mBank S.A. Group

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015

Contents

Selected financial data

The selected financial data are supplementary information to the condensed consolidated financial statements of mBank S.A. Group for the first quarter of 2015.

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000		in EUR'000	
		1st Quarter of 2015 the period from 01.01.2015 to 31.03.2015	1st Quarter of 2014 the period from 01.01.2014 to 31.03.2014	1st Quarter of 2015 the period from 01.01.2015 to 31.03.2015	1st Quarter of 2014 the period from 01.01.2014 to 31.03.2014
I.	Interest income	912 286	957 742	219 886	228 611
II.	Fee and commission income	314 527	353 775	75 810	84 445
III.	Net trading income	102 618	92 118	24 734	21 988
IV.	Operating profit	565 318	436 516	136 257	104 195
V.	Profit before income tax	565 318	436 516	136 257	104 195
VI.	Net profit attributable to Owners of mBank S.A.	450 936	337 770	108 688	80 625
VII.	Net profit attributable to non-controlling interests	1 408	979	339	234
VIII.	Net cash flows from operating activities	(2 175 637)	1 879 390	(524 389)	448 606
IX.	Net cash flows from investing activities	348 792	(46 217)	84 069	(11 032)
X.	Net cash flows from financing activities	2 131 401	(1 845 701)	513 727	(440 565)
XI.	Net increase / decrease in cash and cash equivalents	304 556	(12 528)	73 406	(2 990)
XII.	Basic earnings per share (in PLN/EUR)	10.68	8.01	2.57	1.91
XIII.	Diluted earnings per share (in PLN/EUR)	10.67	8.00	2.57	1.91
XIV.	Declared or paid dividend per share (in PLN/EUR)	-	17.00	-	4.06

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN'000			in EUR'000		
		As at			As at		
		31.03.2015	31.12.2014	31.03.2014	31.03.2015	31.12.2014	31.03.2014
I.	Total assets	123 293 888	117 985 822	107 143 257	30 152 577	27 681 257	25 685 819
II.	Amounts due to the Central Bank	1	-	2	0	-	0
III.	Amounts due to other banks	17 839 428	13 383 829	19 481 095	4 362 785	3 140 049	4 670 269
IV.	Amounts due to customers	71 861 014	72 422 479	63 596 439	17 574 227	16 991 408	15 246 192
V.	Equity attributable to Owners of mBank S.A.	11 568 718	11 043 242	9 838 129	2 829 229	2 590 911	2 358 528
VI.	Non-controlling interests	31 146	29 738	28 075	7 617	6 977	6 731
VII.	Share capital	168 841	168 840	168 702	41 292	39 612	40 444
VIII.	Number of shares	42 210 157	42 210 057	42 175 558	42 210 157	42 210 057	42 175 558
IX.	Book value per share (in PLN/EUR)	274.07	261.63	233.27	67.03	61.38	55.92
X.	Total capital ratio/capital adequacy ratio	16.26	14.66	16.26	16.26	14.66	16.26

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000		in EUR'000	
		1st Quarter of 2015 the period from 01.01.2015 to 31.03.2015	1st Quarter of 2014 the period from 01.01.2014 to 31.03.2014	1st Quarter of 2015 the period from 01.01.2015 to 31.03.2015	1st Quarter of 2014 the period from 01.01.2014 to 31.03.2014
I.	Interest income	828 749	882 670	199 752	210 691
II.	Fee and commission income	268 733	297 219	64 772	70 945
III.	Net trading income	101 759	85 413	24 527	20 388
IV.	Operating profit	482 167	388 010	116 216	92 617
V.	Profit before income tax	482 167	388 010	116 216	92 617
VI.	Net profit	385 737	302 630	92 973	72 237
VII.	Net cash flows from operating activities	(399 751)	1 674 611	(96 351)	399 726
VIII.	Net cash flows from investing activities	144 841	(30 288)	34 911	(7 230)
IX.	Net cash flows from financing activities	346 999	(1 850 875)	83 636	(441 800)
X.	Net increase / decrease in cash and cash equivalents	92 089	(206 552)	22 196	(49 303)
XI.	Basic earnings per share (in PLN/EUR)	9.14	7.18	2.20	1.71
XII.	Diluted earnings per share (in PLN/EUR)	9.13	7.17	2.20	1.71
XIII.	Declared or paid dividend per share (in PLN/EUR)	-	17.00	-	4.06

SELECTED FINANCIAL DATA FOR THE BANK		in PLN'000			in EUR'000		
		As at			As at		
		31.03.2015	31.12.2014	31.03.2014	31.03.2015	31.12.2014	31.03.2014
I.	Total assets	**119 061 373**	**113 603 463**	**102 984 689**	**29 117 479**	**26 653 089**	**24 688 871**
II.	Amounts due to the Central Bank	**1**	**-**	**2**	**0**	**-**	**0**
III.	Amounts due to other banks	**17 768 840**	**13 384 224**	**19 251 724**	**4 345 522**	**3 140 141**	**4 615 282**
IV.	Amounts due to customers	**78 941 341**	**79 312 266**	**66 035 088**	**19 305 782**	**18 607 856**	**15 830 817**
V.	Own equity	**10 734 788**	**10 269 586**	**9 145 875**	**2 625 284**	**2 409 400**	**2 192 572**
VI.	Share capital	**168 841**	**168 840**	**168 702**	**41 292**	**39 612**	**40 444**
VII.	Number of shares	**42 210 157**	**42 210 057**	**42 175 558**	**42 210 157**	**42 210 057**	**42 175 558**
VIII.	Book value per share (in PLN/EUR)	**254.32**	**243.30**	**216.85**	**62.20**	**57.08**	**51.99**
IX.	Total capital ratio/capital adequacy ratio	**18.41**	**16.95**	**18.12**	**18.41**	**16.95**	**18.12**

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

a) for items of the statement of financial position – exchange rate announced by the National Bank of Poland as at 31 March 2015: EUR 1 = PLN 4.0890, as at 31 December 2014: EUR 1 = PLN 4.2623, as at 31 March 2014: EUR 1 = PLN 4.1713.

b) for items of the income statement – exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of the first quarter of 2015 and 2014: EUR 1 = PLN 4.1489 and EUR 1 = PLN 4.1894 respectively.

Introduction

In Q1 2015, mBank Group continued to face unfavourable market conditions. These included in particular the interest rate cuts announced by the Monetary Policy Council (RPP) and reduced *interchange fee* for payment cards. The quarter-on-quarter increase in the reported Bank's revenues was driven mainly by the recognition of gains from the sale of BRE Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji S.A. (BRE Ubezpieczenia TUiR) to AXA Group and the signing of agreements accompanying the sale, while a rise on the cost side was triggered by higher contribution to the Bank Guarantee Fund compared to 2014.

In the analysed period the Bank reported a rise in loans to clients driven by the appreciation of CHF against PLN. At the same time, a slight drop in deposits was registered due to outflow of corporate deposits.

In Q1 2015, mBank signed a long-term agreement on strategic cooperation with Allegro, Poland's dominant online auction platform. The cooperation includes offering mBank's products to the website's users.

In Q1 2015, mBank Group generated a profit before tax of PLN 565.3 million, which represents an increase of PLN 181.5 million, i.e., 47.3% QoQ. Net profit attributable to owners of mBank increased by PLN 142.3 million, i.e., 46.1% QoQ and amounted to PLN 450.9 million.

The main factors determining changes in the financial results were as follows:

- **Increase of total income** to PLN 1,118.1 million, i.e., by 19.0% QoQ. Net interest income decreased by PLN 45.1 million, i.e., 7.1%, and net fee and commission income was lower by PLN 6.5 million, i.e., 3.2%. Net trading income increased to PLN 102.6 million, i.e., 45.5%. In Q1 2015, mBank Group reported gains on the sale of BRE Ubezpieczenia TUiR and related agreements with AXA Group companies.

- **Slight increase of operating expenses** (including amortisation) compared to the previous quarter, by PLN 9.4 million, i.e., 2,1%, which amounted to PLN 452.8 million. As a result, the cost/income ratio reached 40.5% in Q1 2015, or 49.0% excluding a one-off gain on the sale of BRE Ubezpieczenia TUiR, compared to 47.2% in Q4 2014.

- **Net impairment losses on loans and advances** decreased to PLN 100.0 million and the overall asset quality improved. As a consequence **the cost of risk** decreased to 52 basis points in Q1 2015, compared to 61 basis points a quarter earlier.

- **Continued organic growth and business expansion** as demonstrated by:
  - **Growth of the retail customer base** to 4,803 thousand (+114 thousand customers QoQ);
  - **Increase in the number of corporate customers** to 18,133 clients (+346 customers QoQ).

As at the end of Q1 2015, net loans and advances stood at PLN 78,977.1 million and increased by PLN 4,394.7 million, i.e., 5.9% QoQ. The change was driven by an increase in the volume of both corporate and retail loans. The volume of gross loans granted to corporate clients and retail clients stood at PLN 35,340.0 million and PLN 43,787.5 million, respectively.

The volume of customer deposits was stable QoQ and stood at PLN 71,861.0 million. Retail customer deposits increased by 1.0% to PLN 39,693.2 million, while corporate customer deposits decreased by 4.4% to PLN 30,816.4 million.

As a result of the changes discussed above, the loan to deposit ratio of mBank Group stood at 109.9%.

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

- Gross ROE of 20.6% (compared to 15.5% in Q4 2014);
- Net ROE of 16.2% (compared to 12.5% in Q4 2014).

mBank Group's capital ratios remained at safe levels. As at the end of March 2015, the total capital ratio stood at 16.3% and the Common Equity Tier 1 ratio at 12.9%. In December 2014, mBank issued 750 million of subordinated debt, which was recognized in January 2015.

mBank's "One Network" Project

Under the "One Bank" Strategy approved in 2012, mBank is implementing the One Network Project to consolidate its sales network and to better service the needs of its retail and corporate customers. Separate retail and corporate branches will be replaced by advisory competence centres while so called "light" branches will open in shopping malls. The advisory centres will be available in all cities where mBank currently operates its branches.

In January 2015, another "light" branch was opened, this time in the Klif shopping centre in Gdynia (after 2 branches opened in Łódź and Szczecin), and in March 2015, the second advisory centre was opened in Tczew (the first advisory centre was opened in Szczecin).

In Q1 2015, the Bank's light acquisition branch model was rewarded with the Best of Show award at FinovativeEurope 2015, the world's largest conference concerning technological innovations in the world of finance.

The light outlet project was appreciated for its unique use of new technologies, in particular:

- large-format wall comprising screens with unlimited number of touch-sensitive points and innovative graphical interface;
- motion detection and facial recognition technology aimed at dynamically adjusting contents presented on the screens;
- tools supporting clients' interaction with advisors at outlets.

Cooperation with AXA Group

On March 27 and 30, 2015, mBank Group finalized the transaction concerning the sale of shares in BRE Ubezpieczenia TUiR. At the same time, mBank Group signed the distribution agreements related to the sale of shares in BRE Ubezpieczenia TUiR, which regulate the long-term cooperation between the Group and the insurance company with regard to life and non-life insurance products.

The total remuneration of mBank Group arising from the sales of shares of the insurance company and distribution agreements with AXA Group entities amounted to PLN 579.5 million. The transaction's one-off, positive impact on the profit before income tax recognized in Q1 2015 reached PLN 194.3 million.

Cooperation with AXA Group will result in a wider range of products and improved quality of services for mBank Group clients, who will gain access to the most innovative insurance products available via electronic and mobile platforms as well as branches. For the Bank, the strategic alliance with AXA Group is another step towards full utilisation of the potential offered by the Internet and mBank's mobile platforms.

mBank's strategic cooperation with Allegro

In Q1 2015, mBank signed a long-term agreement with the online auction platform Allegro on strategic cooperation consisting in offering the Bank's products to the website's users.

Under the cooperation, Allegro users who do not have bank accounts with mBank yet will be offered dedicated accounts for individuals and businesses. Retail clients will be able to open the eKonto mobilne dedicated for Allegro users, a free-of-charge bank account enabling clients to save while shopping in Allegro's mobile application. The special offer is based on mOkazje, mBank's discount scheme. Account users will be offered personalised deals for six months following account opening. The client will receive a certain cash-back for the purchases made through Allegro mobile application. Business clients will be offered the mBiznes Konto Komfort (special edition for Allegro clients) with the promotional offer "PLN 300 for ZUS" (clients will get back PLN 50 on a monthly basis for making transfers to the Social Insurance Institution (ZUS) from their business accounts with mBank).

mBank products will be offered to individuals in different parts of the Allegro service in the form of banners with contextual ads, in e-mails and newsletters.

Cooperation with Allegro, the largest online auction service in Poland will provide mBank with access to a completely new group of clients - 13 million Allegro users concluding ca. 160 million transactions every year.

Strategic alliance with Orange

The joint-venture of mBank and Orange, Poland's leading landline telephone, Internet and data transfer provider, called Orange Finanse, was launched on October 2, 2014.

In Q1 2015, over 55 thousand clients were acquired through Orange Finanse, while the overall client acquisition from the start of this cooperation exceeded 95 thousand, which proves high business potential of this venture. The quarter was marked by new implementations and changes in the offer of Orange Finanse.

In January 2015, Orange Finanse reached out to micro-enterprises, offering them Account for Companies with an option of a credit line of up to PLN 10 thousand. In February, Orange Finanse offered NFC debit cards to individual clients and micro-enterprises (Near Field Communication, i.e. contactless payments by mobile phone) in the form of a solution integrated with Orange Finanse mobile application. In addition, this client group was offered BLIK payments (BLIK - Polish Payment System). In March 2015, active users of Orange Finanse were offered a discount on the cost of telecommunication services.

Throughout the coming quarters focus will be placed mainly on exploiting the development potential of the lending business, in particular the possibility of granting cash loans in traditional Orange-branded sales outlets.

Awards and distinctions

Q1 2015 was yet another quarter when the continued implementation of the "One Bank" Strategy was recognised and appreciated by both market participants and domestic and foreign experts. The New mBank platform that was made available in June 2013, allowing clients to use totally redesigned Internet and mobile banking, and the modernisation of the sales network received a number of awards and distinctions in Q1 2015.

"Golden Banker 2014": mBank named the best bank of 2014

In the sixth edition of the "Golden Banker" ranking, organised by the financial portal Bankier.pl and the Polish leader on the market of Internet payments PayU, mBank won for the fifth time, receiving awards for the best mobile banking, the best retail current account and the best account for entrepreneurs. mBank also received the largest number of nominations in all categories (16% of votes) and hence it won the main award - the Golden Bank statue.

The goal of the competition is to name the best financial products on the Polish market. Internet users vote to select the winners through the dedicated website.

Global Finance hails mBank as the best bank in Poland

The Global Finance magazine, which has been analysing the financial market around the world for 27 years, once again selected the best banks in the emerging markets of Central and Eastern Europe. mBank was named the best bank in Poland.

The best banks in 21 countries were selected on the basis of data received from analysts, managers and banking consultants. The criteria that were taken into account in the ranking included growth in assets, profitability, cooperation with strategic partners, customer service, prices and innovative products.

mBank - the most innovative bank in the Banking and Insurance World Leaders competition

In the fourth edition of the Banking and Insurance World Leaders competition, mBank was ranked the most innovative bank for the second time in a row. During the gala, institutions which significantly contributed to the development of both areas were awarded. The jury appreciated the changes which were implemented in the area of mobile banking, and it was stressed in the justification that the new totally redesigned application using, among others, such solutions as the fastest loan (in 30 seconds) on the market or the mOkazje discount program with the possibility of geolocation of available offers, made banking simpler and fully adjusted to the current needs of the clients.

mBank's model of offering insurance was ranked the best in the category "Innovation and Emerging Technologies" by Celent Research

Experts of the consultancy and research institution Celent Research, which assists financial institutions in the development of comprehensive business and technology strategies, appreciated mBank's model of offering insurance. For the second consecutive time mBank was among the winners of the international Model Bank Awards competition.

mBank won in the "Innovation and Emerging Technologies" category, presenting a model where the comprehensive insurance portfolio comprising more than 30 complete products is offered remotely, via modern processes and through all the available channels: the Internet, phone, mobile devices, video-calls and in outlets.

Service Quality Star in 2015 in the "Banks" category

mBank was once again among the winners and received the Service Quality Star award in the "Banks" category in the Service Quality program. Brands with the highest Customer Satisfaction Index (CSI) that stand out against their competitors and compared with the Polish Customer Satisfaction Index (PCSI) were selected on the basis of assessments and opinions of consumers published on the jakoscobslugi.pl website.

In 2014 the average PCSI stood at 76.8% and in the banking and finance area it was 72.1%, representing an increase by 2.8% against 2013.

Apart from the general assessment of service quality in every touch point, consumers gave their opinion in a few categories connected with among others the assessment of knowledge and competence of the personnel, organization and time of service or offer, price and assortment.

Euromoney statuette for mBank Private Banking

For the seventh time private banking of mBank was ranked the best in Poland by Euromoney Magazine, a prestigious British financial magazine. The assessment criteria included the quality of services, quality of customer service and product offer.

Every year, Euromoney Magazine conducts a survey among financial institutions offering specialist banking services to affluent clients. In Poland, mWealth Management has been the winner of this ranking every year since 2007.

Macroeconomic environment in Q1 2015

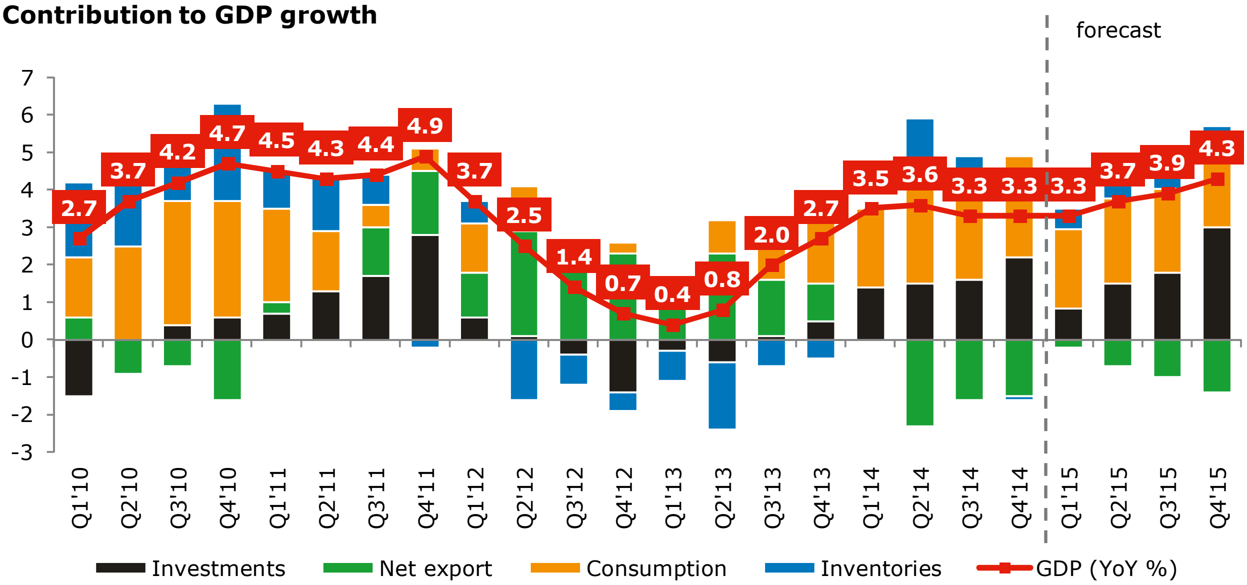
Q1 2015 saw further business recovery and clear improvement of many high-frequency economic indicators. In the opinion of the Bank, this is only the beginning of good news from the economy this year: it is only a matter of time when the recovery becomes more pronounced, exceeding a growth rate of 4% in late 2015.

First of all, Q1 2015 was a time of further dynamic growth of industrial production, particularly strong in processing sectors: the carefully monitored momentum measures which track short-term growth were the highest in Q1 since 2010. The recovery in Polish industry is broad and involves both exporting sectors and producers with prevalently domestic customers. The strong outlook of industry is also corroborated by high business cycle indicators published by the Central Statistical Office of Poland (GUS), the European Commission and Market Economics (PMI).

Second, there are also signs of recovery in construction, at this time driven mainly by private residential investments (as demonstrated by the very high number of residential construction projects initiated in Q1) as well as commercial projects. This corroborates the forecast of high growth of investments in the Polish economy. Based on incomplete data (corporate investment plans, utilisation of production capacity, production and imports of investment goods), it seems that the growth rate of corporate investment in machinery, equipment and vehicles remained very solid in early 2015.

Third, the drivers that have supported consumer demand for many quarters continued to exert a strong impact in early 2015, including improvement on the labour market (the unemployment rate fell by ca. 0.4 percentage point to the lowest level since June 2009), strong growth of household incomes in real terms (the growth rate of wages and salaries in real terms in early 2015 was more than 6% YoY, the highest in more than five years), and improvement of consumer sentiment, particularly income expectations. Nevertheless, in the past months, these factors were not reflected in improvement of retail sales: the growth rate in Q1 oscillated around 0 in nominal terms and a modest 3% in real terms. In the opinion of the Bank, this does not contravene the optimistic outlook of consumption: it is but a symptom of Polish consumer preferences shifting from durable goods to consumer services.

Contribution to GDP growth



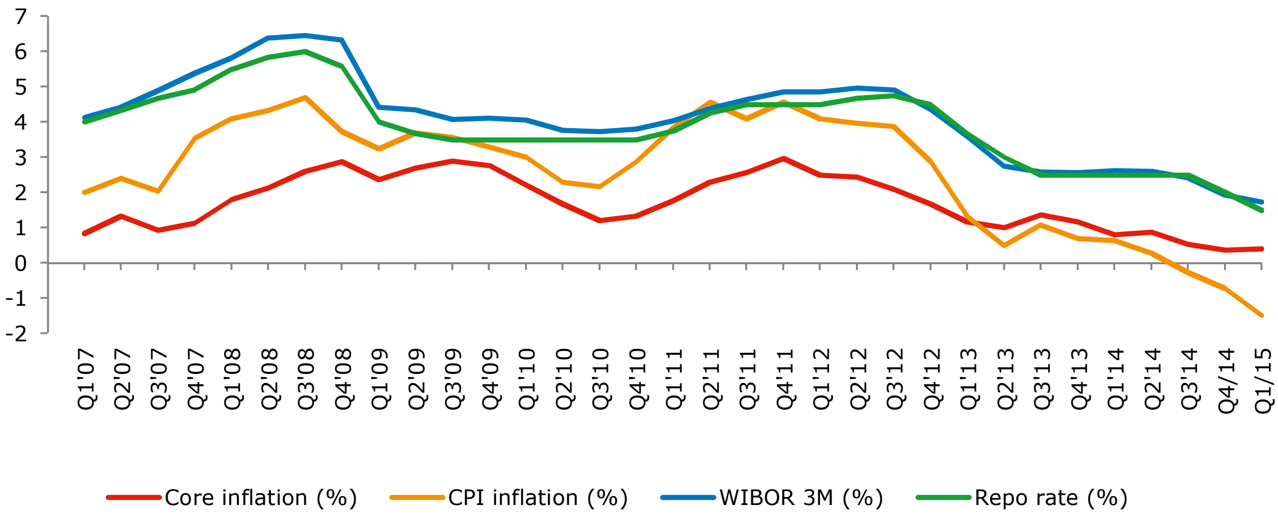
According to the Bank's estimates, GDP growth in Q1 most likely remained at Q4 2014 level. However, the year-on-year growth indicators are misleading due to the base effect caused by one-off events in 2014, including temporary availability of VAT deductions on the purchase of brand-new cars, as well as a very warm winter. Net of these factors, GDP growth in Q1 2015 was higher, as demonstrated by the analysis of the current momentum of the Polish economy, which corroborates its very strong condition at the outset of this year.

