yearly.

Personnel costs in 1Q 2019 amounted to PLN 172.6 million and grew by 9.4% compared to the corresponding period of the previous year as a result of increase of staff remuneration and increase in employment. Part of employees total number growth was driven by incorporation of SKOK Piast credit union in November 2018. Total number of employment in the Group reached 6,183 persons (in Full Time Equivalents).

The structure of employment of Bank Millennium Group is presented in the table below:

Employment structure (in FTEs)	31.03.2019	31.03.2018	Change y/y
Bank Millennium S.A.	5 838	5 513	5.9%
Subsidiaries	345	335	3.1%
Total Bank Millennium Group	**6 183**	**5 848**	**5.7%**

Other administrative costs (including depreciation but excluding BFG contributions) in 1Q 2019 reached PLN 127.9 million and grew by 8.5% year-on-year. IT & telecom cost were the main drivers of the growth (+17% y/y). IFRS16 new standard caused also transfer from rental fees to depreciation charges. In the same time contributions to BFG funds (both deposit guarantee and resolution) grew by 54% yearly to the amount of PLN 84 million.

Total number of branches grew by 12 during last 12 months to 368 outlets.

Cost-to-Income ratio in 1Q 2019, calculated with adjusted BFG yearly resolution fee and without extraordinary tax asset recovery, stood at 46.1% i.e. lower than ratio for entire 2018 year (46.5%).

Net Profit *(PLN million)*	1Q 2019	1Q 2018	Change y/y
Operating Income	740.8	656.4	12.9%
Operating Costs *	(384.5)	(330.2)	16.4%
Impairment provisions **	(72.3)	(55.1)	31.2%
Banking tax	(51.4)	(52.2)	-1.6%
Pre-income tax Profit	**232.7**	**218.9**	6.3%
Income tax	(72.7)	(63.6)	14.3%
Net Profit - reported	**160.0**	**155.3**	3.0%
Net Profit - adjusted* *	***190.0***	***184.3***	***3.1%***

(*) without impairment provisions for financial and non-financial assets
(**) including PLN 4.9 million fair value adjustment on loans and PLN 3.7 million of loans modification effect
(***) equal distribution of BFG resolution fee through the year and without extraordinary tax asset recovery

Total cost of risk (pro-forma), which comprises net impairment provisions, fair value adjustment (of part of credit portfolio) and result on loan modifications, borne by the Group in 1Q 2019 amounted to PLN 72.3 million and were 31% higher than this cost recognized in 1Q 2018. The charges for retail segment stood at PLN 39 million while for corporate segment and other amounted to PLN 33 million. In relative terms, cost of risk (i.e. net charges to average net loans) in 1Q 2019 reached 55 bps level i.e. within expected range level.

Pre-income tax profit in 1Q 2019 amounted to PLN 232.7 million and increased by 6.3% compared to the previous year, as a consequence of evolution of all described above elements.

Net Profit reported in 1Q 2019 amounted to PLN 160.0 million and was 3% higher than an year ago. Net profit with adjustment for non-symmetric resolution BFG fee and extraordinary tax asset recovery (PLN 24.3 million net impact) amounted to PLN 190.0 million in 1Q 2019 and grew by 3.1% yearly on the respective basis.

Business results after 1st quarter 2019

At the end of 1Q 2019, the number of active retail customers reached almost 1,9 million after growing by 222 thousand during last 12 months. Electronic banking had 1.5 million active users (22% growth y/y), including 1.1 million active users of a mobile application and mobile Millenet (40% growth y/y).

Total **customer funds** of Bank Millennium Group reached PLN 75,478 million as at 31 March 2019 showing the growth of 9.3% yearly. Total **Deposits** grew by 12.1% yearly to the level of PLN 66.673 million.

Deposits of households reached PLN 47,827 million as at 31 March 2019 after solid growth of 10.8% yearly. Within this deposits volume, current and saving accounts continued to grow the fastest, by 16% yearly, so its share in total deposits of individuals increased to the level of 68%. Number of current accounts grew by 311 thousand and all payment cards by 358 thousand during last 12 months.

In the same period, negative trends on the Polish capital market caused that non-deposit investment products fell by 8.3% y/y and reached PLN 8,805 million level at the end of March 2019. Within this assets balance, PLN 4,466 million was under management of Millennium TFI, PLN 3,745 million was managed by third party providers and PLN 594 million was an outstanding balance of own bank's securities placed to retail customers (mainly as structured instruments).

Deposits from companies and public sector increased strongly by 15.4% during the year to 18,846 million PLN. The growth rate was similar for current accounts (+16%) and for term deposits (+15%).

Customer Funds *(PLN million)*	31.03.2019	31.03.2018	Change y/y
Deposits of individuals	47 827.1	43 146.1	10.8%
Deposits of Companies and public sector	18 845.6	16 327.8	15.4%
Total Deposits	**66 672.6**	**59 473.9**	**12.1%**
Investment products *	8 805.2	9 606.3	-8.3%
Total Customer Funds	**75 477.9**	**69 080.2**	**7.6%**

(*) This category includes Bank's securities sold to retail customers, Millennium TFI mutual funds and other investment products of third parties sold to Group's clients

Total net **loans** of Bank Millennium Group reached PLN 53,940 million as at the end of March 2019 after strong growth of 12.4% year-on-year. The growth of loans without foreign currency mortgage portfolio presented much higher growth rate of 17.8% year-on-year reflecting dynamic increase in all key groups of lending activity (PLN mortgage, consumer loans and companies). FX mortgage portfolio continues a fast reduction by 7.5% yearly in currency or -0.4% in PLN.

The net value of loans granted to households as at the end of March 2019 totalled PLN 36,001 million and grew by 11.2% compared to the balance recorded year ago. All main product categories, except FX mortgage loans, presented very strong annual growth rates: PLN mortgages +20.5% year-on-year and consumer loans of +19.9% year-on-year.

Cash loans hit a new quarterly record of PLN 988 million new sales during 1Q 2019. This was possible, among others, thanks to the increase of digital channels in the sale process from 37% year ago to 48% in 1Q 2019. PLN mortgages sale maintain solid quarterly volumes and reached PLN 856 million level in 1Q 2019, implying 14% growth year-on-year.

Net value of loans to companies amounted to PLN 17,938 million as at the end of March 2019 and grew by 14.9% yearly. Solid growth was recorded in all main product categories: leasing (+12% y/y), factoring (+9% y/y) and other loans (+17% y/y). Leasing and factoring quarterly sales keep solid growth above 7% versus homologous quarter of the previous year. Also volume of guarantees and Letters of Credit grew by 15% yearly.

Loans and advances to Clients *(PLN million)*	31.03.2019	31.03.2018	Change y/y
Loans to households	**36 001.4**	**32 381.4**	**11.2%**
- PLN mortgage loans	*14 049.5*	*11 659.5*	*20.5%*
- FX mortgage loans	*14 186.3*	*14 244.0*	*-0.4%*
- consumer loans	*7 765.5*	*6 477.9*	*19.9%*
Loans to companies	**17 938.4**	**15 618.3**	**14.9%**
- leasing	*6 421.0*	*5 729.0*	*12.1%*
- other loans to companies and factoring	*11 517.4*	*9 889.3*	*16.5%*
Net Loans & Advances to Clients	**53 939.8**	**47 999.7**	**12.4%**
Net Loans & Advances excluding FX mortgage loans	*39 753.4*	*33 755.6*	*17.8%*
Impairment write-offs *	1 799.6	1 834.1	-1.9%
Gross loans and advances to Clients	**55 739.4**	**49 833.7**	**11.9%**

(*) Including, besides provisions for credit risk, also fair value adjustment of loan portfolio presented in fair value as well as loan modifications effect. Gross loan portfolio in this case presents value of loans and advances before mentioned provisions and adjustments.

Liquidity, asset quality and solvency

The liquidity position of Bank Millennium Group remains strong after 1Q 2019. LCR ratio increased to 197% i.e. high above 100% minimum from 174% one year ago. Loan-to-deposit ratio stay at low 81% level and share of liquid securities (mainly treasury bonds and NBP bills) in Group's total assets remains high at 28.8%.

The year 2018 brought the new reporting standard IFRS 9, which caused not only change of balance sheet volumes, but also required a change of definition of some asset quality ratios. Share of impaired loans in total loan portfolio, now based on stage 3 portfolio, was at the end of March 2019 on the level of 4.42%. This means a drop from 4.86% a year ago. The ratio decreased also from 4.52% a quarter before, partially due to write-offs.

Share of loans past-due more than 90 days in total portfolio is lower both compared to the previous year as well as previous quarter and amounts to 2.39%.

Coverage ratio of impaired loans, now defined as all risk provisions and fair value adjustment over stage 3 loans, decreased during the year from 75.6% in March 2018 to 73% now, which is partially a result of write-offs. Coverage by total provisions of loans past-due more than 90 days also slightly decreased from 137% a year ago to approx. 135% now.

Impaired loans ratios (stage 3) within particular product segments in March 2019 versus a year ago indicate only positive changes: in non-mortgage retail portfolio the ratio decreased to 10.4% from 12.6%, in mortgage portfolio to 2.74% from 2.89% a year ago. In the corporate portfolio improvement of the ratio to 4.16% from 4.37% a year ago, including leasing portfolio 4.03% vs. 4.31% respectively.

The evolution of main indicators of the Group's loan portfolio quality is presented below:

Group loans quality indicators	31.03.2019	31.12.2018	31.03.2018
Total impaired/stage 3 loans (PLN million)	2 466.0	2 463.0	2 424.4
Provisions and adjustments for credit risk* (PLN million)	1 799.6	1 831.8	1 834.1
Impaired/stage 3 over total loans ratio (%)	**4.42%**	**4.52%**	**4.86%**
Loans past-due over 90 days /total loans (%)	2.39%	2.52%	2.69%
Total provisions*/impaired loans (%)	**73.0%**	**74.4%**	**75.6%**
Total provisions*/loans past-due (>90d) (%)	134.9%	133.1%	136.6%

(*) Including, besides provisions for credit risk, also fair value adjustment of loan portfolio presented in fair value as well as loans modification result.

During 1st quarter 2019 the Bank and the Group significantly strengthened capital ratios ahead of acquisition of Euro Bank. As at the end of March total capital ratio grew to 25.6% as a consequence of full 2018 year profit retention (AGM decision) and issue of subordinated bonds approved by KNF for T2 capital. Tier 1 ratio (=CET1) grew to 21.5% so now level of regulatory capital allows for acquisition of Euro Bank without any further increase of capital.

Main capital adequacy and liquidity ratios, including minimum required level of capital:

Main capital and liquidity indicators	31.03.2019	31.12.2018	31.03.2018
(PLN million)			
Risk-weighted assets (RWA) for Group	37 735.2	36 635.5	33 070.3
Risk-weighted assets (RWA) for Bank	37 027.7	36 012.8	32 322.9
Own funds requirements for Group	3 018.8	2 930.8	2 645.6
Own funds requirements for Bank	2 962.2	2 880.9	2 585.8
Own Funds for Group	9 658.9	7 943.0	8 079.9
Own Funds for Bank	9 418.0	7 735.5	7 876.7
Total Capital Ratio (TCR) for Group	**25.60%**	**21.68%**	**24.43%**
Minimum required level TCR *)	19.77%	19.147%	18.54%
Total Capital Ratio (TCR) for Bank	25.44%	21.49%	24.37%
Tier 1 ratio for Group)	**21.54%**	**19.77%**	**22.32%**
Minimum required level T1 *)	16.20%	15.579%	15.18%
Tier 1 ratio for Bank**)	21.30%	19.54%	22.20%
Common Equity Tier 1 (=T1) ratio for Group)**	**21.54%**	**19.77%**	**22.32%**
Minimum required level CET1 *)	13.51%	12.887%	12.656%
Common Equity Tier 1 (=T1) ratio for Bank **)	21.30%	19.54%	**22.20%**
Loans to Deposits ratio	**80.9%**	**79.6%**	**80.7%**
Liquidity Coverage Ratio (LCR)	**197%**	**212%**	**174%**

(*) Minimum required level of capital include:

a) Pillar II FX mortgage buffer - at the level of 6.41 p.p. (Bank) and 6.27 p.p. (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements for Tier 1 ratio of 4.81 p.p. (the Bank) and 4.70 p.p. (the Group), and which corresponds to capital requirements for CET1 ratio of 3.59 p.p. (the Bank) and 3.51 p.p. (the Group).

b) Combined buffer (defined in Act on macroprudential supervision over financial system and crisis management) comprising:

- *Capital conservation buffer at the level of 2.5%;*
- *Other systemically important institution buffer (OSII) – at the level of 0% (the value is set by KNF every year);*
- *Systemic risk buffer at the level of 3% in force from the beginning of 2018;*
- *Countercyclical buffer at the 0% level.*

(**) Common Equity Tier 1 Capital ratio is equal to Tier 1 Capital ratio both for the Bank and the Group

Information on shares and ratings

During 12 months ending in March 2019, main index WIG grew by 2.2% and banking index WIG Banks decreased by 3.3%. In the same time Bank Millennium shares grew by 8.9% i.e. much above the entire market and banking sector.

The average daily trading of Bank Millennium shares was lower by 24% in 1Q 2019 versus 1Q 2018.

Market ratios	29.03.2019	29.03.2018	Change (%) Yearly
Number of shares of the Bank (in ths.)	1 213 117	1 213 117	0.00%
Daily trading (PLN ths. avg. ytd)	7 399	9 697	-23.7%
Bank's share price (PLN)	8.94	8.21	8.9%
Market cap. (PLN million)	10 845	9 960	8.9%
WIG Banks	7 586	7 841	-3.3%
WIG20	2 312	2 210	4.6%
WIG30	2 655	2 557	3.8%
WIG	59 668	58 377	2.2%

(*)last day of quotation in 2018

From the beginning of 2019 there was one change in rating of Bank Millennium. On 2nd of April 2019 Moody's rating agency upgraded the Bank's long-term deposit ratings to Baa1 from Baa2.

Concurrently, the Bank's baseline credit assessment (BCA) and Adjusted BCA were upgraded to baa3 from ba1, and long-term Counterparty Risk Assessment (CR Assessment) to A3(cr) from Baa1(cr) and long-term Counterparty Risk Ratings (CRRs) to A3 from Baa1.

At the same time, Moody's affirmed the Bank's short-term Prime-2 deposit ratings, its Prime-2(cr) short-term CR Assessment and Prime-2 short-term CRRs.

The outlook on the long-term deposit ratings has been changed to stable from positive.

Current Bank Millennium ratings are presented in the table below:

Ratings	FITCH	MOODY'S
Long-term deposit rating/IDR	**BBB- (stable outlook)**	**Baa1 (stable outlook)**
National Long-term IDR	A (pol) (stable outlook)	-
Short-term deposit rating	F-3	Prime-2
Individual (Viability rating / standalone BCA*)	bbb-	baa3
Counterparty Risk Assessment (CR)	-	A3/Prime-2
Support	4	-

Consolidated report of the Bank Millennium S.A. Capital Group for 1 quarter of 2019

Contents

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
OF THE BANK MILLENNIUM S.A. CAPITAL GROUP
FOR THE 3 MONTHS ENDED 31 MARCH 2019

Contents

1. GENERAL INFORMATION ON THE ISSUER

Bank Millennium S.A. (the Bank) is a nationwide universal bank, offering its services to all market segments via a network of branches, corporate centers, individual advisors and mobile and electronic banking.

The Bank, entered under the number KRS 0000010186 in the National Court Register kept by the Local Court for the Capital City of Warsaw, 13th Business Department of the National Court Register, is seated in Warsaw, Stanisława Żaryna 2A.

The Bank is listed on the Warsaw Stock Exchange since 1992, first Bank ever to float its shares on the WSE.

The Bank is a parent company of a Bank Millennium Capital Group (the Group) with almost 6,200 employees with core business comprising banking, leasing, factoring, brokerage, capital operations, investment fund management and web portals activity.

Supervisory Board and Management Board of Bank Millennium S.A. as at 31 March 2019

Composition of the Supervisory Board was as follows:
- Bogusław Kott - Chairman of the Supervisory Board,
- Nuno Manuel da Silva Amado – Deputy Chairman of the Supervisory Board,
- Dariusz Rosati – Deputy Chairman and Secretary of the Supervisory Board,
- Miguel de Campos Pereira de Bragança – Member of the Supervisory Board,
- Agnieszka Hryniewicz-Bieniek – Member of the Supervisory Board,
- Anna Jakubowski – Member of the Supervisory Board,
- Grzegorz Jędrys – Member of the Supervisory Board,
- Andrzej Koźmiński – Member of the Supervisory Board,
- Alojzy Nowak – Member of the Supervisory Board,
- Jose Miguel Bensliman Schorcht da Silva Pessanha – Member of the Supervisory Board
- Miguel Maya Dias Pinheiro – Member of the Supervisory Board,
- Lingjiang Xu – Member of the Supervisory Board.

Composition of the Management Board was as follows:
- Joao Nuno Lima Bras Jorge – Chairman of the Management Board,
- Fernando Maria Cardoso Rodrigues Bicho – Deputy Chairman of the Management Board,
- Wojciech Haase – Member of the Management Board,
- Andrzej Gliński – Member of the Management Board,
- Wojciech Rybak – Member of the Management Board,
- Antonio Ferreira Pinto Junior – Member of the Management Board,
- Jarosław Hermann – Member of the Management Board.

Capital Group of Bank Millennium S.A.

The Group's parent entity is Bank Millennium S.A. while the ultimate parent entity of the Bank Millennium S.A. is the Banco Comercial Portugues - company listed on the stock exchange in Lisbon. The companies that belong to the Capital Group as at 31 March 2019, are presented by the table below:

Company	Activity domain	Head office	% of the Group's capital share	% of the Group's voting share	Recognition in financial statements
MILLENNIUM LEASING Sp. z o.o.	leasing services	Warsaw	100	100	full consolidation
MILLENNIUM DOM MAKLERSKI S.A.	brokerage services	Warsaw	100	100	full consolidation
MILLENNIUM TFI S.A.	investment funds management	Warsaw	100	100	full consolidation
MB FINANCE AB	funding companies from the Group	Stockholm	100	100	full consolidation
MILLENNIUM SERVICE Sp. z o.o.	rental and management of real estate, insurance and brokers activity	Warsaw	100	100	full consolidation
MILLENNIUM GOODIE Sp. z o.o.	web portals activity	Warsaw	100	100	full consolidation
MILLENNIUM TELECOMMUNICATION SERVICES Sp. z o.o.	financial operations - equity markets, advisory services	Warsaw	100	100	full consolidation
Piast Expert Sp. z o.o.	marketing services	Tychy	100	100	full consolidation
LUBUSKIE FABRYKI MEBLI S.A. in liquidation	furniture manufacturer	Świebodzin	50 (+1 share)	50 (+1 share)	equity method valuation (*)
BG LEASING S.A. in bankruptcy	leasing services	Gdańsk	74	74	historical cost (*)

(*) Despite having a control over the companies Lubuskie Fabryki Mebli S.A. and BG Leasing S.A., due to insignificant nature of these companies from the realization of the primary goal of the consolidated financial statements point of view, which is the correct presentation of Group's financial situation, the Group does not consolidate capital involvement in aforementioned enterprises.

