mBank S.A. Group

IFRS Condensed Consolidated Financial Statements
for the third quarter of 2014

Contents

Selected financial data

The selected financial data are supplementary information to the condensed consolidated financial statements of mBank S.A. Group for the third quarter of 2014.

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000		in EUR'000	
		3 Quarters period from 01.01.2014 to 30.09.2014	3 Quarters period from 01.01.2013 to 30.09.2013 - restated	3 Quarters period from 01.01.2014 to 30.09.2014	3 Quarters period from 01.01.2013 to 30.09.2013 - restated
I.	Interest income	**2 963 524**	**3 004 706**	**708 926**	**711 493**
II.	Fee and commission income	**1 062 219**	**959 074**	**254 101**	**227 102**
III.	Net trading income	**298 644**	**264 540**	**71 441**	**62 641**
IV.	Operating profit	**1 268 900**	**1 112 181**	**303 543**	**263 357**
V.	Profit before income tax	**1 268 900**	**1 112 181**	**303 543**	**263 357**
VI.	Net profit attributable to Owners of mBank S.A.	**978 051**	**892 175**	**233 967**	**211 261**
VII.	Net profit attributable to non-controlling interests	**2 757**	**2 025**	**660**	**480**
VIII.	Net cash flows from operating activities	**4 872 718**	**(1 893 527)**	**1 165 638**	**(448 374)**
IX.	Net cash flows from investing activities	**(124 151)**	**(99 303)**	**(29 699)**	**(23 514)**
X.	Net cash flows from financing activities	**(1 389 146)**	**(2 243 041)**	**(332 308)**	**(531 136)**
XI.	Net increase / decrease in cash and cash equivalents	**3 359 421**	**(4 235 871)**	**803 632**	**(1 003 024)**
XII.	Basic earnings per share (in PLN/EUR)	**23.19**	**21.17**	**5.55**	**5.01**
XIII.	Diluted earnings per share (in PLN/EUR)	**23.17**	**21.16**	**5.54**	**5.01**
XIV.	Declared or paid dividend per share (in PLN/EUR)	**17.00**	**10.00**	**4.07**	**2.37**

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000			in EUR'000		
		As at			As at		
		30.09.2014	31.12.2013	30.09.2013 - restated	30.09.2014	31.12.2013	30.09.2013 - restated
I.	Total assets	**117 327 295**	**104 282 761**	**104 000 120**	**28 098 981**	**25 145 342**	**24 666 205**
II.	Amounts due to the Central Bank	**1**	**-**	**-**	**-**	**-**	**-**
III.	Amounts due to other banks	**19 777 663**	**19 224 182**	**21 416 248**	**4 736 598**	**4 635 461**	**5 079 394**
IV.	Amounts due to customers	**69 563 534**	**61 673 527**	**60 085 074**	**16 659 929**	**14 871 124**	**14 250 664**
V.	Equity attributable to Owners of mBank S.A.	**10 750 063**	**10 229 342**	**9 863 500**	**2 574 557**	**2 466 566**	**2 339 373**
VI.	Non-controlling interests	**29 853**	**27 096**	**26 518**	**7 150**	**6 534**	**6 289**
VII.	Share capital	**168 830**	**168 696**	**168 681**	**40 433**	**40 677**	**40 007**
VIII.	Number of shares	**42 207 402**	**42 174 013**	**42 170 252**	**42 207 402**	**42 174 013**	**42 170 252**
IX.	Book value per share (in PLN/EUR)	**254.70**	**242.55**	**233.90**	**61.00**	**58.49**	**55.47**
X.	Total capital ratio/capital adequacy ratio	**15.57**	**19.38**	**19.17**	**15.57**	**19.38**	**19.17**

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000		in EUR'000	
		3 Quarters period from 01.01.2014 to 30.09.2014	3 Quarters period from 01.01.2013 to 30.09.2013 - restated	3 Quarters period from 01.01.2014 to 30.09.2014	3 Quarters period from 01.01.2013 to 30.09.2013 - restated
I.	Interest income	**2 727 185**	**2 760 536**	**652 390**	**653 675**
II.	Fee and commission income	**893 747**	**801 477**	**213 800**	**189 784**
III.	Net trading income	**282 262**	**248 397**	**67 522**	**58 819**
IV.	Operating profit	**1 135 587**	**989 061**	**271 652**	**234 203**
V.	Profit before income tax	**1 135 587**	**989 061**	**271 652**	**234 203**
VI.	Net profit	**894 120**	**799 698**	**213 889**	**189 363**
VII.	Net cash flows from operating activities	**7 184 976**	**(3 084 763)**	**1 718 770**	**(730 450)**
VIII.	Net cash flows from investing activities	**(49 946)**	**260 077**	**(11 948)**	**61 584**
IX.	Net cash flows from financing activities	**(3 758 018)**	**(1 846 652)**	**(898 983)**	**(437 274)**
X.	Net increase / decrease in cash and cash equivalents	**3 377 012**	**(4 671 338)**	**807 840**	**(1 106 140)**
XI.	Basic earnings per share (in PLN/EUR)	**21.20**	**18.97**	**5.07**	**4.49**
XII.	Diluted earnings per share (in PLN/EUR)	**21.18**	**18.97**	**5.07**	**4.49**
XIII.	Declared or paid dividend per share (in PLN/EUR)	**17.00**	**10.00**	**4.07**	**2.37**

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000			in EUR'000		
		As at			As at		
		30.09.2014	31.12.2013	30.09.2013 restated	30.09.2014	31.12.2013	30.09.2013 restated
I.	Total assets	**113 128 491**	**100 232 132**	**99 644 169**	**27 093 400**	**24 168 628**	**23 633 083**
II.	Amounts due to the Central Bank	**1**	**-**	**-**	**-**	**-**	**-**
III.	Amounts due to other banks	**19 609 706**	**18 863 854**	**20 880 552**	**4 696 373**	**4 548 576**	**4 952 340**
IV.	Amounts due to customers	**74 281 418**	**64 008 374**	**61 685 821**	**17 789 826**	**15 434 118**	**14 630 321**
V.	Own equity	**10 006 406**	**9 573 220**	**9 248 208**	**2 396 457**	**2 308 357**	**2 193 442**
VI.	Share capital	**168 830**	**168 696**	**168 681**	**40 433**	**40 677**	**40 007**
VII.	Number of shares	**42 207 402**	**42 174 013**	**42 170 252**	**42 207 402**	**42 174 013**	**42 170 252**
VIII.	Book value per share (in PLN/EUR)	**237.08**	**226.99**	**219.31**	**56.78**	**54.73**	**52.01**
IX.	Total capital ratio/capital adequacy ratio	**17.66**	**20.59**	**20.88**	**17.66**	**20.59**	**20.88**

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

- for items of the statement of financial position – exchange rate announced by the National Bank of Poland as at 30 September 2014: EUR 1 = PLN 4.1755, 31 December 2013: EUR 1 = PLN 4.1472 and 30 September 2013: EUR 1 = PLN 4.2163.
- for items of the income statement – exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of the three quarters of 2014 and 2013: EUR 1 = PLN 4.1803 and EUR 1 = PLN 4.2231 respectively.

Introduction

Q3 2014 was another solid quarter for mBank Group. The Group registered increases in key balance sheet items, including loans and deposits, as well as sound revenue dynamics. High sales of loans continued primarily in the Retail Banking segment, while overliquidity in the corporate sector, resulted in lower credit demand from corporate customers compared to the previous quarter. In the corporate segment similarly to the entire banking sector, a significant increase in deposits could be observed.

The Group's core income reached a record level, while total income exceeded PLN 1 billion again, despite a reduction of the card interchange fee effective from July 1, 2014. Moreover, despite active marketing campaigns and the continuation of several strategic projects being implemented, the Group recorded a decrease in costs. This favourably affected the cost/income ratio which decreased to a record low level.

In addition, Q3 2014 marked the finalization of preparations towards launching a ground-breaking project by mBank and Orange Polska – Orange Finance. Moreover, on September 11, 2014, mBank signed a strategic bancassurance partnership agreement with AXA, which also involved the sale of the Bank's insurance operations - BRE Ubezpieczenia TUiR.

In Q3 2014, mBank Group generated a profit before tax of PLN 419.8 million, representing an increase of PLN 7.2 million or 1.7% compared to Q2 2014. Net profit attributable to shareholders of mBank was PLN 9.3 million or 2.9% lower compared to a quarter earlier and amounted to PLN 315.5 million.
The main factors determining changes in the results were as follows:

- **Stable revenues** of PLN 1,018.9 million (-0.5% QoQ), while the Group's core income reached a record level of PLN 866.1 million. Net interest income increased by PLN 32.7 million or 5.3% and net commission income decreased by PLN 27.5 million or 11.3%. Net trading income decreased by PLN 13.9 million or 12.6%. In Q3 2014, the Group recorded a decrease in net other operating income and costs (of PLN 9.1 million or 19.8%) and a decrease in net gains and losses on investment securities (of PLN 0.5 million or 12.5%). In Q3 2014, mBank Group reported a dividend income of PLN 16.2 million.
- **Lower operating expenses** (including amortisation and depreciation) compared to the previous quarter, amounting to PLN 441.2 million. Consequently, the effectiveness of mBank Group measured by the cost/income ratio improved compared to the previous quarter. The cost/income ratio was 43.3% in Q3 2014 compared to 44.5% in Q2 2014.
- **Stable level of risk costs** which amounted to 89 bps in Q3 2014. Net impairment losses on loans and advances remained stable and amounted to PLN 157.9 million.
- **Higher tax rate –** mainly due to an income tax provision recognized in connection with the planned sale of the insurance business.
- **Continued organic growth and business expansion**, as demonstrated by:
    - **Growth of the retail customer base** to 4,565 thousand (+74 thousand customers compared to Q2 2014);
    - **Increase in the number of corporate customers** to 17,390 customers (+384 customers compared to Q2 2014).

As at the end of Q3 2014, net loans and advances stood at PLN 71,958.4 million and were PLN 1,821.2 milion or 2.6% higher compared to the end of Q2 2014. The change was driven by an increase in the volume of both corporate and retail loans. The volumes of gross loans and advances to corporate customers and to retail customers amounted to PLN 31,534.8 million and PLN 40,555.0 million, respectively.

Customer deposits increased by PLN 6,269.8 million or 9.9% QoQ and reached PLN 69,563.5 million. Retail customer deposits increased by 2.6% and stood at PLN 36,641.8 million and corporate customer deposits increased by 18.7% to PLN 31,576.3 million.

As a result of the changes discussed above, the loan to deposit ratio of mBank Group improved further and amounted to 103.4%.
The changes in the Group's results translated into the following profitability ratios:

- Gross ROE amounted to 17.1% (compared to 17.2% in Q2 2014);
- Net ROE amounted to 12.8% (compared to 13.6% in Q2 2014).

The capital ratios of mBank Group remained at safe levels. As at the end of September 2014, the total capital ratio amounted to 15.6% and the Common Equity Tier 1 ratio stood at 13.1%.

Strategic alliance with Orange

A joint project of mBank, a premier transactional and mobile bank, and Orange Polska, a leading telecommunications provider had its official start on October 2, 2014. The strategic alliance in the area of mobile banking was announced in March 2014 and since then an integrated team of employees from both organizations has been working to produce a new offer for clients who expect easy access to and a simplified manner of managing their finances, irrespective of where they are.

mBank	a banking licence a modern platform for mobile and online banking know-how and expertise in the banking industry
orange	large and attractive client base broad distribution network marketing and branding

The innovative solution used in Orange Finance is the possibility of using banking products only and exclusively via a mobile application created for the Android and iOS platforms. There is no need to sign any documents, and client data is verified by means of a transfer from the user's account with another bank. By using the application one can also easily recharge a prepaid phone and make transfers without having to provide the recipient's account number – the telephone number selected from the address book in a smartphone or the name on Facebook is sufficient.

The banking products provided by mBank are also available via the transaction website www.OrangeFinanse.com and across approximately 900 Orange outlets. The online platform, which is an addition to the mobile application, offers, amongst others, an intelligent history search engine which allows to find the phrase by typing up as few as three letters, as well as a tool for planning of expenses and facilitating of the management of the home budget. For no extra charge clients can also use a traditional debit card and a debit card label which can be stuck onto, e.g. a mobile device and used to make contactless payments. In the near future payments with smartphones by integrating payment cards with the mobile application, will be introduced.

Cooperation with the AXA Group

On September 11, 2014, the Bank's subsidiary, Aspiro, which is a shareholder of BRE Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji (BRE Ubezpieczenia TUiR), concluded an agreement with the AXA Group on the sale of 100% of BRE Ubezpieczenia TUiR's shares.

As part of the transaction, after the fulfilment of the conditions precedent, i.e. obtaining necessary approvals of the Competition and Consumer Protection Office (UOKiK) and the Polish Financial Supervision Authority (KNF), the agreements regulating the long-term cooperation between mBank and AXA with regard to the distribution of life and property insurance products for at least 10 years will be concluded.

The total amount of payments to mBank Group on account of the said agreements with AXA Group entities will be c. PLN 570 million. Moreover, the Bank and Aspiro are entitled to an additional earn-out consideration subject to achieving certain targets of life insurance products sales. One-off impact of the transaction on mBank Group's consolidated pre-tax profit is estimated at approximately PLN 180 million.

The cooperation with the AXA Group will be reflected in the expansion of the product mix and improving the quality of services for mBank Group's clients, who will have access to the most innovative insurance products offered via both electronic and mobile platforms, as well as traditional branches. In the Bank's opinion, the strategic alliance with AXA is yet another step towards the full utilization of the potential of the mBank's Internet and mobile platforms.

Awards and distinctions

For several years mBank has been among the winners of the most important industry rankings in Poland and abroad. It is recognised by both experts and clients which is best proof of a job well done. This also certifies top quality of products and services offered by mBank, translating into a positive image of the bank.

A short summary of the most important awards and distinctions for mBank Group in Q3 2014 is presented below.

"Newsweek's Friendly Bank"

2nd place in the category "On-line bank"
mBank was recognised for, among others, speed and efficiency of opening an account and conducting the basic banking operations.

2nd place in the category "Mobile banking"
mBank's mobile banking was recognised for easy navigation, usefulness and innovative character of the application.

3rd place in the category "Bank for Kowalski"
In this category banks are assessed mainly from the perspective of customer service in traditional outlets.

Forbes Magazine awards

1st place – mBank the most friendly financial institution

3rd place in the category "The best bank for business"
mBank was recognised for the best quality of client service in small- and medium enterprises sector.

3rd place for Dom Maklerski mBanku (mBank's brokerage house) in the annual ranking of brokerage houses as assessed by institutional investors.

Reliable Employer 2014

One of the most prestigious distinctions in the area of human resources management. The purpose of this competition is to select and promote companies with perfect HR policy that translates into quality of products and services rendered on the Polish market.

"World's Best Internet Banks" competition, **organised by Global Finance, a specialist international finance magazine.**

1st place for transaction services for mBank retail and corporate clients

Distribution & Marketing Innovation in Retail Financial Services competition organised by Efma and Accenture.

1st place in "The Most Disruptive Innovation category" for an institution creating new market value in global banking

1st place in "The Most Promising Idea category" for a loan within 30 seconds

1st place in "the Everyday Banking" category for mOkazje, the first discount programme in Europe offering rebates by the Bank's partners that take into account the client's profile and his/her shopping preferences.

In addition, in a competition for listed companies organised by the Accounting and Tax Institute (Instytut Rachunkowości i Podatków), the annual report of mBank Group received a prestigious distinction for the best annual report for 2013 – **The Best of the Best.**

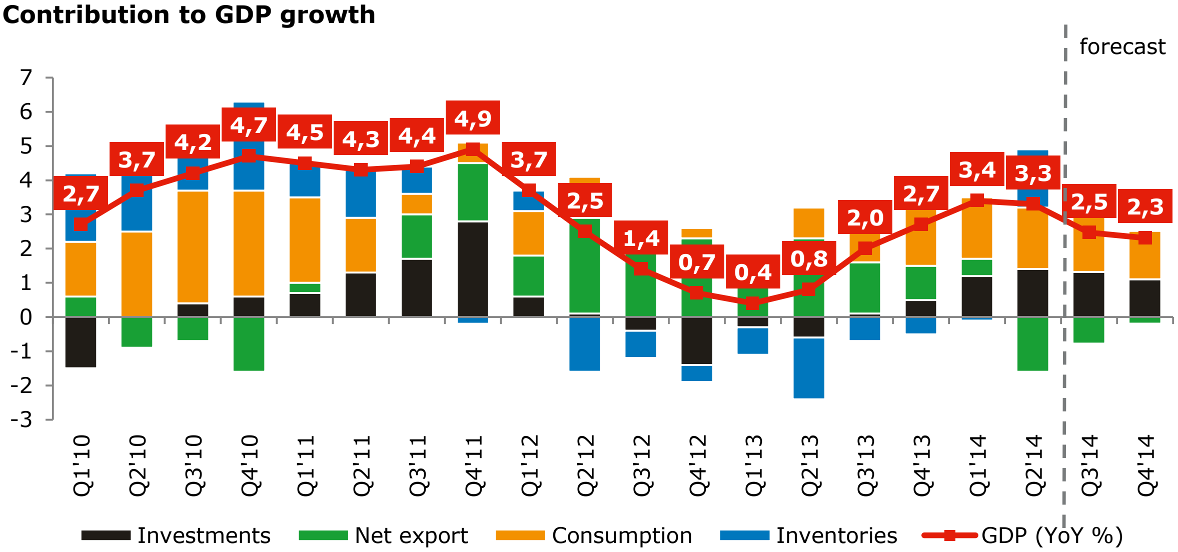
Changes in the Authorities of mBank

On October 20, 2014, Jan Szomburg, Member of the Supervisory Board of mBank S.A., handed in his resignation, effected as of October 27, 2014. The resignation was associated with the proposal received to take over new advisory functions at Commerzbank Group. On October 28, 2014, Mr. Szomburg was succeeded by Agnieszka Słomka-Gołębiowska, who will serve until the end of the present term of the Supervisory Board of mBank S.A.

Major achievements of mBank S.A. Group in Q3 2014

The negative trends observed in the Polish economy for several months intensified in Q3 2014. Following stagnation of industrial production and a significant slow-down in construction, growth also slowed down in the summer. The Bank's projections based on monthly data show that Poland's economy slowed down from 3.3% in Q2 2014 to ca. 2.5% in Q3 2014. While the mid-term outlook of Poland remains positive, the balance of risks (both external and internal) necessitates caution about the growth forecast for the turn of 2014 to 2015.

Contribution to GDP growth



The main driver of the slow-down is the sharp decline of demand for Polish goods among Poland's eastern trade partners combined with a sharp appreciation of the Polish currency against the currencies of those countries. However, in the opinion of the Bank, these factors explain only part of the observed deterioration of the market climate as the actual factors include the second-round effect (decrease of demand for goods of Polish subcontractors of German and Western European exporters to Russia and Ukraine), another slow-down in the euro zone, as well as weak performance of the construction industry, mainly caused by delayed infrastructure investments financed by the European Union (EU) under the new financial perspective.

At the same time, available statistics suggest that Poland's economy has maintained in the last three months its two main growth drivers, consumption and private investments. While retail sales were weaker in Q3 2014 (the real growth rate clearly declined YoY), the strong consumer sentiment and low inflation which supports household incomes give reason for moderate optimism about the outlook of consumption in the coming months. In particular the growth rate of real income of households should remain at 3.5% in the coming quarters while the growth rate of individual consumption should slow down to ca. 2% by the year's end due to a temporary slow-down of retail sales and because the labour market is losing the momentum. A slower growth of private consumption will also be driven by recovery of the savings rate (according to central bank statistics, voluntary savings in Q1 2014 were the lowest since early 2013) as demonstrated by growing preference for term deposits over on-demand deposits.

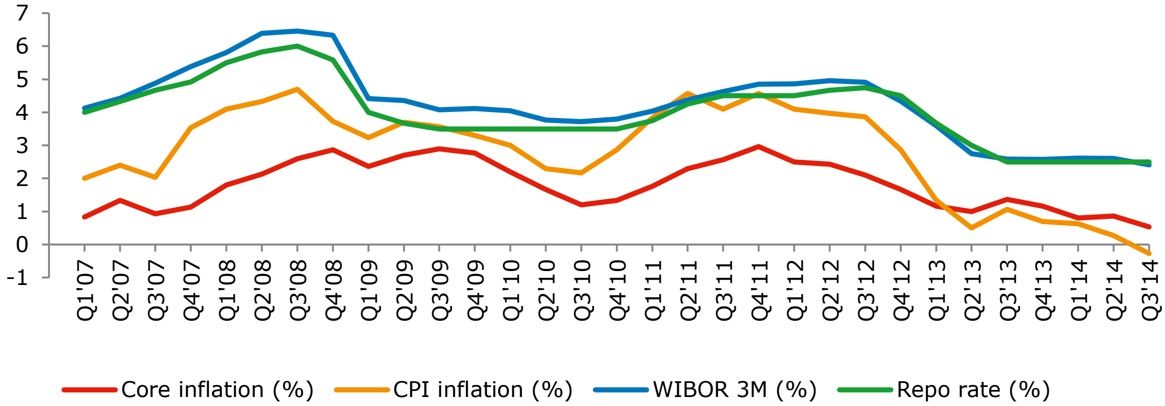
The outlook of investments has deteriorated somewhat in the last months; in addition to the slow-down in the construction industry (which the Bank believes to be temporary), this component of economic growth will suffer from uncertainty around future demand and the stability of the macroeconomic environment.

Inflation, interest rates and FX rates

Disinflation trends continued to be observed in the economy in the summer, as the Consumer Price Index (CPI) fell below zero (-0.2% in July, -0.3% in August and in September). The record-low inflation is in the first place driven by low food and energy prices. As for food prices, the abundant harvest in all categories of agricultural production year to date overlapped with the effect of the Russian embargo on imports of meat, vegetables, fruit, dairy products, etc. imposed on Poland and other EU member states. The low fuel prices, on the other hand, are the result of falling global commodity prices and remain most visible to the consumer. At the same time, despite on-going economic recovery, the price index remained low in the past months also in the core categories. In addition to the obvious and broadly expected low base effect (caused by an increase of waste disposal fees in July 2013), this was driven both by a steady decrease of prices of imported goods and the still high negative demand gap (GDP below potential GDP).

In the opinion of the Bank, inflation can be expected to increase only nominally in the coming months: food prices will remain low while the drop in oil prices initiated in June will keep fuel prices low even despite depreciation of the zloty against the dollar; moreover, there are still no signs of an inflation impulse in the core categories.

CPI inflation and NBP reference rate



As inflation continues to fall and uncertainty about the market conditions in Poland rises, the Monetary Policy Council (RPP) had reasons to gradually relax the policy bias in Q3. While the Council at its July meeting only lifted the formal hurdle, i.e. its forward guidance, the scale of unexpected negative developments in the summer prompted the Council at the September meeting to propose 25 and 50 basis points interest rate cuts. The Council eventually decided against the cut in September, but in October it cut the reference rate by 50 basis points (to 2.0%) and additionally the lombard rate was cut by as high as 100 basis points to 3.0%. In the opinion of the Bank, the interest rate cut at the October meeting was more than a correction of the rates: it initiated a new cycle of rate cuts by at least 100 basis points in total.

The rising expectations of National Bank of Poland's measures were accompanied by cuts of market interest rates. Interest rates on loans in the interbank market were falling from September in anticipation of a more relaxed monetary policy. Furthermore, given a favourable constellation of global factors (dovish main central banks, continuing concerns about global growth), Treasury yields were falling across the curve and hit record levels: 1.89% for 2Y, 2.24% for 5Y, and 2.83% for 10Y. A gradual depreciation of the zloty was seen in Q3 2014, initially mainly driven by geopolitical turbulences (the Ukrainian-Russian conflict) and later by the expected normalisation of the US Federal Reserve's monetary policy. As a result, the exchange rate of PLN to EUR rose from 4.13 at the beginning of the quarter to 4.23 in late August. The sharp appreciation of the US dollar moved the PLN/USD exchange rate up by almost 10% (3.30 PLN to the USD in late September).

Money supply and the banking industry as a mirror of the economy

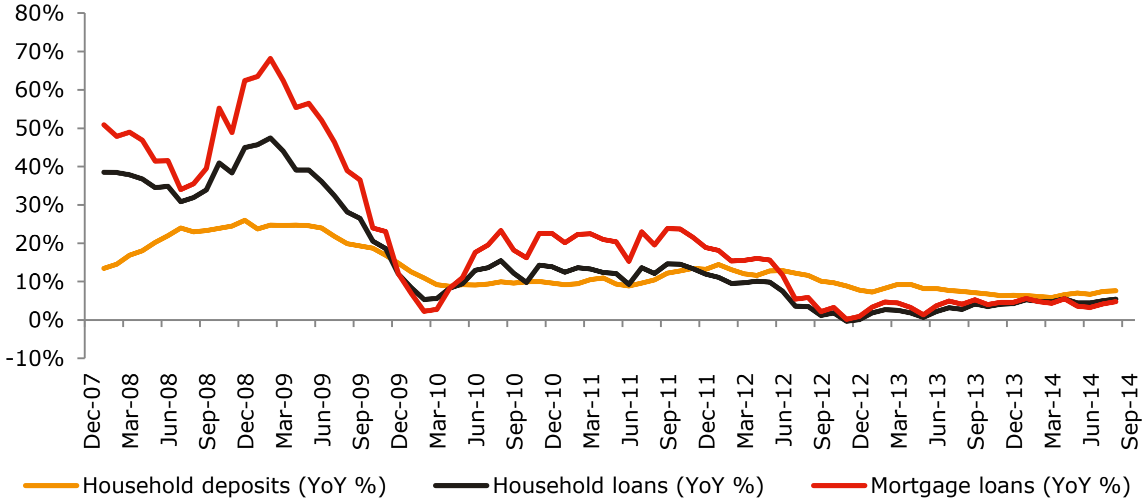
Q3 2014 brought no major change to the situation in the financial and banking industry while most of the trends observed in H1 2014 continued in the summer. The last few weeks saw some symptoms of forthcoming changes related to the expected relaxation of Poland's monetary policy.

The relaxation on a scale greater than originally expected by market participants will be the main driver of changes in the Polish banking and financial industry in the coming months. In the meantime, however, the summer was a time of continuation:

- First, the market interest rates remained largely unchanged; as WIBOR 3M was stable for most of the period, banking margins continued unchanged. It was not until after the September meeting of the Monetary Policy Council where interest rate cuts were announced for the upcoming meetings that the rates on the interbank market began to drop more dynamically. As a consequence, WIBOR 3M was under 2.3% at the end of September. Interest rates on deposits and loans in the household and corporate segments remained stable in Q3 2014 and the overall margin levels continued unchanged. On closer examination, margins on consumer loans tend to decrease (as a result of decreasing credit risk, which is also demonstrated by the falling NPL ratios) while margins on mortgage loans increase and margins in the corporate segment rise.

- Second, the growth rate of household deposits was moderate in Q3 while the marginal supply of household savings was split between bank deposits and alternative savings (investment funds, in particular debt funds). At the same time, savings deposited with banks were increasingly invested in term deposits which offer nominal interest rates well above zero. It is expected that the prospect of interest rate cuts will encourage some households to look for the most attractive deposit offers while forcing banks to offer higher (than the reference rates) interest rates on deposits in order to secure stable funding.

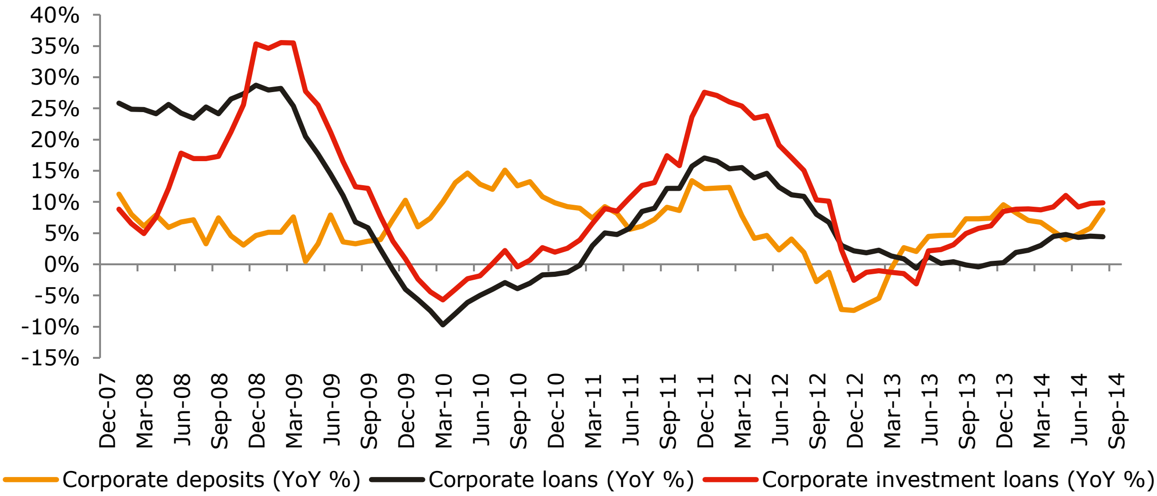
Household loans and deposits



- Third, Q3 saw a faster increase in corporate deposits despite an evident economic slow-down. In the absence of financial results of companies for the period under review, it is difficult to identify the reason for the improvement; however, the macroeconomic scenario is more consistent with the hypothesis of limited spending (including investments) rather than increased revenue.

- Fourth, household lending remained limited in Q3 2014 and was driven by stable growth in mortgage lending (which has remained around 4.5% net of the fx effect for several months now) and a rather moderate increase in consumer lending. In the opinion of the Bank, the coming months should see little change in the growth rates of household lending. In addition to a more strict downpayment policy of the Polish Financial Supervision Authority (the requirements will become even more restrictive as of 2015), mortgage loans are driven by the size of repayments and write-offs against the very high volume of existing loans.

Corporate loans and deposits



Furthermore, corporate loans remained on an increase in Q3 2014: the volume of loans granted to enterprises by monetary financial institutions increased 9.1% YoY at the end of September (up from 6% reported at the end of Q2 2014). The increase in the segment is driven not only by relatively strong corporate investments but also improved perception of economic risks both among borrowers and lenders (bank margins on corporate loans decreased as the quality of loan portfolios improved). In the opinion of the Bank, the fact that the current slow-down is temporary, combined with the high inertia of corporate loans, should allow the growth rate of the volumes in the segment to remain high in the coming months (around 8-10%).

Financial result of mBank Group in Q3 2014

Profit and Loss Account of mBank Group

mBank Group generated a profit before tax of PLN 419.8 million in Q3 2014, up by 1.7% QoQ. Net profit attributable to the shareholders of mBank decreased by 2.9% QoQ and reached PLN 315.5 million.