Inflation, interest rates and FX rates

Deflation trends which developed in the past years grew stronger in Q1 2015 as inflation fell further to the all-time low at only -1.6% YoY in February. This was largely driven by the continuing global oil price decrease resulting in reductions of retail prices of fuels. The record-low inflation was also driven in Q1 by continued oversupply in agricultural and food sectors, resulting in relatively low food prices, as well as very sluggish core inflation components as a reflection of low demand pressures both domestically and internationally.

In the opinion of the Bank, Q1 saw inflation's low in the cycle and the year-on-year CPI should gradually increase in the coming months. This is driven by the stabilisation of oil prices (especially considering that the dollar has risen strongly against the zloty) as well as favourable base effects (initially in food prices, followed in H2 by energy prices). All in all, these drivers should bring inflation above 0 later this year. Furthermore, in the opinion of the Bank, this does not mean that inflation will bounce back to the NBP's inflation target or cause serious implications for the monetary policy. Moreover, the strengthening of the zloty observed in the past weeks will adversely affect the return to the CPI path (at the risk that core inflation may fall below 0), pushing back the prospects that inflation will go back to the target.

CPI inflation and NBP reference rate



The vast majority of inflation readings in the past months brought unpleasant surprises and gradually pushed the future inflation path down below NBP's expectations defined in its November inflation forecast. The scale of deviation from NBP's forecasts and the risk of permanent underperformance of the inflation target prompted the Monetary Policy Council to interrupt the period of monitoring the economy, initiated in November, and to bolster its relaxed bias with an interest rate cut. The right time for the relaunch of the monetary policy easing cycle came at the March meeting where RPP members reviewed the new inflation forecast that clearly emphasises the very low probability of higher inflation in the context of moderate GDP growth. The 50 basis point cut turned out to be the last one; the price of RPP's internal compromise was the definitive closing of the cycle. In the opinion of the Bank, the interest rates are likely to stabilise by the end of the year, when the term of office of this Monetary Policy Council also expires. Nevertheless, it is not at all certain that the next decision in Poland's monetary policy will be an interest rate hike.

In the first three months of the year, market interest rates continued to fall. In anticipation of further monetary easing by NBP, interbank market rates were falling steadily this year by around 1 basis point per day and only stabilised after the March meeting of RPP. Eventually WIBOR 3M stood at 1.65%. Expectations of interest rate cuts were one of the drivers of falling yields of Treasury bonds across the curve. In the early weeks, Polish Treasury securities were also helped by the concurrent global yield decrease based on concerns about growth and inflation, as well as the launch of the bond purchase programme by the European Central Bank. As a result, the yields of 10Y Polish Treasuries fell below 2% in late January, the yields of 5Y Treasuries below 1.7%, and the yields of 2Y Treasuries below 1.5%, setting all-time lows. In the weeks that followed, the rates gradually increased, most likely driven by the expectations of recovery in many economies (Poland included), the end of the relaxed monetary policy in Poland, and the end to global deflation. The short end of the yield curve, which is more strongly impacted by the national monetary policy, remained relatively most resilient to these drivers in February and in March.

Q1 2015 was a very good time for the Polish zloty: the EUR/PLN exchange rate opened at around 4.30 this year only to close at PLN 4.07 at the end of March. The only glitch in the appreciation trend of the zloty was caused by the surprising decision of the Swiss central bank to stop defending the exchange rate of the Swiss franc. The resulting higher market volatility, as well as the uncertainty around the implications of the rising CHF/PLN rate (which increased from PLN 3.5 to ca. PLN 4.2 to the franc) caused capital to retreat from Central Europe and affected the exchange rate of the zloty for many days. After the dust settled, the zloty appreciated almost without exception, supported by the inflow of capital from the euro zone, the high real interest rates (endorsed by RPP's decision to end the monetary policy easing), and rising optimism about the Polish economy. In early April, the EUR/PLN exchange rate was PLN 4 to the euro; in the opinion of the Bank, the zloty will continue to increase, as all the factors listed above still favour and will in the nearest future continue to favour the Polish currency. At the same time, the vast appreciation of the dollar observed this year pushed the USD/PLN exchange rate to a long-time high (PLN 3.90 to the dollar).

Money supply and the banking sector

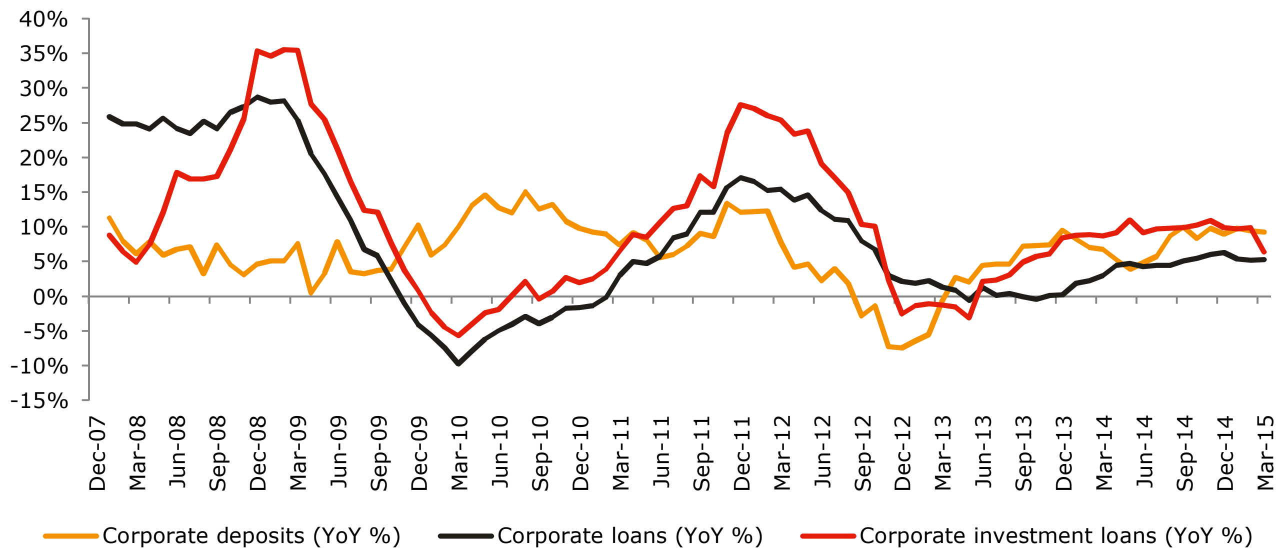
Early this year the environment of the financial and banking sector gradually improved even further. The improvement was driven both by the monetary policy and by legal and regulatory factors. The sharp appreciation of the Swiss franc against the zloty, which was probably the major event of Q1 from the perspective of the banking sector, posed a huge challenge to the sector and organised the public debate. A detailed description of the ramifications of these events to the banking sector and to mBank is presented in the Annual report of mBank Group for 2014 as well as Financial Statements for Q4 of 2014.

The trends in money supply and lending can be summarised as follows:

- First, despite the continued reductions of interest rates on deposits, the growth rate of household deposits remained high in Q1 at 8.5% in March. At the same time, the share of term deposits that offer nominal interest rates above 0 decreased modestly in the period under review, which suggests a decrease of the household savings rate. In the opinion of the Bank, the savings function of household deposits may now become less relevant due to the relatively low returns offered, as compared to savings alternatives, in particular equity funds. The data for the first three months of the year indicate a strong improvement of the profitability of investment fund companies (TFI), as well as a strong inflow of clients' cash at PLN 8 billion.

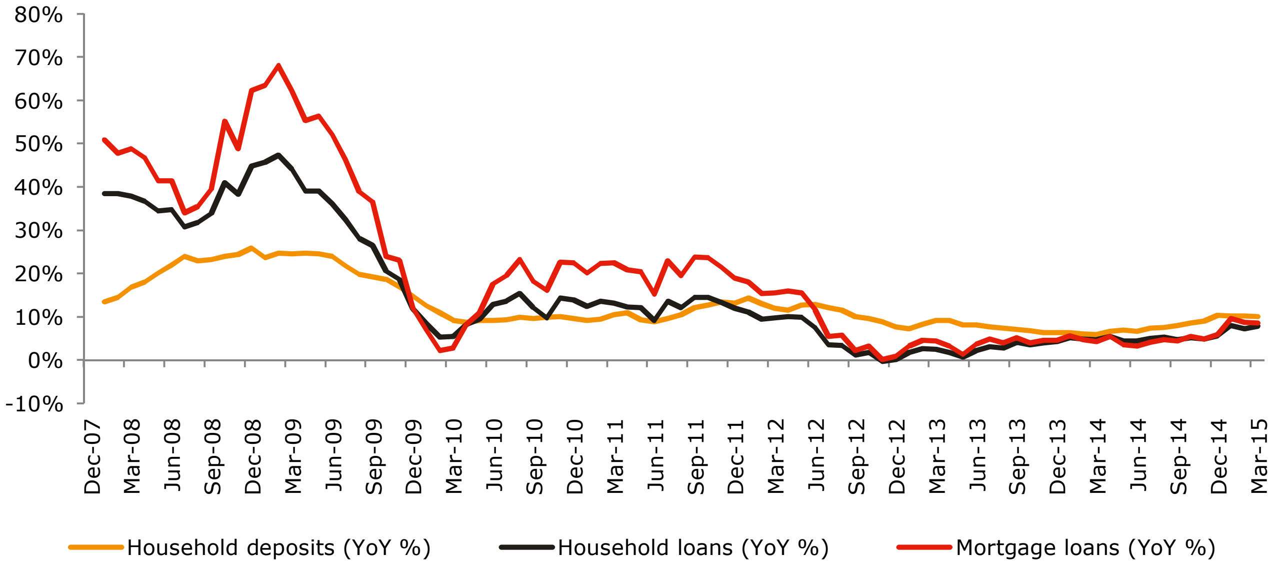
- Second, the first three months of the year saw a strong increase of the volume of corporate deposits (11.3% at the end of March 2015). According to data including financial results of companies and the structure of the key cost items of companies (salaries, raw materials) in Q1, it would seem that the high growth rate of corporate deposits was driven by the stable performance of corporate profits. Despite rather sluggish revenues from the core business, corporate profits benefit from the cost discipline followed by companies. At the same time, there are no signs that companies are cutting expenses on a large scale (e.g., capex).

Corporate loans and deposits



- Lending to households exhibited new surprising signs of weakness in Q1 2015. While the growth rate of loans granted to households increased from 5.5% at the end of 2014 to ca. 7.2% at the end of March, yet the growth was entirely driven by the sharp appreciation of the Swiss franc. Net of the fx effect, the growth rate of household loans fell to ca. 4% at the end of Q1, the lowest rate since the end of 2013. Moreover, while the decrease in 2012-2013 resulted from the contraction of consumer loans, the stagnation in housing loans is now an important driver (the year-on-year growth rate net of the fx effect is the lowest ever). In the opinion of the Bank, this results from rising repayments, no additional production of new loans (which has remained at PLN 8-10 billion per quarter for many years), as well as delayed effects of the introduction and increase of the minimum required down-payment. As a result, the growth rate of household loan volumes will remain moderate in the foreseeable future.

Household loans and deposits



- Corporate loans continued to perform well in Q1 2015: the volume of loans granted to enterprises by monetary financial institutions increased by 7.8% YoY at the end of March 2015 (a rate similar to 7.8% reported at the end of Q4 2014). The growth in the segment is driven not only by relatively strong corporate investments but also by the improved perception of business risks both by borrowers and lenders (bank margins on corporate loans decreased as the quality of portfolios improved). In the opinion of the Bank, the current temporary slow-down combined with the strong inertia typical of corporate loans should in the coming months sustain the high growth rate of volumes in the segment (around 8-10%).

Financial position of mBank Group in Q1 2015

Profit and Loss Account of mBank Group

mBank Group generated a profit before tax of PLN 565.3 million in Q1 2015, which represents an increase of 47.3% QoQ. Net profit attributable to the shareholders of mBank increased by 46.1% QoQ and reached PLN 450.9 million.

PLN M	Q1 2014	Q4 2014	Q1 2015	QoQ change	YoY change
Interest income	957.7	992.7	912.3	-8.1%	-4.7%
Interest expense	-366.7	-360.2	-324.8	-9.8%	-11.4%
Net interest income	**591.0**	**632.5**	**587.4**	**-7.1%**	**-0.6%**
Fee and commission income	353.8	337.4	314.5	-6.8%	-11.1%
Fee and commission expense	-112.4	-137.0	-120.7	-11.9%	7.4%
Net fee and commission income	**241.4**	**200.4**	**193.9**	**-3.2%**	**-19.7%**
Dividend income	0.0	1.0	0.0	-	-
Net trading income	92.1	70.5	102.6	45.5%	11.4%
Gains less losses from investment securities, investments in subsidiaries and associates	9.8	34.5	195.0	465.2%	1889.8%
Other operating income	73.3	67.8	88.7	30.8%	21.0%
Other operating expenses	-51.0	-66.8	-49.5	-25.9%	-2.9%
Total income	**956.6**	**939.9**	**1 118.1**	**19.0%**	**16.9%**
Net impairment losses on loans and advances	-89.5	-112.6	-100.0	-11.2%	11.7%
Overhead costs and amortization	-430.6	-443.5	-452.8	2.1%	5.2%
Profit before income tax	**436.5**	**383.8**	**565.3**	**47.3%**	**29.5%**
Income tax expense	-97.8	-75.3	-113.0	50.1%	15.5%
Net profit attributable to:	**338.7**	**308.5**	**452.3**	**46.6%**	**33.5%**
- Owners of mBank S.A.	**337.8**	**308.6**	**450.9**	**46.1%**	**33.5%**
- Non-controlling interests	1.0	-0.1	1.4	-/+	40.0%
ROA net	1.3%	1.0%	1.5%		
ROE gross	17.8%	15.5%	20.6%		
ROE net	13.7%	12.5%	16.2%		
Cost / Income ratio	45.0%	47.2%	40.7%		
Net interest margin	2.3%	2.3%	2.1%		
Common Equity Tier 1 ratio	13.6%	12.3%	12.9%		
Total capital ratio	16.3%	14.7%	16.3%		

Income of mBank Group

In Q1 2015, total income generated by mBank Group amounted to PLN 1,118.1 million, which was higher than in Q4 2014 by 19.0%. In Q1 2015, mBank Group reported a gain on the sale of BRE Ubezpieczenia TUiR to AXA Group.

Net interest income remained mBank Group's largest revenue source and reached PLN 587.4 million, which represents a decrease of PLN 45.1 million, i.e., 7.1% QoQ.

Interest income in Q1 2015 decreased by PLN 80.4 million, i.e., 8.1% QoQ and stood at PLN 912.3 million. Loans and advances remained the main source of interest income with a share of 71.3%. This income category decreased by PLN 55.5 million, i.e., 7.9% QoQ and reached PLN 650.5 million. The main reason for the change were the decisions of the Monetary Policy Council to cut the interest rates in October 2014 and March 2015. In the reporting period, interest income on investment securities decreased by PLN 13.7 million, i.e., 6.6%. At the same time, interest income on derivatives classified into banking book decreased by PLN 8.0 million, i.e., 21.1%.

Interest expenses decreased by PLN 35.4 million, i.e., 9.8% QoQ and stood at PLN 324.8 million. In Q1 2015, interest expenses paid to clients decreased by PLN 31.4 million, i.e., 13.9%. In the reporting period, interest rates on clients' deposits decreased following the interest rate decisions of the Monetary Policy Council. Interest expenses paid to other banks remained the second largest category of interest expenses; they decreased by PLN 10.8 million, i.e., 23.3% QoQ. The change resulted from lower market interest rates, in particular a decrease of CHF LIBOR. Interest expenses on issued debt securities increased by PLN 3.8 million, i.e., 5.9% following the issue of EUR 500 million 7Y bonds in Q4 2014. At the same time, interest expenses on subordinated debt increased by PLN 4.3 million, i.e., 21.1%. The change resulted from the issue of PLN 750 million subordinated bonds in December 2014.

mBank Group's net interest margin decreased to 2.1% QoQ.

Net fee and commission income was lower by PLN 6.5 million, i.e., 3.2% QoQ and stood at PLN 193.9 million in Q1 2015.

Fee and commission income decreased by PLN 22.9 million, i.e., 6.8% QoQ, and stood at PLN 314.5 million in Q1 2015. Payment card-related fees was lower by PLN 9.1 million, i.e., 10.4% due to the reduction of the interchange fee. Credit-related fees went down by PLN 2.7 million, i.e., 4.2%, while commissions from insurance activity decreased by PLN 3.5 million, i.e., 12.1%.

Fee and commission expenses in Q1 2015 came down by PLN 16.3 million, i.e. 11.9% QoQ, and amounted to PLN 120.7 million. In the reporting period, commissions paid to external entities for sale of mBank's products decreased by PLN 2.8 million, i.e., 11.2% and expenses for cash services lowered by PLN 6.3 million, i.e., 50.6%.

Net trading income amounted to PLN 102.6 million in Q1 2015, representing an increase of PLN 32.1 million, i.e., 45.5% QoQ. The FX result of mBank Group increased by PLN 34.1 million, i.e., 76.5%. The change was resulting from the positive valuation of CIRS portfolio of the Bank. Other trading income decreased by PLN 2.0 million, i.e., 7.7%.

Gains less losses from investment securities and investments in subsidiaries and associates stood at PLN 195.0 million in Q1 2015, compared to PLN 34.5 million in Q4 2014. In Q1 2015, mBank Group reported gains on the sale of BRE Ubezpieczenia TUiR to AXA Group and the signing of related agreements in the amount of PLN 194.3 million.

Net other operating income (other operating income net of other operating expenses) stood at PLN 39.2 million, compared to PLN 1.0 million in Q4 2014, which is explained by the lack of provisions against operational and legal risks and an increase of sales of apartments by mLocum.

Costs of mBank Group

In Q1 2015, total overhead costs of mBank Group (including amortisation) stood at PLN 452.8 million and increased by 2.1% due higher contributions to BFG.

PLN M	Q1 2014	Q4 2014	Q1 2015	QoQ change	YoY change
Staff-related expenses	208.4	214.0	208.6	-2.5%	0.1%
Material costs, including	146.8	157.3	151.5	-3.7%	3.2%
- logistic costs	78.5	82.1	83.5	1.7%	6.4%
- IT costs	28.1	25.7	27.9	8.6%	-0.7%
- marketing costs	25.8	37.1	25.4	-31.5%	-1.6%
- consulting services costs	13.1	11.0	12.0	9.1%	-8.4%
- other material costs	1.3	1.5	2.7	80.0%	107.7%
Amortization	45.8	47.9	47.1	-1.7%	2.8%
Other	29.6	24.3	45.7	88.1%	54.4%
Total overhead costs and amortization	**430.6**	**443.5**	**452.8**	**2.1%**	**5.2%**
Cost / Income ratio	45.0%	47.2%	40.5%	-	-
Employment (FTE)	6,062	6,318	6,388	1.1%	5.4%

In Q1 2015 personnel costs were lower by PLN 5.4 million, i.e., 2.5% QoQ due to a decrease of variable remuneration components. The headcount of mBank Group increased by 70 FTEs in Q1 2015.

Material costs decreased by PLN 5.9 million, i.e., 3.7% in Q1 2015. Marketing expenses went down, while logistic and IT costs increased in the reporting period.

Amortization charges remained stable QoQ.

The reason for an increase of other costs was almost doubling of the amount payable to the Bank Guarantee Fund from PLN 17.7 million in Q4 2014 to PLN 34.1 million in Q1 2015. The increase of the contribution paid to BFG in 2015 resulted from an increase of the annual fee and the precautionary fee, as well as a growth of the risk weighted assets of mBank Group.

As a result of the changes in income and expenses of mBank Group, adjusted for a one-off gain on the sale of shares of BRE Ubezpieczenia TUiR to AXA Group, the cost/income ratio stood at 49.0% in Q1 2015.

Net impairment on loans and advances

Net impairment losses on loans and advances in mBank Group stood at PLN 100.0 million in Q1 2015. Net impairment losses decreased by PLN 12.6 million, i.e., 11.2% QoQ.

PLN M	Q1 2014	Q4 2014	Q1 2015	QoQ change	YoY change
Retail Banking	48.1	96.5	63.2	-34.5%	31.4%
Corporates and Financial Markets	41.4	16.1	30.8	91.3%	-25.6%
Other	0.0	0.0	6.0	-	-
Total net impairment losses on loans and advances	**89.5**	**112.6**	**100.0**	**-11.2%**	**11.7%**

Net impairment losses on loans and advances in Retail Banking stood at PLN 63.2 million in Q1 2015, compared to PLN 96.5 million in Q4 2014. The coverage ratio increased in the reporting period.

Net impairment losses on loans and advances in Corporates and Financial Markets stood at PLN 30.8 million, representing an increase of PLN 14.7 million QoQ. Net impairment losses in the K2 and K3 customer segments went up QoQ.

Consolidated statement of financial position

The balance sheet total of mBank Group stood at PLN 123,293.9 million at the end of Q1 2015 and increased by 4.5% compared to the end of 2014, mainly due to the appreciation of Swiss franc.

Assets of mBank Group

PLN M	Q1 2014	Q4 2014	Q1 2015	QoQ change	YoY change
Cash and balances with Central Bank	2,089.2	3,054.5	2,406.9	-21.2%	15.2%
Loans and advances to banks	1,500.0	3,751.4	4,052.3	8.0%	170.2%
Trading securities	1,180.1	1,163.9	2,043.1	75.5%	73.1%
Derivative financial instruments	2,216.6	4,865.5	4,824.6	-0.8%	117.7%
Net loans and advances to customers	70,923.0	74,582.4	78,977.1	5.9%	11.4%
Investment securities	26,605.2	27,678.6	28,442.1	2.8%	6.9%
Intangible assets	432.0	465.6	458.2	-1.6%	6.1%
Tangible assets	706.0	717.4	706.5	-1.5%	0.1%
Other assets	1,491.2	1,706.5	1,383.1	-19.0%	-7.2%
Total assets	**107,143.3**	**117,985.8**	**123,293.9**	**4.5%**	**15.1%**

Loans and advances to customers retained the largest share in the balance sheet of mBank Group at the end of Q1 2015. Their share in total assets increased moderately to 64.1%, compared to 63.2% at the end of Q4 2014. Net loans and advances to customers stood at PLN 78,977.1 million at the end of Q1 2015, representing an increase of PLN 4,394.7 million, i.e., 5.9% QoQ (excluding reverse repo / buy-sell-back transactions and the FX effect, net loans and advances increased by 1.7%).

Gross loans and advances to corporate customers increased to PLN 35,340.0 million, i.e., by PLN 2,499.0 million or 7.6% (excluding reverse repo / buy-sell-back transactions and the FX effect, loans and advances to corporate customers increased by 3.4%).