2. INTRODUCTION AND ACCOUNTING POLICY

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed consolidated interim financial statement do not include all of the information which is presented in full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2018.

The accounting principles applied in the preparation of this report are compliant with the requirements of IAS 34 and the principles used in the preparation of the consolidated financial statements of the Bank Millennium SA Capital Group for the year ended on December 31, 2018, taking into account changes introduced as a result of the IFRS 16 implementation on January 1, 2019, which are described below. Pursuant to the provisions of IFRS 16, the Bank decided not to convert comparative data for reporting periods ended before January 1, 2019.

Accounting principles applicable to comparative data have been described in the consolidated financial statements of the Bank Millennium SA Capital Group for the financial year ended December 31, 2018.

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the three months ending March 31, 2019.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2019 to 31 March 2019:

- include financial data of the Bank and its subsidiaries forming the Group, and data of associates accounted under the equity method;
- are prepared on the basis of the assumption of business continuity by the Group, namely scale of business is not to be reduced substantially in a period of not less than one year from the balance sheet date;
- have been prepared in PLN, and all values, unless otherwise indicated, are given in PLN rounded to one thousand.

The Management Board approved these condensed consolidated interim financial statements on 7th May 2019.

IFRS 16 Leases

The International Accounting Standards Board has published the new International Financial Reporting Standard No. 16 (IFRS 16) concerning leases. IFRS 16 applies to reporting periods starting on 1 January 2019 and affects the Group in the area of assets used under lease agreements. The new requirements eliminate the notion of operating lease and thus off-balance sheet recognition of assets used on this basis. All assets used as well as relevant rent payment liabilities are to be recognised in the balance sheet.

The Group analysed its agreements to establish which are leases, which aren't. An agreement is a lease or contains a lease if under it the right is conveyed to control the use of an identified asset for a particular irrevocable period in exchange for remuneration. Recognition of agreements on rental of office space (Head Office, branches) as leases have the biggest impact on financial statements. Also agreements were identified on small spaces (bin shelters, ATM space etc.) as well as agreements on minor equipment, which were classified as low value leases.

Transition period

In order to implement the new standard the Group adopted a modified retrospective approach, which assumes not restating comparable data. In consequence the date of applying the standard was 1 January 2019. On the day of first use of the new standard the Group recognised lease liabilities equal to the current value of discounted and as yet unpaid lease payments as well as assets equal to liabilities. The life of an asset for use will be equal to the duration of the lease agreement.

In result of application of the new standard as at the end of March 2019 the Group has total assets higher by PLN 352 million, while costs estimated for 2019 will increase by approx. PLN 5 million over 2018. In subsequent years the impact of the new standard on the result will decrease.

The Group has adopted the following assumptions, based on which lease agreements are carried in financial statements:

- Calculation of liabilities and assets will use net values of future cash flows,
- In case of agreements denominated in currency the liabilities will be carried in the original currency of the contract while assets in Polish zloty converted at the rate from the day of start of validity (signing) of the agreement, assets in Polish zloty were converted at the rate from the date of initial application of the standard (i.e. 01.01.2019),
- New agreements shall be discounted using incremental borrowing rate defined as risk free rate (SWAP) from the day of start (signing) of an agreement appropriate for the duration of the agreement, plus credit spread defined and updated with respect to the premium for Bank's credit risk.

Accounting schedules

The financial report shows in different items both assets from right to use as well as lease liabilities. On the start date lease payments contained in the valuation of the lease liability shall comprise following payments for the right to use the underlying asset during the lease period, which remain due on that date:

- fixed lease payments less any and all due lease incentives,
- variable lease payments, which depend on the index or rate, initially valuated with use of this index or this rate in accordance with their value on start date,
- amounts expected to be paid by the lessee under the guaranteed final value,
- the buy option strike price if it can be assumed with sufficient certainty that the lessee will exercise this option,
- monetary penalties for lease termination if the lease terms and conditions stipulated that the lessee may exercise the lease termination option.

A right to use asset comprises:

- amount of initial valuation of the lease liability,
- any and all lease payments paid on the start date or before it, less any and all lease incentives received.

Financial result reflects following items:

- depreciation of right to use,
- interest on lease liabilities as a sum of two bookings – due monthly rent less value of repayment of liability,
- VAT on rent invoices reported in cost of rent.

3. Consolidated Financial Data (Group)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Net interest income		483 992	428 291
Interest income and other of similar nature	1	694 559	609 595
Income calculated using the effective interest method		663 790	582 209
- Interest income from Financial assets at amortised cost		558 697	493 873
- Interest income from Financial assets at fair value through other comprehensive income		105 093	88 336
Income of similar nature to interest from Financial assets at fair value through profit or loss		30 769	27 386
Interest expenses	2	(210 567)	(181 304)
Net fee and commission income		163 174	172 504
Fee and commission income	3	201 530	209 202
Fee and commission expenses	4	(38 356)	(36 698)
Dividend income		198	149
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	14 921	3 160
Results on financial assets and liabilities held for trading	6	18 075	17 177
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	4 053	(2 283)
Result on hedge accounting		(4 821)	(5 429)
Result on exchange differences		32 903	36 975
Other operating income		39 518	13 733
Other operating expenses		(16 106)	(10 986)
Administrative expenses	8	(351 056)	(316 822)
Impairment losses on financial assets	9	(63 094)	(47 651)
Impairment losses on non-financial assets		(647)	(38)
Result on modification		(3 666)	(4 299)
Depreciation		(33 412)	(13 409)
Share of the profit of investments in subsidiaries		0	0
Banking tax		(51 358)	(52 178)
Profit before income taxes		**232 674**	**218 894**
Corporate income tax	10	(72 708)	(63 618)
Profit after taxes		**159 966**	**155 276**
Attributable to:			
Owners of the parent		159 966	155 276
Non-controlling interests		0	0
Weighted average number of outstanding ordinary shares		1 213 116 777	1 213 116 777
Profit (loss) per ordinary share (in PLN)		0.13	0.13

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Ptofit after taxes	159 966	155 276
Other comprehensive income items that may be (or were) reclassified to profit or loss	(33 547)	57 745
Result on debt securities at fair value through other comprehensive income	(78 141)	46 393
Hedge accounting	44 594	11 352
Other comprehensive income items that will not be reclassified to profit or loss	16	(40)
Actuarial gains (losses)	0	0
Result on equity instruments at fair value through other comprehensive income	16	(40)
Total comprehensive income items before taxes	**(33 531)**	**57 705**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	6 374	(10 972)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	(3)	8
Total comprehensive income items after taxes	**(27 160)**	**46 741**
Total comprehensive income for the period	**132 806**	**202 017**
Attributable to:		
Owners of the parent	132 806	202 017
Non-controlling interests	0	0

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	31.03.2019	31.12.2018	31.03.2018
Cash, cash balances at central banks		1 736 975	2 450 176	2 881 456
Financial assets held for trading	11	871 558	794 718	1 800 461
Derivatives		98 095	101 372	133 929
Equity instruments		194	104	156
Debt securities		773 269	693 242	1 666 376
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers		73 778	64 796	49 717
Equity instruments		21 609	21 609	19 232
Debt securities		52 169	43 187	30 485
Financial assets at fair value through other comprehensive income	12	22 875 843	22 133 938	18 052 112
Equity instruments		29 315	29 299	26 093
Debt securities		22 846 528	22 104 639	18 026 019
Loans and advances to customers	13	53 939 776	52 711 680	47 999 657
Mandatorily at fair value through profit or loss		1 240 911	1 250 525	1 104 904
Valued at amortised cost		52 698 865	51 461 155	46 894 753
Financial assets at amortised cost other than Loans and advances to customers	14	1 256 877	1 026 420	637 277
Debt securities		45 039	44 884	48 166
Deposits, loans and advances to banks and other monetary institutions		414 429	731 252	448 155
Reverse sale and repurchase agreements		797 409	250 284	140 956
Derivatives – Hedge accounting	15	87 516	125 501	516 107
Investments in subsidiaries, joint ventures and associates		0	0	0
Tangible fixed assets		537 179	210 641	183 506
Intangible fixed assets		93 564	96 464	76 007
Income tax assets		387 722	335 726	321 885
Current income tax assets		27 551	11	697
Deferred income tax assets	17	360 171	335 715	321 188
Other assets		418 421	483 180	470 004
Non-current assets and disposal groups classified as held for sale		27 584	25 674	21 094
Total assets		**82 306 793**	**80 458 914**	**73 009 283**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	31.03.2019	31.12.2018	31.03.2018
LIABILITIES				
Financial liabilities held for trading	11	214 804	231 633	256 708
Derivatives		100 622	107 879	148 399
Liabilities from short sale of securities		114 182	123 754	108 309
Financial liabilities measured at amortised cost		71 038 795	69 594 512	63 329 416
Liablities to banks and other monetary institutions	18	1 868 210	1 788 857	1 981 886
Liabilities to customers	19	66 672 620	66 243 769	59 473 880
Sale and repurchase agreements	20	55 759	50 324	0
Debt securities issued	21	897 591	809 679	1 164 585
Subordinated debt	22	1 544 615	701 883	709 065
Derivatives – Hedge accounting	15	367 337	376 811	193 014
Provisions	23	104 881	112 452	103 718
Pending legal issues		56 255	60 710	56 061
Commitments and guarantees given		48 626	51 742	47 657
Income tax liabilities		33 316	22 309	43 845
Current income tax liabilities		33 316	22 309	43 845
Deferred income tax liabilities	17	0	0	0
Other liabilities		2 030 468	1 736 811	1 350 645
Total Liabilities		**73 789 601**	**72 074 528**	**65 277 346**
EQUITY				
Share capital		1 213 117	1 213 117	1 213 117
Share premium		1 147 502	1 147 502	1 147 502
Accumulated other comprehensive income		46 532	73 692	26 618
Retained earnings		6 110 041	5 950 075	5 344 700
Total equity		8 517 192	8 384 386	7 731 937
Total equity and total liabilities		**82 306 793**	**80 458 914**	**73 009 283**

Book value of net assets		8 517 192	8 384 386	7 772 599
Number of shares (pcs.)		1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)		7.02	6.91	6.41

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total consolidated equity	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	
					Unappropriated result	Other reserves
01.01.2019 - 31.03.2019						
Equity at the beginning of the period	**8 384 386**	**1 213 117**	**1 147 502**	**73 692**	**671 323**	**5 278 752**
Total comprehensive income for the period (net)	132 806	0	0	(27 160)	159 966	0
net profit/ (loss) of the period	159 966	0	0	0	159 966	0
valuation of debt securities at fair value through other comprehensive income	(63 294)	0	0	(63 294)	0	0
valuation of shares at fair value through other comprehensive income	13	0	0	13	0	0
hedge accounting	36 121	0	0	36 121	0	0
Transfer between items of reserves	0	0	0	0	(539 990)	539 990
Equity at the end of the period	**8 517 192**	**1 213 117**	**1 147 502**	**46 532**	**291 299**	**5 818 742**
01.01.2018 - 31.12.2018						
Equity at the beginning of the period	**7 772 599**	**1 213 117**	**1 147 502**	**(34 795)**	**863 313**	**4 583 462**
adjustment of the opening balance due to the adaption of IFRS 9	(242 679)	0	0	14 672	(257 351)	0
Equity as at 01.01.2018	7 529 920	1 213 117	1 147 502	(20 123)	605 962	4 583 462
Total comprehensive income (net)	854 466	0	0	93 815	760 651	0
net profit/ (loss) of the period	760 651	0	0	0	760 651	0
valuation of debt securities at fair value through other comprehensive income	57 514	0	0	57 514	0	0
valuation of shares at fair value through other comprehensive income	2 448	0	0	2 448	0	0
hedge accounting	33 920	0	0	33 920	0	0
actuarial gains (losses)	(67)	0	0	(67)	0	0
Transfer between items of reserves	0	0	0	0	(695 290)	695 290
Equity at the end of the period	**8 384 386**	**1 213 117**	**1 147 502**	**73 692**	**671 323**	**5 278 752**
01.01.2018 - 31.03.2018						
Equity at the beginning of the period	**7 772 599**	**1 213 117**	**1 147 502**	**(34 795)**	**863 313**	**4 583 462**
adjustment of the opening balance due to the adaption of IFRS 9	(242 679)	0	0	14 672	(257 351)	0
Equity as at 01.01.2018	7 529 920	1 213 117	1 147 502	(20 123)	605 962	4 583 462
Total comprehensive income (net)	202 017	0	0	46 741	155 276	0
net profit/ (loss) of the period	155 276	0	0	0	155 276	0
valuation of debt securities at fair value through other comprehensive income	37 578	0	0	37 578	0	0
valuation of shares at fair value through other comprehensive income	(32)	0	0	(32)	0	0
hedge accounting	9 195	0	0	9 195	0	0
Transfer between items of reserves	0	0	0	0	(695 290)	695 290
Equity at the end of the period	**7 731 937**	**1 213 117**	**1 147 502**	**26 618**	**65 948**	**5 278 752**

CONSOLIDATED CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Profit (loss) after taxes	159 966	155 276
Total adjustments:	(1 196 047)	(52 091)
Interest received	578 395	591 951
Interest paid	(186 455)	(156 926)
Depreciation and amortization	33 412	13 409
Foreign exchange (gains)/ losses	3 548	8 087
Dividends	(198)	(149)
Changes in provisions	(7 571)	12 137
Result on sale and liquidation of investing activity assets	(12 454)	(5 132)
Change in financial assets held for trading	(16 217)	(929 612)
Change in loans and advances to banks	(31 574)	(6 002)
Change in loans and advances to customers	(1 737 326)	(1 332 123)
Change in receivables from securities bought with sell-back clause (loans and advances)	(548 669)	(141 895)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(26 303)	82 758
Change in deposits from banks	82 753	(377 527)
Change in deposits from customers	607 904	2 351 345
Change in liabilities from securities sold with buy-back clause	7 914	2 117
Change of liabilities from debt securities issued	90 295	10 846
Change in income tax settlements	45 077	64 335
Income tax paid	(80 113)	(43 305)
Change in other assets and liabilities	(10 992)	(203 671)
Other	12 527	7 266
Net cash flows from operating activities	(1 036 081)	103 185

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Inflows:	19 844	3 094
Proceeds from sale of property, plant and equipment and intangible assets	19 646	2 945
Proceeds from sale of shares in related entities	0	0
Proceeds from sale of investment financial assets	0	0
Other	198	149
Outflows:	(171 543)	(2 368 867)
Acquisition of property, plant and equipment and intangible assets	(9 131)	(8 431)
Acquisition of shares in related entities	0	0
Acquisition of investment financial assets	(162 412)	(2 360 436)
Other	0	0
Net cash flows from investing activities	(151 699)	(2 365 773)

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Inflows from financing activities:	830 000	0
Long-term bank loans	0	0
Issue of debt securities	0	0
Increase in subordinated debt	830 000	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other inflows from financing activities	0	0
Outflows from financing activities:	(4 408)	(450)
Repayment of long-term bank loans	0	0
Redemption of debt securities	(122)	0
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other outflows from financing activities	(4 286)	(450)
Net cash flows from financing activities	825 592	(450)

D. NET CASH FLOWS. TOTAL (A + B + C)	(362 188)	(2 263 038)
- including change resulting from FX differences	1 236	558
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	4 520 688	8 408 252
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D + E)	4 158 500	6 145 214

4. NOTES TO CONSOLIDATED FINANCIAL DATA

Note (1) interest income and other of similar nature

	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Interest income from Financial assets at fair value through other comprehensive income	105 093	88 336
Debt securities	105 093	88 336
Interest income from Financial assets at amortised cost	558 697	493 873
Balances with the Central Bank	2 860	2 589
Loans and advances to customers	488 624	421 510
Debt securities	344	364
Deposits, loans and advances to banks	460	537
Transactions with repurchase agreements	1 544	939
Hedging derivatives	64 865	67 934
Income of similar nature to interest, including:	30 769	27 386
Loans and advances to customers mandatorily at fair value through profit or loss	26 000	23 170
Financial assets held for trading - debt securities	4 769	4 216
Total	**694 559**	**609 595**

In the line „ Derivatives – Hedge accounting" the Group presents net interest income from derivatives set as and being effective cash flow and fair value hedges. A detailed description of the hedging relations used by the Group is presented in **note (15).**

Interest income for the 1 quarter 2019 contains interest accrued on impaired loans in the amount of PLN 14,668 thous. (for corresponding data in the 1 quarter 2018 the amount of such interest stood at PLN 13,146 thous.).