PLN M	Q3 2013	Q2 2014	Q3 2014	QoQ change	YoY change
Interest income	959.0	970.7	1,035.1	6.6%	7.9%
Interest expense	-389.0	-353.5	-385.2	9.0%	-1.0%
Net interest income	**570.0**	**617.2**	**649.9**	**5.3%**	**14.0%**
Fee and commission income	331.8	369.2	339.3	-8.1%	2.3%
Fee and commission expense	-121.1	-125.5	-123.0	-2.0%	1.6%
Net fee and commission income	**210.7**	**243.7**	**216.2**	**-11.3%**	**2.6%**
Dividend income	14.8	2.8	16.2	478.6%	9.5%
Net trading income	86.3	110.2	96.3	-12.6%	11.6%
Gains less losses from investment securities, investments in subsidiaries and associates	16.4	4.0	3.5	-12.5%	-78.7%
Other operating income	94.8	125.8	80.0	-36.4%	-15.6%
Other operating expenses	-48.0	-80.0	-43.3	-45.9%	-9.8%
Total income	**945.0**	**1,023.8**	**1,018.9**	**-0.5%**	**7.8%**
Net impairment losses on loans and advances	-173.6	-155.9	-157.9	1.3%	-9.0%
Total costs including amortization and depreciation	-416.8	-455.3	-441.2	-3.1%	5.9%
Profit before income tax	**354.6**	**412.6**	**419.8**	**1.7%**	**18.4%**
Income tax expense	-65.1	-86.3	-104.0	20.5%	59.8%
Net profit attributable to:	**289.5**	**326.3**	**315.8**	**-3.2%**	**9.1%**
- Owners of mBank S.A.	**288.6**	**324.8**	**315.5**	**-2.9%**	**9.3%**
- Non-controlling interests	0.9	1.5	0.3	-80.0%	-66.7%
ROA net	1.1%	1.2%	1.1%	-	-
ROE gross	15.6%	17.2%	17.1%	-	-
ROE net	12.7%	13.6%	12.8%	-	-
Cost/Income ratio	44.1%	44.5%	43.3%	-	-
Net interest margin	2.2%	2.3%	2.3%	-	-
Common Equity Tier 1 ratio*	14.0%	13.2%	13.1%	-	-
Total capital ratio*	19.2%	15.8%	15.6%	-	-

** Since the end of March 2014 the capital ratios are calculated in accordance with Basel III rules.*

Income of mBank Group

Total income of mBank Group in Q3 2014 stood at PLN 1,018.9 million and remained stable QoQ (-0.5%). The main positive factor influencing the income of the Group was net interest income, while net fee and commission income decreased as a result of the interchange rate reduction effective from the beginning of July 2014. Additionally, the Bank booked a dividend from its shareholding in PZU.

Net interest income remained the Group's largest revenue source and reached PLN 649.9 million, which was higher by PLN 32.7 million or 5.3% compared to Q2 2014.

Interest income increased by PLN 64.4 million or 6.6% QoQ and reached PLN 1,035.1 million in Q3 2014. Loans and advances remained the main source of interest income (71.1%). Interest income from loans and advances increased by PLN 25.5 million or 3.6% QoQ and reached PLN 735.5 million as a result of growing volume of loans and increasing share of non-mortgage lending in the credit portfolio. In the reporting period, interest income from investment securities grew by PLN 22.7 million or 21.1% resulting from an increase in the volume and a change in the structure of the investment securities portfolio, as well as a change in the manner of presentation of bond premium in Q2 2014 (the adjustment had a negative impact on this item in Q2 2014). Interest income from derivative instruments classified into banking book increased by PLN 14.2 million or 50.2% following a growth in the volume of derivative financial instruments.

Interest expense increased by PLN 31.7 million or 9.0% QoQ and stood at PLN 385.2 million. In Q3 2014, the interest expense on client deposits increased by PLN 8.5 million or 3.8%. The second largest interest cost driver was once again the cost arising from amounts due to banks which declined by PLN 2.6 million or 5.4% QoQ. Interest costs on debt securities in issue increased by PLN 1.6 million or 2.7%. The category "Other" increased by PLN 25.6 million due to the change in the manner of presentation of bond premium in Q2 2014 (the adjustment had a positive impact on this item in Q2 2014).

Net interest margin remained stable at 2.3% in Q3 2014.

Net fee and commission income in Q3 2014 stood at PLN 216.2 million, which represents a decrease of PLN 27.5 million or 11.3% compared to Q2 2014.

Fee and commission income decreased by PLN 29.9 million or 8.1% QoQ and stood at PLN 339.3 million in Q3 2014. Payment cards-related fees decreased by PLN 21.9 million or 18.4% as a result of a reduction in the interchange rate. Credit related fees and commissions decreased by PLN 1.1 million or 1.7%. Commissions on bank accounts decreased by PLN 4.7 million or 11.3%.

Fee and commission expense stood at PLN 123.1 million in Q3 2014, which represents a decrease compared to PLN 125.5 million registered in Q2 2014. Commissions paid to third parties for selling mBank's products decreased by PLN 8.3 million or 36.1% in Q3 2014. Other fees paid increased by PLN 8.0 million or 19.4%.

The Group reported **dividend income** of PLN 16.2 million in Q3 2014, driven by a dividend received from PZU.

Trading income stood at PLN 96.3 million in Q3 2014 and decreased by PLN 13.9 million or 12.6% QoQ. The Group's foreign exchange result decreased by PLN 16.2 million or 23.2% on lower valuation of FX swaps. In turn, other trading income increased by PLN 2.3 million or 5.7%.

Gains less losses from investment securities, investments in subsidiaries and associates reached PLN 3.5 million, which represents a decrease by PLN 0.5 million QoQ.

Net other operating income (other operating income less other operating expenses) stood at PLN 36.7 million in Q3 2014, compared to PLN 45.8 million in Q2 2014. Income from sale of fixed assets and inventories decreased in Q3 2014, which was due to a decrease in sales of apartments by mLocum.

Overhead costs of mBank Group

In the reporting period, the Group continued the implementation of the cost efficiency measures while investing in the future growth by conducting marketing campaigns and developing strategic initiatives. Overhead costs of mBank Group including amortisation and depreciation stood at PLN 441.2 million in Q3 2014, which represents a decrease by PLN 14.1 million or 3.1% QoQ. Effective cost management allowed the Group to improve its efficiency as measured by the cost/income ratio from 44.5% in Q2 2014 to 43.3% in Q3 2014.

PLN M	Q3 2013	Q2 2014	Q3 2014	QoQ change	YoY change
Staff-related expenses	198.1	205.9	215.8	4.8%	8.9%
Material costs	153.2	170.8	152.6	-10.7%	-0.4%
Amortization and depreciaiton	45.4	48.6	47.7	-1.9%	5.0%
Other	20.1	30.0	25.1	-16.3%	24.7%
Total costs (including amortization and depreciation)	**416.8**	**455.3**	**441.2**	**-3.1%**	**5.8%**
Cost/Income ratio	44.1%	44.5%	43.3%	-	-
Employment (FTE)	6,052	6,136	6,227	1.5%	2.9%

Personnel costs increased by PLN 9.9 million or 4.8% in Q3 2014 due to higher provisions for incentive bonuses. The headcount of mBank Group increased by 91 FTEs in Q3 2014.
Material costs decreased by PLN 18.2 million or 10.7% QoQ. In the reporting period, marketing and logistics costs decreased. Amortisation and depreciation remained stable QoQ.

Net impairment losses on loans and advances

Net impairment losses on loans and advances of the Group stood at PLN 157.9 million in Q3 2014, which represents an increase by PLN 2.0 million or 1.3% QoQ.

PLN M	Q3 2013	Q2 2014	Q3 2014	QoQ change	YoY change
Retail Banking	96.9	83.2	90.2	8.4%	-6.9%
Corporates and Financial Markets	76.7	72.7	67.7	-6.9%	-11.8%
Total net impairment losses on loans and advances	**173.6**	**155.9**	**157.9**	**1.3%**	**-9.0%**

Net impairment losses on loans and advances in Retail Banking stood at PLN 90.2 million in Q3 2014 compared to PLN 83.2 million a quarter earlier, due to higher provisions for impaired loans both in mBank in Poland and in mBank Hipoteczny.

Net impairment losses on loans and advances in Corporates and Financial Markets stood at PLN 67.7 million, which represents a decrease of PLN 5.0 million QoQ.

Consolidated statement of financial position

Total assets of mBank Group stood at PLN 117 327.3 million at the end of Q3 2014, which represents an increase of PLN 5,379.9 million or 4.8% QoQ.

Assets of mBank Group

PLN M	Q3 2013	Q2 2014	Q3 2014	QoQ change	YoY change
Cash and balances with Central Bank	794.7	1,418.0	4,177.0	194.6%	425.6%
Loans and advances to banks	2,935.7	4,933.2	3,721.0	-24.6%	26.8%
Trading securities	1,402.7	2,812.5	2,637.6	-6.2%	88.0%
Derivative financial instruments	2,309.1	3,017.9	4,073.0	35.0%	76.4%
Net loans and advances to customers	69,206.7	70,137.2	71,958.4	2.6%	4.0%
Investment securities	24,894.4	27,128.1	28,154.4	3.8%	13.1%
Intangible assets	421.2	460.1	448.2	-2.6%	6.4%
Tangible fixed assets	723.1	710.5	700.9	-1.4%	-3.1%
Other assets	1,312.5	1,329.9	1,456.8	9.5%	11.0%
Total assets	**104,000.1**	**111,947.4**	**117,327.3**	**4.8%**	**12.8%**

Loans and advances to customers remained the largest asset category of the Group at the end of Q3 2014. Their share in total assets decreased modestly to 61.3% compared to 62.7% at the end of Q2 2014. Net loans and advances to customers stood at PLN 71,958.4 million in Q3 2014 and increased by PLN 1,821.2 million or 2.6% QoQ (excluding reverse repo / buy sell back transactions and the FX effect, net loans and advances increased by 2.1%).

Gross loans and advances to corporate clients increased to PLN 31,534.8 million, i.e. by PLN 970.3 million or 3.2% (excluding reverse repo/buy sell back transactions and the FX effect, the volume of loans and advances to corporate clients increased by ca. 2.8%). The volume of loans to individuals was up by PLN 890.8 million or 2.2% QoQ to PLN 40,555.0 million. Excluding the FX effect, loans to individuals increased by approximately 1.7%. Gross loans and advances to the public sector stood at PLN 1,921.5 million in Q3 2014, and were up by PLN 39.9 million or 2.1% compared to Q2 2014.

Investment securities were the Bank's second largest asset category at the end of Q3 2014 and stood at PLN 28,154.4 million or 24.0% of total assets. The value of investment securities increased by PLN 1,026.3 million or 3.8% compared to Q2 2014. Moreover, in the reporting period the portfolio of government bonds increased while the portfolio of securities issued by the central bank decreased in Q3 2014.

Liabilities and Equity of mBank Group

PLN M	Q3 2013	Q2 2014	Q3 2014	QoQ change	YoY change
Amounts due to other banks	21,416.2	22,297.0	19,777.7	-11.3%	-7.7%
Derivative financial instruments and other trading liabilities	2,472.4	2,915.0	3,970.0	36.2%	60.6%
Amounts due to customers	60,085.1	63,293.7	69,563.5	9.9%	15.8%
Debt securities in issue	4,869.6	7,696.2	8,009.7	4.1%	64.5%
Subordinated liabilities	3,310.9	3,278.9	3,312.9	1.0%	0.1%
Other liabilities	1,955.9	2,147.2	1,913.6	-10.9%	-2.2%
Total Liabilities	**94,110.1**	**101,628.0**	**106,547.4**	**4.8%**	**13.2%**
Total Equity	**9,890.0**	**10,319.4**	**10,779.9**	**4.5%**	**9.0%**
Total Liabilities and Equity	**104,000.1**	**111,947.4**	**117,327.3**	**4.8%**	**12.8%**

Amounts due to customers, which are the Group's main source of funding, increased by PLN 6,269.8 million or 9.9% in Q3 2014 (excluding repo transactions, amounts due to customers increased by 8.8%). At the end of September 2014, they amounted to PLN 69,563.5 million, representing 59.3% of total liabilities and equity.

Amounts due to corporate clients increased by PLN 4,981.2 million or 18.7% to PLN 31,576.3 million at the end of Q3 2014. Excluding repo transactions, amounts due to corporate clients increased by 17.3%. Amounts due to retail clients increased by PLN 915.8 million or 2.6% to PLN 36,641.8 million in Q3 2014, mainly due to a higher balance of term deposits. Amounts due to the public sector stood at PLN 1,345.3 million, which represents an increase by PLN 372.7 million or 38.3%.

Amounts due to banks stood at PLN 19,777.7 million at the end of Q3 2014, representing 16.9% of total liabilities and equity. Compared to Q2 2014, amounts due to banks decreased by PLN 2,519.3 million or 11.3%. Two loans granted to the Group by Commerzbank with a total nominal value of CHF 350 million were repaid in Q3 2014.

The share of equity attributable to the shareholders of mBank in total liabilities and equity of mBank Group stood at 9.2% at the end of September 2014 and remained unchanged QoQ. At the end of September 2014, equity attributable to the shareholders of mBank amounted to PLN 10,779.9 million (increasing by PLN 460.5 million or 4.5%).

Quality of the loan portfolio of mBank Group

PLN M	Q3 2013	Q2 2014	Q3 2014	QoQ change	YoY change
Provisions for receivables with impairment	2,548.3	2,324.7	2,439.5	4.9%	-4.3%
Impairment provisions for exposures analysed according to portfolio approach	212.5	269.8	299.9	11.2%	41.1%
Provisions for receivables	**2,760.9**	**2,594.5**	**2,739.4**	**5.6%**	**-0.8%**
Receivables with impairment	**3,832.2**	**4,636.1**	**4,716.7**	**1.7%**	**23.1%**
NPL ratio*	5.3%	6.4%	6.3%	-	-
Coverage ratio*	72.0%	56.0%	58.1%	-	-

** Since Q4 2013 a modified methodology of NPL recognition applied (NPL ratio under the more conservative "client view" methodology).*

Impaired receivables increased by 1.7% compared to Q2 2014, while total gross loans increased by 2.7%. Consequently, the ratio of impaired loans (NPL) decreased from 6.4% in Q2 2014 to 6.3% in Q3 2014.

Provisions for loans and advances to clients increased by PLN 144.9 million QoQ to PLN 2,739.4 million, including PLN 2,439.5 million in provisions for impaired receivables (compared to PLN 2,324.7 million in Q2 2014). Additionally, Incurred But Not Identified provisions (IBNI) increased from PLN 269.8 million in Q2 2014 to PLN 299.9 million in Q3 2014.

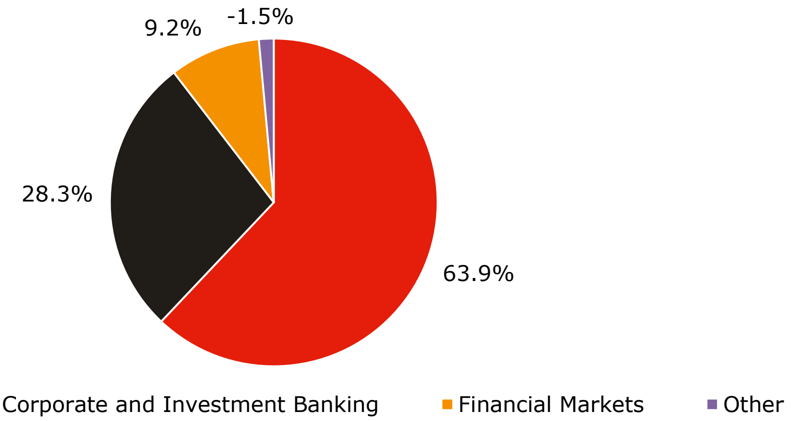
The ratio of provisions to impaired loans (including Incurred but Not identified provisions) increased from 56.0% in Q2 2014 to 58.1% at the end of Q3 2014.

Performance of the business segments and business lines

In Q3 2014, the segment of Retail Banking had the largest share in the Group's profit before income tax and its contribution reached 63.9%. The contribution of Corporates and Financial Markets constituted 37.6% and covered the result of Corporate and Investment Banking (28.3%) and Financial Markets (9.2%).

PLN M	Q3 2013	Q2 2014	Q3 2014	QoQ change	YoY change
Retail Banking	237.0	297.5	268.3	-9.8%	13.2%
Corporate and Investment Banking	113.1	95.2	119.0	25.0%	5.2%
Financial Markets	2.0	32.7	38.8	18.7%	1840.0%
Other	2.5	-12.8	-6.3	-50.8%	-352.0%
Profit before tax of mBank Group	**354.6**	**412.6**	**419.8**	**1.7%**	**18.4%**

Gross profit contribution by business segments in Q3 2014



Retail Banking

Summary of segment results

The Retail Banking segment generated a profit before tax of PLN 268.3 million in Q3 2014, a decrease of PLN 29.2 million or 9.8% QoQ.

PLN M	Q3 2013	Q2 2014	Q3 2014	QoQ change	YoY change
Net interest income	386.2	432.1	435.8	0.9%	12.8%
Net fee and commission income	129.1	149.9	115.3	-23.1%	-10.7%
Dividend income	0.1	0.0	0.0	-	-100.0%
Net trading income	32.7	33.7	33.4	-0.9%	2.1%
Gains less losses from investment securities, investments in subsidiaries and associates	0.0	0.0	0.0	-	-
Net other operating income	19.7	18.2	22.3	22.5%	13.2%
Total income	567.8	633.9	606.8	-4.3%	6.9%
Net impairment losses on loans and advances	-96.9	-83.2	-90.2	8.4%	-6.9%
Total costs including amortization and depreciation	-233.9	-253.3	-248.4	-1.9%	6.2%
Profit before tax of Retail Banking	**237.0**	**297.5**	**268.3**	**-9.8%**	**13.2%**

The profit before tax of the Retail Banking segment in Q3 2014 was predominantly driven by:

- **Decrease of total income** by PLN 27.1 million or 4.3% QoQ to PLN 606.8 million. Net interest income increased by PLN 3.7 million or 0.9% while net fee and commission income decreased by PLN 34.6 million or 23.1% as a result of reduced interchange fees. Net other operating income and cost increased by PLN 4.1 million or 22.5% in Q3 2014.

- **Decrease of overhead costs (including depreciation and amortisation)** by PLN 4.9 million or 1.9% QoQ to PLN 248.4 million. mainly due to lower material costs.

- **Increase of net loan loss provisions** by PLN 7.0 million QoQ due to higher provisions set up against impaired loans both for mBank in Poland and mBank Hipoteczny.

Activities in the Retail Banking segment

thou.	30.09.2013	30.06.2014	30.09.2014	QoQ change	YoY change
Number of retail clients, including:	**4,326.4**	**4,490.3**	**4,564.7**	**1.7%**	**5.5%**
Poland	3,663.7	3,786.1	3,839.2	**1.4%**	**4.8%**
Foreign branches	662.7	704.2	725.5	**3.0%**	**9.5%**
The Czech Republic	479.7	503.4	516.0	**2.5%**	**7.6%**
Slovakia	183.0	200.9	209.5	**4.3%**	**14.5%**
PLN M	,	,	,	,	,
Loans to retail clients, including:	**38,800.5**	**39,382.5**	**40,126.8**	**1.9%**	**3.4%**
Poland	36,648.4	36,952.8	37,476.6	**1.4%**	**2.3%**
mortgage loans	29,635.3	29,381.4	29,620.0	**0.8%**	**-0.1%**
non-mortgage loans	7,013.1	7,571.4	7,856.6	**3.8%**	**12.0%**
Foreign branches	2,152.1	2,429.7	2,650.3	**9.1%**	**23.1%**
The Czech Republic	1,765.9	1,917.4	2,058.6	**7.4%**	**16.6%**
Slovakia	386.2	512.3	591.6	**15.5%**	**53.2%**
Deposits of retail clients, including:	32,201.2	35,338.5	36,225.2	**2.5%**	**12.5%**
Poland	27,195.1	30,082.9	30,889.6	**2.7%**	**13.6%**
Foreign branches	5,006.1	5,255.6	5,335.6	**1.5%**	**6.6%**
The Czech Republic	3,242.6	3,401.6	3,524.8	**3.6%**	**8.7%**
Slovakia	1,763.6	1,854.0	1,810.8	**-2.3%**	**2.7%**
Investment funds (Poland)	**2,449.1**	**2,876.5**	**2,977.6**	**3.5%**	**21.6%**
thou.	,	,	,	,	,
Credit cards, including	**780.9**	**826.7**	**843.1**	**2.0%**	**8.0%**
Poland	744.9	785.2	798.7	**1.7%**	**7.2%**
Foreign branches	36.0	41.5	44.4	**7.0%**	**23.3%**
Debit cards, including:	**6,548.2**	**7,113.3**	**7,298.0**	**2.6%**	**11.5%**
Poland	5,567.0	6,006.1	6,149.2	**2.4%**	**10.5%**
Foreign branches	981.2	1,107.2	1,148.8	**3.8%**	**17.1%**

Retail Banking (including Private Banking) in Poland

mBank's Retail Banking in Poland acquired 53.1 thousand new clients in Q3 2014 mainly due to intensified marketing activities. Sales of loans remained stable compared to the very good Q2 2014 and the deposit base increased.

Q3 2014 in mBank's Retail Banking segment was a time of focused implementation of strategic projects. These activities were in large part related to co-operation with Orange, one of Poland's biggest telecom operators, aimed at the development of a product offer under the Orange Finance project.

Another milestone of Q3 2014 was the launch of co-operation with the AXA Group and the conclusion of an agreement to sell 100% of the insurance subsidiary BRE Ubezpieczenia TUiR. The alliance with one of the biggest insurance institutions world-wide aims to further enhance the quality of products and services for mBank Group clients and to expand the offer of insurance products.

In Q3 2014, the Bank continued its strategy aimed at growing market share in the sector of small and medium-sized companies (SMEs) and launched the FX Platform, the first tool developed from scratch for SMEs. The service combines state-of-the-art technology available from mBank Retail Banking with the experience and prices available to corporate clients. The clients are offered a full range of transactions and may individually trade in currencies online or use the support of FX dealers.

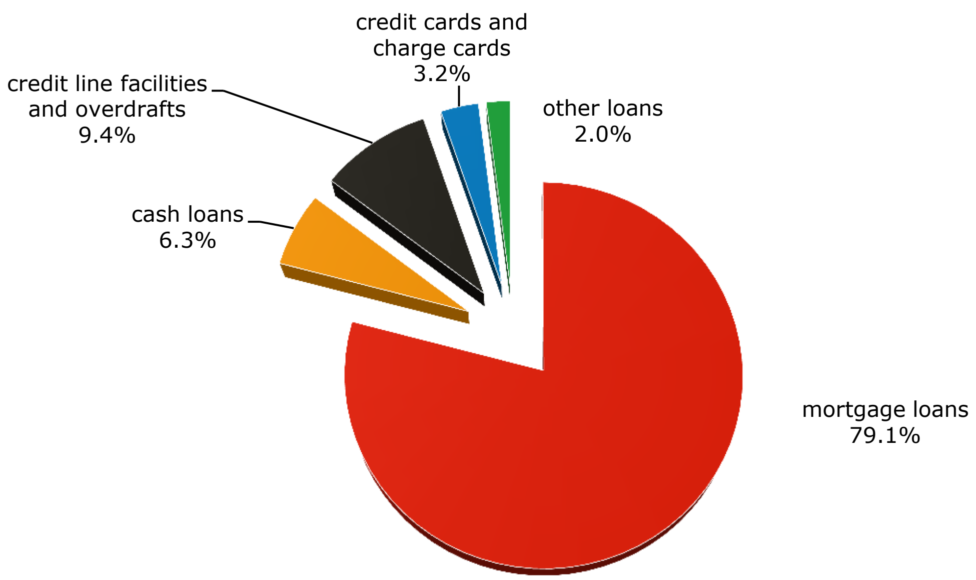
Retail Banking products were once again acknowledged by clients and the market. mBank ranked first in the Personal Bank Account category and won the golden award in 2014 Quality Leader survey by Dziennik Gazeta Prawna. mBank products were recognised among others for accompanying mobile solutions. mBank's transactional service for retail customers was awarded in the annual Global Finance World's Best Internet Banks awards (the service for corporate clients also won experts' recognition).

Development of the retail banking offer

Loans

The figure below presents the structure of the loan portfolio of Retail Banking in Poland at the end of September 2014:

Retail loan portfolio in Poland



In Q3 2014, the Bank continued to expand the sales of non-mortgage loans, granted mainly through a personalised credit offer targeting selected clients. In August 2014, mBank launched a promotion campaign for cash loans with guaranteed lowest interest rates available within 30 seconds via the mobile application for smartphones.

The non-mortgage loan portfolio increased by PLN 285.1 million or 3.8% QoQ in Q3 2014. Sales of non-mortgage loans increased by 9.9% YoY to PLN 963.1 million in Q3 2014. The fastest-growing loans included cash loans and credit lines owing to rising utilisation of global limits granted to clients.

The Bank also pursued targeted initiatives to grow the sales of mortgage loans. Growth of the mortgage loan pool is a necessary condition of the project aimed at the financing of mortgage loans with funds raised through issues of covered bonds by mBank Hipoteczny. The co-operation between mBank and mBank Hipoteczny should provide a new source of long-term financing for retail mortgage loans and allow the Bank to support more clients interested in buying properties.

As a result, the sales of mortgage loans stood at PLN 683.6 in Q3 2014, representing an increase by 2.8% QoQ and by 52.2% YoY.

The main parameters of the retail mortgage loan portfolio (excluding Private Banking clients) were as follows:

	30.06.2014	30.09.2014
Balance sheet value (PLN billion)	26.7	**27.0**
Average maturity (years)	20.5	**20.4**
Average value (PLN thousand)	271.8	**272.0**
Average LTV (%)	80.1%	**80.0%**
NPL (%)*	4.7%	**4.7%**

** The NPL ratio under the more conservative "client view" methodology.*

Deposits and investment funds

Q3 2014 was yet another quarter when the balances of deposits and investment products increased (by 1.4% and 3.5% QoQ, respectively). Changes in the pension savings system sparked interest in pension products. To address clients' needs, the Bank launched a new transactional system supporting individual pension accounts which allows clients to track more easily the performance of their investments and to check the outstanding investment limit for the year.

Furthermore, the Bank strengthened its position in investments and savings by diversifying the solutions offered to clients including in particular:

- launch of the term deposit "Mocny Sierpniowy" to raise new funds;
- launch of the promotion "Doping na start" to support client acquisition;
- launch of a deposit for new clients of the Bank;
- addition of structured certificates to the Bank's offer including "Strategia z górnej półki" and "Strategiczna Trzydziestka". as well as new structured deposits including "Stały kurs";
- introduction of new closed-ended funds including KBC Aktywnej Alokacji;
- addition of further open-ended funds to the Investment Fund Supermarket including funds which invest in foreign markets in order to further diversify clients' portfolios.

Cards

Following the entry into force of the amendment to the Payment Services Act as of July 1, 2014, and a reduction of the interchange fee to 0.5%, the Bank's initiatives in the payment card area focused on growth of the market share of transactions made with mBank payment cards.

<u>mBank activities in the Czech Republic (CZ) and Slovakia (SK)</u>

In the past twelve months the number of clients in mBank foreign branches increased by 62.8 thousand, and in Q3 2014 alone it went up by 21.3 thousand.

The deposit base remained stable while the sales of mortgage loans grew significantly. For mBank in Slovakia, September 2014 was a month of record high sales of mortgage loans.

Apart from reporting very good sales results, Q3 2014 can also be charaterised by significant business development and the start of cooperation with two largest partner networks on the Czech market - espoluprace.cz and VIVnetworks, aimed at developing a new online sales channel. In addition, in October 2014 the Slovak mBank branch entered into a cooperation agreement with the Financial Directorate of the Slovak Republic (Finančné riaditeľstvo Slovenskej Republiky). The agreement concerns making cashless transfers of social security benefits for policemen and soldiers to free mBank accounts and using the services assigned to bank accounts free of charge.

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Moreover, the new mBank transaction platform in Czech Republic and in Slovakia, implemented in Q1 2014, was recognised in the "Bank Innovator 2014" competition organised by Hospodářské nowiny, an economic weekly. mBank was ranked second in the "Banking Innovator" category.

Loans and deposits

In Q3 2014, the loan portfolio of mBank clients in the Czech Republic and Slovakia grew by PLN 220.5 million or 9.1% QoQ. The sales of non-mortgage loans in Q3 2014 increased by 73.3% to PLN 89.8 million.

mbank also intensified its efforts aimed at increasing sales of mortgage loans. The sales value of mortgage loans in Q3 2014 reached PLN 247.0 million, translating into a QoQ and YoY growth by 24.8% and 81.8% respectively.

Deposits of foreign branches' clients in Q3 2014 remained at a safe level. According to the Bank, initiating cooperation with the Financial Directorate of the Republic of Slovakia in October 2014, concerning cashless transfers of social security benefits for policemen and soldiers will translate into a growing number of deposits in the following quarters.

<u>Distribution network in Poland and abroad</u>

mBank in Poland	
Aspiro (managing mBank's distribution network)	23 Financial Centres 67 mKiosks 21 Agent Service Points
mBank (former MultiBank)	70 Financial Services Centres 61 Partner Outlets
mBank abroad	
mBank CZ	9 Financial Centres 17 mKiosks
mBank SK	4 Financial Centres 5 mKiosks

Corporates and Financial Markets

<u>Corporate and Investment Banking</u>

Summary of segment results

In Q3 2014, the Corporate and Investment Banking segment generated profit before tax of PLN 119.0 million, which represented an increase of PLN 23.8 million or 25.0%, compared to the previous quarter.

PLN M	Q3 2013	Q2 2014	Q3 2014	QoQ change	YoY change
Net interest income	181.3	163.3	170.9	4.7%	-5.7%
Net fee and commission income	80.7	91.1	99.5	9.2%	23.3%
Dividend income	14.7	0.2	16.1	80x	9.5%
Net trading income	45.7	45.0	45.3	0.7%	-0.9%
Gains less losses from investment securities, investments in subsidiaries and associates	5.7	0.0	2.2	-	-61.4%
Net other operating income	13.9	33.6	13.2	-60.7%	-5.0%
Total income	342.0	333.2	347.2	4.2%	1.5%
Net impairment losses on loans and advances	-76.8	-73.2	-67.3	-8.1%	-12.4%
Total costs including amortization and depreciation	-152.1	-164.8	-160.9	-2.4%	5.8%
Profit before tax of Corporate and Investment Banking	**113.1**	**95.2**	**119.0**	**25.0%**	**5.2%**

In Q3 2014, profit before tax of the Corporate and Investment Banking segment was predominantly driven by:

- **Higher total income** which amounted to PLN 347.2 million compared to PLN 333.2 million in the previous quarter. Net interest income increased by PLN 7.6 million or 4.7% and net commission income increased by PLN 8.4 million or 9.2%. In Q3 2014, commission income on money transfers and fees for custody services increased.
- **Decrease of overhead costs (including amortization and depreciation)** of PLN 3.9 million or 2.4% QoQ to PLN 160.9 million. The change was mainly due to a decrease in material costs.
- **Decrease of net impairment losses on loans and advances** of PLN 5.9 million or 8.1% QoQ to PLN 67.3 million.

Activities of the Corporate and Investment Banking segment

	30.09.2013	30.06.2014	30.09.2014	QoQ change	YoY change
Number of corporate clients	**16,001**	**17,006**	**17,390**	**2.3%**	**8.7%**
K1	1,266	1,778	1,794	**0.9%**	**41.7%**
K2	4885	4,904	5,026	**2.5%**	**2.9%**
K3	9,850	10,324	10,570	**2.4%**	**7.3%**
PLN M	,	,	,		
Loans to corporate clients, including	**27,543**	**28,055**	**28,896**	**3.0%**	**4.9%**
K1	11,691	12,184	12,437	**2.1%**	**6.4%**
K2	9,982	10,416	10,841	**4.1%**	**8.6%**
K3	2,852	2,788	2,851	**2.2%**	**0.0%**
Reverse repo/buy sell back transactions	3,006	2,648	2,751	**3.9%**	**-8.5%**
Other	12	18	16	**-10.5%**	**35.7%**
Deposits of corporate clients, including	**24,814**	**24,324**	**28,959**	**19.1%**	**16.7%**
K1	9,617	10,045	12,473	**24.2%**	**29.7%**
K2	8,695	7,683	8,505	**10.7%**	**-2.2%**
K3	3,365	3,512	4,115	**17.2%**	**22.3%**
Repo transactions	3,034	3,051	3,799	**24.5%**	**25.2%**
Other	103	32	67	**106.5%**	**-35.2%**

K1 represents the segment of largest corporations with annual sales of over PLN 500 million, public sector entities and all non-banking financial institutions; K2 is the segment of medium-sized corporations with annual sales between PLN 30 and 500 million and K3 is the segment of small and medium-sized companies with annual sales up to PLN 30 million.