The volume of loans to individuals increased by PLN 2,227.0 million, i.e., 5.4% QoQ and stood at PLN 43,787.5 million. Mortgage and housing loans increased by PLN 1,900.5 million, i.e., 6.2% QoQ, mainly due to the appreciation of CHF. In Q1 2015, mBank Group sold PLN 833.8 million of mortgage loans and PLN 1,204.1 million of non-mortgage loans. Excluding the FX effect, loans to individuals increased by ca. 1.3%. Gross loans and advances to the public sector in Q1 2015 decreased by PLN 133.9 million, i.e., 7.0% QoQ and stood at PLN 1,790.5 million at the end of March 2015.

Investment securities constituted the second largest asset category at PLN 28,442.1 million, i.e., 23.1% of total assets at the end of Q1 2015. The value of investment securities increased by PLN 763.5 million, i.e., 2.8% QoQ. The treasury bond portfolio increased in the reporting period.

Equity and liabilities of mBank Group

PLN M	Q1 2014	Q4 2014	Q1 2015	QoQ change	YoY change
Amounts due to other banks	19,481.1	13,383.8	17,839.4	33.3%	-8.4%
Derivative financial instruments	2,120.9	4,719.1	4,838.2	2.5%	128.1%
Amounts due to customers	63,596.4	72,422.5	71,861.0	-0.8%	13.0%
Debt securities in issue	5,658.7	10,341.7	10,382.1	0.4%	83.5%
Subordinated liabilities	3,453.0	4,127.7	4,436.6	7.5%	28.5%
Other liabilities	2,957.0	1,918.0	2,336.7	21.8%	-21.2%
Total Liabilities	**97,277.1**	**106,912.8**	**111,694.0**	**4.5%**	**14.8%**
Total Equity	**9,866.2**	**11,073.0**	**11,599.9**	**4.8%**	**17.6%**
Total Liabilities and Equity	**107,143.3**	**117,985.8**	**123,293.9**	**4.5%**	**15.1%**

Amounts due to customers, which are the Group's main source of funding, remained stable QoQ (excluding repo transactions, amounts due to customers decreased by 2.8%). Their share in total liabilities and equity reached 58.3%, compared to 61.4% at the end of December 2014.

Amounts due to corporate clients decreased by PLN 1,420.7 million, i.e., 4.4% and stood at PLN 30,816.4 million at the end of Q1 2015. Excluding repo transactions, amounts due to corporate clients were lower by 9.7%. Amounts due to retail customers increased by PLN 408.4 million, i.e., 1.0%, to PLN 39,693.2 million in Q1 2015. The change was mainly driven by increasing balances of current accounts. Amounts due to the public sector stood at PLN 1,351.4 million, representing an increase of PLN 450.8 million, i.e., 50.1%.

Amounts due to other banks stood at PLN 17,839.4 million at the end of Q1 2015, accounting for 14.5% of total liabilities and equity of mBank Group. Amounts due to other banks grew by PLN 4,455.6 million, i.e., 33.3% QoQ due to the increasing volume of repo transactions.

The share of equity in total liabilities and equity of mBank Group was 9.4%, which was stable QoQ.

Quality of the loan portfolio of mBank Group

Non-performing loans (NPL) remained stable QoQ as of March 31, 2015, while total gross loans increased. As a result, the NPL ratio decreased to 6.1%.

PLN M	Q1 2014	Q4 2014	Q1 2015	QoQ change	YoY change
Provisions for receivables with impairment	2,201.2	2,548.4	2,665.0	4.6%	21.1%
Impairment provisions for exposures analysed according to portfolio approach	265.3	242.4	240.9	-0.6%	-9.2%
Provisions for receivables	**2,466.5**	**2,790.8**	**2,905.9**	**4.1%**	**17.8%**
Receivables with impairment	**4,512.0**	**4,914.6**	**4,963.5**	**1.0%**	**10.0%**
NPL ratio	6.1%	6.4%	6.1%		
Coverage ratio	54.7%	56.8%	58.5%		

Provisions for loans and advances increased by PLN 115.1 million QoQ and stood at PLN 2,905.9 million, including PLN 2,665.0 million of NPL provisions. The IBNI (Incurred But Not Identified) loss provision remained stable QoQ.

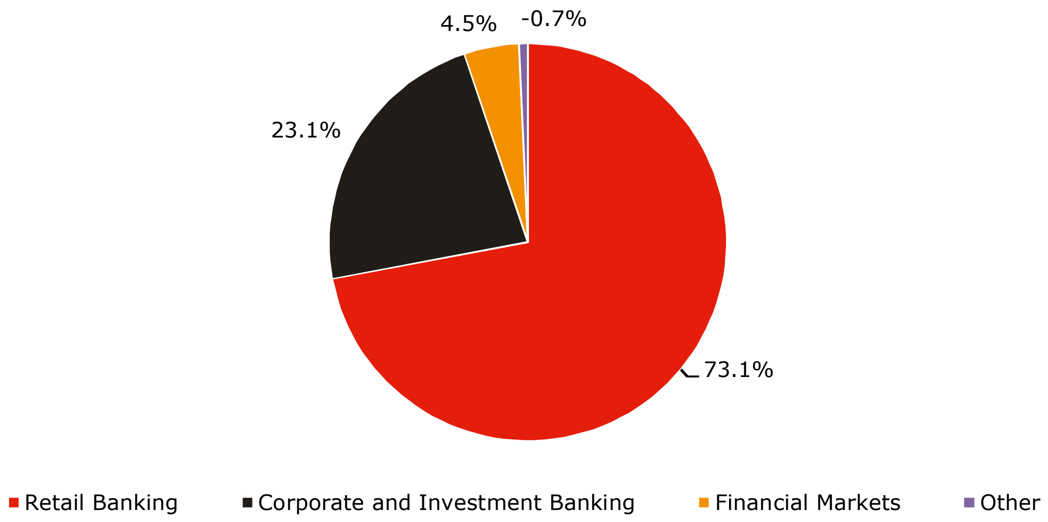
The ratio of provisions (including IBNI provisions) to NPL increased from 56.8% to 58.5% QoQ.

Performance of segments and the business lines

In Q1 2015, the segment of Retail Banking had the largest contribution to the profit before tax of mBank Group, which reached 73.1%, compared to 48.1% in Q4 2014. The change resulted from the booking of gains on the sale of BRE Ubezpieczenia TUiR. The contribution of the Corporate and Investment Banking segment was 23.1% and the contribution of Financial Markets was 4.5%.

PLN M	Q1 2014	Q4 2014	Q1 2015	QoQ change	YoY change
Retail Banking	287.2	189.7	413.2	117.8%	43.9%
Corporate and Investment Banking	139.6	156.7	130.6	-16.7%	-6.4%
Financial Markets	17.7	50.7	25.6	-49.5%	44.6%
Other	-8.0	-13.3	-4.1	-69.2%	-48.7%
Profit before tax of mBank Group	**436.5**	**383.8**	**565.3**	**47.3%**	**29.5%**

Gross profit contribution by business segments in Q1 2015



Retail Banking

Summary of segment results

In Q1 2015, the Retail Banking segment generated a profit before tax of PLN 413.2 million, which represents an increase of PLN 223.5 million, i.e., 117.8% QoQ.

PLN M	Q1 2014	Q4 2014	Q1 2015	QoQ change	YoY change
Net interest income	388.0	393.3	385.0	-2.1%	-0.8%
Net fee and commission income	142.8	99.3	104.3	5.0%	-27.0%
Dividend income	0.0	0.0	0.0	-	-
Net trading income	27.2	27.6	25.0	-9.4%	-8.1%
Gains less losses from investment securities, investments in subsidiaries and associates	0.0	-0.7	194.3	-	-
Net other operating income	16.6	-3.6	19.5	-641.7%	17.5%
Total income	574.6	515.9	728.1	41.1%	26.7%
Net impairment losses on loans and advances	-48.1	-96.5	-63.2	-34.5%	31.4%
Overhead costs and amortization	-239.3	-229.7	-251.7	9.6%	5.2%
Profit before tax of Retail Banking	**287.2**	**189.7**	**413.2**	**117.8%**	**43.9%**

The profit before tax of the Retail Banking segment in Q1 2015 was predominantly driven by:

- **Increase of total income** by PLN 212.2 million, i.e., 41.1% QoQ to PLN 728.1 million. Net interest income decreased by PLN 8.3 million, i.e., 2.1%, while net fee and commission income was higher by PLN 5.0 million, i.e., 5.0%. In addition, in Q1 2015, gains on the sale of BRE Ubezpieczenia TUiR and the signing of sale related agreements with AXA Group companies were reported.

- **Increase of overhead expenses (including amortization)** by PLN 22.0 million, i.e., 9.6% QoQ to PLN 251.7 million, mainly owing to higher BFG fee.

- **Decrease of net impairment losses on loans and advances** by PLN 33.3 million QoQ.

Activity in the Retail Banking segment (Bank)

thou.	31.03.2014	31.12.2014	31.03.2015	QoQ change	YoY change
Number of retail clients, including:	**4,427.5**	**4,688.6**	**4,802.9**	**2.4%**	**8.5%**
Poland	3,739.1	3,926.5	4,035.8	**2.8%**	**7.9%**
Foreign branches	688.4	762.1	767.1	**0.7%**	**11.4%**
The Czech Republic	494.5	534.2	536.9	**0.5%**	**8.6%**
Slovakia	193.9	227.9	230.2	**1.0%**	**18.7%**
PLN M					
Loans to retail clients, including:	**38,775.1**	**40,615.0**	**42,523.1**	**4.7%**	**9.7%**
Poland	**36,508.1**	**37,666.1**	**39,515.9**	**4.9%**	**8.2%**
mortgage loans	29,304.1	29,680.2	31,273.3	**5.4%**	**6.7%**
non-mortgage loans	7,204.0	7,985.9	8,242.6	**3.2%**	**14.4%**
Foreign branches	**2,267.0**	**2,948.9**	**3,007.2**	**2.0%**	**32.7%**
The Czech Republic	1,817.0	2,281.4	2,328.1	**2.0%**	**28.1%**
Slovakia	449.9	667.5	679.1	**1.7%**	**50.9%**
Deposits of retail clients, including:	**34,410.8**	**38,999.4**	**39,339.3**	**0.9%**	**14.3%**
Poland	29,537.8	33,381.0	33,780.6	**1.2%**	**14.4%**
Foreign branches	4,873.0	5,618.5	5,558.7	**-1.1%**	**14.1%**
The Czech Republic	3,089.5	3,788.6	3,796.1	**0.2%**	**22.9%**
Slovakia	1,783.5	1,829.8	1,762.6	**-3.7%**	**-1.2%**
Investment funds (Poland)	**4,604.8**	**5,252.1**	**5,893.5**	**12.2%**	**28.0%**
thou.					
Credit cards, including	**317.9**	**327.5**	**331.3**	**1.2%**	**4.2%**
Poland	292.3	296.9	301.4	**1.5%**	**3.1%**
Foreign branches	25.6	30.6	29.9	**-2.3%**	**16.8%**
Debit cards, including:	**2,889.5**	**3,032.1**	**3,099.3**	**2.2%**	**7.3%**
Poland	2,367.1	2,445.3	2,546.7	**4.1%**	**7.6%**
Foreign branches	522.4	586.8	552.6	**-5.8%**	**5.8%**

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

	31.03.2014	31.12.2014	31.03.2015
Distribution network			
Light branches within "One Network" Project	-	-	5
mBank (former Multibank)	133	129	125
mKiosks (incl. Partner Kiosks)	68	67	70
Aspiro Financial Centres	24	23	23
Czech Republic & Slovakia	35	35	35

Retail Banking (including Private Banking) in Poland

In Q1 2015, the number of retail banking clients of mBank in Poland increased by 114.3 thousand, mainly owing to focused marketing efforts. A marketing campaign targeting business clients, the first one since 2007, supported by television commercials ("Up to PLN 600 with a business account") ended in March. The combination of good promotion, effective communication and, first and foremost, mobilisation of all sales channels, in particular advisors at mBank branches, allowed the Bank to open ca. 16.7 thousand new business accounts. Furthermore, in Q1 2015, mBank launched an advertising campaign which promotes the account eKonto mobilne plus.

Sales of loans increased by 3.5% QoQ while the deposit base remained stable.

In mBank's Retail Banking, Q1 2015 was a period of continued co-operation with Orange and the development of the product offer within the Orange Finance project. Since the launch of the project in October 2014, Orange Finance acquired more than 95 thousand clients, including more than 55 thousand clients in Q1 2015.

Furthermore, in March 2015, mBank closed the sale of BRE Ubezpieczenia TUiR to AXA Group and signed related 10-year agreements for the distribution of insurance products. In March, mBank signed a strategic co-operation agreement with the online auction platform Allegro, under which the auction platform will become one of the sales channels of mBank accounts for individuals and corporates.

A range of IT and system projects were implemented in the segment of small and medium-sized enterprises (SME) in March 2015, including among others the following:

- the FX platform mPlatforma Walutowa for mBank's mobile application, where business clients can manage all FX transactions using a smartphone (more than 5 thousand SME clients used the option by the end of Q1 2015);
- mTransfer mobilny, a globally unique solution which offers pay by link payments for online shopping in a single click (no SMS password, no need to log to the Bank's transaction system);
- BIK Przedsiębiorca, which allows the Bank to use both internal data and BIK Przedsiębiorca reports in its credit analysis, ensuring superior sales performance.

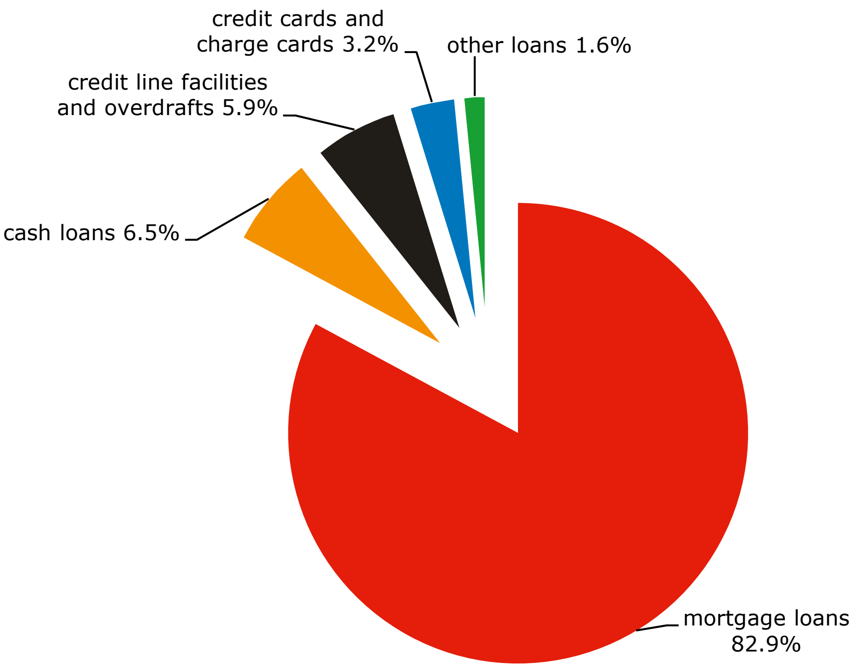
In addition, the segment of small and medium-sized enterprises implemented an insurance product that is unique on the e-commerce market and protects clients against problems including loss of consignment, product exchange by the buyer, damage in transport, etc.

Development of the retail banking offer in Poland

Loans

The graph below presents the structure of the retail banking loan portfolio in Poland (for households) at the end of March 2015:

Retail loan portfolio (Household loans, mBank in Poland only)



The sales of non-mortgage loans increased by 3.6% QoQ to PLN 1,122.2 million in Q1 2015.

Q1 2015 was another consecutive quarter when the portfolio of non-mortgage loans granted to households grew dynamically, by PLN 131.2 million, i.e., 2.2% QoQ. The main product categories that reported growth included cash loans and credit cards. In addition, the Bank implemented and participated in projects geared to acquisition of clients from beyond its customer base, including the sale of co-branded Miles & More credit cards and promotions of loans for the purchase of goods in the Allegro platform.

Furthermore, March 2015 was the best month for sales of loans with guarantees of Bank Gospodarstwa Krajowego (de minimis guarantees).

Events that were important from the perspective of mBank's income strategy included the capping of maximum interest rates for consumers at 10% (as a result of the decision of the Monetary Policy Council which cut the Lombard rate to 2.5%). In order to prevent income attrition, since Q3 2014 the Bank pursues measures necessary to change its pricing policy.

Sales of mortgage loans in Q1 2015 stood at PLN 600.2 million, which represents an increase of 3.3% QoQ and 22.0% YoY.

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

	31.12.2014	31.03.2015
Balance sheet value (PLN billion)	**27.6**	**29.4**
Average maturity (years)	**20.3**	**20.2**
Average value (PLN thousand)	**275.4**	**290.6**
Average LTV (%)	**80.7%**	**84.3%**
NPL (%)	**4.9%**	**4.9%**

Deposits and investment funds

Q1 2015 was another successful quarter for mBank's investment service. The assets of investment funds increased by PLN 641.4 million QoQ, driven both by the market environment (good performance of European indices, as well as small and medium-sized enterprises in Poland) and major interest rate cuts, as well as sales initiatives and the launch of new products. In the area of deposit products, the Bank focused in Q1 2015 mainly on retention of clients and on cross-selling of the deposit base.

The Bank continued to strengthen its position in investments and savings, and diversified the solutions offered to clients, including in particular the following:

- addition of new open-ended funds to the offer of the Investment Fund Supermarket;
- subscription for 2 structured deposits: "Stały kurs II" and "Gorąca Dwudziestka III";
- promotion of a fund combined with deposits.

The balances of deposit and investment products at the Bank increased by 0.9% and 12.2% QoQ, respectively.

Cards

Since the effective date of the amendment of the Payment Services Act and the reduction of the interchange fee, the Bank focuses in its development of payment cards on increasing the number of mBank card transactions in the total number of transactions on the market.

In Q1 2015, the value of transactions made by mBank retail banking clients with payment cards was 4.7 billion, growing by 22.7% YoY. The average transaction amount is steadily falling as clients increasingly use cards also for small payments (the number of non-cash transactions increased in Q1 2015 by 3.1% QoQ and 39.7% YoY).

mBank's activity in the Czech Republic (CZ) and Slovakia (SK)

In the past twelve months the number of clients of mBank's foreign branches grew 78.7 thousand, whereas in Q1 2015 by 5.0 thousand.

The activity of mBank in the Czech Republic and Slovakia, in Q1 2015 was focused on implementing the assumptions of the "One Bank" Strategy. In January 2015, new mobile application 2.0 for iPhone was launched (after the respective Android App had been launched already in December 2014) and mBank strengthened its position as the Mobility Icon on the Czech and Slovak markets („Mobility Icon" TV campaign was named one of the best TOP 5 campaigns in the financial sector).

Foreign branches broadened also the offer of non-mortgage loans (NML) – in February / March the new non-mortgage process - scenario for NML (refinance) for cash loan transfer from other banks - was introduced as well as a new courier path for NML as another sales channel supporting branch network.

Loans and deposits

In Q1 2015, the loan portfolio of mBank clients in the Czech Republic and Slovakia grew by PLN 89.2 million, i.e. 3.1% QoQ. The sales of non-mortgage loans remained stable QoQ and YoY and amounted to PLN 81.9 million.

The Bank also intensified its efforts aimed at increasing the sales of mortgage loans. The sales value of mortgage loans in Q1 2015 amounted to PLN 233.6 million, which means a YoY growth by 42.3%.

The deposit base decreased by PLN 59.7 million or 1.1%. QoQ and increased by PLN 685.7 million or 14.1% YoY.

Corporates and Financial Markets

Corporate and Investment Banking

Summary of segment results

In Q1 2015, the Corporate and Investment Banking segment generated a profit before tax of PLN 130.6 million, which represents a decrease of PLN 26.1 million, i.e., 16.7% QoQ.

PLN M	Q1 2014	Q4 2014	Q1 2015	QoQ change	YoY change
Net interest income	184.0	197.0	179.8	-8.7%	-2.3%
Net fee and commission income	96.6	98.3	86.0	-12.5%	-11.0%
Dividend income	0.0	1.0	0.0	-	-
Net trading income	45.6	48.1	53.9	12.1%	18.2%
Gains less losses from investment securities, investments in subsidiaries and associates	8.0	-0.2	0.5	-/+	-93.8%
Net other operating income	6.3	7.0	9.0	28.6%	42.9%
Total income	340.5	351.2	329.2	-6.3%	-3.3%
Net impairment losses on loans and advances	-40.8	-15.6	-30.7	96.8%	-24.8%
Overhead costs and amortization	-160.1	-178.9	-167.9	-6.1%	4.9%
Profit before tax of Corporate and Investment Banking	**139.6**	**156.7**	**130.6**	**-16.7%**	**-6.4%**

In Q1 2015, the profit before tax of the Corporate and Investment Banking segment was predominantly driven by:

- **Decrease of total income** which amounted to PLN 329.2 million, compared to PLN 351.2 million in Q4 2014. Net interest income went down by PLN 17.2 million, i.e., 8.7%, while net fee and commission income was lower by PLN 12.3 million, i.e., 12.5%.
- **Decrease of overhead costs (including amortisation)** by PLN 11.0 million, i.e., 6.1% QoQ to PLN 167.9 million, due to lower both personnel and material costs.
- **Increase of net impairment losses on loans and advances** by PLN 15.1 million, i.e., 96.8% to PLN 30.7 million. In Q1 2015 higher net impairment losses were reported in the K2 and K3 customer segments.

Activity of the Corporate and Investment Banking segment (Bank)

	31.03.2014	31.12.2014	31.03.2015	QoQ change	YoY change
Number of corporate clients	**16,600**	**17,787**	**18,133**	**1.9%**	**9.2%**
K1	1,710	1,838	1,839	**0.1%**	**7.5%**
K2	4,809	5,144	5,317	**3.4%**	**10.6%**
K3	10,081	10,805	10,977	**1.6%**	**8.9%**
PLN M					
Loans to corporate clients, including:	**23,734.4**	**23,680.4**	**25,943.0**	**9.6%**	**9.3%**
K1	6,094.5	6,378.9	6,290.2	**-1.4%**	**3.2%**
K2	9,992.7	10,633.3	11,228.5	**5.6%**	**12.4%**
K3	2,707.1	2,811.0	2,791.7	**-0.7%**	**3.1%**
Reverse repo/buy sell back transactions	4,922.5	3,840.4	5,613.5	**46.2%**	**14.0%**
Other	17.5	16.9	19.1	**13.0%**	**8.8%**
Deposits of corporate clients, including:	**25,460.3**	**29,202.6**	**28,359.0**	**-2.9%**	**11.4%**
K1	9,809.8	12,111.3	10,917.7	**-9.9%**	**11.3%**
K2	8,316.1	9,455.2	8,798.1	**-6.9%**	**5.8%**
K3	3,286.7	4,177.4	3,913.2	**-6.3%**	**19.1%**
Repo transactions	4,008.3	3,395.3	4,681.9	**37.9%**	**16.8%**
Other	39.4	63.5	48.1	**-24.2%**	**22.3%**
Distribution network	**47**	**47**	**47**		
Corporate branches	29	29	29		
Corporate offices	18	18	18		

K1 is the segment of the largest corporations with annual sales over PLN 500 million, the largest public sector entities and non-bank financial institutions (including pension and investment funds and insurance companies); K2 is the segment of corporations with annual sales between PLN 30 and 500 million and medium-sized public sector enterprises; K3 is the segment of SMEs with annual sales of up to PLN 30 million.