Note (2) Interest expensei and other of similar nature

	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Financial liabilities measured at amortised cost	(210 527)	(181 234)
Liabilities to banks and other monetary institutions	(6 709)	(6 313)
Liabilities to customers	(182 830)	(158 741)
Transactions with repurchase agreement	(2 479)	(2 117)
Debt securities issued	(4 125)	(6 969)
Subordinated debt	(12 733)	(7 094)
Liabilities due to leasing	(1 651)	0
Hedging derivatives	0	0
Other	(40)	(70)
Total	(210 567)	(181 304)

Note (3) Fee and commission income

	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Resulting from accounts service	19 134	20 547
Resulting from money transfers, cash payments and withdrawals and other payment transactions	17 295	18 594
Resulting from loans granted	44 454	41 547
Resulting from guarantees and sureties granted	3 569	3 810
Resulting from payment and credit cards	45 520	40 386
Resulting from sale of insurance products	26 699	29 978
Resulting from distribution of investment funds units and other savings products	14 894	17 636
Resulting from brokerage and custody service	3 576	4 884
Resulting from investment funds managed by the Group	18 341	24 013
Other	8 048	7 807
Total	201 530	209 202

Note (4) Fee and commission expense

	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Resulting from accounts service	(418)	(389)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(882)	(1 189)
Resulting from loans granted	(8 190)	(6 925)
Resulting from payment and credit cards	(21 486)	(20 515)
Resulting from brokerage and custody service	(627)	(905)
Resulting from investment funds managed by the Group	(2 225)	(2 635)
Other	(4 528)	(4 140)
Total	(38 356)	(36 698)

Note (5) Rresult on derecognition of financial assets and liabilities not measured at fair value through profit or loss

	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Operations on debt instruments	15 471	3 160
Operations on equity instruments	(550)	0
Total	14 921	3 160

Note (6) Results on financial assets and liabilities held for trading

	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Result on debt instruments	(1 110)	7 307
Result on derivatives	19 065	10 212
Rsult on other financial operations	120	(342)
Total	18 075	17 177

Note (7) Results non-trading financial assets mandatorily at fair value through profit or loss

	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Loans and advances to customers	(4 929)	(3 136)
Result on equity instruments	0	0
Result on debt instruments	8 982	853
Total	4 053	(2 283)

Note (8) Administrative expenses

	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Staff costs:	(172 555)	(157 699)
Salaries	(140 596)	(128 607)
Surcharges on pay	(25 545)	(23 371)
Employee benefits, including:	(6 414)	(5 721)
- provisions for retirement benefits	(1 051)	(892)
- provisions for unused employee holiday	(50)	13
- other	(5 313)	(4 842)
Other administrative expenses:	(178 501)	(159 123)
Costs of advertising, promotion and representation	(6 795)	(7 583)
IT and communications costs	(24 258)	(20 701)
Costs of renting	(18 386)	(36 375)
Costs of buildings maintenance, equipment and materials	(8 627)	(6 590)
ATM and cash maintenance costs	(4 957)	(4 652)
Costs of consultancy, audit and legal advisory and translation	(5 719)	(4 641)
Taxes and fees	(6 111)	(5 092)
KIR - clearing charges	(1 377)	(1 294)
PFRON costs	(1 401)	(1 126)
Banking Guarantee Fund costs	(84 022)	(54 704)
Financial Supervision costs	(1 621)	(1 337)
Other	(15 227)	(15 028)
Total	**(351 056)**	**(316 822)**

Note (9) Impairment losses on financial assets

	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Impairment losses on loans and advances to customers	(66 223)	(45 543)
Impairment charges on loans and advances to customers	(235 089)	(311 814)
Reversal of impairment charges on loans and advances to customers	164 186	265 124
Amounts recovered from loans written off	5 216	1 147
Sale of receivables	0	0
Other directly recognised in profit and loss	(536)	0
Impairment losses on securities	0	(18)
Impairment charges on securities	0	(18)
Reversal of impairment charges on securities	0	0
Impairment losses on off-balance sheet liabilities	3 129	(2 090)
Impairment charges on off-balance sheet liabilities	(13 222)	(19 223)
Reversal of impairment charges on off-balance sheet liabilities	16 351	17 133
Total	**(63 094)**	**(47 651)**

Note (10a) Income tax reported in income statement

	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Current tax	(80 066)	(59 715)
Current year	(80 066)	(59 715)
Adjustment to previous years	0	0
Deferred tax:	7 358	(3 903)
Recognition and reversal of temporary differences	7 944	(4 122)
Recognition / (Utilisation) of tax loss	(586)	219
Total income tax reported in income statement	**(72 708)**	**(63 618)**

Note (10b) Effective tax rate

	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Profit before tax	232 674	218 894
Statutory tax rate	19%	19%
Income tax according to obligatory income tax rate of 19%	(44 208)	(41 590)
Impact of permanent differences on tax charges:	**(28 500)**	**(22 028)**
- Non-taxable income	5 591	8
Dividend income	(17)	0
Release of other provisions	5 608	8
Other	0	0
- Cost which is not a tax cost	(34 091)	(22 036)
Writing off an unrealized deferred tax asset	(3 585)	0
PFRON fee	(264)	(214)
Fees for Banking Guarantee Fund	(15 964)	(10 394)
Banking tax	(9 758)	(9 914)
Income/cost of provisions for factoring receivables	(3 951)	(224)
Receivables written off	(152)	243
Costs of litigations and claims	679	(583)
Depreciation and insurance costs of cars (in excess of PLN 150 ths.)	(528)	(151)
Other	(568)	(799)
Deduction of the tax paid abroad	0	0
Adjustment resulted from Article 38a of CIT	0	0
Total income tax reported in income statement	**(72 708)**	**(63 618)**
Effective tax rate	31,25%	29,06%

Note (10c) Deferred tax reported in equity

	31.03.2019	31.12.2018	31.03.2018
Valuation of securities at fair value through other comprehensive income	(15 958)	(30 803)	(25 544)
Valuation of cash flow hedging instruments	4 555	13 028	18 828
Actuarial gains (losses)	489	489	473
Deferred tax reported directly in equity	(10 914)	(17 286)	(6 243)

On 1 January 2011 the Bank created with a subsidiary - Millennium Service Sp. z o.o., Tax Capital Group (TCG). TCG is a vehicle, described in and subject to the provisions of the Polish Corporate Income Tax law. The essence of TCG is to concentrate two or more related entities as one taxpayer for the corporate income tax purposes. The creation of TCG does not lead to the creation of a new entity, and consolidation is done only at the level of corporate income tax settlements.

TCG formation is aimed at increasing the efficiency of tax management within the Group and reducing risks resulting from the corporate income tax settlements through centralization of expertise of tax calculations and payments obligations to one chosen entity of the Group (the Bank).

Commencing from January 1, 2017, a new TCG is constituted, consisting of: Bank Millennium S.A (parent company), Millennium Service Sp. z o.o. and Millennium Goodie Sp. z o.o. This TCG was created for three years period: from 1 January 2017 to 31 December 2019.

Tax Inspection Office control procedures carried out in Bank Millennium S.A.

By a decision of 19 November 2014, the Director of the Treasury Control Office (UKS) commenced the tax audit procedure for the accuracy of the declared tax basis and the correctness of calculation and payment of Corporate Income Tax (CIT) for 2010. As a result of the procedure issued the decision of 19 December 2016, in which he increased the CIT due by the amount of PLN 1.7 million On 3 January 2017 an appeal has been lodged against this decision issued to the second instance. As a consequence of the appeal on 19 May 2017, the Director of the Tax Chamber Office in Warsaw revoked entirely the above decision of the first instance and referred back to this authority. On April 3 Bank received the decision of Head of Mazovian Customs&Tax Office (formerly UKS) dated March 26, 2019 on ending pre-decision proceeding, from which the CIT overpayment of PLN 26.9 million for 2010 results. On the basis of this decision Bank has executed its right based on Art. 14c(2) of the Law on Fiscal Controls and sent on April 8 corrected CIT for 2010 to Tax Office in order to recover PLN 26.9 million. Other operating income has been increased by PLN 26.9 million of released provision on the previously recognized CIT receivable for Y2010 as the result of beneficial outcome of the proceeding. Taking into consideration the entire financial impact of this proceeding, one-off net income in P&L amounted to PLN 24.3 million.

Note (11a) Financial assets held for trading

	31.03.2019	31.12.2018	31.03.2018
Debt securities	**773 269**	**693 242**	**1 666 376**
Issued by State Treasury	773 269	693 242	1 666 370
a) bills	0	0	0
b) bonds	773 269	693 242	1 666 370
Other securities	0	0	6
a) quoted	0	0	6
b) non quoted	0	0	0
Equity instruments	**194**	**104**	**156**
Quoted on the active market	194	104	156
a) financial institutions	26	0	0
b) non-financial institutions	168	104	156
Adjustment from fair value hedge	3 433	4 293	6 923
Positive valuation of derivatives	94 662	97 079	127 006
Total	**871 558**	**794 718**	**1 800 461**

Note (11b) Financial assets and liabilities held for trading - Valuation of derivatives, Adjustment from fair value hedge and Short positions as at:

	Fair Values 31.03.2019		
	Total	Assets	Liabilities
1. Interest rate derivatives	5 387	30 129	24 742
Forward Rate Agreements (FRA)	0	0	0
Interest rate swaps (IRS)	4 041	28 783	24 742
Other interest rate contracts: options	1 346	1 346	0
2. FX derivatives*	(8 697)	22 483	31 179
FX contracts	(8 520)	1 831	10 351
FX swaps	5 329	19 392	14 062
Other FX contracts (CIRS)	(5 506)	1 260	6 766
FX options	0	0	0
3. Embedded instruments	(39 945)	7	39 952
Options embedded in deposits	(32 722)	0	32 722
Options embedded in securities issued	(7 223)	7	7 230
4. Indexes options	40 612	42 043	1 431
Total	**(2 643)**	**94 662**	**97 304**
Valuation of hedged position in fair value hedge accounting	-	3 433	3 318
Liabilities from short sale of debt securities	-	-	114 182

* Notional value for double-currency derivatives constitutes the sum of both transactions expressed in PLN

Note (11c) Financial assets and liabilities held for trading - Valuation of derivatives, Adjustment from fair value hedge and Short positions as at:

	Fair Values 31.12.2018			Fair Values 31.03.2018		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	7 806	40 057	32 251	(2 231)	52 865	55 096
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	7 806	40 057	32 251	(2 231)	52 865	55 096
Other interest rate contracts: options	0	0	0	0	0	0
2. FX derivatives*	(14 303)	19 014	33 317	(17 894)	32 590	50 484
FX contracts	(7 524)	1 753	9 277	(2 167)	8 529	10 696
FX swaps	(996)	15 197	16 193	(9 546)	22 764	32 310
Other FX contracts (CIRS)	(5 783)	2 064	7 847	(6 181)	1 297	7 478
FX options	0	0	0	0	0	0
3. Embedded instruments	(35 584)	15	35 599	(29 223)	5 039	34 262
Options embedded in deposits	(29 336)	0	29 336	(28 037)	0	28 037
Options embedded in securities issued	(6 248)	15	6 263	(1 186)	5 039	6 225
4. Indexes options	35 430	37 993	2 563	34 646	36 512	1 866
Total	**(6 651)**	**97 079**	**103 730**	**(14 702)**	**127 006**	**141 708**
Valuation of hedged position in fair value hedge accounting	-	4 293	4 149	-	6 923	6 691
Liabilities from short sale of debt securities	-	-	123 754	-	-	108 309

* Notional value for double-currency derivatives constitutes the sum of both transactions expressed in PLN

Note (12) Financial assets at fair value through other comprehensive income

	31.03.2019	31.12.2018	31.03.2018
Debt securities	**22 846 528**	**22 104 639**	**18 026 019**
Issued by State Treasury	22 364 004	20 422 616	15 053 801
a) bills	0	0	0
b) bonds	22 364 004	20 422 616	15 053 801
Issued by Central Bank	399 942	1 599 800	2 889 638
a) bills	399 942	1 599 800	2 889 638
b) bonds	0	0	0
Other securities	82 582	82 223	82 580
a) listed	82 582	82 223	82 580
b) not listed	0	0	0
Shares and interests in other entities	29 315	29 299	26 093
Other financial instruments	0	0	0
Total financial assets at fair value through other comprehensive income	**22 875 843**	**22 133 938**	**18 052 112**

Note (13a) Loans and advances to customers

Balance sheet value:	31.03.2019	31.12.2018	31.03.2018
Mandatorily at fair value through profit or loss *	1 240 911	1 250 525	1 104 904
- Companies	19 396	17 944	19 921
- Individuals	1 221 378	1 232 494	1 084 842
- Public sector	137	87	141
* The above data includes the fair value adjustment, in the amount of:	(69 005)	(72 943)	(70 472)

As a result of the implementation of new rules in the area of classification of financial instruments, made in 2018 due to IFRS9 introduction, the Group has separated credit exposures which include, in the interest rate definition, leverage/multiplier feature and presented aforementioned exposures in these financial statements as "Non-trading financial assets mandatorily at fair value through profit or loss - Credits and advances". It should be noted that the provisions of IFRS 9 indicate that the multiplier feature modifies money over time and causes the need to apply fair value measurement, however the economic sense of the transaction, i.e. portfolio management not based on fair value and maintaining the portfolio to obtain cash flows from the contract, constitute characteristics of portfolios valued at amortized cost.

The Bank writes down the gross carrying amount of a financial asset when there is no reasonable probability that it will be fully (total writes off) or partially (partial writes off) recovered. Following the recorded partial writes off the Bank transferred to off-balance sheet evidence (deducting the carrying value of gross receivables) penalty interest amounting to PLN 351 million as at 31.03.2019.

Millennium bank

Note (13b) Loans and advances to customers

	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3*	Stage 1	Stage 2	Stage 3*	
Valued at amortised cost, as at 31.03.2019	48 868 837	3 149 164	2 411 452	(239 888)	(178 696)	(1 312 004)	52 698 865
- Companies	15 930 710	1 601 326	836 417	(163 812)	(61 860)	(462 178)	17 680 603
- Individuals	32 699 729	1 547 707	1 575 035	(75 797)	(116 832)	(849 826)	34 780 016
- Public sector	238 398	131	0	(279)	(4)	0	238 246
Valued at amortised cost, as at 31.12.2018	47 718 394	3 097 734	2 403 894	(232 574)	(184 450)	(1 341 843)	51 461 155
- Companies	15 600 077	1 513 894	791 487	(158 794)	(62 917)	(456 184)	17 227 563
- Individuals	31 901 749	1 581 890	1 612 407	(73 508)	(121 530)	(885 659)	34 015 349
- Public sector	216 568	1 950	0	(272)	(3)	0	218 243
Valued at amortised cost, as at 31.03.2018	42 904 725	3 389 552	2 364 089	(213 596)	(194 641)	(1 355 376)	46 894 753
- Companies	13 205 856	2 026 489	800 598	(146 532)	(86 670)	(459 198)	15 340 543
- Individuals	29 442 327	1 361 611	1 563 491	(66 746)	(107 969)	(896 178)	31 296 536
- Public sector	256 542	1 452	0	(318)	(2)	0	257 674

* including POCI

Note (13c) Loans and advances to customers

	31.03.2019	
	Valued at amortised cost	Mandatorily at fair value through profit or loss *
Loans and advances	47 305 413	482 888
- to companies	11 473 519	
- to private individuals	35 595 388	482 888
- to public sector	236 506	
Receivables on account of payment cards	2 220	758 024
- due from companies	65	19 533
- due from private individuals	2 155	738 490
Purchased receivables	250 647	
- from companies	250 647	
- from public sector	0	
Guarantees and sureties realised	10 504	
Debt securities eligible for rediscount at Central Bank	3 552	
Financial leasing receivables	6 597 413	
Other	1 303	
Interest	258 401	
Total:	**54 429 453**	**1 240 911**
Impairment allowances	(1 730 588)	-
Total balance sheet value:	**52 698 865**	**1 240 911**
* The above data includes the fair value adjustment in the amount of	-	(69 005)

Note (13d) Loans and advances to customers

	31.12.2018		31.03.2018	
	Valued at amortised cost	Mandatorily at fair value through profit or loss *	Valued at amortised cost	Mandatorily at fair value through profit or loss *
Loans and advances	46 165 570	473 214	42 249 487	382 613
- to companies	11 076 840		9 842 927	
- to private individuals	34 871 344	473 214	32 153 159	382 613
- to public sector	217 386		253 401	
Receivables on account of payment cards	2 769	777 311	3 033	722 291
- due from companies	123	18 031	345	20 062
- due from private individuals	2 646	759 280	2 688	702 229
Purchased receivables	275 878		239 508	
- from companies	275 878		235 746	
- from public sector	0		3 762	
Guarantees and sureties realised	11 622		10 165	
Debt securities eligible for rediscount at Central Bank	3 660		5 896	
Financial leasing receivables	6 505 628		5 897 577	
Other	3 893		4 380	
Interest	251 002		248 320	
Total:	**53 220 022**	**1 250 525**	**48 658 366**	**1 104 904**
Impairment allowances	(1 758 867)	-	(1 763 613)	-
Total balance sheet value:	**51 461 155**	**1 250 525**	**46 894 753**	**1 104 904**
* The above data includes the fair value adjustment in the amount of	-	(72 943)	-	(70 472)

Note (13e) Quality of loans and advances to customers portfolio valued at amortised cost

	31.03.2019	31.12.2018	31.03.2018
Loans and advances to customers (gross)	54 429 453	53 220 022	48 658 366
- impaired	2 411 452	2 403 894	2 364 089
- not impaired	52 018 001	50 816 128	46 294 277
Impairment write-offs	(1 730 588)	(1 758 867)	(1 763 613)
- for impaired exposures	(1 312 004)	(1 341 843)	(1 355 376)
- for not impaired exposures	(418 584)	(417 024)	(408 237)
Loans and advances to customers (net)	**52 698 865**	**51 461 155**	**46 894 753**

Note (13f) Loans and advances to customers portfolio valued at amortised cost by methodology of impairment assessment

	31.03.2019	31.12.2018	31.03.2018
Loans and advances to customers (gross)	54 429 453	53 220 022	48 658 366
- case by case analysis	799 625	754 950	758 877
- collective analysis	53 629 828	52 465 072	47 899 489
Impairment allowances	(1 730 588)	(1 758 867)	(1 763 613)
- on the basis of case by case analysis	(397 314)	(382 327)	(390 499)
- on the basis of collective analysis	(1 333 274)	(1 376 540)	(1 373 114)
Loans and advances to customers (net)	**52 698 865**	**51 461 155**	**46 894 754**

Note (13g) Loans and advances to customers portfolio valued at amortised cost by kind of customers

	31.03.2019	31.12.2018	31.03.2018
Loans and advances to customers (gross)	54 429 453	53 220 022	48 658 366
- corporate customers	18 606 982	18 123 976	16 290 937
- individuals	35 822 471	35 096 046	32 367 429
Impairment allowances	(1 730 588)	(1 758 867)	(1 763 613)
- for receivables from corporate customers	(688 133)	(678 170)	(692 720)
- for receivables from private individuals	(1 042 455)	(1 080 697)	(1 070 893)
Loans and advances to customers (net)	**52 698 864**	**51 461 155**	**46 894 753**

Note (13h) Movements in impairment allowances for loans and advances to customers carried at amortised cost

	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 31.03.2018
Balance at the beginning of the period	1 758 867	1 497 228	1 497 228
Adjustment of the opening balance due to the implementation of IFRS 9	-	327 434	327 434
Adjusted balance at the beginning of the period	1 758 867	1 824 662	1 824 662
Change in value of provisions:	(28 279)	(65 795)	(61 049)
Impairment allowances created in the period	235 089	725 164	311 814
Amounts written off	(106 899)	(299 068)	(116 562)
Impairment allowances released in the period	(164 185)	(521 196)	(265 124)
Sale of receivables	0	(13 252)	0
KOIM created in the period(*)	5 520	25 558	7 265
Changes resulting from FX rates differences	1 900	15 986	1 459
Other	296	1 013	99
Balance at the end of the period	**1 730 588**	**1 758 867**	**1 763 613**

(*) In accordance with IFRS 9, the Group calculates interest on the loan portfolio with a recognized impairment based on the net exposure value. For this purpose, the so-called impaired interest adjustment ("KOIM") is calculated and recorded as a reduction of interest income. Aforementioned KOIM adjustment in the balance sheet is presented as an impairment allowances, and as a consequence the reconciliation of the change in impairment allowances requires consideration of the KOIM recognized in the interest income.