Q3 2014 was a period of selective economic recovery which translated into increased business activity and investment demand by large companies. The economic situation favourably affected the volume of corporate loans. The market for corporate loans increased by 1.2% QoQ and 5.9% YoY, while the market for corporate deposits increased by 4.7% and 8.9%, respectively. On this market, mBank reported higher growth rates which resulted in an increase in its market shares to 6.3% for loans and 8.6% for deposits.

In Q3 2014, the Bank intensified its sales efforts which contributed to a record-high acquisition of corporate customers: the corporate customer base increased by 384 companies compared to Q2 2014 and reached 17,390 customers.

The acquisition of new customers favourably affected the value of funds accumulated on current accounts which amounted to PLN 6,253 million at the end of September 2014, an increase of 23.3% YoY. A high volume of current deposits forms the basis for the further growth of transactional banking which is particularly important for the Bank given its potential for growth and closer cooperation with the customers.

In Q3 2014, the Bank continued pursuing the strategy to increase its share in the SMEs sector, *inter alia* by expanding its offer to include an additional specialized product dedicated for such customers, i.e. the "Flexible Package for SMEs". The new product facilitates a comprehensive financial management and enables to take advantage of preferential terms of service in the areas most important for the company. The Flexible Package offers four modules: transactional, financial, foreign exchange and a module for groups. The modules may be combined, thus adjusting the offer to an enterprise's profile and the related need for financial services. At the same time, the Bank implemented a new, simplified credit process for customers in the SMEs segment.

The consolidation of the Corporate and Investment Banking areas which started in 2014 resulted in the Bank's increased activity on the market of debt security issues for enterprises. As at the end of September 2014, the Bank's share in the corporate bond market stood at 12.5%. The environment of low interest rates was conducive to the growth of this market. In addition, the activities of the Corporate and Investment Banking segment were focused on intensifying cooperation with non-banking financial institutions and with customers from the agricultural and food sectors.

In 2014, the quality of service offered to corporate customers, measured with reference to the NPS indicator (Net Promoter Score), improved significantly. For customers which named mBank as their main bank, the indicator reached 26. The average indicator for the entire market, as per the syndicated survey of GfK Polonia "Company Monitor 2014", stood at 13.

Moreover, mBank was yet again recognized by the specialist financial magazine Global Finance. In the "World's Best Internet Banks" annual competition mBank Company net was named the best transactional service for corporate banking customers in Poland (the service for retail customers aslo won experts' recognition), and mBank CompanyMobile received distinctions as the best mobile application in the Central and Eastern Europe. In addition, our foreign currency exchange platform, mPlatforma walutowa, received an award for the third time.

Products and services offered

Corporate customer loans

Loans granted by mBank to corporate customers (excluding repo transactions) amounted to PLN 26,145 million at the end of Q3 2014 and increased by 2.9% compared to the end of June 2014 (PLN 25,407 million) and by 6.6% compared to the end of Q3 2013 (PLN 24,536 million).

Loans to enterprises (a category defined by the NBP which enables comparison of results across the banking sector) amounted to PLN 18,025 million at the end of September 2014 and increased by 4.6% compared to the end of June 2014 (PLN 17,235 million) and by 6.9% compared to the end of September 2013 (PLN 16,868 million). In the same period, the loans to enterprises market increased by 1.2% and 5.9%, respectively. The Bank's market share in lending to enterprises amounted to 6.3% at the end of September 2014 compared to 6.1% at the end of June 2014. The Bank's loan to deposit ratio for enterprises amounted to 95.8% as at the end of Q3 2014 and was significantly lower than the market average which amounted to 131.6%.

Loans granted to local governments amounted to PLN 1,311 million at the end of September 2014 compared to PLN 1,277 at the end of June 2014 and PLN 1,599 million at the end of September 2013.

Corporate customer deposits

Deposits placed by corporate customers with mBank (excluding repo transactions) amounted to PLN 25,160 million at the end of Q3 2014 and increased by 18.3% compared to the end of June 2014 (PLN 21,273 million) and by 15.5% compared to the end of Q3 2013 (PLN 21,780 million).

Current deposits placed with mBank by corporate customers amounted to PLN 6,253 million at the end of Q3 2014 and increased by 13.3% compared to the end of June 2014 (PLN 5,519 million) and by 23.3% compared to the end of Q3 2013 (PLN 5,071 million).

Deposits placed by enterprises (a category defined by the NBP which enables comparison of results across the banking sector) amounted to PLN 18,809 million at the end of September 2014, representing an increase of 11.7% compared to the end of June 2014 (PLN 16,845 million) and a decrease of 0.7% compared to the end of Q3 2013 (PLN 18,948 million). The market for deposits placed by enterprises increased by 4.7% and 8.9%, respectively. The Bank's market share of deposits placed by enterprises amounted to 8.6% at the end of September 2014 compared to 8.1% at the end of June 2014.

Deposits placed by local governments amounted to PLN 603.3 million at the end of September 2014 compared to PLN 396.6 at the end of June 2014 and PLN 373.5 million at the end of September 2013.

Structured finance, project finance and syndicated loans

The Structured Finance area within the Corporate and Investment Banking segment offers the following types of financing: acquisition financing, project financing, mezzanine finance and syndicated loans. In 2014, mBank was a significant market participant and participated in 22 syndicated and bilateral loans. The total amount of new exposures in respect of syndicated and bilateral loans stood at PLN 1,656 million. In Q3 2014 only, the Bank signed 13 new bilateral and syndicated loan agreements totalling PLN 1,091 million.

De minimis guarantee

As of July 1, 2014, a supplement to the Portfolio De Minimis Guarantee Facility (PLD) Agreement with Bank Gospodarstwa Krajowego (BGK) became effective. The supplement amended, *inter alia*, the rules for calculating de minimis aid. The PLD agreement was concluded in 2013 as part of the government programme "Supporting Entrepreneurship through BGK sureties and guarantees". The programme funds are to be used for loan repayment sureties/guarantees securing working capital loans granted to micro-, small and medium enterprises. The limit of the guarantee facility granted to mBank under the PLD Agreement amounts to PLN 900 million. As of September 30, 2014, the utilization of the limit amounted to PLN 545 million.

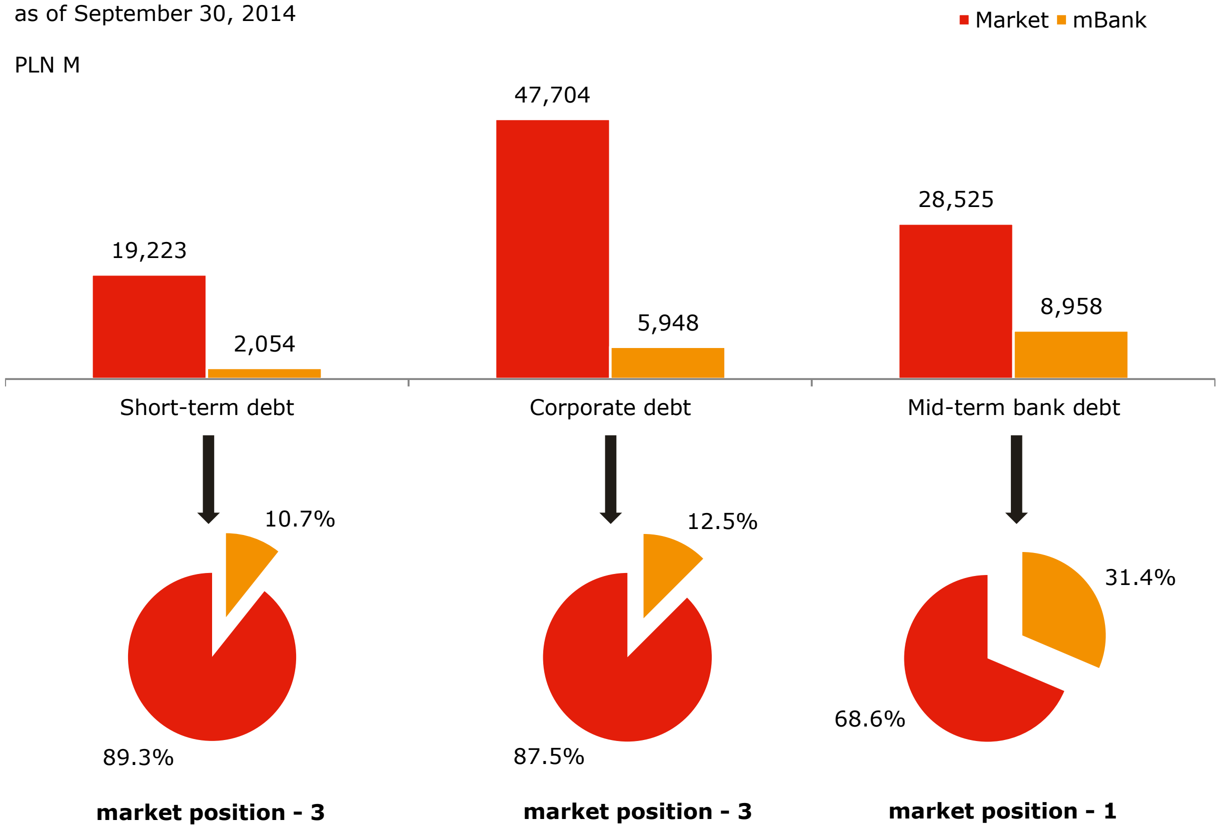
Issuance of debt securities for corporate customers

In Q3 2014, mBank arranged or co-arranged a number of bond issues on the domestic market, for both corporate issuers and banks.

The share of mBank in the market of non-Treasury debt securities as at the end of September 2014 is presented in the chart below.

mBank in the Non-Treasury Debt Market

as of September 30, 2014



The value of debt securities issued by banks but not kept on primary books (excluding "road construction" bonds issued by Bank Gospodarstwa Krajowego) whose issue was arranged by mBank amounted to circa PLN 8.9 billion compared to PLN 6.5 billion at the end of Q2 2014. The largest issues arranged by mBank in Q3 2014 included: the issue of mortgage bonds totalling PLN 500 for mBank Hipoteczny and the issue of bonds of PLN 416 million for Getin Noble Bank. Other large transactions in which the Bank participated included the issue of mortgage bonds for mBank Hipoteczny of EUR 50.5 million and issues of bonds for Credit Agricole Bank Polska of PLN 92 million and for Bank Pocztowy of PLN 40 million.

The Bank ranked third on the growing market of corporate bonds, with a market share of 12.5%. A number of new major issues were executed, i.e. PGNIG (PLN 7 billion), Elemental Holding (PLN 100 million) and Comp (PLN 50 million). The value of corporate bonds issued and unredeemend amounted to circa PLN 5.9 billion as at the end of September 2014 compared to PLN 5.7 billion as at the end of June 2014.

Cash management

Cash management is the area of Corporate Banking, which offers innovative solutions facilitating planning, monitoring and management of the funds with the highest liquidity, cash processing and electronic banking. These solutions facilitate everyday financial operations, increase the efficiency of cash flows management and help to optimize costs and interest income.

mBank's comprehensive cash management offer, supporting the Bank's long-term relationships with corporate clients, was reflected in the following figures:

- the number of domestic transfers made by corporate clients in Q3 2014 increased by 14.1% YoY;
- the number of foreign transfers made by corporate customers in Q3 2014 increased by 16.2% YoY; the most dynamic growth was observed in the case of SEPA transfers (Single Euro Payments Area), which increased by 22.2% YoY;
- the total number of corporate cards issued in Q3 2014 reached 1,151.6 thousand, representing an increase by 45.1% YoY; the most dynamic growth was observed in prepaid cards (+82.0% YoY);
- over 1,004.9 thousand cards were issued as Electronic Money Instrument (the number of cards issued at the end of Q3 2014);
- the number of mBank CompanyNet clients increased by 11.4% YoY. Currently, there are 76,104 active authorisations allowing the entitled employees of mBank's clients to use the system.

Distribution Network

29	**Corporate Branches**	**Corporate Offices**	**18**

Financial Markets

Summary of segment results

In Q3 2014, the Financial Markets segment generated profit before tax of PLN 38.8 million compared to PLN 32.7 million a quarter earlier.

PLN M	Q3 2013	Q2 2014	Q3 2014	QoQ change	YoY change
Net interest income	4.8	23.9	43.4	81.6%	804.2%
Net fee and commission income	-1.7	-1.8	-1.3	-27.8%	-23.5%
Dividend income	0.0	0.1	0.0	-100.0%	-
Net trading income	8.3	31.5	19.2	-39.0%	131.3%
Gains less losses from investment securities, investments in subsidiaries and associates	10.7	4.0	1.3	-67.5%	-87.9%
Net other operating income	0.1	0.2	0.2	0.0%	100.0%
Total income	22.2	57.9	62.8	8.5%	182.9%
Net impairment losses on loans and advances	0.1	0.5	-0.5	-	-
Total costs including amortization and depreciation	-20.4	-25.8	-23.5	-8.9%	15.2%
Profit before tax of Financial Markets	**2.0**	**32.7**	**38.8**	**18.7%**	**1840.0%**

In Q3 2014, profit before tax of the Financial Markets segment was predominantly driven by:

- **Increase of total income** of PLN 4.9 million or 8.5% compared to Q2 2014 to PLN 62.8 million. Net interest income increased by PLN 19.5 million or 81.6% and amounted to PLN 43.4 million. The segment reported a negative net fee and commission income of PLN 1.3 million, similar to the one for the previous quarter.

- **Decrease of overhead costs, including amortization and depreciation** which amounted to PLN 23.5 million. In Q3 2013, material costs decreased.

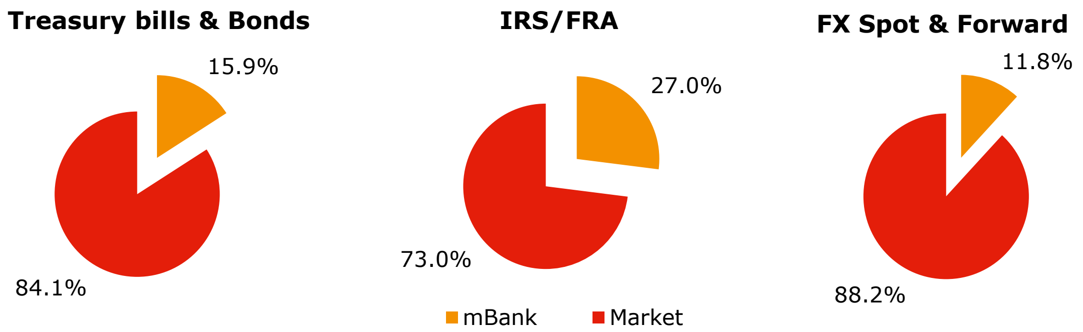
Activities of the Financial Markets segment

In Q3 2014 the activities of the Financial Markets Area focused on further growth or keeping the position in particular product segments. In the face of changes on the FX market, the Bank was striving to increase the number of clients serviced and the volume of transactions performed, therefore levelling the decrease of profit margin.

The Bank was also developing the activity of offering corporate clients hedging against the commodity price risk. In Q3 2014, a possibility to hedge against prices of the so called CO2 was added to the offer and first transactions of this nature were concluded in the past three months.

Moreover numerous improvements were implemented in financial market products and custody services, aimed at minimizing errors and improving the quality of products offered.

Market shares of mBank in specific financial instrument markets at the end of Q3 2014 are presented below.



Subsidiaries of mBank Group

Summary of results of mBank Group's subsidiaries

In Q3 2014, the consolidated profits before tax generated by mBank Group subsidiaries based on a comparable number of subsidiaries amounted to PLN 47.7 million (after corrections of results of BRE Ubezpieczenia TUiR and Aspiro, resulting from the transfer of shares BRE Ubezpieczenia sp. z o.o. and BRE Agent Ubezpieczeniowy sp. z o.o. from BRE Ubezpieczenia TUiR to Aspiro).

The table below presents the profit before tax of the subsidiaries in Q3 2014 compared to Q2 2014.

PLN M	Q2 2014	Q3 2014	QoQ change
mLeasing	9.4	13.9	47.3%
BRE Ubezpieczenia[1]	19.3	13.5	-29.9%
Aspiro[2]	2.2	6.0	172.2%
mFaktoring	4.0	5.4	34.8%
mWealth Management	5.1	4.8	-5.8%
Dom Maklerski mBanku	3.3	4.5	38.0%
mBank Hipoteczny	8.2	2.3	-72.4%
mLocum	9.1	2.0	-78.3%
Other[3]	-0.7	-4.6	557.1%

[1] *Excluding gains on the intra-group disposal of BRE Ubezpieczenia Sp.z o.o. and BRE Agent Ubezpieczeniowy Sp. z o.o. in July 2014.*

[2] *Excluding intragroup dividend, including the results of BRE Ubezpieczenia Sp. z .o.o and BRE Agent Ubezpieczeniowy Sp. z o.o. starting from August 2014.*

[3] *Including result of Transfinance, mCentrum Operacji, mFinance France, MLV 45, BDH Development and Garbary.*

Business activities of selected subsidiaries

mBank Hipoteczny

In Q3 2014 mBH's gross loan portfolio totalled PLN 4.6 billion compared to PLN 4.2 billion at the end of Q2 2014. This growth resulted from, among others, systematic increase of mBH's share in the sales of new mortgage loans for retail clients of mBank Group.

Q3 2014 was another period of activity of mBank Hipoteczny on the primary market. At the turn of July and August 2014, mBH carried out two issues of HPA22 and HPA23 mortgage bonds.

The issuing activity of mBH in Q3 2014 is presented in the table below.

Series	Date of issue	Date of redemption	Currency	Value of issue (million)	Interest rate	Fitch rating
HPA22	July 28, 2014	July 28, 2022	PLN	300	WIBOR 6M + 0.93%	A
HPA23	August 4, 2014	February 20, 2023	PLN	200	WIBOR 6M + 0.93%	A

Originally the company planned to issue HPA22 covered bonds worth up to PLN 200 million. Due to great interest of domestic financial market entities mBH decided to increase the nominal value of HPA22 series to PLN 300 million and started the issue of HPA23 series. As a result, mBank Hipoteczny raised funds worth PLN 500 million. It has been the largest sales offer of covered bonds in the 15-year-long history of mortgage banking in Poland.

Compared to the previous issues denominated in PLN, a significant decrease in margin occurred with a simultaneous extension of maturities, which had a material impact on reducing the cost of funding and better adjustment of the Bank's term structure.

The successful issues of new covered bond series reflect the consistently implemented strategy of mBH for 2014-2017, which is closely connected with the project of restructuring the balance sheet of the Group on the basis of a long-term funding source.

Major changes occur also in the legal environment. On August 26, 2014, the Council of Ministers adopted assumptions to the bill on covered bonds and mortgage banks and some other bills, proposed by the Ministry of Finance. In the opinion of the Bank, changes included in the assumptions to the bill on covered bonds and mortgage banks should have a positive impact on the development of the covered bond market in Poland. New regulations are to take effect from January 1, 2015, however, this date may be changed in order to ensure appropriate vacatio legis for the amendments introduced by way of the bill, which is to be developed on the basis of adopted assumptions.

BRE Ubezpieczenia

In the area of direct insurance, the premiums written remained stable in Q3 2014 (+0.3% QoQ). Gross written premiums in the bancassurance area amounted to PLN 45.4 million, which represents an increase of 79.8% QoQ. The increase was triggered by the introduction of Payment Protection Insurance products for mortgage and cash loans.

Moreover, On September 11, 2014, the Bank's subsidiary, Aspiro, which is a shareholder of BRE Ubezpieczenia TUiR, concluded an agreement with the AXA Group on the sale of 100% of BRE Ubezpieczenia TUiR's shares.

Aspiro

At the end of Q3 2014, Aspiro offered products of 28 different financial companies, including mBank products. The offer covered in total 53 products, including mortgage loans, cash loans, insurance products, investment products, leasing and factoring.

In Q3 2014, all activities of the company were focused on the performance of sales strategy implemented in 2014, which assumed increases of sales of cash loans, both to individuals and companies, and mortgage loans, mainly for mBank Hipoteczny (up by 9.5% and 3.6% QoQ, respectively). The results of Q3 2014 reflected the execution of the strategic goals, and continuing high sales growth.

m Dom Maklerski

The market share of Dom Maklerski mBanku (mDM) in equities trading stood at 3.7%, equivalent to the position of the ninth biggest market participant. mDM maintained the second position in derivatives trading with a market share of 16.3%. The company's market share in options trading stood at 17.8% equivalent to the position of the fourth market participant.

The number of clients of mDM stood at 293.3 thousand at the end of Q3 2014 and increased by 1.3 thousand QoQ.

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

Condensed consolidated income statement

	Note	3rd Quarter (current year) period from 01.07.2014 to 30.09.2014	3 Quarters (current year) period from 01.01.2014 to 30.09.2014	3rd Quarter (previous year) period from 01.07.2013 to 30.09.2013 - restated	3 Quarters (previous year) period from 01.01.2013 to 30.09.2013 - restated
Interest income	5	1 035 059	2 963 524	959 049	3 004 706
Interest expense	5	(385 179)	(1 105 398)	(389 049)	(1 366 991)
Net interest income		**649 880**	**1 858 126**	**570 000**	**1 637 715**
Fee and commission income	6	339 279	1 062 219	331 760	959 074
Fee and commission expense	6	(123 045)	(360 894)	(121 070)	(353 239)
Net fee and commission income		**216 234**	**701 325**	**210 690**	**605 835**
Dividend income	7	16 195	19 006	14 768	17 077
Net trading income, including:	8	96 324	298 644	86 282	264 540
Foreign exchange result		53 539	*188 432*	*71 698*	*215 158*
Other net trading income and result on hedge accounting		42 785	*110 212*	*14 584*	*49 382*
Gains less losses from investment securities, investments in subsidiaries and associates	9	3 545	17 431	16 368	53 302
Other operating income	10	79 977	279 080	94 830	270 338
Net impairment losses on loans and advances	11	(157 917)	(403 264)	(173 585)	(360 698)
Overhead costs	12	(393 523)	(1 184 973)	(371 404)	(1 100 548)
Amortisation		(47 680)	(142 124)	(45 425)	(135 859)
Other operating expenses	13	(43 278)	(174 351)	(47 961)	(139 521)
Operating profit		**419 757**	**1 268 900**	**354 563**	**1 112 181**
Profit before income tax		**419 757**	**1 268 900**	**354 563**	**1 112 181**
Income tax expense	24	(103 998)	(288 092)	(65 071)	(217 981)
Net profit		**315 759**	**980 808**	**289 492**	**894 200**
Net profit attributable to:					
- Owners of mBank S.A.		315 454	978 051	288 586	892 175
- Non-controlling interests		305	2 757	906	2 025

Net profit attributable to Owners of mBank S.A.			**978 051**		**892 175**
Weighted average number of ordinary shares	14		**42 182 972**		**42 149 505**
Basic earnings per share (in PLN)	14		**23.19**		**21.17**
Weighted average number of ordinary shares for diluted earnings	14		**42 211 887**		**42 162 774**
Diluted earnings per share (in PLN)	14		**23.17**		**21.16**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

Condensed consolidated statement of comprehensive income

	3rd Quarter (current year) period from 01.07.2014 to 30.09.2014	3 Quarters (current year) period from 01.01.2014 to 30.09.2014	3rd Quarter (previous year) period from 01.07.2013 to 30.09.2013 - restated	3 Quarters (previous year) period from 01.01.2013 to 30.09.2013 - restated
Net profit	**315 759**	**980 808**	**289 492**	**894 200**
Other comprehensive income net of tax, including:	**141 440**	**249 356**	**(6 841)**	**(212 185)**
Items that may be reclassified subsequently to the income statement				
Exchange differences on translation of foreign operations (net)	40	170	3	370
Change in valuation of available for sale financial assets (net)	141 489	249 275	(6 844)	(212 555)
Cash flows hedges (net)	(89)	(89)	-	-
Items that will not be reclassified to the income statement				
Actuarial gains and losses relating to post-employment benefits (net)	-	-	-	-
Total comprehensive income (net)	**457 199**	**1 230 164**	**282 651**	**682 015**
Total comprehensive income (net), attributable to:				
- Owners of mBank S.A.	456 894	1 227 407	281 745	679 990
- Non-controlling interests	305	2 757	906	2 025

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

Condensed consolidated statement of financial position

ASSETS	Note	30.09.2014	30.06.2014	31.12.2013	30.09.2013 - restated
Cash and balances with the Central Bank		4 176 981	1 418 016	1 650 467	794 706
Loans and advances to banks		3 721 009	4 933 231	3 471 241	2 935 740
Trading securities	15	2 637 559	2 812 471	763 064	1 402 650
Derivative financial instruments	16	4 073 025	3 017 875	2 349 585	2 309 053
Loans and advances to customers	18	71 958 401	70 137 177	68 210 385	69 206 663
Hedge accounting adjustments related to fair value of hedged items		601	778	970	1 134
Investment securities	19	28 154 394	27 128 055	25 341 763	24 894 354
Non-current assets held for sale	25	182 922	-	-	-
Intangible assets	20	448 246	460 135	455 345	421 170
Tangible assets	21	700 870	710 505	709 552	723 088
Current income tax assets		38 754	63 843	7 332	38 903
Deferred income tax assets	24	259 739	261 282	370 821	361 215
Other assets		974 794	1 004 077	952 236	911 444
Total assets		**117 327 295**	**111 947 445**	**104 282 761**	**104 000 120**
LIABILITIES AND EQUITY					
Liabilities					
Amounts due to the Central Bank		1	-	-	-
Amounts due to other banks		19 777 663	22 297 031	19 224 182	21 416 248
Derivative financial instruments	16	3 969 956	2 915 003	2 459 715	2 472 433
Amounts due to customers	22	69 563 534	63 293 721	61 673 527	60 085 074
Debt securities in issue		8 009 714	7 696 154	5 402 056	4 869 607
Hedge accounting adjustments related to fair value of hedged items		73 563	47 620	(4 349)	(5 466)
Liabilities held for sale	25	158 190	-	-	-
Other liabilities		1 509 193	1 839 044	1 267 672	1 745 624
Current income tax liabilities		2 645	4 779	9 581	5 286
Provisions for deferred income tax	24	17 857	3 615	2 954	2 870
Provisions	23	152 128	252 194	228 228	207 546
Subordinated liabilities		3 312 935	3 278 869	3 762 757	3 310 880
Total liabilities		**106 547 379**	**101 628 030**	**94 026 323**	**94 110 102**
Equity					
Equity attributable to Owners of mBank S.A.		**10 750 063**	**10 289 867**	**10 229 342**	**9 863 500**
Share capital:		**3 523 072**	**3 512 798**	**3 512 338**	**3 511 146**
- Registered share capital		168 830	168 702	168 696	168 681
- Share premium		3 354 242	3 344 096	3 343 642	3 342 465
Retained earnings:		**6 659 568**	**6 351 086**	**6 398 937**	**6 080 530**
- Profit from the previous years		5 681 517	5 688 489	5 192 562	5 188 355
- Profit for the current year		978 051	662 597	1 206 375	892 175
Other components of equity		**567 423**	**425 983**	**318 067**	**271 824**
Non-controlling interests		**29 853**	**29 548**	**27 096**	**26 518**
Total equity		**10 779 916**	**10 319 415**	**10 256 438**	**9 890 018**
Total liabilities and equity		**117 327 295**	**111 947 445**	**104 282 761**	**104 000 120**
Total capital ratio/capital adequacy ratio *)	27	**15.57**	**15.79**	**19.38**	**19.17**
Common Equity Tier 1 capital ratio/Core Tier 1 ratio *)		**13.05**	**13.20**	**14.21**	**14.02**
Book value		**10 750 063**	**10 289 867**	**10 229 342**	**9 863 500**
Number of shares		**42 207 402**	**42 175 558**	**42 174 013**	**42 170 252**
Book value per share (in PLN)		**254.70**	**243.98**	**242.55**	**233.90**

*) As at 30 September 2014, total capital ratio and common equity Tier 1 capital ratio are presented, calculated in accordance with the Regulation of the European Parliament and of the Council (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (rules based on "Basel III"). As at 31 December 2013 and as at 30 September 2013 capital adequacy ratio and Core Tier 1 ratio are presented, calculated in accordance with the requirements of Article 128 of the Banking Law of 29 August 1997 as later amended (rules based on "Basel II"). As at 30 September 2013, data relating to the capital adequacy ratio for comparative periods has not been restated.