Q1 2015 was a time of moderate economic recovery translating into growing business activity of large enterprises. On the other hand, banks were forced to conduct their activity in an environment of record-low interest rates, lowered intercharge fees and increased contributions to BFG. Corporate loans market increased by 1.5% compared to the end of Q4 2014 and by 6.1% compared to the end of Q1 2014, while corporate deposits market decreased by 4.5% QoQ and increased by 10.4% YoY. Loans to enterprises increased by 2.2% QoQ and 11.0% YoY. At the end of Q1 2015 mBank shares in the market of deposits and loans for corporates reached 8.9% and 6.3% respectively.

In Q1 2015 the Bank intensified its sales efforts, which resulted in record-high acquisition of corporate clients - the corporate client base increased by 346 companies in comparison to Q4 2014.

The acquisition of new clients positively impacted on the value of funds deposited on current accounts. At the end of March 2015, the deposited amount reached PLN 6,961 million, which represents an increase of 3.8% QoQ and a 37.8% increase YoY. A high volume of current deposits underpins further development of transactional banking, which is of vital importance to the Bank due to its growth potential and closer cooperation with clients. Transactional banking is also being developed thanks to new products, such as "Shopping Centre Cards", that is an offer of pre-paid cards or eMoney addressed to managers of commercial centres, "Food Cards" - pre-paid cards or eMoney used to fund the so called energy meals only in canteens / food shops or the "Housing Trust Account".

In Q1 2015 the Bank continued to pursue the strategy of increasing its share in the sector of small and medium-sized enterprises (SME). The undertaken initiatives aiming at strengthening the Bank's position on the SME market translated into record-high acquisition of clients in this sector (client base in segment K3 grew by 172 companies).

The consolidation of Corporate and Investment Banking services which took place in 2014 translated into an increase of Bank's activity on the market of corporate debt securities issue. At the end of March 2015 the Bank held a 13.1% share on the corporate bond market. Such market development was supported by the environment of low interest rates. Moreover, the activity of the segment focused on intensifying cooperation with non-banking financial institutions and clients from the agricultural and food industry.

Products and services offer

Corporate client loans

The value of loans granted by mBank to corporate clients (excluding repo transactions) amounted to PLN 20,330 million at the end of Q1 2015, which represents an increase by 2.5%, compared to the end of December 2014 (PLN 19,840 million) and by 8.1%, compared to the end of Q1 2014 (PLN 18,812 million).

The value of loans to enterprises (NBP category, enabling the comparison to banking sector results) at the end of March 2015 amounted to PLN 18,260 million and was by 2.2% higher than at the end of December 2014 (PLN 17,874 million) and by 11,0% higher than in March 2014 (PLN 16,453 million). The market share of mBank's lending to enterprises was at 6.3% at the end of March 2015, compared to 6.2% at the end of December 2014 and 6.0% at the end of March 2014. At the end of Q1 2015, the loan-to-deposit ratio for enterprises in the Bank stood at 91.1% and was significantly lower than the market ratio of 129.1%.

The value of loans granted to local governments at the end of March 2015 amounted to PLN 1,217 million, compared to PLN 1,324 million at the end of December 2014 and PLN 1,381 million at the end of March 2014.

Corporate client deposits

The value of corporate deposits gathered by the Bank (excluding repo transactions) amounted to PLN 23,677 million at the end of Q1 2015, which represents a decrease by 8.3%, compared to the end of December 2014 (PLN 25,807 million) and an increase by 10.4%, compared to the end of Q1 2014 (PLN 21,452 million).

The value of mBank's current corporate client deposits amounted to PLN 6,961 million at the end of Q1 2015, which represents an increase by 3.7%, compared to the end of December 2014 (PLN 6,709 million) and an increase by 37.8%, compared to the end of Q1 2014 (PLN 5,052 million).

The value of deposits placed by enterprises (NBP category, enabling the comparison to banking sector results) at the end of March 2015 amounted to PLN 20,047 million and was 3.2% lower than at the end of December 2014 (PLN 20,709 million) and 15.7% higher than at the end of Q1 2014 (PLN 17,330 million). The share of mBank in deposits placed by enterprises reached 8.9% at the end of March 2015, compared to 8.8% at the end of December 2014 and 8.5% at the end of March 2014.

The value of deposits of local governments as at the end of March 2015 amounted to PLN 632 million, compared to PLN 212 million at the end of December 2014 and PLN 261 million at the end of March 2014.

De minimis guarantee

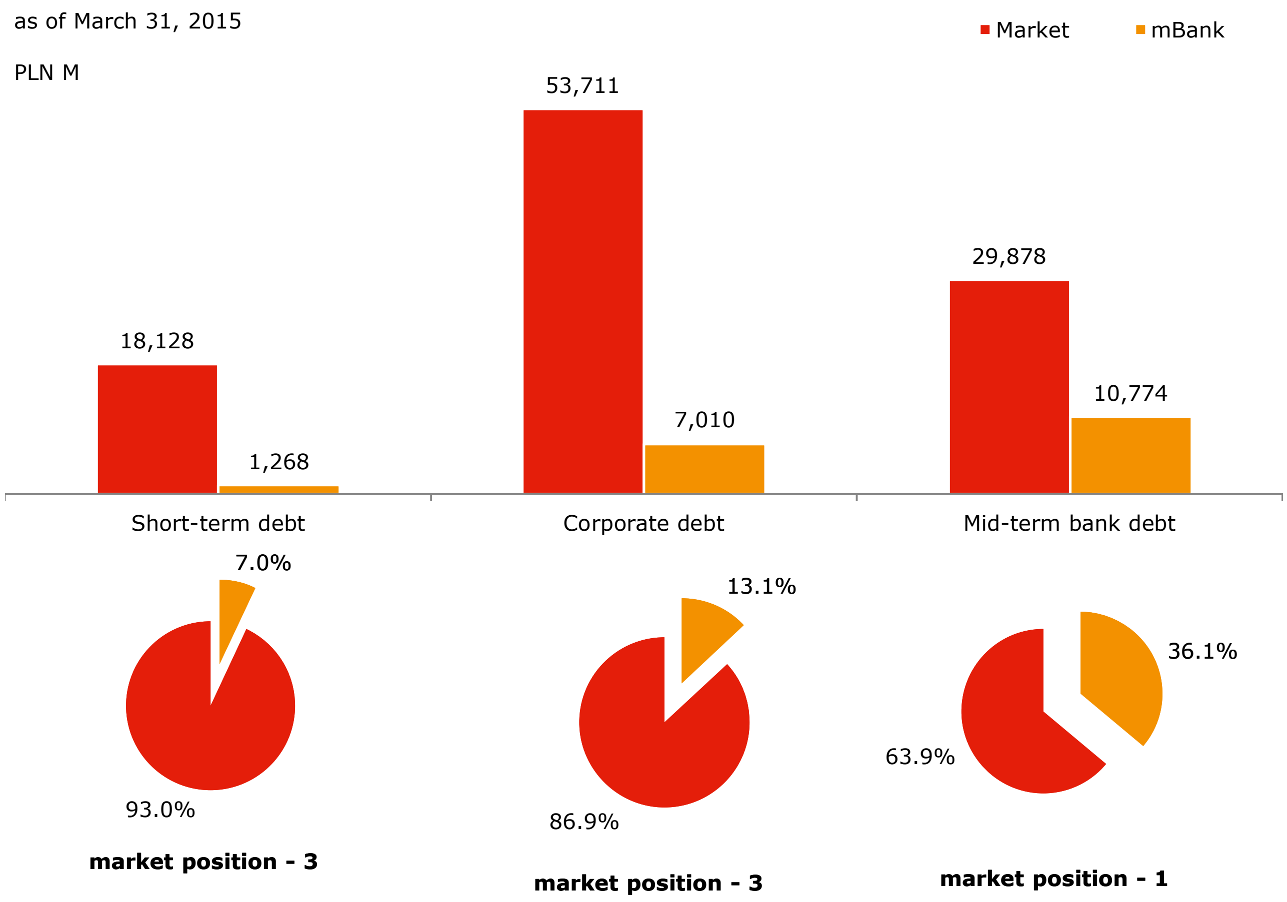
The Bank maintained its commitment to the "Supporting Entrepreneurship through BGK Sureties and Guarantees" program with allocated limit for corporate clients at PLN 900 million, of which 772.8 million was used as of March 31, 2015.

Issuing debt securities for corporate clients

In Q1 2015, mBank organised or co-organised many bond issue programs on the domestic market, both for corporate issuers and banks.

The share of mBank in the non-treasury debt market at the end of March 2015 is presented in the chart below.

mBank in the Non-Treasury Debt Market



Value of debt securities issued by banks but not kept on primary books (excluding „road" bonds issued by Bank Gospodarstwa Krajowego) whose issue was arranged by mBank amounted to circa PLN 10.7 billion, compared to PLN 9.9 billion at the end of 2014. The largest issues arranged by mBank in Q1 2015 included the issue of bonds of PLN 696 million for Bank Gospodarstwa Krajowego. Other large transaction in which the Bank participated included the issue of bonds of PLN 100 million for BOŚ Bank.

The Bank was ranked third on the growing market of corporate bonds, with a market share of 13.1%. A number of new major issues were executed, i.e. for Enea S.A. (PLN 250 million), BEST S.A. (PLN 55 million), Magellan S.A. (EUR 10 million), Elzab S.A. (PLN 25 million) and EGB S.A. (PLN 16 million). The value of corporate bonds issued and unredeemed amounted to circa PLN 7.0 billion, compared to PLN 6.8 billion at the end of December 2014.

Development of transactional banking

Cash management is an area of Corporate Banking which offers modern solutions facilitating planning, monitoring and managing funds of the highest liquidity, processing cash and electronic banking. These solutions facilitate performing everyday financial operations, increase the effectiveness of cash flow management and help to optimise costs and interest income.

mBank's comprehensive cash management offer, supporting the long-term relationships with clients, is reflected in the following data:

- the number of domestic transfers made by corporate clients in Q1 2015 increased by 8.8% YoY;
- the number of foreign transfers increased by 22.0% in Q1 2015 YoY with the highest growth observed in SEPA transfers (Single Euro Payments Area) which went up by 21.9% in the reporting period;
- the total number of corporate cards issued amounted to 1,143.6 thousand at the end of Q1 2015, constituting an increase by 3.1% YoY; a growth by 32.5% was observed in prepaid cards;
- as at the end of March 2015, over 971.1 thousand cards were issued as Electronic Money Instrument;

- The number of mBank CompanyNet system users rose by 12.6% (compared to Q1 2014). Currently, there are 80,465 active authorizations allowing the entitled employees of clients to cooperate with mBank.

Financial Markets

Summary of segment results

In Q1 2015, the Financial Markets segment generated a profit before tax of PLN 25.6 million, compared to PLN 50.7 million in Q4 2014.

PLN M	Q1 2014	Q4 2014	Q1 2015	QoQ change	YoY change
Net interest income	21.3	45.0	23.5	-47.8%	10.3%
Net fee and commission income	-1.5	-1.9	-0.5	-73.7%	-66.7%
Dividend income	0.0	0.0	0.0	-	-
Net trading income	19.3	-7.1	24.5	-/+	26.9%
Gains less losses from investment securities, investments in subsidiaries and associates	1.8	38.1	3.2	-91.6%	77.8%
Net other operating income	0.2	0.6	0.0	-100.0%	-100.0%
Total income	41.1	74.7	50.7	-32.1%	23.4%
Net impairment losses on loans and advances	-0.6	-0.6	0.0	-100.0%	-100.0%
Overhead costs and amortization	-22.8	-23.6	-25.0	5.9%	9.6%
Profit before tax of Financial Markets	**17.7**	**50.7**	**25.6**	**-49.5%**	**44.6%**

The profit before tax of the Financial Markets segment in Q1 2015 was predominantly driven by:

- **Decrease of total income** by PLN 24.0 million, i.e., 32.1% QoQ to PLN 50.7 million. Net interest income decreased by PLN 21.5 million, i.e., 47.8% and stood at PLN 23.5 million, while net trading income was positive at PLN 24.5 million, compared to a loss in Q4 2014.

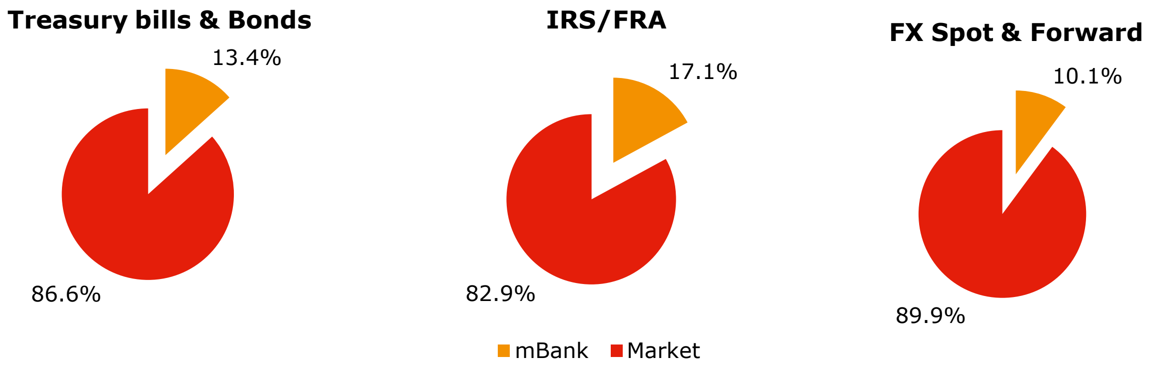
- **Increase of overhead costs (including amortization)**, which amounted to PLN 25.0 million.

Activity of Financial Markets segment

In Q1 2015 the Financial Markets segment continued activities focused on increasing the volume of currency transactions made by clients. Compared to Q4 2014, sales grew by 16.0% thanks to joint efforts of the Financial Markets segment and the Corporate and Investment Banking area. The Bank uses the database of the Central Customs Office, containing data on exporters and importers, i.e. clients using currency exchange services.

The works on developing the platform for retail clients continued. In Q1 2015, turnover increased by 66.6% and reached PLN 249.9 million at the end of Q1 2015, compared to PLN 150.0 million in Q4 2014. The average number of active clients rose from 1,082 to 2,162 and margin increased from PLN 384.5 thousand to PLN 757.5 thousand.

Market shares of mBank in specific financial instrument markets as at the end of February 2015, are presented below.



Subsidiaries of mBank Group

Summary of results of mBank Group's subsidiaries

In Q1 2015, the consolidated profits before tax generated by mBank Group subsidiaries based on a comparable number of subsidiaries amounted to PLN 54.2 million, compared to PLN 18.5 million a quarter earlier (Q1 2015 results of Aspiro excluding one-off gain on the sale of shares of BRE Ubezpieczenia TUiR).

In particular, the following subsidiaries improved their results in comparison to Q1 2015: mBank Hipoteczny, mLeasing, mLocum and mWealth Management.

The table below presents the profit before tax of the subsidiaries in Q1 2015, compared to Q4 2014.

PLN M	Q4 2014	Q1 2015	QoQ change
mLeasing	9.0	15.6	73.2%
mBank Hipoteczny	5.1	10.9	113.7%
mLocum	-0.4	8.7	-/+
BRE Ubezpieczenia	9.1	7.1	-22.3%
mWealth Management	4.7	4.9	6.1%
mFaktoring	5.9	4.9	-17.4%
Dom Maklerski mBanku	5.5	2.4	-56.1%
Aspiro[1]	6.9	0.6	-91.7%
Other[2]	-27.2	-0.9	96.8%
Total	**18.5**	**54.2**	**193.0%**

[1] *excluding one-off gain on the sale of shares of BRE Ubezpieczenia TUiR.*

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

Business activities of selected subsidiaries

mLeasing is Poland's sixth largest leasing provider. The value of contracts executed in Q1 2015 reached PLN 697 million, compared to PLN 897 million a quarter earlier (-22.3% QoQ). In Q1 2015, the company ranked third by aggregate volume of executed contracts (movables and real estate).

The profit before tax of mLeasing in Q1 2015 was PLN 15.6 million, representing an increase of 73.2% QoQ mainly driven by higher provision revenues and lower cost of risk.

The "Leasing in Retail" project continued in Q1 2015 pursuant to the "One Bank" Strategy geared to developing a comprehensive offer for clients. The initiative is dedicated to corporate clients who can conclude a leasing agreement using special leasing processes.

mBank Hipoteczny

At the end of Q1 2015 mBank Hipoteczny's (mBH) gross loan portfolio totalled PLN 5.7 billion versus PLN 5.4 billion at the end of 2014, up by 5.6% QoQ. This growth resulted from an increase of mBH's share in the sales of new mortgage loans for retail clients of mBank Group. Additionally, in February 2015, as part of mBank Group Strategy, mBH acquired loans amounting to PLN 100 million (pooled retail loans) from mBank to support future issues of covered bonds backed by mortgage receivables.

In Q1 2015, mBH reported a profit before tax of PLN 10.9 million compared to PLN 5.1 million a quarter earlier (+113.7%). The growth resulted mainly from an increase of the gross loan portfolio. Additionally, provisions for impaired loans, set up a quarter earlier were partially released in the reporting period.

In Q1 2015, mBH was pursuing the strategy of raising long-term funding through the issue of covered bonds dedicated to domestic and foreign investors. In Q1 2015, mBH carried out two issues of mortgage bonds worth PLN 200 million and EUR 20 million respectively, maturing in 2022. The nominal value of the new series is equivalent to PLN 282.5 million. Compared to Q1 2014, the value of issues grew by ca. 124%.

As of March 31, 2015, the total value of new covered bonds issued by mBH and the outstanding covered bonds on the market amounted to PLN 3,273 million, while the value of public sector covered bonds stood at PLN 350 million.

The issuing activity of mBH in Q1 2015 is summarised in the table below.

Series	Date of issue	Date of redemption	Currency	Value of issue (million)	Interest rate	Fitch rating
HPA24	20.02.2015	28.04.2022	PLN	200.0	WIBOR 6M + 78 bps	A
HPE10	25.02.2015	25.02.2022	EUR	20.0	Stable 1.135%	A

mLocum

mLocum is a property developer active on the primary real estate market. The company is engaged in housing development projects in Poland's biggest cities including Kraków, Łódź, Warsaw, Wrocław, Poznań and Sopot. The company sold 97 apartments in Q1 2015, compared to 24 apartments a quarter earlier. The most popular were investments in Łódź, Sopot and Kraków.

The profit before tax generated by the company in Q1 2015 reached PLN 8.7 million, compared to a PLN 0.4 million loss in Q4 2014 driven by increased sales of apartments.

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

Condensed consolidated income statement

	Note	1 Quarter (current year) period from 01.01.2015 to 31.03.2015	1 Quarter (previous year) period from 01.01.2014 to 31.03.2014
Interest income	5	912 286	957 742
Interest expense	5	(324 847)	(366 728)
Net interest income		**587 439**	**591 014**
Fee and commission income	6	314 527	353 775
Fee and commission expense	6	(120 670)	(112 369)
Net fee and commission income		**193 857**	**241 406**
Dividend income	7	31	-
Net trading income, including:	8	102 618	92 118
Foreign exchange result		*78 687*	*65 151*
Other net trading income and result on hedge accounting		*23 931*	*26 967*
Gains less losses from investment securities, investments in subsidiaries and associates, including:	9	195 008	9 845
Gains less losses from investment securities		*3 947*	*9 845*
Gains less losses from investments in subsidiaries and associates		*191 061*	-
Other operating income	10	88 674	73 271
Net impairment losses on loans and advances	11	(99 971)	(89 487)
Overhead costs	12	(405 708)	(384 785)
Amortisation		(47 131)	(45 832)
Other operating expenses	13	(49 499)	(51 034)
Operating profit		**565 318**	**436 516**
Profit before income tax		**565 318**	**436 516**
Income tax expense	24	(112 974)	(97 767)
Net profit		**452 344**	**338 749**
Net profit attributable to:			
- Owners of mBank S.A.		450 936	337 770
- Non-controlling interests		1 408	979

Net profit attributable to Owners of mBank S.A.		**450 936**	**337 770**
Weighted average number of ordinary shares	14	**42 210 129**	**42 175 344**
Basic earnings per share (in PLN)	14	**10.68**	**8.01**
Weighted average number of ordinary shares for diluted earnings	14	**42 257 952**	**42 225 951**
Diluted earnings per share (in PLN)	14	**10.67**	**8.00**

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

Condensed consolidated statement of comprehensive income

	1 Quarter (current year) period from 01.01.2015 to 31.03.2015	1 Quarter (previous year) period from 01.01.2014 to 31.03.2014
Net profit	**452 344**	**338 749**
Other comprehensive income net of tax, including:	**71 828**	**(15 820)**
Items that may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations (net)	(5 355)	247
Change in valuation of available for sale financial assets (net)	76 130	(16 067)
Cash flows hedges (net)	1 053	-
Items that will not be reclassified to the income statement		
Actuarial gains and losses relating to post-employment benefits (net)	-	-
Total comprehensive income (net)	**524 172**	**322 929**
Total comprehensive income (net), attributable to:		
- Owners of mBank S.A.	522 764	321 950
- Non-controlling interests	1 408	979

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

Condensed consolidated statement of financial position

ASSETS	Note	31.03.2015	31.12.2014	31.03.2014
Cash and balances with the Central Bank		2 406 938	3 054 549	2 089 199
Loans and advances to banks		4 052 272	3 751 415	1 500 011
Trading securities	15	2 043 083	1 163 944	1 180 071
Derivative financial instruments	16	4 824 571	4 865 517	2 216 630
Loans and advances to customers	18	78 977 052	74 582 350	70 923 030
Hedge accounting adjustments related to fair value of hedged items		360	461	821
Investment securities	19	28 442 073	27 678 614	26 605 235
Interest in joint ventures		1 000	-	-
Non-current assets held for sale	25	-	576 838	-
Intangible assets	20	458 185	465 626	431 959
Tangible assets	21	706 458	717 377	705 955
Current income tax assets		57 352	61 751	89 753
Deferred income tax assets	24	303 361	272 416	300 272
Other assets		1 021 183	794 964	1 100 321
Total assets		**123 293 888**	**117 985 822**	**107 143 257**

LIABILITIES AND EQUITY				
Liabilities				
Amounts due to the Central Bank		1	-	2
Amounts due to other banks		17 839 428	13 383 829	19 481 095
Derivative financial instruments	16	4 838 248	4 719 056	2 120 892
Amounts due to customers	22	71 861 014	72 422 479	63 596 439
Debt securities in issue		10 382 134	10 341 742	5 658 722
Hedge accounting adjustments related to fair value of hedged items		132 046	103 382	4 189
Liabilities held for sale	25	-	276 341	-
Other liabilities		1 998 579	1 349 654	2 723 505
Current income tax liabilities		42 851	1 969	3 269
Provisions for deferred income tax	24	780	9 785	2 908
Provisions	23	162 371	176 881	233 029
Subordinated liabilities		4 436 572	4 127 724	3 453 003
Total liabilities		**111 694 024**	**106 912 842**	**97 277 053**
Equity				
Equity attributable to Owners of mBank S.A.		**11 568 718**	**11 043 242**	**9 838 129**
Share capital:		**3 523 935**	**3 523 903**	**3 512 798**
- Registered share capital		168 841	168 840	168 702
- Share premium		3 355 094	3 355 063	3 344 096
Retained earnings:		**7 423 432**	**6 969 816**	**6 023 084**
- Profit from the previous years		6 972 496	5 683 148	5 685 314
- Profit for the current year		450 936	1 286 668	337 770
Other components of equity		**621 351**	**549 523**	**302 247**
Non-controlling interests		**31 146**	**29 738**	**28 075**
Total equity		**11 599 864**	**11 072 980**	**9 866 204**
TOTAL LIBILITIES AND EQUITY		**123 293 888**	**117 985 822**	**107 143 257**