Note (14a) Financial assets at amortised cost other than Loans and advances to customers

	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
As at 31.03.2019							
Debt securities	45 059	0	0	(20)	0	0	45 039
Deposits, loans and advances to banks and other monetary institutions	414 445	0	0	(16)	0	0	414 429
Repurchase agreements	797 409	0	0	0	0	0	797 409
As at 31.12.2018							
Debt securities	44 904	0	0	(20)	0	0	44 884
Deposits, loans and advances to banks and other monetary institutions	731 268	0	0	(16)	0	0	731 252
Repurchase agreements	250 284	0	0	0	0	0	250 284
As at 31.03.2018							
Debt securities	48 187	0	0	(21)	0	0	48 166
Deposits, loans and advances to banks and other monetary institutions	448 155	0	0	0	0	0	448 155
Repurchase agreements	140 956	0	0	0	0	0	140 956

Note (14b) Debt securities

	31.03.2019	31.12.2018	31.03.2018
credit institutions	0	0	0
other companies	0	0	0
public sector	45 059	44 884	48 166
Total	45 059	44 884	48 166

Note (14c) Deposits, loans and advances to banks and other monetary institutions

	31.03.2019	31.12.2018	31.03.2018
Current accounts	112 754	143 113	169 034
Deposits	300 371	586 666	277 017
Interest	1 320	1 489	2 104
Total (gross) deposits, loans and advances	414 445	731 268	448 155
Impairment allowances	(16)	(16)	0
Total (net) deposits, loans and advances	**414 429**	**731 252**	**448 155**

Note (14d) Repurchase agreements

	31.03.2019	31.12.2018	31.03.2018
credit institutions	93 305	49 872	41 393
other customers	704 103	200 375	99 563
budget	0	37	0
Total	797 409	250 284	140 956

Note (15a) Derivatives – hedge accounting

Detailed information on cash flow hedge relations applied by the Group, items designated as hedged and hedging and presentation of the result (as at 31.03.2019):

	Hedge of volatility of the cash flows generated by the portfolio of PLN mortgage loans	Cash flow volatility hedge for the flows generated by FX mortgage portfolio and its underlying PLN liabilities	Hedge of volatility in cash flows from future interest income and expenses denominated in foreign currencies
Description of hedge transactions	The Group hedges the risk of the volatility of cash flows generated by PLN mortgages. The volatility of cash flows results from interest rate risk.	The Group hedges the risk of the volatility of cash flows generated by FX mortgages and by PLN liabilities financially underlying such loans. The volatility of cash flows results from the currency risk and interest rate risk.	The Group hedges the risk of volatility of future cash flows due to interest income and expenses denominated in foreign currencies. The volatility of cash flows results from currency risk.
Hedged items	Cash flows resulting from the PLN mortgage loan portfolio	Cash flows resulting from the FX mortgage loan portfolio and PLN deposits together with issued debt PLN securities funding them.	Cash flows from future interest income and expenses denominated in foreign currencies.
Hedging instruments	IRS transactions	CIRS transactions	Currency position resulting from recognized future leasing liabilities.
Presentation of the result on the hedged and hedging transactions	Effective part of the valuation of hedging instruments is recognised in revaluation reserve; interest on both the hedged and the hedging instruments are recognised in net interest income.	Effective part of the valuation of hedging instruments is recognised in revaluation reserve; interest on both the hedged and the hedging instruments are recognised in net interest income; valuation of hedging and hedged instruments on FX differences is recognised in Result on exchange differences	The effective part of the spot revaluation of hedging instruments is recognized in the revaluation reserve.

Note (15b) Derivatives – hedge accounting

	Fair values 31.03.2019		
	Total	Assets	Liabilities
Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate			
CIRS contracts	(285 068)	82 269	367 337
IRS contracts	5 247	5 247	0
FXS contracts	0	0	0
Total hedging derivatives	(279 821)	87 516	367 337

	Fair values 31.12.2018			Fair values 31.03.2018		
	Total	Assets	Liabilities	Total	Assets	Liabilities
Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(256 285)	120 526	376 811	313 907	505 623	191 716
IRS contracts	4 975	4 975	0	7 423	7 423	0
FXS contracts	0	0	0	1 763	3 061	1 298
Total hedging derivatives	(251 310)	125 501	376 811	323 093	516 107	193 014

As of presented above dates there were no active fair value hedges.

Note (16) Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Property. plant and equipment	Intangibles	Non-current assets held for sale	Other assets
As at 01.01.2019	5 024	8 754	3 988	136	8 126
- Write-offs created	0	0	0	0	3 431
- Write-offs released	0	0	0	0	(2 783)
- Utilisation	0	0	0	0	(25)
- Reclassification	0	0	0	0	(1 783)
As at 31.03.2019	5 024	8 754	3 988	136	6 966
As at 01.01.2018	5 963	8 754	3 988	136	7 944
- Write-offs created	28	0	0	0	5 176
- Write-offs released	(967)	0	0	0	(4 667)
- Utilisation	0	0	0	0	(327)
As at 31.12.2018	5 024	8 754	3 988	136	8 126
As at 01.01.2018	5 963	8 754	3 988	136	7 944
- Write-offs created	18	0	0	0	1 244
- Write-offs released	0	0	0	0	(1 206)
- Utilisation	0	0	0	0	(11)
As at 31.03.2018	5 981	8 754	3 988	136	7 971

Note (17a) Deferred income tax assets and liability

	31.03.2019		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	95 164	(5 350)	89 814
Balance sheet valuation of financial instruments	92 778	(112 379)	(19 601)
Unrealised receivables/ liabilities on account of derivatives	8 194	(14 973)	(6 779)
Interest on deposits and securities to be paid/ received	26 343	(38 595)	(12 252)
Interest and discount on loans and receivables	2	(51 776)	(51 774)
Income and cost settled at effective interest rate	94 748	(1 221)	93 527
Impairment of loans presented as temporary differences	240 686	0	240 686
Employee benefits	15 593	0	15 593
Use rights	9 144	(2 774)	6 370
Provisions for future costs	15 842	0	15 842
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in revaluation reserve	5 057	(15 971)	(10 914)
Tax loss deductible in the future	734	0	734
Other	3 686	(4 761)	(1 075)
Net deferred income tax asset	607 971	(247 800)	360 171

Note (17b) Deferred income tax assets and liability

	31.12.2018			31.03.2018		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	83 590	(5 794)	77 796	75 080	(2 966)	72 114
Balance sheet valuation of financial instruments	79 101	(98 757)	(19 656)	8 028	(29 318)	(21 290)
Unrealised receivables/ liabilities on account of derivatives	10 395	(19 103)	(8 708)	10 497	(20 489)	(9 992)
Interest on deposits and securities to be paid/ received	21 601	(36 888)	(15 287)	33 229	(34 612)	(1 383)
Interest and discount on loans and receivables	3	(47 713)	(47 710)	6	(49 644)	(49 638)
Income and cost settled at effective interest rate	89 058	(1 190)	87 868	83 742	(1 498)	82 244
Impairment of loans presented as temporary differences	238 209	0	238 209	220 692	0	220 692
Employee benefits	16 137	0	16 137	15 557	0	15 557
Provisions for future costs	25 199	0	25 199	19 675	0	19 675
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in revaluation reserve	13 517	(30 803)	(17 286)	19 306	(25 549)	(6 243)
Tax loss deductible in the future	1 320	0	1 320	606	0	606
Other	2 291	(4 458)	(2 167)	(260)	(894)	(1 154)
Net deferred income tax asset	580 421	(244 706)	335 715	486 158	(164 970)	321 188

Note (18) Liabilities to banks and other monetary institutions

	31.03.2019	31.12.2018	31.03.2018
In current account	108 123	105 472	125 519
Term deposits	531 688	455 297	883 936
Loans and advances received	1 224 787	1 224 267	969 162
Interest	3 612	3 821	3 269
Total	1 868 210	1 788 857	1 981 886

Note (19) Liabilities to customers

	31.03.2019	31.12.2018	31.03.2018
Amounts due to private individuals	47 827 065	47 730 280	43 146 054
Balances on current accounts	32 551 082	32 795 949	28 166 089
Term deposits	15 044 284	14 834 473	14 818 264
Other	161 087	30 342	93 387
Accrued interest	70 612	69 516	68 314
Amounts due to companies	15 646 006	15 589 643	14 084 661
Balances on current accounts	7 450 933	8 242 327	6 468 131
Term deposits	7 802 579	7 057 271	7 427 783
Other	374 238	275 095	171 262
Accrued interest	18 256	14 950	17 485
Amounts due to public sector	3 199 549	2 923 846	2 243 165
Balances on current accounts	1 336 768	1 374 012	1 106 117
Term deposits	1 855 980	1 546 384	1 126 621
Other	4 482	2 153	8 189
Accrued interest	2 319	1 297	2 238
Total	**66 672 620**	**66 243 769**	**59 473 880**

Note (20) Liabilities from securities sold with buy-back clause

	31.03.2019	31.12.2018	31.03.2018
a) to the Central Bank	0	0	0
b) to banks	55 753	50 322	0
c) to customers	0	0	0
d) interest	6	2	0
Total	55 759	50 324	0

Note (21) Change of debt securities

	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 31.03.2018
Balance at the beginning of the period	809 679	1 156 473	1 156 473
Increases, on account of:	151 718	309 865	72 474
- issue of Banking Securities	112 843	183 339	13 872
- issue of bonds by the Bank	0	141	132
- issue of bonds by the Millennium Leasing	34 750	104 700	51 500
- interest accrual	4 125	21 685	6 970
Reductions, on account of:	(63 806)	(656 659)	(64 362)
- repurchase of Banking Securities	(30 323)	(112 471)	(18 628)
- repurchase of bonds by the Bank	(122)	(329 526)	0
- repurchase of bonds by the Millennium Leasing	(31 100)	(192 930)	(43 000)
- interest payment	(2 261)	(21 732)	(2 734)
Balance at the end of the period	**897 591**	**809 679**	**1 164 585**

Note (22) Change of subordinated debt

	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 31.03.2018
Balance at the beginning of the period	701 883	701 971	701 971
Increases, on account of:	842 732	28 656	7 094
- issue of subordinated bonds	830 000	0	0
- interest accrual	12 732	28 656	7 094
- FX rates differences	0	0	0
Reductions, on account of:	0	(28 744)	0
- repayment of subordinated bonds	0	0	0
- interest payment	0	(28 744)	0
- FX rates differences	0	0	0
Balance at the end of the period	**1 544 615**	**701 883**	**709 065**

During 2018 and 2019 the Group did not have any delays in the payment of principal and interest instalments, nor did it infringe any contractual provisions resulting from its subordinated liabilities.

Note (23a) Provisions

	31.03.2019	31.12.2018	31.03.2018
Provision for commitments and guarantees given	48 626	51 742	47 657
Provision for pending legal issues	56 255	60 710	56 061
Total	104 881	112 452	103 718

Note (23b) Change of provision for commitments and guarantees given

	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 31.03.2018
Balance at the beginning of the period	51 742	21 720	21 720
Adjustment of the opening balance due to the implementation of IFRS 9	-	23 829	23 829
Adjusted balance at the beginning of the period	51 742	45 549	45 549
Charge of provision	13 222	60 827	19 223
Release of provision	(16 351)	(54 804)	(17 133)
FX rates differences	13	170	18
Balance at the end of the period	**48 626**	**51 742**	**47 657**

Note (23c) Change of provision for pending legal issues

	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 31.03.2018
Balance at the beginning of the period	60 710	46 032	46 032
Charge of provision	916	7 541	998
Release of provision	(2 581)	(809)	(44)
Utilisation of provision	(4 573)	(4 212)	(3 083)
Reclassification	1 783	12 158	12 158
Balance at the end of the period	56 255	60 710	56 061

5. CHANGES IN RISK MANAGEMENT PROCESS

Risk management performs a key role in the strategy of balanced and sustainable development of the Group, supporting optimisation of relationships between risk and returns within various business lines and maintenance of adequate risk profile relative to capital and liquidity.

In order to ensure effective risk management and coherent policy the Group has implemented risk management model under which credit, market, liquidity and operational risks are managed in an integrated manner.

Credit risk

In the first quarter of 2019 the Group both in the corporate and retail segments focused on further improving of the credit policy as well as the tools and processes of credit risk management.

In the corporate segment, the Group focused on activities aimed at streamlining and accelerating credit processes, in particular regarding the forms used and documentary requirements. The Group also adjusted the credit regulations and processes to the changing legal conditions. As in previous periods, work continued on improving IT tools supporting credit process.

In the retail segment, the Group, in addition to activities in the area of optimization of credit risk management methodologies, tools and processes, focused on improving the credit process. As part of the methodological changes, more conservative principles of calculating creditworthiness were introduced when granting retail loans for a period of more than 5 years, and in the process of granting mortgage products treatment of retirement age was refined in the creditworthiness calculation. As part of the improvement of the credit process, new tools for managing pre-approved offers at the Bank were introduced, under which additional elements of credit risk mitigation were introduced.

All the above changes were aimed at streamlining the credit process while at the same time limiting the appetite for risk.

The Group assesses credit risk regardless of how the portfolio of receivables from customers is classified in the financial statements: either as a portfolio valued at amortized cost or as a portfolio valued at fair value through profit or loss. The table below contains data on the entire portfolio due from customers, broken down into non-overdue and overdue exposures.

Changes in the loan portfolio of the Group after 3 months of 2019 are summarized below:

Gross exposure in '000 PLN	31.03.2019		31.12.2018	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Not overdue and without impairment	51 643 868	414 445	50 435 735	731 268
Overdue*, but without impairment	1 629 505	0	1 644 795	0
Total without impairment	53 273 373	414 445	52 080 530	731 268
With impairment	2 465 997	0	2 462 961	0
Total	**55 739 730**	**414 445**	**54 543 491**	**731 268**
Impairment write-offs	(1 730 589)	(16)	(1 758 867)	(16)
Fair value adjustment**	(69 005)	0	(72 943)	0
Total, net	**53 939 776**	**414 429**	**52 711 680**	**731 252**
Loans with impairment / total loans	4.42%	0,00%	4.52%	0.00%

(*) Loans overdue not more than 4 days are treated as technical and are not shown in this category.

(**) Fair value adjustment is defined as the difference between the nominal value and the fair value of the portfolio measured at fair value through profit or loss. The fair value adjustment is influenced, in particular, by taking into account the credit risk of the portfolio.

Market risk

The main measure used by the Group to evaluate market risks is the parametric VaR (Value at Risk) model – an expected loss that may arise on the portfolio over a specified period of time (10-days holding period) and with specified probability (99% confidence level) from an adverse market movement. The market risk measurement, monitoring and reporting is carried out daily, both on an individual basis for each of the areas responsible for risk taking and risk management, and also in consolidated terms considering the effect of the diversification that exists between the particular portfolios. All possible excesses of market risk limits are reported, documented and ratified at the proper competence level.

In 4Q 2018, the market risk limits were revised in order to take into account, inter alia, the change of the consolidated Own Funds, current and projected balance sheet structure as well as the market environment. The revised limits have been valid since 1st January 2019.

The VaR indicators in the period under consideration for the Group, that is jointly Trading Book and Banking Book, remained on average at the level of approx. PLN 29.4 m (13 % of the limit). Similary, the market risk exposure was approx. PLN 25,0 m (11% of the limit) as of the end of March 2019. The market risk exposure in 1Q 2019 in terms of value at risk in the Group, together with risk type division, is presented in the table below (ths PLN).

VaR measures for market risk ('000 PLN)

	31.03.2019		VaR (1Q 2019)			31.12.2018	
	Exposure	limit usage	Average	Maximum	Minimum	Exposure	limit usage
Total risk	**25 037**	**11%**	**29 394**	**33 087**	**25 037**	29 098	**14%**
Generic risk	23 277	11%	27 579	30 898	23 277	27 337	13%
Interest Rate VaR	23 280	11%	27 575	30 897	23 280	27 349	13%
FX Risk	35	0%	112	553	15	78	1%
Diversification Effect	0.2%					0.3%	
Specific risk	1 761	1%	1 814	2 691	1 758	1 761	1%

In 1Q 2019, total market risk limits in terms of VaR were not breached - neither for the total Group nor for the Banking Book and Trading Book, separately.

Open positions contain mainly interest rate and FX risk instruments. According to the Risk Strategy approved in the Group, the FX open position is allowed, however should be kept at low levels. For this purpose, the Group has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows to keep FX open positions only in Trading Book. In the 1Q 2019, the FX Total open position (Intraday as well as Overnight) remained well below the maximum limits in place.

In addition to above mention market risk limits, the stop loss limits are introduced for the financial markets portfolios. The aim is to limit the maximum losses of the trading activity of the Group. In case of the limit is reached, a review of the management strategy and assumptions for the positions in question must be undertaken.

In case of the Banking Book, the main component of the market risk is interest rate risk. In order to manage this risk, the following principles are in place:

- The market risk that results from the commercial banking activity is hedged or transferred on the monthly basis to areas that actively manage market risk and that are measured in terms of risk and profit and loss,

- The Bank uses natural hedging between loans and deposits as well as fixed rate bonds and derivatives to manage interest rate risk with the main purpose of protecting the Net Interest Income.

The variations in market interest rate have an influence on the Group's net interest income, both under a short and medium-term perspective, affecting its economic value in the long term. The measurement of both is complementary in understanding the complete scope of interest rate risk in Banking Book. For this reason, apart from daily market risk measurement in terms of value at risk, the scope of the additional measurement of interest rate risk on monthly basis covers both earnings-based and on quarterly basis economic value measures, in particular:

- the impact on net interest income over a time horizon of next 12 months resulting from one-off interest rate shock of upward/downward shift by 100 basis points,
- the economic value of equity that measures the theoretical change in the net present value of all Group's positions resulting from different upward/downward parallel basis points shocks applied to market interest rates curves. Therefore, the results shows the impact on the Group's economic value resulting from the interest rate change.

In 1Q 2019, the results of the above mentioned analysis for Banking Book stayed witing internally defined limits.