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

Condensed consolidated statement of changes in equity

Changes from 1 January to 30 September 2014

	Share capital		Retained earnings					Other components of equity						
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets	Cash flows hedges	Actuarial gains and losses relating to post-employment benefits	Equity attributable to Owners of mBank S.A., total	Non-controlling interests	Total equity
Equity as at 1 January 2014	**168 696**	**3 343 642**	**4 118 312**	**100 057**	**989 953**	**1 190 615**	**-**	**(2 010)**	**320 561**	**-**	**(484)**	**10 229 342**	**27 096**	**10 256 438**
Total comprehensive income							**978 051**	**170**	**249 275**	**(89)**	**-**	**1 227 407**	**2 757**	**1 230 164**
Dividends paid	-	-	-	-	-	(716 984)	-	-	-	-	-	(716 984)	-	(716 984)
Transfer to general banking risk reserve	-	-	-	-	52 000	(52 000)	-	-	-	-	-	-	-	-
Transfer to supplementary capital	-	-	285 109	-	-	(285 109)	-	-	-	-	-	-	-	-
Issue of shares	134	-	-	-	-	-	-	-	-	-	-	134	-	134
Stock option program for employees	-	10 600	-	(436)	-	-	-	-	-	-	-	10 164	-	10 164
- value of services provided by the employees	-	-	-	10 164	-	-	-	-	-	-	-	10 164	-	*10 164*
- settlement of exercised options	-	10 600	-	(10 600)	-	-	-	-	-	-	-	-	-	-
Equity as at 30 September 2014	**168 830**	**3 354 242**	**4 403 421**	**99 621**	**1 041 953**	**136 522**	**978 051**	**(1 840)**	**569 836**	**(89)**	**(484)**	**10 750 063**	**29 853**	**10 779 916**

Changes from 1 January to 31 December 2013

	Share capital		Retained earnings					Other components of equity					
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets	Actuarial gains and losses relating to post-employment benefits	Equity attributable to Owners of mBank S.A., total	Non-controlling interests	Total equity
Equity as at 1 January 2013	**168 556**	**3 333 077**	**3 353 504**	**94 863**	**945 953**	**1 214 468**	**-**	**106**	**483 678**	**225**	**9 594 430**	**24 491**	**9 618 921**
Total comprehensive income							**1 206 375**	**(2 116)**	**(163 117)**	**(709)**	**1 040 433**	**2 603**	**1 043 036**
Dividends paid	-	-	-	-	-	(421 420)	-	-	-	-	(421 420)	-	(421 420)
Transfer to general banking risk reserve	-	-	-	-	44 000	(44 000)	-	-	-	-	-	-	-
Transfer to supplementary capital	-	-	764 808	-	-	(764 808)	-	-	-	-	-	-	-
Issue of shares	140	-	-	-	-	-	-	-	-	-	140	-	140
Other changes	-	-	-	-	-	-	-	-	-	-	-	2	2
Stock option program for employees	-	10 565	-	5 194	-	-	-	-	-	-	15 759	-	15 759
- value of services provided by the employees	-	-	-	15 759	-	-	-	-	-	-	15 759	-	*15 759*
- settlement of exercised options	-	10 565	-	(10 565)	-	-	-	-	-	-	-	-	-
Equity as at 31 December 2013	**168 696**	**3 343 642**	**4 118 312**	**100 057**	**989 953**	**(15 760)**	**1 206 375**	**(2 010)**	**320 561**	**(484)**	**10 229 342**	**27 096**	**10 256 438**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

Changes from 1 January to 30 September 2013

	Share capital		Retained earnings					Other components of equity						
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year - restated	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets	Cash flows hedges	Actuarial gains and losses relating to post-employment benefits	Equity attributable to Owners of mBank S.A., total	Non-controlling interests	Total equity
Equity as at 1 January 2013	**168 556**	**3 333 077**	**3 353 504**	**94 863**	**945 953**	**1 214 468**	**-**	**106**	**483 678**	**-**	**225**	**9 594 430**	**24 491**	**9 618 921**
Total comprehensive income							**892 175**	**370**	**(212 555)**	**-**	**-**	**679 990**	**2 025**	**682 015**
Dividends paid	-	-	-	-	-	(421 420)	-	-	-	-	-	(421 420)	-	(421 420)
Transfer to general banking risk reserve	-	-	-	-	44 000	(44 000)	-	-	-	-	-	-	-	-
Transfer to supplementary capital	-	-	764 808	-	-	(764 808)	-	-	-	-	-	-	-	-
Issue of shares	125	-	-	-	-	-	-	-	-	-	-	125	-	125
Other changes	-	-	-	-	-	-	-	-	-	-	-	**-**	2	2
Stock option program for employees	-	9 388	-	987	-	-	-	-	-	-	-	10 375	-	10 375
- value of services provided by the employees	-	-	-	10 375	-	-	-	-	-	-	-	10 375	-	*10 375*
- settlement of exercised options	-	9 388	-	(9 388)	-	-	-	-	-	-	-	-	-	-
Equity as at 30 September 2013 - restated	**168 681**	**3 342 465**	**4 118 312**	**95 850**	**989 953**	**(15 760)**	**892 175**	**476**	**271 123**	**-**	**225**	**9 863 500**	**26 518**	**9 890 018**

Condensed consolidated statement of cash flows

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013 - restated
A. Cash flows from operating activities	**4 872 718**	**(1 893 527)**
Profit before income tax	**1 268 900**	**1 112 181**
Adjustments:	***3 603 818***	***(3 005 708)***
Income taxes paid	(367 330)	(393 285)
Amortisation, including amortisation of fixed assets provided under operating lease	180 184	174 939
Foreign exchange (gains) losses related to financing activities	407 916	465 174
(Gains) losses on investing activities	149	(13 761)
Impairment of investments in subsidiaries	8	472
Dividends received	(19 006)	(17 077)
Interest income (income statement)	(2 963 524)	(3 004 706)
Interest expense (income statement)	1 105 398	1 366 991
Interest received	2 952 217	2 821 925
Interest paid	(961 627)	(1 498 192)
Changes in loans and advances to banks	(1 309 034)	413 294
Changes in trading securities	(198 635)	49 898
Changes in assets and liabilities on derivative financial instruments	(105 409)	(456 932)
Changes in loans and advances to customers	(3 712 032)	(2 085 275)
Changes in investment securities	(2 459 719)	(5 162 907)
Changes in other assets	(60 211)	(17 830)
Changes in amounts due to other banks	3 585 858	1 634 786
Changes in amounts due to customers	7 019 656	2 171 880
Changes in debt securities in issue	179 190	183 757
Changes in provisions	35 535	(5 781)
Changes in other liabilities	294 234	366 922
Net cash generated from/(used in) operating activities	**4 872 718**	**(1 893 527)**
B.Cash flows from investing activities	**(124 151)**	**(99 303)**
Investing activity inflows	**44 940**	**52 197**
Disposal of shares in subsidiaries, net of cash disposed	-	2
Disposal of intangible assets and tangible fixed assets	25 934	21 704
Dividends received	19 006	17 077
Other investing inflows	-	13 414
Investing activity outflows	**169 091**	**151 500**
Acquisition of shares in subsidiaries	-	18
Purchase of intangible assets and tangible fixed assets	169 091	151 482
Net cash generated from/(used in) investing activities	**(124 151)**	**(99 303)**
C. Cash flows from financing activities	**(1 389 146)**	**(2 243 041)**
Financing activity inflows	**4 131 060**	**962 882**
Proceeds from loans and advances from other banks	150 838	82 356
Proceeds from other loans and advances	1 050 075	428 240
Issue of debt securities	2 930 013	452 161
Issue of ordinary shares	134	125
Financing activity outflows	**5 520 206**	**3 205 923**
Repayments of loans and advances from other banks	3 516 240	1 744 365
Repayments of other loans and advances	10 064	239 751
Redemption of debt securities	595 921	764 289
Acquisition of shares in subsidiaries - increase of involvement	-	1 651
Decrease of subordinated liabilities	480 122	-
Payments of financial lease liabilities	319	336
Dividends and other payments to shareholders	716 984	421 420
Interest paid from loans and advances received from other banks and from subordinated liabilities	200 556	34 111
Net cash generated from/(used in) financing activities	**(1 389 146)**	**(2 243 041)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**3 359 421**	**(4 235 871)**
Effects of exchange rate changes on cash and cash equivalents	357	(32 590)
Cash and cash equivalents at the beginning of the reporting period	3 685 640	7 578 317
Cash and cash equivalents at the end of the reporting period	**7 045 418**	**3 309 856**

mBank S.A. stand-alone financial information

Income statement

	Note	3rd Quarter (current year) period from 01.07.2014 to 30.09.2014	3 Quarters (current year) period from 01.01.2014 to 30.09.2014	3rd Quarter (previous year) period from 01.07.2013 to 30.09.2013 - restated	3 Quarters (previous year) period from 01.01.2013 to 30.09.2013 - restated
Interest income		956 800	2 727 185	879 729	2 760 536
Interest expense		(361 996)	(1 037 970)	(362 433)	(1 276 396)
Net interest income		**594 804**	**1 689 215**	**517 296**	**1 484 140**
Fee and commission income		287 289	893 747	280 438	801 477
Fee and commission expense		(108 060)	(315 159)	(109 291)	(315 072)
Net fee and commission income		**179 229**	**578 588**	**171 147**	**486 405**
Dividend income		16 154	43 694	14 750	52 109
Net trading income, including:		91 592	282 262	84 632	248 397
Foreign exchange result		51 907	183 884	72 814	*208 949*
Other net trading income and result on hedge accounting		39 685	98 378	11 818	*39 448*
Gains less losses from investment securities, investments in subsidiaries and associates		3 553	(5 992)	16 368	53 540
Other operating income		16 428	60 884	15 280	62 416
Net impairment losses on loans and advances		(130 276)	(345 160)	(154 625)	(317 540)
Overhead costs		(327 629)	(982 039)	(310 910)	(914 247)
Amortisation		(40 813)	(121 676)	(38 888)	(116 411)
Other operating expenses		(10 324)	(64 189)	(16 901)	(49 748)
Operating profit		**392 718**	**1 135 587**	**298 149**	**989 061**
Profit before income tax		**392 718**	**1 135 587**	**298 149**	**989 061**
Income tax expense		**(87 830)**	**(241 467)**	**(54 083)**	**(189 363)**
Net profit		**304 888**	**894 120**	**244 066**	**799 698**

Net profit			**894 120**		**799 698**
Weighted average number of ordinary shares	14		**42 182 972**		**42 149 505**
Basic earnings per share (in PLN)	14		**21.20**		**18.97**
Weighted average number of ordinary shares for diluted earnings	14		**42 211 887**		**42 162 774**
Diluted earnings per share (in PLN)	14		**21.18**		**18.97**

mBank S.A. stand-alone financial information

Statement of comprehensive income

	3rd Quarter (current year) period from 01.07.2014 to 30.09.2014	3 Quarters (current year) period from 01.01.2014 to 30.09.2014	3rd Quarter (previous year) period from 01.07.2013 to 30.09.2013 - restated	3 Quarters (previous year) period from 01.01.2013 to 30.09.2013 - restated
Net profit	**304 888**	**894 120**	**244 066**	**799 698**
Other comprehensive income net of tax, including:	**140 339**	**245 752**	**(6 080)**	**(213 364)**
Items that may be reclassified subsequently to the income statement				
Exchange differences on translation of foreign operations (net)	(47)	22	823	44
Change in valuation of available for sale financial assets (net)	140 475	245 819	(6 903)	(213 408)
Cash flow hedges (net)	(89)	(89)	-	-
Items that will not be reclassified to the income statement				
Actuarial gains and losses relating to post-employment benefits (net)	-	-	-	-
Total comprehensive income net of tax, total	**445 227**	**1 139 872**	**237 986**	**586 334**

mBank S.A. stand-alone financial information

Statement of financial position

ASSETS		30.09.2014	30.06.2014	31.12.2013	30.09.2013 - restated
Cash and balances with the Central Bank		4 173 460	1 412 610	1 643 073	781 244
Loans and advances to banks		4 979 872	5 723 463	4 488 865	3 880 951
Trading securities		2 766 559	2 812 476	903 912	1 475 365
Derivative financial instruments		4 075 209	3 017 861	2 349 542	2 305 609
Loans and advances to customers		67 557 194	66 037 410	63 756 680	64 604 484
Hedge accounting adjustments related to fair value of hedged items		601	778	970	1 134
Investment securities		27 706 984	26 940 976	25 081 290	24 740 583
Non-current assets held for sale		735 775	735 775	757 259	653 181
Intangible assets		405 188	415 372	408 784	375 185
Tangible assets		436 691	443 592	442 726	453 987
Current income tax assets		38 169	63 405	6 593	38 047
Deferred income tax assets		5 959	13 351	133 258	125 842
Other assets		246 830	269 493	259 180	208 557
T o t a l a s s e t s		**113 128 491**	**107 886 562**	**100 232 132**	**99 644 169**

LIABILITIES AND EQUITY					
L i a b i l i t i e s					
Amounts due to the Central Bank		1	-	-	-
Amounts due to other banks		19 609 706	22 098 282	18 863 854	20 880 552
Derivative financial instruments		3 994 936	2 933 654	2 472 350	2 481 082
Amounts due to customers		74 281 418	67 887 087	64 008 374	61 685 821
Hedge accounting adjustments related to fair value of hedged items		59 933	42 157	(4 349)	(5 466)
Debt securities in issue		390 859	386 744	451 916	456 816
Other liabilities		1 310 058	1 539 547	962 870	1 460 854
Provisions for deferred income tax		10 114	1 519	80	81
Provisions		152 125	160 826	141 060	125 341
Subordinated liabilities		3 312 935	3 278 869	3 762 757	3 310 880
T o t a l l i a b i l i t i e s		**103 122 085**	**98 328 685**	**90 658 912**	**90 395 961**
E q u i t y					
Share capital:		**3 523 072**	**3 512 798**	**3 512 338**	**3 511 146**
- Registered share capital		168 830	168 702	168 696	168 681
- Share premium		3 354 242	3 344 096	3 343 642	3 342 465
Retained earnings:		**5 915 376**	**5 617 460**	**5 738 676**	**5 463 861**
- Profit for the previous year		5 021 256	5 028 228	4 668 370	4 664 163
- Net profit for the current year		894 120	589 232	1 070 306	799 698
Other components of equity		**567 958**	**427 619**	**322 206**	**273 201**
T o t a l e q u i t y		**10 006 406**	**9 557 877**	**9 573 220**	**9 248 208**
T o t a l l i a b i l i t i e s a n d e q u i t y		**113 128 491**	**107 886 562**	**100 232 132**	**99 644 169**
Total capital ratio/capital adequacy ratio *)		**17.66**	**17.76**	**20.59**	**20.88**
Common Equity Tier 1 capital ratio/Core Tier 1 ratio *)		**14.76**	**14.90**	**14.99**	**15.12**
Book value		**10 006 406**	**9 557 877**	**9 573 220**	**9 248 208**
Number of shares		**42 207 402**	**42 175 558**	**42 174 013**	**42 170 252**
Book value per share (in PLN)		**237.08**	**226.62**	**226.99**	**219.31**

*) As at 30 September 2014, total capital ratio and common equity Tier 1 capital ratio are presented, calculated in accordance with the Regulation of the European Parliament and of the Council (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (rules based on "Basel III"). As at 31 December 2013 and as at 30 September 2013 capital adequacy ratio and Core Tier 1 ratio are presented, calculated in accordance with the requirements of Article 128 of the Banking Law of 29 August 1997 as later amended (rules based on "Basel II"). As at 30 September 2013, data relating to the capital adequacy ratio for comparative periods has not been restated.

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

mBank S.A. stand-alone financial information

Statement of changes in equity

Changes from 1 January to 30 September 2014

	Share capital		Retained earnings					Other components of equity				
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets	Cash flows hedges	Actuarial gains and losses relating to post-employment benefits	Total equity
Equity as at 1 January 2014	**168 696**	**3 343 642**	**3 765 454**	**29 061**	**965 143**	**979 018**	**-**	**(6 512)**	**329 237**	**-**	**(519)**	**9 573 220**
Total comprehensive income							**894 120**	**22**	**245 819**	**(89)**	**-**	**1 139 872**
Dividends paid	-	-	-	-	-	(716 984)	-	-	-	-	-	(716 984)
Transfer to general banking risk reserve	-	-	-	-	50 000	(50 000)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	212 034	-	-	(212 034)	-	-	-	-	-	-
Issue of shares	134	-	-	-	-	-	-	-	-	-	-	134
Stock option program for employees	-	10 600	-	(436)	-	-	-	-	-	-	-	10 164
- value of services provided by the employees	-	-	-	10 164	-	-	-	-	-	-	-	10 164
- settlement of exercised options	-	10 600	-	(10 600)	-	-	-	-	-	-	-	-
Equity as at 30 September 2014	**168 830**	**3 354 242**	**3 977 488**	**28 625**	**1 015 143**	**-**	**894 120**	**(6 490)**	**575 056**	**(89)**	**(519)**	**10 006 406**

Changes from 1 January to 31 December 2013

	Share capital		Retained earnings					Other components of equity				
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets	Cash flows hedges	Actuarial gains and losses relating to post-employment benefits	Total equity
Equity as at 1 January 2013	**168 556**	**3 333 077**	**3 027 390**	**23 867**	**925 143**	**1 108 196**	**-**	**(7 778)**	**494 118**	**-**	**225**	**9 072 794**
Total comprehensive income							**1 070 306**	**1 266**	**(164 881)**	**-**	(744)	**905 947**
Dividends paid	-	-	-	-	-	(421 420)	-	-	-	-	-	(421 420)
Transfer to general banking risk reserve	-	-	-	-	40 000	(40 000)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	738 064	-	-	(738 064)	-	-	-	-	-	-
Issue of shares	140	-	-	-	-	-	-	-	-	-	-	140
Stock option program for employees	-	10 565	-	5 194	-	-	-	-	-	-	-	15 759
- value of services provided by the employees	-	-	-	15 759	-	-	-	-	-	-	-	*15 759*
- settlement of exercised options	-	10 565	-	(10 565)	-	-	-	-	-	-	-	-
Equity as at 31 December 2013	**168 696**	**3 343 642**	**3 765 454**	**29 061**	**965 143**	**(91 288)**	**1 070 306**	**(6 512)**	**329 237**	**-**	**(519)**	**9 573 220**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

Changes from 1 January to 30 September 2013

	Share capital		Retained earnings					Other components of equity				Total equity
	Registered share capital	Share premium	Other supplementary capital	Other reserve capital	General banking risk reserve	Profit from the previous years	Profit for the current year - restated	Exchange differences on translation of foreign operations	Valuation of available for sale financial assets	Cash flows hedges	Actuarial gains and losses relating to post-employment benefits	
Equity as at 1 January 2013	**168 556**	**3 333 077**	**3 027 390**	**23 867**	**925 143**	**1 108 196**	**-**	**(7 778)**	**494 118**	**-**	**225**	**9 072 794**
Total comprehensive income							**799 698**	**44**	**(213 408)**	-	-	**586 334**
Dividends paid	-	-	-	-	-	(421 420)	-	-	-	-	-	(421 420)
Transfer to general banking risk reserve	-	-	-	-	40 000	(40 000)	-	-	-	-	-	-
Transfer to supplementary capital	-	-	738 064	-	-	(738 064)	-	-	-	-	-	-
Issue of shares	125	-	-	-	-	-	-	-	-	-	-	125
Stock option program for employees	-	9 388	-	987	-	-	-	-	-	-	-	10 375
- value of services provided by the employees	-	-	-	10 375	-	-	-	-	-	-	-	*10 375*
- settlement of exercised options	-	9 388	-	(9 388)	-	-	-	-	-	-	-	-
Equity as at 30 September 2013 - restated	**168 681**	**3 342 465**	**3 765 454**	**24 854**	**965 143**	**(91 288)**	**799 698**	**(7 734)**	**280 710**	**-**	**225**	**9 248 208**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

mBank S.A. stand-alone financial information

Statement of cash flows

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013 - restated
A. Cash flows from operating activities	**7 184 976**	**(3 084 763)**
Profit before income tax	**1 135 587**	**989 061**
Adjustments:	***6 049 389***	***(4 073 824)***
Income taxes paid	(309 454)	(368 040)
Amortisation	121 676	116 411
Foreign exchange (gains) losses related to financing activities	409 644	471 499
(Gains) losses on investing activities	(10 171)	(13 683)
Impairment of investments in subsidiaries	23 431	472
Dividends received	(43 694)	(52 109)
Interest income (income statement)	(2 725 644)	(2 760 536)
Interest expense (income statement)	1 037 971	1 276 396
Interest received	2 798 598	2 810 712
Interest paid	(990 145)	(1 515 463)
Changes in loans and advances to banks	(1 533 849)	145 992
Changes in trading securities	25 480	344 107
Changes in assets and liabilities on derivative financial instruments	(169 819)	(467 844)
Changes in loans and advances to customers	(3 256 166)	(2 652 829)
Changes in investment securities	(2 940 135)	(5 263 977)
Changes in other assets	28 570	(32 942)
Changes in amounts due to other banks	3 741 760	1 663 958
Changes in amounts due to customers	9 472 397	1 901 134
Changes in debt securities in issue	520	(2 610)
Changes in provisions	11 065	(3 474)
Changes in other liabilities	357 353	329 002
Net cash generated from/(used in) operating activities	**7 184 976**	**(3 084 763)**
B.Cash flows from investing activities	**(49 946)**	**260 077**
Investing activity inflows	**43 804**	**361 467**
Disposal of shares in subsidiaries, net of cash disposed	-	2
Disposal of intangible assets and tangible fixed assets	110	493
Dividends received	43 694	52 109
Other investing inflows	-	308 863
Investing activity outflows	**93 750**	**101 390**
Acquisition of shares in subsidiaries	-	18
Purchase of intangible assets and tangible fixed assets	93 750	101 372
Net cash generated from/(used in) investing activities	**(49 946)**	**260 077**
C. Cash flows from financing activities	**(3 758 018)**	**(1 846 652)**
Financing activity inflows	**1 050 209**	**510 721**
Proceeds from loans and advances from other banks	-	82 356
Proceeds from other loans and advances	1 050 075	428 240
Issue of ordinary shares	134	125
Financing activity outflows	**4 808 227**	**2 357 373**
Repayments of loans and advances from other banks	3 328 933	1 439 808
Repayments of other loans and advances	10 064	239 751
Redemption of debt securities	66 462	204 289
Acquisition of shares in subsidiaries - increase of involvement	2 000	11 000
Decrease of subordinated liabilities	480 122	-
Payments of financial lease liabilities	5 055	6 994
Dividends and other payments to shareholders	716 984	421 420
Interest paid from loans and advances received from other banks and from subordinated liabilities	198 607	34 111
Net cash generated from/(used in) financing activities	**(3 758 018)**	**(1 846 652)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**3 377 012**	**(4 671 338)**
Effects of exchange rate changes on cash and cash equivalents	(1 340)	(38 881)
Cash and cash equivalents at the beginning of the reporting period	3 807 891	7 994 650
Cash and cash equivalents at the end of the reporting period	**7 183 563**	**3 284 431**

Explanatory notes to the condensed consolidated financial statements

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

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

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

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

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

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

As at 30 September 2014, mBank S.A. Group covered by the condensed consolidated financial statements comprised the following companies:

mBank S.A., the parent entity

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

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

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

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

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

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

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

As at 30 September 2014 the headcount of mBank S.A. amounted to 4 806 FTEs (Full Time Equivalents) and of the Group to 6 227 FTEs (30 September 2013: Bank 4 660 FTEs, Group 6 052 FTEs).

As at 30 September 2014 the employment in mBank S.A. was 5 896 persons and in the Group 8 126 persons (30 September 2013: Bank 5 642 persons, Group 7 807 persons).

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

Corporates and Financial Markets Segment, including:

Corporates and Investment Banking

- Dom Maklerski mBanku S.A., subsidiary (the corporate segment of the company's activity)
- mFaktoring S.A., subsidiary
- mLeasing Sp. z o.o., subsidiary (the corporate segment of the company's activity)
- Garbary Sp. z o.o., subsidiary
- MLV 45 Sp. z o.o. spółka komandytowa, subsidiary
- Transfinance a.s., subsidiary

Financial Markets

- mFinance France S.A., subsidiary

Retail Banking Segment (including Private Banking)

- Aspiro S.A., subsidiary
- AWL I Sp. z o.o., subsidiary,
- Dom Maklerski mBanku S.A., subsidiary (the retail segment of the company's activity)
- mBank Hipoteczny S.A., subsidiary
- mLeasing Sp. z o.o., subsidiary (the retail segment of the company's activity)
- mWealth Management S.A., subsidiary
- BRE Ubezpieczenia TUiR S.A., subsidiary, insurer
- BRE Ubezpieczenia Sp. z o.o., subsidiary, insurance agent
- BRE Agent Ubezpieczeniowy Sp. z o.o., subsidiary, insurance agent

Other

- mCentrum Operacji Sp. z o.o., subsidiary
- mLocum S.A., subsidiary
- BDH Development Sp. z o.o., subsidiary

Other information concerning companies of the Group

On 11 September 2014, the Bank's subsidiary Aspiro S.A., a shareholder of the company BRE Ubezpieczenia Towarzystwo Ubezpieczeń I Reasekuracji S.A. ("BRE TUiR"), concluded an agreement with Avanssur SA the company belonging to AXA Group for the sale of 100% shares of BRE TUiR. The sale transaction will take effect after meeting specific conditions precedent.

In accordance with the above mentioned, starting from the financial statements as of 30 September 2014, the Group classified BRE TUiR as current assets (disposal groups) held for sale.

Information of the sale BRE TUiR are included under Note 25 "Assets and liabilities held for sale".

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

2. Description of the relevant accounting policies

The most important accounting policies applied to the drafting of these condensed consolidated financial statements are presented below. These principles were applied consistently over all presented periods.

2.1. Accounting basis

The condensed consolidated financial statements of mBank S.A. Group have been prepared for the 9-month period ended 30 September 2014.

The presented condensed consolidated financial statements for the third quarter of 2014 fulfill the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting", concerning interim financial statements and adopted for application by the European Union.

The presented Condensed Consolidated Financial Statements for the third quarter of 2014 should be read in conjunction with the Consolidated Financial Statements of mBank S.A. Group for the year ended 31 December 2013, which have been prepared in accordance with IFRSs.

The data for the first half of 2014 presented in mBank S.A. Group condensed consolidated financial statements was reviewed by the auditor, while the data for the year 2013 was audited by the auditor.

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

These condensed consolidated financial statements were prepared under the assumption that the companies of the Group continue as a going concern in the foreseeable future, i.e. in the period of at least 12 months following the reporting date.

2.2. Consolidation

Subsidiaries

Subsidiaries comprise entities, regardless of the nature of the involvement with an entity (including special purpose vehicles) over which the Group controls the investee. The control is achieved when the Group has power over the investee, is exposed or has rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. When the Group has less than a majority of the voting rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over the investee, including a contractual arrangements between the Group and other vote holders, rights arising from other contractual arrangements, the Group's voting rights and potential voting rights. If facts and circumstances indicate that there are changes in at least one of the three elements of control listed above, the Group reassess whether it controls an investee. The consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The consolidated financial statements combine items of assets, liabilities, equity, income and expenses of the parent with those of its subsidiaries eliminating the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Thus arises goodwill. If goodwill has negative value, it is recognised directly in the income statement (see Note 2.19). The profit or loss and each component of other comprehensive income is attributed to the Group's owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. If the Group loses control of a subsidiary, it shall account for all amounts previously recognised in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction (i.e. transactions with owners in their capacity as owners).

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

The company also applies accounting policies in line with IFRS 3 Business Combinations to combinations of bussines under common control in the case of the economic content of the transaction.

Consolidation does not cover those companies whose scale of business operations is immaterial in relation to the volume of business of the Group. Those companies were recognised at cost less impairment.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are settled using the equity method of accounting and they are initially recognised at cost.

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

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

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

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

Company	30.09.2014		31.12.2013		30.09.2013	
	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method	Share in voting rights (directly and indirectly)	Consolidation method
Aspiro S.A.	100%	full	100%	full	100%	full
AWL I Sp. z o.o.	100%	full	-	-	-	-
BDH Development Sp. z o.o.	100%	full	100%	full	-	-
BRE Agent Ubezpieczeniowy Sp. z o.o.	100%	full	100%	full	100%	full
BRE Ubezpieczenia Sp. z o.o.	100%	full	100%	full	100%	full
BRE Ubezpieczenia TUiR S.A.	100%	full	100%	full	100%	full
Dom Maklerski mBanku S.A.	100%	full	100%	full	100%	full
Garbary Sp. z o.o.	100%	full	100%	full	100%	full
mBank Hipoteczny S.A.	100%	full	100%	full	100%	full
mCentrum Operacji Sp. z o.o.	100%	full	100%	full	100%	full
mFaktoring S.A.	100%	full	100%	full	100%	full
mLeasing Sp. z o.o.	100%	full	100%	full	100%	full
mWealth Management S.A.	100%	full	100%	full	100%	full
MLV 45 Sp. z o.o. spółka komandytowa	100%	full	100%	full	100%	full
Transfinance a.s.	100%	full	100%	full	100%	full
mFinance France S.A.	99.98%	full	99.98%	full	99.98%	full
mLocum S.A.	79.99%	full	79.99%	full	79.99%	full

2.3. Interest income and expenses

All interest income on financial instruments carried at amortised cost using the effective interest rate method is recognised in the income statement as well as interest income from financial assets held for trading and available for sale.

The effective interest rate method is a method of calculation of the amortised initial value of financial assets or financial liabilities and allocation of interest income or interest expense to the proper periods. The effective interest rate is the interest rate at which the discounted future payments or future cash inflows are equal to the net present carrying value of the respective financial asset or liability. When calculating the effective interest rate, the Group estimates the cash flows taking into account all the contractual terms of the financial instrument, but without taking into account possible future losses on account of non-recovered loans and advances. This calculation takes into account all the fees paid or received between the parties to the contract, which constitute an integral component of the effective interest rate, as well as transaction expenses and any other premiums or discounts.

Following the recognition of an impairment loss on a financial asset or a group of similar financial assets, the interest income is calculated on the net value of financial assets and recognised using the interest rate at which the future cash flows were discounted for the purpose of valuation of impairment.

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

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

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

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

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

2.4. Fee and commission income

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

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

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

Additionally, fee and commission income on insurance activity comprises income on services provided by an insurance agent and income on account of payments for arranging instalments for a premium for insurance products sold through the Internet platform. The fee for the distribution of premium installment is settled in accordance with the duration of the policy.

Income on account of services provided as an insurance agent is recognised at the time of performance of the services in the net amount, after deduction of expenses of services provided by the entities from outside of the Group.

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

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

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

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

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

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

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

2.6. Insurance premium revenue

Insurance premium revenue accomplished upon insurance activity is recognised at the policy issue date and calculated proportionally over the period of insurance cover. Insurance premium revenue is recognised under other operating income in the consolidated financial statements of the Group.

2.7. Compensations and benefits, net

Compensations and benefits, net relate to insurance activity. They comprise payoffs and charges made in the reporting period due to compensations and benefits for events arising in the current and previous periods, together with costs of claims handling and costs of enforcement of recourses, less received returns, recourses and any recoveries, including recoveries from sale of remains after claims and reduced by reinsurers' share in these positions. Costs of claims handling and costs of enforcement of recourses also comprise costs of legal proceedings. The item also comprises compensations and benefits due to co-insurance activity in the part related to the share of the Group. Compensations and benefits, net are recognised together with insurance premium revenue recognition under other operating income in the consolidated financial statements of the Group.

2.8. Segment reporting

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

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

In accordance with IFRS 8, the Group has the following business segments: Retail Banking, Corporates and Financial Markets including the sub-segments Corporates and Institutions as well as Trading and Investment Acivity, and the other business.

2.9. Financial assets

The Group classifies its financial assets to the following categories: financial assets valued at fair value through the income statement; loans and receivables; financial assets held to maturity; financial assets available for sale. The classification of financial assets is determined by the Management at the time of their initial recognition.

Standardised purchases and sales of financial assets at fair value through the income statement, held to maturity and available for sale are recognised on the settlement date – the date on which the Group delivers or receives the asset. Changes in fair value in the period between trade and settlement date with respect to assets carried at fair value is recognised in profit or loss or in other components of equity. Loans are recognised when cash is advanced to the borrowers. Derivative financial instruments are recognised beginning from the date of transaction.

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

Financial assets valued at fair value through the income statement

This category comprises two subcategories: financial assets held for trading and financial assets designated at fair value through the income statement upon initial recognition. A financial asset is classified in this category if it was acquired principally for the purpose of short-term resale or if it was classified in this category by the companies of the Group. Derivative instruments are also classified as 'held for trading', unless they were designated for hedging.

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

The Group classifies financial assets/financial liabilities as measured at fair value through the income statement if they meet either of the following conditions:

- assets/liabilities are classified as held for trading i.e. they are acquired or incurred principally for the purpose of selling or repurchasing them in the near term, they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making or they are derivatives (except for derivatives that are designated as and being effective hedging instruments),
- upon initial recognition, assets/liabilities are designated by the entity at fair value through the income statement.

If a contract contains one or more embedded derivatives, the Group designates the entire hybrid (combined) contract as a financial asset or financial liability at fair value through the income statement unless:

- the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or
- it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

The Group also designates the financial assets/financial liabilities at fair value through the income statement when doing so results in more relevant information, because either:

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

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

Interest income/expense on financial assets/financial liabilities designated at fair value (Note 2.3), except for derivatives the recognition of which is discussed in Note 2.16, is recognised in net interest income. The valuation and result on disposal of financial assets/financial liabilities designated at fair value is recognised in trading income.

<u>Loans and receivables</u>

Loans and receivables consist of financial assets not classified as derivative instruments, with payments either determined or possible to determine, not listed on an active market. They arise when the Group supplies monetary assets, goods or services directly to the debtor without any intention of trading the receivable.

<u>Held to maturity investments</u>

Investments held to maturity comprise listed on active markets financial assets, not classified as derivative instruments, where the payments are determined or possible to determine and with specified maturity dates, and which the Group intends and is capable of holding until their maturity.

In the case of sale by the Group before maturity of a part of assets held to maturity which cannot be deemed insignificant the held to maturity portfolio is tainted, and there with all the assets of this category are reclassified to the available for sale category.

In reporting periods presented in these condensed consolidated financial statements, there were no assets held to maturity at the Group.

<u>Available for sale investments</u>

Available for sale investments consist of investments which the Group intends to hold for an undetermined period of time. They may be sold, e.g., in order to improve liquidity, in reaction to changes of interest rates, foreign exchange rates, or prices of equity instruments.

Interest income and expense from available for sale investments are presented in net interest income. Gains and losses from sale of available for sale investments are presented in gains and losses from investment securities.

Available for sale financial assets and financial assets measured at fair value through the income statement are valued at the end of the reporting period according to their fair value. Loans and receivables, as well as investments held to maturity are measured at adjusted cost of acquisition (amortised cost), applying the effective interest rate method. Gains and losses resulting from changes in the fair value of 'financial assets measured at fair value through the income statement' are recognised in the income statement in the period in which they arise.

Gains and losses arising from changes in the fair value of available for sale financial assets are recognised in other comprehensive income until the derecognition of the respective financial asset in the statement of financial position or until its impairment: at such time the aggregate net gain or loss previously recognised in other comprehensive income is now recognised in the income statement. However, interest calculated using the effective interest rate is recognised in the income statement. Dividends on available for sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

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

If the application of valuation techniques does not ensure obtaining a reliable fair value of investments in equity instruments not quoted on an active market, they are stated at cost.