Total capital ratio		**16.26**	**14.66**	**16.26**
Common Equity Tier 1 capital ratio		**12.88**	**12.24**	**13.58**
Book value		**11 568 718**	**11 043 242**	**9 838 129**
Number of shares		**42 210 157**	**42 210 057**	**42 175 558**
Book value per share (in PLN)		**274.07**	**261.63**	**233.27**

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000’s)

Condensed consolidated statement of changes in equity

Changes from 1 January to 31 March 2015

	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 2015	**168 840**	**3 355 063**	**4 413 825**	**101 252**	**1 041 953**	**1 412 786**	**-**	**(1 765)**	**549 621**	**4 056**	**(2 389)**	**11 043 242**	**29 738**	**11 072 980**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**450 936**	**(5 355)**	**76 130**	**1 053**	**-**	**522 764**	**1 408**	**524 172**
Issue of shares	1	-	-	-	-	-	-	-	-	-	-	1	-	1
Stock option program for employees	-	31	-	2 680	-	-	-	-	-	-	-	2 711	-	2 711
- value of services provided by the employees	-	-	-	2 711	-	-	-	-	-	-	-	2 711	-	*2 711*
- settlement of exercised options	-	31	-	(31)	-	-	-	-	-	-	-	-	-	-
Equity as at 31 March 2015	**168 841**	**3 355 094**	**4 413 825**	**103 932**	**1 041 953**	**1 412 786**	**450 936**	**(7 120)**	**625 751**	**5 109**	**(2 389)**	**11 568 718**	**31 146**	**11 599 864**

Changes from 1 January to 31 December 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							**1 286 668**	**245**	**229 060**	**4 056**	**(1 905)**	**1 518 124**	**2 642**	**1 520 766**
Dividends paid	-	-	-	-	-	(716 984)	-	-	-	-	-	(716 984)	-	(716 984)
Transfer to general banking risk reserve	-	-	-	-	52 000	(52 000)	-	-	-	-	-	-	-	-
Transfer to supplementary capital	-	-	295 513	-	-	(295 513)	-	-	-	-	-	-	-	-
Issue of shares	144	-	-	-	-	-	-	-	-	-	-	144	-	144
Stock option program for employees	-	11 421	-	1 195	-	-	-	-	-	-	-	12 616	-	12 616
- value of services provided by the employees	-	-	-	12 616	-	-	-	-	-	-	-	12 616	-	*12 616*
- settlement of exercised options	-	11 421	-	(11 421)	-	-	-	-	-	-	-	-	-	-
Equity as at 31 December 2014	**168 840**	**3 355 063**	**4 413 825**	**101 252**	**1 041 953**	**126 118**	**1 286 668**	**(1 765)**	**549 621**	**4 056**	**(2 389)**	**11 043 242**	**29 738**	**11 072 980**

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

Changes from 1 January to 31 March 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	**-**	**-**	**-**	**-**	**-**	**-**	**337 770**	**247**	**(16 067)**	**-**	**-**	**321 950**	**979**	**322 929**
Dividends paid	-	-	-	-	-	(716 984)	-	-	-	-	-	(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	6	-	-	-	-	-	-	-	-	-	-	6	-	6
Stock option program for employees	-	454	-	3 361	-	-	-	-	-	-	-	3 815	-	3 815
- value of services provided by the employees	-	-	-	3 815	-	-	-	-	-	-	-	3 815	-	*3 815*
- settlement of exercised options	-	454	-	(454)	-	-	-	-	-	-	-	-	-	-
Equity as at 31 March 2014	**168 702**	**3 344 096**	**4 330 346**	**103 418**	**1 039 953**	**211 597**	**337 770**	**(1 763)**	**304 494**	**-**	**(484)**	**9 838 129**	**28 075**	**9 866 204**

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

Condensed consolidated statement of cash flows

	The period from 01.01.2015 to 31.03.2015	The period from 01.01.2014 to 31.03.2014
A. Cash flows from operating activities	**(2 175 637)**	**1 879 390**
Profit before income tax	**565 318**	**436 516**
Adjustments:	***(2 740 955)***	***1 442 874***
Income taxes paid	(93 405)	(94 604)
Amortisation, including amortisation of fixed assets provided under operating lease	58 523	58 425
Foreign exchange (gains) losses related to financing activities	1 310 672	236 609
(Gains) losses on investing activities	(195 057)	73
Impairment of investments in subsidiaries	(10)	-
Dividends received	(31)	-
Interest income (income statement)	(912 286)	(957 742)
Interest expense (income statement)	324 847	366 728
Interest received	778 943	811 345
Interest paid	(247 560)	(278 664)
Changes in loans and advances to banks	(228 190)	1 141 945
Changes in trading securities	(10 815)	17 504
Changes in assets and liabilities on derivative financial instruments	178 512	(188 304)
Changes in loans and advances to customers	(4 340 252)	(2 612 522)
Changes in investment securities	(636 188)	(1 382 035)
Changes in other assets	(216 537)	(148 047)
Changes in amounts due to other banks	1 485 511	2 306 537
Changes in amounts due to customers	(780 054)	1 279 305
Changes in debt securities in issue	(30 656)	138 856
Changes in provisions	(14 510)	4 801
Changes in other liabilities	827 588	742 664
Net cash generated from/(used in) operating activities	**(2 175 637)**	**1 879 390**
B.Cash flows from investing activities	**348 792**	**(46 217)**
Investing activity inflows	**435 779**	**7 769**
Disposal of shares in subsidiaries, net of cash disposed	427 424	-
Disposal of intangible assets and tangible fixed assets	8 324	7 769
Dividends received	31	-
Investing activity outflows	**86 987**	**53 986**
Purchase of intangible assets and tangible fixed assets	86 987	53 986
Net cash generated from/(used in) investing activities	**348 792**	**(46 217)**
C. Cash flows from financing activities	**2 131 401**	**(1 845 701)**
Financing activity inflows	**2 198 361**	**937 977**
Proceeds from loans and advances from other banks	1 782 940	-
Proceeds from other loans and advances	415 420	659 842
Issue of debt securities	-	278 129
Issue of ordinary shares	1	6
Financing activity outflows	**66 960**	**2 783 678**
Repayments of loans and advances from other banks	705	2 239 666
Repayments of other loans and advances	6 523	5 032
Redemption of debt securities	-	186 462
Decrease of subordinated liabilities	-	310 032
Payments of financial lease liabilities	122	107
Interest paid from loans and advances received from other banks, subordinated liabilities and long term issue	59 610	42 379
Net cash generated from/(used in) financing activities	**2 131 401**	**(1 845 701)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**304 556**	**(12 528)**
Effects of exchange rate changes on cash and cash equivalents	(5 077)	(844)
Cash and cash equivalents at the beginning of the reporting period	4 711 505	3 685 640
Cash and cash equivalents at the end of the reporting period	**5 010 984**	**3 672 268**

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

mBank S.A. stand-alone financial information

Income statement

	Note	1 Quarter (current year) period from 01.01.2015 to 31.03.2015	1 Quarter (previous year) period from 01.01.2014 to 31.03.2014
Interest income		828 749	882 670
Interest expense		(304 646)	(344 684)
Net interest income		**524 103**	**537 986**
Fee and commission income		268 733	297 219
Fee and commission expense		(105 006)	(98 298)
Net fee and commission income		**163 727**	**198 921**
Dividend income		31	-
Net trading income, including:		101 759	85 413
Foreign exchange result		*79 780*	*62 604*
Other net trading income and result on hedge accounting		*21 979*	*22 809*
Gains less losses from investment securities, investments in subsidiaries and associates, including:		163 741	9 845
Gains less losses from investment securities		*3 947*	*9 845*
Gains less losses from investments in subsidiaries and associates		*159 794*	-
Other operating income		12 727	9 005
Net impairment losses on loans and advances		(97 558)	(73 786)
Overhead costs		(332 295)	(318 518)
Amortisation		(40 227)	(39 231)
Other operating expenses		(13 841)	(21 625)
Operating profit		**482 167**	**388 010**
Profit before income tax		**482 167**	**388 010**
Income tax expense		(96 430)	(85 380)
Net profit		**385 737**	**302 630**

Net profit		**385 737**	**302 630**
Weighted average number of ordinary shares	14	**42 210 129**	**42 175 344**
Basic earnings per share (in PLN)	14	**9.14**	**7.18**
Weighted average number of ordinary shares for diluted earnings	14	**42 257 952**	**42 225 951**
Diluted earnings per share (in PLN)	14	**9.13**	**7.17**

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

mBank S.A. stand-alone financial information

Statement of comprehensive income

	1 Quarter (current year) period from 01.01.2015 to 31.03.2015	1 Quarter (previous year) period from 01.01.2014 to 31.03.2014
Net profit	**385 737**	**302 630**
Other comprehensive income net of tax, including:	**76 753**	**(16 812)**
Items that may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations (net)	12	39
Change in valuation of available for sale financial assets (net)	75 688	(16 851)
Cash flow hedges (net)	1 053	-
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	**462 490**	**285 818**

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

mBank S.A. stand-alone financial information

Statement of financial position

ASSETS	31.03.2015	31.12.2014	31.03.2014
Cash and balances with the Central Bank	2 392 651	3 046 817	2 082 300
Loans and advances to banks	6 207 097	5 648 047	2 348 067
Trading securities	2 140 117	1 251 064	1 210 334
Derivative financial instruments	4 824 259	4 874 882	2 218 849
Loans and advances to customers	73 557 011	69 529 868	66 780 852
Hedge accounting adjustments related to fair value of hedged items	360	461	821
Investment securities	27 855 169	27 246 034	26 340 527
Investments in subsidiaries	804 674	806 567	759 259
Non-current assets held for sale	-	31 063	-
Intangible assets	415 727	425 078	386 461
Tangible assets	462 355	468 822	439 821
Current income tax assets	54 272	60 211	88 551
Deferred income tax assets	6 443	15 144	60 111
Other assets	341 238	199 405	268 736
Total assets	**119 061 373**	**113 603 463**	**102 984 689**

LIABILITIES AND EQUITY			
Liabilities			
Amounts due to the Central Bank	1	-	2
Amounts due to other banks	17 768 840	13 384 224	19 251 724
Derivative financial instruments	4 896 542	4 755 856	2 132 798
Amounts due to customers	78 941 341	79 312 266	66 035 088
Hedge accounting adjustments related to fair value of hedged items	96 780	77 619	4 189
Debt securities in issue	389 793	386 423	390 626
Other liabilities	1 634 313	1 112 805	2 427 255
Provisions for deferred income tax	79	82	81
Provisions	162 323	176 878	144 048
Subordinated liabilities	4 436 573	4 127 724	3 453 003
Total liabilities	**108 326 585**	**103 333 877**	**93 838 814**
Equity			
Share capital:	**3 523 935**	**3 523 903**	**3 512 798**
- Registered share capital	168 841	168 840	168 702
- Share premium	3 355 094	3 355 063	3 344 096
Retained earnings:	**6 585 400**	**6 196 983**	**5 327 683**
- Profit for the previous year	6 199 663	5 022 887	5 025 053
- Net profit for the current year	385 737	1 174 096	302 630
Other components of equity	**625 453**	**548 700**	**305 394**
Total equity	**10 734 788**	**10 269 586**	**9 145 875**
TOTAL LIBILITIES AND EQUITY	**119 061 373**	**113 603 463**	**102 984 689**

Total capital ratio	**18.41**	**16.95**	**18.12**
Common Equity Tier 1 capital ratio	**14.42**	**14.06**	**15.18**
Book value	**10 734 788**	**10 269 586**	**9 145 875**
Number of shares	**42 210 157**	**42 210 057**	**42 175 558**
Book value per share (in PLN)	**254.32**	**243.30**	**216.85**

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

mBank S.A. stand-alone financial information

Statement of changes in equity

Changes from 1 January to 31 March 2015

	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 2015	**168 840**	**3 355 063**	**3 977 488**	**30 256**	**1 015 143**	**1 174 096**	**-**	**(6 974)**	**553 950**	**4 056**	**(2 332)**	**10 269 586**
Total comprehensive income							**385 737**	**12**	**75 688**	**1 053**	**-**	**462 490**
Issue of shares	1	-	-	-	-	-	-	-	-	-	-	1
Stock option program for employees	-	31	-	2 680	-	-	-	-	-	-	-	2 711
- value of services provided by the employees	-	-	-	2 711	-	-	-	-	-	-	-	2 711
- settlement of exercised options	-	31	-	(31)	-	-	-	-	-	-	-	-
Equity as at 31 March 2015	**168 841**	**3 355 094**	**3 977 488**	**32 936**	**1 015 143**	**1 174 096**	**385 737**	**(6 962)**	**629 638**	**5 109**	**(2 332)**	**10 734 788**

Changes from 1 January to 31 December 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	-	-	-	-	-	-	**1 174 096**	**(462)**	**224 713**	**4 056**	**(1 813)**	**1 400 590**
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	144	-	-	-	-	-	-	-	-	-	-	144
Stock option program for employees	-	11 421	-	1 195	-	-	-	-	-	-	-	12 616
- value of services provided by the employees	-	-	-	12 616	-	-	-	-	-	-	-	12 616
- settlement of exercised options	-	11 421	-	(11 421)	-	-	-	-	-	-	-	-
Equity as at 31 December 2014	**168 840**	**3 355 063**	**3 977 488**	**30 256**	**1 015 143**	**-**	**1 174 096**	**(6 974)**	**553 950**	**4 056**	**(2 332)**	**10 269 586**

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

Changes from 1 January to 31 March 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	-	-	-	-	-	-	**302 630**	**39**	**(16 851)**	-	-	**285 818**
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	6	-	-	-	-	-	-	-	-	-	-	6
Stock option program for employees	-	454	-	3 361	-	-	-	-	-	-	-	3 815
- value of services provided by the employees	-	-	-	3 815	-	-	-	-	-	-	-	*3 815*
- settlement of exercised options	-	454	-	(454)	-	-	-	-	-	-	-	-
Equity as at 31 March 2014	**168 702**	**3 344 096**	**3 977 488**	**32 422**	**1 015 143**	**-**	**302 630**	**(6 473)**	**312 386**	**-**	**(519)**	**9 145 875**

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

mBank S.A. stand-alone financial information

Statement of cash flows

	The period from 01.01.2015 to 31.03.2015	The period from 01.01.2014 to 31.03.2014
A. Cash flows from operating activities	**(399 751)**	**1 674 611**
Profit before income tax	**482 167**	**388 010**
Adjustments:	***(881 918)***	***1 286 601***
Income taxes paid	(63 603)	(81 959)
Amortisation	40 227	39 231
Foreign exchange (gains) losses on financing activities	1 310 859	238 451
(Gains) losses on investing activities	(169 250)	84
Impairment of investments in subsidiaries	5 455	-
Dividends received	(31)	-
Interest income (income statement)	(828 749)	(882 670)
Interest expenses (income statement)	304 646	344 684
Interest received	747 846	798 304
Interest paid	(290 925)	(286 292)
Changes in loans and advances to banks	(785 887)	1 138 785
Changes in trading securities	65 580	47 047
Changes in assets and liabilities on derivative financial instruments	209 684	(194 735)
Changes in loans and advances to customers	(4 016 700)	(3 000 429)
Changes in investment securities	(454 791)	(1 316 002)
Changes in other assets	(149 962)	(13 659)
Changes in amounts due to other banks	3 192 316	2 281 575
Changes in amounts due to customers	(568 297)	1 419 463
Changes in debt securities in issue	-	519
Changes in provisions	(14 555)	2 988
Changes in other liabilities	584 219	751 216
Net cash generated from/(used in) operating activities	**(399 751)**	**1 674 611**
B.Cash flows from investing activities	**144 841**	**(30 288)**
Investing activity inflows	**210 518**	**58**
Disposal of shares in subsidiaries	27 929	-
Disposal of intangible assets and tangible fixed assets	58	58
Dividends received	31	-
Other investing inflows	182 500	-
Investing activity outflows	**65 677**	**30 346**
Other investing outflows	65 677	30 346
Net cash generated from/(used in) investing activities	**144 841**	**(30 288)**
C. Cash flows from financing activities	**346 999**	**(1 850 875)**
Financing activity inflows	**415 421**	**630 101**
Proceeds from other loans and advances	415 420	630 095
Issue of ordinary shares	1	6
Financing activity outflows	**68 422**	**2 480 976**
Repayments of loans and advances from other banks	-	2 054 000
Repayments of other loans and advances	6 523	5 032
Redemption of debt securities	-	66 462
Acquisition of shares in subsidiaries - increase of involvement	-	2 000
Decrease of subordinated liabilities	-	310 032
Payments of financial lease liabilities	2 289	1 071
Interest paid from loans and advances received from other banks, subordinated liabilities and long term issue	59 610	42 379
Net cash generated from/(used in) financing activities	**346 999**	**(1 850 875)**
Net increase / decrease in cash and cash equivalents (A+B+C)	**92 089**	**(206 552)**
Effects of exchange rate changes on cash and cash equivalents	(5 257)	(2 765)
Cash and cash equivalents at the beginning of the reporting period	4 762 605	3 807 891
Cash and cash equivalents at the end of the reporting period	**4 849 437**	**3 598 574**

Explanatory notes to the condensed consolidated financial statements

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

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

- strategic: shares and equity interests in companies supporting particular business 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 31 March 2015, mBank S.A. Group covered by the condensed consolidated financial statements comprised the following companies:

mBank S.A., the parent entity

mBank S.A. was established under the name of Bank Rozwoju Eksportu SA by Resolution of the Council of Ministers N° 99 of 20 June 1986. The Bank was registered pursuant to the legally valid decision of the District Court for the Capital City of Warsaw, 16th Economic Registration Division, on 23 December 1986 in the Business Register under the number RHB 14036. The 9th Extraordinary Meeting of Shareholders held on 4 March 1999 adopted the resolution changing the Bank's name to BRE Bank S.A. 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 31 March 2015 the headcount of mBank S.A. amounted to 4 972 FTEs (Full Time Equivalents) and of the Group to 6 388 FTEs (31 March 2014: Bank 4 676 FTEs, Group 6 061 FTEs).

As at 31 March 2015 the employment in mBank S.A. was 6 129 persons and in the Group 8 415 persons (31 March 2014: Bank 5 678 persons, Group 7 819 persons).

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

Corporates and Financial Markets Segment, including:

Corporate and Investment Banking

- 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

Financial Markets

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

Retail Banking Segment (including Private Banking)

- Aspiro S.A., 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

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

In accordance with the agreement concluded on 11 September 2014 between the Bank's subsidiary Aspiro S.A. ("Aspiro") and Avanssur S.A., the company belonging to AXA Group, on 27 March 2015 Aspiro sold 100% shares of BRE Ubezpieczenia TUiR S.A. The transaction has been described in detail in Note 25, and in the point 9 of the Selected Explanatory Information.

On 2 March 2015, the company Aspiro concluded the merger by acquisition of companies BRE Ubezpieczenia Sp. z o.o. and BRE Agent Ubezpieczeniowy Sp. z o.o. The activities of both insurance companies were taken over and will be continued by Aspiro in the same extent. The acquired companies were resolved on 2 March 2015, the day of their deletion from the register which was also the date of register of the merger.

On 20 January 2015, the sale transaction of the company Transfinance a.s. was completed. The transaction has been described in Note 25 and in the point 9 of the Selected Explanatory Information.

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

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 3-month period ended 31 March 2015.

The presented condensed consolidated financial statements for the first quarter of 2015 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.

In accordance with the recommendation received from Polish Financial Supervision Authority (KNF) described in the item 31 of Selected explanatory information, the Group has applied IFRIC 21 in such way, that costs of fees payable to the Bank Guarantee Fund (BGF) and income related to these costs will be recognized on accrual basis throughout the year 2015, the same way as in 2014.

The presented condensed consolidated financial statements for the first quarter of 2015 should be read in conjunction with the Consolidated Financial Statements of mBank S.A. Group for the year ended 31 December 2014, which have been prepared in accordance with IFRSs.

The data for the year 2014 presented in mBank S.A. Group condensed consolidated financial statements was audited by the auditor.

The preparation of the financial statements in compliance with IFRS requires the application of specific accounting estimates. It also requires the Management Board to use its own judgment when applying the accounting policies adopted by the 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 Group continues 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 2.20). The profit or loss and each component of other comprehensive income is attributed to the Group's owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. If the Group loses control of a subsidiary, it shall account for all amounts previously recognised in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses control of the subsidiary. If a revaluation surplus previously recognised in other comprehensive income would be transferred directly to retained earnings on the disposal of the assets, the Group shall transfer the revaluation surplus directly to retained earnings when it loses control of the subsidiary.

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

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

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

The Group applies predecessor accounting method for combinations of businesses under common control. The method stipulates that assets and liabilities of the acquired arrangements are not measured at fair value, but the acquirer includes them in its financial statements based on the value of the acquired arrangements stemming from the consolidated financial statements of the consolidating entity that prepares the consolidated financial statements at the higher level and exercises the common control under which the transaction takes place. The result on combination of businesses under common control is presented in the equity position "Retained earnings from previous years" of the stand-alone financial statements of the acquirer.

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.

2.3. Associates and joint ventures

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

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

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

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

The share of the Group in the profits (losses) of associates and joint ventures since the date of acquisition is recognised in the income statement, whereas its share in 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 or joint venture becomes equal to or greater than the share of the Group in that associate or joint venture, possibly covering receivables other than secured claims, the Group discontinues the recognition of any further losses, unless it has assumed obligations or has settled payments on behalf of the respective associate or joint venture.

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

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

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

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

Company	31.03.2015		31.12.2014		31.03.2014	
	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	100%	full
BDH Development Sp. z o.o.	100%	full	100%	full	100%	full
BRE Agent Ubezpieczeniowy Sp. z o.o.	-	-	100%	full	100%	full
BRE Ubezpieczenia Sp. z o.o.	-	-	100%	full	100%	full
BRE Ubezpieczenia TUiR S.A.	-	-	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
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

2.4. 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 in the expected life of the financial instrument, 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 under the fair value hedge accounting.

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

2.5. Fee and commission income

Income on account of fees and commissions is recognised on the accrual basis, at the time of performance of the respective services. Fees charged for the granting of loans which are likely to be drawn down are deferred (together with the related direct costs) and 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 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.

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

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

The Group treats 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.

2.7. 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.

2.8. 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.

2.9. Segment reporting

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

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

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

2.10. 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.

<u>Financial assets valued at fair value through the income statement</u>

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 according to IAS 39.

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 and financial guarantee contracts),
- upon initial recognition, assets/liabilities are designated by the entity at fair value through the income statement according to IAS 39.

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 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 2.4), except for derivatives the recognition of which is discussed in Note 2.17, 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.

Loans and receivables

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.

Held to maturity investments

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 financial statements, there were no assets held to maturity at the Group.

Available for sale investments

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.

2.11. 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.

2.12. 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.