Liquidity risk

The liquidity risk measurement, monitoring and reporting is carried out daily with the use of both measures defined by the supervisory authorities and internally, for which limits were established. In 1Q 2019, the Group was characterized by good liquidity position. All the supervisory and internal liquidity indicators remained significantly above minimum limits in place. In 4Q2018, the liquidity limits were revised in order to take into account, inter alia, the change of the consolidated Own Funds, current and projected balance sheet structure as well as the market environment. The revised limits have been valid since 1st January 2019.

According to the Regulation of European Parlament and Council no 575/2013 on prudential requirements for credit insitutions and investment firms (CRR), the Group is calculating the liquidity coverage requirement (LCR). The regulator minimum of 100% for LCR valid in 2019 was complied by the Group. The LCR Group reached the level of 197% at the end of March 2019 (212% at the end of December 2018). Internally, the LCR is estimated daily and reported together with other internal liquidity measures to the areas responsible for the management and control of the liquidity risk in the Group on the daily basis.

In 1Q 2019, the Group has consistently maintained Loan-to-Deposit ratio well below 100%. This ratio, was equalled 81% at the end of March 2019 (78% at the end of December 2018). The Group continue the policy of investing the liquidity surplus in the portfolio of liquid assets, especially in the debt securities with low specific risk (Polish Government Bonds, Treasury and NBP Bills) of which the share in total debt securities amounted to 99% at the end of March 2019. During 2019 this portfolio slightly increased from PLN 22.7 billion at the end of December 2018 (28% of total assets) to approx. PLN 23.5 billion at the end of March 2019 (29% of total assets). Those assets are characterized with high liquidity and can be easily used as a collateral or sold without material loss on its value. The portfolio, supplemented by the cash and exposures to the National Bank of Poland, is treated as the Group's liquidity reserve, which can overcome crisis situations.

The main source of financing remains deposits base, the large, diversified and stable funding from retail, corporate and public sectors. The deposit base is supplemented by the deposits from financial institiutions and other money market operations. The source of medium-term funding remain also medium-term loans, subordinated debt and own bonds issue. During 1Q 2019 the Group continued to explore the possibility of raising additional funding in order to diversify the source of funding with particular attention to the cost of obtaining these funds. In January 2019 the Bank issued new, ten years subordinated bonds in total nominal amount of PLN 830.0 million. Maturity date of the bonds is on 30 January 2029.

The level of deposit concentration is regulary monitored and did not have any negative impact on the stability of the deposit base in 1Q2019. However, in case of significant increase of the share of the largest depositors, the additional funds from the depositors are not treated as stable. Despite of that, in order to prevent deposit base fluctuations, the Group maintains the reserves of liquid assets in the form of securities portfolio as described above.

The Group manages FX liquidity through the use of FX-denominated bilateral loans as well as subordinated debt, Cross Currency Swap and FX Swap transactions. The swaps portfolio is diversified in term of counterparties and maturity dates. For the majority of counterparties the Bank has signed a Credit Support Annex to the master agreements. As a result, in case of unfavourable changes of FX rates (PLN depreciation), the Bank is obliged to place deposits as collateral with counterparties in order to secure the settlement of derivative instruments in the future, and in case of favourable FX rates changes (PLN appreciation) receives deposits as collateral from the counterparty.

The Group assesses the possibility of unfavourable changes of FX rates (especially CHF and EUR, which causes increase of liquidity needs), analyses the impact on liquidity risk and reflects this risk in the liquidity plans.

Stress tests as regards structural liquidity are carried out at least quarterly to understand the Group's liquidity risk profile, to make sure that the Group is able to meet its commitments in the event of a liquidity crisis and to contribute to preparing a contingency plan regarding liquidity and management decisions.

The Group has also contingency procedures for an increased liquidity risk situation – the Liquidity Contingency Plan, which is revised and tested at least once a year in order to ensure that it is operationally robust.

Operational risk

In the first quarter of 2019 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with legal provisions in force and the best practice of national and international financial institutions.

The operational risk management model, implemented by the Group is reviewed and accepted on a regular basis by the Management Board.

In keeping with the adopted solution, risk management is a process of continuous improvement as regards identification, assessment, monitoring, control/mitigating and reporting by complementary activities, which effectively translates into a real reduction in the level of operational risk in the business tasks.

In the first quarter of 2019 the registered level of operational risk losses was at the acceptable level.

Capital management

Capital management relates to two areas: capital adequacy management and capital allocation. For both areas, management goals were set.

The goal of capital adequacy management is: (a) meeting the requirements specified in external regulations (regulatory capital adequacy) and (b) ensuring the solvency in normal and stressed conditions (economic capital adequacy/internal capital). Completing that goal, Bank strives to achieve internal long-term capital limits (targets), defined in Risk Strategy.

Capital allocation purpose is to create value for shareholders by maximizing the return on risk in business activity, taking into account established risk tolerance.

In a scope of capital management process, there is also a capital planning process. The goal of capital planning is to designate the own funds (capital base that is risk-taking capacity) and capital usage (regulatory capital requirements and economic capital) in a way to ensure that capital targets/limits shall be met, given forecasted business strategy and risk profile – in normal and stressed macroeconomic conditions.

The Bank and the Group are obliged by law to meet minimum own funds requirements, set in art. 92 of the EU Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending EU Regulation No. 648/2012 (CRR). At the same time, the following levels, recommendations and buffers were included in capital limits/targets setting:

- Pillar II FX mortgage buffer (RRE FX) - KNF recommendation to maintain additional own funds for the coverage of additional capital requirements in order to secure the risk resulting from FX mortgage loans granted to households, in line with art. 138.1.2a of Banking Act. At present, the buffer was set by KNF in recommendations issued in October and November 2018 in the level of 6.41 p.p. (the Bank) and 6.27 p.p. (the Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements for Tier 1 ratio of 4.81 p.p. (the Bank) and of 4.70 p.p. (the Group), and which corresponds to capital requirements for CET 1 ratio of 3.59 p.p. (the Bank) and 3.51 p.p. (the Group);
- Combined buffer – defined in Act on macroprudential supervision over the financial system and crisis management – that consists of:
  - Capital conservation buffer at the level of 2.5%;
  - Other systemically important institution buffer (OSII) – at the level of 0%, and the value is set by KNF every year;
  - Systemic risk buffer at the level of 3%;
  - Countercyclical buffer at the 0% level.

Capital adequacy of the Group over the last three years was as follows:

Capital adequacy	31.03.2019	31.12.2018	31.12.2017
Risk-weighted assets	**37 735,2**	**36 635,5**	**32 693,6**
Own Funds requirements, including:	**3 018,8**	**2 930,8**	**2 615,5**
- Credit risk and counterparty credit risk	**2 656,6**	**2 593,9**	**2 297,7**
- Market risk	**22,6**	**20,3**	**18,3**
- Operational risk	**336,9**	**313,1**	**293,4**
- Credit Valuation Adjustment CVA	**2,8**	**3,5**	**6,1**
Own Funds, including:	**9 658,9**	**7 943,0**	**7 190,6**
Common Equity Tier 1 Capital	**8 128,9**	**7 243,0**	**6 548,8**
Tier 2 Capital	1 530,0	700,0	641,8
Total Capital Ratio (TCR)	**25,60%**	**21,68%**	**21,99%**
Minimum required level	19,77%	19,15%	18,91%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	+5,83	+2,53	+3,08
Tier 1 Capital ratio (T1)	**21,54%**	**19,77%**	**20,03%**
Minimum required level	16,20%	15,58%	14,56%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	+5,34	+4,19	+5,47
Common Equity Tier 1 Capital ratio (CET1)	**21,54%**	**19,77%**	**20,03%**
Minimum required level	13,51%	12,89%	13,53%
Surplus(+) / Deficit(-) of CET1 capital adequacy (p.p.)	+8,03	+6,88	+6,50
Liquidity Coverage ratio (LCR)	**197%**	**212%**	**153%**

In first quarter 2019 compared to the end of 2018, capital ratios of Group increased – TCR went up by 3.92 p.p. and CET1 ratio by 1.77 p.p. That was driven by the increase of own funds by 21.6%, stemming mainly from the decision of general shareholders meeting regarding retention in own funds full amount of 2018 net profit and KNF approval to include in Tier 2 capital new subordinated bonds issue amounted to PLN 830 m. At the same time, rise of risk-weighted assets was smaller – by 3.0% in relation to aforementioned own funds growth.

6. OPERATIONAL SEGMENTS

Information about operating segments has been prepared based on the reporting structure which is used by the Management Board of the Bank for evaluating the results and managing resources of operating segments. Group does not apply additional breakdown of activity by geographical areas because of the insignificant scale of operations performed outside the Poland, in result such complementary division is not presented.

The Group's activity is pursued on the basis of diverse business lines, which offer specific products and services targeted at the market segments listed below:

Retail Customer Segment

The Retail Customers Segment covers activity targeted at mass-market Customers, affluent Customers, small companies and individual entrepreneurs.

The activity of the above business lines is developed with use of the full offer of banking products and services as well as sales of specialised products offered by subsidiaries in the group. In the credit products area the key products are mortgage loans, retail credit products, credit card revolving credit as well leasing products for small companies. Meanwhile key Customers funds include: current and saving accounts, term deposits, mutual funds and structured products. Additionally the offer comprises insurance products, mainly linked with loans and credit cards, as well as specialised savings products. The product offer for affluent customers was enriched to include selected mutual funds of other financial intermediaries, foreign funds and structured bonds issued by the Bank.

Corporate Customer Segment

The Corporate Customers Segment is based on activity targeted at Small and Medium sized Companies as well as Large Corporations. The offer is also addressed to Customers from the Public Sector.

Business in the Corporate Customers segment is pursued with use of a high quality offer of typical banking products (loans for day-to-day activity, investment loans, current accounts, term deposits) supplemented by a range of cash management products as well as treasury products (including derivatives) and leasing and factoring services.

Treasury, ALM (assets and liabilities management) and Other

This segment covers the Group's activity as regards investments by the Treasury Department, brokerage, inter-bank market transactions and taking positions in debt securities, which are not assigned to other segments.

This segment includes other assets and other liabilities, assets and liabilities connected with hedging derivatives, liabilities connected with external funding of the Group and deferred income tax assets not assigned to any of the segments.

For each segment the pre-tax profit is determined, comprising:

- Net interest income calculated on the basis of interest on external working assets and liabilities of the segment as well as allocated assets and liabilities generating internal interest income or cost. Internal income and costs are calculated based on market interest rates with internal valuation model applied;
- Net commission income;
- Other income from financial transactions and FX gains, such as: dividend income, result on investment and trading activity, FX gains/losses and result on other financial instruments;
- Other operating income and expenses;
- Costs on account of impairment of financial and non-financial assets;
- Segment share in operating costs, including personnel and administration costs;
- Segment share in depreciation costs;
- Operating profit used as segment profit measure differs from pre-tax IFRS profit only by Banking tax and Share in net profit of associated companies. Share in net profit of associated companies and Income tax charge has been presented on Group level only.

The assets and liabilities of commercial segments are the operating assets and liabilities used by the segment in its operations, allocated on business grounds. The difference between operating assets and liabilities is covered by money market assets/liabilities and debt securities. The assets and liabilities of the Treasury, ALM & Other segment are money market assets/liabilities and debt securities not allocated to commercial segments.

Income statement 1.01.2019 – 31.03.2019

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Net interest income	339 007	75 590	69 395	483 992
Net fee and commission income, including:	122 353	41 145	(324)	163 174
Fee and commission income	155 928	43 443	2 159	201 530
Fee and commission expenses	(33 575)	(2 298)	(2 483)	(38 356)
Dividends, other income from financial operations and foreign exchange profit	24 262	16 091	20 923	61 276
Result on non-trading financial assets mandatorily at fair value through profit or loss	(4 929)	0	8 982	4 053
Other operating income and cost	(4 700)	(4 852)	32 964	23 412
Operating income	475 993	127 974	131 940	735 907
Staff costs	(127 572)	(35 215)	(9 769)	(172 556)
Administrative costs	(85 725)	(13 259)	(79 516)	(178 500)
Depreciation and amortization	(29 016)	(3 586)	(810)	(33 412)
Operating expenses	(242 313)	(52 060)	(90 095)	(384 468)
Impairment losses on assets	(30 431)	(32 663)	(647)	(63 741)
Results on modification	(3 786)	120	0	(3 666)
Operating Profit	**199 463**	**43 371**	**41 198**	**284 032**
Share in net profit of associated companies	0	0	0	0
Banking tax				(51 358)
Profit / (loss) before income tax				**232 674**
Income taxes				(72 708)
Profit / (loss) after taxes				**159 966**

Balance sheet items as at 31.03.2019

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Loans and advances to customers	38 247 318	15 692 458	0	53 939 776
Liabilities to customers	49 533 995	17 010 729	127 896	66 672 620

Income statement 1.01.2018 - 31.03.2018

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Net interest income	290 087	68 734	69 470	428 291
Net fee and commission income, including:	128 135	44 497	(128)	172 504
Fee and commission income	159 661	46 759	2 782	209 202
Fee and commission expenses	(31 526)	(2 262)	(2 910)	(36 698)
Dividends, other income from financial operations and foreign exchange profit	18 343	19 235	17 590	55 168
Result on non-trading financial assets mandatorily at fair value through profit or loss	(3 136)	0	853	(2 283)
Other operating income and cost	(2 022)	(396)	5 165	2 747
Operating income	431 407	132 070	92 950	656 427
Staff costs	(114 907)	(35 078)	(7 714)	(157 699)
Administrative costs	(100 816)	(14 817)	(43 490)	(159 123)
Depreciation and amortization	(10 788)	(2 252)	(369)	(13 409)
Operating expenses	(226 511)	(52 147)	(51 573)	(330 231)
Impairment losses on assets	(32 684)	(18 105)	(36)	(50 825)
Results on modification	(4 552)	253	0	(4 299)
Operating Profit	**167 660**	**62 071**	**41 341**	**271 072**
Share in net profit of associated companies	0	0	0	0
Banking tax				(52 178)
Profit / (loss) before income tax				**218 894**
Income taxes				(63 618)
Profit / (loss) after taxes				**155 276**

Balance sheet items as at 31.12.2018

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Total
Loans and advances to customers	37 270 388	15 441 292	0	52 711 680
Liabilities to customers	49 860 658	16 248 660	134 451	66 243 769

7. Transactions with Related Entities

All and any transactions between entities of the Group in 1 quarter 2019 resulted from the current operations.

Apart from transactions described herein, in the indicated period neither Bank Millennium S.A., nor subsidiaries of Bank Millennium S.A. made any other transactions with related entities, which individually or jointly may have been significant and concluded under terms and conditions other than market-based.

7.1. Transactions with the Parent Group

The following are the amounts of transactions with the Capital Group of Bank's parent company - Banco Comercial Portugues (ultimate parent company), these transactions are mainly of banking nature (in '000 PLN):

	With parent company		With other entities from parent group	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
ASSETS				
Loans and advances to banks – accounts and deposits	307	921	0	0
Financial assets held for trading	0	0	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	0	0
LIABILITIES				
Loans and deposits from banks	729	199	115 491	114 449
Debt securities	0	0	0	0
Financial liabilities held for trading	385	307	0	0
Hedging derivatives	0	0	0	0
Other liabilities	0	0	430	135

	With parent company		With other entities from parent group	
	1.01.2019-31.03.2019	1.01.2018-31.03.2018	1.01.2019-31.03.2019	1.01.2018-31.03.2018
Income from:				
Interest	(5)	5	0	0
Commissions	54	49	0	0
Financial assets and liabilities held for trading	0	0	0	0
Expense from:				
Interest	0	0	(72)	(67)
Commissions	0	0	0	0
Financial assets and liabilities held for trading	406	95	0	0
Other net operating	2	4	0	0
Administrative expenses	0	0	259	112

	With parent company		With other entities from parent group	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Conditional commitments	109 700	109 673	0	0
- granted	104 643	104 643	0	0
- obtained	5 056	5 030	0	0
Derivatives (par value)	16 784	33 577	0	0

7.2. Balance of the Bank's shares held by the Bank's Supervisory and Management Board Members

Name and surname	Position/Function	Number of shares as of delivery date of quarterly report prepared as at 31.03.2019	Number of shares as of delivery date of report prepared as at 31.12.2018
Joao Nuno Lima Bras Jorge	Chairman of the Management Board	111 000	111 000
Fernando Maria Cardoso Rodrigues Bicho	Deputy Chairman of the Management Board	0	0
Wojciech Haase	Member of the Management Board	7 494	7 494
Andrzej Gliński	Member of the Management Board	0	0
Wojciech Rybak	Member of the Management Board	0	0
Antonio Ferreira Pinto Junior	Member of the Management Board	0	0
Jarosław Hermann	Member of the Management Board	-	0
Bogusław Kott	Chairman of the Supervisory Board	1 000	1 000
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	0	0
Dariusz Rosati	Deputy Chairman and Secretary of the Supervisory Board	0	0
Miguel de Campos Pereira de Bragança	Member of the Supervisory Board	0	0
Agnieszka Hryniewicz-Bieniek	Member of the Supervisory Board	0	0
Anna Jakubowski	Member of the Supervisory Board	0	0
Grzegorz Jędrys	Member of the Supervisory Board	0	0
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Alojzy Nowak	Member of the Supervisory Board	0	0
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Supervisory Board	0	0
Miguel Maya Dias Pinheiro	Member of the Supervisory Board	0	0
Lingjiang Xu	Member of the Supervisory Board	0	0

8. Fair Value

The best reflection of fair value of financial instruments is the price which can be obtained for the sale of assets or paid for the transfer of liability in case of market transactions (an exit price). For many products and transactions for which market value to be taken directly from the quotations in an active market (marking-to-market) is not available, the fair value must be estimated using internal models based on discounted cash flows (marking-to-model). Financial cash flows for the various instruments are determined according to their individual characteristics, and discounting factors include changes in time both in market interest rates and margins.

According to IFRS 13 "Fair value measurement" in order to determinate fair value the Group applies models that are appropriate under existing circumstances and for which sufficient input data is available, based to the maximum extent on observable input whereas minimizing use of unobservable input, namely:

Level 1 - valuation based on the data fully observable (active market quotations);
Level 2 - valuation models using the information not constituting the data from level 1, but observable, either directly or indirectly;
Level 3 - valuation models using unobservable data (not derived from an active market).

Valuation techniques used to determine fair value are applied consistently. Change in valuation techniques resulting in a transfer between these methods occurs when:

- transfer from Level 1 to 2 takes place when for the financial instruments measured according to Level 1 quoted market prices from an active market are not available at the balance sheet day (previously used to be);
- transfer from Level 2 to 3 takes place when for the financial instruments measured according to the Level 2 value of parameters not derived from the market has become significant at the balance sheet day (and previously used to be irrelevant).