2.10. Reinsurance assets

The Group transfers insurance risks to reinsurers in the course of typical operating activities in insurance activity. Reinsurance assets comprise primarily reinsurers' share in technical-insurance provisions.

The amounts of settlements with reinsurers are estimated according to relevant reinsured polices and reinsurance agreements.

Tests for impairment of reinsurance assets are carried out if there is objective evidence that the reinsurance asset is impaired. Impairment loss of reinsurance asset is calculated if either there is an objective evidence that the Group might not receive the receivable in accordance with the agreement or the value of such impairment can be reliably assessed.

If in a subsequent period the impairment loss is decreasing and the decrease can be objectively related to an event occurring after the recognition of impairment, then the previously recognised impairment loss is reversed as an adjustment of the impairment loss through the consolidated income statement.

The reversal cannot cause an increase of the carrying amount of the financial asset more than the amount which would constitute the amortised cost of this asset on the reversal date if the recognition of the impairment did not occur at all.

2.11. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.12. Impairment of financial assets

Assets carried at amortised cost

At the end of the reporting period, the Group estimates whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably estimated. Loss events were divided into definite ('hard') loss events of which occurrence requires that there is a need to classify the client into the default category, and indefinite ('soft') loss events of which occurrence may imply that there is a need to classify the client into the default category.

The list of definite loss events:

1. The number of days from which any exposure being the obligor's credit obligation becomes overdue is above 90 days and the overdue amount exceeds PLN 3,000 for corporate customers and PLN 500 for retail customers.
2. The Bank has sold exposures with a significant economic loss related to the change of the debtor creditworthiness.
3. The Bank performed enforced restructuring of the exposure, which resultes in the change of the loan/transaction service schedule due to the lack of possibility of the obligor to meet his obligations under loan/transaction agreement, as initially stipulated, which resulted in:
   a) reduction of financial obligations by remitting part of these obligations, or
   b) postponing the repayment of the substantial part of the principal, interest or (if it refers to) commission; provided that the lack of approval for restructuring would cause more than 90 calendar days delay in repayment of substantial part of the obligation.
4. Filing by the Bank, the parent or subsidiary entity of the Bank a bankruptcy motion against debtor or filing similar motion in respect of credit obligations of the debtor towards the Bank, the parent or subsidiary entity of the Bank.
5. Bankruptcy of debtor or acquiring by him a similar legal protection resulting in his evasion of or delay in repayment of credit obligations towards the Bank, the parent or subsidiary entity of the Bank.
6. Termination of part or whole credit agreement by the Bank and the beginning of restructuring/collection procedures.
7. Client's fraud.

The list of required conditions for indefinite loss events is prepared separately for each entity type.

The Group first assesses whether objective indications exist individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that for the given financial asset assessed individually there are no objective indications of its impairment (regardless of whether that particular item is material or not), the given asset is included in a group of financial assets featuring similar credit risk characteristics, which is subsequently collectively assessed in terms of its possible impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Recognition of default in respect of one exposure to a customer leads to recognision of the default status for all exposures to that customer.

If there is impairment indicator for impairment of loans and receivables or investments held to maturity and recognised at amortised cost, the impairment amount is calculated as the difference between the carrying value in the statement of financial position of the respective asset and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account, and the resulting impairment loss is charged to the income statement. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from taking over of the collateral less costs for purchasing and selling.

For the purpose of collective evaluation of impairment, the credit exposures are grouped in order to ensure the uniformity of credit risk attached to the given portfolio. Many different parameters may be applied to the grouping into homogeneous portfolios, e.g., the type of counterparty, the type of exposure, estimated probability of default, the type of collateral provided, overdue status outstanding, maturities, and their combinations. Such features influence the estimation of the future cash flows attached to specific groups of assets as they indicate the capabilities of repayment on the part of debtors of their total liabilities in conformity with the terms and conditions of the contracts concerning the assessed assets.

Future cash flows concerning groups of financial assets assessed collectively in terms of their possible impairment are estimated on the basis of contractual cash flows and historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

For the purpose of calculation of the amount to be provisioned against balance sheet exposures analysed collectively, the probability of default (PD) method has been applied. By proper calibration of PD values, taking into account characteristics of specific products and emerging periods for losses on those products, such PD values allow already arisen losses to be identified and cover only the period in which the losses arising at the date of establishment of impairment should crystallise.

When a loan is uncollectible, it is written off against the related provision for impairment. Before any loan is written off, it is necessary to conduct all the procedures required by the Group and sets the amount of the loss. Subsequent recoveries of amounts previously written off reduce the amount of the provision for loan impairment in the income statement.

If in a subsequent period the impairment loss amount is decreasing and the decrease can be related objectively to an event occurring after the impairment was recognised (e.g., improvement of the debtor's credit rating), then the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recorded in the income statement.

Assets measured at fair value

At the end of the reporting period the Group estimates whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as assets available for sale, a significant or prolonged decline in the fair value of the security below its cost resulting from higher credit risk is considered when determining whether the assets are impaired. If such kind of evidence concerning available for sale financial assets exists, the cumulative loss – determined as the difference between the cost of acquisition and the current fair value – is removed from other comprehensive income and recognised in the income statement. The above indicated difference should be reduced by the impairment concerning the given asset which was previously recognised in the income statement. Impairment losses concerning equity instruments recorded in the income statement are not reversed through the income statement, but through other comprehensive income. If the fair value of a debt instrument classified as available for sale increases in a subsequent period, and such increase can be objectively related to an event occurring after the recording of the impairment loss in the income statement, then the respective impairment loss is reversed in the income statement.

Renegotiated agreements

The Group considers renegotiations on contractual terms of loans and advances as impairment indicator unless the renegotiation was not due to the situation of the debtor but had been carried out on normal business terms. In such a case the Group makes an assessment whether the impairment should be recognised on either individual or group basis.

2.13. Financial guarantee contracts

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

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

- the amount determined in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', and
- the amount initially recognised less, when appropriate, cumulative amortization recognised in accordance with IAS 18 'Revenue'.

2.14. Cash and cash equivalents

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

2.15. Sell-buy-back, buy-sell-back, reverse repo and repo contracts

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

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

When concluding a repo or reverse repo transaction, mBank S.A. Group sells or buys securities with a repurchase or resale clause specifying a contractual date and price. Such transactions are presented in the statement of financial position as financial assets held for trading or as investment financial assets, and also as liabilities in the case of 'sell-buy-back' transactions and as receivables in the case of 'buy-sell-back' transactions.

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

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

2.16. Derivative financial instruments and hedge accounting

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

The best fair value indicator for a derivative instrument at the time of its initial recognition is the price of the transaction (i.e., the fair value of the paid or received consideration). If the fair value of the particular instrument may be determined by comparison with other current market transactions concerning the same instrument (not modified) or relying on valuation techniques based exclusively on market data that are available for observation, then the Group recognises the respective gains or losses from the first day in accordance with the principles described under Note 2.17.

Embedded derivative instruments are treated as separate derivative instruments if the risks attached to them and their characteristics are not strictly linked to the risks and characteristics of the underlying contract and the underlying contract is not measured at fair value through the income statement. Embedded derivative instruments of this kind are measured at fair value and the changes in fair value are recognised in the income statement.

In accordance with IAS 39 AG 30: (i), there is no need to separate the prepayment option from the host debt instrument for the needs of consolidated financial statements, because the option's exercise price is approximately equal on each exercise date to the amortised cost of the host debt instrument. If the value of prepayment option was not to be closely related to the underlying debt instrument, the option should be separated and fair valued in the consolidated financial statements of the Group; (ii), exercise price of a prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract. Lost interest is the product of the principal amount prepaid multiplied by the interest rate differential. The interest rate differential is the excess of the effective interest rate of the host contract over the effective interest rate the entity would receive at the prepayment date if it reinvested the principal amount prepaid in a similar contract for the remaining term of the host contract.

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

The method of recognising the resulting fair value gain or loss depends on whether the given derivative instrument is designated as a hedging instrument, and if it is, it also depends on the nature of the hedged item. The Group designates some derivative instruments either as (1) fair value hedges against a recognised asset or liability or against a binding contractual obligation (fair value hedge), or as (2) hedges against highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Derivative instruments designated as hedges against positions maintained by the Group are recorded by means of hedge accounting, subject to the fulfilment of the criteria specified in IAS 39:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instruments effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.
- The hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.
- For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

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

Due to the split of derivatives classified into banking book and into trading book, the Group applies a different approach to the presentation of interest income/expense for each of these groups of derivatives that is described in Note 2.3 'Interest income and expenses'. The remaining result from fair value measurement of derivatives is recognised in Net trading income.

Fair value hedges

Changes in the fair value of derivative instruments designated and qualifying as fair value hedges are recognised in the income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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

Cash flow hedges

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

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

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

Derivative instruments not fulfilling the criteria of hedge accounting

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

The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

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

2.17. Gains and losses on initial recognition

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

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

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

2.18. Borrowings and deposits taken

Borrowings (including deposits) are initially recognised at fair value reduced by the incurred transaction costs. After the initial recognition, borrowings are recorded at adjusted cost of acquisition (amortised cost). Any differences between the amount received (reduced by transaction costs) and the redemption value are recognised in the income statement over the period of duration of the respective agreements according to the effective interest rate method.

2.19. Intangible assets

Intangible assets are recognised at their cost of acquisition adjusted by the costs of improvement (rearrangement, development, reconstruction or modernisation) and accumulated amortization. Accumulated amortization is accrued by the straight line method taking into account the expected period of economic useful life of the respective intangible assets.

Goodwill

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

Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill is not amortised, but it is tested annually for impairment, and it is carried in the statement of financial position at cost reduced by accumulated impairment losses. Goodwill impairment losses should not be reversed.

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

Computer software

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. These costs are amortised on the basis of the expected useful life of the software (2-10 years). Expenses attached to the maintenance of computer software are expensed when incurred. Expenses directly linked to the development of identifiable and unique proprietary computer programmes controlled by the Group, which are likely to generate economic benefits in excess of such costs expected to be gained over a period exceeding one year, are recognised as intangible assets. Direct costs comprise personnel expenses directly related to the software.

Capitalised costs attached to the development of software are amortised over the period of their estimated useful life.

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

Development costs

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

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

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

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

2.20. Tangible fixed assets

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

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

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

Buildings and structures	25-40 years,
Equipment	2-10 years,
Vehicles	5 years,
Information technology hardware	2-5 years,
Investments in third party fixed assets	10-40 years or the period of the rental/lease contract,
Office equipment, furniture	5-10 years.

Land and buildings consist mainly of branch outlets and offices. Residual values and estimated useful life periods are verified at the end of the reporting period and adjusted accordingly as the need arises.

Depreciable fixed assets are tested in terms of possible impairment always after the occurrence of events or change of circumstances indicating that their carrying value in the statement of financial position might not be possible to be recovered. The value of a fixed asset carried in the statement of financial position is reduced to the level of its recoverable value if the carrying value in the statement of financial position exceeds the estimated recoverable amount. The recoverable value is the higher of two amounts: the fair value of the fixed asset reduced by its selling costs and the value in use.

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

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

2.21. Inventories

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

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

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

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

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

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

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

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

2.23. Deferred income tax

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

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

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

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

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

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

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

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

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

2.24. Assets repossessed for debt

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

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

2.25. Prepayments, accruals and deferred income

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

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

Deferred income comprises reinsurance and co-insurance commissions, resulting from insurance agreements included in reinsurance and co-insurance agreements, which are subject to settlement over the period in the proportional part to the future reporting periods.

Acquisition costs in the part attributable to future reporting periods are subject to settlement, proportionally to the duration of the relevant insurance agreements.

2.26. Leasing

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

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

Revenue from leasing agreements is recognised as follows:

- Interests on finance lease

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

- Net revenue from operating lease

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

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

mBank S.A. Group as a lessee

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

2.27. Provisions

The value of provisions for contingent liabilities such as unutilised guarantees and (import) letters of credit, as well as for unutilised irreversible unconditionally granted credit limits, is measured in compliance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

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

Technical-insurance provisions for unpaid claims, benefits and premiums concern insurance activity.

Provision for unpaid claims and benefits is created in the amount of the established or expected final value of future claims and benefits paid in connection with events before the reporting period date, including related claims handling costs.

Provision for unpaid claims and benefits which were notified to the insurer and in relation to which the information held does not enable to assess the value of claims and benefits is calculated using the lump sum method.

Provision for premiums is created individually for each insurance agreement as premium written, attributed to subsequent reporting periods, proportionally to the period for which the premium was written on the daily basis. However, in case of insurance agreements whose risk is not evenly apportioned over the period of duration of insurance, provision is created proportionally to the expected risk in subsequent reporting periods.

At each reporting date, the Group tests for adequacy of technical-insurance provisions to ensure whether the provisions deducted by deferred acquisition costs are sufficient. The adequacy test is carried out using up-to-date estimates of future cash flows arising from insurance agreements, including costs of claims handling and policy-related costs.

If the assessment reveals that the technical-insurance provisions are insufficient in relation to estimated future cash flows, then the whole disparity is promptly recognised in the consolidated income statement through impairment of deferred acquisition costs or/and supplementary provisions.

2.28. Post-employment employee benefits and other employee benefits

Post-employment employee benefits

The Group forms provisions against future liabilities on account of post-employment benefits determined on the basis of an estimation of liabilities of that type, using an actuarial model. The Group uses a principle of recognition of actuarial gains or losses from the measurement of post-employment benefits related to changes in actuarial assumptions in other comprehensive income. The Group recognizes service cost and net interest on the net defined benefit liability in profit or loss.

Benefits based on shares

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

In addition, in two of the Group's subsidiaries share-based payment incentive programmes have been established. These programmes meet the definition of cash-settled share-based payment transactions. The incentive programme functioning in mBank Hipoteczny is based on phantom shares of this bank. In addition, starting from the second quarter of 2014, the Group operates an incentive programme, under which the management and employees of BRE Ubezpieczenia TUiR SA will be entitled to potential capital gains concerning 4.99% of the shares of this company.

2.29. Equity

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

<u>Registered share capital</u>

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

- Own shares

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

<u>Share premium</u>

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

- Share issue costs

Costs directly connected with the issue of new shares or reduce the proceeds from the issue recognised in equity.

<u>Retained earnings</u>

Retained earnings include:

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

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

Moreover, other reserve capital comprises valuation of employee options.

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

<u>Other components of equity</u>

Other components of equity result from:

- valuation of available for sale financial instruments,
- exchange differences on translation of foreign operations,
- actuarial gains and losses relating to post-employment benefits,
- valuation of derivative financial instruments held for cash flow hedging in relation to the effective portion of the hedge.

2.30. Valuation of items denominated in foreign currencies

<u>Functional currency and presentation currency</u>

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

Transactions and balances

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

Foreign exchange differences arising on account of such monetary items as financial assets measured at fair value through the income statement are recognised under gains or losses arising in connection with changes of fair value. Foreign exchange differences on account of such monetary assets as equity instruments classified as available for sale financial assets are recognised under other comprehensive income.

Changes in fair value of monetary items available for sale cover foreign exchange differences arising from valuation at amortised cost, which are recognised in the income statement.

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

Companies belonging to the Group

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

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

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

Leasing business

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

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

2.31. Trust and fiduciary activities

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

Dom Maklerski mBanku S.A. operates trust and fiduciary activities in connection with the handling of securities accounts of the clients.

The assets concerned are not shown in these condensed consolidated financial statements as they do not belong to the Group.

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

2.32. New standards, interpretations and amendments to published standards

These condensed consolidated financial statements comply with all the International Accounting Standards and the International Financial Reporting Standards endorsed by the European Union, and the interpretations related to them, except for those standards and interpretations listed below which await endorsement of the European Union or which have been endorsed by the European Union but entered or will enter into force after the balance sheet date.

In 2013, the Group decided for early application, in relation to the adoption of the mandatory application of the European Union, of IFRS 10, IFRS 11, IFRS 12 and amendments to IFRS 10, IFRS 11 and IFRS 12. In relation to other standards and interpretations that have been approved by the European Union, but entered or will enter into force after the balance sheet date, the Group did not use the possibility of early application.

Published Standards and Interpretations which have been issued and binding for the Group for annual periods starting on 1 January 2014

- Amendments to IAS 32, Financial Instruments: Presentation - *Offsetting Financial Assets and Financial Liabilities*, published by the International Accounting Standards Board on 16 December 2011, binding for annual periods beginning on or after 1 January 2014. The amendments were endorsed by the European Union on 13 December 2012.
- Amendments to IAS 39, *Novation of Derivatives and Continuation of Hedge Accounting*, published by the International Accounting Standards Board on 27 June 2013, binding for annual periods starting on or after 1 January 2014.
- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment Entities*, published by the International Accounting Standards Board on 31 October 2012, binding for annual periods starting on or after 1 January 2014. The amendments were endorsed by the European Union on 20 November 2013.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*, published by the International Accounting Standards Board on 31 October 2012, binding for annual periods starting on or after 1 January 2014.

The application of the amended standards had no significant impact on the financial statements in the period of its initial application.

Published Standards and Interpretations which have been issued and binding for the Group for annual periods starting on 1 January 2015

- IFRIC 21, *Levies*, published by International Financial Reporting Standard Interpretations Committee on 20 May 2013, binding for annual periods starting on 1 January 2014. In the European Union standard is applicable for annual periods beginning on or after 17 June 2014.

  The Group believes that the application of IFRIC 21 will have no impact on the total level of recognised fees of the financial year, but it may have an impact on the level of such costs recognised in each quarter of the financial year.

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

Standards and interpretations not yet approved by the European Union:

- IAS 19 (Amended), *Defined Benefit Plans: Employee Contributions*, published by the International Accounting Standards Board on 21 November 2013, binding for annual periods starting on or after 1 July 2014.

  The Group is of the opinion that the application of the amended standard will have no significant impact on the financial statements in the period of its initial application.
- IFRS 9, Financial Instruments, published by the International Accounting Standards Board on 24 July 2014, represents the final version of the standard, replaces earlier versions of IFRS 9 and completes the International Accounting Standards Board's project to replace IAS 39 Financial Instrument: *Recognition and Measurement*. The new standard addresses classification and measurement of financial assets and financial liabilities, impairment methodology and hedge accounting. IFRS 9 does not include macro hedge accounting, which is a separate project of International Accounting Standards Board. The Bank continues to apply IAS 39 accounting for macro hedges. The new standard is effective for annual periods beginning on or after 1 January 2018.

  The Group is of the opinion that the application of the standard will have an impact on the presentation and measurement of these instruments in the financial statements..

- IFRS 11 (Amended), *Accounting for acquisitions of interests in joint operations*, published by the International Accounting Standards Board on 6 May 2014, binding for annual periods beginning on or after 1 January 2016.

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

- IFRS 14, *Regulatory Deferral Accounts*, published by the International Accounting Standards Board on 30 January 2014, binding for annual periods starting on or after 1 January 2016.

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

- IFRS 15, *Revenue from Contracts with Customers*, published by the International Accounting Standards Board on 28 May 2014, binding for annual periods beginning on or after 1 January 2017.

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

- Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortization*, published by the International Accounting Standards Board on 12 May 2014, binding for annual periods beginning on or after 1 January 2016.

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

- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* published by the International Accounting Standards Board on 30 June 2014, binding for annual periods beginning on or after 1 January 2016.

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

- Amendments to IAS 27, *Equity method in separate financial statements*, published by the International Accounting Standards Board on 12 August 2014, binding for annual periods beginning on or after 1 January 2016.

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

- Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*, published by the International Accounting Standards Board on 11 September 2014, binding for annual periods beginning on or after 1 January 2016.

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

- Improvements to IFRSs 2010 - 2012, published by the International Accounting Standards Board on 12 December 2013, in majority binding for annual periods starting on or after 1 July 2014.

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

- Annual Improvements to IFRSs 2011 - 2013, published by the International Accounting Standards Board on 12 December 2013, binding for annual periods starting on or after 1 July 2014.

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

- Annual Improvements to IFRSs 2012-2014 Cycle, changing 4 standards, published by the International Accounting Standards Board on 25 September 2014, binding for annual periods beginning on or after 1 January 2016.

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

2.33. Comparative data

In 2013, the Group introduced changes in its accounting policies, which led to the restatement of comparative information presented in these condensed consolidated financial statements.

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

a) Actuarial gains and losses

In 2013, the Group introduced a change of accounting policies in the presentation of actuarial gains or losses from the measurement of post-employment benefits. On the basis of the application of revised IAS 19 the Group introduced a principle of recognition of actuarial gains or losses from the measurement of post-employment benefits related to changes in actuarial assumptions in other comprehensive income and not as previously in profit or loss.

The above described change introduced by the Group, resulted in reduction of consolidated net profit as of 30 September 2013 by the amount of PLN 225 thousand and increase of other components of equity, by the same amount. The adjustment had no impact on the total amount of consolidated equity as at 30 September 2013.

b) Recognition of income and expenses from selling insurance products attached to loans

In 2013, the Group introduced a change of its accounting policies regarding recognition of income and expenses from selling insurance products attached to loans.

Due to fact that the purchase of insurance products attached to loans by the Group's clients has always voluntary character, in 2012 and before the Group treated such insurance contracts as separate products and income from the sale of insurance products attached to loans was in most cases recognised as an upfront income. At the same time, in cases where for certain products and certain sales channels intermediary costs of selling insurance products existed, the Group considered such costs as costs related to sale of loans. As a result, in cases where intermediary costs existed, they were deemed as part of the effective interest rate calculation for loans.

In 2013, also as a result of a detailed guidance provided by the Polish Financial Supervision Authority in December 2013, the Group verified its approach towards the recognition of bancassurance income and adhered to the afore-mentioned guidance. As a result of this change the Group implemented the recommended definition of bundled products and retrospectively implemented the policy of recognition of income and expenses from sale of insurance products attached to loans split into interest income and fee and commission income based on the relative fair value analysis of each of these products. The remuneration included in interest income is recognised over time as part of effective interest rate calculation for the bundled loan. The remuneration included in fee and commission income is recognised partly as upfront income and partly including deferring over time based on the analysis of the stage of completion of the service. Expenses directly linked to the sale of insurance products are recognised using the same pattern as in case of income. This means that part of expenses is treated as an element adjusting the calculation of effective interest rate for interest income and the remaining part of expenses is recognised in fee and commission expenses as upfront cost or as cost accrued over time. The Group estimates also the part of remuneration which in the future will be returned due to early termination of insurance contract and appropriately decreases interest income or fee and commission income to be recognised.

The restatement of comparative data for the three quarters of 2013 due to this change, resulted in an increase of consolidated and stand-alone net profit for the three quarters of 2013 by the amount of PLN 16 659 thousand and a decrease of the total amount of consolidated and stand-alone equity as at 30 September 2013 by the amount of PLN 74 404 thousand.

The following tables present the impact of the changes in accounting policies introduced in 2013 on presented comparative data regarding three quarters of 2013 in these condensed consolidated financial statements.

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

ASSETS	30.09.2013 before restatement	Restatement	30.09.2013 after restatement
Loans and advances to customers	69 312 048	(105 385)	69 206 663
Deferred income tax assets	343 762	17 453	361 215
Other items of assets	34 432 242	-	34 432 242
Total assets	**104 088 052**	**(87 932)**	**104 000 120**

LIABILITIES AND EQUITY			
Liabilities			
Other liabilities	1 751 392	(5 768)	1 745 624
Provisions	215 306	(7 760)	207 546
Other items of liabilities	92 156 932	-	92 156 932
Total liabilities	**94 123 630**	**(13 528)**	**94 110 102**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

E q u i t y			
Share capital	**3 511 146**	**-**	**3 511 146**
Retained earnings:	**6 155 159**	**(74 629)**	**6 080 530**
- Profit for the previous year	5 279 643	(91 288)	5 188 355
- Net profit for the current year	875 516	16 659	892 175
Other components of equity	**271 599**	**225**	**271 824**
Non-controlling interests	**26 518**	**-**	**26 518**
T o t a l e q u i t y	**9 964 422**	**(74 404)**	**9 890 018**
T o t a l l i a b i l i t i e s a n d e q u i t y	**104 088 052**	**(87 932)**	**104 000 120**

Adjustments in the mBank S.A. Group condensed consolidated income statement

	3rd Quarter (previous year) period from 01.07.2013 to 30.09.2013 before restatement	Restatement	3rd Quarter (previous year) period from 01.07.2013 to 30.09.2013 after restatement	3 Quarters (previous year) period from 01.01.2013 to 30.09.2013 before restatement	Restatement	3 Quarters (previous year) period from 01.01.2013 to 30.09.2013 after restatement
Interest income	945 404	13 645	959 049	2 962 134	42 572	3 004 706
Interest expense	(389 049)	-	(389 049)	(1 366 991)	-	(1 366 991)
Net interest income	**556 355**	**13 645**	**570 000**	**1 595 143**	**42 572**	**1 637 715**
Fee and commission income	339 418	(7 658)	331 760	998 353	(39 279)	959 074
Fee and commission expense	(122 817)	1 747	(121 070)	(362 753)	9 514	(353 239)
Net fee and commission income	**216 601**	**(5 911)**	**210 690**	**635 600**	**(29 765)**	**605 835**
Dividend income	14 768	-	14 768	17 077	-	17 077
Net trading income	86 282	-	86 282	264 540	-	264 540
Gains less losses from investment securities, investments in subsidiaries and associates	16 368	-	16 368	53 302	-	53 302
Other operating income	94 830	-	94 830	270 338	-	270 338
Net impairment losses on loans and advances	(173 585)	-	(173 585)	(360 698)	-	(360 698)
Overhead costs	(371 404)	-	(371 404)	(1 100 548)	-	(1 100 548)
Amortisation	(45 425)	-	(45 425)	(135 859)	-	(135 859)
Other operating expenses	(51 980)	4 019	(47 961)	(147 281)	7 760	(139 521)
Operating profit	**342 810**	**11 753**	**354 563**	**1 091 614**	**20 567**	**1 112 181**
Profit before income tax	**342 810**	**11 753**	**354 563**	**1 091 614**	**20 567**	**1 112 181**
Income tax expense	**(62 838)**	**(2 233)**	**(65 071)**	**(214 073)**	**(3 908)**	**(217 981)**
Net profit	**279 972**	**9 520**	**289 492**	**877 541**	**16 659**	**894 200**
Net profit attributable to:						
- Owners of mBank S.A.	279 066	9 520	288 586	875 516	16 659	892 175
- Non-controlling interests	906	-	906	2 025	-	2 025
Basic earnings per share (in PLN)				**20.77**		**21.17**
Diluted earnings per share (in PLN)				**20.77**		**21.16**

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

	3rd Quarter (previous year) period from 01.07.2013 to 30.09.2013 before restatement	Restatement	3rd Quarter (previous year) period from 01.07.2013 to 30.09.2013 after restatement	3 Quarters (previous year) period from 01.01.2013 to 30.09.2013 before restatement	Restatement	3 Quarters (previous year) period from 01.01.2013 to 30.09.2013 after restatement
Net profit	**279 972**	**9 520**	**289 492**	**877 541**	**16 659**	**894 200**
Other comprehensive income net of tax, including:	**(6 841)**	**-**	**(6 841)**	**(212 185)**	**-**	**(212 185)**
Items that may be reclassified subsequently to the income statement						
Exchange differences on translation of foreign operations (net)	3	-	3	370	-	370
Change in valuation of available for sale financial assets (net)	(6 844)	-	(6 844)	(212 555)	-	(212 555)
Items that will not be reclassified to the income statement						
Actuarial gains and losses relating to post-employment benefits (net)	-	-	-	-	-	-
Total comprehensive income net of tax, total	**273 131**	**9 520**	**282 651**	**665 356**	**16 659**	**682 015**
Total comprehensive income (net), attributable to:				-	-	-
- Owners of mBank S.A.	272 225	9 520	281 745	663 331	16 659	679 990
- Non-controlling interests	906	-	906	2 025	-	2 025

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

Adjustments in the mBank S.A. Group condensed consolidated statement of cash flows

	Period from 01.01.2013 to 30.09.2013 before restatement	Restatement	Period from 01.01.2013 to 30.09.2013 after restatement
A. Cash flows from operating activities	**(1 893 527)**	**-**	**(1 893 527)**
Profit before income tax	**1 091 614**	**20 567**	**1 112 181**
Adjustments:	***(2 985 141)***	***(20 567)***	***(3 005 708)***
Income taxes paid	(393 285)	-	(393 285)
Amortisation, including amortisation of fixed assets provided under operating lease	174 939	-	174 939
Foreign exchange (gains) losses related to financing activities	465 174	-	465 174
(Gains) losses on investing activities	(13 761)	-	(13 761)
Impairment of investments in subsidiaries	472	-	472
Dividends received	(17 077)	-	(17 077)
Interest income (income statement)	(2 962 134)	(42 572)	(3 004 706)
Interest expense (income statement)	1 366 991	-	1 366 991
Interest received	2 792 160	29 765	2 821 925
Interest paid	(1 498 192)	-	(1 498 192)
Changes in loans and advances to banks	413 294	-	413 294
Changes in trading securities	49 898	-	49 898
Changes in assets and liabilities on derivative financial instruments	(456 932)	-	(456 932)
Changes in loans and advances to customers	(2 085 275)	-	(2 085 275)
Changes in investment securities	(5 162 907)	-	(5 162 907)
Changes in other assets	(17 830)	-	(17 830)
Changes in amounts due to other banks	1 634 786	-	1 634 786
Changes in amounts due to customers	2 171 880	-	2 171 880
Changes in debt securities in issue	183 757	-	183 757
Changes in provisions	1 979	(7 760)	(5 781)
Changes in other liabilities	366 922	-	366 922
Net cash generated from/(used in) operating activities	**(1 893 527)**	**-**	**(1 893 527)**
B.Cash flows from investing activities	**(99 303)**	**-**	**(99 303)**
C. Cash flows from financing activities	**(2 243 041)**	**-**	**(2 243 041)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(4 235 871)**	**-**	**(4 235 871)**
Effects of exchange rate changes on cash and cash equivalents	(32 590)	-	(32 590)
Cash and cash equivalents at the beginning of the reporting period	7 578 317	-	7 578 317
Cash and cash equivalents at the end of the reporting period	**3 309 856**	**-**	**3 309 856**

Adjustments in the mBank S.A. statement of financial position.

ASSETS	30.09.2013 before restatement	Restatement	30.09.2013 after restatement
Loans and advances to customers	64 709 869	(105 385)	64 604 484
Deferred income tax assets	108 389	17 453	125 842
Other items of assets	34 913 843	-	34 913 843
Total assets	**99 732 101**	**(87 932)**	**99 644 169**

LIABILITIES AND EQUITY			
Liabilities			
Other liabilities	1 466 622	(5 768)	1 460 854
Provisions	133 101	(7 760)	125 341
Other items of liabilities	88 809 766	-	88 809 766
Total liabilities	**90 409 489**	**(13 528)**	**90 395 961**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

E q u i t y			
Share capital	**3 511 146**	**-**	**3 511 146**
Retained earnings:	**5 538 490**	**(74 629)**	**5 463 861**
- Profit for the previous year	4 755 451	(91 288)	4 664 163
- Net profit for the current year	783 039	16 659	799 698
Other components of equity	**272 976**	**225**	**273 201**
T o t a l e q u i t y	**9 322 612**	**(74 404)**	**9 248 208**
T o t a l l i a b i l i t i e s a n d e q u i t y	**99 732 101**	**(87 932)**	**99 644 169**

Adjustments in the mBank S.A. income statement.