2.13. 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 Group measures impairment of loan exposures in accordance with the International Accounting Standard 39. The classification of customers to default portfolio and calculation of impairment write-off is as follows:

- identifying impairment indicator on individual basis (loss events) and if they exist, classifying a customer to a default category;
- assessing estimated future cash flows (repayments) both from collateral and from repayments by a customer;
- calculating impairment losses taking into account the future amount of estimated discounted cash flows using the effective interest rate;
- booking of impairment losses.

Loss events were divided into definite ("hard") loss events of which occurrence requires the client to be classified 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. In the case of indefinite loss events, credit analyst assesses additionally whether the event impacted adversely the obligor's creditworthiness. Indefinite loss events have been introduced in order to signal situations that may potentially increase the credit risk of the debtor, which may result in the loss of the debtor's ability to repay loan the Bank.

The list of definite loss events:

- 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.
- The Bank has sold exposures with a significant economic loss related to the change of the debtor creditworthiness.

- The Bank performed enforced restructuring of the exposure, which resulted 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:
  - reduction of financial obligations by remitting part of these obligations, or
  - 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.
- 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.
- 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.
- Termination of part or whole credit agreement by the Bank and the beginning of restructuring/collection procedures.
- Client's fraud.

<u>The list of required conditions for indefinite loss events is prepared separately for each following entity type:</u>

- governments and central banks,
- banks,
- corporations, including specialised lending,
- local government units,
- insurers,
- pension fund managing companies, investment fund managing companies.

Defining separately the conditions for indefinite loss events for particular types of entities aimed at reflecting specificity of particular types of entities in identification of loss events.

In order to assess if the impairment loss has occurred, identification of credit exposures with premises for impairment is carried out. Subsequently the comparison of the gross balance sheet credit exposure with the value of estimated future cash flows discounted at the original effective interest rate is carried out, which leads to the conclusion whether the impairment loss has occurred. If the discounted value of future cash flow is higher than the gross balance sheet value, the impairment charge is not recognised.

In case of specific situation, when the future cash flows are clearly dependent on individual events with binary character of occurrence, the Bank estimates the probability of such events as the basis for calculating the impairment charge.

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 foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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 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, after the transitional 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 available for sale

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.

2.14. 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*".

2.15. 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.

2.16. 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.

2.17. 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 2.18.

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 2.4 "Interest income and expenses". The remaining result from fair value measurement of derivatives is recognised in "Net trading income".

<u>Fair value hedges</u>

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.

<u>Cash flow hedges</u>

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.

2.18. 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.

2.19. 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 using the effective interest method). 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.

2.20. Intangible assets

The Group measures intangible assets initially at cost. After initaial recognition, intangible assets are recognised at their cost of acquisition adjusted by the costs of improvement (rearrangement, development, reconstruction or modernisation) less any accumulated amortization and any accumulated impairment losses. 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 if there have been any indication that it may be impaired, and it is carried in the statement of financial position at cost reduced by accumulated impairment losses. The Group assesses at the end of each reporting period whether there is any indication that cash generaing unit to which goodwill is allocated may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. Goodwill impairment losses should not be reversed.

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

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 (2-11 years). Expenses attached to the maintenance of computer software are expensed when incurred. Expenses directly linked to the development of identifiable and unique proprietary computer programmes controlled by the Group, which are likely to generate economic benefits in excess of such costs expected to be gained over a period exceeding one year, are recognised as intangible assets. Direct costs comprise personnel expenses directly related to the software.

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.

2.21. Tangible fixed assets

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

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

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

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

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

Group assesses at the end of each reporting period whether there is any indication that tangible asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. The value of a fixed asset carried in the statement of financial position is reduced to the level of its recoverable value if the carrying value in the statement of financial position exceeds the estimated recoverable amount. The recoverable value is the higher of two amounts: the fair value of the fixed asset reduced by its selling costs and the value in use.

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

The carrying amount of tangible fixed assets is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from from the derecognition of tangible fixed assets are included in profit or loss when the item is derecognised. Gains are not classified as revenue.

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.

2.22. 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.

2.23. 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.

2.24. 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.

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

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.

2.25. 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.

2.26. 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.

2.27. Leasing

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

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

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

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

Revenue from leasing agreements is 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.

2.28. 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.

2.29. 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 that will not be reclassified to the income statement. The Group recognizes service cost and net interest on the net defined benefit liability in the "Overhead cost" and in other interest expenses, respectively. The Group 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.

Equity-settled share-based payment transactions

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

Cash-settled share-based payment transactions

In case of the part of the programme based on cash-settled share-based payments based on shares of the ultimate parent of the Bank, the fair value of the service rendered by employees in return for right to options/share appreciation rights increases the costs of the respective period, corresponding to liabilities. Until the liability related to the cash-settled share-based payments transactions is settled, the Bank measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period. Moreover, the incentive programme functioning in mBank Hipoteczny is based on phantom shares of this bank and according to IAS 19 considered as incentive programme.

2.30. Equity

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

Registered share capital

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

- Own shares

In the case of acquisition of shares 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.

Share premium

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

- Share issue costs

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

Retained earnings

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".

Other components of equity

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.

2.31. Valuation of items denominated in foreign currencies

Functional currency and presentation currency

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

Transactions and balances

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

Foreign exchange differences arising on account of such monetary items as financial assets measured at fair value through 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.

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

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

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 3 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.

2.32. 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.

2.33. 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.

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

Standards and interpretations approved by the European Union:

- IFRIC 21, *Levies*, published by International Financial Reporting Standard Interpretations Committee on 20 May 2013, binding for annual periods starting on or after 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 has no impact on the total level of recognised fees in the whole financial year, but may have an impact on the level of costs recognised in each quarter of the financial year.

  In accordance with the recommendation received from the Polish Financial Supervision Authority (KNF) described in item 31 of Selected explanatory information, the Group has applied IFRIC 21 in such a way that the costs of fees payable to the Bank Guarantee Fund (BGF) and income related to these costs, will be recognized on accrual basis throughout the year 2015, the same way as in 2014.

  Had mBank and mBank Group applied IFRIC 21 in such way that the costs of fees and the related income were included in full amount in the cost of the first quarter of 2015, the Group's consolidated net profit and consolidated equity for the first quarter of 2015 would have been lower by PLN 69 945 thousand, and the stand-alone net profit and equity of mBank would have been lower by PLN 71 521 thousand.

- 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.

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

Standards and interpretations approved by the European Union:

- IAS 19 (Amended), *Defined Benefit Plans: Employee Contributions*, published by the International Accounting Standards Board on 21 November 2013, approved by European Union on 17 December 2014 and binding for annual periods starting on or after 1 July 2014, in EU effective at the latest for financial years beginning on or after 1 February 2015.

  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.

- Improvements to IFRSs 2010 - 2012, published by the International Accounting Standards Board on 12 December 2013, approved by European Union on 17 December 2014, in majority binding for annual periods starting on or after 1 July 2014 and some effective prospectively for transactions occurring on or after 1 July 2014, in EU effective at latest for financial years beginning on or after 1 February 2015.

  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.

Standards and interpretations not yet approved by the European Union:

- 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 Instruments: 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.

- 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.

- Amendments to IAS 1, *Disclosure initiative*, published by the International Accounting Standards Board on 18 December 2014, binding for annual periods starting 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, IFRS 12 and IAS 28, *Investment entities: applying the consolidation exception,* published by the International Accounting Standards Board on 18 December 2014, binding for annual periods starting 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.

2.34. Comparative data

Data prepared as at 31 March 2014 as well as data presented in the Statement of Financial Position prepared as at 31 December 2014 are totally comparable with data introduced in the current financial period so they were not adjusted.

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

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

Impairment of loans and advances

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the income statement, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio. The methodology and the assumptions (on the basis of which the estimated cash flow amounts and their anticipated timing are determined) are regularly verified.

Fair value of derivatives and other financial instruments

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

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.

Now, 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.

Leasing classification

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

4. Business segments

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

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

From the beginning of 2015, the Group has adjusted the assignment of two subsidiaries to segments: mLeasing Sp. z o.o. and mBank Hipoteczny S.A. From the results of mLeasing Sp. z o.o., previously assigned, according to split of customers, to Corporate and Investment Banking sub-segment and Retail Banking segment, activities regarding funding were excluded and assigned to Financial Markets sub-segment. The results of mBank Hipoteczny S.A., previously assigned to the Retail Banking segment, were divided into the Corporate and Investment Banking sub-segment and Retail Banking segment (according to split of customers into corporate and retail) as well as to the Financial Markets sub-segment, to which activities regarding funding, including issuance of covered bonds, were assigned.

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: mWealth Management S.A., Aspiro S.A., as well as the results of retail segments of mLeasing Sp. z o.o., Dom Maklerski mBanku S.A. and mBank Hipoteczny S.A. Moreover this segment includes the result of BRE Ubezpieczenia TUiR S.A. and AWL I Sp. z o.o. until the date of their sale as well as the result of BRE Ubezpieczenia Sp. z o.o. and BRE Agent Ubezpieczeniowy Sp. z o.o. until the date of their merger with Aspiro.
- 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, Garbary Sp. z o.o. as well as the results of corporate segments of mLeasing Sp. z o.o., Dom Maklerski mBanku S.A. and mBank Hipoteczny S.A. Moreover this segment includes the result of Transfinance a.s. until the date of sale of the company.

- *Financial Markets* sub-segment (business line) consists primarily of treasury, financial markets, and financial institutions operations, manages the liquidity, interest rate and foreign exchange risks of the Bank, its trading and investment portfolios, and conducts market making in PLN denominated cash and derivative instruments. The Bank also maintains an extensive correspondent banking network and also develops relationships with other banks providing products such as current accounts, overdrafts, stand alone and syndicated loans and loans insured by KUKE to support the Polish export market. This sub-segment also includes the results of mFinance France S.A. as well as the results of mLeasing Sp. z o.o and mBank Hipoteczny S.A. with regard to activities concerning funding.
- Operations which are not included in the Retail Banking segment and the Corporates and Financial Markets segment are reported under "Other". This segment includes the results of 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 31 March 2015
(PLN'000)

	Corporates & Financial Markets		Retail Banking (including Private Banking)	Other	Total figure for the Group	Statement of financial position reconciliation/ income statement reconciliation
	Corporate and Investment Banking	Financial Markets				
Net interest income	**179 812**	**23 456**	**385 042**	**(871)**	**587 439**	**587 439**
- sales to external clients	181 722	125 553	280 159	5	587 439	
- sales to other segments	(1 910)	(102 097)	104 883	(876)	-	
Net fee and commission income	**86 041**	**(543)**	**104 282**	**4 077**	**193 857**	**193 857**
Dividend income	**31**	**-**	**-**	**-**	**31**	**31**
Trading income	**53 865**	**24 477**	**24 997**	**(721)**	**102 618**	**102 618**
Gains less losses from investment securities, investments in subsidiaries and associates	**517**	**3 157**	**194 348**	**(3 014)**	**195 008**	**195 008**
Other operating income	**16 754**	**148**	**30 892**	**40 880**	**88 674**	**88 674**
Net impairment losses on loans and advances	**(30 727)**	**(50)**	**(63 184)**	**(6 010)**	**(99 971)**	**(99 971)**
Overhead costs	**(149 523)**	**(22 669)**	**(226 117)**	**(7 399)**	**(405 708)**	**(405 708)**
Amortisation	**(18 364)**	**(2 346)**	**(25 594)**	**(827)**	**(47 131)**	**(47 131)**
Other operating expenses	**(7 777)**	**(30)**	**(11 458)**	**(30 234)**	**(49 499)**	**(49 499)**
Gross profit of the segment	**130 629**	**25 600**	**413 208**	**(4 119)**	**565 318**	**565 318**
Income tax					(112 974)	(112 974)
Net profit attributable to Owners of mBank S.A.					450 936	450 936
Net profit attributable to non-controlling interests					1 408	1 408
Assets of the segment	**33 040 965**	**45 697 530**	**43 748 505**	**806 888**	**123 293 888**	**123 293 888**
Liabilities of the segment	**23 279 935**	**46 383 638**	**40 961 382**	**1 069 069**	**111 694 024**	**111 694 024**
Other items of the segment						
Expenditures incurred on fixed assets and intangible assets	25 101	756	15 387	815	42 059	

Business segment reporting on the activities of mBank S.A. Group
for the period from 1 January to 31 December 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
	Corporate and Investment Banking	Financial Markets				
Net interest income	**746 495**	**139 698**	**1 611 284**	**(6 819)**	**2 490 658**	**2 490 658**
- sales to external clients	741 668	542 826	1 207 278	(1 114)	2 490 658	
- sales to other segments	4 827	(403 128)	404 006	(5 705)	-	
Net fee and commission income	**387 861**	**(5 989)**	**506 058**	**13 760**	**901 690**	**901 690**
Dividend income	**17 223**	**191**	**78**	**2 500**	**19 992**	**19 992**
Trading income	**184 109**	**69 739**	**115 119**	**189**	**369 156**	**369 156**
Gains less losses from investment securities, investments in subsidiaries and associates	**10 074**	**45 299**	**(700)**	**(2 747)**	**51 926**	**51 926**
Other operating income	**98 128**	**865**	**114 477**	**133 452**	**346 922**	**346 922**
Net impairment losses on loans and advances	**(211 584)**	**(1 065)**	**(303 285)**	**31**	**(515 903)**	**(515 903)**
Overhead costs	**(598 456)**	**(87 297)**	**(858 616)**	**(36 174)**	**(1 580 543)**	**(1 580 543)**
Amortisation	**(73 752)**	**(8 814)**	**(104 255)**	**(3 201)**	**(190 022)**	**(190 022)**
Other operating expenses	**(40 573)**	**273**	**(63 226)**	**(137 650)**	**(241 176)**	**(241 176)**
Gross profit of the segment	**519 525**	**152 900**	**1 016 934**	**(36 659)**	**1 652 700**	**1 652 700**
Income tax					(363 390)	(363 390)
Net profit attributable to Owners of mBank S.A.					1 286 668	1 286 668
Net profit attributable to non-controlling interests					2 642	2 642
Assets of the segment	**32 399 510**	**43 101 622**	**41 637 447**	**847 243**	**117 985 822**	**117 985 822**
Liabilities of the segment	**25 731 503**	**40 092 161**	**40 384 484**	**704 694**	**106 912 842**	**106 912 842**
Other items of the segment						
Expenditures incurred on fixed assets and intangible assets	165 487	9 711	120 867	1 586	297 651	

Business segment reporting on the activities of mBank S.A. Group
for the period from 1 January to 31 March 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
	Corporate and Investment Banking	Financial Markets				
Net interest income	**183 952**	**21 274**	**387 985**	**(2 197)**	**591 014**	**591 014**
- sales to external clients	196 216	114 866	280 354	(422)	591 014	
- sales to other segments	(12 264)	(93 592)	107 631	(1 775)	-	
Net fee and commission income	**96 623**	**(1 544)**	**142 818**	**3 509**	**241 406**	**241 406**
Dividend income	**-**	**-**	**-**	**-**	**-**	**-**
Trading income	**45 648**	**19 349**	**27 237**	**(116)**	**92 118**	**92 118**
Gains less losses from investment securities, investments in subsidiaries and associates	**8 048**	**1 798**	**-**	**(1)**	**9 845**	**9 845**
Other operating income	**15 987**	**216**	**25 824**	**31 244**	**73 271**	**73 271**
Net impairment losses on loans and advances	**(40 822)**	**(551)**	**(48 144)**	**30**	**(89 487)**	**(89 487)**
Overhead costs	**(143 028)**	**(20 743)**	**(213 386)**	**(7 628)**	**(384 785)**	**(384 785)**
Amortisation	**(17 120)**	**(2 079)**	**(25 870)**	**(763)**	**(45 832)**	**(45 832)**
Other operating expenses	**(9 709)**	**(39)**	**(9 308)**	**(31 978)**	**(51 034)**	**(51 034)**
Gross profit of the segment	**139 579**	**17 681**	**287 156**	**(7 900)**	**436 516**	**436 516**
Income tax					(97 767)	(97 767)
Net profit attributable to Owners of mBank S.A.					337 770	337 770
Net profit attributable to non-controlling interests					979	979
Assets of the segment	**29 793 230**	**37 362 497**	**39 058 326**	**929 204**	**107 143 257**	**107 143 257**
Liabilities of the segment	**21 607 690**	**37 983 811**	**35 933 059**	**1 752 493**	**97 277 053**	**97 277 053**
Other items of the segment						
Expenditures incurred on fixed assets and intangible assets	23 896	191	7 705	52	31 844	

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Geographical areas reporting on the activities of mBank S.A. Group for the period	from 1 January to 31 March 2015			from 1 January to 31 December 2014			from 1 January to 31 March 2014		
	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total	Poland	Foreign Countries	Total
Net interest income	557 625	29 814	**587 439**	2 369 399	121 259	**2 490 658**	562 424	28 590	**591 014**
Net fee and commission income	188 324	5 533	**193 857**	875 745	25 945	**901 690**	234 122	7 284	**241 406**
Dividend income	31	-	**31**	19 992	-	**19 992**	-	-	**-**
Trading income	101 483	1 135	**102 618**	363 388	5 768	**369 156**	90 694	1 424	**92 118**
Gains less losses from investment securities, investments in subsidiaries and associates	195 008	-	**195 008**	51 926	-	**51 926**	9 845	-	**9 845**
Other operating income	86 896	1 778	**88 674**	345 279	1 643	**346 922**	73 002	269	**73 271**
Net impairment losses on loans and advances	(97 591)	(2 380)	**(99 971)**	(480 714)	(35 189)	**(515 903)**	(80 568)	(8 919)	**(89 487)**
Overhead costs	(382 735)	(22 973)	**(405 708)**	(1 473 145)	(107 398)	**(1 580 543)**	(356 302)	(28 483)	**(384 785)**
Amortisation	(46 175)	(956)	**(47 131)**	(185 911)	(4 111)	**(190 022)**	(44 856)	(976)	**(45 832)**
Other operating expenses	(47 424)	(2 075)	**(49 499)**	(238 129)	(3 047)	**(241 176)**	(50 618)	(416)	**(51 034)**
Gross profit of the segment	555 442	9 876	**565 318**	1 647 830	4 870	**1 652 700**	437 743	(1 227)	**436 516**
Income tax			(112 974)			(363 390)			(97 767)
Net profit attributable to Owners of mBank S.A.			450 936			1 286 668			337 770
Net profit attributable to non-controlling interests			1 408			2 642			979
Assets of the segment, including:	120 091 763	3 202 125	**123 293 888**	114 548 848	3 436 974	**117 985 822**	104 398 891	2 744 366	**107 143 257**
- tangible assets	1 154 311	10 332	1 164 643	1 171 783	11 220	1 183 003	1 123 731	14 183	1 137 914
- deferred income tax assets	299 379	4 381	303 760	266 382	6 034	272 416	283 652	16 620	300 272
Liabilities of the segment	106 061 590	5 632 434	**111 694 024**	101 151 600	5 761 242	**106 912 842**	91 949 193	5 327 860	**97 277 053**

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5. Net interest income

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Interest income		
Loans and advances including the unwind of the impairment provision discount	650 495	681 740
Investment securities	195 126	214 504
Cash and short-term placements	14 249	16 371
Trading debt securities	9 757	12 135
Interest income on derivatives classified into banking book	29 947	29 378
Interest income on derivatives concluded under the fair value hedge	9 272	711
Interest income on derivatives concluded under the cash flow hedge	2 274	-
Other	1 166	2 903
Total interest income	**912 286**	**957 742**
Interest expense		
Arising from amounts due to banks	(35 593)	(53 011)
Arising from amounts due to customers	(193 894)	(207 234)
Arising from issue of debt securities	(68 170)	(45 532)
Arising from subordinated liabilities	(24 736)	(21 302)
Other	(2 454)	(39 649)
Total interest expense	**(324 847)**	**(366 728)**

Interest income related to impaired financial assets amounted to PLN 32 012 thousand (31 March 2014: PLN 40 073 thousand).

6. Net fee and commission income

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Fee and commission income		
Payment cards-related fees	78 679	109 728
Credit-related fees and commissions	60 775	61 541
Commissions from insurance activity	25 476	27 041
Fees from brokerage activity and debt securities issue	26 800	30 763
Commissions from bank accounts	40 768	41 805
Commissions from money transfers	24 919	22 246
Commissions due to guarantees granted and trade finance commissions	11 722	10 365
Commissions for agency service regarding sale of products of external financial entities	23 414	20 845
Commissions on trust and fiduciary activities	5 628	5 420
Fees from portfolio management services and other management-related fees	3 045	3 570
Fees from cash services	9 207	7 993
Other	4 094	12 458
Total fee and commission income	**314 527**	**353 775**

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Fee and commission expense		
Payment cards-related fees	(47 199)	(46 969)
Commissions paid to external entities for sale of the Bank's products	(21 971)	(15 593)
Insurance activity-related fees	(4 206)	(1 332)
Discharged brokerage fees	(6 806)	(6 964)
Cash services	(6 118)	(5 631)
Fees to NBP and KIR	(1 783)	(1 798)
Other discharged fees	(32 587)	(34 082)
Total fee and commission expense	**(120 670)**	**(112 369)**

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Fee and commission income from insurance activity		
- Income from insurance intermediation	21 346	22 586
- Income from insurance policies administration	4 130	4 455
Total fee and commission income from insurance activity	**25 476**	**27 041**

7. Dividend income

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Trading securities	-	-
Securities available for sale	31	-
Total dividend income	**31**	**-**

8. Net trading income

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Foreign exchange result	**78 687**	**65 151**
Net exchange differences on translation	332 247	78 197
Net transaction gains/(losses)	(253 560)	(13 046)
Other net trading income and result on hedge accounting	**23 931**	**26 967**
Interest-bearing instruments	5 996	18 158
Equity instruments	2 225	1 598
Market risk instruments	1 095	977
Result on fair value hedge accounting, including:	14 480	6 234
- Net profit on hedged items	(28 766)	(8 688)
- Net profit on fair value hedging instruments	43 246	14 922
Ineffective portion of cash flow hedge	135	-
Total net trading income	**102 618**	**92 118**

"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".

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

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

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Sale/redemption of financial assets available for sale	3 947	9 845
Gains less losses related to sale of subsidiaries and associates	191 051	-
Impairment of investments in subsidiaries and associates	10	-
Total gains less losses from investment securities and investments in subsidiaries and associates	**195 008**	**9 845**

In 2015, the position "Gains less losses related to sale of subsidiaries and associates" includes mainly the Group's result on sale of 100% shares of BRE Ubezpieczenia TUiR S.A. in the amount of PLN 194 348 thousand.

10. Other operating income

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Income from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	45 845	35 664
Income from insurance activity net	23 898	22 199
Income from services provided	5 573	6 817
Net income from operating lease	2 243	3 062
Income due to release of provisions for future commitments	1 685	1 827
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	442	122
Income from compensations, penalties and fines received	69	80
Other	8 919	3 500
Total other operating income	**88 674**	**73 271**

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 first quarter of 2015 and the first quarter of 2014 is presented below.