8.1. Financial instruments not recognized at fair value in the balance sheet

All estimation models are arbitrary to some extent and this is why they reflect only the value of those instruments for which they were built. In these circumstances the presented differences between fair values and balance-sheet values cannot be understood to mean adjustments of the economic value of the Group. Fair value of these instruments is determined solely in order to meet the disclosure requirements of IFRS 13 and IFRS 7.

The main assumptions and methods applied in estimating fair value of assets and liabilities of the Group are as follows:

Receivables and liabilities with respect to banks

The fair value of these instruments was determined by discounting the future principal and interest flows with current rates, assuming that the flows arise on contractual dates.

Loans and advances granted to customers valued at amortised cost

The fair value of such instruments without specified repayment schedule, given their short-term nature and the time-stable policy of the Group with respect to this portfolio, is close to balance-sheet value.

With respect to floating rate leasing products fair value was assessed by adjusting balance-sheet value with discounted cash flows resulting from difference of spreads.

The fair value of instruments with defined maturity is estimated by discounting related cash flows on contractual dates and under contractual conditions with the use of current zero-coupon rates and credit risk margins.

In case of mortgage loans due to their long-term nature estimation of the future cash flows also includes: the effect of early repayment and liquidity risk in foreign currencies.

Liabilities to customers

The fair value of such instruments without maturity or with maturity under 30 days is considered by the Group to be close to balance-sheet value.

Fair value of instruments due and payable in 30 days or more is determined by discounting future cash flows from principal and interest (including the current average margins by major currencies and time periods) using current interest (including the original average margins by major currencies and time periods) in contractual terms.

Liabilities from the issuance of structured debt securities

Liabilities from the issuance of structured debt securities - bank's securities (BPW) are stated/priced at fair value in accordance with Bank's model. In this model, zero coupon bond price is calculated, which afterwards is increased by the option price, which was basis for a strategy built in a given structured bond.

The fair value of other liabilities arising from debt securities issued by the Bank (bonds (BKMO)) was estimated based on the expected cash flows using current interest rates taking into account the margin for credit risk. The current level of margins was appointed on the basis of recent transactions of similar credit risk.

Subordinated liabilities and medium term loans

The fair value of these financial instruments is estimated on the basis of a model used for determining the market value of floating-rate bonds with the current level of market rates and historical margin for credit risk. Similar as in loan portfolio the Bank includes the level of the original margin as a part of mid-term cost of financing obtained in the past in relation to the current margin level for the comparable instruments, as long as reliable assessment is possible. Due to lack of the mid-term loans liquid market as a reference to estimate current level of margins, the Bank used the original margin.

The table below presents results of the above-described analyses as at 31.03.2019 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	14	45 039	45 365
Deposits, loans and advances to banks and other monetary institutions	14	414 429	414 396
Loans and advances to customers (*)	13	52 698 865	51 379 973
LIABILITIES MEASURED AT AMORTISED COST			
Liablities to banks and other monetary institutions	18	1 868 210	1 869 674
Liablities to customers	19	66 672 620	66 676 709
Debt securities issued	21	897 591	900 272
Subordinated debt	22	1 544 615	1 536 071

* - The negative impact of fair value valuation of the loans portfolio is largely attributable to growth of loan spreads. The methodology, which the Bank uses for valuation of the loans portfolio, assumes that current spreads best reflect existing market conditions and economic situation. A corresponding rule is widely applied for valuation of debt securities, which are not quoted on active markets. In result, paradoxically whenever the spreads of new loans increase, fair value of the “old” loans portfolio falls.

Models used for determination of the fair value of financial instruments presented in the above table and not recognized at fair value in Group’s balance sheet, use techniques based on parameters not derived from the market. Therefore, they are considered as the third level of valuation.

The table below presents data as at 31.12.2018 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	14	44 884	45 631
Deposits, loans and advances to banks and other monetary institutions	14	731 252	731 163
Loans and advances to customers (*)	13	51 461 155	50 070 672
LIABILITIES MEASURED AT AMORTISED COST			
Liablities to banks and other monetary institutions	18	1 788 857	1 791 378
Liablities to customers	19	66 243 769	66 245 865
Debt securities issued	21	809 679	811 734
Subordinated debt	22	701 883	695 468

8.2. FINANCIAL INSTRUMENTS RECOGNIZED AT FAIR VALUE IN THE BALANCE SHEET

The table below presents balance-sheet values of instruments measured at fair value, by applied fair value measurement technique:

Data in PLN'000, as at 31.03.2019

	Note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	11			
Valuation of derivatives			52 612	42 050
Equity instruments		194		
Debt securities		773 269		
Non-trading financial assets mandatorily at fair value through profit or loss	13			
Equity instruments				21 609
Debt securities				52 169
Loans and advances				1 240 911
Financial assets at fair value through other comprehensive income	12			
Equity instruments		273		29 042
Debt securities		22 446 586	399 942	
Derivatives – Hedge accounting	15		87 516	
LIABILITIES				
Financial liabilities held for trading	11			
Valuation of derivatives			55 921	41 383
Short positions		114 182		
Derivatives – Hedge accounting	15		367 337	

Data in '000 PLN, as at 31.12.2018

	Note	Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	11			
Valuation of derivatives			59 071	38 008
Equity instruments		104		
Debt securities		693 242		
Non-trading financial assets mandatorily at fair value through profit or loss	13			
Equity instruments				21 609
Debt securities				43 187
Loans and advances				1 250 525
Financial assets at fair value through other comprehensive income	12			
Equity instruments		257		29 042
Debt securities		20 504 839	1 599 800	
Derivatives – Hedge accounting	15		125 501	
LIABILITIES				
Financial liabilities held for trading	11			
Valuation of derivatives			65 568	38 162
Short positions		123 754		
Derivatives – Hedge accounting	15		376 811	

Using the criterion of valuation techniques as at 31.03.2019 Group classified into the third category following financial instruments:

- credit exposures with a leverage / multiplier feature inbuilt in the definition of interest rate (these are credit card exposures and overdraft limits for which the interest rate is based on a multiplier: 4 times the lombard rate). To estimate the fair value of loans, due to the lack of availability of the market value, an internal valuation model was used, taking into account the assumption that at the time of granting the loan the fair value is equal to the carrying value. The fair value of loans without recognized impairment is equal to the sum of future expected cash flows discounted at the balance sheet date. The discounting rate is the sum of: the cost of risk, the cost of financing, the value of the expected return. The fair value of impaired loans is equal to the sum of future expected recoveries discounted using the effective interest rate, recognizing that the average expected recoveries fully take into account the element of credit risk. In case of an increase in the discount rate by 1 p.p. valuation of the portfolio would have been reduced by -0.22% (sensitivity analysis: based on the FV model for the portfolio of credit cards);

- index options, option transactions are measured at fair value with use of option measurement models, the model measurement is supplemented with impact on fair value of the estimated credit risk parameter;

- VISA Inc. engagement (classified as a debt instrument) in an amount of 21,493; the method of fair value calculation of this instrument considers the time value of money, the time line for conversion of preferred stock in common stock of VISA and adjustments resulting from litigations (on-going or potential) against VISA and the Bank;

- other equity instruments measured at fair value (unquoted on an active market).

In the reporting period, the Group did not make transfers of financial instruments between the techniques of fair value measurement.

Changes of fair values of instruments measured on the basis of valuation techniques with use of significant parameters not derived from the market in 1Q2019 are presented in the table below (in ’000 PLN):

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
As at 31.12.2018	**35 430**	**(35 584)**	**50 651**	**43 187**	**1 250 525**
Settlement/sell/purchase	3 921	(3 517)	0	0	(30 684)
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	26 000
Results on financial assets and liabilities held for trading	1 261	(844)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	8 982	(4 929)
Result on exchange differences	0	0	0	0	0
As at 31.03.2019	**40 612**	**(39 945)**	**50 651**	**52 169**	**1 240 911**

For options on indexes concluded on an inactive market, and FX options the Group concludes back-to-back transactions on the interbank market, in result estimated credit risk component has no impact on the financial result.

Accordingly Group’s estimation impact of adjustments for counterparty credit risk was not significant from the point of view of individual derivative transactions concluded by the Bank. Consequently, the Bank does not consider the impact of unobservable inputs used in the valuation of derivative transactions for significant and in accordance with the provisions of IFRS 13.73 does not classify such transactions for level 3 fair value measurements.

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 31 December 2017	43 159	(42 231)	29 632	47 976	0
Adjusments/reclassifications due to the implementation of IFRS 9	0	0	15 403	(18 344)	1 099 841
Balance on 1 January 2018	43 159	(42 231)	45 035	29 632	1 099 841
Settlement/sell/purchase	(6 287)	5 611	2 515	0	72 009
Change of valuation recognized in equity	0	0	3 095	0	0
Interest income and other of similar nature	0	0	0	0	98 605
Results on financial assets and liabilities held for trading	(1 442)	1 036	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	13 555	(19 930)
Result on exchange differences	0	0	6	0	0
Balance on 31 December2018	**35 430**	**(35 584)**	**50 651**	**43 187**	**1 250 525**

9. Contingent Liabilities and Assets

Below please find the data on the court cases pending, brought up by and against entities of the Group. A separate category are the proceedings related to the activities of the Tax Control Authority described in Chapter 4. note 10.

Court cases brought up by the Group

Value of the court litigations, as at 31.03.2019, in which the companies of the Group were a plaintiff, totalled PLN 253.7 million.

On January 3 2018, Bank Millennium received decision of the President of the Office of Competition and Consumer Protection (UOKIK), in which the President of UOKIK found infringement by the Bank of the rights of consumers. In the opinion of the President of UOKiK the essence of the violation is that the Bank informed consumers (it regards 78 agreements) in responses to their complaints, that the court verdict stating the abusiveness of the provisions of the loan agreement regarding exchange rates does not apply to them. According to the position of the President of UOKiK the abusiveness of contract's clauses determined by the court in the course of abstract control is constitutive and effective for every contract from the beginning. As a result of the decision, the Bank was obliged to:

1) send information on the UOKiK's decision to the said 78 clients,

2) place the information on decision and the decision itself on the website and on Twitter,

3) to pay a fine amounting to 20.7 mln PLN. The decision on the fine is not immediately enforceable.

The decision of the President of UOKIK is not final. The Bank does not agree with this decision and lodged an appeal within the statutory time limit.

Court cases against the Group

As at 31.03.2019, the most important proceeding, in the group of the court cases where the Group's companies were defendant, was a case brought up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium S.A., worth of the dispute 521.9 million PLN with statutory interest from 05.04.2016 until the day of payment.

The plaintiff filed the suit dated 23.10.2015 to the Regional Court in Warsaw; the suit was served to the Bank on 04.04.2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by the Bank and consisting in the wrong interpretation of the Agreement for working capital loan concluded between the Bank and PCZ S.A., which resulted in placing the loan on demand.

In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of 250.0 million PLN. The petition was dismissed on 5.09.2016 with legal validity by the Appellate Court. The Bank is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. Supporting the position of the Bank, the Bank's attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to the Bank, issued in the same legal state in the action brought by PCZ SA against the Bank.

At present, the court is conducting evidence proceedings.

Additionaly, on 19 January 2018 the Bank has received the lawsuit petition of First Data Polska SA requesting the payment of 186.8 mln PLN. First Data claims a share in an amount which the Bank has received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its request on an agreement with the Bank on co-operation in scope of acceptance and settlement of operations conducted with the usage of Visa cards. The Bank does not accept the claim and filed the response to the lawsuit petition within the deadline set forth in the law. The case is being examined by the Court of first instance.

As at 31.03.2019, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at PLN 404.8 million (excluding the class actions described below). In this group the most important category are cases related to forward transactions (option cases) and cases related with FX loans mortgage portfolio.

The Group evaluates that the risk of negative financial effects in case of a lost litigation has been fully covered by the value of the provisions established for the pending litigations.

Class actions

The class action related to the indexation issue.

On 21 October 2014 a class action was delivered to the Bank in which a group of the Bank's borrowers represented by the Municipal Consumer Ombudsman in Olsztyn seeks the ascertainment that the Bank is liable for unjust enrichment in connection with the CHF-indexed mortgage agreements. The members of the group claim that the Bank unduly collected excessive amounts from them for the repayment of loans. According to the statement of claim, the overstatement of such amounts was to result from the application of abusive contractual provisions concerning the CHF-indexation of credits.

Actual status:

The number of the group members amounts to approximately 5 400 and the value of the litigation has been estimated to approximately PLN 146 million. The number of loan agreements involved is approximately 3 300.

The current stage of the proceedings is establishing the composition of the group (i.e. determining whether all persons who joined the group may participate in the group).

The class action related to the LTV insurance

On the 3rd of December 2015 a class action was served on the Bank. A group of the Bank's debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million, claiming that the clauses of the agreements, pertaining to the low down payment insurance, are unfair and thus not binding. Plaintiff extended the group in the court letter filed on the 4th of April 2018, therefore the claims increased from PLN 3.5 million to over PLN 5 million.

Current status:

On the 1st of October 2018, the group's representative corrected the total amount of claims pursued in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7 371 107.94.

The next stage of the proceedings is establishing the composition of the group (i.e. determining whether all persons who joined the proceedings may participate in the group).

OFF-BALANCE ITEMS

Amount '000 PLN	31.03.2019	31.12.2018	31.03.2018
Off-balance conditional commitments granted and received	**10 163 772**	**10 229 552**	**9 740 025**
Commitments granted:	9 764 592	9 855 664	9 309 294
- loan committments	8 324 735	8 423 814	7 947 321
- guarantee	1 439 858	1 431 850	1 361 973
Commitments received:	399 179	373 887	430 731
- financial	2 538	0	165 515
- guarantee	396 641	373 887	265 216

10. Additional Information

10.1. Data about assets, which secure liabilities

As at 31 March 2019 following assets of the Bank constituted collateral of liabilities (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds WZ0121	Held to Collect and for Sale	Lombard credit granted to the Bank by the NBP	130 000	130 749
2.	Treasury bonds WZ0120	Held to Collect and for Sale	Initial security deposit for bond futures	500	503
3.	Treasury bonds WZ0120	Held to Collect and for Sale	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	311 000	312 760
4.	Treasury bonds PS0421	Held to Collect and for Sale	Technical credit granted to the Bank by the NBP	157 000	160 843
5.	Central Bank bills NBP_050419	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	39 550	39 543
6.	Central Bank bills NBP_050419	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	27 100	27 095
7.	Cash	receivables	Payment to the Futures Settlement Guarantee Fund	100	100
8.	Cash	receivables	Payment to the Security Fund OTC-KDPW_CCP	4 365	4 365
9.	Deposits	Deposits in banks	Settlement on transactions concluded	295 371	295 371
10.	Leasing receivables	Loans and advances	Loans granted to Millennnium Leasing	541 569	541 569
			TOTAL	1 506 555	1 512 898

Additionally, as at March 31, 2019, the Group had concluded short-term transactions (usually settled within 7 days) of Treasury securities sale with a repurchase agreement, subject of securities worth PLN 55,689 thousand.

As at 31 December 2018 following assets of the Bank constituted collateral of liabilities (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds WZ0121	Held to Collect and for Sale	Lombard credit granted to the Bank by the NBP	130 000	131 630
2.	Treasury bonds WZ0120	Held to Collect and for Sale	Initial security deposit for bond futures	500	507
3.	Treasury bonds WZ0120	Held to Collect and for Sale	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	311 000	315 273
4	Central Bank bills NBP_040119	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	35 600	35 600
5.	Central Bank bills NBP_040119	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	27 100	27 100
6.	Cash	receivables	Payment to the Futures Settlement Guarantee Fund	100	100
7.	Cash	receivables	Payment to the Security Fund OTC-KDPW_CCP	2 583	2 583
8.	Deposits	Deposits in banks	Settlement on transactions concluded	264 108	264 108
			TOTAL	770 991	776 901

Additionally, as at December 31, 2018, the Group had concluded short-term transactions (usually settled within 7 days) of Treasury securities sale with a repurchase agreement, subject of securities worth PLN 50,290 thousand .

10.2. Securities covered by transactions with a buy-back clause

The following debt securities (presented in the balance sheet of the Group) were subject to repo transactions (SBB), in PLN thous.:

Type of security	31.03.2019		31.12.2018	
	Par value	Balance sheet value	Par value	Balance sheet value
Treasury bonds	56 129	55 689	49 667	50 290
TOTAL	56 129	55 689	49 667	50 290

In result of conclusion of Sell-Buy-Back transactions with the underlying securities presented in the table above, the Group is exposed to risks, which are the same as in case of holding securities with the same characteristics in its treasury portfolio.

10.3. 2019 dividend

Bank Millennium has a dividend policy of distributing between 35% to 50% of net profit, assuming that the recommendations of the Polish Financial Supervision Authority (KNF) regarding the payment of dividends will be met.

The high capital ratios at the end of 2018 would allow to pay 75% if not additional K1 and K2 criteria for banks with FX mortgage loan portfolio, which KNF maintained when announcing in January 2019 a recommendation on the banks' dividend policy. K1 criterion is based on FX mortgage share in total portfolio and K2 criterion is based on share of 2007-2008 vintages in total FX mortgage portfolio.

Due to the above and considering the planned acquisition of Euro Bank S.A., the Bank intended to retain all of its 2018 net profit in own funds in order to strengthen capital ratios. Therefore, the Management Board of the Bank submitted to Annual General Meeting a proposal of full retention of 2018 net profit. The Annual General Meeting held on 25th March 2019 decided to retain the net profit for 2018 in Bank's equity.

10.4. Earnings per share

Profit per share calculated for I quarter 2019 (and diluted profit per share) on the basis of the consolidated data amounts to PLN 0.13.

10.5. Shareholders holding no less than 5% of the total number of votes at the General Shareholders Meeting of the Group's parent company – Bank Millennium S.A.

Because the Bank is a public company whose shares are traded on the WSE primary market, the Bank has no detailed information about the shareholding structure as of March 31, 2019. Information on the shareholderspresented in the table below, is provided on the basis of data collected in connection with the registration of shareholders entitled to participate in the Bank's General Shareholders Meeting held on 25 March 2019.

The largest shareholders of the Group's parent entity – the Bank - (above 5% share in the vote at the General Shareholders Meetings) were as follows:

Shareholders as at 31.03.2019	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	100 000 000	8.24	100 000 000	8.24
Aviva Otwarty Fundusz Emerytalny Aviva Santander	76 300 000	6.29	76 300 000	6.29
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	68 000 000	5.61	68 000 000	5.61

Shareholders as at 31.12.2018	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	105 018 325	8.66	105 018 325	8.66
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	76 301 553	6.29	76 301 553	6.29
Aviva Otwarty Fundusz Emerytalny Aviva Santander	68 043 397	5.61	68 043 397	5.61

10.6. Information about loan sureties or guarantees extended by the Group

In the 1 quarter 2019, the Group did not grant any sureties or guarantees for a loan or bank loan which would cause the Group's exposure on this account as at 31 March 2019 to be significant.