	3rd Quarter (previous year) period from 01.07.2013 to 30.09.2013 before restatement	Restatement	3rd Quarter (previous year) period from 01.07.2013 to 30.09.2013 after restatement	3 Quarters (previous year) period from 01.01.2013 to 30.09.2013 before restatement	Restatement	3 Quarters (previous year) period from 01.01.2013 to 30.09.2013 after restatement
Interest income	866 084	13 645	879 729	2 717 964	42 572	2 760 536
Interest expense	(362 433)	-	(362 433)	(1 276 396)	-	(1 276 396)
Net interest income	**503 651**	**13 645**	**517 296**	**1 441 568**	**42 572**	**1 484 140**
Fee and commission income	288 096	(7 658)	280 438	840 756	(39 279)	801 477
Fee and commission expense	(111 038)	1 747	(109 291)	(324 586)	9 514	(315 072)
Net fee and commission income	**177 058**	**(5 911)**	**171 147**	**516 170**	**(29 765)**	**486 405**
Dividend income	14 750	-	14 750	52 109	-	52 109
Net trading income	84 632	-	84 632	248 397	-	248 397
Gains less losses from investment securities, investments in subsidiaries and associates	16 368	-	16 368	53 540	-	53 540
Other operating income	15 280	-	15 280	62 416	-	62 416
Net impairment losses on loans and advances	(154 625)	-	(154 625)	(317 540)	-	(317 540)
Overhead costs	(310 910)	-	(310 910)	(914 247)	-	(914 247)
Amortisation	(38 888)	-	(38 888)	(116 411)	-	(116 411)
Other operating expenses	(20 920)	4 019	(16 901)	(57 508)	7 760	(49 748)
Operating profit	**286 396**	**11 753**	**298 149**	**968 494**	**20 567**	**989 061**
Profit before income tax	**286 396**	**11 753**	**298 149**	**968 494**	**20 567**	**989 061**
Income tax expense	**(51 850)**	**(2 233)**	**(54 083)**	**(185 455)**	**(3 908)**	**(189 363)**
Net profit	**234 546**	**9 520**	**244 066**	**783 039**	**16 659**	**799 698**
Basic earnings per share (in PLN)				**18.58**		**18.97**
Diluted earnings per share (in PLN)				**18.57**		**18.97**

Adjustments in the mBank S.A. statement of comprehensive income.

	3rd Quarter (previous year) period from 01.07.2013 to 30.09.2013 before restatement	Restatement	3rd Quarter (previous year) period from 01.07.2013 to 30.09.2013 after restatement	3 Quarters (previous year) period from 01.01.2013 to 30.09.2013 before restatement	Restatement	3 Quarters (previous year) period from 01.01.2013 to 30.09.2013 after restatement
Net profit	**234 546**	**9 520**	**244 066**	**783 039**	**16 659**	**799 698**
Other comprehensive income net of tax, including:	**(6 080)**	**-**	**(6 080)**	**(213 364)**	-	**(213 364)**
Items that may be reclassified subsequently to the income statement						
Exchange differences on translation of foreign operations (net)	823	-	823	44	-	44
Change in valuation of available for sale financial assets (net)	(6 903)	-	(6 903)	(213 408)	-	(213 408)
Items that will not be reclassified to the income statement						
Actuarial gains and losses relating to post-employment benefits (net)	-	-	-	-	-	-
Total comprehensive income net of tax, total	**228 466**	**9 520**	**237 986**	**569 675**	**16 659**	**586 334**

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

Adjustments in mBank S.A. statement of cash flows.

	Period from 01.01.2013 to 30.09.2013 before restatement	Restatement	Period from 01.01.2013 to 30.09.2013 after restatement
A. Cash flows from operating activities	**(3 084 763)**	**-**	**(3 084 763)**
Profit before income tax	**968 494**	**20 567**	**989 061**
Adjustments:	***(4 053 257)***	***(20 567)***	***(4 073 824)***
Income taxes paid	(368 040)	-	(368 040)
Amortisation	116 411	-	116 411
Foreign exchange (gains) losses on financing activities	471 499	-	471 499
(Gains) losses on investing activities	(13 683)	-	(13 683)
Impairment of investments in subsidiaries	472	-	472
Dividends received	(52 109)	-	(52 109)
Interest income (income statement)	(2 717 964)	(42 572)	(2 760 536)
Interest expenses (income statement)	1 276 396	-	1 276 396
Interest received	2 780 947	29 765	2 810 712
Interest paid	(1 515 463)	-	(1 515 463)
Changes in loans and advances to banks	145 992	-	145 992
Changes in trading securities	344 107	-	344 107
Changes in assets and liabilities on derivative financial instruments	(467 844)	-	(467 844)
Changes in loans and advances to customers	(2 652 829)	-	(2 652 829)
Changes in investment securities	(5 263 977)	-	(5 263 977)
Changes in other assets	(32 942)	-	(32 942)
Changes in amounts due to other banks	1 663 958	-	1 663 958
Changes in amounts due to customers	1 901 134	-	1 901 134
Changes in debt securities in issue	(2 610)	-	(2 610)
Changes in provisions	4 286	(7 760)	(3 474)
Changes in other liabilities	329 002	-	329 002
Net cash generated from/(used in) operating activities	**(3 084 763)**	-	**(3 084 763)**
B.Cash flows from investing activities	**260 077**	**-**	**260 077**
C. Cash flows from financing activities	**(1 846 652)**	**-**	**(1 846 652)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(4 671 338)**	**-**	**(4 671 338)**
Effects of exchange rate changes on cash and cash equivalents	(38 881)	-	(38 881)
Cash and cash equivalents at the beginning of the reporting period	7 994 650	-	7 994 650
Cash and cash equivalents at the end of the reporting period	**3 284 431**	**-**	**3 284 431**

The above described and presented changes of comparative data have been included in all notes of these condensed consolidated financial statements which these changes concerned.

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

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

Impairment of loans and advances

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the income statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions (on the basis of which the estimated cash flow amounts and their anticipated timing are determined) are regularly verified. Last such verification was performed in November 2013 and it did not have material impact on the overall level of provisions for loans and advances, however it had an impact on the structure of these provisions as well as on the level of loans and advances for which impairment was recognized. The detailed description of the changes implemented as a result of this verification is included under Note 3.4.4.2 of the consolidated financial statements for the year 2013, published on 3 March 2014 and under Note 18 of these condensed consolidated financial statements.

Fair value of derivative instruments

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

Impairment of available for sale investments

The Group reviews its debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances. The Group also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

Deferred tax assets

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

Revenue and expenses from sale of insurance products bundled with loans

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

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

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

Liabilities due to post-employment employee benefits

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

Technical-insurance provisions

Provision for unpaid claims and benefits which were reported to the insurer and in relation to which the information held does not enable to make an assessment of claims and benefits, is calculated using a lump sum method. Values of lump sum-based ratios for particular risks were established on the basis of information concerning the average value of claims arising from the given risk.

As at 30 September 2014, provisions for claims incurred but not reported to the insurer (IBNR) were calculated using the actuarial methods (Naive Loss Ratio and Bornhuetter-Ferguson). The expected loss ratios are composed on the basis of available market studies concerning loss arising from the given group of risks.

4. Business segments

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

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

Under the rebranding process, on 25 November 2013, BRE Bank and MultiBank changed their names. Entities of the former BRE Bank Group merged under the name mBank S.A. Ultimately, the rebranding process will cover all the outlets of the former BRE Bank Group with all its branches getting a new logo. The process will be completed during 2014. Additionally, in accordance with the strategy, all retail and corporate branches of the Bank will have been re-organized and repositioned by 2018 to provide a full range of services to all mBank S.A. clients.

In 2014, the name of the sub-segment "Corporates and Institutions" has been changed to "Corporate and Investment Banking" and the name of the sub-segment "Trading and Investment" has been changed to "Financial Markets". Moreover, from the beginning of 2014 a change of the assignment of mLeasing and Dom Maklerski mBanku to segments took place. Results of mLeasing (previously assigned to Corporate and Investment Banking segment) have been split between Corporate and Investment Banking segment and Retail Banking segment (according to split of customers into corporate and retail). Results of Dom Maklerski mBanku (previously assigned to Financial Markets segment) have been split between Corporate and Investment Banking segment and Retail Banking segment according to split of customers into corporate and retail.

According to above-mentioned changes, the comparative data concerning business segments of the Group were restated to reflect changes in presentation made to the current financial year.

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

- The Retail Banking segment, which divides its customers into mBank customers and Private Banking customers and which offers a full range of the Bank's banking products and services as well as specialized products offered by a number of subsidiaries belonging to the Retail Banking segment. The key products in this segment include current and savings accounts (including accounts in foreign currencies), term deposits, lending products (retail mortgage loans and non-mortgage loans such as cash loans, car loans, overdrafts, credit cards and other loan products), debit cards, insurance products, investment products, brokerage and leasing services offered to both individual customers and to micro-businesses. The results of the Retail Banking segment include the results of foreign branches of mBank in the Czech Republic and Slovakia. The Retail Banking segment also includes the results of mBank Hipoteczny S.A., mWealth Management S.A., Aspiro S.A., BRE Ubezpieczenia TUiR S.A., BRE Ubezpieczenia Sp. z o.o., BRE Agent Ubezpieczeniowy Sp. z o.o., AWL I Sp. z o.o. as well as results of retail segments of mLeasing Sp. z o.o. and Dom Maklerski mBanku S.A.

- The Corporates and Financial Markets segment, which is divided into two sub-segments:

- *Corporate and Investment Banking* sub-segment (business line), which targets small, medium and large-sized companies and public sector entities. The key products offered to these customers include transactional banking products and services including current account products, multi-functional internet banking, tailor-made cash management and trade finance services, term deposits, foreign exchange transactions, a comprehensive offer of short-term financing and investment loans, cross-border credit, project finance, structured and mezzanine finance services, investment banking products including foreign exchange options, forward contracts, interest rate derivatives and commodity swaps and options, structured deposit products with embedded options (interest on structured deposit products are directly linked to the performance of certain underlying financial instruments such as foreign exchange options, interest rate options and stock options), debt origination for corporate clients, treasury bills and bonds, non-government debt, medium-term bonds, buy sell back and sell buy back transactions and repo transactions, as well as leasing, factoring and brokerage services. The Corporate and Investment Banking sub-segment includes the results of the following subsidiaries: mFaktoring S.A., MLV 45 Sp. z o.o. spółka komandytowa, Transfinance a.s., Garbary Sp. z o.o., results of corporate segments of mLeasing Sp. z o.o. and Dom Maklerski mBanku S.A.

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

- Operations which are not included in the Retail Banking segment and the Corporates and Financial Markets segment are reported under "Other". This segment includes the results of mLocum S.A., mCentrum Operacji Sp. z o.o. and BDH Development Sp. z o.o.

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

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

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

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

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

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

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

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

Business segment reporting on the activities of mBank S.A. Group
for the period from 1 January to 30 September 2014
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates and Investment Banking	Financial Markets				
Net interest income	**502 437**	**86 259**	**1 274 137**	**(4 707)**	**1 858 126**	**1 858 126**
- sales to external clients	444 347	448 854	964 146	779	1 858 126	
- sales to other segments	58 090	(362 595)	309 991	(5 486)	-	
Net fee and commission income	**285 791**	**(4 821)**	**409 567**	**10 788**	**701 325**	**701 325**
Dividend income	**16 246**	**191**	**69**	**2 500**	**19 006**	**19 006**
Trading income	**135 980**	**66 212**	**98 091**	**(1 639)**	**298 644**	**298 644**
Gains less losses from investment securities, investments in subsidiaries and associates	**10 283**	**7 156**	**-**	**(8)**	**17 431**	**17 431**
Other operating income	**80 587**	**565**	**88 210**	**109 718**	**279 080**	**279 080**
Net impairment losses on loans and advances	**(176 296)**	**(493)**	**(226 503)**	**28**	**(403 264)**	**(403 264)**
Overhead costs	**(428 164)**	**(65 253)**	**(665 689)**	**(25 867)**	**(1 184 973)**	**(1 184 973)**
Amortisation	**(53 698)**	**(6 666)**	**(79 371)**	**(2 389)**	**(142 124)**	**(142 124)**
Other operating expenses	**(27 183)**	**(67)**	**(31 400)**	**(115 701)**	**(174 351)**	**(174 351)**
Gross profit of the segment	**345 983**	**83 083**	**867 111**	**(27 277)**	**1 268 900**	**1 268 900**
Income tax					(288 092)	(288 092)
Net profit attributable to Owners of mBank S.A.					978 051	978 051
Net profit attributable to non-controlling interests					2 757	2 757
Assets of the segment	**27 461 684**	**43 444 476**	**45 898 804**	**522 331**	**117 327 295**	**117 327 295**
Liabilities of the segment	**25 128 048**	**39 931 771**	**40 660 407**	**827 153**	**106 547 379**	**106 547 379**
Other items of the segment						
Expenditures incurred on fixed assets and intangible assets	98 559	2 988	59 510	1 264	162 321	

Business segment reporting on the activities of mBank S.A. Group
for the period from 1 January to 31 December 2013
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates and Investment Banking	Financial Markets				
Net interest income	**721 598**	**8 667**	**1 506 007**	**(10 461)**	**2 225 811**	**2 225 811**
- sales to external clients	652 399	627 894	950 291	(4 773)	2 225 811	
- sales to other segments	69 199	(619 227)	555 716	(5 688)	-	
Net fee and commission income	**335 073**	**(4 337)**	**490 841**	**13 161**	**834 738**	**834 738**
Dividend income	**24 454**	**-**	**186**	**2 216**	**26 856**	**26 856**
Trading income	**199 539**	**20 603**	**122 903**	**(67)**	**342 978**	**342 978**
Gains less losses from investment securities, investments in subsidiaries and associates	**11 680**	**53 394**	**13 504**	**-**	**78 578**	**78 578**
Other operating income	**89 262**	**713**	**143 116**	**141 730**	**374 821**	**374 821**
Net impairment losses on loans and advances	**(179 964)**	**(45)**	**(297 721)**	**(48)**	**(477 778)**	**(477 778)**
Overhead costs	**(541 478)**	**(78 974)**	**(841 039)**	**(28 662)**	**(1 490 153)**	**(1 490 153)**
Amortisation	**(71 270)**	**(6 659)**	**(106 769)**	**(3 192)**	**(187 890)**	**(187 890)**
Other operating expenses	**(39 311)**	**(33)**	**(72 853)**	**(98 061)**	**(210 258)**	**(210 258)**
Gross profit of the segment	**549 583**	**(6 671)**	**958 175**	**16 616**	**1 517 703**	**1 517 703**
Income tax					(308 725)	(308 725)
Net profit attributable to Owners of mBank S.A.					1 206 375	1 206 375
Net profit attributable to non-controlling interests					2 603	2 603
Assets of the segment	**25 242 780**	**35 051 093**	**43 054 028**	**934 860**	**104 282 761**	**104 282 761**
Liabilities of the segment	**20 804 275**	**33 183 994**	**39 296 017**	**742 037**	**94 026 323**	**94 026 323**
Other items of the segment						
Expenditures incurred on fixed assets and intangible assets	103 014	6 841	118 674	181	228 710	

Business segment reporting on the activities of mBank S.A. Group
for the period from 1 January to 30 September 2013
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporates and Investment Banking	Financial Markets				
Net interest income	**542 223**	**5 793**	**1 098 056**	**(8 357)**	**1 637 715**	**1 637 715**
- sales to external clients	492 926	500 102	648 558	(3 871)	1 637 715	
- sales to other segments	49 297	(494 309)	449 498	(4 486)	-	
Net fee and commission income	**255 910**	**(4 490)**	**344 311**	**10 104**	**605 835**	**605 835**
Dividend income	**14 702**	**-**	**159**	**2 216**	**17 077**	**17 077**
Trading income	**152 030**	**17 475**	**94 388**	**647**	**264 540**	**264 540**
Gains less losses from investment securities, investments in subsidiaries and associates	**5 411**	**34 449**	**13 442**	**-**	**53 302**	**53 302**
Other operating income	**60 429**	**456**	**107 870**	**101 583**	**270 338**	**270 338**
Net impairment losses on loans and advances	**(132 750)**	**156**	**(228 104)**	**-**	**(360 698)**	**(360 698)**
Overhead costs	**(394 713)**	**(58 197)**	**(621 436)**	**(26 202)**	**(1 100 548)**	**(1 100 548)**
Amortisation	**(51 958)**	**(4 654)**	**(76 969)**	**(2 278)**	**(135 859)**	**(135 859)**
Other operating expenses	**(31 471)**	**(8)**	**(42 426)**	**(65 616)**	**(139 521)**	**(139 521)**
Gross profit of the segment	**419 813**	**(9 020)**	**689 291**	**12 097**	**1 112 181**	**1 112 181**
Income tax					(217 981)	(217 981)
Net profit attributable to Owners of mBank S.A.					892 175	892 175
Net profit attributable to non-controlling interests					2 025	2 025
Assets of the segment	**25 897 186**	**33 674 879**	**43 534 556**	**893 499**	**104 000 120**	**104 000 120**
Liabilities of the segment	**22 582 538**	**33 995 786**	**36 707 676**	**824 102**	**94 110 102**	**94 110 102**
Other items of the segment						
Expenditures incurred on fixed assets and intangible assets	62 541	5 160	64 034	125	131 860	

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Geographical areas reporting on the activities of mBank S.A. Group for the period	from 1 January to 30 September 2014			from 1 January to 31 December 2013			from 1 January to 30 September 2013		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	1 768 352	89 774	**1 858 126**	2 124 260	101 551	**2 225 811**	1 565 080	72 635	**1 637 715**
Net fee and commission income	679 704	21 621	**701 325**	811 613	23 125	**834 738**	590 966	14 869	**605 835**
Dividend income	19 006	-	**19 006**	26 856	-	**26 856**	17 077	-	**17 077**
Trading income	294 040	4 604	**298 644**	337 150	5 828	**342 978**	259 954	4 586	**264 540**
Gains less losses from investment securities, investments in subsidiaries and associates	17 431	-	**17 431**	78 578	-	**78 578**	53 302	-	**53 302**
Other operating income	277 805	1 275	**279 080**	370 182	4 639	**374 821**	266 218	4 120	**270 338**
Net impairment losses on loans and advances	(392 558)	(10 706)	**(403 264)**	(467 468)	(10 310)	**(477 778)**	(350 327)	(10 371)	**(360 698)**
Overhead costs	(1 104 682)	(80 291)	**(1 184 973)**	(1 395 426)	(94 727)	**(1 490 153)**	(1 029 136)	(71 412)	**(1 100 548)**
Amortisation	(139 166)	(2 958)	**(142 124)**	(183 337)	(4 553)	**(187 890)**	(132 391)	(3 468)	**(135 859)**
Other operating expenses	(171 936)	(2 415)	**(174 351)**	(202 490)	(7 768)	**(210 258)**	(133 611)	(5 910)	**(139 521)**
Gross profit of the segment	1 247 996	20 904	**1 268 900**	1 499 918	17 785	**1 517 703**	1 107 132	5 049	**1 112 181**
Income tax			(288 092)			(308 725)			(217 981)
Net profit attributable to Owners of mBank S.A.			978 051			1 206 375			892 175
Net profit attributable to non-controlling interests			2 757			2 603			2 025
Assets of the segment, including:	114 186 192	3 141 103	**117 327 295**	101 649 833	2 632 928	**104 282 761**	101 330 491	2 669 629	**104 000 120**
- tangible assets	1 138 399	10 717	1 149 116	1 147 730	17 167	1 164 897	1 127 771	16 487	1 144 258
- deferred income tax assets	250 559	9 180	259 739	367 611	3 210	370 821	357 323	3 892	361 215
Liabilities of the segment	101 056 121	5 491 258	**106 547 379**	88 968 671	5 057 652	**94 026 323**	88 650 693	5 459 409	**94 110 102**

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5. Net interest income

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Interest income		
Loans and advances including the unwind of the impairment provision discount	2 127 217	2 155 641
Investment securities	627 841	671 694
Cash and short-term placements	56 303	62 505
Trading debt securities	35 934	34 159
Interest income on derivatives classified into banking book	100 179	72 295
Interest income on derivatives concluded under the fair value hedge	10 240	-
Interest income on derivatives concluded under the cash flow hedge	8	-
Other	5 802	8 412
Total interest income	**2 963 524**	**3 004 706**
Interest expense		
Arising from amounts due to banks	(146 448)	(197 385)
Arising from amounts due to customers	(666 808)	(929 184)
Arising from issue of debt securities	(164 915)	(147 107)
Arising from subordinated liabilities	(56 876)	(46 478)
Interest expense on derivatives concluded under the fair value hedge	-	(447)
Other	(70 351)	(46 390)
Total interest expense	**(1 105 398)**	**(1 366 991)**

Interest income related to impaired financial assets amounted to PLN 118 447 thousand (30 September 2013: PLN 141 958 thousand).

6. Net fee and commission income

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Fee and commission income		
Payment cards-related fees	325 821	300 163
Credit-related fees and commissions	190 853	175 066
Commissions from insurance activity	92 487	81 301
Fees from brokerage activity	67 683	64 992
Commissions from bank accounts	120 506	114 781
Commissions from money transfers	71 354	64 868
Commissions due to guarantees granted and trade finance commissions	34 330	27 650
Commissions for agency service regarding sale of products of external financial entities	61 773	53 292
Commissions on trust and fiduciary activities	15 580	14 677
Fees from portfolio management services and other management-related fees	10 282	8 881
Other	71 550	53 403
Total fee and commission income	**1 062 219**	**959 074**
Fee and commission expense		
Payment cards-related fees	(145 932)	(164 936)
Commissions paid to external entities for sale of the Bank's products	(53 260)	(47 938)
Insurance activity-related fees	(7 347)	(3 203)
Discharged brokerage fees	(22 525)	(23 781)
Other discharged fees	(131 830)	(113 381)
Total fee and commission expense	**(360 894)**	**(353 239)**

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the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Fee and commission income from insurance activity		
- Income from insurance intermediation	78 205	67 245
- Income from insurance policies administration	14 282	14 056
Total fee and commission income from insurance activity	**92 487**	**81 301**

7. Dividend income

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Trading securities	235	22
Securities available for sale	18 771	17 055
Total dividend income	**19 006**	**17 077**

8. Net trading income

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Foreign exchange result	**188 432**	**215 158**
Net exchange differences on translation	255 596	171 075
Net transaction gains/(losses)	(67 164)	44 083
Other net trading income and result on hedge accounting	**110 212**	**49 382**
Interest-bearing instruments	89 441	39 685
Equity instruments	599	1 581
Market risk instruments	(849)	2 438
Result on fair value hedge accounting, including:	21 021	5 678
- Net profit on hedged items	(78 282)	8 381
- Net profit on fair value hedging instruments	99 303	(2 703)
Ineffective portion of cash flow hedge	-	-
Total net trading income	**298 644**	**264 540**

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

The Group applies fair value hedge accounting and cash flow hedge accounting. Detailed information on the hedge applied by the Group are included in Note 17 "Hedging derivatives".

9. Gains and losses from investment securities and investments in subsidiaries and associates

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Sale/redemption of financial assets available for sale, investments in subsidiaries and associates	17 440	53 754
Impairment of investments in subsidiaries	(9)	(452)
Total gains and losses from investment securities and investments in subsidiaries and associates	**17 431**	**53 302**

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10. Other operating income

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	127 128	102 552
Income from insurance activity net	70 110	61 488
Income from services provided	16 292	22 960
Net income from operating lease	8 700	11 224
Income due to release of provisions for future commitments	7 325	28 075
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	1 824	311
Income from compensations, penalties and fines received	213	160
Other	47 488	43 568
Total other operating income	**279 080**	**270 338**

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

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

Income from insurance activity net comprises income from premiums, reinsurance and co-insurance activity, reduced by claims paid and costs of claims handling and adjusted by the changes in provisions for claims connected with the insurance activity conducted within mBank S.A. Group.

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

Net income from insurance activity generated for the three quarters of 2014 and the three quarters of 2013 is presented below.

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Income from premiums		
- Premiums attributable	160 672	134 823
- Change in provision for premiums	(16 468)	4 604
Premiums earned	**144 204**	**139 427**
Reinsurer's shares		
- Gross premiums written	(50 836)	(54 305)
- Change in unearned premiums reserve	(1 530)	(1 749)
Reinsurer's share in premiums earned	**(52 366)**	**(56 054)**
Net premiums earned	**91 838**	**83 373**
Claims and benefits		
- Claims and benefits paid out in the current year including costs of liquidation before tax	(48 001)	(57 729)
- Change in provision for claims and benefits paid out in the current year including costs of liquidation before tax	(14 395)	(7 602)
- Reinsurer's share in claims and benefits paid out in the current year including costs of liquidation	35 314	40 374
- Change in provision for reinsurer's share of claims and benefits paid out in the current year including costs of liquidation	7 583	6 117
Claims and benefits net	**(19 499)**	**(18 840)**
- Other costs net of reinsurance	(2 459)	(2 904)
- Other operating income	436	7
- Costs of expertise and certificates concerning underwriting risk	(206)	(148)
Total net income from insurance activity	**70 110**	**61 488**

Net income from operating lease for the three quarters of 2014 and the three quarters of 2013 is presented below.

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the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Net income from operating lease, including:		
- Income from operating lease	46 760	50 304
- Depreciation cost of fixed assets provided under operating lease	(38 060)	(39 080)
Total net income from operating lease	**8 700**	**11 224**

11. Net impairment losses on loans and advances

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Net impairment losses on amounts due from other banks	(4 381)	238
Net impairment losses on loans and advances to customers	(417 655)	(354 052)
Net impairment losses on off-balance sheet contingent liabilities due to customers	18 772	(6 884)
Total net impairment losses on loans and advances	**(403 264)**	**(360 698)**

12. Overhead costs

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Staff-related expenses	(630 144)	(597 269)
Material costs	(470 315)	(433 218)
Taxes and fees	(25 712)	(24 148)
Contributions and transfers to the Bank Guarantee Fund	(53 092)	(40 217)
Contributions to the Social Benefits Fund	(5 355)	(5 297)
Other	(355)	(399)
Total overhead costs	**(1 184 973)**	**(1 100 548)**

Staff-related expenses for three quarters of 2014 and three quarters of 2013 are presented below.

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Wages and salaries	(509 580)	(487 702)
Social security expenses	(80 829)	(77 035)
Remuneration concerning share-based payments, including:	(16 454)	(10 375)
- share-based payments settled in mBank S.A. shares	(10 164)	(10 375)
- cash-settled share-based payments	(6 290)	-
Other staff expenses	(23 281)	(22 157)
Staff-related expenses, total	**(630 144)**	**(597 269)**

13. Other operating expenses

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	(92 637)	(75 220)
Provisions for future commitments	(41 405)	(24 036)
Donations made	(2 647)	(2 691)
Compensation, penalties and fines paid	(1 538)	(714)
Costs arising from provisions created for other receivables (excluding loans and advances)	(697)	(3 770)
Costs of sale of services	(1 120)	(1 566)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(21)	(79)
Impairment provisions created for tangible fixed assets and intangible assets	(4 696)	-
Other operating costs	(29 590)	(31 445)
Total other operating expenses	**(174 351)**	**(139 521)**

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Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories comprise primarily the expenses incurred by mLocum S.A. in connection with its developer activity.

Costs of services provided concern non-banking services.

14. Earnings per share

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

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Basic:		
Net profit attributable to Owners of mBank S.A.	978 051	892 175
Weighted average number of ordinary shares	42 182 972	42 149 505
Net basic profit per share (in PLN per share)	**23.19**	**21.17**
Diluted:		
Net profit attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share	978 051	892 175
Weighted average number of ordinary shares	42 182 972	42 149 505
Adjustments for:		
- share options	28 915	13 269
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 211 887	42 162 774
Diluted earnings per share (in PLN per share)	**23.17**	**21.16**

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

the period	from 01.01.2014 to 30.09.2014	from 01.01.2013 to 30.09.2013
Basic:		
Net profit	894 120	799 698
Weighted average number of ordinary shares	42 182 972	42 149 505
Net basic profit per share (in PLN per share)	**21.20**	**18.97**
Diluted:		
Net profit applied for calculation of diluted earnings per share	894 120	799 698
Weighted average number of ordinary shares	42 182 972	42 149 505
Adjustments for:		
- share options	28 915	13 269
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 211 887	42 162 774
Diluted earnings per share (in PLN per share)	**21.18**	**18.97**

15. Trading securities

	30.09.2014			30.06.2014			31.12.2013			30.09.2013		
	Trading securities without pledge	Pledged trading securities	Total trading securities	Trading securities without pledge	Pledged trading securities	Total trading securities	Trading securities without pledge	Pledged trading securities	Total trading securities	Trading securities without pledge	Pledged trading securities	Total trading securities
Debt securities:	**937 583**	**1 679 083**	**2 616 666**	**1 085 293**	**1 689 282**	**2 774 575**	**482 343**	**252 278**	**734 621**	**448 655**	**915 838**	**1 364 493**
Issued by government	496 812	1 679 083	2 175 895	505 615	1 689 282	2 194 897	135 981	252 278	388 259	241 838	915 838	1 157 676
- government bonds	496 812	1 679 083	2 175 895	505 615	1 689 282	2 194 897	135 981	252 278	388 259	241 838	915 838	1 157 676
Other debt securities	440 771	-	440 771	579 678	-	579 678	346 362	-	346 362	206 817	-	206 817
- bank's bonds	407 937	-	407 937	557 840	-	557 840	264 922	-	264 922	167 020	-	167 020
- deposit certificates	-	-	-	-	-	-	37 787	-	37 787	19 738	-	19 738
- corporate bonds	32 834	-	32 834	21 838	-	21 838	43 653	-	43 653	20 059	-	20 059
Equity securities:	**20 893**	**-**	**20 893**	**37 896**	**-**	**37 896**	**28 443**	**-**	**28 443**	**38 157**	**-**	**38 157**
- listed	13 379	-	13 379	16 137	-	16 137	6 893	-	6 893	3 777	-	3 777
- unlisted	7 514	-	7 514	21 759	-	21 759	21 550	-	21 550	34 380	-	34 380
Total debt and equity securities:	**958 476**	**1 679 083**	**2 637 559**	**1 123 189**	**1 689 282**	**2 812 471**	**510 786**	**252 278**	**763 064**	**486 812**	**915 838**	**1 402 650**

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16. Derivative financial instruments

	30.09.2014		30.06.2014		31.12.2013		30.09.2013	
			assets	liabilities	assets	liabilities	assets	liabilities
Held for trading derivative financial instruments classified into banking book	127 168	57 079	80 009	40 739	137 092	40 303	99 800	26 881
Held for trading derivative financial instruments classified into trading book	3 777 004	3 911 971	2 850 772	2 872 402	2 212 493	2 411 656	2 173 300	2 444 088
Derivative financial instruments held for fair value hedging	155 260	906	87 094	1 862	-	7 756	35 953	1 464
Derivative financial instruments held for cash flow hedging	13 593	-	-	-	-	-	-	-
Total derivative financial instruments assets/liabilities	**4 073 025**	**3 969 956**	**3 017 875**	**2 915 003**	**2 349 585**	**2 459 715**	**2 309 053**	**2 472 433**

The Group uses the following derivative instruments for economic hedging and for other purposes:

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

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

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

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

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

17. Derivatives held for hedges

The Group applies fair value hedge accounting for:

- part of the portfolio of fixed interest rate mortgage loans granted by foreign branches of the Bank in the Czech Republic. An Interest Rate Swap is the hedging instrument changing the fixed interest rate to a variable interest rate.
- Eurobonds issued by mFinance France, subsidiary of mBank. An Interest Rate Swap is the hedging instrument changing the fixed interest rate to a variable interest rate.
- Covered bonds issued by mBank Hipoteczny, subsidiary of mBank. An Interest Rate Swap is the hedging instrument changing the fixed interest rate to a variable interest rate.

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In all cases described above, the risk of changes in interest rates is the only type of risk hedged within hedge accounting applied by the Group. The result of the valuation of hedged items and hedging instruments is presented in the position „Other net trading income and result on hedge accounting" in Note 8.

Starting from the third quarter of 2014, the Group applies cash flow hedge accounting of the part of loans at a variable interest rate indexed to the market rate, granted by the Bank. An Interest Rate Swap is the hedging instrument changing the variable interest rate to a fixed interest rate. The interest rate risk is the hedged risk within applied by the Group cash flow hedge accounting. The ineffective portion of the gains or losses on the hedging instrument is presented in Note 8 " Other net trading income and result on hedge accounting". Portion of the gains or losses on the hedging instrument that is an effective hedge, is presented in the statement of comprehensive income as "Cash flow hedges (net)".