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Income from premiums		
- Premiums attributable	65 764	46 032
- Change in provision for premiums	(17 358)	685
Premiums earned	**48 406**	**46 717**
Reinsurer's shares		
- Gross premiums written	(16 307)	(17 000)
- Change in unearned premiums reserve	(66)	(527)
Reinsurer's share in premiums earned	**(16 373)**	**(17 527)**
Net premiums earned	**32 033**	**29 190**
Claims and benefits		
- Claims and benefits paid out in the current year including costs of liquidation before tax	(14 809)	(15 801)
- Change in provision for claims and benefits paid out in the current year including costs of liquidation before tax	(7 996)	(4 191)
- Reinsurer's share in claims and benefits paid out in the current year including costs of liquidation	11 047	11 931
- Change in provision for reinsurer's share of claims and benefits paid out in the current year including costs of liquidation	4 396	1 873
Claims and benefits net	**(7 362)**	**(6 188)**
- Other costs net of reinsurance	(746)	(757)
- Other operating income	5	3
- Costs of expertise and certificates concerning underwriting risk	(32)	(49)
Total net income from insurance activity	**23 898**	**22 199**

Net income from operating lease for the first quarter of 2015 and the first quarter of 2014 is presented below.

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Net income from operating lease, including:		
- Income from operating lease	13 635	15 655
- Depreciation cost of fixed assets provided under operating lease	(11 392)	(12 593)
Total net income from operating lease	**2 243**	**3 062**

11. Net impairment losses on loans and advances

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Net impairment losses on amounts due from other banks	84	(3 994)
Net impairment losses on loans and advances to customers	(109 614)	(93 747)
Net impairment losses on off-balance sheet contingent liabilities due to customers	9 559	8 254
Total net impairment losses on loans and advances	**(99 971)**	**(89 487)**

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

12. Overhead costs

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Staff-related expenses	(208 590)	(208 439)
Material costs, including:	(151 429)	(146 840)
- logistics cost	(83 500)	(78 514)
- IT costs	(27 860)	(28 052)
- marketing costs	(25 359)	(25 841)
- consulting costs	(12 043)	(13 115)
- other material costs	(2 667)	(1 318)
Taxes and fees	(9 832)	(10 060)
Contributions and transfers to the Bank Guarantee Fund	(34 112)	(17 696)
Contributions to the Social Benefits Fund	(1 745)	(1 717)
Other	-	(33)
Total overhead costs	**(405 708)**	**(384 785)**

Staff-related expenses for the first quarter of 2015 and the first quarter of 2014 are presented below.

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Wages and salaries	(165 965)	(166 585)
Social security expenses	(29 627)	(29 987)
Remuneration concerning share-based payments, including:	(6 804)	(5 115)
- share-based payments settled in mBank S.A. shares	(2 711)	(3 815)
- cash-settled share-based payments	(4 093)	(1 300)
Other staff expenses	(6 194)	(6 752)
Staff-related expenses, total	**(208 590)**	**(208 439)**

13. Other operating expenses

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Costs arising from sale or liquidation of fixed assets, intangible assets, assets held for sale and inventories	(31 629)	(25 098)
Provisions for future commitments	(3 142)	(11 956)
Donations made	(2 534)	(2 545)
Compensation, penalties and fines paid	(2 133)	(791)
Costs arising from provisions created for other receivables (excluding loans and advances)	(417)	(451)
Costs of sale of services	(609)	(424)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(82)	(2)
Other operating costs	(8 953)	(9 767)
Total other operating expenses	**(49 499)**	**(51 034)**

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.

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14. Earnings per share

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

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Basic:		
Net profit attributable to Owners of mBank S.A.	450 936	337 770
Weighted average number of ordinary shares	42 210 129	42 175 344
Net basic profit per share (in PLN per share)	**10.68**	**8.01**
Diluted:		
Net profit attributable to Owners of mBank S.A., applied for calculation of diluted earnings per share	450 936	337 770
Weighted average number of ordinary shares	42 210 129	42 175 344
Adjustments for:		
- share options	47 823	50 607
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 257 952	42 225 951
Diluted earnings per share (in PLN per share)	**10.67**	**8.00**

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

the period	from 01.01.2015 to 31.03.2015	from 01.01.2014 to 31.03.2014
Basic:		
Net profit	385 737	302 630
Weighted average number of ordinary shares	42 210 129	42 175 344
Net basic profit per share (in PLN per share)	**9.14**	**7.18**
Diluted:		
Net profit applied for calculation of diluted earnings per share	385 737	302 630
Weighted average number of ordinary shares	42 210 129	42 175 344
Adjustments for:		
- share options	47 823	50 607
Weighted average number of ordinary shares for calculation of diluted earnings per share	42 257 952	42 225 951
Diluted earnings per share (in PLN per share)	**9.13**	**7.17**

15. Trading securities

	31.03.2015			31.12.2014			31.03.2014		
	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:	**481 312**	**1 543 281**	**2 024 593**	**547 962**	**598 035**	**1 145 997**	**667 096**	**480 138**	**1 147 234**
Issued by government	29 258	1 543 281	1 572 539	19 871	598 035	617 906	285 302	480 138	765 440
- government bonds	29 258	1 543 281	1 572 539	19 871	598 035	617 906	285 302	480 138	765 440
Other debt securities	452 054	-	452 054	528 091	-	528 091	381 794	-	381 794
- bank's bonds	355 312	-	355 312	473 097	-	473 097	327 748	-	327 748
- corporate bonds	96 742	-	96 742	54 994	-	54 994	54 046	-	54 046
Equity securities:	**18 490**	**-**	**18 490**	**17 947**	**-**	**17 947**	**32 837**	**-**	**32 837**
- listed	12 618	-	12 618	10 431	-	10 431	11 105	-	11 105
- unlisted	5 872	-	5 872	7 516	-	7 516	21 732	-	21 732
Total debt and equity securities:	**499 802**	**1 543 281**	**2 043 083**	**565 909**	**598 035**	**1 163 944**	**699 933**	**480 138**	**1 180 071**

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16. Derivative financial instruments

	31.03.2015		31.12.2014		31.03.2014	
	assets	liabilities	assets	liabilities	assets	liabilities
Held for trading derivative financial instruments classified into banking book	161 575	380 578	93 811	165 367	132 345	34 295
Held for trading derivative financial instruments classified into trading book	4 427 366	4 455 804	4 617 313	4 549 407	2 057 143	2 085 473
Derivative financial instruments held for fair value hedging	62 231	1 257	102 226	3 592	27 142	1 124
Derivative financial instruments held for cash flow hedging	173 399	609	52 167	690	-	-
Total derivative financial instruments assets/liabilities	**4 824 571**	**4 838 248**	**4 865 517**	**4 719 056**	**2 216 630**	**2 120 892**

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".

Total result on fair value hedge accounting recognized in the income statement

	31.03.2015	31.03.2014
Interest income on derivatives concluded under the fair value hedge (Note 5)	9 272	711
Net profit on hedged items (Note 8)	(28 766)	(8 688)
Net profit on fair value hedging instruments (Note 8)	43 246	14 922
Total result on fair value hedging instruments	**23 752**	**6 945**

The following note presents other comprehensive income due to cash flow hedges as at 31 March 2015 and as at 31 December 2014.

	31.03.2015	31.12.2014
Other comprehensive income from cash flow hedge at the beginning of the period (gross)	5 008	-
Gains/losses rocognised in the comprehensive income during the reporting period (gross)	3 709	6 746
Amount included as interest income in the income statement during the reporting period	2 274	1 400
Ineffective portion of cash flow hedge recognised in the income statement	135	338
Accumulated other comprehensive income at the end of the reporting period (gross)	6 308	5 008
Deferred tax	(1 199)	(952)
Accumulated net other comprehensive income at the end of the reporting period	5 109	4 056
Impact on other comprehensive income in the reporting period (gross)	1 300	5 008
Deferred tax on cash flow hedges	(247)	(952)
Impact on other comprehensive income in the reporting period (net)	1 053	4 056

Total result on cash flow hedge accounting recognized in the income statement

	31.03.2015	31.03.2014
Interest income on derivatives concluded under the cash flow hedge (Note 5)	2 274	-
Ineffective portion of cash flow hedge (Note 8)	135	-
Total result on cash flow hedging instruments	**2 409**	**-**

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18. Loans and advances to customers

	31.03.2015	31.12.2014	31.03.2014
Loans and advances to individuals:	**43 787 510**	**41 560 477**	**38 972 546**
- current receivables	5 612 783	5 442 653	5 147 638
- term loans, including:	38 174 727	36 117 824	33 824 908
housing and mortgage loans	32 410 981	30 510 513	29 025 752
Loans and advances to corporate entities:	**35 339 970**	**32 841 046**	**31 884 169**
- current receivables	4 242 006	3 701 490	3 977 337
- term loans:	24 140 348	23 977 679	21 471 176
corporate & institutional enterprises	5 660 987	5 751 583	5 156 682
medium & small enterprises	18 479 361	18 226 096	16 314 494
- reverse repo / buy-sell-back transactions	5 612 272	3 838 553	4 927 498
- other	1 345 344	1 323 324	1 508 158
Loans and advances to public sector	**1 790 450**	**1 924 395**	**2 022 301**
Other receivables	**964 987**	**1 047 273**	**510 551**
Total (gross) loans and advances to customers	**81 882 917**	**77 373 191**	**73 389 567**
Provisions for loans and advances to customers (negative amount)	(2 905 865)	(2 790 841)	(2 466 537)
Total (net) loans and advances to customers	**78 977 052**	**74 582 350**	**70 923 030**
Short-term (up to 1 year)	28 111 838	26 964 700	26 775 391
Long-term (over 1 year)	50 865 214	47 617 650	44 147 639

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: 31 March 2015 – PLN 4 683 373 thousand, 31 December 2014 – PLN 4 472 041 thousand, 31 March 2014 – PLN 4 270 935 thousand.

Provisions for loans and advances

	31.03.2015	31.12.2014	31.03.2014
Incurred but not identified losses			
Gross balance sheet exposure	76 919 399	72 458 578	68 877 611
Impairment provisions for exposures analysed according to portfolio approach	(240 826)	(242 401)	(265 336)
Net balance sheet exposure	**76 678 573**	**72 216 177**	**68 612 275**
Receivables with impairment			
Gross balance sheet exposure	4 963 518	4 914 613	4 511 956
Provisions for receivables with impairment	(2 665 039)	(2 548 440)	(2 201 201)
Net balance sheet exposure	**2 298 479**	**2 366 173**	**2 310 755**

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:

- Earlier recognition of impaired status that gave larger amount of impaired portfolio,
- 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 recognised.

The table below presents the structure of concentration of mBank S.A. Group's exposures in particular sectors according to the rules for classification loans and advances to particular sector binding in the Group starting from the year-end 2014 financial statements.

No.	Sectors	Principal exposure (in PLN thousand)	%	Principal exposure (in PLN thousand)	%	Principal exposure (in PLN thousand)	%
		31.03.2015		31.12.2014		31.03.2014	
1.	Household customers	43 787 510	53.48	41 560 477	53.71	38 972 546	53.10
2.	Real estate management	4 914 792	6.00	4 901 307	6.33	4 675 179	6.37
3.	Wholesale trade	3 059 483	3.74	2 977 441	3.85	2 621 373	3.57
4.	Construction	3 009 534	3.68	2 884 365	3.73	2 473 293	3.37
5.	Retail trade	2 391 433	2.92	2 430 956	3.14	1 890 113	2.58
6.	Transport and logistics	1 804 851	2.20	1 819 827	2.35	1 969 801	2.68
7.	Fuels and chemicals	1 681 413	2.05	1 628 617	2.10	1 777 066	2.42
8.	Food sector	1 644 905	2.01	1 705 944	2.20	1 656 784	2.26
9.	Public administration	1 462 814	1.79	1 574 513	2.04	1 668 984	2.27
10.	Metals	1 335 295	1.63	1 266 991	1.64	1 208 092	1.65
11.	Power, power and heating distribution	1 295 173	1.58	1 422 625	1.84	1 403 799	1.91
12.	Forestry	1 293 507	1.58	1 286 566	1.66	1 048 859	1.43
13.	Information and communication	1 236 330	1.51	1 197 133	1.55	935 613	1.27
14.	Scientific and technical activities	619 568	0.76	586 923	0.76	360 723	0.49
15.	Financial activities	600 929	0.73	427 299	0.55	469 013	0.64
16.	Motorization	491 591	0.60	452 873	0.58	425 812	0.58
17.	Hotels and restaurants	454 738	0.55	455 059	0.59	436 027	0.59
18.	Industry	447 460	0.55	307 850	0.40	261 698	0.36
19.	Services	444 169	0.54	453 169	0.59	203 889	0.28
20.	Arts, entertainment	423 047	0.52	439 693	0.57	448 295	0.61
21.	Electronics and household equipment	410 831	0.50	408 000	0.53	469 239	0.64
22.	Municipal services	295 263	0.36	299 883	0.39	227 959	0.31

As at 31 March 2015, the total exposure of the Group in the above sectors (excluding household customers) amounted to 35.80% of the credit portfolio (31 December 2014– 37.39%, 31 March 2014 – 36.28%).

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19. Investment securities

	31.03.2015			31.12.2014			31.03.2014		
	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	**22 513 750**	**5 663 908**	**28 177 658**	**22 270 938**	**5 146 060**	**27 416 998**	**18 094 635**	**8 276 524**	**26 371 159**
Issued by government	18 051 052	5 663 908	23 714 960	17 440 062	5 146 060	22 586 122	12 166 915	8 200 046	20 366 961
- government bonds	18 051 052	5 663 908	23 714 960	17 440 062	5 146 060	22 586 122	12 166 915	8 200 046	20 366 961
Issued by central bank	3 979 510	-	3 979 510	4 479 540	-	4 479 540	5 734 772	76 478	5 811 250
Other debt securities	483 188	-	483 188	351 336	-	351 336	192 948	-	192 948
- bank's bonds	50 737	-	50 737	24 907	-	24 907	25 443	-	25 443
- corporate bonds	389 870	-	389 870	284 854	-	284 854	128 617	-	128 617
- communal bonds	42 581	-	42 581	41 575	-	41 575	38 888	-	38 888
Equity securities:	**264 415**	**-**	**264 415**	**261 616**	**-**	**261 616**	**234 076**	**-**	**234 076**
Listed	233 130	-	233 130	229 961	-	229 961	207 166	-	207 166
Unlisted	31 285	-	31 285	31 655	-	31 655	26 910	-	26 910
Total debt and equity securities:	**22 778 165**	**5 663 908**	**28 442 073**	**22 532 554**	**5 146 060**	**27 678 614**	**18 328 711**	**8 276 524**	**26 605 235**
Short-term (up to 1 year)	7 912 154	493 850	8 406 004	9 034 438	-	9 034 438	7 094 276	241 031	7 335 307
Long-term (over 1 year)	14 866 011	5 170 058	20 036 069	13 498 116	5 146 060	18 644 176	11 234 435	8 035 493	19 269 928

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.

The value of equity securities presented above includes provisions for impairment of PLN 11 997 thousand (31 December 2014: PLN 12 007 thousand, 31 March 2014: PLN 11 297 thousand).

As at 31 March 2015, listed equity securities include fair value of PZU shares in amount of PLN 231 380 thousand, (31 December 2014: PLN 229 961 thousand, 31 March 2014: PLN 203 227 thousand).

20. Intangible assets

	31.03.2015	31.12.2014	31.03.2014
Development costs	1	1	4
Goodwill	3 532	3 532	4 728
Patents, licences and similar assets, including:	350 464	361 214	333 801
- computer software	258 257	269 674	271 393
Other intangible assets	5 998	6 278	7 041
Intangible assets under development	98 190	94 601	86 385
Total intangible assets	**458 185**	**465 626**	**431 959**

21. Tangible assets

	31.03.2015	31.12.2014	31.03.2014
Tangible assets, including:	639 477	644 774	663 980
- land	1 335	1 335	1 267
- buildings and structures	201 100	202 454	213 333
- equipment	123 958	116 923	141 455
- vehicles	221 359	225 322	197 725
- other fixed assets	91 725	98 740	110 200
Fixed assets under construction	66 981	72 603	41 975
Total tangible assets	**706 458**	**717 377**	**705 955**

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22. Amounts due to customers

	31.03.2015	31.12.2014	31.03.2014
Individual customers:	**39 693 233**	**39 284 776**	**34 784 283**
Current accounts	28 862 710	27 974 843	24 995 943
Term deposits	10 686 951	11 202 722	9 732 818
Other liabilities:	143 572	107 211	55 522
- liabilities in respect of cash collaterals	21 171	19 357	18 039
- other	122 401	87 854	37 483
Corporate customers:	**30 816 379**	**32 237 087**	**28 068 588**
Current accounts	15 083 548	13 516 365	11 710 037
Term deposits	6 653 441	11 128 087	8 695 443
Loans and advances received	3 494 191	3 218 105	2 733 652
Repo transactions	5 073 777	3 738 058	4 351 624
Other liabilities:	511 422	636 472	577 832
- liabilities in respect of cash collaterals	404 016	492 975	474 656
- other	107 406	143 497	103 176
Public sector customers:	**1 351 402**	**900 616**	**743 568**
Current accounts	442 533	627 765	508 914
Term deposits	907 061	250 263	232 243
Repo transactions	-	12 951	-
Other liabilities:	1 808	9 637	2 411
- liabilities in respect of cash collaterals	125	125	-
- other	1 683	9 512	2 411
Total amounts due to customers	**71 861 014**	**72 422 479**	**63 596 439**

Short-term (up to 1 year)	66 406 980	67 174 957	59 082 364
Long-term (over 1 year)	5 454 034	5 247 522	4 514 075

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: 31 March 2015: PLN 3 103 963 thousand, 31 December 2014: PLN 3 258 296 thousand, 31 March 2014: PLN 2 621 568 thousand).

23. Provisions

	31.03.2015	31.12.2014	31.03.2014
For off-balance sheet granted contingent liabilities *	39 871	49 613	47 857
For legal proceedings	92 872	96 933	68 024
Technical-insurance provisions	-	-	88 981
Other	29 628	30 335	28 167
Total provisions	**162 371**	**176 881**	**233 029**

* includes valuation of financial guarantees

Technical-insurance provisions presented as at 31 March 2014, were the part of liabilities held for sale as at 31 December 2014.

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Movements in the provisions

	31.03.2015	31.12.2014	31.03.2014
As at the beginning of the period (by type)	**176 881**	**228 228**	**228 228**
For off-balance sheet granted contingent liabilities	49 613	56 068	56 068
For legal proceedings	96 933	56 275	56 275
Technical-insurance provisions	-	87 168	87 168
Other	30 335	28 717	28 717
Change in the period (due to)	**(14 510)**	**(51 347)**	**4 801**
- increase of provisions	33 229	219 980	41 467
- release of provisions	(41 180)	(164 836)	(36 118)
- write-offs	(6 376)	(19 548)	(595)
- reclassification	37	(87 168)	-
- foreign exchange differences	(220)	225	47
As at the end of the period (by type)	**162 371**	**176 881**	**233 029**
For off-balance sheet granted contingent liabilities	39 871	49 613	47 857
For legal proceedings	92 872	96 933	68 024
Technical-insurance provisions	-	-	88 981
Other	29 628	30 335	28 167

24. Assets and provisions for deferred income tax

Deferred income tax assets	31.03.2015	31.12.2014	31.03.2014
As at the beginning of the period	**645 554**	**614 352**	**614 352**
Changes recognized in the income statement	55 603	34 892	(42 205)
Changes recognized in other comprehensive income	(10 509)	443	21
Other changes	(85)	(4 133)	75
As at the end of the period	**690 563**	**645 554**	**572 243**

Provisions for deferred income tax	31.03.2015	31.12.2014	31.03.2014
As at the beginning of the period	**(382 923)**	**(246 485)**	**(246 485)**
Changes recognized in the income statement	(5 124)	(73 566)	(40 644)
Changes recognized in other comprehensive income	65	(65 440)	11 834
Other changes	-	2 568	416
As at the end of the period	**(387 982)**	**(382 923)**	**(274 879)**

Income tax	31.03.2015	31.12.2014	31.03.2014
Current income tax	(163 454)	(324 716)	(14 918)
Deferred income tax recognised in the income statement	50 480	(38 674)	(82 849)
Income tax recognised in the income statement	**(112 974)**	**(363 390)**	**(97 767)**
Recognised in other comprehensive income	(115 115)	(92 619)	11 855
Total income tax	**(228 089)**	**(456 009)**	**(85 912)**

25. Assets and liabilities held for sale

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 with Avanssur S.A., a company belonging to AXA Group, an agreement for sale of 100% shares in BRE TUiR.

Therefore, starting from the financial statements as at 30 September 2014, according to the rules described under Note 2.23, the Group classified BRE TUiR and indirectly its subsidiary AWL I Sp. z o.o. as non-current assets (disposal groups) held for sale.

On 27 March 2015, after 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, Aspiro sold 100% shares of BRE TUiR to Avanssur S.A.

On 8 December 2014, an agreement for the sale of 100% shares of Transfinance a.s. between mBank S.A. and UniCredit Bank Czech Republic and Slovakia a.s. was concluded.

As at 31 December 2014, in accordance with the above mentioned the Group classified Transfinance a.s. as non-current assets (disposal groups) held for sale.

On 20 January 2015, after the fullfilment of all contractual suspending conditions the transaction was finalized. The sale of Transfinance is the result of implementing the One Bank Strategy for 2012-2016 and is the last stage of restructuring of foreign factoring activities of the Group i.e. after the sale of Magyar Factor zRt and Intermarket Bank AG in 2011.

In connection with the settlement of the above mentioned sale transactions, as at 31 March 2015 the Group does not have any assets and liabilities held for sale.

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 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 statement of financial position of the Group at their fair values.