10.7. Seasonality and business cycles

In the Group's activity, there are no significant phenomena, which are cyclical or subject to seasonal variations.

10.8. Other additional information and events after the balance sheet date

As at 31 March 2019, the Group has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed consolidated statements, Group did not:

- create substantial write-offs for inventories,
- conclude significant acquisitions and sales of property, plant and equipment,
- make correction of prior period errors,
- introduce significant changes in determining the fair value for financial instruments valued at fair value,
- make any reclassification of financial assets as a result of changes in purpose or use,
- change the method of determining the estimated values, which would exert a significant influence on the current interim period.

Between the date on which this report is drawn up and the date of its publication, there were no other events that could affect Group's future financial results.

FX mortgage loan portfolio

On 2 August 2016 the President's Bill on support for FX mortgage borrowers was submitted to the Parliament. The proposed law is to apply to FX (all currencies) loan agreements signed from 1 July 2000 to 26 August 2011 (when the "Anti-spread Act" came into force). This Draft Bill concerns the return of part of FX spreads applied by banks. On 2 August 2017 a new Presidential Draft Bill appeared in Parliament regarding changes in the Act on Support for Distressed Borrowers who Took Residential Loans. The Draft Bill assumes a modification of the existing Borrowers' Support Fund by separating-out two Funds: Supporting Fund and Conversion Fund. As regards the Supporting Fund, the Draft Bill aims to increase availability of money from the fund by means of: relaxing criteria, which must be satisfied by a borrower applying for support; increasing the maximum amount of support; extending the period, for which the support is granted; forgiving part of the support granted conditional on punctual repayment to the fund. The Conversion Fund is to be used for currency conversion of FX mortgages to PLN. The Draft Bill contains very general regulations and does not specify criteria of eligibility for such currency conversion and its rules. Quarterly payments to the Conversion Fund made by lenders are not to exceed the equivalent of the FX mortgage portfolio and the rate of 0.5%. The maximum costs for the entire sector, assessed based on FX mortgage balance (PLN 128 billion in December 2018 according to KNF), may reach PLN 2.6 billion in the first year of operation of the Conversion Fund. According to the Draft Bill, KNF may issue a recommendation to lenders specifying the principles of voluntary conversion of receivables with consideration of stability of the financial system and effective use of money in the Restructuring Fund. After Government's acceptance and voting of several changes by the Parliamentary Sub-Committee, Presidential Draft Bill of 2 August 2017 was sent on 24 January 2019 for the further parliamentary proceedings.

The two above Draft Bills included, so far four draft Acts have been submitted to Parliament and in consequence it is not possible to estimate the impact of the proposed legislation on the banking sector and the Group. However if any of the Draft Bills is adopted and begins to bind banks, this may lead to significant reduction of the Group's profitability and its capital position.

Mortgage Bank

Mortgage loans are an important element of the Bank's retail business. Therefore, in June 2018, the Bank filed to the Polish Financial Supervision Authority an application for granting permission to set up a mortgage bank called "Millennium Bank Hipoteczny" based in Warsaw, the sole shareholder of which will be Bank Millennium. The new Bank is to provide medium and long-term financing through the issuance of covered bonds to support residential mortgage lending business.

Euro Bank

On 5 November 2018 the Bank announced the agreement on the transaction to buy 99.8% of the shares in Euro Bank S.A. As at 2018 year end Euro Bank had total assets of PLN 14.5 billion, loans of PLN 12.2 billion and deposits of PLN 7.7 billion. After obtaining all the approvals, closing of the transaction is planned for end of May 2019, legal merger for the end of 3rd quarter 2019 and operational merger before the end of 2019 year.

CONDENSED INTERIM STANDALONE FINANCIAL STATEMENTS
OF THE BANK MILLENNIUM S.A.
FOR THE 3 MONTHS ENDED 31 MARCH 2019

Contents

1. Introduction and Accounting Policy

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed consolidated interim financial statement do not include all of the information which is presented in full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2018.

The accounting principles applied in the preparation of this report are compliant with the requirements of IAS 34 and the principles used in the preparation of the financial statements of the Bank Millennium SA for the year ended on December 31, 2018, taking into account changes introduced as a result of the IFRS 16 implementation on January 1, 2019, which are described below. Pursuant to the provisions of IFRS 16, the Bank decided not to convert comparative data for reporting periods ended before January 1, 2019.

Accounting principles applicable to comparative data have been described in the financial statements of the Bank Millennium SA for the financial year ended December 31, 2018.

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the three months ending March 31, 2019.

Condensed interim financial statements of the Bank:

- are prepared on the basis of the assumption of business continuity by the Bank, namely scale of business is not to be reduced substantially in a period of not less than one year from the balance sheet date;

- have been prepared in PLN, and all values, unless otherwise indicated, are given in PLN rounded to one thousand.

In addition to financial data these condensed interim financial statements of the Bank also presents information and data that is important for appropriate assessment of the Bank's economic and financial situation and its financial performance, and which was not included in the condensed interim consolidated statements of the Group for the three months period ended 31 March 2019. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for the three months period ended 31 March 2019 contain all important information, which also serves as explanatory data to these standalone statements of the Bank.

The Management Board approved these condensed interim financial statements on 7th May 2019.

IFRS 16 Leases

The International Accounting Standards Board has published the new International Financial Reporting Standard No. 16 (IFRS 16) concerning leases. IFRS 16 applies to reporting periods starting on 1 January 2019 and affects the Bnak in the area of assets used under lease agreements. The new requirements eliminate the notion of operating lease and thus off-balance sheet recognition of assets used on this basis. All assets used as well as relevant rent payment liabilities are to be recognised in the balance sheet.

The Bank analysed its agreements to establish which are leases, which aren't. An agreement is a lease or contains a lease if under it the right is conveyed to control the use of an identified asset for a particular irrevocable period in exchange for remuneration. Recognition of agreements on rental of office space (Head Office, branches) as leases have the biggest impact on financial statements. Also agreements were identified on small spaces (bin shelters, ATM space etc.) as well as agreements on minor equipment, which were classified as low value leases.

Transition period

In order to implement the new standard the Bank adopted a modified retrospective approach, which assumes not restating comparable data. In consequence the date of applying the standard was 1 January 2019. On the day of first use of the new standard the Bank recognised lease liabilities equal to the current value of discounted and as yet unpaid lease payments as well as assets equal to liabilities. The life of an asset for use will be equal to the duration of the lease agreement.

In result of application of the new standard as at the end of March 2019 the Bank has total assets higher by PLN 339 million, while costs estimated for 2019 will increase by approx. PLN 5 million over 2018. In subsequent years the impact of the new standard on the result will decrease.

The Bank has adopted the following assumptions, based on which lease agreements are carried in financial statements:

- Calculation of liabilities and assets will use net values of future cash flows,
- In case of agreements denominated in currency the liabilities will be carried in the original currency of the contract while assets in Polish zloty converted at the rate from the day of start of validity (signing) of the agreement, assets in Polish zloty were converted at the rate from the date of initial application of the standard (i.e. 01.01.2019),
- New agreements shall be discounted using incremental borrowing rate defined as risk free rate (SWAP) from the day of start (signing) of an agreement appropriate for the duration of the agreement, plus credit spread defined and updated with respect to the premium for Bank's credit risk.

Accounting schedules

The financial report shows in different items both assets from right to use as well as lease liabilities. On the start date lease payments contained in the valuation of the lease liability shall comprise following payments for the right to use the underlying asset during the lease period, which remain due on that date:

- fixed lease payments less any and all due lease incentives,
- variable lease payments, which depend on the index or rate, initially valuated with use of this index or this rate in accordance with their value on start date,
- amounts expected to be paid by the lessee under the guaranteed final value,
- the buy option strike price if it can be assumed with sufficient certainty that the lessee will exercise this option,
- monetary penalties for lease termination if the lease terms and conditions stipulated that the lessee may exercise the lease termination option.

A right to use asset comprises:

- amount of initial valuation of the lease liability,
- any and all lease payments paid on the start date or before it, less any and all lease incentives received.

Financial result reflects following items:

- depreciation of right to use,
- interest on lease liabilities as a sum of two bookings – due monthly rent less value of repayment of liability,
- VAT on rent invoices reported in cost of rent.

2. Standalone Financial Data (Bank)

INCOME STATEMENT

Amount '000 PLN	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Net interest income	459 554	404 071
Interest income and other of similar nature	666 707	584 065
Income calculated using the effective interest method	635 933	556 679
- Interest income from Financial assets at amortised cost	530 903	468 389
- Interest income from Financial assets at fair value through other comprehensive income	105 030	88 290
Income of similar nature to interest from Financial assets at fair value through profit or loss	30 774	27 386
Interest expenses	(207 153)	(179 994)
Net fee and commission income	143 535	145 854
Fee and commission income	174 274	173 979
Fee and commission expenses	(30 739)	(28 125)
Dividend income	42 308	53 726
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	14 921	3 160
Results on financial assets and liabilities held for trading	18 004	17 235
Result on non-trading financial assets mandatorily at fair value through profit or loss	4 053	(2 283)
Result on hedge accounting	(4 821)	(5 429)
Result on exchange differences	33 271	36 608
Other operating income	39 720	8 452
Other operating expenses	(6 407)	(5 704)
Administrative expenses	(336 900)	(302 836)
Impairment losses on financial assets	(53 817)	(40 794)
Impairment losses on non-financial assets	(647)	(38)
Result on modification	(3 666)	(4 299)
Depreciation	(30 863)	(12 676)
Share of the profit of investments in subsidiaries	0	0
Banking tax	(51 358)	(52 178)
Profit before income taxes	**266 887**	**242 869**
Corporate income tax	(69 688)	(57 259)
Profit after taxes	**197 199**	**185 610**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Profit after taxes	197 199	185 610
Other comprehensive income items that may be (or were) reclassified to profit or loss	(33 484)	57 747
Result on debt securities at fair value through other comprehensive income	(78 078)	46 395
Hedge accounting	44 594	11 352
Other comprehensive income items that will not be reclassified to profit or loss	0	0
Actuarial gains (losses)	0	0
Result on equity instruments at fair value through other comprehensive income	0	0
Total comprehensive income items before taxes	**(33 484)**	**57 747**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	6 362	(10 972)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	0
Total comprehensive income items after taxes	**(27 122)**	**46 775**
Total comprehensive income for the period	**170 077**	**232 385**

BALANCE SHEET

ASSETS

Amount '000 PLN	31.03.2019	31.12.2018	31.03.2018
Cash, cash balances at central banks	1 736 975	2 450 176	2 881 456
Financial assets held for trading	872 560	795 924	1 800 986
Derivatives	99 291	102 682	134 618
Equity instruments	0	0	0
Debt securities	773 269	693 242	1 666 368
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	73 778	64 796	49 717
Equity instruments	21 609	21 609	19 232
Debt securities	52 169	43 187	30 485
Financial assets at fair value through other comprehensive income	22 862 001	22 120 121	18 038 214
Equity instruments	29 042	29 042	25 803
Debt securities	22 832 959	22 091 079	18 012 411
Loans and advances to customers	53 014 195	51 786 756	47 738 929
Mandatorily at fair value through profit or loss	1 240 911	1 250 525	1 104 904
Valued at amortised cost	51 773 284	50 536 231	46 634 025
Financial assets at amortised cost other than Loans and advances to customers	1 256 844	1 026 400	637 238
Debt securities	45 039	44 884	48 166
Deposits, loans and advances to banks and other monetary institutions	414 396	731 232	448 116
Reverse sale and repurchase agreements	797 409	250 284	140 956
Derivatives – Hedge accounting	87 516	125 501	516 107
Investments in subsidiaries, joint ventures and associates	90 081	90 084	84 342
Tangible fixed assets	516 366	202 546	175 393
Intangible fixed assets	82 188	84 850	64 949
Income tax assets	258 174	217 863	215 670
Current income tax assets	26 933	0	0
Deferred income tax assets	231 241	217 863	215 670
Other assets	233 106	314 017	344 817
Non-current assets and disposal groups classified as held for sale	0	0	0
Total assets	**81 083 784**	**79 279 034**	**72 547 818**

LIABILITIES AND EQUITY

Amount '000 PLN	31.03.2019	31.12.2018	31.03.2018
LIABILITIES			
Financial liabilities held for trading	214 804	231 633	256 710
Derivatives	100 622	107 879	148 401
Liabilities from short sale of securities	114 182	123 754	108 309
Financial liabilities measured at amortised cost	70 283 130	68 827 643	63 162 641
Liabilities to banks and other monetary institutions	1 136 619	1 055 708	1 981 886
Liabilities to customers	66 841 784	66 399 771	59 592 982
Sale and repurchase agreements	55 759	50 324	0
Debt securities issued	704 353	619 957	878 708
Subordinated debt	1 544 615	701 883	709 065
Derivatives – Hedge accounting	367 337	376 811	193 014
Provisions	104 473	112 045	102 804
Pending legal issues	55 341	59 797	55 147
Commitments and guarantees given	49 132	52 248	47 657
Tax liabilities	22 079	16 910	26 868
Current tax liabilities	22 079	16 910	26 868
Deferred tax liabilities	0	0	0
Other liabilities	1 785 915	1 578 023	1 253 589
Total Liabilities	**72 777 738**	**71 143 065**	**64 995 626**
EQUITY			
Share capital	1 213 117	1 213 117	1 213 117
Share premium	1 147 241	1 147 241	1 147 241
Accumulated other comprehensive income	46 335	73 457	26 370
Retained earnings	5 899 353	5 702 154	5 165 464
Total equity	8 306 046	8 135 969	7 552 192
Total equity and total liabilities	**81 083 784**	**79 279 034**	**72 547 818**

Book value of net assets	8 306 046	8 135 969	7 552 192
Number of shares	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)	6.85	6.71	6.22

STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total equity	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	
					Unappropriated result	Other reserves
01.01.2019 - 31.03.2019						
Equity at the beginning of the period	**8 135 969**	**1 213 117**	**1 147 241**	**73 457**	**486 887**	**5 215 267**
Total comprehensive income for the period (net)	170 077	0	0	(27 122)	197 199	0
net profit/ (loss) of the period	197 199	0	0	0	197 199	0
valuation of debt securities at fair value through other comprehensive income	(63 243)	0	0	(63 243)	0	0
valuation of shares at fair value through other comprehensive income	0	0	0	0	0	0
hedge accounting	36 121	0	0	36 121	0	0
Transfer between items of reserves	0	0	0	0	(486 887)	486 887
Equity at the end of the period	**8 306 046**	**1 213 117**	**1 147 241**	**46 335**	**197 199**	**5 702 154**
01.01.2018 - 31.12.2018						
Equity at the beginning of the period	**7 540 548**	**1 213 117**	**1 147 241**	**(35 077)**	**648 945**	**4 566 322**
adjustment of the opening balance due to the adoption of IFRS 9	(220 741)	0	0	14 672	(235 413)	0
Equity as at 01.01.2018	7 319 807	1 213 117	1 147 241	(20 405)	413 532	4 566 322
Total comprehensive income for the period (net)	816 162	0	0	93 862	722 300	0
net profit/ (loss) of the period	722 300	0	0	0	722 300	0
valuation of debt securities at fair value through other comprehensive income	57 522	0	0	57 522	0	0
valuation of shares at fair value through other comprehensive income	2 506	0	0	2 506	0	0
hedge accounting	33 920	0	0	33 920	0	0
actuarial gains (losses)	(86)	0	0	(86)	0	0
Transfer between items of reserves	0	0	0	0	(648 945)	648 945
Equity at the end of the period	**8 135 969**	**1 213 117**	**1 147 241**	**73 457**	**486 887**	**5 215 267**
01.01.2018 - 31.03.2018						
Equity at the beginning of the period	**7 540 548**	**1 213 117**	**1 147 241**	**(35 077)**	**648 945**	**4 566 322**
adjustment of the opening balance due to the adoption of IFRS 9	(220 741)	0	0	14 672	(235 413)	0
Equity as at 01.01.2018	7 319 807	1 213 117	1 147 241	(20 405)	413 532	4 566 322
Total comprehensive income for the period (net)	232 385	0	0	46 775	185 610	0
net profit/ (loss) of the period	185 610	0	0	0	185 610	0
valuation of debt securities at fair value through other comprehensive income	37 580	0	0	37 580	0	0
valuation of shares at fair value through other comprehensive income	0	0	0	0	0	0
hedge accounting	9 195	0	0	9 195	0	0
Transfer between items of reserves	0	0	0	0	(648 945)	648 945
Equity at the end of the period	**7 552 192**	**1 213 117**	**1 147 241**	**26 370**	**(49 803)**	**5 215 267**

CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Profit (loss) after taxes	197 199	185 610
Total adjustments:	(1 281 814)	(135 477)
Interest received	550 392	566 199
Interest paid	(182 200)	(155 348)
Depreciation and amortization	30 863	12 676
Foreign exchange (gains)/ losses	3 421	8 094
Dividends	(42 308)	(53 726)
Changes in provisions	(7 572)	12 137
Result on sale and liquidation of investing activity assets	(14 876)	(3 487)
Change in financial assets held for trading	(15 894)	(930 173)
Change in loans and advances to banks	(31 576)	(5 976)
Change in loans and advances to customers	(1 706 860)	(1 283 261)
Change in receivables from securities bought with sell-back clause (loans and advances)	(548 669)	(141 895)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(26 303)	82 614
Change in deposits from banks	78 676	(377 527)
Change in deposits from customers	619 532	2 345 092
Change in liabilities from securities sold with buy-back clause	7 914	2 117
Change of liabilities from debt securities issued	85 537	551
Change in income tax settlements	43 726	60 685
Income tax paid	(72 932)	(37 263)
Change in other assets and liabilities	(65 212)	(244 081)
Other	12 527	7 095
Net cash flows from operating activities	**(1 084 615)**	**50 133**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Inflows:	63 713	54 628
Proceeds from sale of property, plant and equipment and intangible assets	21 405	902
Proceeds from sale of shares in related entities	0	0
Proceeds from sale of investment financial assets	0	0
Other	42 308	53 726
Outflows:	(171 164)	(2 367 349)
Acquisition of property, plant and equipment and intangible assets	(8 824)	(7 063)
Acquisition of shares in related entities	0	0
Acquisition of investment financial assets	(162 340)	(2 360 286)
Other	0	0
Net cash flows from investing activities	**(107 451)**	**(2 312 721)**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Inflows from financing activities:	830 000	0
Long-term bank loans	0	0
Issue of debt securities	0	0
Increase in subordinated debt	830 000	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other inflows from financing activities	0	0
Outflows from financing activities:	(122)	(450)
Repayment of long-term bank loans	0	0
Redemption of debt securities	(122)	0
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other outflows from financing activities	0	(450)
Net cash flows from financing activities	829 878	**(450)**

D. NET CASH FLOWS. TOTAL (A + B + C)	**(362 188)**	**(2 263 038)**
- Including change resulting from fx differences	1 236	558
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**4 520 688**	**8 408 252**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D + E)	**4 158 500**	**6 145 214**

3. Supplementary information for standalone financial data

As at 31 March 2019, the Bank has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed statements, Bank did not:

- create substantial write-offs for inventories,
- conclude significant acquisitions and sales of property, plant and equipment,
- make correction of prior period errors,
- introduce significant changes in determining the fair value for financial instruments valued at fair value,
- make any reclassification of financial assets as a result of changes in purpose or use,
- change the method of determining the estimated values, which would exert a significant influence on the current interim period.