The period from October 2014 to December 2015 is the period in which the cash flows are expected, and when they are expected to have an impact on the result.

The fair value equal to book value of derivatives hedging both the fair value and cash flow was presented in Note 16 "Derivative Financial Instruments".

The following note presents other comprehensive income due to cash flow hedges as at 30 September 2014.

	30.09.2014
Other comprehensive income from cash flow hedge at the beginning of the period	-
Gains/losses rocognized in other comprehensive income during the reporting period	(118)
Amount transferred from other comprehensive income to interest income to income statement during the reporting period	8
Accumulated other comprehensive income at the end of the reporting period (gross)	**(110)**
Deferred tax	21
Accumulated other comprehensive income at the end of the reporting period (net)	(89)
Ineffective portion of cash flow hedge recognized in the income statement	**-**
Impact on other comprehensive income in the reporting period (gross)	(110)
Deferred tax on cash flow hedges	21
Impact on other comprehensive income in the reporting period (net)	**(89)**

18. Loans and advances to customers

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
Loans and advances to individuals:	**40 554 970**	**39 664 158**	**38 307 915**	**38 855 400**
- current receivables	5 472 126	5 343 170	4 978 854	5 053 682
- term loans, including:	35 082 844	34 320 988	33 329 061	33 801 718
housing and mortgage loans	29 713 814	29 169 136	28 692 896	29 259 376
Loans and advances to corporate entities:	**31 534 790**	**30 564 478**	**29 475 274**	**30 210 970**
- current receivables	4 055 931	4 203 981	3 597 377	4 270 661
- term loans:	23 283 929	22 283 841	21 076 873	21 412 485
corporate & institutional enterprises	5 704 843	5 396 534	5 115 320	5 459 624
medium & small enterprises	17 579 086	16 887 307	15 961 553	15 952 861
- reverse repo / buy-sell-back transactions	2 738 616	2 652 320	3 287 066	3 006 449
- other	1 456 314	1 424 336	1 513 958	1 521 375
Loans and advances to public sector	**1 921 507**	**1 881 573**	**2 177 976**	**2 353 393**
Other receivables	**686 563**	**621 462**	**620 627**	**547 764**
Total (gross) loans and advances to customers	**74 697 830**	**72 731 671**	**70 581 792**	**71 967 527**
Provisions for loans and advances to customers (negative amount)	(2 739 429)	(2 594 494)	(2 371 407)	(2 760 864)
Total (net) loans and advances to customers	**71 958 401**	**70 137 177**	**68 210 385**	**69 206 663**

Short-term (up to 1 year)	25 018 811	25 740 229	24 596 330	25 384 995
Long-term (over 1 year)	46 939 590	44 396 948	43 614 055	43 821 668

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Under the item 'Loans and advances to individuals', the Group also presents loans to micro enterprises provided by Retail Banking of mBank S.A.

Loans to micro enterprises in the presented reporting periods amounted to respectively: 30 September 2014 – PLN 4 461 592 thousand, 30 June 2014 – PLN 4 398 053 thousand, 31 December 2013 – PLN 4 041 584 thousand, 30 September 2013 – PLN 4 057 547 thousand.

Provisions for loans and advances

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
Incurred but not identified losses				
Gross balance sheet exposure	69 981 086	68 095 603	66 158 075	68 135 312
Impairment provisions for exposures analysed according to portfolio approach	(299 947)	(269 765)	(256 556)	(212 537)
Net balance sheet exposure	**69 681 139**	**67 825 838**	**65 901 519**	**67 922 775**
Receivables with impairment				
Gross balance sheet exposure	4 716 744	4 636 068	4 423 717	3 832 215
Provisions for receivables with impairment	(2 439 482)	(2 324 729)	(2 114 851)	(2 548 327)
Net balance sheet exposure	**2 277 262**	**2 311 339**	**2 308 866**	**1 283 888**

Starting from November 2013, the Group aligned its impairment credit risk parameters in retail area with the corresponding ones derived from Basel 2 oriented methods after necessary adjustments aimed at elimination of differences between IAS 39 and Basel II approaches. The major difference was the way of recognition of default status that under new assessment is based on all credit data of the individual person instead of formerly purely one product data. The more conservative approach towards recognition of impaired status (collection of all past due amounts from all products, considering the oldest date from past due data) resulted in two offsetting effects:

1. Earlier recognition of impaired status that gave larger amount of impaired portfolio,
2. Higher recovery out of such defined impairment due to higher natural cure rate for clients preventatively assessed as non performing.

In case of LGD model Bank changed its approach to collateral effects from unconditional recognition towards conditional one defined by probability (dependent on specifics of work out process) of collateral realization and recognized partial recoveries as well as broader range of recoveries coming from natural cures.

Additionally, the Group re-assessed the length of Loss Identification Period (LIP) for retail and corporate portfolio based on current internal data concerning bank's processes and abilities to detect the loss situations. The result was extension of retail LIP to uniform 12-month period and shortening of corporate LIP to 6-8 months according to the customer size.

The combined effect of all the above changes was immaterial for the overall level of loan loss provisions for the entire loan portfolio, however the implemented changes had an impact on the structure of these provisions as well as on the level of loans and advances for which impairment was recognized.

The table below presents the structure of concentration of mBank S.A. Group's exposures in particular sectors.

No.	Sectors	Principal exposure (in PLN thousand) 30.09.2014	%	Principal exposure (in PLN thousand) 30.06.2014	%	Principal exposure (in PLN thousand) 31.12.2013	%	Principal exposure (in PLN thousand) 30.09.2013	%
1.	Household customers	40 554 970	54.29	39 664 158	54.53	38 307 915	54.27	38 855 400	53.99
2.	Real estate management	5 597 394	7.49	5 589 359	7.68	5 401 342	7.65	5 318 193	7.39
3.	Transport and travel agencies	2 028 992	2.72	2 165 962	2.99	2 102 952	2.98	2 318 729	3.22
4.	Building industry	1 878 488	2.51	1 845 729	2.54	1 761 635	2.50	1 685 317	2.34
5.	Power industry and heat engineering	1 660 677	2.22	1 635 728	2.25	1 680 154	2.38	1 615 882	2.25
6.	Public administration	1 588 596	2.13	1 556 515	2.14	1 781 251	2.52	1 921 964	2.67
7.	Motorization	1 562 690	2.09	1 310 034	1.80	1 192 851	1.69	1 198 152	1.66
8.	Metals	1 330 270	1.78	1 283 918	1.77	1 183 575	1.68	1 307 929	1.82
9.	Chemistry and plastic processing	1 152 296	1.54	1 121 525	1.54	957 713	1.36	912 298	1.27
10.	Groceries	1 078 354	1.44	1 021 439	1.40	906 962	1.29	961 608	1.34
11.	Wood and furniture	967 559	1.30	939 670	1.29	754 178	1.07	822 508	1.14
12.	Building materials	967 535	1.30	913 066	1.26	834 755	1.18	982 631	1.37
13.	Other retail trade	923 704	1.24	846 420	1.16	739 214	1.05	768 100	1.07
14.	Liquid fuels and natural gas	916 168	1.23	827 834	1.14	882 918	1.25	954 206	1.32
15.	Other wholesale trade	762 557	1.02	737 525	1.01	662 973	0.94	604 123	0.84
16.	Pharmaceuticals and health care	708 183	0.95	670 624	0.92	594 231	0.84	621 909	0.86
17.	Meat processing industry	616 401	0.83	643 977	0.89	613 667	0.87	623 646	0.87
18.	Management, consulting, advertising	525 476	0.70	489 112	0.67	373 151	0.53	379 587	0.53
19.	Telecommunication	450 196	0.60	476 703	0.66	500 479	0.71	557 977	0.77
20.	IT	444 979	0.60	455 255	0.63	415 992	0.59	394 679	0.55
21.	Hotels and restaurants	429 319	0.57	430 418	0.59	422 679	0.60	432 268	0.60
22.	Textiles and clothing	418 476	0.56	388 415	0.53	334 823	0.47	372 966	0.52

As at 30 September 2014, the total exposure of the Group in the above sectors (excluding household customers) amounted to 34.82% of the credit portfolio (30 June 2014 – 34.86%, 31 December 2013 – 34.15%; 30 September 2013 – 34.40%).

19. Investment securities

	30.09.2014			30.06.2014			31.12.2013			30.09.2013		
	Investment securities without pledge	Pledged investment securities	Total investment securities	Investment securities without pledge	Pledged investment securities	Total investment securities	Investment securities without pledge	Pledged investment securities	Total investment securities	Investment securities without pledge	Pledged investment securities	Total investment securities
Debt securities	**17 927 205**	**9 971 136**	**27 898 341**	**17 274 839**	**9 611 911**	**26 886 750**	**19 303 219**	**5 766 038**	**25 069 257**	**20 035 411**	**4 587 607**	**24 623 018**
Issued by government	14 305 597	9 971 136	24 276 733	12 189 849	9 611 911	21 801 760	12 839 094	5 744 542	18 583 636	13 175 560	4 586 407	17 761 967
- government bonds	14 305 597	9 971 136	24 276 733	12 189 849	9 611 911	21 801 760	12 839 094	5 744 542	18 583 636	13 175 560	4 586 407	17 761 967
Issued by central bank	3 385 464	-	3 385 464	4 863 698	-	4 863 698	6 292 700	21 496	6 314 196	6 710 413	1 200	6 711 613
Other debt securities	236 144	-	236 144	221 292	-	221 292	171 425	-	171 425	149 438	-	149 438
- bank's bonds	25 248	-	25 248	25 109	-	25 109	25 136	-	25 136	64 995	-	64 995
- corporate bonds	171 883	-	171 883	156 821	-	156 821	107 906	-	107 906	48 123	-	48 123
- communal bonds	39 013	-	39 013	39 362	-	39 362	38 383	-	38 383	36 320	-	36 320
Equity securities:	**256 053**	**-**	**256 053**	**241 305**	**-**	**241 305**	**272 506**	**-**	**272 506**	**271 336**	**-**	**271 336**
Listed	227 831	-	227 831	215 324	-	215 324	229 617	-	229 617	226 395	-	226 395
Unlisted	28 222	-	28 222	25 981	-	25 981	42 889	-	42 889	44 941	-	44 941
Total debt and equity securities:	**18 183 258**	**9 971 136**	**28 154 394**	**17 516 144**	**9 611 911**	**27 128 055**	**19 575 725**	**5 766 038**	**25 341 763**	**20 306 747**	**4 587 607**	**24 894 354**
Short-term (up to 1 year)	6 768 416	168 095	6 936 511	7 163 494	-	7 163 494	6 706 581	23 494	6 730 075	7 294 999	666 734	7 961 733
Long-term (over 1 year)	11 414 842	9 803 041	21 217 883	10 352 650	9 611 911	19 964 561	12 869 144	5 742 544	18 611 688	13 011 748	3 920 873	16 932 621

The above includes government bonds and treasury bills under the Bank Guarantee Fund (BFG), investment government bonds pledged as sell-buy-back transactions, government bonds pledged as collateral for the loans received from the European Investment Bank and government bonds pledged as collateral for deposit placed by the client.

As at 30 September 2014, presented above value of equity securities includes provisions for impairment of PLN 11 305 thousand (30 June 2014: PLN 11 297 thousand, 31 December 2013: PLN 11 422 thousand; 30 September 2013: PLN 10 922 thousand).

As at 30 September 2014, listed equity securities include fair value of PZU shares in amount of PLN 227 831 thousand, (30 June 2014: PLN 209 969 thousand, 31 December 2013: PLN 212 430 thousand, 30 September 2013: PLN 200 671 thousand).

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20. Intangible assets

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
Development costs	2	2	382	407
Goodwill	3 532	4 728	4 728	4 728
Patents, licences and similar assets, including:	344 382	358 031	343 802	306 831
- computer software	263 889	272 828	289 606	249 225
Other intangible assets	6 540	6 816	7 067	7 341
Intangible assets under development	93 790	90 558	99 366	101 863
Total intangible assets	**448 246**	**460 135**	**455 345**	**421 170**

21. Tangible assets

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
Tangible assets, including:	660 530	673 578	672 519	676 757
- land	1 335	1 267	1 267	1 267
- buildings and structures	207 624	212 777	215 061	215 635
- equipment	131 810	139 986	147 926	154 845
- vehicles	219 482	213 117	190 017	187 851
- other fixed assets	100 279	106 431	118 248	117 159
Fixed assets under construction	40 340	36 927	37 033	46 331
Total tangible assets	**700 870**	**710 505**	**709 552**	**723 088**

22. Amounts due to customers

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
Individual customers:	**36 641 785**	**35 725 983**	**34 203 119**	**32 594 899**
Current accounts	26 094 584	25 817 356	24 260 502	24 510 138
Term deposits	10 481 945	9 843 802	9 889 000	8 044 975
Other liabilities:	65 256	64 825	53 617	39 786
- liabilities in respect of cash collaterals	19 504	20 695	24 566	18 451
- other	45 752	44 130	29 051	21 335
Corporate customers:	**31 576 302**	**26 595 090**	**26 752 869**	**26 635 654**
Current accounts	13 190 783	12 773 309	12 849 839	11 760 804
Term deposits	10 188 124	7 161 514	6 434 108	8 971 988
Loans and advances received	3 151 521	2 725 524	2 100 331	1 925 264
Repo transactions	4 366 914	3 394 599	4 629 955	3 380 943
Other liabilities:	678 960	540 144	738 636	596 655
- liabilities in respect of cash collaterals	477 865	456 307	433 438	410 015
- other	201 095	83 837	305 198	186 640
Public sector customers:	**1 345 447**	**972 648**	**717 539**	**854 521**
Current accounts	583 882	620 813	579 319	539 244
Term deposits	759 254	347 868	129 981	313 319
Other liabilities:	2 311	3 967	8 239	1 958
- liabilities in respect of cash collaterals	103	-	137	-
- other	2 208	3 967	8 102	1 958
Total amounts due to customers	**69 563 534**	**63 293 721**	**61 673 527**	**60 085 074**

Short-term (up to 1 year)	64 439 334	58 876 551	57 590 020	57 211 284
Long-term (over 1 year)	5 124 200	4 417 170	4 083 507	2 873 790

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

In the presented reporting periods the value of liabilities in respect of current accounts and term deposits accepted from micro enterprises amounted to respectively: 30 September 2014: PLN 2 735 645 thousand, 30 June 2014: PLN 2 638 350 thousand, 31 December 2013: PLN 2 784 616 thousand, 30 September 2013: PLN 2 185 309 thousand).

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23. Provisions

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
For off-balance sheet granted contingent liabilities *	37 396	47 244	56 068	53 627
For legal proceedings	87 664	85 990	56 275	42 808
Technical-insurance provisions	-	91 368	87 168	82 205
Other	27 068	27 592	28 717	28 906
Total provisions	**152 128**	**252 194**	**228 228**	**207 546**

* includes valuation of financial guarantees

Technical-insurance provisions presented in previous reporting periods, as at 30 September 2014 are the part of the liabilities held for sale.

Movements in the provisions

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
As at the beginning of the period (by type)	**228 228**	**228 228**	**213 327**	**213 327**
For off-balance sheet granted contingent liabilities	56 068	56 068	46 462	46 462
For legal proceedings	56 275	56 275	47 204	47 204
Technical-insurance provisions	87 168	87 168	84 512	84 512
Other	28 717	28 717	35 149	35 149
Change in the period (due to)	**(76 100)**	**23 966**	**14 901**	**(5 781)**
- increase of provisions	148 905	117 060	151 374	108 333
- release of provisions	(127 195)	(84 656)	(115 307)	(94 064)
- write-offs	(10 747)	(8 470)	(20 942)	(20 122)
- utilization	-	-	(150)	(150)
- reclassification	(87 168)	-	-	-
- foreign exchange differences	105	32	(74)	222
As at the end of the period (by type)	**152 128**	**252 194**	**228 228**	**207 546**
For off-balance sheet granted contingent liabilities	37 396	47 244	56 068	53 627
For legal proceedings	87 664	85 990	56 275	42 808
Technical-insurance provisions	-	91 368	87 168	82 205
Other	27 068	27 592	28 717	28 906

24. Assets and provisions for deferred income tax

Deferred income tax assets	30.09.2014	30.06.2014	31.12.2013	30.09.2013
As at the beginning of the period	**614 352**	**614 352**	**737 353**	**737 353**
Changes recognized in the income statement	(2 047)	(41 261)	(122 461)	(87 775)
Changes recognized in other comprehensive income	510	685	166	52
Other changes	(2 815)	(239)	(706)	(374)
As at the end of the period	**610 000**	**573 537**	**614 352**	**649 256**

Provisions for deferred income tax	30.09.2014	30.06.2014	31.12.2013	30.09.2013
As at the beginning of the period	**(246 485)**	**(246 485)**	**(347 833)**	**(347 833)**
Changes recognized in the income statement	(50 631)	(32 656)	56 775	7 036
Changes recognized in other comprehensive income	(71 002)	(34 649)	44 482	49 886
Other changes	-	(2 080)	91	-
As at the end of the period	**(368 118)**	**(315 870)**	**(246 485)**	**(290 911)**

Income tax	30.09.2014	30.06.2014	31.12.2013	30.09.2013
Current income tax	(235 414)	(110 177)	(243 039)	(137 242)
Deferred income tax recognised in the income statement	(52 678)	(73 917)	(65 686)	(80 739)
Income tax recognised in the income statement	**(288 092)**	**(184 094)**	**(308 725)**	**(217 981)**
Recognised in other comprehensive income	(103 569)	(53 880)	44 648	49 938
Total income tax	**(391 661)**	**(237 974)**	**(264 077)**	**(168 043)**

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25. Assets and liabilities held for sale

On 3 April 2014, the Management Board of mBank S.A. expressed its consent to carry out activities aimed at appointing the optimal cooperation partner with regard to insurance within mBank Group. One of the considered options was the sale of BRE Ubezpieczenia TUiR S.A.

On 11 September 2014, the Bank's subsidiary Aspiro S.A. ("Aspiro") being the shareholder of the company BRE Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji S.A. ("BRE TUiR"), concluded an agreement with Avanssur SA the company belonging to AXA Group for the sale of 100% shares in BRE TUiR ("Agreement on the Sale of Shares").

In accordance with the Agreement on the Sale of Shares, the sale of 100% of shares of BRE TUiR to Avanssur SA is conditioned by meeting specific conditions precedent, in particular: (i) obtain the consent of the Office of Competition and Consumer Protection and (ii) no objections raised by the Polish Financial Supervision Authority.

Therefore, in accordance with the accounting rules described in Note 2.22 of these condensed consolidated financial statements, starting from the financial statements as at 30 September 2014 the Group classified BRE TUiR as non-current assets (disposal groups) held for sale.

Below are presented financial data concerning non-current assets (disposal group) held for sale as at 30 September 2014.

Non-current assets held for sale	30.09.2014
Trading securities	124 562
Loans and advances to customers	233
Intangible assets	2 681
Tangible assets	888
Deferred income tax assets	798
Other assets	53 760
Total non-current assets held for sale	**182 922**

Liabilities held for sale	30.09.2014
Amounts due to customers	1 002
Other liabilities	42 548
Current income tax liabilities	3 005
Provisions	111 635
Total liabilities held for sale	**158 190**

26. Fair value of financial assets and liabilities

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

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

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

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

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

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

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

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	30.09.2014		30.06.2014		31.12.2013	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Loans and advances to banks	**3 721 009**	**3 719 786**	**4 933 231**	**4 931 866**	**3 471 241**	**3 515 772**
Loans and advances to customers	**71 958 401**	**72 872 632**	**70 137 177**	**70 950 473**	**68 210 385**	**67 300 927**
Loans and advances to individuals	**39 189 392**	**40 212 073**	**38 381 768**	**39 298 139**	**37 153 418**	**36 413 808**
current accounts	4 949 752	5 046 913	4 859 503	4 961 300	4 534 640	4 567 052
term loans including:	34 239 640	35 165 160	33 522 265	34 336 839	32 618 778	31 846 756
- housing and mortgage loans	29 181 706	29 961 419	28 658 191	29 331 670	28 223 739	27 403 194
Loans and advances to corporate entities	**30 162 329**	**30 061 369**	**29 253 761**	**29 157 050**	**28 270 161**	**28 124 414**
current accounts	3 703 828	3 681 710	3 870 594	3 849 813	3 362 963	3 353 764
term loans	22 324 297	22 245 410	21 371 029	21 295 099	20 161 638	20 025 090
- corporate & institutional enterprises	5 512 218	5 514 291	5 199 120	5 197 339	4 934 639	4 953 138
- medium & small enterprises	16 812 079	16 731 119	16 171 909	16 097 760	15 226 999	15 071 952
reverse repo / buy sell back transactions	2 738 616	2 738 616	2 652 320	2 652 320	3 287 066	3 287 066
other	1 395 588	1 395 633	1 359 818	1 359 818	1 458 494	1 458 494
Loans and advances to public sector	**1 921 032**	**1 913 542**	**1 880 324**	**1 873 960**	**2 166 179**	**2 142 078**
Other receivables	**685 648**	**685 648**	**621 324**	**621 324**	**620 627**	**620 627**
Financial liabilities						
Amounts due to other banks	**19 777 663**	**19 837 675**	**22 297 031**	**22 653 899**	**19 224 182**	**19 239 265**
Amounts due to customers	**69 563 534**	**69 653 174**	**63 293 721**	**63 337 270**	**61 673 527**	**61 670 841**
Debt securities in issue	**8 009 714**	**8 111 921**	**7 696 154**	**7 796 376**	**5 402 056**	**5 444 193**
Subordinated liabilities	**3 312 935**	**3 313 041**	**3 278 869**	**3 299 668**	**3 762 757**	**3 764 754**

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

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

Available for sale financial assets. Listed available for sale financial instruments held by the Group are valued at fair value. The fair value of debt securities not listed at an active market is calculated using a discounted cash flow approach based on current interest rates including credit spread. The model of spread determination in the case of illiquid commercial papers was extended in order to reflect the costs of unexpected loss component of the credit spread more precisely.

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

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

The fair value for these financial liabilities with more than 1 year to maturity is based on principle and interest cash flows discounted using appropriate interest rates. For received loans the Group used the swap amended by quotations of Commerzbank CDS for exposures in EUR (and for the loans received from European Investment Bank in EUR, EIB yield curve), quotations of issued bonds under EMTN program for the exposures in CHF and the swap curve amended by credit spread for the exposures in PLN. In case of deposits the Group used the curve based on overnight rates, term cash rates, as well as FRA contracts up to 1 year and IRS contracts over 1 year for appropriate currencies and maturities. For debt securities in issue the Group used the prices directly from the market for these securities. For the purpose of measurement of subordinated liabilities the Group used obtained primary market spreads of subordinated bonds issued by the Group and if required corresponding cross-currency basis swap levels for the respective maturities.

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

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

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30.09.2014	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS				
TRADING SECURITIES	**2 637 559**	**2 190 391**	**7 508**	**439 660**
Debt securities	**2 616 666**	**2 177 012**	**-**	**439 654**
- government bonds	2 175 895	2 175 895	-	-
- banks bonds	407 937	1 117	-	406 820
- corporate bonds	32 834	-	-	32 834
Equity securities	**20 893**	**13 379**	**7 508**	**6**
- listed	13 379	13 379	-	-
- unlisted	7 514	-	7 508	6
DERIVATIVE FINANCIAL INSTRUMENTS	**4 073 025**	**-**	**4 071 912**	**1 113**
Derivative financial instruments held for trading	**3 904 172**	**-**	**3 903 059**	**1 113**
- interest rate derivatives	3 734 260	-	3 734 260	-
- foreign exchange derivatives	160 934	-	160 934	-
- market risks derivatives	8 978	-	7 865	1 113
Derivative financial instruments held for hedging	**168 853**	**-**	**168 853**	**-**
- derivatives designated as fair value hedges	168 853	-	168 853	-
INVESTMENT SECURITIES	**28 154 386**	**24 544 370**	**3 385 464**	**224 552**
Debt securities	**27 898 341**	**24 315 746**	**3 385 464**	**197 131**
- government bonds	24 276 733	24 276 733	-	-
- money bills	3 385 464	-	3 385 464	-
- banks bonds	25 248	-	-	25 248
- corporate bonds	171 883	-	-	171 883
- communal bonds	39 013	39 013	-	-
Equity securities	**256 045**	**228 624**	**-**	**27 421**
- listed	227 831	227 831	-	-
- unlisted	28 214	793	-	27 421
TOTAL FINANCIAL ASSETS	**34 864 970**	**26 734 761**	**7 464 884**	**665 325**

30.09.2014	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
FINANCIAL LIABILITIES				
Derivative financial instruments	**3 969 956**	**-**	**3 968 703**	**1 253**
Derivative financial instruments held for trading	**3 969 050**	**-**	**3 967 797**	**1 253**
- interest rate derivatives	3 794 974	-	3 794 974	-
- foreign exchange derivatives	159 244	-	159 244	-
- market risks derivatives	14 832	-	13 579	1 253
Derivative financial instruments held for hedging	**906**	**-**	**906**	**-**
- derivatives designated as fair value hedges	906	-	906	-
Total financial liabilities	**3 969 956**	**-**	**3 968 703**	**1 253**
TOTAL RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS	**34 864 970**	**26 734 761**	**7 464 884**	**665 325**
FINANCIAL LIABILITIES	**3 969 956**	**-**	**3 968 703**	**1 253**

Assets Measured at Fair Value Based on Level 3 - changes in the period from 1 January to 30 September 2014	Debt trading securities	Equity trading securities	Derivative financial instruments	Debt investment securities	Equity investment securities
As at the beginning of the period	**346 263**	**6**	**450**	**133 042**	**40 206**
Gains and losses for the period:	**2 763**	**-**	**663**	**4 217**	**-**
Recognised in profit or loss:	2 763	-	663	-	-
Net trading income	*2 763*	-	*663*	-	-
Recognised in other comprehensive income:	-	-	-	*4 217*	-
Available for sale financial assets	-	-	-	*4 217*	-
Purchases	2 678 106	-	-	37 417	2 271
Redemptions	(280 925)	-	-	-	-
Sales	(9 111 888)	-	-	(124 394)	(15 887)
Issues	6 798 711	-	-	146 803	-
Settlements	6 624	-	-	46	839
As at the end of the period	**439 654**	**6**	**1 113**	**197 131**	**27 429**

In case of financial instruments valuated in repetitive way to fair value, classified as level 1 and 2 in hierarchy of fair value, in the period of three quarters of 2014 there were no movements observed between 1 and 2 level. The bank's Financial Market Risk Department observes a potential migration between the different fair value levels on the basis of internal guidelines. There are two cases which allow for a reclassification: change of availability of market parameters used to marked-to-market valuation for T-bonds or a change in liquidity of option on WIG20 index market. In case of T-bonds, if there is no market price for more than 2 business days, the methods of valuation is changed, i.e. change from marked-to-market valuation to marked-to-model valuation under the assumption that the valuation model for the respective type of fixed income securities has been already approved. Return to marked-to-market valuation takes place after 5 business days in which market prices are continuously available.

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In case of options on the WIG20 index the utilization of an internal model or marked-to-market valuation depends on the liquidity of the options market. If a marked-to-model method is applied and the market is liquid for successive 3 months the valuation approach changes from a marked-to-model towards the marked-to-market method. In case a marked-to-market model is utilized and the market is illiquid in a given month the valuation approach is adjusted towards a marked-to-model valuation at least until the beginning of the next month.

30.06.2014	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS				
TRADING SECURITIES	**2 812 471**	**2 339 603**	**21 790**	**451 078**
Debt securities	**2 774 575**	**2 323 503**	**-**	**451 072**
- government bonds	2 194 897	2 194 897	-	-
- banks bonds	557 840	126 015	-	431 825
- corporate bonds	21 838	2 591	-	19 247
Equity securities	**37 896**	**16 100**	**21 790**	**6**
- listed	16 137	16 100	37	-
- unlisted	21 759	-	21 753	6
DERIVATIVE FINANCIAL INSTRUMENTS	**3 017 875**	**576**	**3 015 737**	**1 562**
Derivative financial instruments held for trading	**2 930 781**	**576**	**2 928 643**	**1 562**
- interest rate derivatives	2 804 323	**-**	2 804 323	-
- foreign exchange derivatives	116 732	**-**	116 718	14
- market risks derivatives	9 726	576	7 602	1 548
Derivative financial instruments held for hedging	**87 094**	**-**	**87 094**	**-**
- derivatives designated as fair value hedges	87 094	-	87 094	-
INVESTMENT SECURITIES	**27 128 055**	**22 182 080**	**4 863 698**	**82 277**
Debt securities	**26 886 750**	**21 965 939**	**4 863 698**	**57 113**
- government bonds	21 801 760	21 801 760	-	-
- money bills	4 863 698	-	4 863 698	-
- banks bonds	25 109	-	-	25 109
- corporate bonds	156 821	124 817	-	32 004
- communal bonds	39 362	39 362	-	-
Equity securities	**241 305**	**216 141**	**-**	**25 164**
- listed	215 324	215 324	-	-
- unlisted	25 981	817	-	25 164
TOTAL FINANCIAL ASSETS	**32 958 401**	**24 522 259**	**7 901 225**	**534 917**

30.06.2014	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
FINANCIAL LIABILITIES				
Derivative financial instruments	**2 915 003**	**588**	**2 912 902**	**1 513**
Derivative financial instruments held for trading	**2 913 141**	**588**	**2 911 040**	**1 513**
- interest rate derivatives	2 801 206	-	2 801 206	-
- foreign exchange derivatives	102 161	-	102 161	-
- market risks derivatives	9 774	588	7 673	1 513
Derivative financial instruments held for hedging	**1 862**	**-**	**1 862**	**-**
- derivatives designated as fair value hedges	1 862	-	1 862	-
Total financial liabilities	**2 915 003**	**588**	**2 912 902**	**1 513**

TOTAL RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS	**32 958 401**	**24 522 259**	**7 901 225**	**534 917**
FINANCIAL LIABILITIES	**2 915 003**	**588**	**2 912 902**	**1 513**

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Assets Measured at Fair Value Based on Level 3 - changes in the first half of 2014	Debt trading securities	Equity trading securities	Derivative financial instruments	Debt investment securities	Equity investment securities
As at the beginning of the period	**346 263**	**6**	**450**	**133 042**	**40 206**
Gains and losses for the period:	**476**	**-**	**1 112**	**(2 652)**	**-**
Recognised in profit or loss:	476	-	1 112	-	-
Net trading income	*476*	-	*1 112*	-	-
Recognised in other comprehensive income:	-	-	-	*(2 652)*	-
Available for sale financial assets	-	-	-	*(2 652)*	-
Purchases	1 833 128	-	-	27 571	-
Redemptions	(244 982)	-	-	-	-
Sales	(5 970 445)	-	-	(111 250)	(15 887)
Issues	4 482 533	-	-	10 503	-
Settlements	4 099	-	-	(101)	845
As at the end of the period	**451 072**	**6**	**1 562**	**57 113**	**25 164**

31.12.2013	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS				
TRADING SECURITIES	**763 064**	**395 214**	**21 581**	**346 269**
Debt securities	**734 621**	**388 358**	**-**	**346 263**
- government bonds	388 259	388 259	-	-
- deposit certificates	37 787	-	-	37 787
- banks bonds	264 922	99	-	264 823
- corporate bonds	43 653	-	-	43 653
Equity securities	**28 443**	**6 856**	**21 581**	**6**
- listed	6 893	6 856	37	-
- unlisted	21 550	-	21 544	6
DERIVATIVE FINANCIAL INSTRUMENTS	**2 349 585**	**153**	**2 348 982**	**450**
Derivative financial instruments held for trading	**2 349 585**	**153**	**2 348 982**	**450**
- interest rate derivatives	2 103 034	**-**	2 103 034	-
- foreign exchange derivatives	232 776	**-**	232 733	43
- market risks derivatives	13 775	153	13 215	407
INVESTMENT SECURITIES	**25 341 763**	**18 852 508**	**6 316 007**	**173 248**
Debt securities	**25 069 257**	**18 622 019**	**6 314 196**	**133 042**
- government bonds	18 583 636	18 583 636	-	-
- money bills	6 314 196	-	6 314 196	-
- banks bonds	25 136	-	-	25 136
- corporate bonds	107 906	-	-	107 906
- communal bonds	38 383	38 383	-	-
Equity securities	**272 506**	**230 489**	**1 811**	**40 206**
- listed	229 617	229 617	-	-
- unlisted	42 889	872	1 811	40 206
TOTAL FINANCIAL ASSETS	**28 454 412**	**19 247 875**	**8 686 570**	**519 967**

31.12.2013	Including:	Level 1	Level 2	Level 3
		Quoted prices in active markets	Valuation techniques based on observable market data	Other valuation techniques
FINANCIAL LIABILITIES				
Derivative financial instruments	**2 459 715**	**12**	**2 459 296**	**407**
Derivative financial instruments held for trading	**2 451 959**	**12**	**2 451 540**	**407**
- interest rate derivatives	2 253 550	-	2 253 550	-
- foreign exchange derivatives	183 643	-	183 643	-
- market risks derivatives	14 766	12	14 347	407
Derivative financial instruments held for hedging	**7 756**	**-**	**7 756**	**-**
- derivatives designated as fair value hedges	7 756	-	7 756	-
Total financial liabilities	**2 459 715**	**12**	**2 459 296**	**407**
TOTAL RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS	**28 454 412**	**19 247 875**	**8 686 570**	**519 967**
FINANCIAL LIABILITIES	**2 459 715**	**12**	**2 459 296**	**407**

In 2013 a reclassification of exotic options embedded in investment deposits (options on basket of underlyings such as commodities or indexes) within the fair value hierarchy was observed from level 2 to level 3. The Fair value of reclassified instruments as of 31 December 2013 was equal to PLN 0.5 thousand (the value contains transactions with clients and opposite back-to-back transactions on interbank market; for transactions with clients the fair value was PLN 404 thousand). Value of PLN 407 thousand presented in the note applies to options sold (liabilities) and purchased (assets). The reclassification was made due to a review of valuation methods, in which there was identified that variables such as volatilities of underlyings and their correlations, which are estimated in internal model due to lack of quotations for these variables, have significant impact on their fair value.