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	31.03.2015		31.12.2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Loans and advances to banks	**4 052 272**	**4 045 868**	**3 751 415**	**3 748 671**
Loans and advances to customers	**78 977 052**	**79 878 600**	**74 582 350**	**75 070 826**
Loans and advances to individuals	**42 214 566**	**43 358 374**	**40 080 064**	**40 874 882**
current accounts	4 974 659	5 066 227	4 848 799	4 927 627
term loans including:	37 239 907	38 292 147	35 231 265	35 947 255
- housing and mortgage loans	31 809 297	32 704 674	29 969 161	30 553 308
Loans and advances to corporate entities	**34 008 333**	**33 771 991**	**31 531 987**	**31 236 748**
current accounts	3 992 809	3 969 711	3 460 379	3 435 981
term loans	23 065 040	22 851 796	22 915 949	22 645 108
- corporate & institutional enterprises	5 470 849	5 417 377	5 557 635	5 516 855
- medium & small enterprises	17 594 191	17 434 419	17 358 314	17 128 253
reverse repo / buy sell back transactions	5 612 272	5 612 272	3 838 553	3 838 553
other	1 338 212	1 338 212	1 317 106	1 317 106
Loans and advances to public sector	**1 789 166**	**1 783 248**	**1 923 026**	**1 911 923**
Other receivables	**964 987**	**964 987**	**1 047 273**	**1 047 273**
Financial liabilities				
Amounts due to other banks	**17 839 428**	**17 610 410**	**13 383 829**	**13 508 323**
Amounts due to customers	**71 861 014**	**72 024 517**	**72 422 479**	**72 501 565**
Debt securities in issue	**10 382 134**	**10 398 093**	**10 341 742**	**10 425 444**
Subordinated liabilities	**4 436 572**	**4 395 398**	**4 127 724**	**4 105 811**

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

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

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

31.03.2015	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	**2 043 083**	**1 586 159**	**5 867**	**451 057**
Debt securities	***2 024 593***	***1 573 541***	***-***	***451 052***
- government bonds	1 572 539	1 572 539	-	-
- banks bonds	355 312	1 002	-	354 310
- corporate bonds	96 742	-	-	96 742
Equity securities	**18 490**	**12 618**	**5 867**	**5**
- listed	12 618	12 618	-	-
- unlisted	5 872	-	5 867	5
DERIVATIVE FINANCIAL INSTRUMENTS	**4 824 571**	**-**	**4 822 855**	**1 716**
Derivative financial instruments held for trading	***4 588 941***	***-***	***4 587 225***	***1 716***
- interest rate derivatives	4 181 639	-	4 181 639	-
- foreign exchange derivatives	394 794	-	394 794	-
- market risks derivatives	12 508	-	10 792	1 716
Derivative financial instruments held for hedging	***235 630***	***-***	***235 630***	***-***
- derivatives designated as fair value hedges	62 231	-	62 231	-
- derivatives designated as cash flow hedges	173 399	-	173 399	-
INVESTMENT SECURITIES	**28 442 073**	**23 991 692**	**3 979 510**	**470 871**
Debt securities	***28 177 658***	***23 757 541***	***3 979 510***	***440 607***
- government bonds	23 714 960	23 714 960	-	-
- money bills	3 979 510	-	3 979 510	-
- banks bonds	50 737	-	-	50 737
- corporate bonds	389 870	-	-	389 870
- communal bonds	42 581	42 581	-	-
Equity securities	***264 415***	***234 151***	***-***	***30 264***
- listed	233 130	233 130	-	-
- unlisted	31 285	1 021	-	30 264
TOTAL FINANCIAL ASSETS	**35 309 727**	**25 577 851**	**8 808 232**	**923 644**

31.03.2015	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	**4 838 248**	**-**	**4 837 262**	**986**
Derivative financial instruments held for trading	***4 836 382***	***-***	***4 835 396***	***986***
- interest rate derivatives	4 123 395	-	4 123 395	-
- foreign exchange derivatives	696 779	-	696 779	-
- market risks derivatives	16 208	-	15 222	986
Derivative financial instruments held for hedging	***1 866***	***-***	***1 866***	***-***
- derivatives designated as fair value hedges	1 257	-	1 257	-
- derivatives designated as cash flow hedges	609	-	609	-
Total financial liabilities	**4 838 248**	**-**	**4 837 262**	**986**
TOTAL RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS	**35 309 727**	**25 577 851**	**8 808 232**	**923 644**
FINANCIAL LIABILITIES	**4 838 248**	**-**	**4 837 262**	**986**

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

Assets Measured at Fair Value Based on Level 3 - changes in the period from 1 January to 31 March 2015	Debt trading securities	Equity trading securities	Derivative financial instruments	Debt investment securities	Equity investment securities
As at the beginning of the period	**527 067**	**22**	**469**	**309 761**	**30 696**
Gains and losses for the period:	**2 208**	**(17)**	**1 247**	**4 780**	**(20)**
Recognised in profit or loss:	2 208	(17)	1 247	-	(20)
Net trading income	*2 208*	*(17)*	*1 247*	-	-
Gains less losses from investment securities, investments in subsidiaries and associates	-	-	-	-	*(20)*
Recognised in other comprehensive income:	-	-	-	4 780	-
Available for sale financial assets	-	-	-	*4 780*	-
Purchases	462 787	-	-	9 832	-
Redemptions	(2 500)	-	-	(49 980)	(16)
Sales	(2 723 403)	-	-	(36 982)	(396)
Issues	2 184 893	-	-	203 196	-
As at the end of the period	**451 052**	**5**	**1 716**	**440 607**	**30 264**

31.12.2014	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	**1 163 944**	**629 361**	**7 494**	**527 089**
Debt securities	**1 145 997**	**618 930**	**-**	**527 067**
- government bonds	617 906	617 906	-	-
- banks bonds	473 097	1 024	-	472 073
- corporate bonds	54 994	-	-	54 994
Equity securities	**17 947**	**10 431**	**7 494**	**22**
- listed	10 431	10 431	-	-
- unlisted	7 516	-	7 494	22
DERIVATIVE FINANCIAL INSTRUMENTS	**4 865 517**	**-**	**4 865 048**	**469**
Derivative financial instruments held for trading	**4 711 124**	**-**	**4 710 655**	**469**
- interest rate derivatives	4 406 512	-	4 406 512	-
- foreign exchange derivatives	295 564	-	295 564	-
- market risks derivatives	9 048	-	8 579	469
Derivative financial instruments held for hedging	**154 393**	**-**	**154 393**	**-**
- derivatives designated as fair value hedges	102 226	-	102 226	-
- derivatives designated as cash flow hedges	52 167	-	52 167	-
INVESTMENT SECURITIES	**27 678 614**	**22 858 617**	**4 479 540**	**340 457**
Debt securities	**27 416 998**	**22 627 697**	**4 479 540**	**309 761**
- government bonds	22 586 122	22 586 122	-	-
- money bills	4 479 540	-	4 479 540	-
- banks bonds	24 907	-	-	24 907
- corporate bonds	284 854	-	-	284 854
- communal bonds	41 575	41 575	-	-
Equity securities	**261 616**	**230 920**	**-**	**30 696**
- listed	229 961	229 961	-	-
- unlisted	31 655	959	-	30 696
TOTAL FINANCIAL ASSETS	**33 708 075**	**23 487 978**	**9 352 082**	**868 015**

Transfers between levels in 2014	Transfers into Level 1	Transfers out of Level 1	Transfers into Level 2	Transfers out of Level 2
INVESTMENT SECURITIES	**898**	**-**	**-**	**(1 811)**
Equity securities	898	-	-	(1 811)

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

31.12.2014	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	**4 719 056**	**-**	**4 718 186**	**870**
Derivative financial instruments held for trading	**4 714 774**	**-**	**4 713 904**	**870**
- interest rate derivatives	4 390 412	-	4 390 412	-
- foreign exchange derivatives	305 857	-	305 443	414
- market risks derivatives	18 505	-	18 049	456
Derivative financial instruments held for hedging	**4 282**	**-**	**4 282**	**-**
- derivatives designated as fair value hedges	3 592	-	3 592	-
- derivatives designated as cash flow hedges	690	-	690	-
Total financial liabilities	**4 719 056**	**-**	**4 718 186**	**870**
TOTAL RECURRING FAIR VALUE MEASUREMENTS				
FINANCIAL ASSETS	**33 708 075**	**23 487 978**	**9 352 082**	**868 015**
FINANCIAL LIABILITIES	**4 719 056**	**-**	**4 718 186**	**870**

Assets Measured at Fair Value Based on Level 3 - changes in the year 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:	12 053	16	19	6 736	(696)
Recognised in profit or loss:	12 053	16	19	-	(710)
Net trading income	*12 053*	*16*	*19*	-	-
Gains less losses from investment securities, investments in subsidiaries and associates	-	-	-	-	(710)
Recognised in other comprehensive income:	-	-	-	6 736	14
Available for sale financial assets	-	-	-	6 736	14
Purchases	3 121 268	-	-	61 902	8 610
Redemptions	(344 563)	-	-	-	-
Sales	(11 866 323)	-	-	(198 072)	(15 947)
Issues	9 260 092	-	-	304 918	-
Settlements	(1 723)	-	-	1 235	(2 390)
Transfers into Level 3	-	-	-	-	913
As at the end of the period	**527 067**	**22**	**469**	**309 761**	**30 696**

With respect to financial instruments valuated in repetitive way to the fair value classified as level 1 and 2 in hierarchy of fair value, any cases in which transfer between these levels may occur, are monitored by Financial Market Risk Department on the basis of internal guidelines. There are two main 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.

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.

In the period of four quarters of 2014 there have been observed three movements from level 2 to level 3 in the total amount of PLN 913 thousand and one movement from level 2 to level 1 in the amount of PLN 898 thousand. These transfers resulted from the effect of valuation techniques revision applied to minority stakes of low value held by the Group.

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 31 March 2015, at level 1 of the fair value hierarchy, the Group has presented the fair value of held for trading government bonds in the amount of PLN 1 572 539 thousand (see Note 15) and the fair value of investment government bonds in the amount of PLN 23 714 960 thousand (see Note 19) (31 December 2014 respectively: PLN 617 906 thousand and PLN 22 586 122 thousand). Level 1 also includes the fair value of local government bonds in the amount of PLN 42 581 thousand (31 December 2014: PLN 41 575 thousand), and the fair value of bonds issued by banks in the amount of PLN 1 002 thousand (31 December 2014: PLN 1 024 thousand).

In addition, as at 31 March 2015 level 1 includes the value of the shares of listed companies in the amount of PLN 245 748 thousand, including the value of shares in PZU S.A. in the amount of PLN 231 380 thousand (31 December 2014 respectively: PLN 240 392 thousand and PLN 229 961 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 3 979 510 thousand (31 December 2014: PLN 4 479 540 thousand), whose valuation is based on a NPV model (discounted future cash flows) fed with interest rate curves generated by transformation of quotations taken directly from active and liquid financial markets.

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

As at 31 March 2015 and 31 December 2014, 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, covered bonds and deposit certificates) in the amount of PLN 891 659 thousand (31 December 2014: PLN 836 828 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 30 269 thousand (31 December 2014: PLN 30 718 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.

Selected explanatory information

1. Compliance with international financial reporting standards

The presented condensed consolidated report for the first quarter of 2015 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).

In accordance with the recommendation received from Polish Financial Supervision Authority (KNF) described in item 31 of Selected explanatory information, the Group has applied IFRIC 21 in such a way that the costs of fees payable to the Bank Guarantee Fund (BGF) and income related to these costs, will be recognized on accrual basis throughout the year 2015, the same way as in 2014.

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 Note 2 and 3 of the notes to the condensed consolidated financial statements for the first quarter of 2015. 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

- The sale of the company BRE Ubezpieczenia TUiR S.A.

The sale transaction of the company BRE Ubezpieczenia TUiR S.A. had a significant impact on both the results of the group in the first quarter of 2015, as well as cash flows. Details of this transaction have been described in item 9 and in Note 25.

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

In the first quarter of 2015, events as indicated above did not occur in the Group.

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

In the first quarter of 2015, mBank Hipoteczny S.A. (mBH S.A.) issued mortgage bonds in the amount of EUR 20 000 thousand and PLN 200 000 thousand. In the same time, mBH S.A. redeemed bonds in the amount of PLN 50 000 thousand.

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

On 30 March 2015, the 28th Ordinary General Meeting of mBank S.A., adopted resolutions approving the mBank S.A. financial statements for the year 2014 and the consolidated financial statements of mBank S.A. Group for the year 2014, while the resolution regarding the distribution of profit of mBank for the year 2014 will be taken on the session of the 28th Ordinary General Meeting of mBank S.A., resumed on 29 April 2015. In accordance with the resolution of the Management Board of the Bank dated 21 April 2015, the proposal of division of the 2014 profit of mBank submitted to the 28th Ordinary General Meeting of mBank S.A. assumes no dividend payout for the year 2014.

8. Significant events after the end of the first quarter of 2015, which are not reflected in the financial statements

In the first quarter of 2015, events as indicated above did not occur in the Group.

9. Effect of changes in the structure of the entity in the first quarter of 2015, including business combinations, acquisitions or disposal of subsidiaries, long-term investments, restructuring, and discontinuation of business activities

- The sale of the company BRE Ubezpieczenia TUiR S.A.

On 27 March 2015, after meeting specific conditions precedent, in particular: (i) obtaining the consent of the Office of Competition and Consumer Protection and (ii) no objections being raised by the Polish Financial Supervision Authority, the company Aspiro S.A. ("Aspiro") sold of 100% shares of BRE TUiR to the company Avanssur S.A., belonging to AXA Group.

Moreover, on 27 March and on 30 March 2015, mBank Group signed with AXA Group agreements related to the sale of shares of BRE TUiR and a distribution agreements, which regulate long-term cooperation between the mBank Group and AXA Group in relatio to distribution of insurance products.

mBank Group's total remuneration for the sale of BRE TUiR shares and agreements concluded with AXA Group entities amounted to PLN 579 479 thousand. The one-off impact of the transaction on the consolidated gross profit of mBank Group amounted to PLN 194 348 thousand and was fully recognised in the first quarter of 2015. The one-off impact of the transaction on the stand-alone gross profit of mBank amounted to PLN 168 265 thousand and was also recognized in the first quarter of 2015. Additionally, as a result of concluding the above mentioned distribution agreements, over the next 10 years the Group will recognize income in the total amount of PLN 180 000 thousand, which will be reflected in the profit and loss account on a straight line basis.

- Other changes in the structure of the company Aspiro

On 2 March 2015, the merger by acquisition of companies BRE Ubezpieczenia Sp. z o.o. and BRE Agent Ubezpieczeniowy Sp. z o.o occurred in the company Aspiro S.A. The activities of both insurance companies were taken over and will be continued in the same extent by Aspiro. The acquired companies were resolved on 2 March 2015, the day of their deletion from the register which was also the date of registered of the merger.The merger of the companies had no impact on the stand-alone profit of mBank and the consolidated profit of mBank Group.

- The sale of the company Transfinance a.s.

On 8 December 2014, an agreement for the sale of 100% shares of Transfinance a.s. between mBank S.A. and UniCredit Bank Czech Republic and Slovakia a.s. (UniCredit) was concluded. The transaction was finalized on 20 January 2015, after materialisation of all contractual suspending conditions. The sale of Transfinance is the result of implementing the One Bank Strategy for 2012-2016 and is the last stage of restructuring of foreign factoring activities of the Group i.e. after the sale of Magyar Factor zRt and Intermarket Bank AG in 2011.

- Interest in joint ventures

In the first quarter of 2015 a company under the name of Apartamenty Molo Rybackie Sp. z o.o. was registered, in which 50% of shares were acquired by mLocum S.A., a subsidiary of mBank. This is a result of the joint venture agreement entered by mLocum and Dalmor S.A., enitity of Polski Holding Nieruchomości S.A. group, related to the development of the first stage of Fishing Pier in Gdynia. The joint investment includes a construction of six five-storey apartment buildings located on the waterfront of the harbor dock, in which a development of new yacht marina is planned. Start of the construction is planned in 2016. The investment will be valued using the equity method. As of 31 March 2015, the exposure of mLocum S.A. in the joint venture amounted to PLN 1 000 thousand and stands for the initial share capital of the mBank Group in the SPV.

10. Changes in contingent liabilities and commitments

In the first quarter of 2015, there were no changes in contingent liabilities and commitments of credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group.

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

In the first quarter of 2015, events as indicated above did not occur in the Group.

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

In the first quarter of 2015, 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 under Note 9 and Note 11 of these condensed consolidated financial statements.

14. Reversals of provisions against restructuring costs

In the first quarter of 2015, events as indicated above did not occur in the Group.

15. Acquisitions and disposals of tangible fixed asset items

In the first quarter of 2015, 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

In the first quarter of 2015, 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 first quarter of 2015, 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

In the first quarter of 2015, events as indicated above did not occur in the Group.

19. Corrections of errors from previous reporting periods

In the first quarter of 2015, 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 2015.

22. Registered share capital

The total number of ordinary shares as at 31 March 2015 was 42 210 157 shares (31 December 2014: 42 210 057) at PLN 4 nominal value each (31 December 2014: PLN 4). All issued shares were fully paid up.

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

REGISTERED SHARE CAPITAL (THE STRUCTURE) AS AT 31 MARCH 2015						
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	-	-	36 044	144 176	fully paid in cash	2014
ordinary bearer	-	-	100	400	fully paid in cash	2015
Total number of shares			**42 210 157**			
Total registered share capital				**168 840 628**		
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 31 March 2015 it held 69.54% of the share capital and votes at the General Meeting of mBank S.A.

In the first quarter of 2015, there were changes in the holding of material share packages of the Bank.

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

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

In the first quarter of 2015, the National Depository of Securities (KDPW) has registered 100 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 first quarter of 2015 the Bank's share capital increased by PLN 400.

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

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 Q 2014	Number of shares acquired from the date of publishing the report for Q4 2014 to the date of publishing the report for Q1 2015	Number of shares sold from the date of publishing the report for Q4 2014 to the date of publishing the report for Q1 2015	Number of shares held as at the date of publishing the report for Q1 2015
Management Board				
1. Cezary Stypułkowski	2 034	-	-	2 034
2. Lidia Jabłonowska-Luba	-	-	-	-
3. Przemysław Gdański	2 000	-	-	2 000
4. Joerg Hessenmueller	-	-	-	-
5. Hans-Dieter Kemler	1 000	-	-	1 000
6. Cezary Kocik	-	-	-	-
7. Jarosław Mastalerz	-	-	-	-

As at the date of publishing the report for the fourth quarter of 2014 and as at the date of publishing the report for the first quarter of 2015, the Members of the Management Board had no and they have no rights to Bank's shares.

As at the date of the publishing the report for the fourth quarter of 2014 and as at the date of the publishing the report for the first quarter of 2015, Mr Wiesław Thor had 3 000 shares of mBank.

As at the date of publishing the report for the fourth quarter of 2014 and as at the date of publishing the report for the first quarter of 2015, the other Members of the Supervisory Board of mBank S.A. had neither Bank shares nor rights to Bank shares.

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

As at 31 March 2015, 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 31 March 2015 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 filed 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. On 18 February 2015, the Supreme Court received the annulment appeal filed by mBank.

As at 31 March 2015, 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 31 March 2015 was also not higher than 10% of the Bank's equity.

Information regarding tax audits

Within the period from 9 December 2014 to 2 April 2015, Director of the Treasury Control Office in Łódź (Urząd Kontroli Skarbowej w Łodzi) carried out audit proceedings in Aspiro S.A. concerning correctness of the settlement of value added tax for the year 2012. The audit did not identify any relevant irregularities.

Within the period from 18 November 2014 to 28 November 2014, Director of the of the Łódź Treasury Office (Łódzki Urząd Skarbowy w Łodzi) carried out audit proceedings and tax audit in Aspiro S.A. concerning corectness of value added tax return for period from 1 July 2014 to 31 August 2014. The audit did not identify any relevant irregularities.

Within the period from 16 October 2014 to 4 November 2014, Director of the Treasury Control Office in Łódź (Urząd Kontroli Skarbowej w Łodzi) carried out audit proceedings and tax audit in mLocum S.A. concerning correctness of the settlement of the value added tax and corporate income tax for the year 2012. The audit did not identify any irregularities.

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.

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.

IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 PLN (000's)

26. Off-balance sheet liabilities

Off-balance sheet liabilities as at 31 March 2015, 31 December 2014 and 31 March 2014 were as follows:

mBank Group consolidated data

	31.03.2015	31.12.2014	31.03.2014
1. Contingent liabilities granted and received	**25 751 775**	**25 257 970**	**25 228 065**
Commitments granted	**24 142 673**	**23 599 073**	**21 834 285**
- financing	20 346 171	19 973 966	18 496 122
- guarantees and other financial facilities	3 796 172	3 610 377	3 337 831
- other commitments	330	14 730	332
Commitments received	**1 609 102**	**1 658 897**	**3 393 780**
- financial commitments	65 808	31 841	2 105 374
- guarantees	1 543 294	1 627 056	1 288 406
2. Derivative financial instruments (nominal value of contracts)	**738 364 266**	**754 177 045**	**634 445 481**
Interest rate derivatives	664 477 949	677 374 381	570 625 936
Currency derivatives	72 059 833	75 432 762	61 512 541
Market risk derivatives	1 826 484	1 369 902	2 307 004
Total off-balance sheet items	**764 116 041**	**779 435 015**	**659 673 546**

mBank stand-alone data

	31.03.2015	31.12.2014	31.03.2014
1. Contingent liabilities granted and received	**30 922 492**	**30 946 119**	**26 586 736**
Commitments granted	**29 406 033**	**29 372 865**	**23 195 332**
- financing	18 620 266	18 569 299	16 891 580
- guarantees and other financial facilities	10 785 767	10 789 166	6 303 752
- other commitments	-	14 400	-
Commitments received	**1 516 459**	**1 573 254**	**3 391 404**
- financial commitments	65 808	31 841	2 105 374
- guarantees	1 450 651	1 541 413	1 286 030
2. Derivative financial instruments (nominal value of contracts)	**741 723 860**	**757 955 294**	**637 339 550**
Interest rate derivatives	666 735 179	679 867 169	572 085 224
Currency derivatives	73 162 694	76 718 706	62 947 322
Market risk derivatives	1 825 987	1 369 419	2 307 004
Total off-balance sheet items	**772 646 352**	**788 901 413**	**663 926 286**

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 31 March 2015, 31 December 2014 and 31 March 2014 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	**31.03.2015**	**31.12.2014**	**31.03.2014**	**31.03.2015**	**31.12.2014**	**31.03.2014**
Statement of Financial Position						
Assets	109 077	110 055	60 711	978 477	907 869	375 341
Liabilities	282	509	1 721	17 394 903	15 852 630	16 305 013
Income Statement						
Interest income	2 206	8 467	1 007	46 773	162 714	28 326
Interest expense	(1)	(25)	(7)	(79 217)	(332 127)	(79 444)
Fee and commission income	17	42	10	-	-	-
Other operating income	17	26 776	26	-	378	212
Overhead costs, amortisation and other operating expenses	-	(58)	-	(2 196)	(9 532)	(3 257)
Contingent liabilities granted and received						
Contingent liabilities granted	1 050	2 617	857	1 236 412	1 309 589	1 255 465
Contingent liabilities received	-	-	-	745 546	836 870	769 089

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

As at 31 March 2015, 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.

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

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

In the first quarter of 2015, events as indicated above did not occur in the Group.

30. Factors affecting the results in the coming quarter

Apart from operating activity of the Bank and mBank Group entities, there are no other events expected in the second quarter of 2015 that would have a significant impact on the profit of this period

31. Other information

- Publication of IFRS Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015

On 17 June 2015 The Management Board of mBank S.A. took a decision to adjust mBank Group IFRS Condensed Consolidated Financial Statements for the first quarter of 2015 due to recommendation received from Polish Financial Supervision Authority (PFSA) in the letter dated 30 April 2015 and further KNF explanations received on 17 June 2015 requesting the Bank to bring its financial reporting in line with the approach recommended by the KNF and to ensure comparability with Polish banking sector in respect of recognition of fees and contributions to the Bank Guarantee Fund (BFG).

KNF indicated art. 138 paragraph 1 point 6 of the Banking Act (Dz. U. of 2015, No. 128 - Codification) as a basis for issuing above mentioned recommendation.

In the Condensed Consolidated Financial Statements for the first quarter of 2015 published on 29 April 2015 all of the fees and contributions to the BFG as well as related income for the year 2015 were recognized in full amount in the profit and loss account for the first quarter in accordance with the Interpretation 21 Levies issued by the International Financial Reporting Standard Interpretations Committee and approved by the European Union. In these Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 an approach of recognition on accrual basis throughout the year is applied to all of the fees and contributions to the BFG as well as related income for the year 2015.
The adjustment results among others in increase of the mBank Group consolidated net profit and consolidated equity of PLN 69 945 thousand as well as mBank stand-alone net profit and equity of PLN 71 521 thousand as it was presented in the explanatory note 2.34 in the Condensed Consolidated Financial Statements for the first quarter of 2015 published on 29 April 2015.

Publication of this Adjusted Condensed Consolidated Financial Statements for the first quarter of 2015 is a result of the necessity to fulfil above mentioned KNF recommendation.