There are no significant phenomena, in Bank's activity which are cyclical or subject to seasonal variations.

Between the date on which this report is drawn up and the date of its publication, there were no other events that could significantly affect Bank's future financial results.

FX mortgage loan portfolio

On 2 August 2016 the President's Bill on support for FX mortgage borrowers was submitted to the Parliament. The proposed law is to apply to FX (all currencies) loan agreements signed from 1 July 2000 to 26 August 2011 (when the "Anti-spread Act" came into force). This Draft Bill concerns the return of part of FX spreads applied by banks. On 2 August 2017 a new Presidential Draft Bill appeared in Parliament regarding changes in the Act on Support for Distressed Borrowers who Took Residential Loans. The Draft Bill assumes a modification of the existing Borrowers' Support Fund by separating-out two Funds: Supporting Fund and Conversion Fund. As regards the Supporting Fund, the Draft Bill aims to increase availability of money from the fund by means of: relaxing criteria, which must be satisfied by a borrower applying for support; increasing the maximum amount of support; extending the period, for which the support is granted; forgiving part of the support granted conditional on punctual repayment to the fund. The Conversion Fund is to be used for currency conversion of FX mortgages to PLN. The Draft Bill contains very general regulations and does not specify criteria of eligibility for such currency conversion and its rules. Quarterly payments to the Conversion Fund made by lenders are not to exceed the equivalent of the FX mortgage portfolio and the rate of 0.5%. The maximum costs for the entire sector, assessed based on FX mortgage balance (PLN 128 billion in December 2018 according to KNF), may reach PLN 2.6 billion in the first year of operation of the Conversion Fund. According to the Draft Bill, KNF may issue a recommendation to lenders specifying the principles of voluntary conversion of receivables with consideration of stability of the financial system and effective use of money in the Restructuring Fund. After Government's acceptance and voting of several changes by the Parliamentary Sub-Committee, Presidential Draft Bill of 2 August 2017 was sent on 24 January 2019 for the further parliamentary proceedings.

The two above Draft Bills included, so far four draft Acts have been submitted to Parliament and in consequence it is not possible to estimate the impact of the proposed legislation on the banking sector and the Group. However if any of the Draft Bills is adopted and begins to bind banks, this may lead to significant reduction of the Group's profitability and its capital position.

Mortgage Bank

Mortgage loans are an important element of the Bank's retail business. Therefore, in June 2018, the Bank filed to the Polish Financial Supervision Authority an application for granting permission to set up a mortgage bank called "Millennium Bank Hipoteczny" based in Warsaw, the sole shareholder of which will be Bank Millennium. The new Bank is to provide medium and long-term financing through the issuance of covered bonds to support residential mortgage lending business.

Euro Bank

On 5 November 2018 the Bank announced the agreement on the transaction to buy 99.8% of the shares in Euro Bank S.A. As at 2018 year end Euro Bank had total assets of PLN 14.5 billion, loans of PLN 12.2 billion and deposits of PLN 7.7 billion. After obtaining all the approvals, closing of the transaction is planned for end of May 2019, legal merger for the end of 3rd quarter 2019 and operational merger before the end of 2019 year.

Impairment losses on financial assets

	1.01.2019 - 31.03.2019	1.01.2018 - 31.03.2018
Impairment losses on loans and advances to customers	(56 946)	(38 686)
Impairment charges on loans and advances to customers	(189 442)	(265 812)
Reversal of impairment charges on loans and advances to customers	128 182	226 935
Amounts recovered from loans written off	4 850	191
Sale of receivables	0	0
Other directly recognised in profit and loss	(536)	0
Impairment losses on securities	0	(18)
Impairment charges on securities	0	(18)
Reversal of impairment charges on securities	0	0
Impairment losses on off-balance sheet liabilities	3 129	(2 090)
Impairment charges on off-balance sheet liabilities	(13 222)	(19 223)
Reversal of impairment charges on off-balance sheet liabilities	16 351	17 133
Total	**(53 817)**	**(40 794)**

Movements in impairment allowances for loans and advances to customers carried at amortised cost

	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 31.03.2018
Balance at the beginning of the period	1 589 048	1 362 016	1 362 016
Adjustment of the opening balance due to the implementation of IFRS 9	-	300 350	300 350
Adjusted balance at the beginning of the period	1 589 048	1 662 366	1 662 366
Change in value of provisions:	(32 584)	(73 318)	(65 274)
Impairment allowances created in the period	189 442	526 748	265 812
Amounts written off	(101 552)	(273 044)	(112 808)
Impairment allowances released in the period	(128 182)	(356 013)	(226 935)
Sale of receivables	0	(13 252)	0
KOIM created in the period(*)	5 520	25 558	7 265
Changes resulting from FX rates differences	1 892	15 407	1 293
Other	296	1 278	99
Balance at the end of the period	**1 556 464**	**1 589 048**	**1 597 092**

(*) In accordance with IFRS 9, the Bank calculates interest on the loan portfolio with a recognized impairment based on the net exposure value. For this purpose, the so-called impaired interest adjustment ("KOIM") is calculated and recorded as a reduction of interest income. Aforementioned KOIM adjustment in the balance sheet is presented as an impairment allowances, and as a consequence the reconciliation of the change in impairment allowances requires consideration of the KOIM recognized in the interest income.

Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Property. plant and equipment	Intangibles	Non-current assets held for sale	Other assets
As at 01.01.2019	5 016	7 600	8 733	0	8 060
- Write-offs created	0	0	0	0	3 431
- Write-offs released	0	0	0	0	(2 783)
- Utilisation	0	0	0	0	(25)
- Reclassification	0	0	0	0	(1 783)
As at 31.03.2019	5 016	7 600	8 733	0	6 899
As at 01.01.2018	5 963	7 600	8 733	0	7 872
- Write-offs created	20	0	0	0	5 176
- Write-offs released	(967)	0	0	0	(4 667)
- Utilisation	0	0	0	0	(321)
As at 31.12.2018	5 016	7 600	8 733	0	8 060
As at 01.01.2018	5 963	7 600	8 733	0	7 872
- Write-offs created	18	0	0	0	1 244
- Write-offs released	0	0	0	0	(1 206)
- Utilisation	0	0	0	0	(6)
As at 31.03.2018	5 981	7 600	8 733	0	7 904

Change of Provision for commitments and guarantees given

	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 31.03.2018
Balance at the beginning of the period	52 248	21 720	21 720
Adjustment of the opening balance due to the implementation of IFRS 9	-	23 829	23 829
Adjusted balance at the beginning of the period	52 248	45 549	45 549
Charge of provision	13 222	61 333	19 223
Release of provision	(16 351)	(54 804)	(17 133)
FX rates differences	13	170	18
Balance at the end of the period	49 132	52 248	47 657

Change of Provision for pending legal issues

	01.01.2019 - 31.03.2019	01.01.2018 - 31.12.2018	01.01.2018 - 31.03.2018
Balance at the beginning of the period	59 797	45 118	45 118
Charge of provision	916	7 541	998
Release of provision	(2 581)	(808)	(44)
Utilisation of provision	(4 574)	(4 212)	(3 083)
Reclassification	1 783	12 158	12 158
Balance at the end of the period	55 341	59 797	55 147

Deferred income tax assets and liability

	31.03.2019		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	1 708	0	1 708
Balance sheet valuation of financial instruments	89 883	(112 374)	(22 491)
Unrealised receivables/ liabilities on account of derivatives	8 194	(14 973)	(6 779)
Interest on deposits and securities to be paid/ received	25 017	(38 594)	(13 577)
Interest and discount on loans and receivables	0	(51 427)	(51 427)
Income and cost settled at effective interest rate	94 748	0	94 748
Impairment of loans presented as temporary differences	202 973	0	202 973
Employee benefits	14 477	0	14 477
Use rights	5 945	0	5 945
Provisions for future costs	13 591	0	13 591
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in revaluation reserve	5 052	(15 921)	(10 869)
Other	6 621	(3 679)	2 942
Net deferred income tax asset	468 209	(236 968)	231 241

	31.12.2018			31.03.2018		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	1 726	0	1 726	4 075	0	4 075
Balance sheet valuation of financial instruments	75 827	(98 752)	(22 925)	7 041	(29 312)	(22 271)
Unrealised receivables/ liabilities on account of derivatives	10 395	(19 103)	(8 708)	10 497	(20 489)	(9 992)
Interest on deposits and securities to be paid/ received	19 969	(36 887)	(16 918)	32 115	(34 474)	(2 359)
Interest and discount on loans and receivables	0	(47 342)	(47 342)		(49 234)	(49 234)
Income and cost settled at effective interest rate	89 058	0	89 058	83 742	0	83 742
Impairment of loans presented as temporary differences	201 320	0	201 320	184 462	0	184 462
Employee benefits	14 946	0	14 946	14 532	0	14 532
Provisions for future costs	21 726	0	21 726	17 230	0	17 230
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in revaluation reserve	13 525	(30 756)	(17 231)	19 305	(25 490)	(6 185)
Other	5 825	(3 614)	2 211	1 750	(80)	1 670
Net deferred income tax asset	454 317	(236 454)	217 863	374 749	(159 079)	215 670

4. Transactions with Related Entities

All transactions among members of the Group made in 1 quarter 2019 were driven by current activity. The below table presents major amounts of intergroup transactions, these were transactions with the following entities:

- MILLENNIUM LEASING,
- MILLENNIUM DOM MAKLERSKI,
- MILLENNIUM TFI,
- MB FINANCE AB,
- MILLENNIUM SERVICE,
- MILLENNIUM TELECOMMUNICATION SERVICES,
- MILLENNIUM GOODIE,
- PIAST EXPERT.

and with the Capital Group of Bank parent company - Banco Comercial Portugues (ultimate parent company), these transactions are mainly of banking nature.

Apart from transactions described herein, in the indicated period neither Bank Millennium S.A., nor subsidiaries of Bank Millennium S.A. made any other transactions with related entities, which individually or jointly may have been significant and concluded under terms and conditions other than market-based.

Assets and liabilities from transactions with related parties (data in '000 pln) as at 31.03.2019

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks – accounts and deposits	0	307	0
Loans and advances to customers	5 495 772	0	0
Investments in associates	90 083	0	0
Financial assets valued at fair value through profit and loss (held for trading)	1 196	0	0
Hedging derivatives	0	0	0
Tangible fixed assets	95 673	0	0
Other assets	53 270	0	0
LIABILITIES			
Deposits from banks	0	729	115 491
Deposits from customers	297 061	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	550	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	0	385	0
Subordinated debt	0	0	0
Other liabilities, including:	163 639	0	430
- financial leasing liabilities	153 954	0	0

Assets and liabilities from transactions with related parties (data in ‘000 pln) as at na 31.12.2018

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks – accounts and deposits	0	921	0
Loans and advances to customers	5 409 655	0	0
Investments in associates	90 084	0	0
Financial assets valued at fair value through profit and loss (held for trading)	1 310	0	0
Hedging derivatives	0	0	0
Other assets	37 325	0	0
LIABILITIES			
Deposits from banks	0	199	114 449
Deposits from customers	290 453	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	432	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	0	307	0
Subordinated debt	0	0	0
Other liabilities, including:	91 445	0	135
- financial leasing liabilities	84 632	0	0

Profit and loss on transactions with related parties (data in ‘000 pln) for the period of 1.01-31.03.2019

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	28 777	(5)	0
Commissions	15 543	54	0
Financial instruments valued at fair value through profit and loss	279	0	0
Dividends	42 110	0	0
Other net operating	5 888	0	0
Expense from:			
Interest	1 047	0	(72)
Commissions	2	0	0
Financial instruments valued at fair value through profit and loss	0	406	0
Other net operating	0	2	0
General and administrative expenses	11 037	0	259

Profit and loss on transactions with related parties (data in '000 pln) for the period of 1.01-31.03.2018

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	26 833	5	0
Commissions	15 029	49	0
Financial instruments valued at fair value through profit and loss	653	0	0
Dividends	53 577	0	0
Other net operating	1 199	0	0
Expense from:			
Interest	619	0	(67)
Commissions	4	0	0
Financial instruments valued at fair value through profit and loss	0	95	0
Other net operating	0	4	0
General and administrative expenses	21 840	0	112

Off-balance transactions with related parties (data in '000 pln) as at 31.03.2019

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	765 244	109 700	0
- granted	762 376	104 643	0
- obtained	2 868	5 056	0
Derivatives (par value)	130 680	16 784	0

Off-balance transactions with related parties (data in '000 pln) as at 31.12.2018

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	765 073	109 673	0
- granted	762 252	104 643	0
- obtained	2 821	5 030	0
Derivatives (par value)	134 929	33 577	0

5. Fair Value

The methodology used by the Bank for valuation of assets and liabilities at fair value is described in detail in Chapter 8. Condensed interim consolidated financial statements of Bank Millennium S.A. for the 3 months ended 31 March 2019.

The following tables show the figures for Bank Millennium S.A.

5.1. Financial instruments not recognized at fair value in the balance sheet

31.03.2019	Balance sheet value	Fair value
Assets measured at Amortised Cost		
Debt securities	45 039	45 365
Deposits, loans and advances to banks and other monetary institutions	414 396	414 363
Loans and advances to customers (*)	51 773 284	50 452 714
Liabilities measured at Amortised Cost		
Liablities to banks and other monetary institutions	1 136 619	1 137 013
Liablities to customers	66 841 784	66 845 873
Debt securities issued	704 353	706 194
Subordinated debt	1 544 615	1 536 071

* - The negative impact of fair value valuation of the loans portfolio is largely attributable to growth of loan spreads. The methodology, which the Bank uses for valuation of the loans portfolio, assumes that current spreads best reflect existing market conditions and economic situation. A corresponding rule is widely applied for valuation of debt securities, which are not quoted on active markets. In result, paradoxically whenever the spreads of new loans increase, fair value of the "old" loans portfolio falls.

31.12.2018	Balance sheet value	Fair value
Assets measured at Amortised Cost		
Debt securities	44 884	45 631
Deposits, loans and advances to banks and other monetary institutions	731 232	731 143
Loans and advances to customers (*)	50 536 231	49 147 076
Liabilities measured at Amortised Cost		
Liablities to banks and other monetary institutions	1 055 708	1 057 354
Liablities to customers	66 399 771	66 401 867
Debt securities issued	619 957	621 208
Subordinated debt	701 883	695 468

5.2. Financial instruments recognized at fair value in the balance sheet

The table below presents balance-sheet values of instruments measured at fair value, by applied fair value measurement technique:

Data in PLN'000, as at 31.03.2019

	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		53 808	42 050
Debt securities	773 269		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments			21 609
Debt securities			52 169
Loans and advances			1 240 911
Financial assets at fair value through other comprehensive income			
Equity instruments			29 042
Debt securities	22 433 017	399 942	
Derivatives – Hedge accounting		87 516	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		55 921	41 383
Short positions	114 182		
Derivatives – Hedge accounting		367 337	

Data in PLN'000, as at 31.12.2018

	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		60 381	38 008
Debt securities	693 242		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments			21 609
Debt securities			43 187
Loans and advances			1 250 525
Financial assets at fair value through other comprehensive income			
Equity instruments			29 042
Debt securities	20 491 279	1 599 800	
Derivatives – Hedge accounting		125 501	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		65 568	38 162
Short positions	123 754		
Derivatives – Hedge accounting		376 811	

Changes of fair values of instruments measured on the basis of valuation techniques with use of significant parameters not derived from the market are presented in the table below (in ’000 PLN):

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 31 December 2018	**35 430**	**(35 584)**	**50 651**	**43 187**	**1 250 525**
Settlement/sell/purchase	3 921	(3 517)	0	0	(30 684)
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	26 000
Results on financial assets and liabilities held for trading	1 261	(844)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	8 982	(4 929)
Result on exchange differences	0	0	0	0	0
Balance on 31 March 2019	**40 612**	**(39 945)**	**50 651**	**52 169**	**1 240 911**

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 31 December 2017	43 159	(42 231)	29 632	47 976	0
Adjusments/reclassifications due to the implementation of IFRS 9	0	0	15 403	(18 344)	1 099 841
Balance on 1 January 2018	43 159	(42 231)	45 035	29 632	1 099 841
Settlement/sell/purchase	(6 287)	5 611	2 515	0	72 009
Change of valuation recognized in equity	0	0	3 095	0	0
Interest income and other of similar nature	0	0	0	0	98 605
Results on financial assets and liabilities held for trading	(1 442)	1 036	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	13 555	(19 930)
Result on exchange differences	0	0	6	0	0
Balance on 31 December2018	**35 430**	**(35 584)**	**50 651**	**43 187**	**1 250 525**

6. Additional Information

6.1. Issue, redemption or repayment of debt or equity instruments

During the three months ended 31 March 2019, the total liabilities of the Bank arising from the issue of debt securities increased by PLN 84.4 million. The increase in volumes was mainly due to issue of subsequent series of Bank Securities (BPW) exceeding the redemption of maturing tranches. A slight part of the increase in liabilities (approx. PLN 1.9 million) results from the change in the balance of accrued interest on BKMO T series bonds.

6.2. Off-balance sheet liabilities

Structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	31.03.2019	31.12.2018	31.03.2018
Off-balance conditional commitments granted and received	**10 929 016**	**10 994 626**	**10 278 422**
Commitments granted:	10 526 968	10 617 917	9 844 839
- financial	8 325 477	8 424 532	7 948 725
- guarantee	2 201 491	2 193 385	1 896 114
Commitments received:	402 048	376 709	433 583
- financial	2 538	0	165 515
- guarantee	399 510	376 709	268 068