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Liabilities Measured at Fair Value Based on Level 3	Derivative financial instruments and other trading liabilities	Other financial liablitities
Transfers into Level 3 in 2013	407	-
As at the end of the period	407	-

Assets Measured at Fair Value Based on Level 3 - changes in 2013	Debt trading securities	Equity trading securities	Derivative financial instruments	Debt investment securities	Equity investment securities
As at the beginning of the period	**303 587**	**17**	**96**	**204 032**	**34 885**
Gains and losses for the period:	13 874	(11)	(53)	(3 408)	2 830
Recognised in profit or loss:	13 874	(11)	(53)	-	62
Net trading income	*13 874*	*(11)*	*(53)*	-	-
Gains less losses from investment securities, investments in subsidiaries and associates	-	-	-	-	*62*
Recognised in other comprehensive income:	-	-	-	*(3 408)*	*2 768*
Available for sale financial assets	-	-	-	*(3 408)*	*2 768*
Purchases	2 149 795	-	-	136 374	13 145
Redemptions	(1 462 147)	-	-	-	(884)
Sales	(11 822 979)	-	-	(409 537)	(13 851)
Issues	11 164 133	-	-	204 000	(452)
Settlements	-	-	-	1 581	4 533
Transfers into Level 3	-	-	407	-	-
As at the end of the period	**346 263**	**6**	**450**	**133 042**	**40 206**

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

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

Level 1

As at 30 June 2014, at level 1 of the fair value hierarchy, the Group has presented the fair value of held for trading government bonds in the amount of PLN 2 175 895 thousand (see Note 15) and the fair value of investment government bonds in the amount of PLN 24 276 733 thousand (see Note 19) (30 June 2014 respectively: PLN 2 194 897 thousand and PLN 21 801 760 thousand and 31 December 2013 respectively: PLN 388 259 thousand and PLN 18 583 636 thousand). Level 1 also includes the fair value of local government bonds in the amount of PLN 39 013 thousand (30 June 2014: PLN 39 362 thousand, 31 December 2013: PLN 38 383 thousand), and the fair value of bonds issued by banks in the amount of PLN 1 117 thousand (30 June 2014: PLN 126 015 thousand, 31 December 2013: PLN 99 thousand).

In addition, as at 30 September 2014 level 1 includes the value of the shares of listed companies in the amount of PLN 241 210 thousand, including the value of shares in PZU S.A. in the amount of PLN 227 831 thousand (30 June 2014 respectively: PLN 231 424 thousand and PLN 209 969 thousand; 31 December 2013 respectively: PLN 236 473 thousand and PLN 212 430 thousand).

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

Level 2

Level 2 of the fair vale hierarchy includes the fair values of short term bills issued by NBP in the amount of PLN 3 385 464 thousand (30 June 2014:PLN 4 863 698 thousand, 31 December 2013: PLN 6 314 196 thousand), whose valuation is based on a NPV model (discounted future cash flows) fed with interest rate curves generated by transformation of quotations taken directly from active and liquid financial markets.

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

As at 30 September 2014, 30 June 2014 and 31 December 2013, level 2 also includes the value of options referencing on the WIG 20 index, listed on the Stock Exchange.

Level 3

Level 3 of the hierarchy presents the fair values of commercial debt securities issued by local banks and companies (bonds, mortgage bonds and deposit certificates) in the amount of PLN 636 785 thousand (30 June 2014: PLN 508 185 thousand, 31 December 2013: PLN 479 305 thousand).

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

Moreover, level 3 covers mainly the fair value of equity securities amounting to PLN 27 435 thousand valuated using the market multiples method. The market multiples method, consists of valuating the equity capital of a company by using a relation between the market values of the own equity capital or market values of the total capital invested in comparable companies (goodwill) and selected economic and financial figures.

27. Capital ratios

Common Equity Tier 1 capital ratios and total capital ratios of mBank S.A. and mBank S.A. Group as of 30 September 2014 were calculated in accordance with the Regulation of the European Parliament and of the Council (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR Regulation"). According to the CRR Regulation, certain decisions (so called "national discretions"), relevant for the process of capital ratios calculation, are taken and published in member states by public authorities or bodies empowered to supervise credit institutions and investment firms. National discretions were not determined and published by the respective Polish public authority or body till the date of issuing of these condensed consolidated financial statements.

The capital ratios of mBank S.A. Group presented as of 30 September 2014 were calculated on a best effort basis and preserving consistency of the information disclosed by the Group.

Selected explanatory information

1. Compliance with international financial reporting standards

The presented condensed consolidated report for the third quarter of 2014 fulfils the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' relating to interim financial reports.

In addition, selected explanatory information provide additional information in accordance with Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws No. 33, item 259 with further amendments).

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

A detailed description of the accounting policy principles of the Group is presented under items 2 and 3 of the notes to the condensed consolidated financial statements for the third quarter of 2014. The accounting policies were applied consistently over all periods presented in these condensed consolidated financial statements.

3. Seasonal or cyclical nature of the business

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

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

Events as indicated above did not occur in the Group.

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

The impact of introduced in 2013, changes in the methodology of measuring impairment of loans and advances for the structure of provisions for loans and advances portfolio and the level of receivables with impairment is described under Note 18. Besides the above described, in the third quarter of 2014, there were no significant changes in estimate values of items presented in previous reporting periods.

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

In the third quarter of 2014, mBank Hipoteczny S.A. (mBH S.A.) issued mortgage bonds in the amount of PLN 500 000 thousand. In the same time, mBH S.A. redeemed mortgage bonds in the amount of PLN 200 000 thousand and bonds in the amount of PLN 55 000 thousand.

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

On 31 March 2014, the XXVII Ordinary General Meeting of mBank S.A. adopted a resolution regarding the distribution of the profit with the decision to pay a dividend for the year 2013. The dividend to the shareholders contributed an amount of PLN 716 984 486, wherein the amount of the dividend per one share was PLN 17. Number of shares eligible for dividend was 42 175 558. The dividend date was fixed for the 5th of May 2014. Payment of the dividend will be on 19 May 2014.

8. Significant events after the end of the third quarter of 2014, which are not reflected in the financial statements

Events as indicated above did not occur in the Group.

9. Effect of changes in the structure of the entity in the third quarter of 2014, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities

On 30 July 2014, as part of the reorganisation of the insurance business in mBank Group, the company Aspiro S.A. acquired from AWL I Sp. z o.o. 100% of shares of BRE Ubezpieczenia Sp. z o.o. and BRE Agent Ubezpieczeniowy Sp. z o.o. for a total amount of PLN 72 876 thousand. The transaction resulted in redemption of shares in the company AWL I Sp. z o.o., by which its current share capital amounts to PLN 300 thousand. The sole shareholder of AWL I Sp. z o.o remains BRE Ubezpieczenia TUiR S.A. These events had no impact on the result of mBank Group.

10. Changes in contingent liabilities and commitments

In the third quarter of 2014, there were no changes in contingent liabilities and commitments of credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

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

Events as indicated above did not occur in the Group.

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

Events as indicated above did not occur in the Group.

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

Data regarding write-offs on account of impairment of financial assets are presented in Note 11 of these condensed consolidated financial statements.

14. Reversals of provisions against restructuring costs

Events as indicated above did not occur in the Group.

15. Acquisitions and disposals of tangible fixed asset items

In the third quarter of 2014, there were no material transactions of acquisition or disposal of any tangible fixed assets, with the exception of typical lease and property development operations that are performed by the companies of the Group.

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

Events as indicated above did not occur in the Group.

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

In the third quarter of 2014, events as indicated above did not occur in the Group.

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

According to the information included under Note 25 "Assets and liabilities held for sale", starting from the financial statements as of 30 September 2014, due to an agreement for sale of 100% shares of BRE Ubezpieczenia TUiR S.A. (BRE TUiR), the Group classified BRE TUiR as non-current assets (disposal groups) held for sale.

19. Corrections of errors from previous reporting periods

In the third quarter of 2014, there were no corrections of errors from previous reporting periods.

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

Events as indicated above did not occur in the Group.

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

mBank S.A. did not publish a performance forecast for the year 2014.

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22. Registered share capital

The total number of ordinary shares as at 30 September 2014 was 42 207 402 shares (30 September 2013: 42 170 252) at PLN 4 nominal value each (30 September 2013: PLN 4). All issued shares were fully paid up.

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 30 SEPTEMBER 2014						
Share type	**Type of privilege**	**Type of limitation**	**Number of shares**	**Series / face value of issue in PLN**	**Paid up**	**Registered on**
ordinary bearer*	-	-	9 982 500	39 930 000	fully paid in cash	1986
ordinary registered*	-	-	17 500	70 000	fully paid in cash	1986
ordinary bearer	-	-	2 500 000	10 000 000	fully paid in cash	1994
ordinary bearer	-	-	2 000 000	8 000 000	fully paid in cash	1995
ordinary bearer	-	-	4 500 000	18 000 000	fully paid in cash	1997
ordinary bearer	-	-	3 800 000	15 200 000	fully paid in cash	1998
ordinary bearer	-	-	170 500	682 000	fully paid in cash	2000
ordinary bearer	-	-	5 742 625	22 970 500	fully paid in cash	2004
ordinary bearer	-	-	270 847	1 083 388	fully paid in cash	2005
ordinary bearer	-	-	532 063	2 128 252	fully paid in cash	2006
ordinary bearer	-	-	144 633	578 532	fully paid in cash	2007
ordinary bearer	-	-	30 214	120 856	fully paid in cash	2008
ordinary bearer	-	-	12 395 792	49 583 168	fully paid in cash	2010
ordinary bearer	-	-	16 072	64 288	fully paid in cash	2011
ordinary bearer	-	-	36 230	144 920	fully paid in cash	2012
ordinary bearer	-	-	35 037	140 148	fully paid in cash	2013
ordinary bearer	-	-	33 389	133 556	fully paid in cash	2014
Total number of shares			**42 207 402**			
Total registered share capital				**168 829 608**		
Nominal value per share (PLN)		4				

* As at the end of the reporting period

23. Material share packages

Commerzbank AG is a shareholder holding over 5% of the share capital and votes at the General Meeting and as at 30 September 2014 it held 69.54% of the share capital and votes at the General Meeting of mBank S.A.

Pursuant to a notice sent to mBank S.A. on 8 July 2011, the Bank informed in the current report No 46/2011, that ING Powszechne Towarzystwo Emerytalne (ING PTE S.A.) became the owner of mBank S.A. shares representing more than 5% of the votes at the General Meeting of mBank S.A.

Prior to this acquisition of shares, ING PTE S.A. held 2 085 431 shares of mBank S.A., which constituted 4.96% of mBank S.A. share capital and entitled it to exercise 2 085 431 votes at the General Meeting of mBank S.A., which represented 4.96% of the total number of votes at the General Meeting of mBank S.A.

On 8 July 2011, there were 2 290 882 shares of mBank S.A. at the ING PTE S.A. securities account. It constitutes 5.44% of the Bank's share capital which entitles to exercise 2 290 882 votes at the General Meeting of mBank S.A., representing 5.44% of the total number of votes at the General Meeting of mBank S.A.

In the third quarter of 2014, there were changes in the holding of material share packages of the Bank.

On 30 July 2014, the Bank received from Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK ("Aviva OFE") notification of decreasing below 5% of the total number of votes at the General Meeting of mBank.

At the unchanged ownership of 2 108 826 shares of mBank before the admission to trading of 31 844 mBank shares of a new issue, the above number of shares represented 5.00% of the share capital (issued shares) mBank SA and entitled Aviva OFE to 5.00% of the total number of votes at the General Meeting of mBank.

Following the admission to trading of 31 844 shares of mBank, the Aviva OFE participation in the share capital of mBank decreased to 4.996%, which resulted in a parallel decrease in the total number of votes at the General Meeting of mBank to the level of 4,996%.

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In the third quarter of 2014, the National Depository of Securities (KDPW) has registered 31 844 shares of mBank S.A., which were issued as part of the conditional increase in the share capital of the Bank by issuance of shares with no subscription rights for the existing shareholders in order to enable beneficiaries of the incentive programmes to take up shares in mBank S.A. As a result of the above registration, in the third quarter of 2014 the Bank's share capital increased by PLN 127 376.

Moreover, in connection with the registration of 2 655 shares of mBank S.A. by KDPW on 14 October 2014, the Bank's share capital increased on 14 October 2014 by the amount of PLN 10 620. The shares were issued as part of the conditional increase in the share capital of the Bank by issuance of shares with no subscription rights for the existing shareholders with the aim of granting those shares to beneficiaries of the incentive programmes. As at the publication date of these condensed consolidated financial statements, the share capital of mBank S.A. amounted to PLN 168 840 228 and was divided into 42 210 057 shares.

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

	Number of shares held as at the date of publishing the report for H1 2014	Number of shares acquired from the date of publishing the report for H1 2014 to the date of publishing the report for Q3 2014	Number of shares sold from the date of publishing the report for H1 2014 to the date of publishing the report for Q3 2014	Number of shares held as at the date of publishing the report for Q3 2014
Management Board				
1. Cezary Stypułkowski	2 034	-	-	2 034
2. Lidia Jabłonowska-Luba	-	-	-	-
3. Przemysław Gdański	3 706	-	-	3 706
4. Joerg Hessenmueller	901	-	-	901
5. Hans-Dieter Kemler	2 712	-	1 712	1 000
6. Cezary Kocik	1 017	-	1 017	-
7. Jarosław Mastalerz	3 142	-	3 142	-

As at the date of publishing the report for the first half of 2014 and as at the date of publishing the report for the third quarter of 2014, the Members of the Management Board had no Bank rights to shares and they have no Bank rights to shares.

As at the date of the publishing the report for the first half of 2014, Mr. Wiesław Thor had 7 916 shares of mBank. As at the date of the publishing the report for the third quarter of 2014, after the sale transaction of 4 916 shares, Mr. Wiesław Thor had 3 000 shares of mBank.

As at the date of publishing the report for the first half of 2014 and as at the date of publishing the report for the third quarter of 2014, the other Members of the Supervisory Board of mBank S.A. had neither Bank shares nor Bank rights to shares.

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

As at 30 September 2014, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the Bank or its subsidiaries, which represent at least 10% of the Bank's equity. Moreover, the total value of claims concerning liabilities of the Bank or its subsidiary in all proceedings before a court, an arbitration body or a public administration authority as at 30 September 2014 was also not higher than 10% of the Bank's equity.

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

Report on major proceedings brought against the Bank

1. Lawsuit brought by Bank BPH SA ('BPH') against Garbary Sp. z o.o. ('Garbary')

   BPH brought the case to court on 17 February 2005. The value of the dispute was estimated at PLN 42 854 thousand. The purpose was to cancel actions related to the creation of Garbary and the contribution in kind. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings that ZM Pozmeat SA contributed in kind to Garbary as payment for a stake in ZM Pozmeat SA share capital worth PLN 100 000 thousand. On 6 June 2006, the District Court in Poznań issued a verdict according to which the claims were dismissed in their entirety. The claimant filed an appeal against that verdict. On 6 February 2007, the Court of Appeal dismissed the claimant's appeal. The claimant filed the last resort appeal against the ruling of the Court of Appeal. On 2 October 2007, the Supreme Court revoked the ruling of the Court of Appeal and referred the case back. After re-examining the case, the Court of Appeal dismissed the ruling of the District Court in Poznań on 4 March 2008 and referred the case back. On 16 September 2010, the District Court in Poznań dismissed the claim in whole. On 19 October 2010, BPH filed an appeal against the ruling in question. On 24 February 2011, the Court of Appeal made a decision on revoking the ruling and discontinuance of proceedings involving Bank Pekao S.A. (the Bank entered in the proceedings as successor of BPH) justified by lack of title to bring the action before the court on the side of the Bank. The case was returned to the court of the first instance where it will be continued with the participation of BPH as the claimant. Bank Pekao SA filed the last resort appeal against the aforesaid decision with the Supreme Court. On 25 April 2012, the Supreme Court revoked the aforesaid decision of the Court of Appeal and referred the case back. On 9 April 2014 the Court of Appeal changed the ruling of the District Court and considered the activities connected with setting up Garbary company and contribution in kind as ineffective in relation to Bank Pekao S.A. The Bank is considering filing an annulment appeal to the Supreme Court from above mentioned judgment.

2. Lawsuit brought by Bank BPH SA against the Bank and Tele-Tech Investment Sp. z o.o. ('TTI')

   On 17 November 2007, BPH brought to court a case for damages in the amount of PLN 34 880 thousand plus statutory interest from 20 November 2004 to the date of payment, due to alleged illegal actions such as the sale by ZM Pozmeat SA to TTI of all shares in the equity of Garbary Sp. z o.o. (previously Milenium Center Sp. z o.o.), an important part of its assets, while ZM Pozmeat SA was at risk of insolvency.

   In its reply to the claim, the Bank petitioned the Court for dismissing the claim on the grounds of there being no legal basis for allowing the claim. On 1 December 2009, the Court decided to suspend the case until the completion of Pozmeat's bankruptcy proceedings. On 26 January 2011, the court has decided to reinstate suspended proceedings due to the closing of the insolvency procedure. On 5 June 2012, the court once again decided to suspend the proceedings until the case filed by Bank BPH SA against Garbary Sp. z o.o. is finally settled.

3. Claims of clients of Interbrok

   170 entities who were clients of Interbrok Investment E. Dróżdż i Spółka Spółka jawna (hereinafter referred to as Interbrok) called the Bank for amicable settlement in the total amount of PLN 385 520 thousand and via the District Court in Warsaw. In addition, 9 legal compensation suits have been delivered to the Bank. Eight of the nine suits where placed by former clients of Interbrok for the total amount of PLN 800 thousand with the reservation that the claims may be extended up to the total amount of PLN 5 950 thousand. Plaintiffs allege that the Bank aided in Interbrok's illegal activities, which caused damage to plaintiffs. The District Court in Warsaw settled 8 of the aforementioned court cases and dismissed actions in all cases. As a consequence of the Court of Appeal verdict on 4 March 2010, one of the judgments becomes final and valid. On 22 June 2011, the Supreme Court dismissed the plaintiff's cassation appeal in the said case. As far as the remaining cases are concerned, on 21 December 2010 and 17 January 2012, the Court of Appeals revoked the judgments of the District Court and remanded the cases to the District Court in Warsaw for re-examination. On 23 May 2013, the District Court in Warsaw upon re-examination of the case of 6 former clients of Interbrok dismissed actions for a total of PLN 600 thousand. The court case was in whole appealed against by all plaintiffs, whereas in relation to one plaintiff the appeal was rejected, and in relation to five plaintiffs the appeal was dismissed under the verdict of the Court of Appeal in Warsaw issued on 13 June 2014. In the 9th case the value of the subject of litigation amounts to PLN 275 423 thousand together with statutory interest and legal costs. The amount set forth in the petition is to cover the receivables, acquired by the Plaintiff by way of assignment, due to parties aggrieved by Interbrok on account of the reduction (as a result of Interbrok's bankruptcy) of the receivables by a return of the deposits paid by the aggrieved for making investments on the forex market. The Plaintiff claims the Bank's liability on the grounds of the Bank's aiding to commit the illicit act of Interbrok involving the pursuit of brokerage activity without a permit. At present, the case is being heard by the court of first instance.

   In all court cases the Bank moves for dismissal of the claims in entirety and objects to charges raised in the legal suits. The legal analysis of the abovementioned claims indicates that there are not significant grounds to state that the Bank bears liability in the case.

4. Class action against mBank S.A.

   On 4 February 2011, the Bank received a class action brought to the District Court in Łódź on 20 December 2010 by the Municipal Ombudsman who represents a group of 835 persons – retail clients of the Bank. The petitioners demand that a responsibility of the Bank is determined for improper performance of mortgage credit agreements. In particular, it was indicated that the Bank improperly applied provisions of the agreements concerning interest rates adjustment, namely that the Bank did not reduce interest rates on loans, although, according to the petitioners, it should have. The

Bank rejects the above reasoning. On 18 February 2011, the Bank submitted a formal answer to the court, in which it applied for a dismissal of the claim as a whole.

On 6 May 2011, the District Court in Łódź decided to reject the application of mBank S.A. for dismissing the claim and decided that the case will proceed as a class action. On 13 June 2011, mBank S.A. lodged a complaint against this decision with the Court of Appeal in Łódź. On 28 September 2011, the Court of Appeal dismissed the complaint of mBank S.A. Currently, the case proceeds as a class action. The time for joining the class ended in March 2012. As at 17 October 2012, the approved class consisted of 1 247 members. Moreover, the District Court in Łódź ruled against setting up a cash deposit for mBank S.A. requested by the Bank. The Bank lodged a complaint against this ruling. On 29 November 2012, the Court of Appeal in Łódź dismissed the Bank's complaint about setting up the cash deposit. The ruling is valid and the Plaintiff is not obliged to pay the cash deposit. The final response to the petition was sent in January 2013, while the Plaintiff replied to it in a pleading filed on 15 February 2013. By a decision dated 18 February 2013, the District Court in Łódź decided to refer the case to mediation. In a letter dated 26 February 2013, the Municipal Consumer Ombudsman raised an objection to the mediation. On 22 June 2013, a trial was conducted, and on 3 July 2013, the Court announced its judgment in which it took into account the action in its entirety acknowledging that the Bank improperly performed the agreement whereby the consumers sustained a loss. On 9 September 2013, the Bank filed an appeal against the aforementioned verdict. Under the sentence of 30 April 2014, the Court of Appeal in Łódź dismissed the appeal of mBank, upholding the decision of the District Court expressed in the appealed verdict. The aforementioned verdict is legally valid, however, after having received its written justification, mBank lodged an annulment appeal to the Supreme Court. The annulment appeal was brought by mBank on 3 October 2014. On 7 October 2014 the Court of Appeal in Łódź ceased the enforceability of the judgement of District Court in Łódź until consideration of Bank's annulment appeal.

As at 30 September 2014, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the Bank or its subsidiaries, which represent at least 10% of the Bank's equity. The total value of claims concerning receivables of the Bank or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 30 September 2014 was also not higher than 10% of the Bank's equity.

Information regarding tax audits

From 14 May 2014 to 4 June 2014, Director of the Treasury Office Poznan-Wilda (Urząd Skarbowy Poznań – Wilda) carried out tax audit in Garbary Sp. z o.o. concerning correctness of the settlements of the personal income tax, the corporate income tax and the value added tax for the year 2012. The audits did not identify any irregularities.

From 11 February 2014 to 4 April 2014, Director of the First Mazovian Treasury Office in Warsaw (Pierwszy Mazowiecki Urząd Skarbowy w Warszawie) carried out tax audit at the company mLeasing concerning correctness of the settlement of the value added tax for the fourth quarter of 2013. The audit did not identify any irregularities.

From 9 January 2014 to 7 February 2014, Director of the First Mazovian Treasury Office in Warsaw (Pierwszy Mazowiecki Urząd Skarbowy w Warszawie) carried out tax audit at the company BRE Ubezpieczenia Sp. z o.o. concerning correctness of the settlement of the value added tax for the third quarter of 2013. The audit did not identify any irregularities.

Within the period from 7 January 2013 to 5 December 2013, audit proceedings and tax audit concerning reliability of declared tax bases and correctness of calculation and payment of corporate income tax for the year 2007 were conducted in mBank S.A. by the workers of Treasury Control Office in Warsaw (Urząd Kontroli Skarbowej w Warszawie). The audit did not identify any irregularities.

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

26. Off-balance sheet liabilities

Off-balance sheet liabilities as at 30 September 2014, 31 December 2013, and 30 September 2013, were as follows:

IFRS Condensed Consolidated Financial Statements for the third quarter of 2014 PLN (000's)

mBank Group consolidated data

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
1. Contingent liabilities granted and received	**24 079 395**	**22 765 468**	**23 128 865**	**20 098 684**
Commitments granted	**22 509 302**	**21 243 787**	**21 729 866**	**18 589 472**
- financing	18 912 925	17 678 010	18 532 287	15 625 339
- guarantees and other financial facilities	3 572 146	3 560 049	3 188 247	2 963 801
- other commitments	24 231	5 728	9 332	332
Commitments received	**1 570 093**	**1 521 681**	**1 398 999**	**1 509 212**
- financial commitments	21 763	-	210 735	524 089
- guarantees	1 548 330	1 521 681	1 188 264	985 123
2. Derivative financial instruments (nominal value of contracts)	**724 748 774**	**685 487 837**	**602 679 318**	**676 769 864**
Interest rate derivatives	655 686 126	627 592 983	558 866 816	630 259 071
Currency derivatives	67 307 551	56 410 802	42 339 260	43 742 513
Market risk derivatives	1 755 097	1 484 052	1 473 242	2 768 280
Total off-balance sheet items	**748 828 169**	**708 253 305**	**625 808 183**	**696 868 548**

mBank stand-alone data

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
1. Contingent liabilities granted and received	**27 319 881**	**25 910 905**	**24 394 472**	**21 167 854**
Commitments granted	**25 832 432**	**24 391 600**	**22 997 849**	**19 491 430**
- financing	17 299 766	15 920 432	16 875 724	14 335 707
- guarantees and other financial facilities	8 508 966	8 465 714	6 113 125	5 155 723
- other commitments	23 700	5 454	9 000	-
Commitments received	**1 487 449**	**1 519 305**	**1 396 623**	**1 676 424**
- financial commitments	21 763	-	210 735	693 530
- guarantees	1 465 686	1 519 305	1 185 888	982 894
2. Derivative financial instruments (nominal value of contracts)	**727 952 134**	**688 405 355**	**604 655 028**	**678 792 377**
Interest rate derivatives	657 595 747	629 225 305	559 530 365	631 516 812
Currency derivatives	68 601 835	57 696 236	43 651 657	44 507 761
Market risk derivatives	1 754 552	1 483 814	1 473 006	2 767 804
Total off-balance sheet items	**755 272 015**	**714 316 260**	**629 049 500**	**699 960 231**

27. Transactions with related entities

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

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

The amounts of transactions with related entities, i.e., balances of receivables and liabilities and related costs and income as at 30 September 2014, 31 December 2013, and 30 September 2013 were as follows.

PLN (000's)	mBank S.A. subsidiaries not consolidated by the acquisition method			Commerzbank AG Group		
As at the end of the period	**30.09.2014**	**31.12.2013**	**30.09.2013**	**30.09.2014**	**31.12.2013**	**30.09.2013**
Statement of Financial Position						
Assets	104 451	59 358	59 343	495 188	948 518	624 695
Liabilities	1 181	1 541	484	15 810 716	18 245 291	20 187 463
Income Statement						
Interest income	6 260	3 822	2 821	115 567	113 713	86 051
Interest expense	(22)	(34)	(14)	(248 545)	(345 291)	(260 231)
Fee and commission income	22	35	29	-	-	-
Other operating income	26 760	3	-	7	320	178
Overhead costs, amortisation and other operating expenses	(58)	(70)	(70)	(7 348)	(9 022)	(10 071)
Contingent liabilities granted and received						
Contingent liabilities granted	371	857	854	1 305 927	1 278 880	912 448
Contingent liabilities received	-	-	-	786 551	717 528	636 838

28. Credit and loan guarantees, other guarantees granted in excess of 10% of the equity

As at 30 September 2014, the Bank's exposure under guarantees granted in excess of 10% of own funds related to the guarantee payment of all amounts to be paid in respect of debt securities issued by mFinance France S.A. (mFF), a subsidiary of the mBank S.A.

On 4 October 2012, the subsidiary issued Eurobonds under the Euro Medium Term Note Programme with a nominal value of EUR 500 000 thousand maturing on 12 October 2015. In this case, the guarantee was given on 4 October 2012 for the duration of the Programme, which is until 12 October 2015.

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

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

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

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

On 20 October 2014, Mr Maciej Leśny, Chairman of the Supervisory Board of mBank S.A., received from Mr Jan Szomburg, Member of the Supervisory Board of mBank S.A. and Member of the Executive Committee, a letter of resignation from his function as of 27 October 2014. The resignation is related with Mr Jan Szomburg being proposed for the post of a new advisory functions in the Commerzbank AG Group.

Under the Resolution from 27 October 2014, in place of Mr Jan Szomburg, the resigning Member of the Supervisory Board, on 28 October 2014 Mrs Agnieszka Słomka-Gołębiowska was appointed as a new Member of the Supervisory Board for the period until the end of the current term of the Supervisory Board. Mrs. Agnieszka Słomka-Gołębiowska, was also posted as a Member of the Risk Committee of the Supervisory Board of mBank S.A.

30. Factors affecting the results in the coming quarter

The easing of the reference as well as the Lombard rate announced on October 8, 2014 by the Monetary Policy Council may have a negative impact on the net interest income of mBank Group in Q4 2014.

31. Results of the Asset Quality Review and stress test concerning mBank S.A. Group

On 26 October 2014 the Polish Financial Supervision Authority announced the results of the Asset Quality Review and stress test concerning mBank S.A. Group. Under the stress test, mBank Group's Common Equity Tier 1 ratio according to the methodology applied by the European Central Bank amounted to 11.08% compared to a minimum EU requirement of 5.5% in an adverse stress scenario and 12.41% compared to a minimum of 8.0% under the baseline scenario.

The Asset Quality Review, conducted over the last several months by the European regulators, involved an in-depth and comprehensive analysis of important segments of banking balance sheets. The review aimed at ensuring that the values of assets under investigation are appropriately represented in the banks' financial reporting and have adequate levels of provisioning coverage. Moreover, the stress tests examined the resilience of banks' capital buffers to a crisis scenario over a period of three years (2014-2016).

Results of the Asset Quality Review and stress tests will not have a material impact on the mBank S.A. Group result in the fourth quarter of 2014.